Medical Marijuana Dispensary License Application

Department of Health, Office of Health Care Assurance

Criteria 1. Ability to operate a business, including but not limited to education, knowledge, and experience	
Criteria 2. Plan for operating a medical marijuana dispensary in the county for which the applicant is seeking a license, including but not limited to a timeline for opening a retail dispensing location	
Criteria 3. Proof of financial stability and access to financial resources	
Criteria 4. Ability to comply with the security requirements of this chapter and section 329D-7, HRS	
Criteria 5. Capacity to meet the needs of qualifying patients	
Criteria 6. Ability to comply with criminal background check requirements pursuant to this chapter and sections 329D-7, 329D-12, and 846-2.7, HRS	
Criteria 7. Ability to comply with the requirements in this chapter and chapters 329 and 329D, HRS, for inventory tracking, security, and dispensing limits for qualifying patients	
Criteria 8. Ability to maintain confidentiality of a qualifying patient?s medical condition, health status, and purchases of marijuana or manufactured marijuana products	
Criteria 9. Ability to conduct or contract for certified laboratory testing on marijuana and manufactured marijuana products pursuant to this chapter and sections 329D-7 and 329D-8, HRS	
Criteria 10. Ability to comply with requirements for packaging, labeling, and chain of custody of products	
Criteria 11. A plan for secure disposal of marijuana and manufactured marijuana products	
Criteria 12. Ability to ensure product safety, in accordance with this chapter and sections 329D-8, 329D-10, 329D-11, HRS	
Criteria 13. No history of having a business license revoked.	
Total Merit Criteria Points Awarded to Applicant	

HELPFUL INFORMATION FOR FILLING OUT THIS FORM:

1. You can save your work on this form by checking the 'Save my progress and resume later' box and then clicking the 'Save form and resume later' button at the bottom of each screen. IMPORTANT: Remember to do this every time you leave your application or you will lose the information you have entered.

2. To keep your information secure, remember to log out of your application each time you finish working on it.

3. Use a current version of Google Chrome or Firefox browser when completing this form.

4. Save the form every 20 minutes to avoid timing out. When entering information in a spreadsheet, save and exit the form first.

5. Do not include single or double quote marks (' or ") or more than one period (.) in your document names.

INSTRUCTIONS FOR THE MEDICAL MARIJUANA DISPENSARY LICENSE APPLICATION

Before applying for a medical marijuana dispensary license, applicants must acknowledge that they have read the statute and administrative rules on medical marijuana dispensary licensing. Click to be redirected to the statute and administrative rules.

Hawaii Revised Statute (HRS) 329D	✔ I acknowledge that I have read Chapter 329D, HRS (http://health.hawaii.gov/medicalmarijuana/wp-content/blogs.dir/93/files/2015/12/2015-329D-HRS.pdf), and I am aware of the application and licensing requirements.
Hawaii Administrative Rules (HAR) Chapter 11-850	✔ I acknowledge that I have read HAR, Chapter 11-850 (http://health.hawaii.gov/medicalmarijuana/wp-content/blogs.dir/93/files/2015/12/Dispensary-Rules-Chapter-11-850-signed-by-Gov-12-13-15.pdf), and I am aware of the licensing requirements.
Disclaimer:	✔ I understand that the use and possession of marijuana is illegal under federal law, and is illegal under State law except as prov Chapters 329 and 329D, HRS.

MINIMUM REQUIREMENTS

All individual applicants and applying entities must meet the requirements listed below or the application will not be accepted. Applicants must attach proof to the online application as described in sections.

INDIVIDUAL APPLICANT

*** Individual applicant shall be at least 21 years old.**
*** Shall be a legal resident of the State of Hawaii for at least five (5) uninterrupted years immediately preceding the date of the license application.**
*** Shall not have any felony convictions or any other disqualifying background history.**
*** Shall be authorized by the applying entity to submit an application for a dispensary license, and act as the primary point of contact with the department.**

APPLYING ENTITY

*** The applying entity must be organized under the laws of the State of Hawaii.**
*** Have a Hawaii tax identification number.**
*** Have a Department of Commerce and Consumer Affairs Business Registration Division number and suffix.**
*** Have a federal employer identification number.**
*** Not be less than fifty-one percent held by Hawaii legal residents or entities wholly controlled by Hawaii legal residents who have been legal residents for not less than five years immediately prece application was submitted.**
*** Have financial resources under its control of not less than $1,000,000 for each license applied for, plus not less than $100,000 for each retail dispensing location allowed under the license applied bank statements or escrow accounts, and those financial resources shall have been under the control of the applying entity for not less than ninety days immediately preceding the date the applica**
*** Be composed of owners, principals, or members, each of whom is not less than twenty-one years of age and has no felony convictions or any other disqualifying background history.**

APPLICATION FEE

The license application fee of $5,000 by certified check or cashier's check payable to the State of Hawaii, Department of Health, is part of the minimum requirements and must be received at Departr Medical Marijuana Dispensary Licensing, Room 337, 601 Kamokila Blvd., Kapolei, HI 96707 or be postmarked by 4:30 pm Hawaii Standard Time on the last day of the open application period Januar

Please note the application number on the check. This is found in the heading of the email confirmation you receive upon submittal, and is also visible when you view your completed application or

NOTE: ALL QUESTIONS MUST BE ANSWERED TO SUBMIT YOUR APPLICATION UNLESS OTHERWISE INDICATED.

SECTION A: APPLICATION FOR COUNTY

NOTE: An applicant may apply for a license for more than one county, but may only receive one license. Indicating here that you are applying for a license for more than one county does not consti license in another county; separate applications must be submitted. The applicant and applying entity must complete a separate application with all required documentation for each application an refundable application fee of $5,000 for each application. The financial resources required ($1,000,000 plus not less than $100,000 for each retail dispensing location) may apply across applications can only apply toward one license, if granted.

1. For which county are you requesting a license?	City & County of Honolulu
2. Are you also applying for a dispensary license in another county?	■
2a. If YES, what other county or counties are you applying for a license? (NOTE: A separate application and check will be required for each county.)	

SECTION B: INDIVIDUAL APPLICANT INFORMATION

GENERAL INFORMATION

3. Legal Name of Applicant	Nina Maiko Arizumi
4. Upload Proof of Legal Name of Applicant **Scan and submit a certified copy of AT LEAST ONE (1) of the following:** *** Certified copy of a birth certificate or marriage certificate filed with a state office of vital statistics or equivalent agency in the individual's state of birth or marriage;** *** Valid, unexpired U.S. passport [inside cover and first page only] or U.S. passport card;** *** Consular report of birth abroad Form FS-240, DS-1350 or FS-545 issued by the U.S. Department of State;** *** Valid, unexpired permanent resident card (Form I-551) issued by the Department of Homeland Security (DHS) or the U.S. Citizenship and Immigration Services (USCIS);** *** Unexpired employment authorization document issued by the DHS, Form I-766 or Form I-688B;** *** Unexpired foreign passport with the following: a valid, unexpired U.S. visa affixed, and an approved I-94 form documenting the applicant's most recent admittance into the United States or a DHS admittance stamp on the passport;** *** Certified copy of the Certificate of Naturalization issued by DHS, Form N-550 or Form N-570;** *** Certificate of citizenship, Form N-560 or Form N-561, issued by DHS;** *** Court-issued, certified copy of a divorce decree;** *** Certified copy of a legal change of name order**	[redacted]
5. Date of Birth (must be at least 21 years old)	[redacted]

6. Upload Proof of Date of Birth of Applicant **Scan and submit a certified copy of AT LEAST ONE (1) of the following:** *** Certified copy of a birth certificate or marriage certificate filed with a state office of vital statistics or equivalent agency in the individual's state of birth or marriage;** *** Valid, unexpired U.S. passport [inside cover and first page only] or U.S. passport card;** *** Consular report of birth abroad Form FS-240, DS-1350 or FS-545 issued by the U.S. Department of State;** *** Valid, unexpired permanent resident card (Form I-551) issued by the Department of Homeland Security (DHS) or the U.S. Citizenship and Immigration Services (USCIS);** *** Unexpired employment authorization document issued by the DHS, Form I-766 or Form I-688B;** *** Unexpired foreign passport with the following: a valid, unexpired U.S. visa affixed, and an approved I-94 form documenting the applicant's most recent admittance into the United States or a DHS admittance stamp on the passport;** *** Certificate of naturalization issued by DHS, Form N-550 or Form N-570;** *** Certificate of citizenship, Form N-560 or Form N-561, issued by DHS;** *** Valid, unexpired driver's license or government issued photo identification card.**	[redacted]
7. Social Security No. or Identifier No. (last 4 digits only):	[redacted]
8. Applicant's Address	[redacted] United States
9. Daytime Phone No.	[redacted]
10. Fax No.	[redacted]
11. Email	[redacted]
CRIMINAL HISTORY INFORMATION	
12. Has the individual applicant ever been convicted of a felony? If YES, STOP, you are not an eligible applicant.	[redacted]
13. Has the individual applicant ever been convicted of a crime?	[redacted]
13a. If YES, please describe (e.g., conviction, date, disposition, etc.)	
14. Has the individual applicant ever been arrested?	[redacted]
14a. If YES, please describe (e.g., date, disposition, etc.)	

Obtain a Criminal History Report **Copy the Validation code from an eCrim report for the individual applicant generated by the Hawaii Criminal Justice Data Center no earlier than December 12, 2015 at 8:00 a.m. (Hawaii-Aleutian Standard Time).** **Visit** eCrim.ehawaii.gov (https://ecrim.ehawaii.gov/ahewa/) **to obtain the eCrim report.** **15. Enter the eCrim Validation Code here:**	[redacted]
16. NOTICE: Pursuant to Chapter 329D HRS and Chapter 11-850 HAR, applicants are required to provide consent to a background check, including fingerprinting, to be conducted by the Department of Health or its designee. **Further information and instructions will be provided on http://health.hawaii.gov/medicalmarijuana/. If the information and instructions are not yet posted, please check the website often.**	✔ I consent
RESIDENCY INFORMATION 17. Is the Applicant a legal resident of the State of Hawaii for at least five years? If NO, STOP, you are not an eligible applicant.	[redacted]
18. Upload Proof of Hawaii Residency: **Scan and submit AT LEAST ONE (1) of the following source documents as proof of Hawaii state residency for at least five years:** *** State of Hawaii tax return Form N-11 without schedules, worksheets, or attachments, and redacted to remove all financial information and all but the last four digits of the individual's social security number;** *** Evidence of voter registration;** *** Ownership, lease, or rental documents for place of primary domicile;** *** Billing statements including utility bills; or** *** Vehicle registration.**	[redacted]
19. Authorized to Act on Behalf of Applying Entity **Scan and submit evidence of the authority of the individual to act on behalf of the applying entity, and supporting documentation (e.g. corporate resolution, bylaws, articles of incorporation):**	[redacted]
SECTION C: APPLYING ENTITY INFORMATION	
20. Name of Applying Entity	Project Green LLC dba Malama Group
21. Applying Entity's Business Address	[redacted] United States
22. Entity Phone #	[redacted]
23. Entity Email	[redacted]
24. Entity Fax #	[redacted]

[redacted] [redacted]

25. Is the applying entity organized under the laws of the State of Hawaii? If the answer is 'NO', STOP, you are not an eligible applicant.	[redacted]
26. Upload Applying Entity Incorporation or Business Status Documentation: **Upload a certified copy of applying entity's incorporation documents in the State of Hawaii.** **Visit** Hawaii Business Express (https://hbe.ehawaii.gov/documents/search.html) **for available documents.**	[redacted]
27. Provide the entity's Hawaii Department of Commerce & Consumer Affairs Business Registration Division Number & Suffix (file number). **Visit** Hawaii Business Express - Business Name Search (https://hbe.ehawaii.gov/documents/search.html) **to locate your entity's file number.**	[redacted]
28. Upload a copy of the entity's Certificate of Good Standing from the Department of Commerce and Consumer Affairs.	[redacted]
29. Hawaii Tax Identification Number: **Provide the number along with a copy of the State of Hawaii Tax Identification Number (see question immediately below).** **Visit** Tax ID Search (https://dotax.ehawaii.gov/tls/app) **for this information.**	[redacted]
30. Upload a copy of the entity's State of Hawaii Tax Identification document.	[redacted]
31. Federal Employer Identification Number: Provide the Federal Employer Identification Number.	[redacted]
32. Upload a copy of the entity's Federal Employer Identification Number document.	[redacted]
OWNER(S), PRINCIPAL(S), & MEMBER(S) INFORMATION	
33. Enter the total number of Owner(s), Principal(s), and Member(s) of the applying entity here:	[redacted]

34. Upload Owner, Principal, and Member Information Spreadsheet

INSTRUCTIONS: Download the EXCEL spreadsheet below, enter the following information in the format required, and upload it to attach it to your application.

Information to be provided:

1) List of Owners, Principals, and Members of the Applying Entity

For each Owner, Principal, and Member of the Applying Entity:
A) Name, Address, Phone number, and Email Address
B) Each individual's percent interest in the company
C) State of primary residence
D) Number of years each person has lived in Hawaii (the most recent, uninterrupted number of years that the person has been a resident), and
E) A criminal background check for each Owner, Principal, and Member.

Copy the validation code from an eCrim report for the individual generated by the Hawaii Criminal Justice Data Center no earlier than December 12, 2015 at 8:00 a.m. (Hawaii-Aleutian Standard Time).
Visit eCrim.ehawaii.gov (https://ecrim.ehawaii.gov/ahewa/) **to obtain the eCrim report.**

Please include a signed statement by each Owner, Principal, or Member certifying that the information is complete and accurate. Upload the signed statements in the following question (35.)

2) Other Businesses Holding an Interest

If there are businesses that hold an interest in the company, list the business names and percent interest on a separate tab on the spreadsheet.

Download Owner Principal Member Information Spreadsheet (/mmjdisp/templates/Owner_Principal_Member_Report.xls)

[redacted]

35. Upload Proof of Name, Date of Birth, and Residency for each Officer, Principal, or Member listed on the spreadsheet

[redacted]

1) Proof of Legal Name of Each Owner, Principal, and Member:

Scan and submit a certified copy of AT LEAST ONE (1) of the following:

*** Certified copy of a birth certificate or marriage certificate filed with a state office of vital statistics or equivalent agency in the individual's state of birth or marriage;**
*** Valid, unexpired U.S. passport [inside cover and first page only] or U.S. passport card;**
*** Consular report of birth abroad Form FS-240, DS-1350 or FS-545 issued by the U.S. Department of State;**
*** Valid, unexpired permanent resident card (Form I-551) issued by the Department of Homeland Security (DHS) or the U.S. Citizenship and Immigration Services (USCIS);**
*** Unexpired employment authorization document issued by the DHS, Form I-766 or Form I-688B;**
*** Unexpired foreign passport with the following: a valid, unexpired U.S. visa affixed, and an approved I-94 form documenting the applicant's most recent admittance into the United States or a DHS admittance stamp on the passport;**
*** Certificate of naturalization issued by DHS, Form N-550 or Form N-570;**
*** Certificate of citizenship, Form N-560 or Form N-561, issued by DHS;**
*** Court-issued, certified copy of a divorce decree;**
*** Certified copy of a legal change of name order;**

2) Proof of Date of Birth

Scan and submit a certified copy of AT LEAST ONE (1) of the following:

*** Certified copy of a birth certificate or marriage certificate filed with a state office of vital statistics or equivalent agency in the individual's state of birth or marriage;**
*** Valid, unexpired U.S. passport [inside cover and first page only] or U.S. passport card;**
*** Consular report of birth abroad Form FS-240, DS-1350 or FS-545 issued by the U.S. Department of State;**
*** Valid, unexpired permanent resident card (Form I-551) issued by the Department of Homeland Security (DHS) or the U.S. Citizenship and Immigration Services (USCIS);**
*** Unexpired employment authorization document issued by the DHS, Form I-766 or Form I-688B;**
*** Unexpired foreign passport with the following: a valid, unexpired U.S. visa affixed, and an approved I-94 form documenting the applicant's most recent admittance into the United States or a DHS admittance stamp on the passport;**
*** Certificate of naturalization issued by DHS, Form N-550 or Form N-570;**
*** Certificate of citizenship, Form N-560 or Form N-561, issued by DHS;**
*** Valid, unexpired driver's license or government issued photo identification card.**

[redacted]

3) Proof of Hawaii Residency:

Scan and submit AT LEAST ONE (1) of the following source documents as proof of Hawaii state residency for at least five years:

*** State of Hawaii tax return Form N-11 without schedules, worksheets, or attachments, and redacted to remove all financial information and all but the last four digits of the individual's social security number;**
*** Evidence of voter registration;**
*** Ownership, lease, or rental documents for place of primary domicile;**
*** Billing statements including utility bills; or**
*** Vehicle registration.**

Document size limit is 2 MB. Up to 10 documents may be attached.

SECTION D: FINANCIAL INFORMATION

36. FINANCIAL RESOURCES GENERAL INFORMATION

INSTRUCTIONS: Download the EXCEL spreadsheet below, enter the following information in the format required, and upload it to attach it to your application.

Information to be provided:
1) Financial Resources the applying entity has under its control. List each financial resource, amount of the resource (round to nearest dollar, no cents), and verifying information (account type, account number, account name, name of financial institution, applicant contact information) as shown on the spreadsheet

[redacted]

2) Date Resource/Dollar amount under the applying entity's control

Download Financial Resources General Information Spreadsheet (/mmjdisp/templates/Financial_Resources_General.xls)

Upload the completed Financial Resources General Information Spreadsheet

37. Upload Financial Resources General Information Supporting Source Documents

Upload supporting source documents, i.e. bank statements, escrow account information, balance sheets etc. Supporting source documents for Financial Resources General Information must be provided as proof of the financial resources.

[redacted]

Document size limit is 10 MB. Up to 5 documents may be attached.

[redacted]

38. FINANCIAL RESOURCES -
RETAIL DISPENSING LOCATION INFORMATION

INSTRUCTIONS: Download the EXCEL spreadsheet below, enter the following information in the format required, and upload it to attach it to your application.

Data to be provided:
1) Financial Resources the applying entity has under its control for each retail dispensing location allowed (2 locations maximum)

2) Dollar Amount (total aggregate for each retail dispensing location shall be not less than $100,000, or $200,000 for 2 locations)

[redacted]

3) Date Resource/Dollar amount under the applying entity's control (resources have been under the Applying Entity's control for not less than 90 days)

Download Financial Resources - Retail Dispensing Location Information Spreadsheet (/mmjdisp/templates/Financial_Resources_Retail_Dispensing_Location.xls)

Upload the completed Financial Resources - Retail Dispensing Location Information Spreadsheet

39. Upload Retail Dispensary Location Supporting Source Documents

Upload supporting source documents, i.e. bank statements, escrow account information, balance sheets etc. Supporting source documents for retail dispensary locations must be provided as proof of the financial resources.

[redacted]

Document size limit is 10 MB. Up to 5 documents may be attached.

SECTION E: MERIT INFORMATION - OPTIONAL

Responses for each criteria shall be no longer than specified for each criteria, double spaced, font size no smaller than 12, and margins no less than 1 inch on all sides.

[redacted]

(1) Ability to operate a business, including but not limited to education, knowledge, and experience with:
(A) Regulated industries;
(B) Agriculture or horticulture;
(C) Commercial manufacturing;
(D) Pharmaceutical companies;
(E) Operating or working in a medical marijuana dispensary business;
(F) Creating and implementing a business plan, including a timeline for opening a business;
(G) Creating and implementing a financial plan;
(H) Retail sales;
(I) Secure inventory tracking and control;
(J) Protecting confidential customer information;
(K) Owning or managing a business that required twenty four hour security monitoring; and
(L) Any other experience the applicant considers relevant;

Response to (1) shall be no longer than five (5) pages.

Upload Response to (1)

[redacted]

(2) Plan for operating a medical marijuana dispensary in the county for which the applicant is seeking a license, including but not limited to a timeline for opening a retail dispensing location;

Response to (2) shall be no longer than five (5) pages.

Upload Response to (2)

[redacted]

(3) Proof of financial stability and access to financial resources, including but not limited to:
(A) Legal sources of finances immediately available to begin operating a dispensary;
(B) A summary of financial statements in businesses previously or currently owned or operated by the applicant;
(C) A financial plan for operating a medical marijuana dispensary in Hawaii;
(D) Good credit history; and
(E) History of bankruptcy by the applicant or entities owned or operated by the applicant;

Response to (3) shall be no longer than five (5) pages.

Upload Response to (3)

[redacted]

(4) Ability to comply with the security requirements of Chapter 11-850 and Section 329D-7, HRS;

Response to (4) shall be no longer than five (5) pages.

Upload Response to (4)

[redacted]

[redacted] [redacted]

(5) Capacity to meet the needs of qualifying patients, including but not limited to:
(A) Educating patients on how marijuana can be used to assist patients with debilitating medical conditions and about the marijuana and manufactured marijuana products that will be available in the applicant's retail dispensing locations;
(B) Producing and maintaining a supply of marijuana that is sufficient to meet the needs of qualifying patients;
(C) Providing safe, accessible retail dispensing locations; and
(D) Measuring and improving customer satisfaction;

Response to (5) shall be no longer than five (5) pages.

Upload Response to (5)

[redacted]

(6) Ability to comply with criminal background check requirements pursuant to Chapter 11-850 and Sections 329D-7, 329D-12, and 846-2.7, HRS;

Response to (6) shall be no longer than three (3) pages.

Upload Response to (6)

[redacted]

(7) Ability to comply with the requirements in Chapter 11-850 and Sections 329 and 329D, HRS, for inventory tracking, security, and dispensing limits for qualifying patients;

Response to (7) shall be no longer than five (5) pages.

Upload Response to (7)

[redacted]

(8) Ability to maintain confidentiality of a qualifying patient's medical condition, health status, and purchases of marijuana or manufactured marijuana products;

Response to (8) shall be no longer than three (3) pages.

Upload Response to (8)

[redacted]

(9) Ability to conduct or contract for certified laboratory testing on marijuana and manufactured marijuana products pursuant to Chapter 11-850 and Sections 329D-7 and 329D-8, HRS;

Response to (9) shall be no longer than three (3) pages.

Upload Response to (9)

[redacted]

(10) Ability to comply with requirements for packaging, labeling, and chain of custody of products;

Response to (10) shall be no longer than three (3) pages.

Upload Response to (10)

[redacted]

[redacted]

(11) A plan for secure disposal of marijuana and manufactured marijuana products;	
Response to (11) shall be no longer than five (5) pages.	[redacted]
Upload Response to (11)	
(12) Ability to ensure product safety, in accordance with Chapter 11-850 and Sections 329D-8, 329D-10, 329D-11, HRS.	
Response to (12) shall be no longer than five (5) pages.	[redacted]
Upload Response to (12)	
(13) No history of having a business license revoked.	
Response to (13) shall be no longer than three (3) pages.	[redacted]
Upload Response to (13)	
SECTION F: CERTIFICATION AND SUBMITTAL	
Certification	✔ I hereby certify under penalty of law that the information submitted as part of this application is correct and complete.
By checking the box above and entering the individual applicant's name below, the applicant has electronically signed this application.	
Applicant Name	Nina Maiko Arizumi
If you have previously submitted an application and this is a revision, enter the unique entry number(s) of your previous submission(s) here.	
User ID	[redacted]
User Email	[redacted]

Entry Info

Date Created	[redacted]
Date Updated	
IP Address	

[redacted] [redacted]

www.BUSINESSREGISTRATIONS.COM

FILED 09/15/2015 02:08 PM
Business Registration Division
DEPT. OF COMMERCE AND
CONSUMER AFFAIRS
State of Hawaii

Internet FORM LLC-1
0915201558508 7/2010

STATE OF HAWAII
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
Business Registration Division
335 Merchant Street
Mailing Address: P.O. Box 40, Honolulu, Hawaii 96810
Phone No.(808) 586-2727

ARTICLES OF ORGANIZATION FOR LIMITED LIABILITY COMPANY

(Section 428-203 Hawaii Revised Statutes)

PLEASE TYPE OR PRINT LEGIBLY IN BLACK INK

The undersigned, for the purpose of forming a limited liability company under the laws of the State of Hawaii, do hereby make and execute these Articles of Organization:

I

The name of the company shall be:
PROJECT GREEN LLC

(The name must contain the words *Limited Liability Company* or the abbreviation *L.L.C. or LLC*)

II

The mailing address of the initial principal office is:
[redacted]

III

The company shall have and continuously maintain in the State of Hawaii a registered agent who shall have a business address in this State. The agent may be an individual who resides in this State, a domestic entity or a foreign entity authorized to transact business in this State.

a. The name (and state or country of incorporation, formation or organization, if applicable) of the company's registered agent in the State of Hawaii is:
~~BRAD CHAR~~ BRADLEY CHAR B.C.

(Name of Registered Agent) (State or Country)

b. The street address of the place of business of the person in State of Hawaii to which service of process and other notice and documents being served on or sent to the entity represented by it may be delivered to is:
[redacted]

IV

The name and address of each organizer is:

BRADLEY CHAR [redacted]

09/15/2015 58508

V

The period of duration is (check one):

[X] At-will

[ ] For a specified term to expire on: _____

(Month Day Year)

VI

The company is (check one):

a. [ ] Manager-managed, and the names and addresses of the initial managers are listed in paragraph "c", and the number of initial members are:

b. [X] Member-managed, and the names and addresses of the initial members are listed in paragraph "c".

c. List the names and addresses of the initial managers if the company is Manager-managed, or
List the names and addresses of the initial members if the company is Member-managed.

BRADLEY CHAR	[redacted]

VII

The members of the company (check one):

[X] Shall not be liable for the debts, obligations and liabilities of the company.

[ ] Shall be liable for all debts, obligations and liabilities of the company.

[ ] Shall be liable for all or specified debts, obligations and liabilities of the company ***as stated below***, and have consented in writing to the adoption of this provision or to be bound by this provision.

_____

_____

We certify, under the penalties set forth in the Hawaii Uniform Limited Liability Company Act, that we have read the above statements, I am authorized to sign this Articles of Organization, and that the above statements are true and correct to the best of our knowledge and belief.

Signed this **15** day of **SEPTEMBER 2015**

BRADLEY CHAR	
(Type/Print Name of Organizer)	(Type/Print Name of Organizer)
BRADLEY CHAR	
(Signature of Organizer)	(Signature of Organizer)

Filing fees:

Profit Corporation/LLC $25
Non Profit Corporation $10
Optional expedite fee $25
Archives Fee $1

* This letter is to be signed by at least one of the **remaining** or **NEW** officers, members or managers of the above named entity.

January 26, 2016
Date

Department of Commerce and Consumer Affairs
Business Registration Division
P O Box 40
Honolulu, Hawaii 96810

Re: Project Green LLC DBA Malama Group
(Name of Entity)

The above named entity has **changed** its officers/directors/members/managers:

From:

Bradley Char (Member)

To (include: Names, titles and Addresses):

Lehua Group USA, Inc. (Member)
[redacted]

Nina M. Arizumi (Member)
[redacted]

Gold Leaf Properties Inc. (Member)
[redacted]

Green Pineapple LLC (Member)
[redacted]

I certify under the penalties of the Hawaii Revised Statutes that I am authorized to make this change for the entity and the statements herein are true and correct in all material respects.

Sincerely,

[redacted] Member
* Signature and Office Title Held

Green Pineapple LLC
By Bradley Char
Print Name

File# [redacted]

DCCA State of Hawaii

Business Information

MASTER NAME	PROJECT GREEN LLC
BUSINESS TYPE	Domestic Limited Liability Company (LLC)
FILE NUMBER	[redacted]
STATUS	Active
PLACE INCORPORATED	Hawaii UNITED STATES
REGISTRATION DATE	Sep 15, 2015
MAILING ADDRESS	[redacted]
PARTNER TERMS	AT-WILL
MANAGED BY	MEMBER(S)
AGENT NAME	BRADLEY CHAR
AGENT ADDRESS	[redacted]

Officers

NAME	OFFICE	DATE
CHAR,BRADLEY	MEM	Sep 15, 2015

Trade Names

NAME	TYPE	CATEGORY	REGISTRATION DATE	STATUS
MALAMA GROUP	Trade Name	NO CATEGORY SELECTED	Jan 13, 2016	Active

OWNER / PRINCIPAL / MEMBER REPORT

Please include a signed statement by each Owner, Principal, or Member certifying that the information is complete and accurate.

Name of Owner, Principal, or Member	Address (Street, City, State, Zip, Country (if not USA))	Phone Number	Email Address	Percent Interest in the Company	State of Primary Residence	Number of Years Lived in Hawaii (most recent uninterrupted number of years person has been a resident)	Has person ever been convicted of a Felony? (If So, STOP, they are not an eligible applicant)	Has person ever been convicted of a crime?	If person has been convicted of a crime, please describe (e.g., conviction, date, disposition, etc.)	Has person ever been arrested?	If person has ever been arrested, please describe (e.g., date, disposition, etc.)	eCrim Report Validation Code
Nina Arizumi	[redacted]	[redacted]	[redacted]	[redacted]		[redacted]	[redacted]	[redacted]		[redacted]		[redacted]

List the business name(s) and percent interest on the spreadsheet if there are businesses that hold an interest in the applying entity.

Other Businesses Holding an Interest	Percent Interest
Green Pineapple LLC, a Honolulu Company	[redacted]
Bradley Char - [redacted]	
Lehua Group USA, Inc.	[redacted]
Jackson Tse - [redacted]	
Kate Quackenbush - [redacted]	
Noel Remigio - [redacted]	
Duke Fu - [redacted]	
Amy Fu - [redacted]	
Gold Leaf Gardens	[redacted]
Nathan Gibbs - [redacted]	

MALAMA GROUP LLC: OAHU MEDICAL MARIJUANA APPLICATION

Section 1: About Malama Group

Malama Group is a Honolulu-based limited-liability corporation (LLC) dedicated to the cultivation, processing, and distribution of the highest quality, most effective medical cannabis products for patients in the greater Oahu area. The company's management team encompasses a wealth of experience in national and international business; commercial manufacturing; pharmaceutical and medical operations; medical marijuana cultivation and dispensary management; retail management; and start-up business launch and management. In all, Malama Group executives bring over 150 years' worth of expertise to this venture. The skillsets and experience of Malama Group's management team are detailed in the attached **Management Biographies** addendum to this application section.

Malama Group has built a detailed and well-vetted operational plan for the cultivation, harvesting, trimming, drying, curing, processing, transporting, and dispensing of medical marijuana which incorporates the best practices of leading Master Growers, extraction and packaging experts, and pharmacy-based dispensing professionals. The company's floor plans, Standard Operational Procedures (SOPs), retail launch plans, employee management practices, and other operational details are covered in **Section 2** and in accompanying addendums.

Malama Group LLC is strong financially as well as in the strength and depth of its management team and operating plan. [redacted] has [redacted] and in addition has [redacted]

The company's focus on security complements its overall strength for this Oahu MMJ license. Founded by business executives with years of experience in regulated industries, Malama Group brings a strong focus to securing premises, employees, patients, and products to this market. The company's detailed and thorough security plans are outlined in **Section 4** and in accompanying addendum documents.

Malama Group also has strong local roots. The company's Master Grower and GM of Manufacturing is a local Punahou graduate and its GM of Retail is a local boy from MPI. Its CFO Brad Char is a longtime resident of Oahu and is CEO of one of Hawaii's most successful financial services firms.

Malama Group is strong in many ways, but above all, it is strong in Aloha. The company's Mission Statement: **Aloha Oia o Ka Aina a Ohana Makou** captures its commitment to sustainable agriculture, responsible patient management practices, and good stewardship of employees, partners, and the broader community. As part of this commitment, the Malama Group is dedicated to community outreach and education, with in-depth and targeted campaigns to educate and collaborate with neighbors, community organizations, local and state legislators, and law enforcement personnel. Beyond this, Malama Group has pledged to support Big Brothers and Big Sisters through donations of proceeds and direct co-development of training curricula and community outreach programs. More about Malama Group's **Mission and Values** and support for Big Brothers and Big Sisters are included in addendums to this section.

With this license application, we have compiled a short summary in the three to five pages that has been requested for each section, along with attached supplementary material as necessary to ensure the Department of Health has a full and complete picture of Malama Group's capabilities*. Our application sections include:

- **Section 1: About Malama Group** – Executive Summary of MMJ License Application Merit summaries and supplemental material.
- **Section 2: Malama Group Operational Plan** – A high-level summary of the company's operational plan with multiple supplemental documents.
- **Section 3: Malama Group Financial Strength** – A short summary of the company's financial resources, with several supplemental documents providing verification.
- **Section 4: Malama Security** – A summary of the highlights of our Security Plan, with an accompanying detailed and thorough camera placement plan.
- **Section 5: Malama Group Patient Education and Care** – The summary requested, plus additional Patient education, management, confidentiality and dispensing limits management documents.
- **Section 6: Criminal Background Check Procedure** – a short summary of the company's internal background check procedures as well the background checks that have already been conducted on the company's management team. Supplemental material includes the company's Employee Handbook outlining background check procedures.
- **Section 7: Product Intake and Tracking Plan** – Malama Group will use BioTrackTHC, a system that three of its directors and officers have already used in Nevada and Washington. This section summary gives a short overview of the system's capabilities

for product tracking, and supplemental documents provide a deeper dive view of how products can be tracked and traced from "seed to sale."

- **Section 8: Patient Confidentiality** – Closely tied to our Section 5 response, this section spends extra energy on how Malama Group will safeguard and protect patient privacy, from dispensary procedures to data management at the central office. Supplemental HIPAA and patient confidentiality procedure documents provide additional details.
- **Section 9: Product Testing**. Malama Group plans to invest in advanced lab testing equipment to ensure all product can be tested thoroughly and accurately internally, prior to submission of product to external laboratories. A supplemental Testing Plan provides additional details.
- **Section 10: Signage, Packaging & Labeling** – This section gives a very short overview of the processes Malama Group will utilize to ensure compliance with important DOH regulations and guidance around signage, packaging and labeling. Supplemental material provides additional details around printed warnings and educational material to be published by Malama Group.
- **Section 11: Waste Management**. Malama Group principals have years of experience managing marijuana waste responsibly and carefully. This section gives the highlights of these best practices, with several supplemental documents to detail how marijuana waste is handled to ensure environmental and public safety.
- **Section 12: Product Safety**. Closely aligned with the Product Intake and Tracking and Packaging and Labeling sections, this section gives additional detail around how Malama Group ensures the product is safe from bacteria, mold, or additives, as well as how the

company ensures the product is not tampered with or contaminated. Additional documents provide more detail on procedures for achieving product safety.

- **Section 13**: Business History. Malama Group's founder and principals have strong business histories, as outlined in this section.

We recognize that many Hawaii MMJ applicants will have some strengths in business management, medical marijuana cultivation and dispensing experience, patient care, and premises and product security. But we strongly doubt that very many of these applying entities will have gathered together all of these important aspects into the unique blend of skills and resources that Malama Group brings to this enterprise. We humbly request that the Department of Health carefully consider our application materials and grant Malama Group a license to care for the patients of Oahu through a coordinated cultivation and dispensing operation.

Supplemental Material to this section of our application includes:

1. **Malama Group Mission Statement & Values**
2. **Malama Group Management Biographies**
3. **Malama Group Organization Chart**
4. **Malama Group Business Plan**
5. **Malama Group Staffing Plan**
6. **Malama Group Technical Capabilities**
7. **Big Brothers & Big Sisters Verification Letter for Malama Group Support**

**This application includes expansive supporting documentation, as permitted and described in the Hawaii Department of Health Medical Marijuana FAQ.*

“Aloha oia o ka aina a ohana makou.”

Malama Group

Mission Statement and Company Values

January 2016

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Malama Group: Mission Statement and Company Values

THE MALAMA GROUP: "Aloha oia o ka aina a ohana makou."

At Malama Group, we honor and respect the land, our patients, and our people.

The Malama Group is dedicated to the stewardship and care of Hawaii's medical marijuana patients, caregivers, and community, as well as to the broader community and the land of Hawaii itself. We embrace the concept of ua mau ke ea o ka 'āina i ka pono and have gathered together all of the resources and knowledge needed to deliver careful, respectful, and responsible marijuana healing to the Hawaiian ohana.

At Malama, stewardship starts with sustainable and responsible indoor organic farming, showing respect to the land and its bounty. Our farmers understand how to work with the soil and with such innovations as organic farming to create self-sustaining ecosystems that produce clean, top-shelf marijuana plants. From seeding and clone production to harvesting, drying, trimming and curing, our farmers use the utmost care and malama to ensure award-quality plants grown with respect and love for the aina of our islands.

Our malama care then extends to our processing operations, which use only the most advanced CO2 extraction techniques for clean, solvent and additive-free cannabis oils and concentrates. These oils form the basis for our Malama capsules, lozenges, tinctures, and topicals – all originating from organic farming combined with 21st-century extraction methods.

All of Malama's products are then carefully and securely transported and tested both in-house and with an external certified testing laboratory to verify and assure the highest quality in everything we produce.

We believe in stewardship when it comes to the land, to our patients, and to our company itself. Malama Group managers and team members were born and raised in Hawaii, and for many of them, working with Malama is a chance to come home to the islands – where they've always belonged. We treat our employees the way we treat everyone else: with respect, care, and responsibility. This means full benefits packages, generous paid leave policies, and bountiful chances for advancement at Malama Group.

Our retail stores are where our spirit of malama meets patients and the public – they are where our knowledgeable budtenders listen closely to patients' needs and questions, spend the time to explain strains, cultivation techniques, processing methods, and test result data, and work proactively with patients and their doctors to ensure they select the best medicine to ease their pain and alleviate their symptoms. Secured entrances and confidential patient check-in, along

with video camera surveillance and advanced security measures, ensure our patients are safe, comfortable, and given the utmost care at all times in our dispensaries. Meanwhile, educational materials, online forums, and in-store seminars further enable patients to learn and be cared for – the Malama way.

THE MALAMA GROUP VALUES

Malama: To honor, respect and care for. We practice malama in respecting, honoring and protecting the land, our patients, our employees and partners, and our community.

Kuleana: Personal responsibility in all things. We practice kuleana by owning our stewardship of our land and of our products, seeking to bring the best medicine in the world to Hawaii's medical marijuana patients.

Ohana: Family and embracing all as family. We practice ohana with our partners, our patients, our care providers, and our employees – ensuring that we treat one and all with the care and aloha we give to our own families.

Alakai: Leadership through coaching and mentorship. We practice alakai by ensuring our patients and care providers have the best information and guidance we can provide, every day.

Ka la hiki ola: Optimism, hope and promise. We practice ka la hiki ola by understanding that it's a new day for medical marijuana, both in Hawaii and in the world. As stewards of this amazing plant, we can help usher in this new day by cultivating beautiful, pure medicine and helping people understand and use this medicine to ease pain and enhance their quality of life.

“Aloha oia o ka aina a ohana makou.”

Malama Group

Management Biographies

January 2016

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MALAMA GROUP: MANAGEMENT BIOGRAPHIES

Jackson Tse, Chairman: Bringing over 35 years of senior management experience of branded consumer products and services, Jackson Tse is a widely respected and accomplished global management expert. His experience encompasses general management, strategic planning, brand marketing, original equipment manufacturing, merchandising, licensing, joint-ventures, global distribution, and management of subsidiaries across national borders. Jackson was formerly the Vice President, Senior Vice President, Managing Director and CEO of USTech (Prince Tennis and Nicklaus Golf), Wizards of the Coast (Pokémon and Magic The Gathering Games, with over 100 factory-owned retail stores throughout the U.S.), Hasbro (Monopoly, G.I. Joe, Transformers, Harry Potter, etc.), ABI (consumer biometrics) and CPG (consulting for major U.S. and international corporations in brand marketing, overseas investments, and licensing/merchandising: Star Wars, Ferrari Owners Club, Seattle Art Museum, Oberto Sausages, wineries, water bottler and supplement manufacturer, etc.), leading corporate teams that built multi-million dollar global brands with multi-billion dollar business operations in the U.S.A. and in more than 20 countries worldwide, and managing teams that range from several hundred to several thousand employees. He has been a member of Washington State Trade Delegations and U.S. trade missions to other countries, traveling with and at the invitation of Washington State Governors Gary Locke and Christine Gregoire, as well as other senior U.S. officials, including former President Bill Clinton, on official U.S. trade missions and international conferences. He was invited to testify before the U.S. Senate regarding U.S. export assistance programs on U.S. export trade support programs.

Since retiring from his corporate jobs, Jackson has been a mentor of American graduate students in MBA studies and as a consultant to new corporate start-ups. He has also taught business school as visiting a scholar at Seattle University, University of Washington, and Seattle Pacific University. He is a graduate of University of Colorado and Harvard Business School, and has conducted post-graduate research at both University of Washington and MIT.

Nina Arizumi, CEO. Nina Arizumi was born and raised in Honolulu and graduated from Iolani School in 1991. Nina holds a BBA in International Business with an emphasis in Marketing and Management from the University of Hawaii at Manoa. Nina is fluent in Japanese and after studying at Keio Business School in Yokohama, Japan, she received her MBA degree from the University of Hawaii at Manoa. Nina has 10 years of business development, sales, and marketing experience in Hawaii's health care industry, including HMSA and various pharmaceutical companies. Currently, she is a small business owner and enjoys spending time with her husband and two young children.

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Bradley Char, CFO: Bradley Char was raised in Kahaluu, Hawaii and graduated from Iolani School in 1989. Bradley holds a degree in Accounting and Management Information Systems from the University of Hawaii at Manoa. Formerly, Bradley served as a Manager at Deloitte, a global accounting services firm, as well as a consultant at the Agribusiness Incubator Program at the University of Hawaii, and is currently the COO at RedHammer LLC, a management accounting services company. At the Agribusiness Incubator Program, Bradley worked with numerous agribusinesses in the Hawaiian islands, helping with business planning, marketing, financial analysis, and other guidance designed to launch businesses and products, lower costs, and increase sales.

Kate Quackenbush, COO: With more than 20 years' experience in product development, product marketing, and partner development and management, Kate brings a unique blend of operational and strategy experience to Malama Group. She joins the company from Innovation Arts Group, where she developed Lean Startup product design techniques for large enterprise software teams at Microsoft. Formerly, she served as VP Product Marketing and VP Partner Programs at Kony Solutions, a leading mobile application development and mobile app solution vendor. She has also served in management positions at Microsoft, IdeaBlade, Sybase, and OnDisplay/Vignette. At Microsoft, she managed the company's top U.S. System Integrators, and at OnDisplay, she participated in and wrote the company's S1 filing, resulting in one of the largest IPOs of 1999. Kate is an honors graduate from the University of California, Berkeley. A licensed 502 Marijuana Processor in the State of Washington, Kate is active in the marijuana business community as a member of Washington Cannabusiness Association (WACA) and in the legalization movement as a member of NORML and the Washington Marijuana Association (WMA).

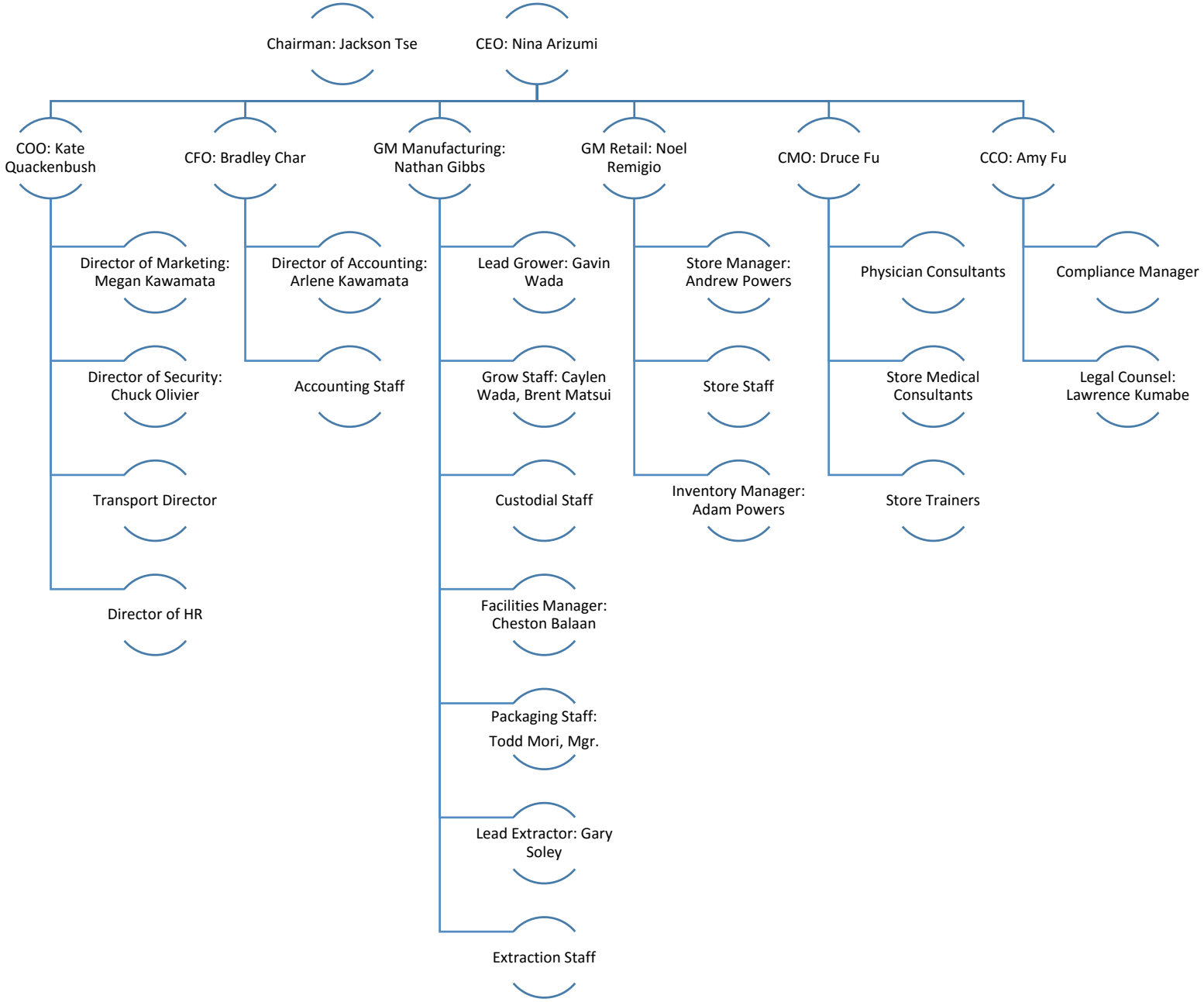
Nathan Gibbs, GM Manufacturing: Nathan Gibbs was born and raised in Honolulu, Hawaii and is of native Hawaiian, Japanese, and English ancestry. After graduating from Punahou High

School in 1997, he moved to Seattle, WA. His pursuits at the University of Washington ultimately lead him to a career in the medical marijuana industry, which he has been legally participating in for the last ten years as a dispensary owner and large scale commercial grower. His companies, Kokua Services, Inc. and Gold Leaf Gardens are state-licensed industry leaders in Washington State, and have garnered awards and press for their quality products, best practices, and patient care. His core management and cultivation staff consist of over a dozen Hawaiian members from Oahu, Maui, and Kauai.

Noel Remigio, GM Retail Operations: Noel's background includes over eighteen years of substantial experience in business development, design and management of retail development projects, and over ten years in sports management in the San Francisco Bay Area and the Pacific Northwest. Noel's experience spans The Gap, Williams Sonoma, and Pottery Barn; he has also developed high-end working plans for Nordstrom Café, California Café, Napa Valley Grille, and the Alcatraz Brewing Company. In the medical marijuana community, Noel has designed dispensaries and recreational marijuana stores including C&C shops, Pacific Northwest Cannabis Resource Center, and The Grass is Always Greener. Noel is a graduate of the California College of the Arts with a BFA in Design. He is a member of the Marijuana Business Association (MJBA), The Washington Marijuana Association (WMA), a contributing supporter to NORML, and a guest columnist for Marijuana Business Daily. Born and raised in Hawaii and a graduate of Mid-Pacific Institute (MPI), Noel is of Filipino descent and has an extensive network of contacts and associates in the Hawaiian medical marijuana community.

Amy Fu, Pharm.D., Chief Compliance Officer: Amy Fu is a California board-certified pharmacist with over 10 years of experience in retail pharmacy. Dr. Fu has managed multiple locations at one of the nation's leading retail pharmacy chains, and is a registered user with the California Department of Justice for the Controlled Substance Utilization Review and Evaluation System (CURES), and the California Prescription Drug Monitoring Program (PDMP). She also has extensive involvement with governmental agencies including, but not limited to, the U.S. Public the Department of Consumer Affairs (DCA), the Drug Enforcement Agency (DEA), the Centers for Disease Control and Prevention (CDC), the Food and Drug Administration (FDA), the Centers for Medicare and Medicaid Services (CMS), and the National Institutes of Health (NIH).

Malama Group Organizational Chart



“Aloha oia o ka aina a ohana makou.”

Malama Group

Business Summary

January 2016

Confidential

MALAMA GROUP: BUSINESS SUMMARY

Safe Harbor Statement

These business plan materials contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements are based upon current expectations that involve numerous risks and uncertainties. While these forward-looking statements represent Malama Group's (the "Company")'s current judgment on what the future holds, they are subject to risks and uncertainties that could cause actual results to differ materially.

Therefore, there can be no assurance that the forward-looking statements included in the business plan materials will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation that the objectives and plans of the Company will be achieved. Furthermore, the Company is not obligated to revise or publicly release the results of any revision to these forward-looking statements in light of new information or future events.

In addition, these business plan materials and any associated summary documentation do not, standing alone, constitute an offer to sell securities and any offer to sell securities will be conditioned upon such potential investor being a qualified investor and the delivery of definitive legal documents.

Contents

Executive Summary

Malama Group (the "Company") is a Hawaii LLC formed in November 2015 after historic legislation in Hawaii legalized the creation of medical marijuana (MMJ) dispensaries for MMJ patients throughout the islands. The Company was formed to cultivate, manufacture and dispense marijuana and marijuana-infused products to qualified patients in Oahu.

The Malama Group has gathered together leading growers, infused product makers, and medical experts, many of whom are Hawaiian-born and even of native Hawaiian descent, to ensure that the company produces the very finest, highest quality product to generate healthful effects in Oahu patients. The company's personnel have more than 150 years' combined experience in launching and managing medical marijuana operations, often in highly regulated environments including Washington State, Nevada, and Illinois.

The Company's professional management team includes Jackson Tse (global brand builder, manufacturing expert, and former Managing Director/VP/SVP of USTech, Hasbro-Wizards of the West Coast and ABI), Druce Fu (MD, MBA, and a leading medical marijuana advocate and Nevada Medical Marijuana license holder), Bradley Char (CPA and CFO and formerly COO Redhammer Services), Kate Quackenbush (product marketing and partnering expert and founder and CEO of Fractal LLC, a WA State-licensed Marijuana Processor), Noel Remigio (operations and design expert and CEO of Noel Remigio Design), Amy Fu (Pharm.D., Board-Certified Pharmacist and compliance expert), and Nathan Gibbs (Master Grower and founder of Gold Leaf Gardens, a WA State-licensed Marijuana Producer). Consultants to the Company include cannabis and extraction experts, product science and formulation advisors, financial experts, and testing and quality assurance experts from medical marijuana states.

The Malama Group's tagline: ***"Aloha oia o ka aina a ohana makou,"*** speaks to the company's commitment to respecting and honoring the land, the patients, the community, and our own employees. As part of this commitment, the company has pledged to donate a portion of its proceeds to the Big Brothers and Big Sisters of Hawaii, to help educate and equip the youth of Hawaii to take on the state's next-generation challenges.

The Malama Group is currently headquartered in Honolulu, HI with production and dispensing facilities secured in Waimanalo, Kailua, and Mapunapuna. The Company has applied for a license from the state's Department of Health (DOH) to run a consolidated MMJ operation for Oahu patients.

The Company has taken in its first round of seed funding and is now in development mode, in the process of preparing its application for one of Oahu's 3 designated dispensary operations licenses. Malama Group is currently well-funded but may seek additional capital as needed to expand operations.

Company Operations

Malama Group is dedicated to developing high-quality, natural, pure and clean marijuana and marijuana-infused products for the Oahu patient community. The company's operations encompass three distinct business units:

- Cultivation. The company's two Cultivation Centers focus on growing, harvesting, drying, trimming and curing top-shelf, organic marijuana strains for distribution to Malama Group dispensaries.

- Processing. Within the Cultivation Centers, teams of extraction specialists operate [redacted]

- Dispensing. All of Malama Group's products are securely tracked and transported to the company's [redacted], where trained and experienced staff sell them to qualified patients.

Products

Malama Group's core product is sustainably grown marijuana flower (or "buds"). Leveraging best practices in organic farming and clean grow room design, Malama's master growers "grow with Aloha," focusing on the highest efficacy strains, grown under tightly controlled conditions, and tracked rigorously in the company's BioTrackTHC system. [redacted]

While the marijuana "flower" constitutes the "flagship" brand, Malama Group has also developed and will [redacted] with terpenes and resin from the leaves of the plant, as well as some of the buds not utilized in the flower product.

[redacted]

Market

The legal marijuana market in the United States is a fast-moving entity; since the late 1990's, 23 states have legalized marijuana for medical and/or recreational use. Most recently, Colorado, Washington State, Oregon, and Alaska have allowed recreational as well as medical marijuana in their states; experts predict that by the end of 2016, California, Massachusetts, Maine, Vermont, and Nevada will have joined their ranks. Marijuana laws range from simply decriminalizing the drug to legalizing, licensing, and taxing it with different combinations of public-private partnerships to bring the drug to market.

As one of the first states to legalize marijuana for medical use, Hawaii represents a unique case. The state legalized marijuana for a constrained set of conditions in 2000, limiting patients to no more than 4 ounces or 7 plants at any given time, but did not specify how patients should procure their medicine. This left many medical marijuana patients in limbo, and only a very dedicated few registered for patient recommendations from the handful of doctors in the islands willing to work within a blurry and ill-defined system. HRS 321, passed in 2015, remedied this problem by creating guidelines for cultivation, processing, and dispensary operations on the islands, and authorizing the Department of Health (DOH) to manage the program.

This law was followed by Administrative Rules 11-850 and HRS 329D, which codified MMJ dispensary rules and enforcement procedures in more detail. Briefly, the Hawaii DOH will issue 8 licenses for MMJ operations throughout the state: 3 in Honolulu County, 2 in Maui, 2 on the "Big Island" of Hawaii, and 1 in Kauai. Each license authorizes the holder to create up to 2 cultivation or production centers and up to 2 retail dispensary sites. Thus for example, patients in Oahu will be able to access up to 6 dispensaries. All product will be tracked and traced through a statewide system based on the BioTrackTHC system, and patients will be able to possess up to 8 ounces of medical marijuana in any 30 day period.

As of November 30, 2015, the Hawaii medical marijuana patient registry recorded 12,638 patients. Once MMJ licenses are awarded and dispensaries opened, this number can be expected to increase by 20% or more annually, following trends that have been evident in other MMJ states (According to the *Marijuana Business Factbook* published by Marijuana Business Press). We therefore expect each of Malama Group dispensaries to help serve an estimated 185 patients per day by the end of year 5 (see **Malama Group Pro Forma Financial Plan**).

(Please note that as marijuana is a Schedule 1 restricted drug at the federal level, all companies in the market are currently prohibited from shipping marijuana products over state lines. Until further notice, marijuana product cannot be shipped between islands in Hawaii so that all product must stay within the county where it is produced.)

Competitive Landscape

The competition for MMJ dispensaries in Hawaii will be significant during the license application phase but once licenses are granted, competition for attracting patients to the Malama Group dispensaries will be minimal: no more than 2 additional licensees in the county of Honolulu. Featuring high-quality products in accessible locations, Malama Group's dispensaries can be expected to capture at least 40% of the overall market.

Growth Plan

Malama Group will grow the business responsibly and with honor and respect for our patients and the community. The growth plan incorporates the following phases:

1. Establish company foundation and launch cultivation centers and dispensaries. For 2016, the Company will be squarely focused on establishing and launching the Malama dispensaries and products, while simultaneously reaching out to patients, providers, neighbors, community organizations, legislators, and law enforcement with educational seminars and materials. Establishing product safety, quality control systems, and clean manufacturing practices are all essential during this phase. Just as important, the Company will ensure that all facilities are secured through intrusion detection, video surveillance, and in some cases, armed security personnel.

2. Sustain growth responsibly. Once the operations are launched, the company will turn to incorporating the latest medical advances into its practices. Research conducted worldwide, but particularly in Israel and Australia, will provide important insights into product design and development, dosing, and THC/CBD combinations.

As the state moves toward patient reciprocity in 2018, these practices will ensure that both patients from Hawaii and from participating MMJ states will have access to the cleanest, most effective medicine available anywhere.

3. Expand operations to ensure scalability. The truth is, no one knows exactly how fast the patient population in Honolulu County will grow, or whether the state will move to legalize marijuana for recreational use. Malama Group will need to be ready to expand as necessary to keep pace first with patient reciprocity in 2018, and then potentially, recreational legalization in 2020 or beyond. This will mean scaling up production in the cultivation and processing centers, as well as adjustments and potentially expansion of dispensary facilities.

Please note these phases are the Company's current operating plan; the timing and order of the above activities may change and the above does not represent a promise or obligation to perform the stated activities in the stated timeframes.

Management Team

The Malama Group management team represents a synergy of business expertise and successful track records in such highly regulated industries as medical marijuana, medical products and pharmaceutical manufacturing, and financial services, among others.

Jackson Tse, Chairman. Bringing over 35 years of senior management experience of branded consumer products and services, Jackson Tse is a widely respected and accomplished global management expert. His experience encompasses general management, strategic planning, brand marketing, original equipment manufacturing, merchandising, licensing, joint-ventures, global distribution, and management of subsidiaries across national borders. Jackson was formerly the Vice President, Senior Vice President, Managing Director and CEO of USTech (Prince Tennis and Nicklaus Golf), Wizards of the Coast (Pokémon and Magic The Gathering Games, with over 100 factory-owned retail stores throughout the U.S.), Hasbro (Monopoly, G.I. Joe, Transformers, Harry Potter, etc.), ABI (consumer biometrics) and CPG (consulting for major U.S. and international corporations in brand marketing, overseas investments, and licensing/merchandising: Star Wars, Ferrari Owners Club, Seattle Art Museum, Oberto Sausages, wineries, water bottler and supplement manufacturer, etc.), leading corporate teams that built multi-million dollar global brands with multi-billion dollar business operations in the U.S.A. and in more than 20 countries worldwide, and managing teams that range from several hundred to several thousand employees. He

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Bradley Char, CFO. Bradley Char was raised in Kahaluu, HI and graduated from Iolani School in 1989 and holds a degree in Accounting and Management Information Systems from the University of Hawaii at Manoa. Formerly, Bradley served as a Manager at

Deloitte, a global accounting services firm, served as a consultant at the Agribusiness Incubator Program at the University of Hawaii, and is currently the COO at RedHammer LLC, a management accounting services company. At the Agribusiness Incubator Program, Bradley worked with numerous agribusinesses in the Hawaiian islands helping with business planning, marketing, financial analysis, and other guidance designed to launch businesses and products, lower costs, and increase sales.

Kate Quackenbush, COO. With more than 20 years' experience in product development, product marketing, and partner development and management, Kate brings a unique blend of operational and strategy experience to Malama Group. She joins Malama Group from Fractal LLC, a licensed WA State Marijuana Processor. Prior to this, she was with Innovation Arts Group, where she developed Lean Startup product design techniques for large enterprise software teams at Microsoft. Formerly, she served as VP Product Marketing and VP Partner Programs at Kony Solutions, a leading mobile application development and mobile app solution vendor. She has also served in management positions at Microsoft, IdeaBlade, Sybase, and OnDisplay/Vignette. At Microsoft, she managed the Company's top US System Integrators, and at OnDisplay, she participated in and wrote the Company's S1 filing, for one of the largest IPOs of 1999. Kate is a graduate with honors from the University of California at Berkeley. Kate is active in the marijuana business community as a member of Washington Cannabusiness Association (WACA) and in the legalization movement as a member of NORML and Washington Marijuana Association (WMA).

Nathan Gibbs, GM Manufacturing. Nathan Gibbs was born and raised in Honolulu, Hawaii and is of native Hawaiian, Japanese and English ancestry. After graduating from Punahou High School in 1997, he moved to Seattle, WA. His pursuits at the University of Washington ultimately lead him to a career in the medical marijuana industry, which he has been legally participating in for the last ten years as a dispensary owner and large scale commercial grower. His companies, Kokua services Inc and Gold Leaf Gardens are state-licensed industry leaders in Washington state, and have garnered awards and press for their quality products, best practices and patient care. His core management and cultivation staff consist of over a dozen Hawaiian members from Oahu, Maui, and Kauai.

Noel Remigio, GM Retail Operations. Noel's background includes over eighteen years of substantial experience in business development, design and management of retail development projects and over ten years in sports management in the San Francisco Bay Area and the Pacific Northwest. Noel's experience spans The Gap, Williams Sonoma, and Pottery Barn; he has also developed high-end working plans for Nordstrom Café,

California Café, Napa Valley Grille, and the Alcatraz Brewing Company. In the Medical Marijuana community, Noel has designed dispensaries and recreational marijuana stores including C&C shops, Pacific Northwest Cannabis Resource Center, and The Grass is Always Greener. Noel is a graduate of the California College of the Arts with a BFA in Design. He is a member of the Marijuana Business Association (MJBA), The Washington Marijuana Association (WMA) a contributing supporter to NORML, and a guest columnist for Marijuana Business Daily. Born and raised in Hawaii and a graduate of Mid-Pacific Institute (MPI), Noel is of Filipino descent and has an extensive network of contacts and associates in the Hawaiian MMJ community.

Amy Fu, Pharm.D., Chief Compliance Officer. Amy Fu is a California Board certified pharmacist with over 10 years of experience in retail pharmacy. Dr. Fu has managed multiple locations at one of the nation's leading retail pharmacy chains, and is a registered user with the California Department of Justice for the Controlled Substance Utilization Review and Evaluation System (CURES), and the California Prescription Drug Monitoring Program (PDMP). She also has extensive involvement with governmental agencies, including, but not limited to, the U.S. Public the Department of Consumer Affairs (DCA), the Drug Enforcement Agency (DEA), the Centers for Disease Control and Prevention (CDC), the Food and Drug Administration (FDA), the Centers for Medicare and Medicaid Services (CMS), and the National Institutes of Health (NIH).

Key Staff

Gary Soley – Lead Extraction Engineer

Chuck Olivier – Security Manager

Megan Kawamata – Marketing Director

Bonifacio Fojas –Marketing and Operations Specialist

Arlene Kawamata – Accounting Manager

Gavin Wada – Lead Grower

Gary Soley – Lead Extractor

Andrew Powers – Store Manager

Adam Powers – Inventory Manager

Financial Summary

Detailed financial projections are available on a confidential basis.

"Aloha oia o ka aina a ohana makou."

Malama Group

Staffing Plan

January 2016

Confidential

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MALAMA GROUP: STAFFING PLAN

Summary

Malama Group is a Honolulu-based operation dedicated to the cultivation, processing, and distribution of the highest quality, most effective medical cannabis products for patients in the greater Oahu area. This document provides the Group's overall Staffing Plan.

Management Team

Malama Group will employ the following management leaders:

- **CEO:** The CEO is responsible for the overall management of the entire operation, including cultivation, processing, and retail operations; financial oversight and management; compliance with local, state, and federal laws and regulations; staffing and staff management; revenue generation and management; shareholder relations; relationships with local and state elected officials, press, and industry analysts. Requires at least 15 years' experience in top management role at mid-size to large operation. Reports to Board of Directors.

- **CMO**: The Chief Medical Officer is responsible for ensuring the efficacy and safety of all Malama Group products for patients with a wide variety of conditions. Manages product mix and dosages; patient and provider education; enforcement of testing and labeling procedures. Provides guidance to management staff on medical impact of operational decisions. Stays in contact with medical community and latest research on cannabis effects and updates management, patients and communities on research results.

- **CCO:** The Chief Compliance Officer is responsible for overall compliance of the company with all federal, state, county, and city regulations and ordinances, including HRS 321, HRS 329D, and Hawaii Department of Health Administrative Rules 11-850 and 11-160. Works with external legal counsel and management team to ensure all operations are compliant and to report and remediate any discrepancies.

- **COO:** The Chief Operations Officer is responsible for the day-to-day management of the company, including all cultivation, processing, and retail operations and systems. Manages marketing, HR, transport, and security staff and must be familiar with all relevant local, state, and federal laws, codes, and regulations.

- **CFO:** The Chief Financial Officer is responsible for financial management of the company, including financial planning and strategy development, capital requests and budgeting, pro forma development, accounting/bookkeeping, investor relations, legal, tax and treasury department interaction, employee benefit program management, and personally review and approve all financial reporting documents.

- **GM Manufacturing:** The GM Manufacturing is responsible for all manufacturing operations, including cultivation of up to 6,000 plants simultaneously across two production facilities; processing and extraction in a central laboratory, and manufacturing and packaging/labeling of finished products including capsules, tinctures, extracts, ointments and lotions, and pills. Manages growing, processing, and packaging staff. Enforces all traceability procedures and methods.

- **GM Retail:** The GM Retail is responsible for all retail operations, including inventory, staffing, training, merchandising and store layout, patient management and confidentiality procedure enforcement, store security, compliance with signage, and traceability guidelines.

Cultivation & Processing Center Staff

Malama Group plans to staff the Cultivation Center with the following personnel (all employees must be 21 or over):

- **Lead Grower:** Responsibilities include overall planning and management of the cannabis grow operation, from layout and product movement to workflow, systems, track & trace, inventory management, and security oversight. The Lead Grower will select and specify all strains, identify procedures for seed, clone, mother, and flowering plant management, soil requirements and specifications, watering schedules and procedures, lighting and power management, tagging and tracing all plants, and drying, curing, and packaging requirements and procedures. The Lead Grower is also responsible for hiring, training and managing all growing staff. Reports to the VP Operations. Requires at least 10 years management of large indoor growing facility with multiple strains; solid reputation for quality product and high integrity; at least 1 year working within a state-mandated traceability system.

- **Growers:** Malama Group growing facility will require 3-4 growers, whose duties include daily watering, maintenance, transplanting, plant-rotation, cloning, inspection, pruning, plant-training, pest and disease management and application, soil and nutrient management and waste management. Growers report to the Lead

Grower. Requires 2-3 years professional experience in cannabis or other agriculture environment and ability to perform heavy lifting and other labor-intensive tasks.

- **Custodial:** The Malama Group cultivation facility will require a custodian who will assist Growers and the facilities manager in the daily cleaning and upkeep of indoor grow and (potentially) a greenhouse environment, trimming and processing area, drying and curing areas and quarantine areas. 2 years custodial experience required. Experience with tools, equipment and agriculture preferred.

- **Facilities Manager:** The Malama Group cultivation facility will require a Facilities Manager to perform perpetual upkeep, maintenance and repair of the systems and equipment to keep the facility operating at full capacity. Will report to Lead Grower and communicate daily with Growers to diagnose and trouble shoot. Will manage lighting, filter and equipment replacement schedules and purchasing. Background in horticultural equipment required as well as experience with electrical and mechanical systems. Computer literate with ability to quickly problem solve and diagnose/resolve issues. Electrical or HVAC certification highly preferred.

- **Trimmer/Packager:** The Malama Group cultivation facility will require 2-3 trimmers who will report to the inventory manager. Duties include trimming of cannabis flowers for finished presentation and packaging. Previous trimming experience or background in piece-work employment a plus but not required. Ability to perform repetitive tasks.

- **Inventory Manager:** The Malama Group cultivation facility will require an inventory manager. Duties include management of drying and curing area, cooperation with extraction team to manage raw materials for processing, long term storage, quality control of finished product and trimmed material, weighing product for packaging and traceability compliance in regards to finished goods and products, loss prevention, labeling and purchasing of packaging materials. Must be organized and competent with computers and software. 2-3 years production management or inventory management required.

- **Security:** [redacted]

[redacted]

- **Lead Extractor:** Responsibilities include overall management of the cannabis extraction operation, including creating and managing pressure and temperature setpoints, setting and managing potency and yield levels, setting and managing extraction schedules and procedures, and identifying any needed equipment upgrades or parts. Responsibilities may also include machine maintenance, power down procedures, solvent and waste management, clean-in-place procedures for the machine, lab management procedures and schedules, and packaging procedures. The Lead Extractor is also responsible for hiring, training and managing all extraction staff. Requires at least 5 years' experience extracting oil with both hydrocarbon and non-hydrocarbon methods, preferable including experience with CO2 machines. Chemistry or Chemical Engineering degree preferred. Required computer skills include Microsoft Office, Microsoft Excel, and web search capability. Reports to the VP Operations.

- **Extraction Staff:** The processing operation will require 3-4 extraction and packaging staffers, whose responsibilities include running the extraction machine, packaging cannabis oil for final production, waste and solvent management, and inventory control. Extraction staff report to the Lead Extractor. Requires at least 3 years' working experience in manufacturing or laboratory environment.

- **Lead Tester:** The Malama Group laboratories will require a Lead Tester to manage internal quality control tests as well as sample preparation for external testing. Responsibilities include overall quality control as well as random and specific selection of flower and oil samples for internal and external testing; operation and maintenance of all test equipment, test run management and scheduling, test materials and supplies management, clean-in-place procedures for testing equipment, and overall lab maintenance. Requires a Chemical Engineering degree and at least 3 years' experience in a cannabis testing laboratory.

Retail Dispensary Staff

Malama Group plans to staff the Retail Dispensaries with the following personnel (all employees must be 21 or over):

- **Store Managers:** Malama Group will require two store managers per location. Each store manager will be responsible for overall store management, including hiring,

training, and managing retail staff; store inventory management and control; store track & trace operations; store point of sale (POS) and cash management; patient database management and patient relationships; signage, security, and display decisions. Requires at least 5 years' experience managing retail store operations; medical office experience a plus.

- **Retail Store Staff:** Each Malama Group store will require 2-3 "budtenders" per shift, for an estimated total of 9 per store, 18 total. Each budtender is required to manage product display and handling, assist patients in product selection, ring up purchases, and assist in managing security and inventory as needed. Requires at least 1 year experience in retail environment. Retail staff reports to the Store Managers.

- **Store Security:** [redacted].

Central Office Staff

Malama Group plans to staff the Central Office with the following personnel (all employees must be 21 or over):

- **Office Staff:** Malama Group will require the following office staff:

    - **Accountant/Bookkeeper:** Responsible for managing all payables and receivables, P&L statements, balance sheets, and payroll. Handles payroll and payroll taxes as well as all corporate taxes and insurance. Requires at least 5 years' experience in accounting/bookkeeping role with all certifications and training current. CPA preferred. Reports to the CFO.

    - **HR Direct:** Responsible for recruiting, job descriptions, development and implementation of HR policies, L&I compliance, and company morale. Requires at least 3 years' experience in HR management at mid- to large-size company. Reports to COO.

    - **Marketing/Merchandising Manager:** Responsible for look and feel of all store displays, PR, social media, patient list management and

communication, speaking engagements for management; store events, provider relationship management, community outreach and community relationship management, legislator and law enforcement outreach. Reports to COO.

- **Compliance Manager:** Responsible for complete compliance of the cultivation, processing, and retail operations with all relevant local, state, and federal laws and regulations. Requires at least 5 years' experience in compliance role. Legal degree preferred. Reports to Chief Compliance Officer.

- **Transportation Staff:** [redacted]

Staffing: Background & Security Checks

All Malama Group staff will participate in background checks, to include but not limited to:

- Fingerprint checks: Malama Group will utilize state and federal fingerprint identification systems to ensure all employees have clean criminal backgrounds and are not listed on any criminal registries or No Fly lists.

- Background checks: From time to time, Malama Group will employ security and investigation firms to provide complete background checks on all employees, including a review of employment and housing history, credit checks, and potentially, social media interaction.

- The company's policy is not to employ anyone with a criminal history of any kind.

“Aloha oia o ka aina a ohana makou.”

Malama Group

Technical Capabilities

January 2016

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MALAMA GROUP: TECHNICAL CAPABILITIES

- Space Planning and Design – manufacturing and retail
- Cultivation planning including – harvest start, clone management, genetics, strains
- Sustainable farming including biosystem development
- Cannabis extraction including closed-loop CO2 Supercritical extraction, yields, potency
- Cannabis testing including tests for bacteria, mold, pesticides, THC/CBD levels
- Manufacturing including FDA/GMP standards for safety, cleanliness, quality control
- Packaging & labeling including incorporation of test results, printed warnings, tamper-proof and child-resistant packaging
- Inventory management including traceability, reporting, waste management
- Security including intrusion detection, video surveillance, transport security
- Electrical and energy management, including permits, sustainable energy practices
- Data management including database and systems setup, synchronization, reporting
- Dispensary management including patient intake & education procedures
- Community outreach and education management including online forums, targeted collateral, detailed seminars and webinars
- Technical training and enablement including course and curricula development, training materials creation, test preparation and delivery
- Dispensing operations including patient confidentiality, HIPAA compliance
- Retail store management including staff training, cash management, inventory tracking, reporting
- Fractional distillation, cannabinoid isolates, and pharmaceutical development
- Custom compounding and patient specific formulation
- Financial management including bookkeeping, tax filing, pro formas, balance sheets, income statements, cash flow analysis

Big Brothers Big Sisters
Hawaii

[redacted]

January 25, 2016

To Whom It May Concern:

I am writing in support of the Malama Group and their application for a medical marijuana license in Honolulu.

Big Brothers Big Sisters Hawaii supports the Malama Group and its mission to be a responsible business member of our community. We welcome them and will be willing to accept donations from their organization as we know their intent is to help us further our mission to provide preventive mentoring services to children, youth and families in Hawaii.

Big Brothers Big Sisters Hawaii has operated as a 501(c)(3) tax exempt nonprofit organization for more than 52 years in the State of Hawaii. In that time we have served more than 10,000 youth to help them become more responsible, confident, competent and caring adults in our community.

I am confident that if you award the Malama Group a license, the training funds, it will be money well-invested. I highly recommend them to you.

If you have questions or need further information, please feel free to contact me directly at [redacted]

Sincerely,

[redacted]

Dennis Brown
President/CEO

MALAMA GROUP LLC: OAHU MEDICAL MARIJUANA APPLICATION

Section 2: Operational Plan

The Malama Group Operational Plan is organized into four primary phases:

1. Company Development
2. Cultivation Center Launch
3. Retail Dispensaries Launch
4. Ongoing Operation

Phase	Nov/Dec	Jan/Feb	Mar/Apr	May/June	July/Aug	Sept/Oct	Nov/Dec
Phase 1: Company Development							
Phase 2: Cultivation Center Launch							
Phase 3: Retail Dispensaries Launch							
Phase 4: Ongoing Operation							

1. **<u>Company Development</u>**. The Company Development phase – roughly from January through April, 2016, consists of the following work streams:

    a. <u>Cultivation Site Selection.</u> Working with local real estate agents and civil engineers, the Malama Group team [redacted] Please note this site meets the HRS criteria for a location at least 750 feet from property comprising a playground, public housing project or complex, or school.

    b. <u>Production Site Design/Build</u>. Once a site has been finalized in January, the team will focus on designing the facility such that it incorporates space requirements for the

following functions: Grow rooms (Mothers, Clones, Vegetative Stage, Bloom); Harvest rooms (Drying, Curing, Trimming); Functional areas (Office, Locker Rooms, Restrooms, Electrical room, Water Room, Break Area, Check-in Security Area, Security/Camera Monitoring Room, Storage, Shipping/Receiving). Other design elements to be captured in the site design are: Security fences, Manned Security Entrance, Driveway/roadway designed for emergency crew access, Parking, Solar panels, Transformer, Fire Hydrants, Odor Control, Vector Control, and Fire Safety elements such as blast-proof walls and CO2 ventilation features. [redacted]

[redacted] Production Site Energy Plan. Indoor marijuana growing facilities are notorious for their high levels of energy consumption; the Malama Group Operational Plan includes a set of measures and procedures for mitigating this, including the use of solar panels and other renewable energy sources. To ensure the project is compliant with recent State and County regulations regarding sustainability, Malama Group LLC has enlisted top local engineering firms to help with designing a facility that is energy efficient.

d. Retail Dispensary Site Selection. Malama Group retail dispensaries will be located in easily accessible areas of Honolulu, near a bus line for patients without cars, but also featuring large parking lots for the convenience of patients who do want to drive to access their medicine. The preliminary sites the team has chosen comply with the requirement to be at least 750 feet from the real property comprising a playground,

public housing project or complex, or school. [redacted]

e. Retail Dispensary Design/Build. Once the dispensary sites have been finalized, the team will focus on design that will incorporate space requirements for the following functions: Shipping/Receiving; Storage/Inventory; functional areas (Office, Locker Rooms, Restrooms, Electrical room, Break Area, Security/Camera Monitoring room). Other design elements to be captured in the site design are: Security fences, Manned Security Entrance with secure vestibule, Driveway/roadway designed for emergency crew access, Parking, Solar panels, Fire Hydrants, Odor Control. Malama Group will work with Nakasato Construction for buildout of the Retail Sites; please see attached ***Retail Dispensary Floor Plans*** for the retail dispensary locations.

f. Equipment Specification and Procurement. Concurrent with site selection and design, the team will focus on specifying and procuring cultivation and processing equipment including: Grow lights; HVAC systems; water management systems; Odor Control systems; CO2 extraction machine; air dryers; vacuum ovens; distillation systems; and packaging and labeling equipment.

g. Operating Systems Selection. The Company Development phase also incorporates design and implementation of core operating systems including Standard Operating Procedures (SOPs) for cultivation, processing, inventory management, patient management, and retail store operation. As part of this, the company will select

traceability, inventory management, point of sale, accounting, CRM, and company portal software and will specify hardware and network requirements for optimal operation.

h. Staffing and HR Policies. Malama Group has developed a complete staffing plan and set of HR policies for management of all operations. (See attached ***Staffing Plan*** and ***Employment Handbook***).

i. Financial Structure and Financial Controls. Malama Group has developed a comprehensive set of financial plans including pro forma financial projections; startup capital costs; tax analysis including impact of federal code 280e restrictions; and 5 year operating budget. (See Section 2 of this Merit segment for more detail).

j. Training and Launch Preparation. Concurrent with all other planning workstreams, Malama Group will prepare complete training and launch plans to ensure coordinated execution and staff preparedness prior to the launch of the operation.

2. **Production Center Launch**. From April to June, Malama Group cultivation staff will implement the Production Center launch outlined the attached ***Cultivation Operational Plan***. Broadly speaking, the launch involves legal acquisition of starter seed and/or clones; soil preparation; temperature control; and harvest start. Concurrently, all traceability and inventory management controls will begin implementation. Please note the preliminary site chosen for cultivation is only a short distance away from one of the retail dispensaries, making transport and product safety relatively straightforward.

3. **Retail Dispensaries Launch**. From June to the end of July, Malama Group retail staff will implement the Retail launch outlined in the attached ***Retail Launch Plan***. At a broad level,

this launch involves finalizing construction; implementing and testing cameras, POS and traceability systems; finalizing staff training; initial inventory intake, storage, and stocking; and a "soft opening" for each dispensary to test all operations.

4. **Ongoing Operation**. Malama Group's operating philosophy is one of continuous learning, so that from the point of launch forward, detailed analyses of inventory movement, product placement, and patient feedback inform operating plans at all times (see **Section 5: Patient Education and Care of the Malama Group** merit segment for more detail).

Supporting material to this section includes:

1. ***Cultivation Center Floor Plan***
2. ***Cultivation Center Operational Plan***
3. ***Cultivation Process Flow Diagram***
4. ***Pesticide and Application Management SOP***
5. ***CO^2 Extraction SOP***
6. ***Retail Dispensaries Launch Plan***
7. [redacted]

[redacted]

9. ***Malama Group Employee Handbook***

[redacted]

“Aloha oia o ka aina a ohana makou.”

Cultivation Operational Plan

“Aloha oia o ka aina a ohana makou.”

Malama Group

Employee Handbook

January 2016

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Contents

Section 1: Introduction

Aloha and Welcome to Malama Group!

1.1 Company Mission

The Mission of the Malama Group is to bring the spirit of Aloha and Ohana to medical marijuana patients throughout the state of Oahu. We believe that Oahu's patients deserve nothing less than the best, top shelf, most organic and pure cannabis products in the world, so that's what we deliver every day, in every one of our facilities.

1.2 Company Values

At Malama Group, we believe in all that Aloha encompasses: Caring for each other, for the Earth, for our customers, and for our products. We take pride in creating and delivering only the best, and we stand behind everything we do. When you work with us, you'll find that we do exactly what we say we'll do, and that we expect no less from our employees. When you wear a Malama Group badge, we expect you to stand for integrity, professionalism, and above all, caring.

1.3 Employee Handbook

This Employee Handbook ("Handbook") is designed to summarize certain personnel policies and benefits of Malama Group (the "Company"), and to acquaint employees with many of the rules concerning employment with the Company. This Handbook applies to all employees, and compliance with the Company's policies is a condition of employment. This Handbook supersedes all previous employment policies, written and oral, express and implied.
The Company reserves the right to modify, rescind, delete, or add to the provisions of this Handbook from time to time in its sole and absolute discretion. This Employee Handbook is not a binding contract between the Company and its employees, nor is it intended to alter the at-will employment relationship between the Company and its employees. The Company reserves the right to interpret the policies in this Handbook and to deviate from them when, in its discretion, it determines it is appropriate.

1.4 Changes in Policy

Since our business is constantly changing, the Company expressly reserves the right to revise, modify, delete, or add to any and all policies, procedures, work rules, or benefits stated in this handbook or in any other document, except for the policy of at-will employment as described below. No oral statements or representations can in any way alter the provisions of this Handbook. Nothing in this employee handbook or in any other document, including benefit plan descriptions, creates or is intended to create a promise or representation of continued employment for any employee. Any changes to your at-will employment status, described below, must be in writing and must be signed by the Company.

If you are uncertain about any policy or procedure, please check with your manager or Human Resources.

1.5 Employment-At-Will

Employment with the Company is on an at-will basis, unless otherwise specified in a written employment agreement. You are free to resign at any time, for any reason, with or without notice. Similarly, the Company is free to conclude the employment relationship at any time for any lawful reason, with or without cause, and with or without notice.

Nothing in this Handbook will limit the right of either party to terminate an at-will employment. No section of this Handbook is meant to be construed, nor should be construed, as establishing anything other than an employment-at-will relationship. This Handbook does not limit management's discretion to make personnel decisions such as reassignment, change of wages and benefits, demotion, etc. No person other than the CEO, President, or CFO has the authority to enter into an agreement for employment for any specified period of time or to make an agreement for employment other than at-will terms. Only the CEO, President, or CFO of the Company has the authority to make any such agreement, which is only binding if it is in writing and signed by the President of the Company.

1.6 Arbitration Policy

In consideration of your employment with Malama Group, its promise to arbitrate all employment-related disputes, and your receipt of the compensation, pay raises, and other benefits paid to you by the company, at present and in the future, you agree that any and all controversies, claims, or disputes with anyone (including the company and any employee, officer, director, or benefit plan of the company, in their capacity as such or otherwise), whether brought on an individual, group, or class basis, arising out of, relating to, or resulting from your employment with Malama Group or the termination of your employment with the company, including any breach of this agreement, shall be subject to binding arbitration under the terms and conditions set forth in the at-will employment, confidential information, invention assignment, and arbitration agreement between you and Malama Group (or such other confidentiality agreement between you and the company, each the "confidentiality agreement"). In the event the confidentiality agreement between you and Malama Group does not contain an arbitration provision, then you nevertheless agree to arbitrate any and all claims set forth above in a neutral, mutually agreeable forum according to the applicable minimum standards for arbitration.

Section 2: Employment Policies

2.1 Employee Classifications

The following terms are used to describe employees and their employment status:

> **Exempt Employees -** Employees whose positions meet specific tests established by the Federal Labor Standards Act ("FLSA") and Hawaii state law. In general, exempt employees are those engaged in executive, managerial, high-level administrative and professional jobs who are paid a fixed salary and perform certain duties. In addition, certain commissioned sales employees and highly paid computer professionals are exempt. Exempt employees are not subject to the minimum wage and overtime laws.

Nonexempt Employees - Employees whose positions do not meet specific tests established by the FLSA and Hawaii state law. All employees who are covered by the federal or state minimum wage and overtime laws are considered nonexempt. Employees working in nonexempt jobs are entitled to be paid at least the minimum

Full-Time Employees - Employees who are not temporary employees, independent contractors, or independent consultants and who are regularly scheduled to work a schedule of 40 hours per work week.

Part-Time Employees - Employees who are not temporary employees, independent contractors, or independent consultants and who are regularly scheduled to work less than 40 hours per work week.

Temporary Employees - Employees who are hired as interim replacements to temporarily supplement the workforce or to assist in the completion of a specific project. Employment assignments in this category are of limited duration and the temporary employee can be let go before the end of the defined period. Short term assignments generally are periods of three (3) months or less, however, such assignments may be extended. All Temporary employees are at-will regardless of the anticipated duration of the assignment (see Employment-at-Will Policy). Temporary employees retain that status unless and until notified in writing of a change.

Independent Contractor or Consultant - These individuals are not employees of the Company and are self-employed. An independent contractor or consultant is engaged to perform a task according to his/her own methods and is subject to control and direction only as to the results to be accomplished. Independent contractors or consultants are not entitled to benefits.

Each employee will be advised of his or her status at the time of hire and any change in status. Regardless of the employee's status, the employee is employed at-will and the employment relationship can be terminated by the Company or the employee at any time, with or without cause and with or without notice.

2.2 Equal Employment Opportunity & Americans with Disabilities Act.

It is the policy of the Company to provide equal employment opportunities to all employees and employment applicants without regard to unlawful considerations of race, religion, creed, color, national origin, sex, pregnancy, sexual orientation, gender identity, age, ancestry, physical or mental disability, genetic information, marital status or any other classification protected by applicable local, state or federal laws. This policy prohibits unlawful discrimination based on the perception that anyone has any of those characteristics, or is associated with a person who has or is perceived as having any of those characteristics. This policy applies to all aspects of employment, including, but not limited to, hiring, job assignment, working conditions, compensation, promotion, benefits, scheduling, training, discipline and termination.

The Company expects all employees to support our equal employment opportunity policy, and to

take all steps necessary to maintain a workplace free from unlawful discrimination and harassment and to accommodate others in line with this policy to the fullest extent required by law. For example, the Company will make reasonable accommodations for employees' observance of religious holidays and practices unless the accommodation would cause an undue hardship on the Company's operations. If you desire a religious accommodation, you are required to make the request in writing to your manager as far in advance as possible. You are expected to strive to find co-workers who can assist in the accommodation (e.g. trade shifts) and cooperate with the Company in seeking and evaluating alternatives.

Moreover, in compliance with the Americans with Disabilities Act (ADA), the Company provides reasonable accommodations to qualified individuals with disabilities to the fullest extent required by law. The Company may require medical certification of both the disability and the need for accommodation. Keep in mind that the Company can only seek to accommodate the known physical or mental limitations of an otherwise qualified individual. Therefore, it is your responsibility to come forward if you are in need of an accommodation. The Company will engage in an interactive process with the employee to identify possible accommodations, if any will help the applicant or employee perform the job.

2.3 Confidentiality.

In the course of employment with the Company, employees may have access to "Confidential Information" regarding the Company, which may include its business strategy, future plans, financial information, contracts, suppliers, customers, personnel information or other information that the Company considers proprietary and confidential. Maintaining the confidentiality of this information is vital to the Company's competitive position in the industry and, ultimately, to its ability to achieve financial success and stability. Employees must protect this information by safeguarding it when in use, using it only for the business of the Company and disclosing it only when authorized to do so and to those who have a legitimate business need to know about it. This duty of confidentiality applies whether the employee is on or off the Company's premises, and during and even after the end of the employee's employment with the Company. This duty of confidentiality also applies to communications transmitted by the Company's electronic communications. See also Internet, Email and Computer Use policy, herein.

As a condition of employment with the Company, all employees must sign a Non-Disclosure Agreement.

2.4 Record Keeping.

All Malama Group employees should strive to keep both hardcopy and digital records of their work, and should share this information via the company Intranet portal. Lab reports will be different from marketing reports, so make sure everything is filed accordingly with a correct title.

2.5 Employment of Minors.

The FLSA's child labor provisions, which the Company strictly adheres to, are designed to protect the educational opportunities of youth and prohibit their employment in jobs that are detrimental to their health and safety. Generally speaking, the FLSA sets the minimum age for employment (14

years for non-agricultural jobs), restricts the hours youth under the age of 16 may work, and prohibits youth under the age of 18 from being employed in hazardous occupations. In addition, the FLSA establishes subminimum wage standards for certain employees who are less than 20 years of age, full-time students, student learners, apprentices, and workers with disabilities.

Employers generally must have authorization from the U.S. Department of Labor's Wage and Hour Division (WHD) in order to pay sub-minimum wage rates.

2.6 Employment of Relatives.

The Company recognizes that the employment of relatives in certain circumstances, such as when they will work in the same department, supervise or manage the other, or have access to confidential or sensitive information regarding the other, can cause problems related to supervision, safety, security or morale, or create conflicts of interest that materially and substantially disrupt the Company's operations. When the Company determines any of these problems will be present, it will decline to hire an individual to work in the same department as a relative. Relatives subject to this policy include: father, mother, sister, brother, current spouse or domestic partner, child (natural, foster, or adopted), current mother-in- law, current father-in-law, grandparent, or grandchild.

If present employees become relatives during employment, the Company should be notified so that we may determine whether a problem involving supervision, safety, security or morale, or a conflict of interest that would materially and substantially disrupt the Company's operations exists. If the Company determines that such a problem exists, the Company will take appropriate steps to resolve the problem, which may include reassignment of one relative (if feasible) or asking for the resignation of one of the relatives.

2.7 Introductory Period.

The first 60 days of employment are considered an introductory period for all newly hired employees. During this time, you will learn your new responsibilities, get acquainted with fellow employees, and determine whether you are happy with the position. Also, during this time, your manager will monitor your performance. Upon completion of the introductory period, your manager will review your performance. If the Company finds your performance satisfactory and decides to continue your employment, you will be advised of any improvements expected. This is also an opportunity for you to make suggestions to improve the Company's efficiency and operations. Completion of the introductory period does not entitle you to remain employed by the Company for any definite period of time, but instead allows both you and the Company to evaluate whether or not you are right for the position. Your status as an at-will employee does not change- the employment relationship may be terminated with or without cause and with or without advance notice, at any time by you or the Company.

2.8 Personnel Records and Employee References.

The Company maintains a personnel file and payroll records for each employee as required by

law. Personnel files and payroll records are the property of the Company and may not be removed from Company premises without written authorization. Because personnel files and payroll records are confidential, access to the records is restricted. Generally, only those who have a legitimate reason to review information in an employee's file are allowed to do so. Disclosure of personnel information to outside sources will be limited. However, the Company will cooperate with requests from authorized law enforcement or local, state, or federal agencies conducting official investigations and as otherwise legally required.

Employees may contact a Human Resources representative to request a time to review their payroll records and/or personnel file. With reasonable advance notice, an employee may review his or her own records in the Company's offices during regular business hours and in the presence of an individual appointed by the Company to maintain the records. No copies of documents in your file may be made, with the exception of documents that you have previously signed. You may add your comments to any disputed item in the file.

By policy, the Company will provide only the former or present employee's dates of employment and position(s) held with the Company. Compensation information may also be verified if written authorization is provided by the employee.

2.9 Background and Reference Checks.

To ensure that individuals who join Malama Group are well qualified and to ensure that Malama Group maintains a safe and productive work environment, it is our policy to conduct pre-employment background checks on all applicants who accept an offer of employment. Background checks may include verification of any information on the applicant’s resume or application form.

All offers of employment are conditioned on receipt of a background check report that is acceptable to Malama Group. All background checks are conducted in conformity with the Federal Fair Credit Reporting Act, the Americans with Disabilities Act, and state and federal privacy and antidiscrimination laws. Reports are kept confidential and are only viewed by individuals involved in the hiring process.

If information obtained in a background check would lead Malama Group to deny employment, a copy of the report will be provided to the applicant, and the applicant will have the opportunity to dispute the report’s accuracy. Background checks may include a criminal record check, although a criminal conviction does not automatically bar an applicant from employment.

Additional checks such as a driving record or credit report may be made on applicants for particular job categories if appropriate and job related.

Malama Group also reserves the right to conduct a background check for current employees to determine eligibility for promotion or reassignment in the same manner as described above.

2.10 Privacy.

The Company is respectful of employee privacy. All employee demographic and personal information will be shared only as required in the normal course of business. Healthcare enrollment information is kept in a separate folder from other human resources forms. Workers' Compensation information is not considered private healthcare information; however, this information will be released only on a need-to-know basis.

The Company does not make or receive any private healthcare information through the course of normal work. If any employee voluntarily shares private healthcare information with a member of management, this information will be kept confidential. If applicable, the Company will set up guidelines for employees and management to follow to ensure that company employees conform to the requirements of the Health Insurance Portability and Accountability Act (HIPAA).

2.11 Immigration Law Compliance.

In compliance with the Immigration Reform and Control Act of 1986, each new employee, as a condition of employment, must complete the Employment Eligibility Verification Form I-9 on the date of hire and present documentation establishing identity and employment eligibility within three business days of date of hire. Former employees who are rehired must also complete an I-9 form if they have not completed an I-9 form with the Company within the past three years, or if their previous I-9 form is no longer retained or valid. You may raise questions or complaints about immigration law compliance without fear of reprisal.

2.12 Political Neutrality.

Maintenance of individual freedom and our political institutions necessitates broad scale participation by citizens concerning the selection, nomination and election of our public office holders. The Company will not discriminate against any employee because of identification with and support of any lawful political activity. Company employees are entitled to their own personal political position. The Company will not discriminate against employees based on their lawful political activity engaged in outside of work. If you are engaging in political activity, however, you should always make it clear that your actions and opinions are your own and not necessarily those of the Company, and that you are not representing the Company.

Section 3: Hours of Work and Payroll Practices

3.1 Pay Periods and Paydays.

Employees are paid on a bi-monthly basis. All employees will be paid on the 1st and 15th of the month. All employees are paid by check or direct deposit on the above-mentioned payday. If the regular payday falls on a weekend or Company holiday, employees will be paid on the last business day before the holiday and/or weekend.

3.2 Overtime.

Nonexempt employees will be paid in accordance with federal and Hawaii state law.

All overtime work by non-exempt employees must be authorized in advance by their manager. Only hours actually worked will be used to calculate overtime pay.

3.3 Rest and Meal Periods.

All rest and meal periods will be in accordance with Hawaii state law.

3.4 Time Cards.

Nonexempt employees are required to keep an accurate and complete record of their attendance and hours worked. Time cards are official business records and may not be altered without the employee's supervisor's approval and may not be falsified in any way.

3.5 Payroll Deductions.

Various payroll deductions are made each payday to comply with federal and state laws pertaining to taxes and insurance. Deductions will be made for the following: Federal and State Income Tax Withholding, Social Security, Medicare, State Disability Insurance & Family Temporary Disability Insurance, and other items designated by you or required by law (including a valid court order).

You can adjust your federal and state income tax withholding by completing the proper federal or state form and submitting it to Accounting or Human Resources. At the start of each calendar year, you will be supplied with your Wage and Tax Statement (W-2) form for the prior year. This statement summarizes your income and deductions for the year.

3.6 Wage Garnishment.

A garnishment is a court order requiring an employer to remit part of an employee's wages to a third party to satisfy a just debt. Once the Company receives the legal papers ordering a garnishment, we are required by law to continue making deductions from your check until we have withheld the full amount or until we receive legal papers from the court to stop the garnishment. Even if you have already paid the debt, we still need the legal papers to stop the garnishment.

3.7 Direct Deposit.

All employees are encouraged, but not required, to use direct deposit and have their paychecks deposited into a bank account of an accredited participating bank or credit union.

Section 4: Standards of Conduct and Employee Performance

4.1 Anti- Harassment and Discrimination.

The Company is committed to providing a work environment free of sexual or any form of unlawful harassment or discrimination. Harassment or unlawful discrimination against individuals on the basis of race, religion, creed, color, national origin, sex, pregnancy, sexual orientation, gender

identity, age, ancestry, physical or mental disability, genetic information, marital status or any other classification protected by local, state or federal laws is illegal and prohibited by Company policy. Such conduct by or towards any employee, contract worker, customer, vendor or anyone else who does business with the Company will not be tolerated. Any employee or contract worker who violates this policy will be subject to disciplinary action, up to and including termination of his or her employment or engagement. To the extent a customer, vendor or other person with whom the Company does business engages in unlawful harassment or discrimination, the Company will take appropriate corrective action.

4.2 Prohibited Conduct.

Prohibited harassment or discrimination includes any verbal, physical or visual conduct based on sex, race, age, national origin, disability or any other legally protected basis if:

a. Submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment or engagement;

b. Submission to or rejection of such conduct by an individual is used as a basis for decisions concerning that individual's employment or engagement; or

c. It creates a hostile or offensive work environment.

Prohibited harassment includes (but is not limited to) unwelcome sexual advances, requests for sexual favors and lewd, vulgar or obscene remarks, jokes, posters or cartoons, and any unwelcome touching, pinching or other physical contact. Other forms of unlawful harassment or discrimination may include racial epithets, slurs and derogatory remarks, stereotypes, jokes, posters or cartoons based on race, national origin, age, disability, marital status or other legally protected categories. Prohibited harassment might also be transmitted using the Company's electronic communications system, or through other on-line conduct.

4.3 Complaint Procedure.

Employees or contract workers who feel that they have been harassed or discriminated against, or who witness any harassment or discrimination by an employee, contract worker, customer, vendor or anyone else who does business with the Company, should immediately report such conduct to their supervisor or any other member of management.

Do not allow an inappropriate situation to continue by not reporting it, regardless of who is creating the situation. No employee, contract worker, customer, vendor or other person who does business with this organization is exempt from the prohibitions in this policy. In response to every complaint, the Company will conduct an investigation which may involve interviewing witnesses if warranted and, if improper conduct is found, take appropriate corrective action.

To the extent that an employee or contract worker is not satisfied with the Company's handling of a harassment or discrimination complaint, he or she may also contact the appropriate state or

federal enforcement agency for legal relief.

4.4 Attendance.

Punctuality and regular attendance are essential to the successful operation of the Company's business. If an employee is unable to report to work (or to report to work on time) for any reason, the employee must notify his or her supervisor before his or her starting time. If an employee desires to leave work for any reason during the workday, the employee must obtain the approval of his or her supervisor prior to leaving. In the event that the employee fails to call his or her supervisor or report for work for 3 consecutive workdays, the employee will be deemed to have voluntarily resigned from his or her employment with the Company and will be removed from the payroll. Excessive absenteeism or tardiness may subject the employee to disciplinary action, up to and including termination.

4.5 Discipline and Standards of Conduct.

As an at-will employer, the Company may impose discipline whenever it determines it is necessary or appropriate. Discipline may take various forms, including verbal counseling, written warnings, suspension, demotion, transfer, reassignment or termination. The discipline imposed will depend on the circumstances of each case; therefore, discipline will not necessarily be imposed in any particular sequence. Moreover, at any time the Company determines it is appropriate, an employee may be terminated immediately.

Every organization must have certain standards of conduct to guide the behavior of employees. Although there is no possible way to identify every rule of conduct, the following is an illustrative list (not intended to be comprehensive or to limit the Company's right to impose discipline for any other conduct it deems inappropriate). Keep in mind that these standards of conduct apply to all employees whenever they are on Company property and/or conducting Company business (on or off Company property). Engaging in any conduct the Company deems inappropriate may result in disciplinary action, up to and including termination.

4.5.1 Dishonesty;

4.5.2 Falsification of Company records;

4.5.3 Unauthorized use or possession of property that belongs to the Company, a coworker, or of the public;

4.5.4 Possession or control of illegal drugs, weapons, explosives, or other dangerous or unauthorized materials;

4.5.5 Fighting, engaging in threats of violence or violence, use of vulgar or abusive language, horseplay, practical jokes or other disorderly conduct that may endanger others or damage property;

4.5.6 Insubordination, failure to perform assigned duties or failure to comply with the Company's health, safety or other rules;

4.5.7 Unauthorized or careless use of the Company's materials, equipment or property;

4.5.8 Unauthorized and/or excessive absenteeism or tardiness;

4.5.9 Lack of teamwork, poor communication, unsatisfactory performance, unprofessional conduct, or conduct improper for the workplace;

4.5.10 Sexual or other illegal harassment or discrimination;

4.5.11 Unauthorized use or disclosure of the Company's confidential information;

4.5.12 Violation of any Company policy.

4.6 Dress Code.

What we wear to work is a reflection of the pride we have in our Company, in what we do, and in ourselves. Although dress code requirements will vary according to job responsibilities, we ask that your appearance at all times show discretion, good taste, and appropriateness for the safe performance of your job.

4.7 Cleanliness.

All Malama Group employees should try to keep their personal workplace and office as clean and sanitary as possible. Dishes, cups, spills, etc shall be cleaned immediately to prevent unsanitary conditions. Any employee who notices a full trash can should dispose of it properly.

4.8 Substance and Abuse.

The Company is committed to providing its employees with a safe and productive work environment. In keeping with this commitment, it maintains a strict policy against the use of alcohol and the unlawful use of drugs in the workplace. Consequently, no employee may consume or possess alcohol, or use, possess, sell, purchase or transfer illegal drugs at any time while on the Company's premises or while using the Company vehicles or equipment, or at any location during worktime.

No employee may report to work with illegal drugs (or their metabolites) or alcohol in his or her bodily system. The only exception to this rule is that employees may engage in moderate consumption of alcohol that may be served and/or consumed as part of an authorized Company social or business event. "Illegal drug" means any drug that is not legally obtainable or that is legally obtainable but has not been legally obtained. It includes prescription drugs not being used for prescribed purposes or by the person to whom it is prescribed or in prescribed amounts. It also includes any substance a person holds out to another as an illegal drug.

Any violation of this policy will result in disciplinary action, up to and including termination.

Any employee who feels he or she has developed an addiction to, dependence upon, or problem

with alcohol or drugs, legal or illegal, is strongly encouraged to seek assistance before a violation of this policy occurs. Any employee who requests time off to participate in a rehabilitation program will be reasonably accommodated. However, employees may not avoid disciplinary action, up to and including termination, by entering a rehabilitation program after a violation of this policy is suspected or discovered.

4.9 Workplace Searches.

All offices, desks, file drawers, cabinets, lockers, Company vehicles, and other Company equipment (including but not limited to computers, e-mail and voice mail) and facilities or any area on Company premises are the property of the Company ("Company Property"), and are intended for business use. Employees should have no expectation of privacy with respect to Company property and/or items stored within Company Property or on Company premises. Inspection may be conducted at any time, without notice, at the discretion of the Company.

In addition, when the Company deems appropriate, employees may be required to submit to searches of their personal vehicles, parcels, purses, handbags, backpacks, brief cases, lunch boxes or any other possessions or articles brought on to the Company's premises.

Persons entering the premises who refuse to cooperate in an inspection conducted pursuant to this policy may not be permitted to enter the premises. All employees must cooperate in an inspection; failure to do so is insubordination and will result in disciplinary action, up to and including termination.

4.10 Internet, Email and Computer Use Policy.

The Company uses various forms of electronic communication including, but not limited to: computers, email, telephones, voicemail, instant message, text message, Internet, cell phones and smart phones (hereafter referred to as "electronic communications"). The electronic communications, including all software, databases, hardware, and digital files, remain the sole property of the Company and are to be used only for Company business and not for personal use.

The following rules apply to all forms of electronic communications and media that are: (1) accessed on or from Company premises; (2) accessed using the Company computer or telecommunications equipment, or via Company-paid access methods; and/or (3) used in a manner which identifies the Company. The following list is not exhaustive and the Company may implement additional rules from time to time.

4.10.1 Electronic communication and media may not be used in any manner that would be discriminatory, harassing, or obscene, or for any other purpose that is illegal, against Company policy, or not in the best interest of the Company. Employees who misuse electronic communications and engage in defamation, copyright or trademark infringement, misappropriation of trade secrets, discrimination, harassment, or related actions will be subject to discipline, up to and including termination. Employees may not install personal software on Company computer systems.

4.10.2 Employee's own electronic media may only be used during breaks. All other company

policies, including the Company's no tolerance for discrimination, harassment, or retaliation in the workplace apply.

4.10.3 All electronic information created by any employee on Company premises or transmitted to Company property using any means of electronic communication is the property of the Company and remains the property of the Company. You should not assume that any electronic communications are private or confidential and should transmit personal sensitive information in other ways. Personal passwords may be used for purposes of security, but the use of a personal password does not affect the Company's ownership of the electronic information. The Company will override all personal passwords if necessary for any reason.

The Company reserves the right to access and review electronic files, messages, internet use, blogs, "tweets", instant messages, text messages, email, voice mail, and other digital archives, and to monitor the use of electronic communications as necessary to ensure that no misuse or violation of Company policy or any law occurs. All such information may be used and/or disclosed to others, in accordance with business needs and the law. The Company reserves the right to keep a record of all passwords and codes used and/or may be able to override any such password system

4.10.4 Employees are not permitted to access the electronic communications of other employees or third parties unless directed to do so by Company management. No employee may install or use anonymous e-mail transmission programs or encryption of e-mail communications.

4.10.5 Employees who use devices on which information may be received and/or stored, including but not limited to cell phones, cordless phones, portable computers, fax machines, and voice mail communications are required to use these methods in strict compliance with the Confidentiality section of this Handbook. These communications tools should not be used for communicating confidential or sensitive information or any trade secrets.

4.10.6 Access to the Internet, websites, and other types of Company-paid computer access are to be used for Company-related business only. Any information about Malama Group, its products or services, or other types of information that will appear in the electronic media about the Company must be approved before the information is placed on any electronic information resource that is accessible to others.

4.11 Cell Phone Policy.

The use of personal cell phones at work is discouraged because it can interfere with work and be disruptive to others. Therefore, employees who bring personal cell phones to work are required to keep the ringer shut off or placed on vibrate mode when they are in the office, and to keep cell phone use confined to breaks and meal periods. Conversations should be had away from areas where other employees are working. When cell phone use interferes with the satisfactory performance of an employee's duties or disturbs others, the privilege of using a personal cell phone at work may be taken away and other disciplinary action, up to and including termination, may be

imposed.

The Company may provide cell phone allowances to employees in certain positions in an effort to improve efficiency and effectiveness. When cell phones are used for Company business, employees must comply with all Company policies governing conduct, including our policies prohibiting discrimination, harassment, and violence in the workplace. When using the cell phone in a public place, please remember to maintain the confidentiality of any private or confidential business information. As a courtesy to others, please shut cell phones off or place on vibrate mode during meetings.

4.12 Expenses.

All expenses should be filed with an accompanying expense report and receipt. Photos of receipts, if legible, will be acceptable.

From time to time we may need to use a company card to purchase items we need. Company card purchases should be cleared with your manager and a specific budget set for each purchase. Company business records must always be prepared accurately and conscientiously. They must reflect all transactions of the Company and all other events that are the subject of a specific regulatory record- keeping requirement.

All transactions must be executed in accordance with the Company's general or specific authorization and comply with generally accepted accounting principles. You may not use Company funds or assets for any unlawful purpose. In keeping with this policy, no Malama Group employee or anyone acting directly or indirectly on behalf of the company may: (1) falsify a transaction, (2) establish or maintain any unrecorded fund or asset, (3) make false or artificial entries on the books and records of the Company or (4) approve or make any payment with the intention or understanding that all or part of the payment is to be used for a purpose other than that described by the documents supporting the statement. If you have any information or knowledge about any hidden fund or asset, any false or artificial entry in the books and records of the Company or any inappropriate payment, you must immediately tell a supervisor of Malama Group.

4.13 Gifts.

Employees may occasionally wish to give a small gift or promotional item to a customer with whom they interact on a regular basis. However, employees may never provide customers with free or discounted services without consulting a manager first. Furthermore, employees may not use Malama Group funds for gifts unless deemed appropriate.

4.14 Internal Transfers and Promotions.

Employees with more than twelve months of service may request consideration to transfer to other jobs as vacancies become available and will be considered along with other applicants. At the same time, the company may initiate transfers of employees between departments and facilities to meet specified work requirements and reassignment of work requirements.

Malama Group offers employees promotions to higher-level positions when appropriate.

Management prefers to promote from within and may first consider current employees with the necessary qualifications and skills to fill vacancies above the entry level, unless outside recruitment is considered to be in the company's best interest.

To be considered, employees must have held their current position for at least 12 months, have a satisfactory performance record and have no disciplinary actions during the last 12 months. Management retains the discretion to make exceptions to the policy.

Section 5: Employee Benefits and Services

5.1 Generally.

The Company provides insurance programs as mandated by state and federal regulations for all employees. From time to time, benefits may be added or deleted from the benefits package. The Company reserves the right to make such changes.

This Handbook does not contain the complete terms and/or conditions of any of the Company's current benefit plans. It is intended only to provide general explanations. For information regarding employee benefits and services, employees should contact their manager.

5.2 Worker's Compensation.

All states have Workers' Compensation laws whose purpose is to promote the general welfare of people by providing compensation for accidental injuries or death suffered in the course of employment. These laws are designed to provide protection to workers suffering occupational disabilities through accidents arising out of, and in the course of employment. Malama Group carries Workers' Compensation Insurance for all employees and pays the entire cost of the insurance program. An employee who suffers an injury or illness in connection with the job is usually eligible to receive payment through the insurance company for lost wages. In addition to disability payments, necessary hospital, medical and surgical expenses are covered under Workers' Compensation, with payments being made directly to the hospital or physician.

Workers' Compensation benefits to injured workers also include assistance to help qualified injured employees return to suitable employment.

5.3 Social Security Benefits (FICA).

During your employment, you and the Company both contribute funds to the Federal government to support the Social Security Program. This program is intended to provide you with retirement benefit payments and medical coverage once you reach retirement age.

5.4 Unemployment Insurance.

The company pays a state and federal tax to provide employees with unemployment insurance coverage in the event they become unemployed through no fault of their own or due to circumstances described by law. This insurance is administered by applicable state agencies, who

determine eligibility for benefits, the amount of benefits (if any), and duration of benefits.

Section 6: Employee Leaves of Absence and Time Off

6.1 Generally.

While regular attendance is crucial to maintain business operations, the Company recognizes that, for a variety of reasons, employees may need time off from work. The Company has available a number of types of leaves of absence. Some are governed by law and others are discretionary.

For all planned leaves, however, employees must submit a request at least 5 days in advance; in case of emergencies, employees should submit the request as soon as they become aware of the need for leave. All leaves must have the approval of Company management. If, during a leave, an employee accepts another job, engages in other employment or consulting outside of the Company, or applies for unemployment insurance benefits, the employee may be considered to have voluntarily resigned from employment with the Company.

All requests for a leave of absence will be considered in light of their effect on the Company and its work requirements, as determined by Company management, which reserves the right to approve or deny such requests in its sole discretion, unless otherwise required by law. For disability-related leave requests, the Company will engage in an interactive process with the employee to determine if a leave is the most appropriate accommodation. The employee must provide a certification from his or her health care provider to the Company to support a leave for medical reasons. Failure to provide the required certification to the Company in a timely manner will result in delay or denial of leave. If an employee requires an extension of leave, the employee must request such extension and have it approved before the expiration of the currently approved leave.

While the Company will make a reasonable effort to return the employee to his or her former position or a comparable position following an approved leave of absence, there is no guarantee that the employee will be reinstated to his or her position, or any position, except as required by law.

6.2 Sick Days.

Eligible employees are entitled to 10 paid sick days per year. Sick days' pay for regular full-time employees will be calculated based on the employee's base pay rate times the number of hours the employee would otherwise have worked on that day. Regular part-time employees will be paid on a pro-rata basis. When employees eligible for paid sick days do not take the full amount of sick time they could have taken in a year, that amount automatically carries over to the next year.

6.3 Personal Days.

Eligible employees are entitled to 5 paid personal days per year. Personal days' pay for regular full-time employees will be calculated based on the employee's base pay rate times the number of hours the employee would otherwise have worked on that day. Regular part-time employees will be paid on a pro-rata basis. When employees eligible for paid personal days do not take the full amount of personal time they could have taken in a year, that amount automatically carries over to

the next year.

6.4 Vacation Days.

Eligible employees are entitled to 10 paid vacation days per year. Vacation days' pay for regular full-time employees will be calculated based on the employee's base pay rate times the number of hours the employee would otherwise have worked on that day. Regular part-time employees will be paid on a pro-rata basis.Employees may not accrue more than 0 hours of vacation time. Once an employee's vacation balance reaches this limit, an employee may accrue more vacation only by taking some vacation time to bring the balance back below the limit. When employees eligible for paid vacation days do not take the full amount of vacation time they could have taken in a year, that amount automatically carries over to the next year.

6.5 Holidays.

Malama Group_observes the following paid holidays:

- New Year's Day
- Martin Luther King Jr. Day
- Independence Day
- Thanksgiving Day
- Day After Thanksgiving
- Christmas Eve
- Christmas Day
- New Year's Eve

The Company will grant paid holiday time off to all eligible employees. Holiday pay for regular full-time employees will be calculated based on the employee's base pay rate (as of the date of the holiday) times the number of hours the employee would otherwise have worked on that day. Regular part-time employees will be paid on a pro-rata basis.

If an eligible non-exempt employee works on a recognized holiday with Company approval, he or she will receive holiday pay plus wages at his or her straight-time rate for the hours worked on the holiday.

6.6 Family and Medical Leave.

Because of the Company's small size, we are not required to comply with the federal Family and Medical Leave Act ("FMLA"). However, we recognize that our employees may occasionally need to take unpaid leave to care for a new child, to care for a seriously ill family member, to handle an employee's own medical issues, or to handle issues relating to a family member's military service, possibly including caring for a family member who is injured while serving in the military.

If you anticipate that you might need time off to deal with family and medical issues, please speak with your supervisor. We will seriously consider every request on a case-by-case basis.

6.7 Workers' Compensation Leave.

Any employee who is unable to work due to a work related injury or illness and who is eligible for Workers' Compensation benefits will be provided an unpaid leave for the period required. The first 12 weeks will be treated concurrently as a family and medical leave under the federal Family Medical Leave Act ("FMLA") for employees eligible for FMLA leave.

6.8 Bereavement Leave.

In the event of a death in the immediate family, employees may have up to 5 working days, with pay, at their regular straight time rate or base salary, to handle family affairs and attend the funeral. "Immediate family" is defined as: father, mother, brother, sister, spouse, domestic partner, child, mother-in-law, father-in- law, grandparents and grandchildren.

6.9 Jury Duty.

U.S. citizens have a civic obligation to provide jury duty service when called. Employees are entitled up to 5 working days, with pay, at their regular straight time or base salary for jury duty.

The employee must bring in the jury duty notice as soon as it is received so that appropriate arrangements can be made to cover his or her duties. Employees are required to call in or report for work on those days or parts of days when their presence in court is not required.

Section 7: Separation

7.1 Separation Scenarios.

Separation of employment within an organization can occur for several different reasons.

Resignation: Although we hope your employment with us will be a mutually rewarding experience, we understand that varying circumstances cause employees to voluntarily resign employment. Resigning employees are encouraged to provide two weeks' notice, preferably in writing, to facilitate a smooth transition out of the organization. Management reserves the right to provide an employee with two weeks' pay in lieu of notice in situations where job or business needs warrant such action. If an employee provides less notice than requested, the employer may deem the individual to be ineligible for rehire depending on the circumstances regarding the notice given.

Retirement: Employees who wish to retire are required to notify their department director and the Human Resource department in writing at least one (1) month before the planned retirement date.

It is the practice of [Company Name] to give special recognition to employees at the time of their retirement. The recipient must be employed with [Company Name] for five (5) years to be eligible for a retirement gift. The amount provided for the gift is $100 per year, based on the employee's uninterrupted full-time service. The department director should contact the Human Resource department to purchase a gift or a gift card. Departmental funds may not be used to

augment the gift.

Job abandonment: Employees who fail to report to work or contact their supervisor for three (3) consecutive workdays shall be considered to have abandoned the job without notice, effective at the end of their normal shift on the third day. The supervisor shall notify the Human Resource department at the expiration of the third workday and initiate the paperwork to terminate the employee. Employees who are separated due to job abandonment are ineligible to receive accrued benefits and are ineligible for rehire.

Termination: Employees of [Company Name] are employed on an at-will basis, and the company retains the right to terminate an employee at any time.

7.2 Return of Company Property

The separating employee must return all company property at the time of separation, including uniforms, cell phones, keys, PCs and identification cards. Failure to return some items may result in deductions from the final paycheck. An employee will be required to sign the Wage Deduction Authorization Agreement to deduct the costs of such items from the final paycheck.

The separating employee shall contact the Human Resource department as soon as notice is given to schedule an exit interview. The interview will be on the employee's last day of work or another day, as mutually agreed on.

Accrued vacation leave will be paid in the last paycheck unless the employee resigned and did not give and work a full two weeks' notice.

7.3 Rehire

Former employees who left Malama Group in good standing and were classified as eligible for rehire may be considered for reemployment. An application must be submitted to the Human Resource department, and the applicant must meet all minimum qualifications and requirements of the position, including any qualifying exam, when required.

Supervisors must obtain approval from the Human Resource director or designee prior to rehiring a former employee. Rehired employees begin benefits just as any other new employee. Previous tenure will not be considered in calculating longevity, leave accruals or any other benefits.

An applicant or employee who is terminated for violating policy or who resigned in lieu of termination from employment due to a policy violation will be ineligible for rehire..

Section 8: Safety and Security

8.1 Security of the office environment.

Malama Group is committed to providing a safe work environment. All Malama Group employees

should strive to keep the office and workplace as safe and secure as possible. All employees should be aware that the front door is to remain closed and locked at all times and that employees, customers and vendors can only enter by key or by express entry granted by an employee. Security cameras in all production and non-production areas and at all entrances and exits to the building should be monitored periodically by all employees to ensure the safety and security of the building. The last employee to leave the office should ensure all doors and possible entrances are closed and locked. Employees should also make sure all cameras are fully functional/operational when entering and leaving the office. Employees in the lab should refer to and follow all safety procedures in the Extraction Standard Operating Procedure manual. All employees working outside of the lab should avoid entering the lab unless business practices demand it.

8.2 Employee Safety.

For your safety and to comply with state rules, all employees must wear their employee badges at all times when on Malama Group premises, Employees and others working on behalf of the Company have a responsibility to learn the safety procedures applicable to their jobs and to follow them. You should also observe posted warnings and regulations and report immediately to your manager any injury sustained on the job or any health or safety concern you may have.

8.3 Visitors.

It is the responsibility of all Company employees to handle facility visitors according to state regulations. Employees should ensure that visitors sign in to the Malama Group Visitor Log and that all visitors are assigned badges that they must wear for the duration of their visit. Once a visitor gets ready to leave, they should turn in their badge and note their exit time on the sign-in sheet.

8.4 Surveillance System.

Malama Group employs a Sonitrol intrusion detection system to detect and flag any unwanted persons from entering the facility during off-hours. Employees should familiarize themselves with the system and with procedures should an alarm sound alerting the company to suspicious activity inside of our on the grounds of the Malama Group Facility. Employees should refer to the Sonitrol materials for details.

Section 9: Traceability System

9.1 Goals of Traceability System

Malama Group employs the BioTrack THC system to comply with the Hawaii DOH regulations for complete traceability of all marijuana and marijuana-infused products.

9.2 Use of Traceability System

Malama Group’s commitment to the traceability requirements means that all intake, cultivation, extraction, packaging, storage and shipping operations must utilize production and scanning of

barcode or QR labels to track the product property and within state guidelines. Within the traceability system, product needs to be tracked from room to room and from facility to facility, with the goal of complete “seed to sale” tracking. In this way, should any products require pulling from the shelf due to expiration dates or even product recalls, employees can execute these priorities quickly and efficiently. Employees should expect to be trained in the use of this system and will be expected to comply with the relevant regulations at all times.

Section 10: Additional Agreements

10.1 Additional Agreements

All Malama Group employees are expected to sign the following agreements with the Company:

- Employment Contract
- Non-Disclosure Agreement
- Non-Compete Contract (if not included in the Employment Contract)

MALAMA GROUP LLC: OAHU MEDICAL MARIJUANA APPLICATION

Section 3: Malama Group Financial Strength

Malama Group understands the need and requirement for Hawaii MMJ operations to bring substantial resources to bear in order to ensure that the company can build, launch and operate two Production Centers and two Retail Dispensary locations, while putting in place the necessary technology and controls to guarantee product and patient safety, product efficacy, and patient confidentiality.

Funding Sources

First and foremost, Malama Group and its principals, officers and managers have strong track records of business success, excellent credit histories, and no histories of bankruptcy. For this venture, Malama Group's source of funds for operating an efficient and effective MMJ operation include:

- [redacted]

- [redacted]
- [redacted]

Financial Pro Forma

In addition to the above referenced attachments, we are attaching a comprehensive Financial Pro Forma, which details the company's expenses, revenues, and source of funds organized into a series of tabs, from left to right:

1. Index: This tab gives a high level at-a-glance summary and dashboard view of the company's revenues, gross profit, EBITDA, cash, bank balance, and equity.
2. Ratios: This tab provides a view of the key ratios of the business: Gross Profit, EBITDA, Net Profit, Return on Assets, and Return on Equity among others.
3. Charts & Tables: As the name suggests, this tab includes charts to help enable easy-to-digest views of key financials.
4. Cultivation Assumptions: The key assumptions driving all Cultivation figures in the pro forma; these assumptions include facility size in square feet, size of flowering rooms, lights per room, yield per room in lbs, and % of yield converted to extracts.

5. Dispensary Assumptions: The key assumptions driving all Retail Dispensary figures in the pro forma; these assumptions include patients per day, average patient visit spend, and prices per pound and per gram for flower and oil-based products.
6. General Assumptions: This tab includes details on the general expenses, financing, and assets of the operation, over and above the cultivation- and dispensary-specific figures.
7. Cash Flow Statements: A detailed breakdown of operating cash flows including net profit before tax, working capital changes, dividend payments, etc.
8. Income Statement: Revenue and expenses as expressed through the income view, taking into account federal taxes and the unique tax situation for marijuana businesses encapsulated by the federal 280(e) tax provision. Due to marijuana's status as a federally controlled substance, medical marijuana businesses cannot deduct most normal business expenses as these expenses would be considered at the federal level to be generated from "trafficking." As a result, dispensary expenses cannot be deducted; however following the generally accepted practice for businesses across numerous medical marijuana states, Cultivation Center expenses will be deducted.
9. Balance Sheet: A summary of assets, equity and liabilities.
10. Investments & Financing: A detailed breakdown of the company's startup expenses, assets, and corresponding financing sources.
11. Dispensary Revenue, Costs & Expenses: This tab utilizes the Dispensary Assumptions tab to provide a month-by-month view of revenue and expenses for each dispensary.
12. Site 1 Cultivation: This tab utilizes the Cultivation Assumptions tab to provide a month-by-month view of revenue and expenses for each Cultivation Center.

13. Site 2 Cultivation: Similar figures to above for the second Malama Group Cultivation Center.
14. Payroll: A detailed breakdown of salaries and benefits packages for Malama Group employees.
15. Depreciation: The Company's capital expenses and equipment can be depreciated for tax purposes.
16. Parts: A summary of supplies and equipment needed for the operation.

Please note that federal banking regulations and the IRS pose a challenge for medical marijuana businesses: [redacted] is the [redacted]

Supplemental material for this section includes:

1. ***Malama Group Financial Pro Forma***
2. ***Lender Letter of Intent***
3. ***Project Green LLC dba Malama Group Bank Statements***
4. ***Applicant Financial Disclosure***
5. ***Applicant Experian Credit Report***

MALAMA GROUP LLC: OAHU MEDICAL MARIJUANA APPLICATION

Section 4: Security Plan

Production Center

Malama Group will employ the following methods to ensure security of the Production Center:

- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]

MALAMA GROUP LLC: OAHU MEDICAL MARIJUANA APPLICATION

Section 5: Malama Group Patient Education and Care

Malama Group views education and relationship development with patients, providers and the broader community to be integral to its operation. In addition to internal training, the Malama Group also plans to perform community outreach to educate patients, physicians, as well as caretakers of the potential benefits of the uses of medical marijuana as an alternative or adjunctive treatment option. This outreach will include educational seminars, handouts, and online media. Many patients or caretakers who have exhausted all standard medical treatment approaches are unaware of the benefits of medical marijuana, and Malama Group feels a responsibility to provide educational outreach services to the community to promote and increase patient care and overall health. Through educating the community, Malama Group can help to raise awareness, reduce abuse, and increase acceptance in the community at large.

Patient forums will be available on our website so that patients can have open discussions about their health conditions and treatment results. This will create a community where patients can feel safe conferring their medical problems and their experience in treating them with marijuana. This allows for open and honest communication amongst patients, caretakers, and medical professionals where they can learn from each other's experiences and treatment regimens. Along with clinical support, this outlet provides emotional and psychological support for patients, which is proven to improve end result health outcomes. [1]

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[1] Berkman LF, Glass T, Brissette I, Seeman TE. From social integration to health: Durkheim in the new millennium. Social Science and Medicine. 2000;51:843–857

In addition to ongoing and comprehensive educational outreach, Malama Group will ensure that it generates a sufficient mix of marijuana flower, extract, and infused products to meet the needs of the more than 10,000 qualifying patients in Oahu. Using advanced cultivation techniques, Malama Group intends to harvest approximately 63 plants per quarter for a total of up to 40 lbs of raw material each month. Drying, curing, and trimming operations will bring this amount to 35 lbs per month, out of which we anticipate processing roughly 20%, or 7 lbs/month into hash oil for use in capsules, lozenges, and tinctures. A typical month's supply at each of Malama Group's dispensaries can then be expected to include 30-35 lbs of dried flower along with 350-500 packages of 10 mg THC infused marijuana products. With a projected 128 patients visiting per day purchasing a projected 4 oz of product per patient, this supply will be more than sufficient to meet the needs of as many as 5,000 patients per month per dispensary to start. Should the patient population increase significantly, the Malama Group is prepared to scale this operation to double or even triple this capacity, within its initial cultivation and dispensary systems.

Malama Group's dedication to patients extends to the location and design of its dispensaries, which are optimized for providing convenient, safe, inviting spaces that enable patients to carefully review available products and match the best products to their specific symptoms and diagnoses. As patients enter each dispensary, they are greeted in a safe area for sign-in and patient card and photo ID verification; from there they are ushered into a secure vestibule designed for emergency situations (as described in Section 4: Security Plan), then the main store itself, which will feature a clean, modern design; bright displays; educational materials; and knowledgeable "budtenders" to answer their questions.

Malama Group's dispensaries will be located on major bus lines, with ample parking and outdoor lighting and security. To enhance their comfort and security, Malama Group will offer patients the option to be escorted out to their cars by dedicated security personnel.

The company will also take extensive measures to ensure patient satisfaction is measured and continually improved. In addition to in-store and online customer surveys, Malama Group will utilize active patient monitoring and measurement techniques to gather data on each patient visit from initial entry through exit from the store: this data will include what displays they review, what questions they ask, how long they peruse different parts of the store, what they purchase, and then, what they purchase on their next visit. By measuring not just what patients are willing to say but also what they actually do in each dispensary, Malama Group will get the fullest possible picture of customer satisfaction for making proactive and continual adjustments.

The company expects to use this patient tracking data in 5 key areas:

a. Product development – patient data will guide which products to create and how many variations of each product will be in demand in each location
b. Product mix – Where patients in one store may prefer lozenges, patients in the other location may show clear preferences for tinctures or topical ointments – these trend lines will be analyzed daily to adjust the product mix to match the unique demographics of each store location.
c. Educational material. We will track which materials patients consume and match them to data on which topics patients request more information about to create a continuous learning curve around our patients' educational needs.

d. Safety procedures. In both locations, Malama Group will strive to create the optimal mix of comfort and safety for patients; patient feedback will be used to continually improve this mix.

e. Budtender training. Malama Group budtenders will receive monthly training to ensure they are well versed in products and can assist patients with any issues. Should patient data uncover any adjustments which should be made to these training courses, Malama Group will implement those changes immediately.

It's important to note that all patient data will be handled with extreme care for patient confidentiality and privacy. Data storage and management practices will follow HIPAA guidelines and procedures so that even as Malama Group establishes strong evidence-based connections to patients, that data is never compromised or exposed at any time. Details on Malama Group's patient confidentiality procedures are provided in Section 8 of the Merit Segment of this application.

Supplemental material to this section includes:

1. ***Community Benefits & Substance Abuse Plan***
2. ***Plant Count Growth Scale Worksheet***

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Malama Group

Community Benefits & Substance Abuse Plan

January 2016

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MALAMA GROUP: COMMUNITY BENEFITS PLAN

Community Benefits Plan

Potential impacts on the community should be carefully considered when opening medical marijuana establishments. Care has to be taken to ensure that the establishments positively impact the community and leave a positive imprint.

High Quality Product Supply

The first aspect of a positive community impact is providing a valuable medical service for those in the community. Malama Group will produce consistently high grade cannabis products with different strain varieties that cover a broad spectrum of therapeutic effects.

Malama Group master growers have been at the forefront of medical cannabis cultivation for nearly a decade, with many awards to their names. The strictest adherence to organic methodology was shaped through care-providing for hundreds of patients with compromised immune systems and dietary sensitivities. The presence of dangerous molds and mildews as well as commercial pesticides and insecticides on medical cannabis can be deadly to those with autoimmune diseases and require a sophisticated natural and safe management plan in the cultivation phase. Malama Group has achieved this through cooperation with organic farmers and rigorous testing through the top certified testing laboratories. Organic growing also achieves the fullest genetic potential of the plant in regards to richness of flavor, smell and looks, as well as cannabinoid expression and potency.

With Malama Group's team experience, knowledge, and passion for patient care, patients can be assured that they are receiving the highest quality medical marijuana possible.

Increased Community Health

Another aspect of positive community impact is the potential increase in community health. The patients being served by MMJ dispensaries, carrying products cultivated and processed by Malama Group, will be qualified based on a debilitating condition for which the state has decided that marijuana is a suitable treatment. Medical marijuana will not only curb symptoms of these debilitating conditions, but also counter the side effects of drug regimens used to treat these conditions. Furthermore, evidence has shown that usage may even help to improve the actual overall health of some patients. For example, an observational study by investigators at the University of California at San Francisco (UCSF) found that Hepatitis C patients who used

cannabis were significantly more likely to adhere to their treatment regimen than patients who didn't use it. Patients diagnosed with Hepatitis C frequently report using cannabis to treat both symptoms of the disease as well as the adverse effects associated with antiviral therapy. The study showed that cannabis use offered symptomatic and virological benefit to some patients undergoing HCV treatment by helping them maintain adherence to the challenging medication regimen.[1]

Direct Economic Benefit

The third aspect of a positive community impact is direct economic benefit. The cultivation, production, and dispensary of Malama Group will create approximately between 80 and 100 jobs. These employees will spend their paychecks locally, creating more economic activity for the area. The facilities will generate significant tax revenue for the County of Honolulu and for the State of Hawaii.

Public Educational Outreach

The fourth aspect of positive community impact will be the educational opportunities for the public. In addition to internal training, Malama Group also plans to perform community outreach information services to educate patients, physicians, as well as caretakers of the potential benefits of the uses of medical marijuana as an alternative or adjunctive treatment option. This outreach will include educational seminars, handouts, and online media. Many patients or caretakers who have exhausted all standard medical treatment approaches are unaware of the benefits of medical marijuana, and Malama Group, feels a responsibility to provide educational outreach services to the community to promote and increase patient care and overall health. Through educating the community, starting with local hospitals, medical clinics, and patient support groups, Malama Group can help to raise awareness, reduce abuse, and increase acceptance in the community at large.

Patient forums will be available on our website so that patients can have open discussions about their health conditions and treatment results. This will create a community where patients can feel safe conferring their medical problems and their experience in treating them with marijuana. This allows for open and honest communication amongst patients, caretakers, and medical professionals where they can learn from each other's experiences and treatment

[1] Sylvestre, Clements, Malibu, "Cannabis use improves retention and virological outcomes in patients treated for hepatitis C," European Journal of Gastroenterology & Hepatology, 18(10):1057-1063, October 2006

regimens. Along with clinical support, this outlet provides emotional and psychological support for patients, which is proven to improve end result health outcomes. [2]

Donation Pledge/Charitable Contributions

The Malama Group has reached an agreement with the Big Brothers and Big Sisters Hawaii to donate a portion of our proceeds to the organization to help fund the education and development of Hawaii's youth. In addition to donations, Malama Group will offer Big Brothers and Big Sisters educational and funded activities opportunities.

Substance Abuse Prevention Plan

Substance abuse is a complex and pervasive health issue, therefore overall strategies must encompass a committed public health approach, including extensive education and prevention efforts, treatment, and research. Many prevention approaches, such as selective prevention strategies, focus on helping individuals develop the knowledge, attitudes, and skills they need to make good choices or change harmful behaviors.

The best way to prevent substance abuse is through education and awareness to doctors, patients, and caretakers[3]. This outreach will include educational seminars, handouts/pamphlets, and online media. Resources and referrals will be available in our dispensary and website to substance abuse programs, counseling services, and patient support forums so that patients can be aware of the sign and symptoms of abuse & take the necessary steps for prevention and/or treatment.

Education

Mirroring prescription medications, patients need to be educated thoroughly on the side effects of medications versus therapeutic effects so they can make an informed decision on the risks versus benefits of using the medication. Some important counseling points are for patients is that risks for addiction to prescription drugs increase when they are used in ways other than as prescribed at higher doses, by different routes of administration, or combined with alcohol or other drugs. Education on using medication as prescribed under the

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[2] Berkman LF, Glass T, Brissette I, Seeman TE. From social integration to health: Durkheim in the new millennium. Social Science and Medicine. 2000;51:843–857

[3] Preventing Drug Use among Children and Adolescents, A Research-Based Guide for Parents, Educators, and Community Leaders, Second Edition, National Institute on Drug Abuse, 2003.

recommendation of a physician and using the lowest effective dose to achieve symptomatic relief decreases the risks for abuse. [4]

Recognizing the signs of abuse is the first step before patients will seek treatment and/or recovery. Physicians, caretakers, and patients need to monitor for the following:

- Loss of Control: Using the substance more than a person wants to, for longer than they intended, or despite telling themselves that they wouldn't do it this time.
- Neglecting Other Activities: Spending less time on activities that used to be important (hanging out with family and friends, exercising, pursuing hobbies or other interests) because of the use of alcohol or drugs; drop in attendance and performance at work or school.
- Risk Taking: More likely to take serious risks in order to obtain one's drug of choice.
- Relationship Issues: People struggling with addiction are known to act out against those closest to them, particularly if someone is attempting to address their substance problems; complaints from co-workers, supervisors, teachers or classmates.
- Secrecy: Going out of one's way to hide the amount of drugs or alcohol consumed or one's activities when drinking or drugging; unexplained injuries or accidents.
- Changing Appearance: Serious changes or deterioration in hygiene or physical appearance – lack of showering, slovenly appearance, and/or unclean clothes.
- Family History: A family history of addiction can dramatically increase one's predisposition to substance abuse.
- Tolerance: Over time, a person's body adapts to a substance to the point that they need more and more of it in order to have the same reaction.
- Withdrawal: As the effect of the alcohol or drugs wear off the person may experience symptoms such as: anxiety or jumpiness; shakiness or trembling; sweating, nausea and vomiting, insomnia, depression, irritability, fatigue or loss of appetite and headaches.
- Continued Use Despite Negative Consequences: Even though it is causing problems (on the job, in relationships, for one's health), a person continues drinking and drugging. [5]

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[4] National Institute on Drug Abuse (NIDA): "Preventing and Recognizing Prescription Drug Abuse."; National Institutes of Health; U.S. Department of Health and Human Services.
[5] National Council on Alcoholism and Drug Dependence, Inc. (NCADD): "Learn About Drugs: Signs and Symptoms."

Recovery/Treatment

If patients are suffering from substance abuse and need help in recovery and treatment, Malama Group will have resources and referral services readily available on our website and dispensary. These resources will include physicians and facilities that specialize is substance abuse as well and counseling and support groups. The goal for treatment or recovery is to support the individuals' abilities to live productive lives in the community while also preserving their quality of life.

Research programs

In this new and highly misunderstood field of medical marijuana, Malama Group feels extensive research needs to conducted to get a clearer understanding of the exact pathways that marijuana effects in the body and brain. With this knowledge, factors may be determined on how these effects are associated with dependence or abuse as a single agent, or in combination with other prescription medications and alcohol. Research-based prevention programs can be cost-effective, and a study showed that for each dollar invested in prevention, a savings of up to $10 in treatment for alcohol or other substance abuse can be seen. [6] Ultimately, research in medical marijuana is pertinent in establishing effective future treatment guidelines, decrease risks for abuse, and increase overall patient care.

[6] Aos et al. 2001; Hawkins et al. 1999; Pentz 1998; Spoth et al. 2002a; Jones et al. 2008; Foster et al. 2007; Miller and Hendrie 2009

MALAMA GROUP LLC: OAHU MEDICAL MARIJUANA APPLICATION

Section 6: Malama Group Criminal Background Check Procedures

In preparation for this license application, Malama Group principals and officers all submitted queries to the Hawaii eCrim program, and all of the resulting eCrim Validation codes have been included in the company's Owner_Principal_Member_Report spreadsheet, which we have uploaded as part of our application.

Beyond this initial set of background checks, Malama Group is committed to ensuring that individuals who join the company are well qualified and that the company can maintain a safe and productive work environment. As a result of this commitment, it is our policy to conduct pre-employment background checks on all employees who accept an offer of employment, including founders and executives as well as all subcontractors and subcontractors' employees. Background checks will include verification of all information on the applicant's resume or application form and in particular will seek to identify whether the applicant or employee has committed a felony at any time in the past.
Malama Group will not hire or accept on the premises any individual who has been shown to have committed a felony.

All offers of employment are conditioned on receipt of a background check report that is acceptable to Malama Group. All background checks are conducted in conformity with the Federal Fair Credit Reporting Act, the Americans with Disabilities Act, and state and federal privacy and antidiscrimination laws. Reports are kept confidential and are only

viewed by individuals involved in the hiring process.

If information obtained in a background check would lead Malama Group to deny employment, a copy of the report will be provided to the applicant, and the applicant will have the opportunity to dispute the report's accuracy. Background checks may include a criminal record check, although a criminal conviction does not automatically bar an applicant from employment. Additional checks such as a driving record or credit report may be made on applicants for particular job categories if appropriate and job related.

Supplemental Material to this section includes:

1. ***Malama Group Employee Handbook***

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Malama Group

Background Check Policy

January 2016

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MALAMA GROUP: BACKGROUND CHECK POLICY

Purpose

The Malama Group believes that hiring qualified individuals contributes to our overall strategic success. Background checks serve as an important part of the selection process. The information we collect helps the Malama Group promote a safe work environment for our current and future employees. Background checks also help us obtain information necessary to determine an applicant's overall employability and to ensure the protection of The Malama Group's physical property, proprietary information and other assets. The Malama Group complies with all applicable federal, state and local laws, including fair employment practices and equal employment opportunity, when conducting background checks.

Procedure

At the Malama Group background checks will be conducted on all job applicants applying for sensitive positions. These include positions involving security and financial responsibilities, as well as other positions determined by the Malama Group to be sensitive. The Malama Group will use a third-party agency to conduct the background checks to verify the accuracy of the information provided by the applicant during the selection process. Information collected by the agency includes past employment, education, character, finances and reputation.

The Malama Group will ensure that all background checks are conducted in compliance with all applicable federal and state statutes, such as the Fair Credit Reporting Act and the Americans with Disabilities Act. The information that can be collected from previous employers and other sources will be limited to that which is job-related and pertains to the quality and quantity of work performed by the applicant and to the applicant's attendance record, education and other lawful, work-related inquiries. The human resource department along with appropriate management personnel will be primarily responsible for the background check process.

Arrest and Conviction Records

The Malama Group may check criminal arrest and conviction records as part of the applicant selection process. In accord with the Equal Employment Opportunity Commission's current interpretation of Title VII of the Civil Rights Act of 1964, this information cannot be used as a basis for denying employment, unless it is determined to be job-related and consistent with business necessity.

Credit reports

The Malama Group may collect credit information on applicants consistent with the guidelines set forth by the federal Fair Credit Reporting Act (FCRA). The FCRA requires organizations to obtain a candidate's written authorization before obtaining a credit report. When doing this, the employer must:

- Certify to the consumer-reporting agency that the employer is in compliance with the FCRA and will not misuse the information it receives.
- Disclose to the applicant or employee, on a separate form, its plans to obtain a consumer or investigative consumer report and that the information received will be used solely for employment purposes.
- Inform the individual of his or her right to request additional information on the nature of the report and the means through which such information may be obtained.
- Inform the applicant that the report will include information about the individual's character, general reputation and personal characteristics.
- Provide the individual with a summary of his or her rights under the FCRA.

If the results of the credit check are negative, the Malama Group will inform the applicant before taking adverse action based on the results, provide the applicant with a Statement of Consumer Rights from the Federal Trade Commission, offer the applicant the opportunity to review a copy of the credit report, and advise the applicant of his or her rights to dispute inaccurate information. Applicants should be granted reasonable time to dispute the information (approximately three to five days).

Record-Keeping

The Malama Group assures applicants that all information obtained from the background check process will only be used as part of the employment process and will be kept strictly confidential. The Malama Group human resources will maintain a log that will include the position you are applying for, your name and the date of the background check. Only appropriate human resource personnel at the Malama Group will have access to this information. The Malama Group complies with all federal and state laws regarding the collection, storing and disposal of applicant information, such as the Fair and Accurate Credit Transactions Act (FACTA).

MALAMA GROUP LLC: OAHU MEDICAL MARIJUANA APPLICATION

Section 7: Malama Group Product Tracking Procedures

As part of our compliance with an integrated plan for the care, quality and safekeeping of medical marijuana from seed to sale, pursuant to State law, Malama Group requires that all operations be tracked by a State approved interactive IT-based inventory control system. Only authorized personnel will have the ability to update our Inventory Control System, and the Production and Dispensary Managers will be the agents, designated in writing, with oversight and administrative privileges of the system. This system allows for a clear understanding of existing inventory, and the exact location of this inventory, by: Documenting daily starting inventory; any intakes of seeds or clones; cultivation/production products; sales; disbursements; disposal of excess or unusable marijuana; all dispensary transactions; and the daily ending inventory.

The Dispensary Manager and staff are responsible for the oversight of the inventory control system as it relates to all dispensary operations. Changes or updates made in the inventory system will be restricted to authorized personnel as directed by the Dispensary Director. A unique pin number will be assigned or created for each authorized employee, which is required to be entered before being able to update/change any inventory data in the system. This allows for the tracking and documentation of what changes were made, at what time, the reason, and by whom.

Production: Malama Group will utilize inventory tracking software from BioTrackTHC for tracking and recording all cannabis growth, processing, packaging, delivery and point of sale

purchases. BioTrackTHC's features include: (i) all plants are assigned a unique barcode ensuring full compliance from seed to sale; (ii) ability to add and track strains, strain types, strain notes, and medicinal benefits; (iii) waste tracking (plants, leaf, stems, shake, trim, etc.); (iv) batching (collect byproduct and batch them together); (v) automated task reminders (send text and email reminders and end of day reports); (vi) recording individual plant notes and reminders; (vii) genealogy tracking (determine which mother plants produce the highest yields); (viii) plant auditing (by room or total); (ix) set multiple collection points (cutting the top of a plant to flower another week); (x) nutrient and pesticide tracking; (xi) create grow house room maps (know the exact room/location of each plant); (xii) real-time chain of custody tracking (know who handled each plant, when, and why); (xiii) harvest/cure one plant or multiple plants at once but retain the ability to track back to the original barcode it derived from; (xiv) plant phase tracking collects important data points from every stage of the plants life cycle (learn growing habits for specific strains, changes in phase); (xv) automatically generate transportation manifests with turn-by-turn directions, product information, driver, and vehicle information. As an integrated facility, inventory tracking will begin from the time we acquire our first seeds or clones from legal sources. The plants will be entered into the system along with a description of the plant, its strain, the name and number of the registered patient(s) or caregiver(s) from whom the plants were acquired, the name and agent registration number of the employee receiving the marijuana, and the date of the acquisition.

Malama Group will monitor our production closely by requiring that all plants are assigned batch IDs, and are documented in the inventory tracking system. This allows all batches of plants to be easily identified in the system. Authorized personnel will enter the

strain of the plants, the number of plants in the batch, the date they were planted, a list of all additives used in the cultivation (e.g. pesticides, herbicides, and fertilizers), the number of plants that reached maturity, the date of the harvest, the final weight of processed usable marijuana, and the name and agent registration number of the agent responsible for the harvest. All wet and dry flowers, leaf and trim materials, and cured product will be weighed at each stage in the cultivation process to precisely monitor weight changes in the post-harvest process and recorded in our inventory control system. Any deviation from the expected weight change due to drying, loss, or diversion will be documented in our inventory control system (BioTrackTHC), investigated, and reported to the appropriate authorities.

Processing: In addition to tracking production, Malama Group will closely track and monitor extraction and other processing operations, recording pre-processed amounts, post-processing amounts, and waste/unusable amounts. Each processed new product will be recorded into the inventory control system and given a unique batch number in order to track all steps through the process. At each stage of this above, once the information is entered into BioTrackTHC, a bar-code will be printed out and placed on the raw material, oil and/or concentrate container, and/or onto each infused product. The information entered into the inventory tracking system is detailed at each step below.

All changes will be documented during all steps of processing, with all details available to managerial staff (as well as auditable by County and State regulatory officials), and further shared with the retail dispensary receiving that product. In this way, Malama Group will be able to monitor all input plants and materials used in every item produced, trace any deviation and/or enact a full recall should any contamination be discovered.

Tracking points that require data entry are: Date and time of transfer; Weight of raw material transferred; Strain(s) of raw material; Batch number(s) that raw material came from; Any independent laboratory test data; If from an external source, the name and agent number of each of the transportation personnel; If from an external source, the name and employee ID of the agent who received the marijuana on behalf of Malama Group.

After plant cultivation and extraction of the oil concentrate, the following information will be entered into the inventory control system and label: Date and time of extraction; Batch number(s); Resulting concentrate oil weight and/or volume; Characteristics/color/clarity; Independent laboratory test results; Volume and method of waste and disposal.

Once the oil concentrate has been infused into the finished product (for example, a capsule), the following information will be entered into the inventory control system and label: Date and time of infusion; Batch number(s) of the oil concentrate(s) used; Volume of oil concentrate(s) used to make infused product; New infused product batch number; Number of products in new batch; Cannabinoid concentration and weight per product.

Dispensing: The final step in inventory tracking takes place at the dispensary. BioTrackTHC's features include: (i) automatically enforces state and patient sales limits; (2) user authorization configuration (set individual permission settings per employee); (3) customizable loyalty/discount programs; (4) built-in text messaging/email marketing; (5) product label print out, with customization (product ID/weight/THC/additives/etc; (6) automatically generate price based on product weight; (7) medical marijuana card and driver’s license expiration dates and will not allow purchases if card(s) are expired; (8) patient scheduling; (9) integrated scales/receipt printers/label printers (receipt printer content is customizable); (10)

customizable fields; (11) built in instant messaging capabilities (send messages between terminals); (12) multiple location configurations; (13) patient member levels; (14) drawer payouts; (15) patient document scanning; (16) patient notes/purchase history/wait time; (17) built in employee time clock/management; (18) cumulative price points (sell four quarters at an ounce price); and (19) a cash closing feature.

Before a registered employee completes a sale within the system, BiotrackTHC can prompt for identity verification of the patient, and internally verify that the patient does not exceed their 15 day 4 ounce, or 30 day 8 ounce legal limit as set out in section HRS 329D-7, Section 12. The system can apply a limit on a patient-to-patient basis and prohibit a registered employee from dispensing anything over the established limit.

Supplemental material to this section of the application includes:

1. ***Inventory Control System Overview***
2. ***Inventory Tracking & Record Keeping SOP***
3. ***BioTrackTHC System Manual***

“Aloha oia o ka aina a ohana makou.”

Malama Group

Inventory Control System Overview

January 2016

Confidential

MALAMA GROUP: INVENTORY CONTROL SYSTEM OVERVIEW

Inventory Control System Overview

As part of our compliance with an integrated plan for the care, quality and safekeeping of medical marijuana from seed to sale, pursuant to State law, we require all operations to be tracked by a State approved interactive IT-based inventory control system. Malama Group authorized personnel will have the ability to update our Inventory Control System, and the Cultivation, Production, and Dispensary Managers will be the employees, designated in writing, with oversight and administrative privileges of the system. This system allows for a clear understanding of existing inventory, and the exact location of this inventory, by: documenting daily starting inventory; any acquisitions of plants/trim/oil; cultivation/production products; sales; disbursements; disposal of excess or unusable marijuana; all dispensary transactions; and the daily ending inventory.

Cultivation

Malama Group will utilize inventory tracking software, BioTrackTHC, or another State approved software tracking system, designed specifically for tracking and recording all cannabis growth, processing, packaging, delivery and point of sale purchases. BioTrackTHC's features include: (i) all plants are assigned a unique barcode ensuring full compliance from seed to sale; (ii) ability to add and track strains, strain types, strain notes, and medicinal benefits; (iii) waste tracking (plants, leaf, stems, shake, trim, etc.); (iv) batching (collect byproduct and batch them together); (v) automated task reminders (send text and email reminders and end of day reports); (vi) recording individual plant notes and reminders; (vii) genealogy tracking (determine which mother plants produce the highest yields); (viii) plant auditing (by room or total); (ix) set multiple collection points (cutting the top of a plant to flower another week); (x) nutrient and pesticide tracking; (xi) create grow house room maps (know the exact room/location of each plant); (xii) real-time chain of custody tracking (know who handled each plant, when, and why); (xiii) harvest/cure one plant or multiple plants at once but retain the ability to track back to the original barcode it derived from; (xiv) plant phase tracking collects important data points from every stage of the plants life cycle (learn growing habits for specific strains, changes in phase); (xv) automatically generate transportation manifests with turn-by-turn directions, product information, driver, and vehicle information.

As an integrated facility, inventory tracking will begin from the time we acquire our first plants from registered Hawaii patients. The plants will be entered into the system along with a description of the plant, its strain, the name and number of the registered patient(s) or

caregiver(s) from whom the plants were acquired, the name and agent registration number of the receiving the marijuana, and the date of the acquisition.

Malama Group will monitor our grow closely by requiring that all plants get assigned batch IDs, and is documented in the inventory tracking system. This allows all batches of plants to be easily identified in the system. Authorized personnel will enter the strain of the plants, the number of plants in the batch, the date they were planted, a list of all additives used in the cultivation (e.g. pesticides, herbicides, and fertilizers), the number of plants that reached maturity, the date of the harvest, the final weight of processed usable marijuana, and the name and agent registration number of the agent responsible for the harvest. All wet and dry flowers, leaf and trim materials, and cured product will be weighed at each stage in the cultivation process to precisely monitor weight changes in the post-harvest process and recorded in our inventory control system. Any deviation from the expected weight change due to drying, loss, or diversion will be documented in our inventory control system (BioTrackTHC), investigated, and reported to the appropriate authorities.

Production

Inventory tracking will begin from the time we acquire our first raw material (trim, leaves and small flowers). Whether the transfer of raw material is from in-house or from another MME, the details of the transfers shall be entered into our Inventory Control System (BioTrackTHC). All pressed and processed material handling must be recorded, including pre-processed amounts, post-processing amounts, and waste/unusable amounts.

Raw materials will be converted to a cannabis oil extract, some of which will be sold in concentrate form and the rest infused into various products. Each subsequent new product will be recorded into the inventory control system and given a unique batch number in order to track all steps through the process. At each stage of this above, once the information is entered into BioTrackTHC, a bar-code will be printed out and placed on the raw material, oil and/or concentrate container, and/or onto each infused product. The information entered into the inventory tracking system is detailed at each step below.

All changes will be documented during all steps of processing, with all details be available to managerial staff (as well as auditable by County and State regulatory officials), and further shared with the retail dispensary receiving that edible product (whether our own dispensary or a 3rd party's). In this way, we will be able to monitor all input plants and materials used in every item produced, trace any deviation and/or enact a full recall should any contamination be discovered.

Tracking points that require data entry are detailed below:

Step One: Information entered into inventory tracking system for raw trim

a. Date and time of transfer
b. Weight of raw material transferred
c. Strain(s) of raw material
d. Batch number(s) that raw material came from
e. Any independent laboratory test data
f. If from an external source, the name and agent number of each of the transportation personnel (if we handle the delivery)
g. If from an external source, the name and certificate number of the transporting medical marijuana establishment
h. If from an external source, the name and agent number of the agent who received the marijuana on behalf of Malama Group
i. After documentation of step one, the raw material moves to the extraction machine. Upon extraction of the oil concentrates the following information will be entered into the inventory control system and label.

Step Two: Information entered into inventory tracking system for cannabis oil extract

a. Date and time of extraction
b. Batch number(s)
c. Resulting concentrate oil weight and/or volume
d. Characteristics/color/clarity
e. Independent laboratory test results
f. The volume and method of waste and disposal
g. After documentation of step two, production of infused products with the concentrate oil is the next step.

Step Three: Infused Product Information for BioTrackTHC

a. Date and time of utilization
b. Batch number(s) of the oil concentrate(s) used
c. Volume of oil concentrate(s) used to make infused product

d. New infused product batch number
e. Number of products in new batch
f. Cannabinoid concentration and weight per product

Dispensary

BioTrackTHC's features include: (i) automatically enforces state and patient sales limits; (2) user authorization configuration (set individual permission settings per); (3) customizable loyalty/discount programs; (4) built-in text messaging/email marketing; (5) product label print out, with customization (product ID/weight/THC/additives/etc; (6) automatically generate price based on product weight; (7) medical marijuana card and drivers license expiration dates and will not allow purchases if card(s) are expired; (8) patient scheduling; (9) integrated scales/receipt printers/label printers (receipt printer content is customizable); (10) customizable fields; (11) built in instant messaging capabilities (send messages between terminals); (12) multiple location configurations; (13) patient member levels; (14) drawer payouts; (15) patient document scanning; (16) patient notes/purchase history/wait time; (17) built in time clock/management; (18) cumulative price points (sell four quarters at an ounce price); and (19) a cash closing feature.

We would like to highlight that before a registered patient completes a sale within the system, BiotrackTHC can prompt for identity verification of the patient, and internally verify that the patient does not exceed their 15 day/4 ounce, or 30 day/8 ounce legal limit as set out in section 329D-7, HRS. The system can apply a limit on a patient-to- patient basis and prohibit a registered patient from being dispensed any amount over the established limit.

Access to Inventory Control System

The Cultivation Director, Cultivation Manager, and Production Manager will be the employees, designated in writing, with oversight and administrative privileges over the inventory control system. All personnel must record their daily production tasks and the duration of their work day dedicated to completing each task by entering their data into BioTrackTHC. Changes or updates made in the inventory system will be restricted to only authorized personnel as directed by the relevant Cultivation Director, Cultivation Manager, Dispensary Manager, and Production Manager. A unique pin number will be assigned or created for each authorized personnel, which is required to be entered before being able to update/change any inventory data in the system. This allows for the tracking and documentation of what changes were made, at what time, the reason, and by whom.

Scales and Weighing

Much of the inventory control system is based on accurate measures of weight. As such, Malama Group will utilize scales in compliance with any requirements set forth by the State. This way, documentation of licensure, and accurate record-keeping, will be maintained for review by both marijuana establishments receiving marijuana from our facility, and local and State regulators.

Discrepancies

If at any time the amount of marijuana on hand is increased or reduced in a way that is not documented in the electronic inventory control system, our personnel will determine the source of the discrepancy. After identifying the source, corrective action will be taken to ensure that there will be no further variance from expected amounts. Any loss of product will be reported to the Division, and if criminal activity is suspected, it will be reported to relevant law enforcement agencies.

If at any time product disappears or deviates from predicted production amounts, s are required to report the discrepancy in BioTrackTHC, and verbally to their supervisor. Our personnel will determine the source of the discrepancy and corrective action will be taken to ensure that there will be no further variance from expected amounts

Delivery/Sales Tracking

As an integrated facility, we can only transfer products to other fully licensed MMEs (independent testing laboratories, dispensaries, other cultivation facilities, and infused/edible production facilities). When these transfers take place, the details of the transfers will be entered into the electronic inventory control system. These details will include the amount of marijuana transferred (in weight or concentration), the strain of that marijuana, the batch number of that marijuana, the required, independent laboratory test result data, the name and agent number of each of the transportation personnel (if we handle the delivery), the name and certificate number of the receiving medical marijuana establishment, the name and agent number of the agent who received the marijuana on behalf of the other establishment, and the date of the transfer.

Contamination, Recalls and Disposal Tracking

If at any time there is discovery of contamination, disease, or potential hazard associated with any marijuana or processed products, our inventory control system will be able to identify any and all materials and products from that production batch in order to implement full product recalls and proper disposal. Any disposal of marijuana from the batch must also be documented, including the reason for the disposal, the number of failed/unusable plants, the

date of the disposal, confirmation that the marijuana was rendered unusable before the disposal, the method of disposal, and the name and agent number of the agent responsible for the disposal.

“Aloha oia o ka aina a ohana makou.”

Malama Group

Inventory Tracking and Record Keeping

January 2016

Confidential

MALAMA GROUP: INVENTORY TRACKING & RECORD KEEPING (CULTIVATION)

Policy

All processes, materials, and batches must be input and tracked within an inventory control system.

Scope

To ensure the seed to sale tracking of we require all operations to be tracked by *BioTrackTHC*, our interactive IT-based inventory control system. *BioTrackTHC,* an inventory control system designed specifically for tracking and recording all cannabis growth, processing, packaging, delivery and point of sale purchases. All plants will be input, tracked, and recorded in an electronic database by the agents of the facility.

Procedure

Malama Group uses *BioTrackTHC,* an inventory control system designed specifically for tracking and recording all cannabis growth, processing, packaging, delivery and point of sale purchases. BioTrackTHC's features include:

- All plants are assigned a unique barcode ensuring full compliance from seed to sale;
- Ability to add and track strains, strain types, strain notes, and medicinal benefits
- Waste tracking (plants, leaf, stems, shake, trim, etc.)
- Batching (collect by-product and batch them together)
- Automated task reminders (send text and email reminders and end of day reports)
- Recording individual plant notes and reminders
- Genealogy tracking (determine which mother plants produce the highest yields)
- Plant auditing (by room or total)
- Set multiple collection points (cutting the top of a plant to flower another week)
- Nutrient and pesticide tracking.
- Create grow house room maps (know the exact room/location of each plant)
- Real-time chain of custody racking (know who handled each plant, when, and why)
- Harvest/cure one plant or multiple plants at once but retain the ability to track back to the original barcode it derived from.
- Plant phase tracking collects important data points from every stage of the plants life cycle (learn growing habits for specific strains, changes in phase)
- Maintain and track the name, identity, lot number, strength, quality and purity of products produced

- Maintain and track the disposition and of products and salvaged products
- Maintain and track storage conditions of marijuana and marijuana infused products
- Automatically generate transportation manifests with turn-by-turn directions, product information, driver, and vehicle information.)

Access to Inventory Control System

The Cultivation Director and Manager will be the agents, designated in writing, with oversight of the inventory control system.

I. *All personnel must record their daily cultivation tasks and the duration of their work day dedicated to completing each task by entering their data into BioTrackTHC*.

II. Changes or updates made in the inventory system will be restricted to only authorized personnel as directed by the Cultivation Director and Manager.

III. A unique pin number will be assigned or created for each authorized employee, which is required to be entered before being able to update/change any inventory data in the system. This allows for the tracking and documentation of what changes were made, at what time, the reason, and by whom.

Scales and Weighing

Much of the inventory control system is based on accurate measures of weight. Malama Group will utilize commercial scales in compliance with NRS 581, et seq. Documentation of licensure, and accurate record-keeping, will be maintained for review by both marijuana establishments receiving marijuana from our facility and County and State regulators.

Acquisition of Plants from Hawaii Patients

Inventory tracking will begin from the time we acquire our first plants from registered Hawaii patients. The plants will be entered into the system along with a description of the plant, its strain, the name and number of the registered patient(s) or caregiver(s) from whom the plants were acquired, the name and agent registration number of the employee receiving the marijuana, and the date of the acquisition.

Clone to Harvesting Tracking

Once clones take root, each plant will be assigned:

I. Batch ID, but also tagged with its own unique identifier (barcoded)

II. Entered in the inventory tracking system with:

   a. Strain of the clones

   b. Number of clones in the batch

   c. Date the clones were planted

   d. List of all additives used in the cultivation (e.g. pesticides, herbicides, and fertilizers)

   e. Number of plants that reached maturity

   f. Date of the harvest

   g. Final weight of processed usable marijuana

   h. Name and agent registration number of the agent responsible for the harvest.

III. All wet and dry flowers, leaf and trim materials, and cured product will be weighed at each stage in the cultivation process to precisely monitor weight changes in the post-harvest process and recorded in our inventory control system.

Discrepancies and Reporting

I. Any deviation from the expected weight change due to drying, loss, theft or diversion will be documented in our Inventory Control System (*BioTrackTHC*), investigated by our Quality Control Unit, and reported to the Division.

II. If at any time a plant disappears or deviates from predicted production amounts, employees are required to report the discrepancy in *BioTrackTHC,* and verbally to their supervisor. The Quality Control Unit will determine the source of the discrepancy and corrective action will be taken to ensure that there will be no further variance from expected amounts.

III. Any loss of product will be reported to the Division, and if criminal activity is suspected, it will be reported to the Division and relevant law enforcement agencies.

Sales/Transfers Tracking

Unauthorized removal of products from our facility is strictly prohibited. The company shall supply its products only to other fully licensed medical marijuana entities (independent testing

laboratories, dispensaries, other cultivation facilities, and infused/edible production facilities). Staff are forbidden from diverting any marijuana plant material, extracts or infused products from the cultivation facility, except via the Transportation SOP and Disposal of Rejected Materials SOP.

Transfers to External Customers

When transfers of marijuana and products to other licensed medical marijuana facilities take place, the details of the transfers will be entered into *BioTrackTHC* and labeled. These details will include:

I. The amount of marijuana transferred (in weight and/or concentration)

II. The strain of that marijuana and or product

III. Batch number of that marijuana or product

IV. Required, independent laboratory test result data

V. Name and agent number of each of the transportation personnel

VI. Name and certificate number of the receiving medical marijuana establishment

VII. Name and agent number of the agent who received the marijuana on behalf of the other establishment

VIII. Date and time control of the product is relinquished to our customer.

Transfers Internally to Production

At our on-site processing facility, details of all raw materials must be also recorded into the *BioTrackTHC* system and labeled.

I. All pressed and processed material handling must be recorded, including:

    a. pre-processed amounts

    b. post-processing amounts

    c. waste/unusable amounts

    d. Identity of product

e. Strength of product

f. Quality/Purity of product

II. These materials will be tracked as they are converted to new batches, with each subsequent batch number linked to its previous source materials and plants.

III. The final product will contain the new batch information including:

a. pre-processed amounts

b. post-processing amounts

c. waste/unusable amounts

d. Identity of product

e. Strength of product

f. Quality/Purity of product

IV. Changes will be documented during all steps of processing, with all details be available to managerial staff (as well as auditable by County and State regulatory officials), and further shared with the retail dispensary receiving that edible product. In this way, we will be able to monitor all input plants and materials used in every item produced, trace any deviation and/or enact a full recall should any contamination be discovered.

Contamination, Recalls & Disposal Tracking

If at any time there is discovery of contamination, adulteration, disease, or potential hazard associated with any marijuana or processed products, our inventory control system the Quality Control Unit will identify any and all materials and products from that production batch in order to implement full product recalls and proper disposal in accordance to Contaminated and Adulterated Products SOP.

Any disposal of marijuana products from the batch must also be documented, including:

I. Reason for the disposal

II. Number and weight of failed/unusable product

III. Date of the disposal

IV. Confirmation that the marijuana product was rendered unusable before the disposal

V. The method of disposal

VI. Name and agent number of the agent responsible for the disposal.

Discrepancies

I. Any deviation from the expected weight change due to drying, loss, theft, and diversion will be documented in our Inventory Control System (*BioTrackTHC*), investigated by our Quality Control Unit, and reported to the Division.

II. If at any time a plant disappears or deviates from predicted production amounts, employees are required to report the discrepancy in *BioTrackTHC,* and verbally to their supervisor. The Quality Control Unit will determine the source of the discrepancy and corrective action will be taken to ensure that there will be no further variance from expected amounts.

III. Any loss of product will be reported to the Division, and if criminal activity is suspected, it will be reported to the Division and relevant law enforcement agencies.

Policy Changes

All policy changes must be drafted, reviewed and approved by both the supervisor/manager of the respective business unit and the quality control unit. Changes will be updated in the SOP manual by the quality control unit and require a signed acknowledgement of the policy change by all the employees affected.

Tracking Data: Security & Audit

Our inventory control system data will be available to State and local authorities at all times. Our database will be kept digitally on-site or offsite (at our discretion) for at least five years. Although not legally required, we will strive to achieve the "gold standard" by treating all data in compliance with federal patient information confidentiality and electronic exchange rules under HIPPA (the Health Insurance Portability Act of 1996, Privacy, Security and Breach Notification Rules, 45 CFR Part 160 and Part 164, Subparts A and E. All records are encrypted with the latest *secure socket layer (SSL)* to ensure the privacy of those whose information is recorded.

Inventory Control System; Generally

1. The facility shall establish and implement an inventory control system that documents the following

    A. Each days beginning inventory, acquisitions, harvests, sales, disbursements, disposals, and ending inventory.

        I. When acquiring medical marijuana from a valid registry identification card holder, or caregiver the following must be documented

            a. A description of the medical marijuana acquired, including the amount and strain as specified by the cardholder or caregiver, if known;

            b. The name and number of the valid registry identification card of the person who provided the medical marijuana or, if provided by a designated primary caregiver, his or her name;

            c. The name and medical marijuana establishment agent registration card number of the medical marijuana establishment agent receiving the medical marijuana on behalf of the medical marijuana dispensary; and

            d. The date of acquisition.

        II. When acquiring medical marijuana from another establishment, the following must be documented

            a. A description of the medical marijuana acquired, including the amount, strain and batch number;

            b. The name and identification number of the medical marijuana establishment registration certificate of the medical marijuana establishment providing the medical marijuana;

            c. The name and medical marijuana establishment agent registration card number of the medical marijuana establishment agent providing the medical marijuana;

            d. The name and medical marijuana establishment agent registration card number of the medical marijuana establishment agent

receiving the medical marijuana on behalf of the medical marijuana establishment; and

e. The date of acquisition.

III. For each batch of marijuana cultivated

a. The batch number

b. Origination (Seed vs. Clones)

c. The strain of the batch planted

d. The number of plants

e. Date on which batch was planted

f. A list of all chemical additives

g. Number of plants grown to maturity

h. Harvest information

i. The date of harvest;

ii. The final yield weight of processed usable marijuana; and

iii. The name and medical marijuana establishment agent registration card number of the medical marijuana establishment agent responsible for the harvest.

i. The disposal of unusable marijuana or infused products

i. A description of and reason for the marijuana being disposed of, including, if applicable, the number of failed or other unusable marijuana plants;

ii. The date of disposal;

iii. Confirmation that the marijuana was rendered unusable before disposal;

iv. The method of disposal; and

v. The name and medical marijuana establishment agent registration card number of the medical marijuana establishment agent responsible for the disposal.

IV. When providing medical marijuana to another establishment

a. The amount, strain and batch number of medical marijuana provided to the medical marijuana establishment;

b. The name and medical marijuana establishment registration certificate number of the other medical marijuana establishment;

c. The name and medical marijuana establishment agent registration card number of the medical marijuana establishment agent who received the medical marijuana on behalf of the other medical marijuana establishment; and

d. The date on which the medical marijuana was provided to the medical marijuana establishment.

V. When receiving edible marijuana products from another establishment

a. A description of the edible marijuana products received from the medical marijuana establishment, including the total weight of each edible marijuana product and the estimated amount and batch number of the marijuana in each edible marijuana product.

b. The total estimated amount and batch number of marijuana in the edible marijuana products.

c. The name and:

i. Medical marijuana establishment registration certificate number of the medical marijuana establishment providing the edible marijuana products to the receiving medical marijuana establishment;

ii. Medical marijuana establishment agent registration card number of the medical marijuana establishment agent providing the edible marijuana products to the receiving medical marijuana establishment; and

iii. Medical marijuana establishment agent registration card number of the medical marijuana establishment agent receiving the edible marijuana products on behalf of the receiving medical marijuana establishment.

d. The date on which the edible marijuana products were provided to the medical marijuana establishment.

VI. When receiving marijuana-infused products from another establishment

a. A description of the marijuana-infused products received from the medical marijuana establishment, including the total weight of each marijuana-infused product and the estimated amount and batch number of the marijuana infused in each marijuana-infused product.

b. The total estimated amount and batch number of marijuana infused in the marijuana-infused products.

c. The name and:

i. Medical marijuana establishment registration certificate number of the medical marijuana establishment providing the marijuana-infused products to the receiving medical marijuana establishment;

ii. Medical marijuana establishment agent registration card number of the medical marijuana establishment agent providing the marijuana-infused products to the receiving medical marijuana establishment; and

iii. Medical marijuana establishment agent registration card number of the medical marijuana establishment agent receiving the marijuana-infused products on behalf of the receiving medical marijuana establishment.

d. The date on which the marijuana-infused products were provided to the medical marijuana establishment.

2. Each medical marijuana establishment shall:

A. Establish and maintain a perpetual inventory system which adequately documents the flow of materials through the manufacturing process;

B. Establish procedures which reconcile the raw material used to the finished product on the basis of each job. Significant variances must be documented, investigated by management personnel and immediately reported to the Division and to the medical marijuana establishment that ordered the edible marijuana product or marijuana-infused product; and

C. Provide for quarterly physical inventory counts to be performed by persons independent of the manufacturing process which are reconciled to the perpetual inventory records. Significant variances must be documented, investigated by management personnel and immediately reported to the Division.

3. If a medical marijuana establishment identifies a reduction in the amount of medical marijuana in the inventory of the medical marijuana establishment not due to documented causes, the medical marijuana establishment shall determine where the loss has occurred and take and document corrective action. If the reduction in the amount of medical marijuana in the inventory of the medical marijuana establishment is due to suspected criminal activity by a medical marijuana establishment agent, the medical marijuana establishment shall report the medical marijuana establishment agent to the Division and to the appropriate law enforcement agencies.

4. All documents in the above sections must be stored for a minimum 5 years

    A. If the documents are requested by the division they must be provided.

<u>Requirements for Retesting</u>

1. If a lot of usable marijuana fails a quality assurance test, any marijuana plant trim, leaf and other usable material from the same plant automatically fails the test as well.

    a. Upon approval of the Division, a lot of marijuana that fails a quality assurance test may be used to make a solvent-based extract

        i. After processing the extract must pass all required quality assurance tests

2. At the request of the facility, the Division may, authorize a retest to validate the results of a failed test

    a. The Facility is responsible for all costs involved in a retest

Entering New Plants into BioTrackTHC

1. Log into BioTrackTHC using your personal log-in
2. Select the “New Plant” tab on the right of the interface
3. Input the parameters for the new plants in the pop-up window
    a. Source
        i. Seed
        ii. Clone
        iii. Patient
    b. Strain name
    c. Quantity of plants
        i. You do not count seeds until it becomes a plant with roots
        ii. For clones you only count plants that have roots
        iii. All plants received from patients must be quantified
    d. Group
        i. Group is not a necessary field, but may be applied at the request of the manager
    e. Birthdate
    f. Room Location
    g. Table
        i. The table location is not necessary, but may be applied at the request of the manager
    h. Mother ID
        i. When taking clones you must scan or input the mother that the clones were taken from

i. Mother Plant

    i. must be selected if the new plant is destined to become a mother

j. Print Barcode

    i. You must print a barcode for each new plant

4. Once all barcodes have been printed attach the barcode to a Tyvek plant tag.
5. Attach the barcoded plant tags to the corresponding plant.

<u>Adjusting the Plants Life Cycle in BioTrackTHC</u>

1. Log into BioTrackTHC using your personal log-in
2. Manually enter or Scan the barcode corresponding to the plants that will be changing lifecycle phases

    a. The lifecycle of the new plants will always begin in the “Vegetative” phase and be located in either the “Mothers Room” tab or the “Propagation Room”.

        i. All plants, aside from those designated as mothers, will begin in the “Propagation Room” tab.

    b. As the plants grow and is suitable for the next phase of its lifecycle it will be moved physically into the Vegetative room in the facility, and in BioTrackTHC they must be moved into the “Vegetative Room” tab.

        i. The plants will still be labeled as “Vegetative”

    c. As the plants grow and is suitable for the next phase of its lifecycle it will be moved physically into one of the Flowering rooms in the facility, and in BioTrackTHC they must be moved into the corresponding “Flowering Room” tabs.

        i. The plant will now be labeled as “Flowering”

<u>Inputting Plant Notes into BioTrackTHC</u>

1. Log into BioTrackTHC using your personal Log-in
2. Manually enter or Scan the barcode corresponding to the plants that notes will be added to
    a. This will open the “Modify Plant” tab.
3. There are three categories of notes that can be applied to the plants
    a. General Notes
        i. Select the “Note” tab and press the “New” button
        ii. Enter in any notations about the status of the plant
            1. Yellowing, pest problems, pathogens, watering cycle changes, light adjustments
        iii. Then press the “Save” button
    b. Strain Specific Notes
        i. Select the “Strain Notes” tab and press the “New” button
        ii. Enter in any notations about the strain of cannabis
            1. How the strain effects patients, indica/sativa/hybrid, etc.
        iii. Then press the “Save” button
    c. Additives and Nutrient Notes
        i. Select the “Additives” tab
        ii. In the dropdown box labeled “New Additive” select the appropriate additive
            1. If the additive you wish to use is not in the drop down it must be input into the BioTrackTHC software.
                a. Go to the “Growhouse” tab at the top of the screen and select “Additives”

b. In the “Name” field enter the name of the additive that will be used

i. This can include any nutrients, pesticides, compost teas, etc.

iii. Then select the “OK” button

<u>Harvesting Plants Using BioTrackTHC</u>

1. Log into BioTrackTHC using your personal Log-in
2. Manually enter or Scan the barcode corresponding to each plants that will be harvested
    a. Ensure all plants have been entered
3. Input the parameters for the harvested plants in the pop-up window
    a. Strain
        i. Automatically populates based on the scanned in plants.
    b. Wet Weight
        i. Zero out the bench top balance
        ii. Place the harvest plants onto the scale
            1. It is recommended that you use a container to weigh out the plants, if you do ensure that the correct container is selected in BioTrackTHC
        iii. Manually input the total weight into the “Total Weight” field
        iv. Select “Batch Now” and press “Next”
    c. New Room
        i. In the drop down box select “Harvest Room”
    d. New Table

        i. The table location is not necessary, but may be applied at the request of the manager

    e. New Group

        i. The group is not necessary, but may be applied at the request of the manager

    f. Container

        i. If weighing the plants using a container, select the container type so the scale auto-zeros based on the weight of the container.

4. Select “Finished” and enter in your personal PIN.

5.

<u>Turning Harvested Plants into Inventory in BioTrackTHC</u>

1. Log into BioTrackTHC using your personal Log-in

2. Manually enter or Scan the barcode corresponding to each plants that will be harvested

    a. Ensure all plants have been entered

3. In the “Modify Plant” pop-out window select the “Cure” button

    a. This takes place when the full batch has been trimmed

4. Using the integrated balance input the weights for the following fields

    a. Stems

        i. Zero out the integrated balance

        ii. Place the stems onto the scale

        iii. Measure and record the weight

        iv. Select “discard” and press “Next”

    b. Sugar Leaf

        i. Zero out the integrated balance

ii. Place the sugar leaf onto the scale

iii. Measure and record the weight

iv. Select “Batch Now” and press “Next”

c. Bud

i. Zero out the integrated balance

ii. Place the buds onto the scale

iii. Measure and record the weight

iv. Select “Batch Now” and press “Next”

d. Container

i. If a container was used to weigh out the plant material that was not previously zeroed out select the container in the drop down box. This will remove the weight of that container from the weighed values.

e. Print all labels selected for “Batch Now” and attach them to the appropriate containers

f. This has now turned the harvested plants into inventoried items.

i. Confirm that all values were transferred to the “Inventory” tab.

<u>Transferring Inventory to In-House Production Facility in BioTrackTHC</u>

1. Log into BioTrackTHC using your personal Log-in
2. Select the “Inventory” tab at the top
3. In the drop down menu labeled “Room” select “Cultivation Inventory”
4. Manually enter or Scan the barcode corresponding to the inventory item you wish to transfer

    a. You can also manually select the item(s) in the BioTrackTHC Cultivation Inventory

5. After the item has been selected, press the “Move Items” button
6. In the “Move Inventory” window there is a drop down box labeled “New Room”. Use the drop down box and select “Extraction Inventory” or “Production Inventory”
    a. Both the “Extraction Inventory” and the “Production Inventory” can only be access by agents for the licensed production facility.
7. Zero out the integrated scale and weigh the quantity of inventory you wish to transfer.
    a. If you used a container to weigh the inventory, select the appropriate container from the “Container’ drop down menu.
        i. Then Select “Save and Continue”
    b. If you wish to transfer the full amount of the inventory item you can simply select “Move Everything” at the top.
8. Then Select “OK” at the bottom

<u>Transferring Inventory to Third Party Laboratory in BioTrackTHC</u>

1. Log into BioTrackTHC using your personal Log-in
2. Select the “Inventory” tab at the top
3. In the drop down menu labeled “Room” select “Cultivation Inventory”
4. Manually enter or Scan the barcode corresponding to the inventory item you wish to transfer
    a. You can also manually select the item(s) in the BioTrackTHC Cultivation Inventory
5. In the “Inventory Details” pop-out window select “Transfer”
    a. The “Transfer Inventory” pop-out window should appear containing a list of all selected inventory items
6. Complete all the fields in the “Transfer Inventory” pop-out window
    a. Xfer Type

        i. Select “Partial” for all laboratory testing

    b. Going To

        i. Select the desired lab from the drop down menu

    c. Weight

        i. Zero out the integrated balance

        ii. Place the quantity of inventory onto the scale

        iii. Measure and record the weight

    d. Product

        i. This will be the name of the inventory item

    e. Container

        i. If a container was used to weigh the quantity of inventory item select it form the drop box.

7. Ensure that all fields in the Transit Data box are correct and the “Auto-Print Label” check box has been enabled.

8. Then Select the “Transfer All” button

9. Print and attach all necessary labels.

<u>Inputting test results into BioTrackTHC</u>

1. Log into BioTrackTHC using your personal Log-in

2. Select the “Inventory” tab at the top

3. In the drop down menu labeled “Room” select “Cultivation Inventory”

4. Manually enter or Scan the barcode corresponding to the inventory item you wish to add test results for.

    a. You can also manually select the item(s) in the BioTrackTHC Cultivation Inventory

5. On the “Inventory Details” pop-out box select “Test Results” and then press “Modify Results”

6. Complete all fields In the “Modify Results” pop-out window

    a. Lab

        i. Select the appropriate laboratory from the drop down box

    b. Amount

        i. Enter in the appropriate unit of measurement and the quantity

            1. %, PPM, <, >, etc.

    c. Profile

        i. Select the appropriate item from the drop down menu

            1. Specific cannabinoids, terpenes, chemicals, residual solvents, etc.

    d. Date

    e. If there were any documents provided by the laboratory you must attach the document to the “Modify Results” screen by using the “Attach Document” button.

7. Then press the “Add” button

8. Once all test results have been entered into the “Modify Results” pop-out select “OK”

9. Verify that the entered results are appearing in the “Inventory Details” screen and select “OK”

<u>Selling Inventory to Licensed Medical Marijuana Establishment in BioTrackTHC</u>

1. Log into BioTrackTHC using your personal Log-in

2. Select the “Inventory” tab at the top

3. In the drop down menu labeled “Room” select “Cultivation Inventory”
4. Manually enter or Scan the barcode corresponding to the inventory item you wish to sell.
    a. You can also manually select the item(s) in the BioTrackTHC Cultivation Inventory
5. In the “Inventory Details” pop-out window select “Transfer”
    a. The “Transfer Inventory” pop-out window should appear containing a list of all selected inventory items
6. Complete all the fields in the “Transfer Inventory” pop-out window
    a. Xfer Type
        i. Select “Full” if the full quantity of inventory is going to be sold.
        ii. Select “Partial” if anything other than the full quantity will be sold.
    b. Going To
        i. Select the desired licensed medical marijuana establishment from the drop down menu
    c. Weight
        i. Zero out the integrated balance
        ii. Place the quantity of inventory onto the scale
        iii. Measure and record the weight
        iv. If the item does not need to be weighed, input the exact quantity of product being sold.
            1. An example of this would be pre-rolled joints
    d. Product
        i. This will be the name of the inventory item
    e. Container

        i. If a container was used to weigh the quantity of inventory item select it form the drop box.

7. Ensure that all fields in the Transit Data box are correct and the “Auto-Print Label” and “Generate Invoice” check box has been enabled.

8. Then Select the “Transfer All” button

9. Print and attach all necessary labels.

<u>BioTrackTHC Administrative Privileges</u>

The following steps can only be performed by Managers of the facility with access to an administrator BioTrackTHC account.

1. Adding/Updating Vendors

    a. Select the “Inventory” tab and press the “Vendors” tab on the right of the screen.

    b. In the “Vendors” pop-out window you can select and edit an existing vendor using the drop down menu, or you can create a new vendor by selecting “New” and completing the blank fields.

        i. Name: The name of the vendor

        ii. Address: Street address, city, state, zip

        iii. Contact Info: Phone, Fax, Email, website

        iv. License Number: Their state MME license number issued by the DPBH

    c. Then select “Save”

2. Adding/Updating Laboratories

    a. Select the “Inventory” tab and press the “Laboratories” tab on the right of the screen.

    b. In the “Labs” pop-out window you can select and edit an existing labs using the drop down menu, or you can create a new lab by selecting “New” and completing the blank fields.

        i. Name: The name of the laboratory

        ii. Address: Street address, city, state, zip

        iii. Contact Info: Phone, Fax, Email, website

        iv. License Number: Their state MME license number issued by the DPBH

    c. Then select “Save”

3. Adding/Updating Products

    a. Select the “Inventory” drop down menu and then “Inventory Types”

        i. In the Inventory Types pop-out window you can add new types of inventory using the “Name” fields and selecting “Save”

            1. This is for more broad things such as Pre-rolls, kief, bud, trim,

    b. Select the “Inventory” tab and press the “Product Categories” tab

        i. In the “Product Categories” pop-out you can edit existing categories using the drop-down box, or you can add new categories using the “Name” field, then selecting “Save”

            1. This is for more specific things such as Pre-roll packs or pre-packed quantities

    c. Then select the “Products” tab, in this pop-out window you can edit existing products or add new products by selecting “New” and completing the blank fields.

        i. Strain: The name of the strain of plant being used in the product

        ii. Type: The generic type of product it is

        iii. Name: The name of the new product

        iv. Category: The specific category of product it is

        v. The options tab must be completed for each product

    d. Then select the “Save” button

4. Adding/Updating Containers for weighing
    a. Select the “Inventory” tab and press the “Containers” tab
        i. In the “Containers” pop-out window you can edit existing containers or add new containers by selecting “New” and completing the blank fields.
            1. For the “Weight” field use the integrated Balance to get the precise weight of the container
                a. Zero out the integrated balance
                b. Place the container onto the scale
                c. Measure and record the weight
5. Adding New User to BioTrackTHC
    a. Select the “Administration” drop down menu and then “Users” “Add New User”
    b. Create a new Username for the employee
        i. “First Initial Last Name” or “First Name Last Initial”
            1. “JSmith” or “JohnS”
    c. Allow the new user to create their own password and pin
    d. Enter the State Agent Card ID for the “ID Number” field
    e. Select the Location that the new user will be working
        i. Press the “Add” button
    f. Set the specific permissions that the user should have while using BioTrackTHC
    g. Then Select “OK”
6. Adding/Updating Compounds for Testing
    a. Select the “Administration” drop down menu and then “Inventory” “Testing Types”

b. In the “Testing Types” pop-out window you can edit existing compounds or add new compounds by selecting “New” and completing the blank fields

    i. Name: The abbreviated name of the compound

    ii. Unit: The unit of measurement for the compounds (%, PPM, mg, ml)

    iii. Details: Any additional information you wish to add

c. Then select “Save” and “Close”

Volume

8

BIO-TECH MEDICAL SOFTWARE, INC.

BIOTRACKTHC WASHINGTON TRACEABILITY SYSTEM

LICENSEE MANUAL – PRODUCER-PROCESSORS

Washington State Liquor Control Board

BioTrackTHC

LICENSEE MANUAL PRODUCER-PROCESSORS

BIO-TECH MEDICAL SOFTWARE, INC.

BioTrackTHC Washington Traceability System Licensee Manual – Producer-Processors

Fort Lauderdale, FL
Phone 800.797.4711
waquestions@biotrackthc.com

Table of Contents

Chapter 1: User Access

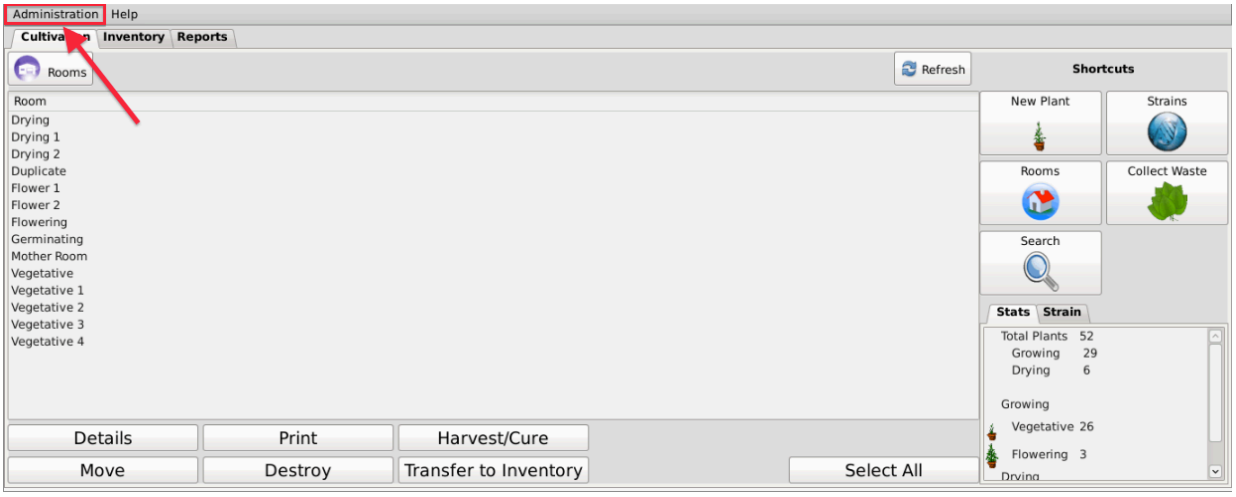
In this chapter, you will learn how to:

- ✓ Add, modify and remove user access to the Traceability System

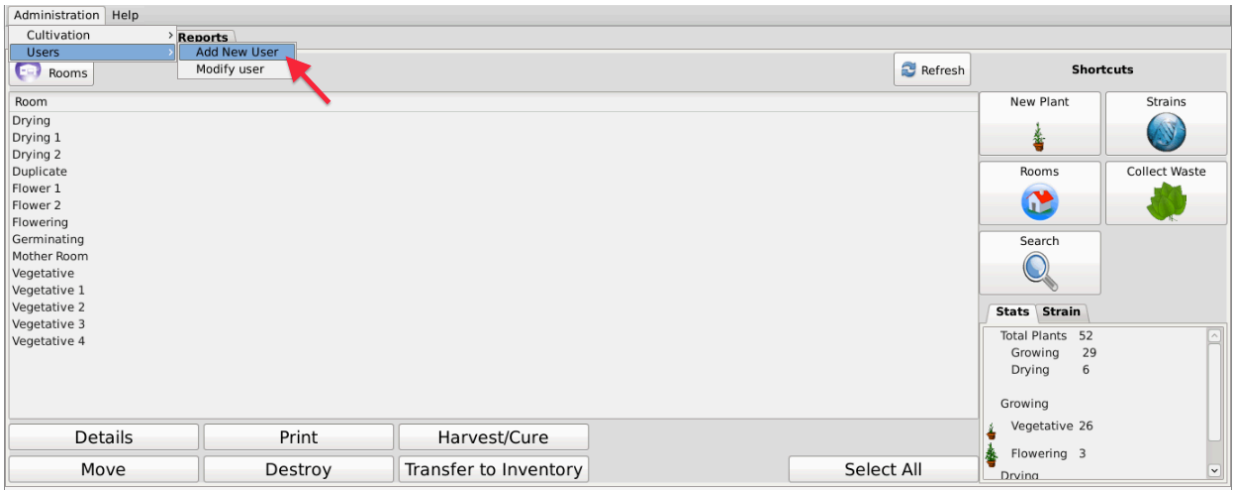
In addition to the login credentials given to you by the WSLCB, the Traceability System allows each licensee the abilility to grant system access to additional users for data submission on your behalf. Please be aware that this is distinct from employees as defined in Chapter 2: Employees (e.g., not all employees need to be given user access to the Traceability System) and so adding users is not the same as adding employees.

Adding New Users

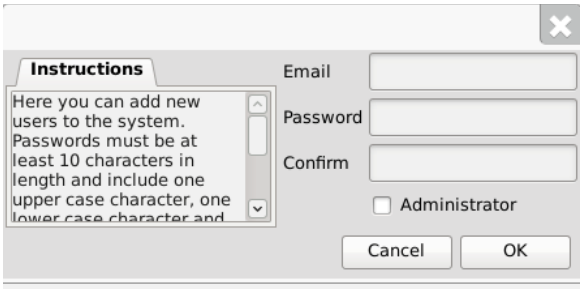
- To add new users into the system, click on the Administration menu near the top left corner of the window.



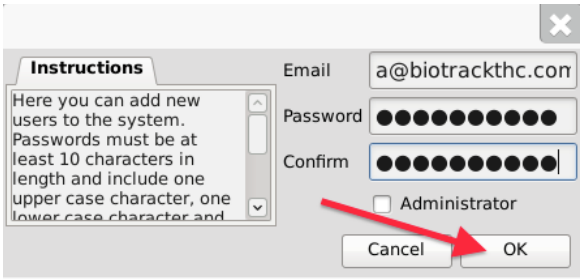
- Hover the cursor over “Users” and then click on “Add New User”.



- This will bring up the New User screen.



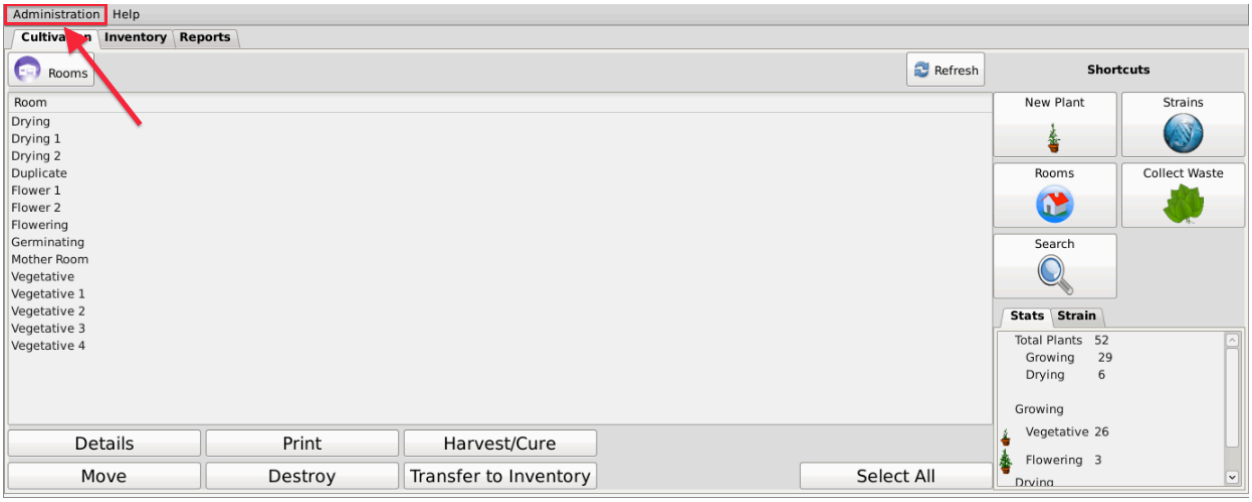
- Within the Email text box, type the email address of the new user being granted access.
- Within the Password text box, enter the new user's initial password.
    - **NOTE: the password must be at least ten (10) characters in length and must include one upper case character, one lower case character, and one number.**
- Click on the Administrator checkbox if the user is to have the ability to add/modify/delete other users.



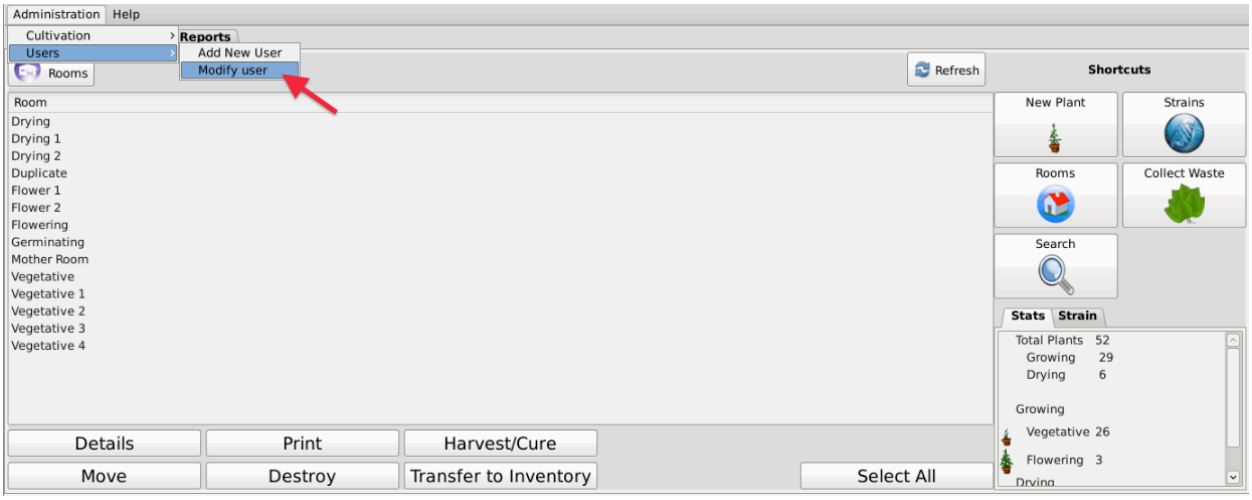
- Click on the "OK" button when complete.

Modifying an Existing user

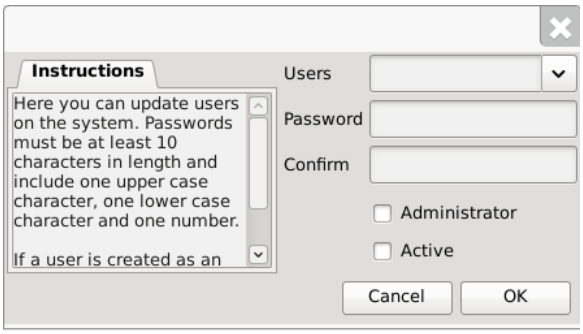
- To modify users previously given access to the system, click on the Administration menu near the top left corner of the window.



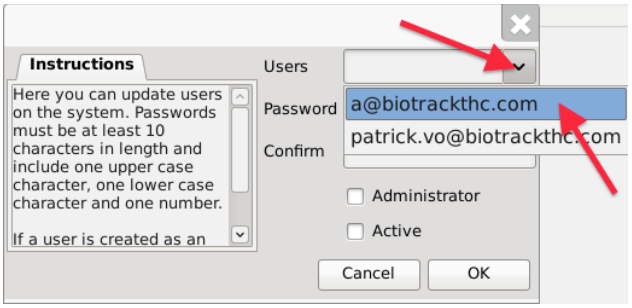
- Hover the cursor over "Users" and then click on "Modify User".



- This will bring up the Modify User screen.



- Select the user to be modified from the Users dropdown



- You may modify the following:
  - Password. The password associated with the user.
  - Administrator. Checked (unchecked) box indicates the user is able (is not able) to add/modify/delete other users.
  - Active. Checked (unchecked) box indicates the user's access is on (off). If you are revoking a user's access to the Traceability System, make sure that this is unchecked.
- Click on the "OK" button when complete.

Chapter 2: Employees

In this chapter, you will learn how to:

- ✓ Add, modify and remove employees

Regulations

WAC 314-55-081

(2) All applicants and employees working in each licensed establishment must be at least twenty-one years of age.

WAC 314-55-083

(6) (f) Producers may sample one gram of usable marijuana per strain, per month for quality sampling. Sampling for quality may not take place at a licensed premises. Only the producer or employees of the licensee may sample the usable marijuana for quality. The producer must record the amount of each sample and the employee(s) conducting the sampling in the traceability system.

WAC 314-55-085

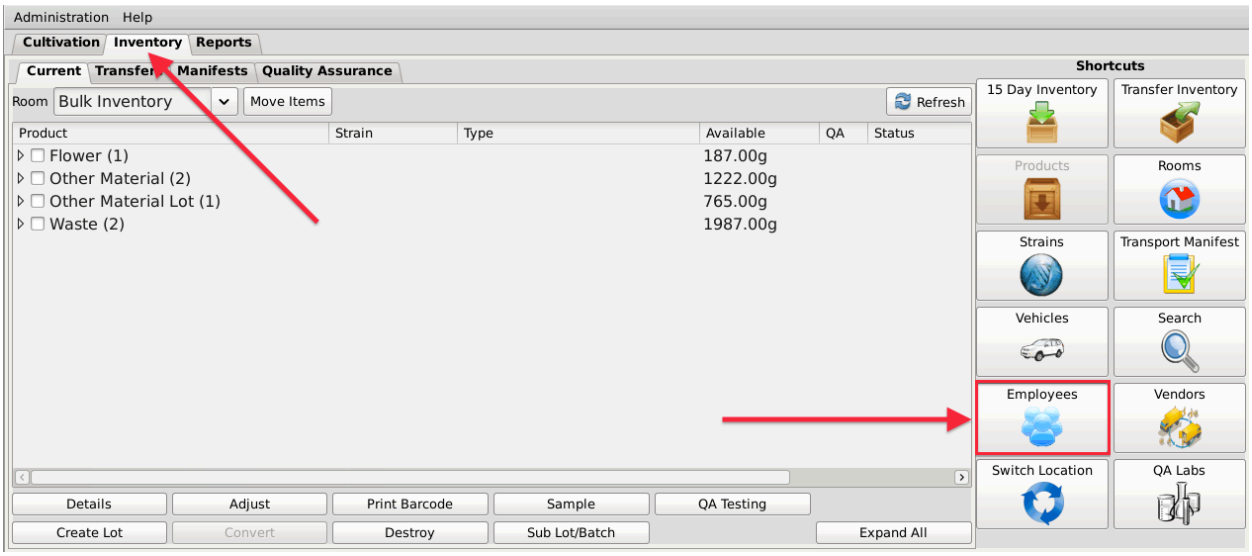
(1) Notification of shipment. Upon transporting any marijuana or marijuana product, a producer, processor or retailer shall notify the board of the type and amount and/or weight of marijuana and/or marijuana products being transported, the name of transporter, times of departure and expected delivery. This information must be reported in the traceability system described in WAC 314-55-083(4).

(5) (a) Only the marijuana licensee or an employee of the licensee may transport product;

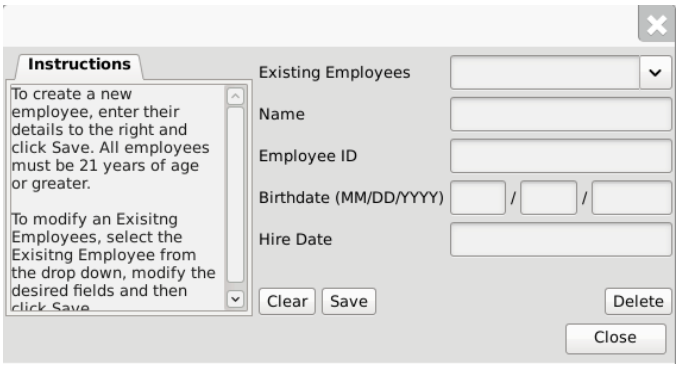
Accessing the Employee Screen

To add new employes, view or change the information of existing employees, or delete employees no longer needed, you will need to access the Employee screen.

- Navigate to the "Inventory" tab found in the top-left corner of the screen, and then click on the "Employees" button located on the right-hand side of the home screen.

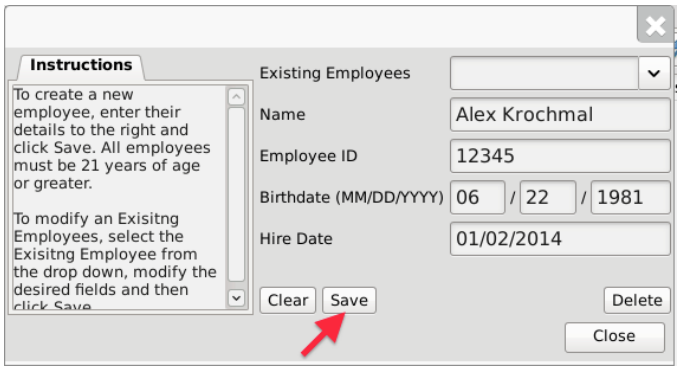


- This will bring up the Employee screen.

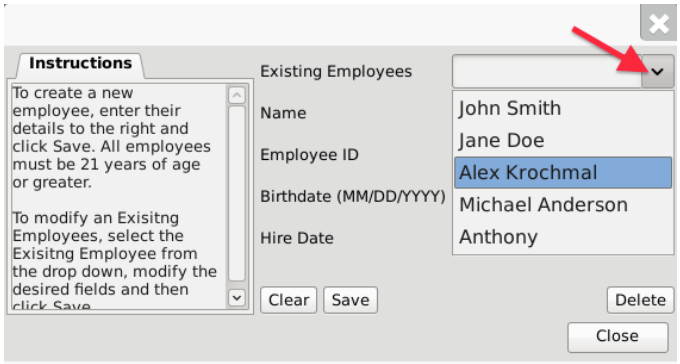


Add a New Employee

- From the Employee screen, click on the "Clear" button to clear all fields and enter the following information:
  - Name: Enter the employee's full name.
  - Employee ID: Enter a unique identification number for the employee. This is not a number assigned by the Traceability System or the WSLCB, but is internal to your business. You may use payroll ID, driver license number, or any other numbering system you see fit so long as each employee's number is unique and not to be re-used within your UBI.
  - Birthdate: Enter the employee's date of birth. Must be in the format of MM/DD/YYYY.
  - Hire Date: Enter the employee's date of hire.
- Click on the "Save" button once all of the required data has been entered.

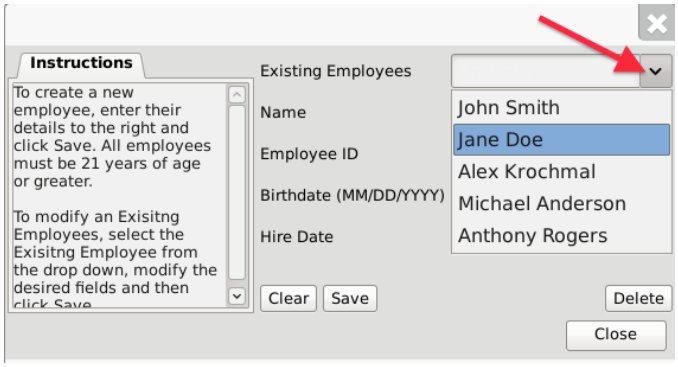


- The new employee will now appear within the Existing Employees dropdown for selection.

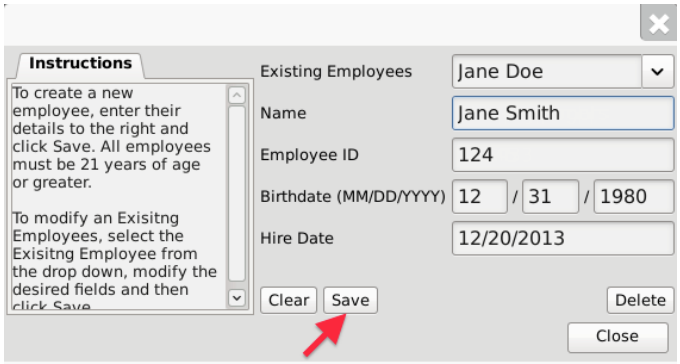


Modifying an Existing Employee

- From the Employee screen, select the employee to be modified from the Existing Employees dropdown.



- Once selected, the employee's information will automatically appear within their respective fields.
- Modify the necessary field/s (in the example below, Jane Doe changed her last name to Jane Smith).



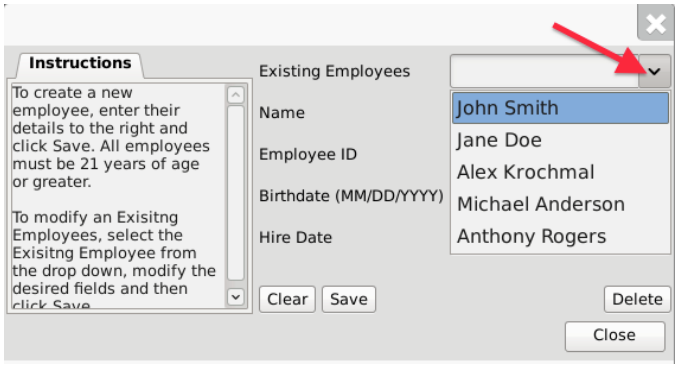
- Click on the "Save" button when complete.

Deleting an Existing Employee

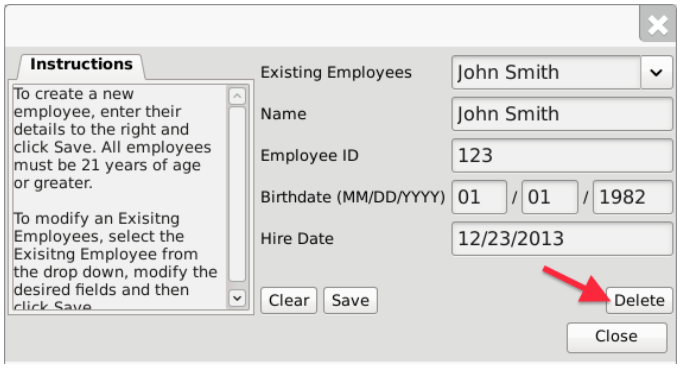
If you find that an existing employee is no longer needed (e.g., employee is terminated, employee record was created in error, etc…) you may delete the employee record.

NOTE: Removing an employee does not delete any of the already submitted Traceability System data associated with that employee record. It simply removes the employee record from use moving forward.

- From the Employee screen, select the employee to be deleted from the Existing Employee dropdown.



- Once selected, the employee's information will automatically appear within their respective fields.



- Click on the "Delete" button.

Chapter 3: Vehicles

In this chapter, you will learn how to:

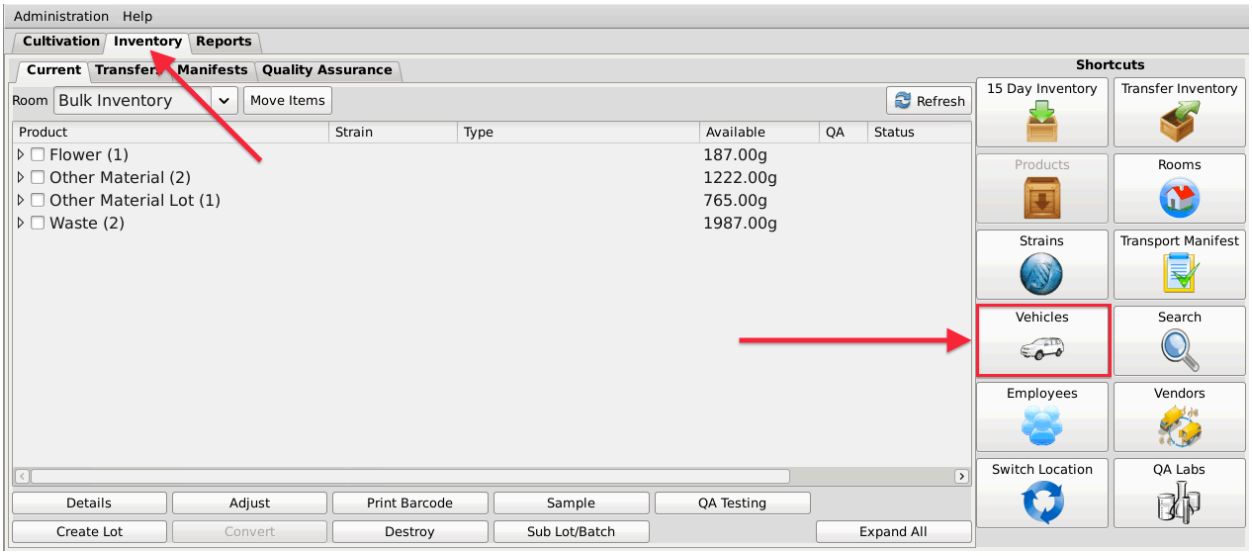
- ✓ Add, modify and remove company vehicles

The Traceability System requires that you record accurate information regarding the company vehicles that will be transporting marijuana or marijuana product because this information will be required for the completion of Transportation Manifests.

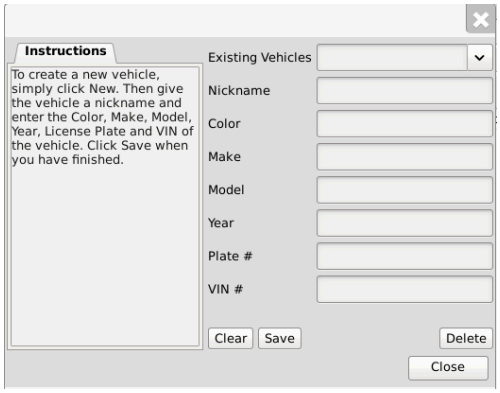
Accessing the Vehicle Screen

To add new vehicles, view or change the information of existing vehicles, or delete vehicles no longer needed, you will need to access the Vehicle screen.

- Navigate to the "Inventory" tab found in the top-left corner of the screen, and then click on the "Vehicles" button located on the right-hand side of the home screen

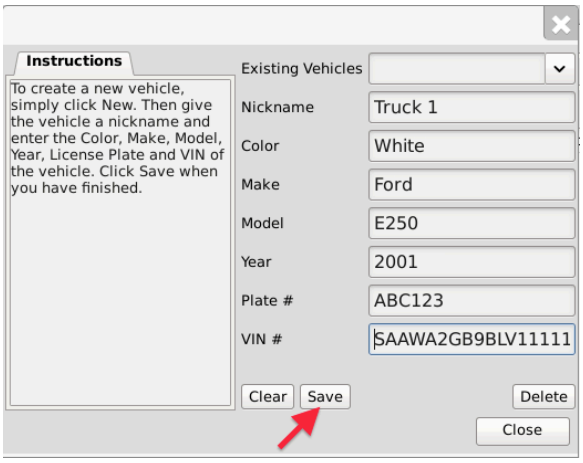


- This will bring up the Vehicle screen.

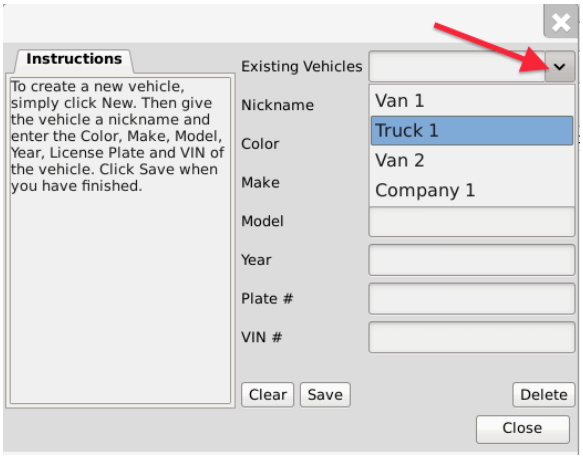


Add a New Vehicle

- From the Vehicle screen, click on the "Clear" button to clear all fields and enter the following information:
    - Nickname: Enter a unique nickname with which you may easily identify the vehicle within the system
    - Color: Enter the vehicle's color
    - Make: Enter the vehicle's make
    - Model: Enter the vehicle's model
    - Year: Enter the vehicle's year
    - Plate #: Enter the vehicle's license plate number
    - VIN #: Enter the vehicle's VIN. Note that VINs are 17 digits for all vehicles post-1981. Prior to 1981, the VIN can be between 10 and 17 digits.
- Click on the "Save" button once all of the required data has been entered.

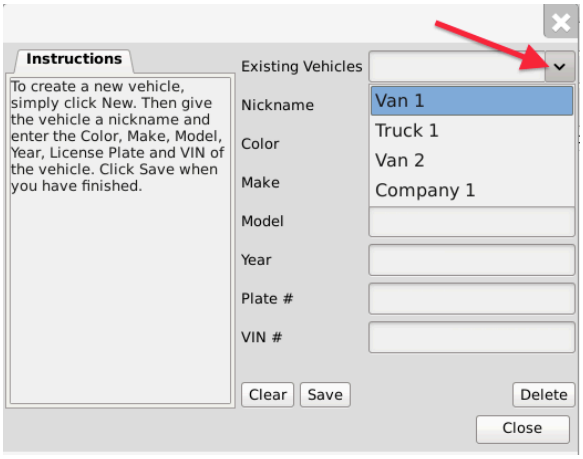


- The new vehicle will now appear within the Existing Vehicles dropdown for selection.

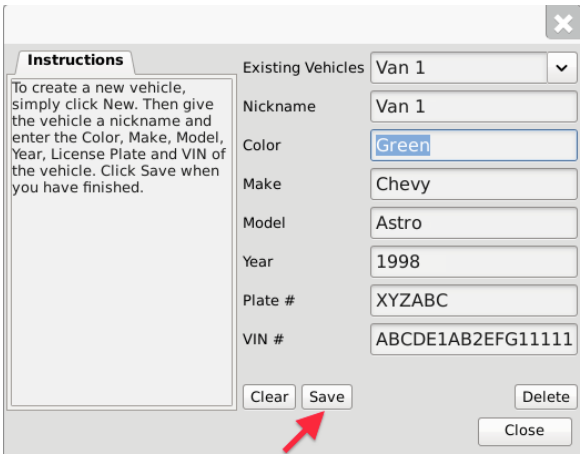


Modifying an Existing Vehicle

- From the Vehicle screen, select the vehicle to be modified from the Existing Vehicles dropdown.



- Once selected, the vehicle's information will automatically appear within their respective fields.
- Modify the necessary fields (in the example below, Van 1 changed color from White to Green).



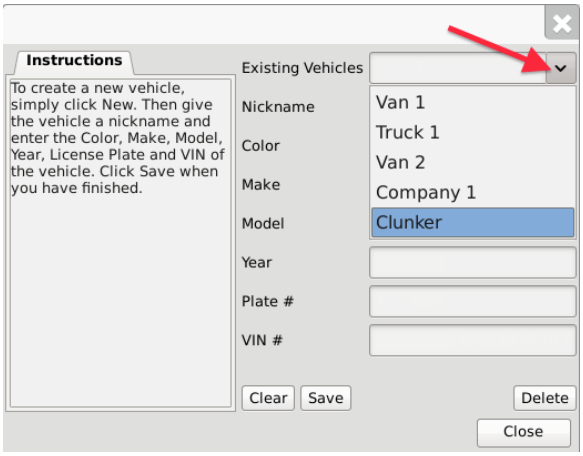
- Click on the "Save" button when complete.

Deleting an Existing Vehicle

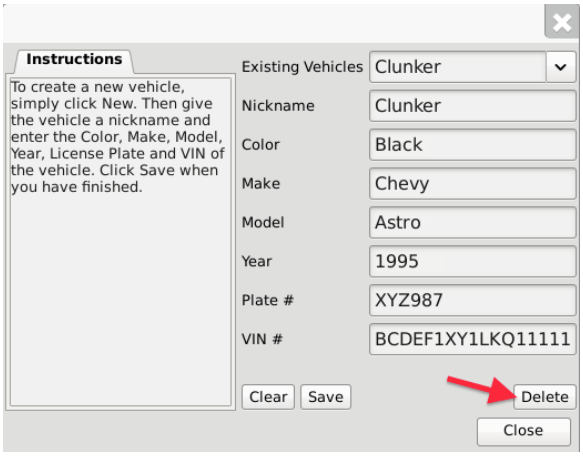
If you find that an existing vehicle is no longer needed (e.g., vehicle is sold, vehicle record was created in error, etc…) you may delete the vehicle record.

NOTE: Removing a vehicle does not delete any of the already submitted Traceability System data associated with that vehicle record. It simply removes the vehicle record from use moving forward.

- From the Vehicle screen, select the vehicle to be removed from the Existing Vehicles dropdown



- Once selected, the vehicle's information will automatically appear within their respective fields.



- Click on the "Delete" button.

Chapter 4: Vendors

In this chapter, you will learn how to:

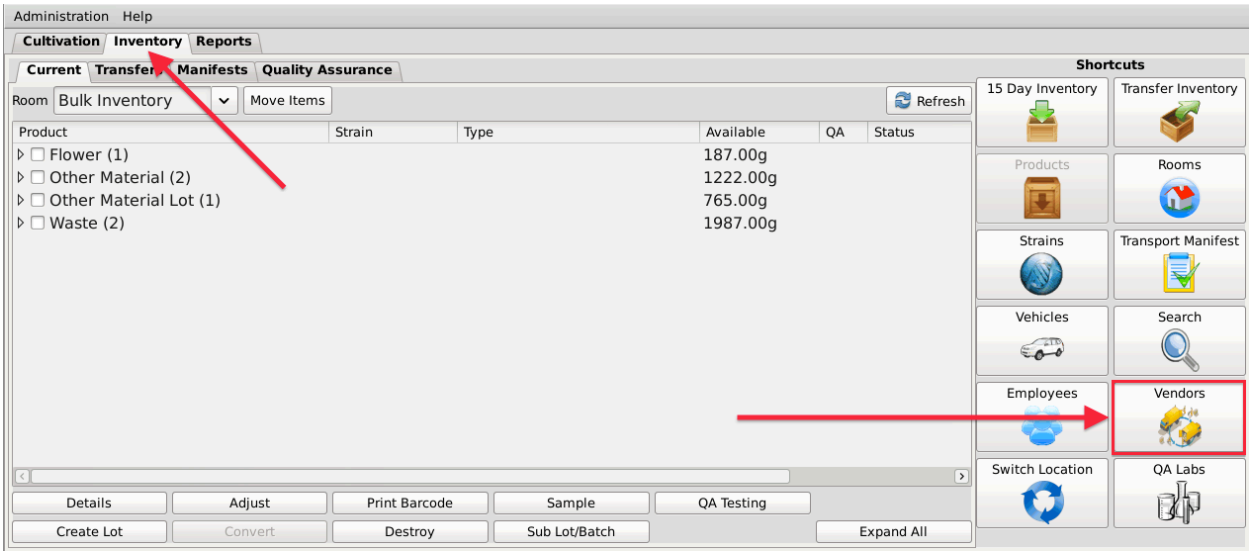
- ✓ View Preferred Vendor List
- ✓ Search for and Add Vendors to Preferred Vendor List
- ✓ Remove Vendors from Preferred Vendor List

Within the Traceability System, vendors are Licensees outside of your own that you can either wholesale to or make wholesale purchases from. You must add vendors to your Preferred Vendor List in order to receive inbound shipments, to make outbound shipments, and to account for samples given to negotiate a sale. The Traceability System cannot recognize any wholesale transactions from/to non-Licensees.

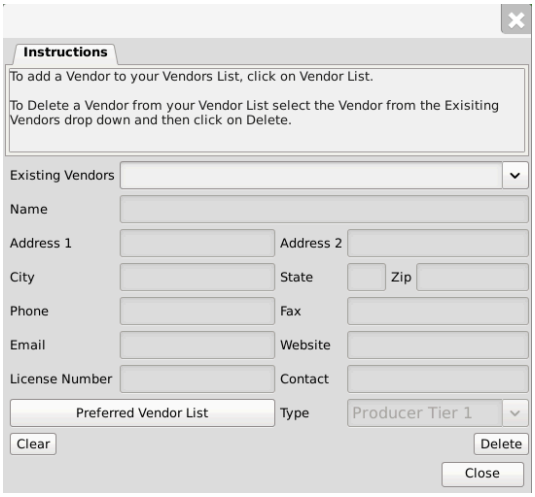
Accessing the Vendor Screen

To view all possible vendors, add vendors to your Preferred Vendor List, or remove vendors from your Preferred Vendor List, you will need to access the Vendor screen.

- Navigate to the "Inventory" tab found in the top-left corner of the screen, and then click on the "Vendors" button located on the right-hand side of the home screen

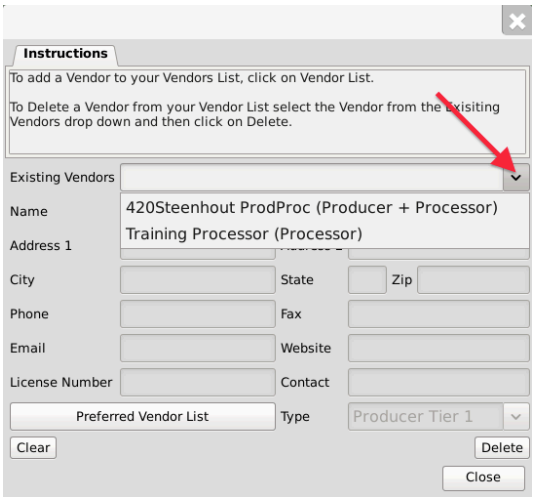


- This will bring up the Vendor Information screen.



Viewing Vendor Information

- The detailed information of Licensees that are on your Preferred Vendors List (i.e., those you have indicated that you do business with) may be found in the Existing Vendors dropdown. Be aware that the dropdown will start empty and you will need to add vendors per the instructions below.

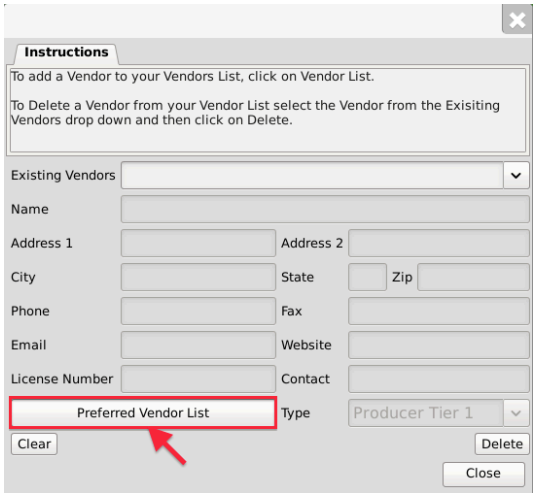


- Once selected, the vendor's information will automatically appear within their respective fields.

<u>NOTE: You cannot create a vendor, nor can you edit vendor information as these are WSLCB-approved Licensees and their information may only be changed by the WSLCB.</u>

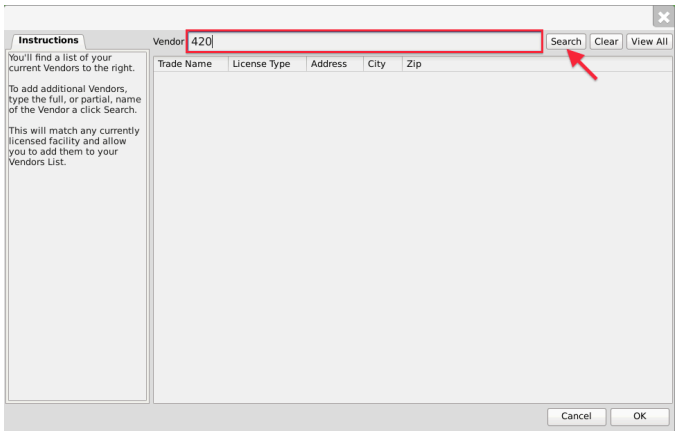
Acccessing the Preferred Vendor List

- From the Vendor Screen, click on the "Preferred Vendor List" button to add or remove other WSLCB-approved Licensees that you do business with.



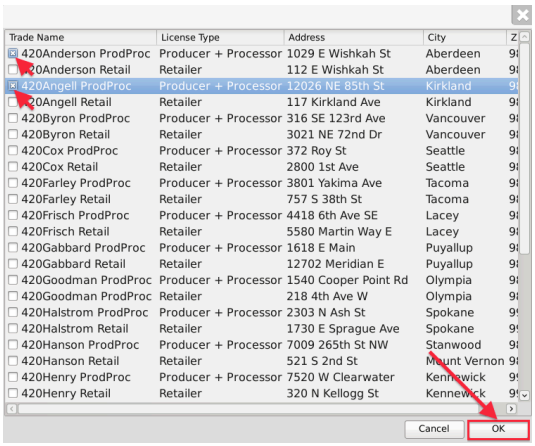
Add a Vendor

- From the Preferred Vendor List, enter the full or partial business name into the search bar and click the "Search" button.

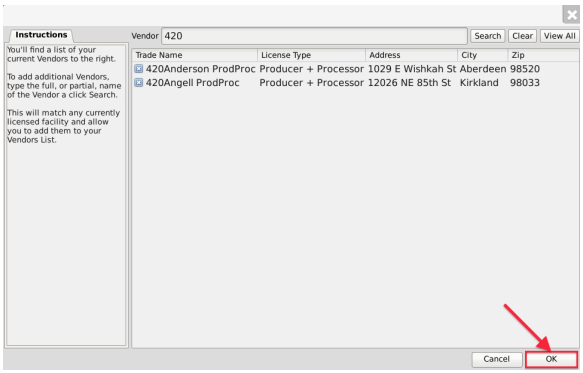


- Alternatively, you may click "View All" to view the entire population of Licensees.

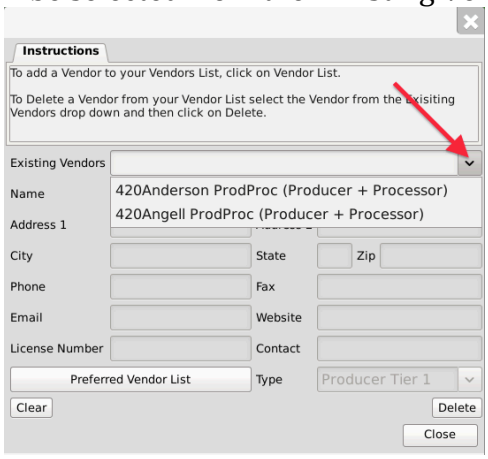
- A list of all Licensees that match the search criteria will appear in a popup.
- Click the checkbox(s) of the Licensee(s) to add to your Preferred Vendor List.
- Click “OK” when complete.



- Your Preferred Vendor List is now updated with the selections.



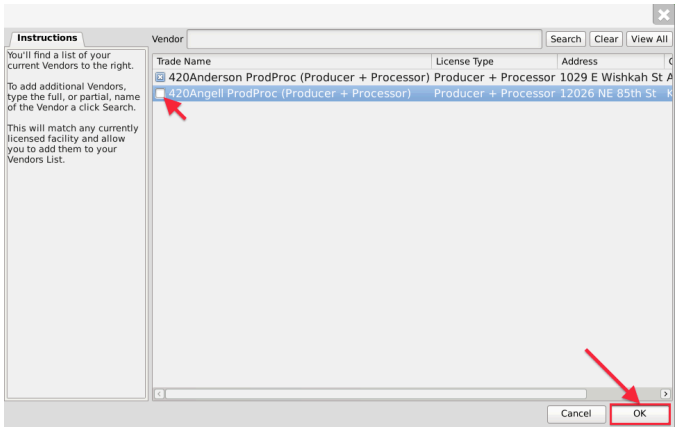
- Click “OK” when complete.
- The Vendors may now be selected from the “Existing Vendors” dropdown.



Removing a Vendor

If you find that you no longer do business with a vendor that is on your Preferred Vendor List, you may remove the vendor from your Preferred Vendor List.

- From the Preferred Vendor List, uncheck the checkbox to the left of the vendor to be removed.



- Click "OK" when complete.

Chapter 5: Strains

In this chapter, you will learn how to:

- ✓ Add, modify, and remove strains

Regulations

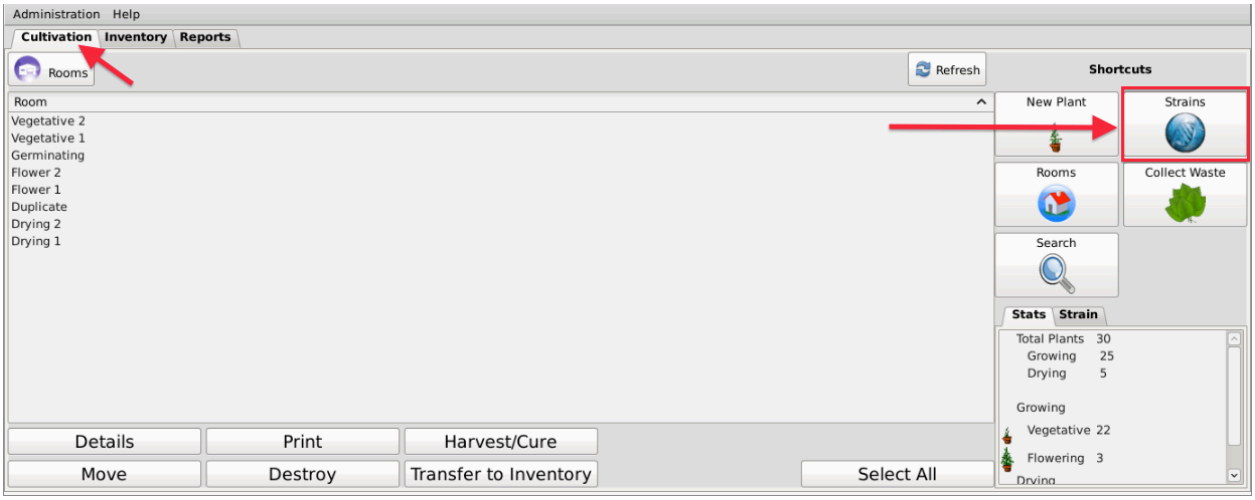
WAC 314-55-083

(11) "Marijuana strain" means a pure breed or hybrid variety of Cannabis reflecting similar or identical combinations of properties such as appearance, taste, color, smell, cannabinoid profile, and potency.

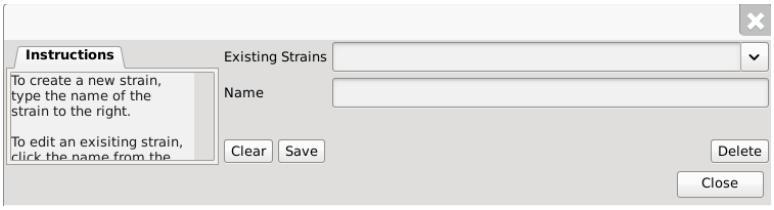
Accessing the Strains Screen

To add new strains, view or change the names of existing strains, or delete strains you no longer use, you will need to access the Strains screen.

- Navigate to the either the "Cultivation" tab or the "Inventory" tab found in the top-left corner of the screen, and then click on the "Strains" button located on the right-hand side of the home screen.

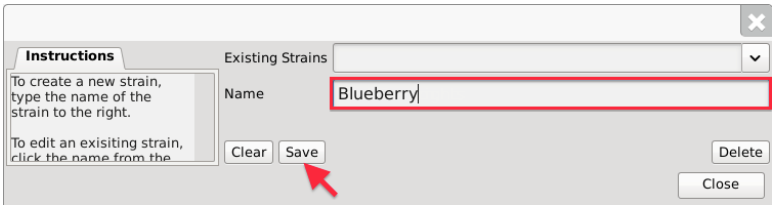


This will bring up the Strains screen.

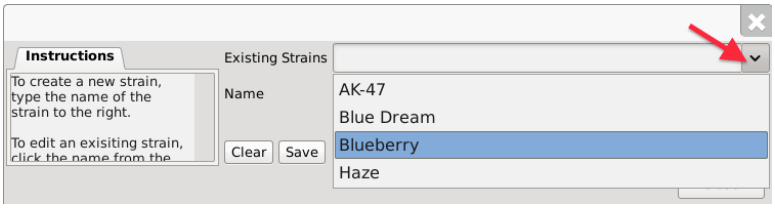


Add a New Strain

- From the Strains screen, click on the "Clear" button to clear all fields.
- Within the Name text box, type the name of the new Strain (e.g., Blueberry, AK-47, Sour Diesel, etc…).
- Click on the "Save" button when complete.

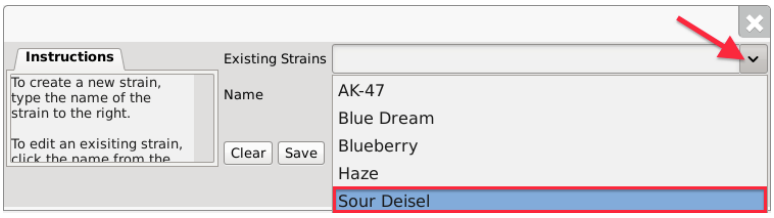


- The new strain will now appear within the Existing Strains dropdown list.

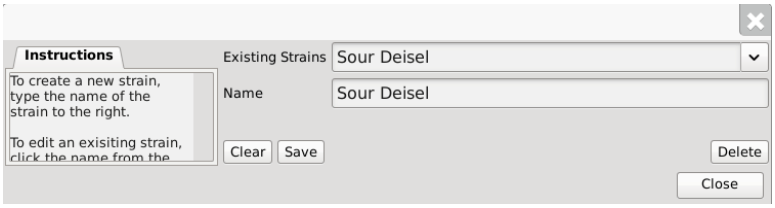


Modifying an Existing Strain

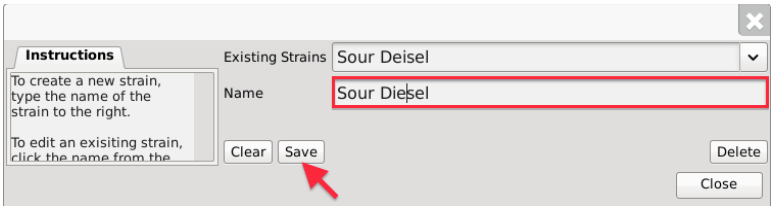
- From the Strains screen, select the strain to be modified from the Existing Strains dropdown (in the example, Sour Diesel is misspelled as "Sour Deisel").



- Once selected, the strain's name will automatically appear within the Name text box.



- Within the Name text box, rename the strain as desired (in the example, “Sour Deisel” is to be spelled correctly to “Sour Diesel”).



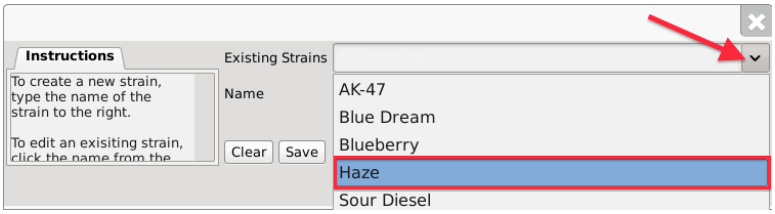
- Click on the “Save” button when complete.

Deleting an Existing Strain

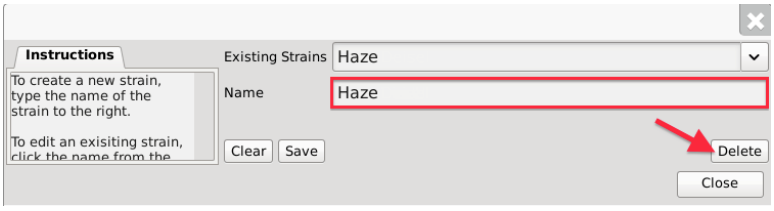
If you find that an existing strain is no longer needed (e.g., you no longer grow that strain), you may delete the strain.

<u>NOTE: Removing a strain does not delete any of the already submitted Traceabilty System data associated with that strain. It simply removes the strain from use moving forward.</u>

- From the Strains screen, select the strain to be deleted from the Existing Strain dropdown.



- Once selected, the strain’s name will automatically appear within the Name text box.



- Click on the “Delete” button.

Chapter 6: Traceability Logic – Rooms, Inventory, and Plants

In this chapter, you will learn:

- ✓ The inventory types your licensee-type may track within the Traceability System
- ✓ Distinguish Plant Rooms from Inventory Rooms

About Rooms, Inventory, and Plants

Within the Traceability System, rooms represent a way to logically segregate inventory. This allows for a representation not only of the overall on-hand amount of a specific item at the Licensee location, but also the amount within a specific area of the facility.

With one exception, all of the following inventory items are to be assigned to and found within an inventory room (found under the Inventory tab) for Producers:

- Flower (cured)
- Flower Lot
- Other Plant Material
- Other Plant Material Lot
- Seeds
- Plant Tissue
- Clones (marijuana plants measuring less than eight [8] inches)

The one exception for Producers are "Plants", which are defined as marijuana plants measuring eight (8) inches or greater in height or width. Though all plants are inventory items, the Traceability System distinguishes a

- Mature Plant: a plant assigned to and found within an inventory room because it was recently purchased but not yet planted or because it is to be sold to another Producer,

  from a

- Plant: a plant assigned to and found within a plant room (found under the Cultivation tab) because it is within the vegetation/flowering/harvesting production area.

In other words, *plant rooms* (found under the Cultivation tab) *contain plants that are in production,* while *inventory rooms* (found under the Inventory tab) *contain all other inventory types, including mature plants that are not in production* because they were either recently purchased and have yet to be planted or they are ready for sale to another Producer.

Chapter 7: Plant Rooms

In this chapter, you will learn how to:

- ✓ Add, modify and remove plant rooms
- ✓ Navigate the plant rooms and screens

About Plant Rooms

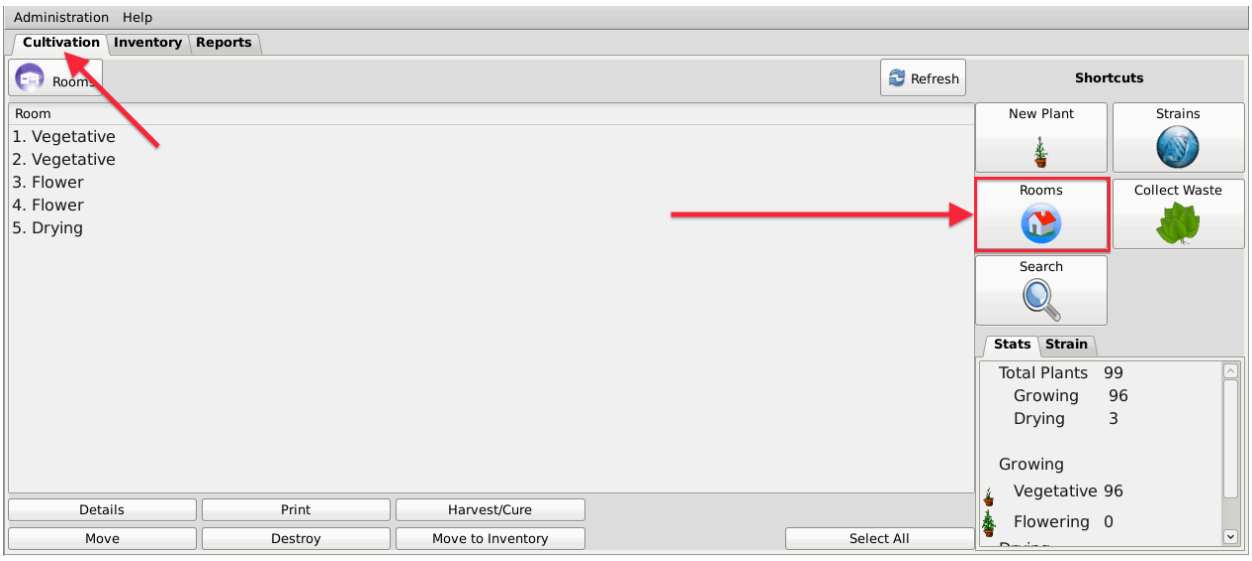
Plant rooms represent a way to logicially segregate plants that are in production (vegetation/flowering/harvesting). These can include actual rooms inside of an indoor facility or fields in an outdoor facility. You begin with one room named, "Default".

<u>NOTE: Please be sure to read Chapter 6: Traceability Logic – Rooms, Inventory, and Plants prior to reading this chapter.</u>

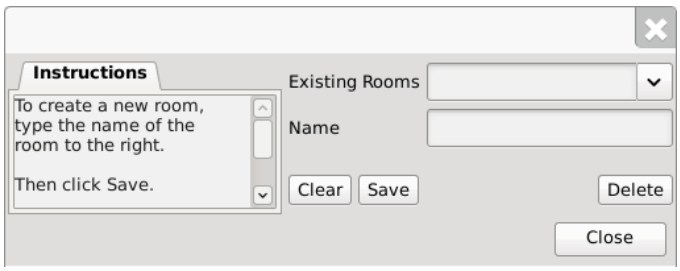
Accessing the Rooms Screen

To add new plant rooms, change the names of existing plant rooms, or delete plant rooms you no longer use, you will need to access the Rooms screen.

- Navigate to the "Cultivation" tab found in the top-left corner of the screen, and then click on the "Rooms" button located on the right-hand side of the home screen.

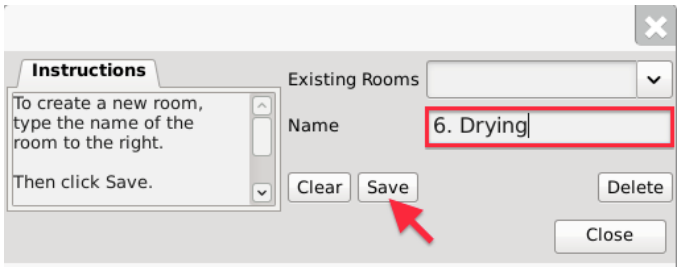


- This will bring up the Rooms screen.

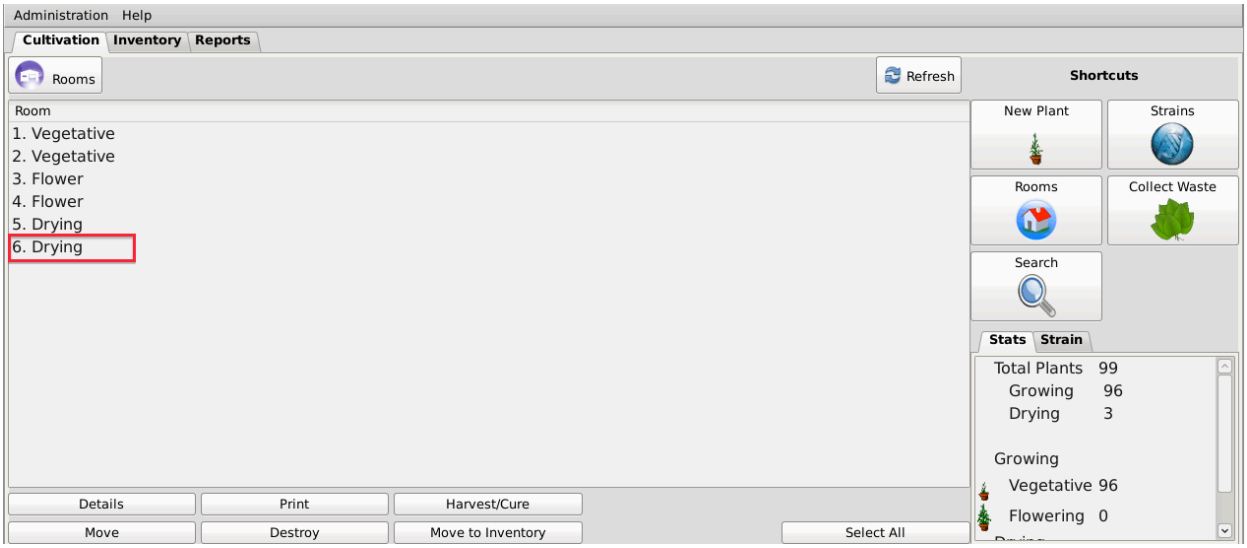


Creating a New Plant Room

- From the Rooms screen, click on the "Clear" button to clear all fields.
- Within the Name text box, type the name of the new plant room (e.g., Vegetation, Flower, etc…).
- Click on the "Save" button when complete.

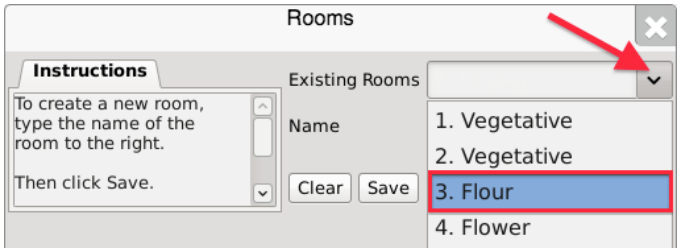


- The new plant room will now appear within the Plant Rooms area.

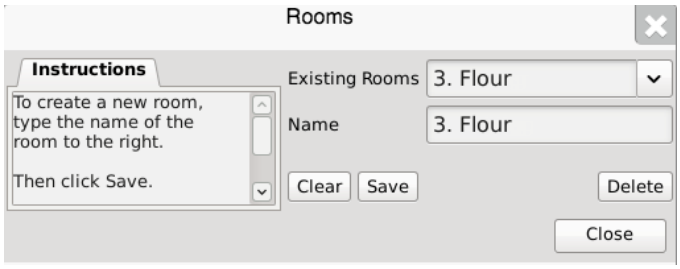


Modifying an Existing Plant Room

- From the Rooms screen, select the plant room to be modified from the Existing Rooms dropdown.



- Once selected, the room's name will automatically appear within the Name text box.



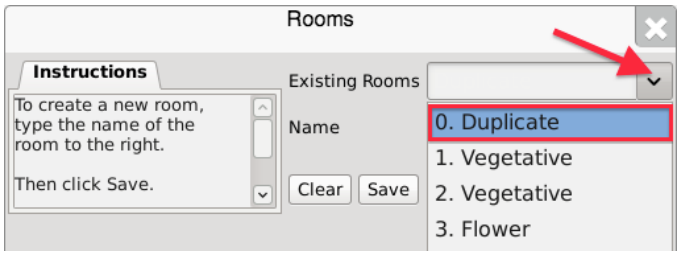
- Within the Name text box, rename the room as desired (in the example, "3. Flour" is being changed to "3. Flower").
- Click on the "Save" button when complete.

Deleting a Plant Room

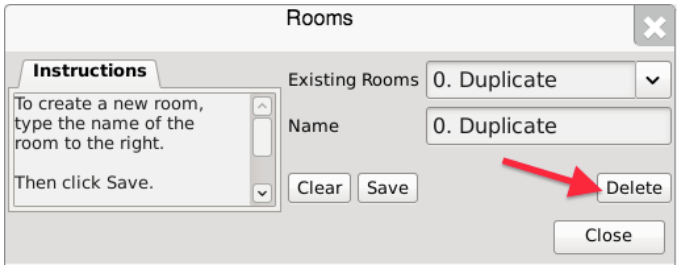
If you find that an existing plant room is no longer needed, you may delete the plant room.

NOTE: Removing a plant room does not delete any of that room's already submitted Traceability System data. It simply removes the room from use moving forward.

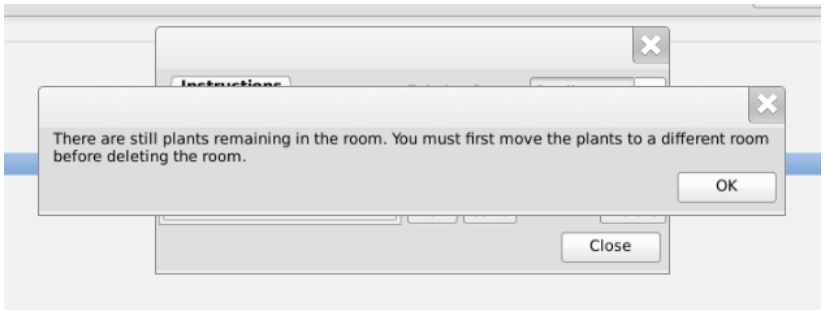
- From the Rooms screen, select the room to be deleted from the Existing Rooms dropdown.



- Once selected, the room's name will automatically appear within the Name text box.



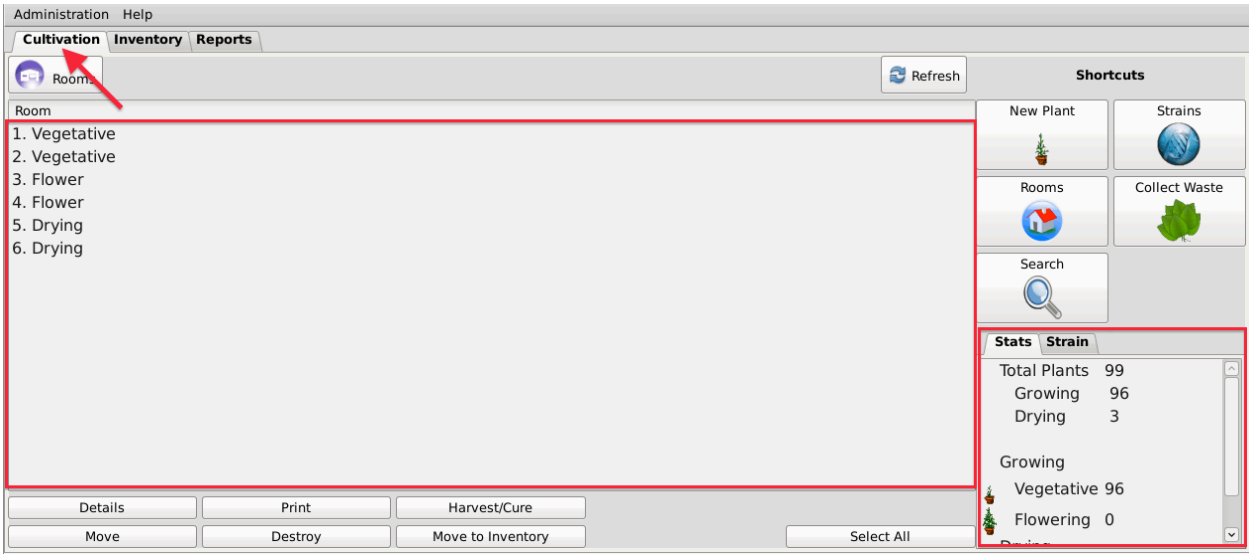
- Click on the "Delete" button.
  - If there are still plants in the room, the following pop-up will appear:



  - If there are no longer any plants still in the room, the Traceability System will allow deletion of the room.

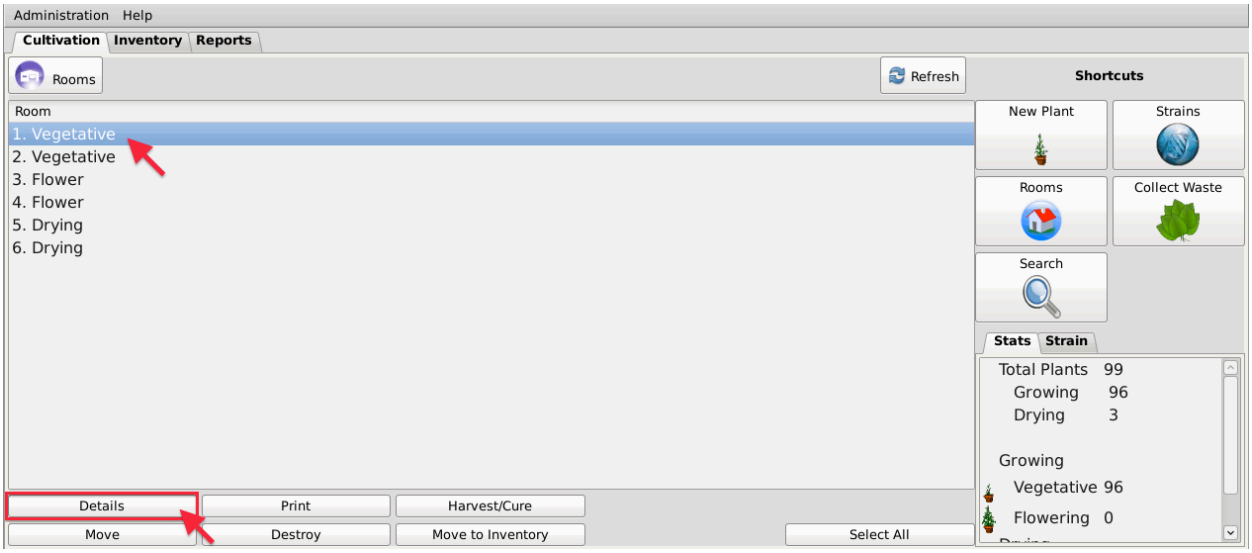
Navigating Plant Rooms

When in the "Cultivation" tab, all of the existing rooms are listed within the main window. Additionally, total plant count by phase and by strain for the licensed location may be viewed within the "Stats" and "Strains" tabs respectively.

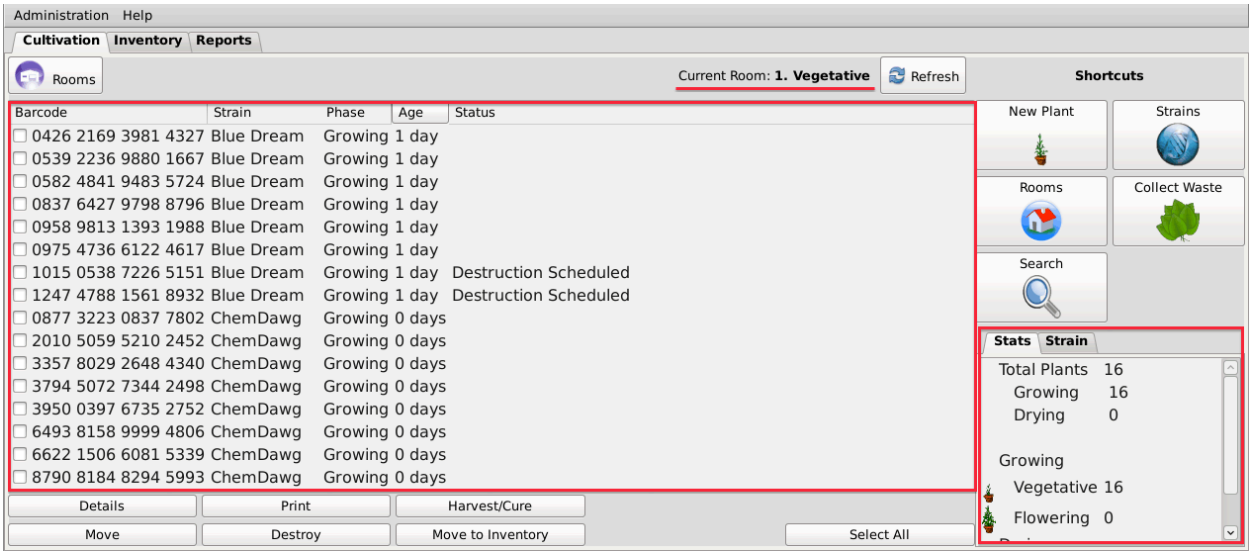


Rooms may be sorted, by name in either alphabetical order or reverse-alphabetical order, by clicking on the Room header bar.

Double-click on a room to view its contents. Alternatively, you may single-click the room to highlight it, and then click the "Details" button found in the bottom-left corner of the screen

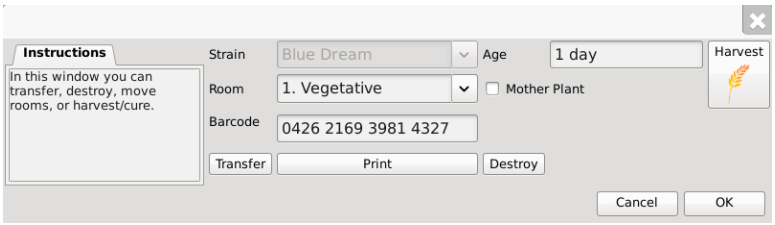


The primary window now lists the contents of the selected room. Note that for ease of reference, the room's name is specified near the top-right of the primary window, just to the left of the "Refresh" button.



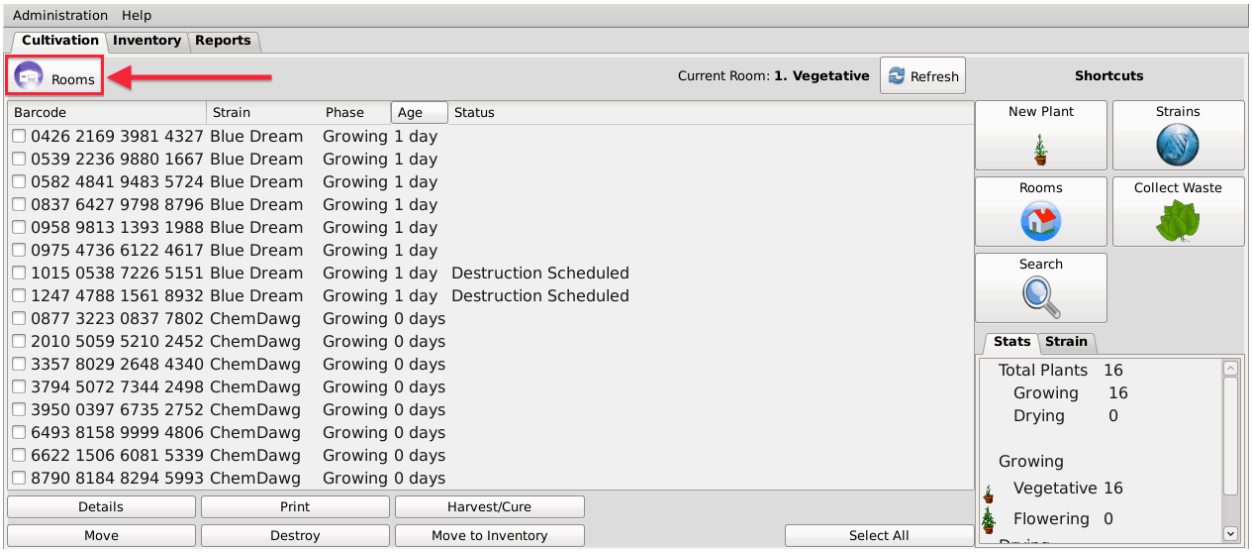
In this view, plant information includes Traceability Identifier, Strain, Phase, Age, and Status as is recorded in the Traceability System. Additionally, plant count by phase and by strain for the selected room may be viewed within the "Stats" and "Strains" tabs respectively.

Double-click on a plant to view the Plant Information screen for that plant. Alternatively, you may single-click the plant to highlight it, and then click the "Details" button found in the bottom-left corner of the screen.

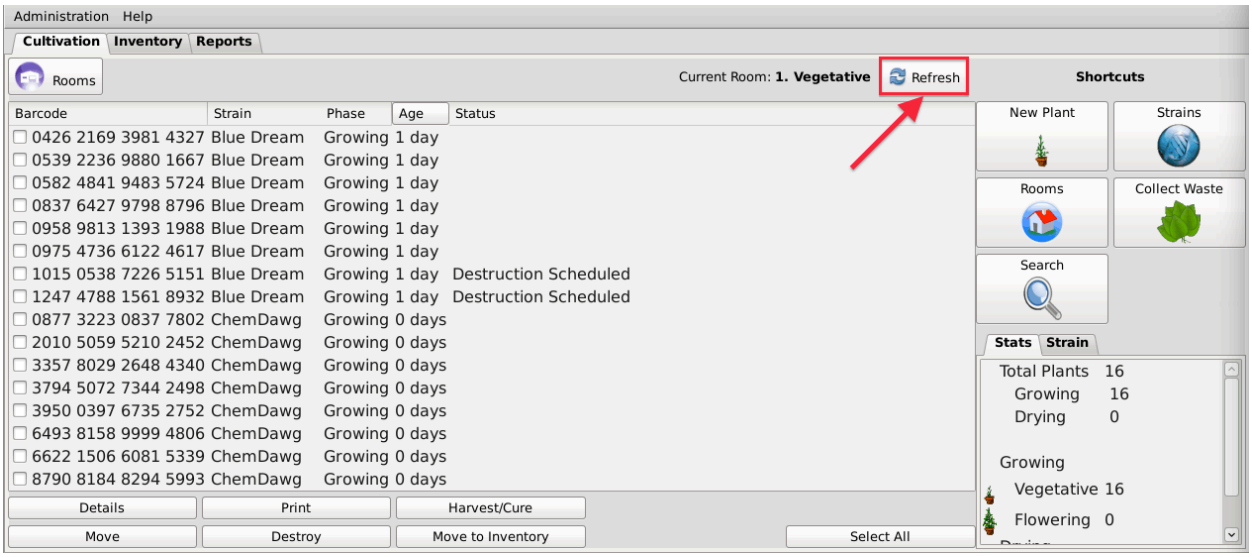


Additional detail regarding the use of the Plant Information screen may be found within Chapter 10: Plant Basics.

The “Rooms” button in the top-left corner of the screen may be used at any time to return to the main screen where all of the rooms are listed.



If at any time you perform an action in the Traceability System and it appears that the Traceability System did not update, try clicking on the “Refresh” button found in the upper-right corner of the screen.



Chapter 8: Inventory Rooms

In this chapter, you will learn how to:

- ✓ Add, modify and remove inventory rooms
- ✓ Navigate the inventory rooms and screens

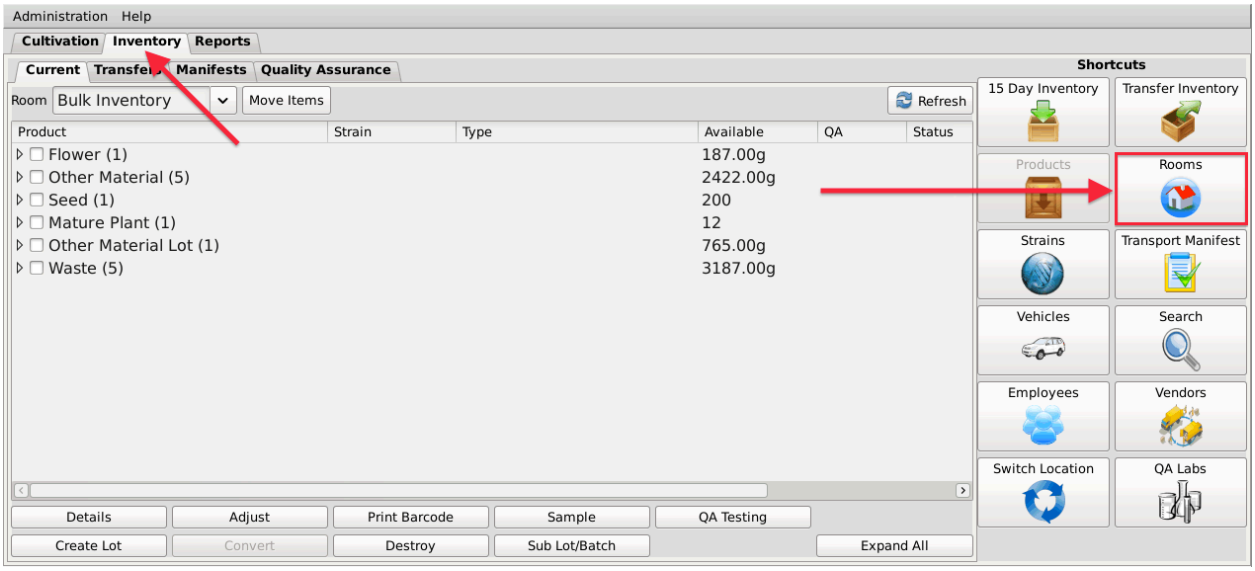
Inventory rooms represent a way to logically segregate inventory items. You begin with one room named "Bulk Inventory" and one room named "Quarantine".

<u>NOTE: Please be sure to read Chapter 6: Traceability Logic – Rooms, Inventory, and Plants prior to reading this chapter.</u>

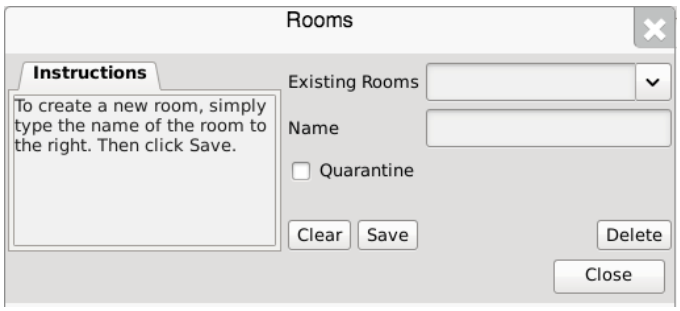
Accessing the Rooms Screen

To add new inventory rooms, change the names of existing inventory rooms, or delete inventory rooms you no longer use, you will need to access the Rooms screen.

- Navigate to the "Inventory" tab found in the top-left corner of the screen, and then click on the "Rooms" button located on the right-hand side of the home screen.

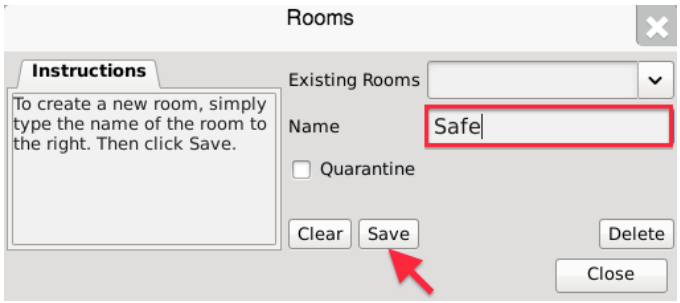


- This will bring up the Rooms screen.

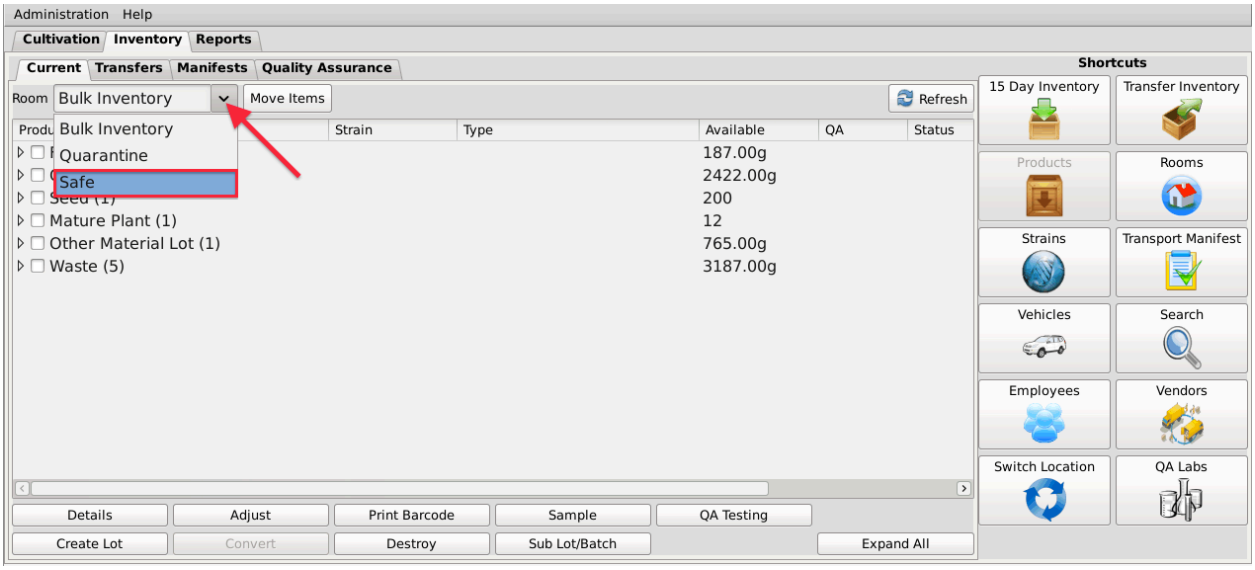


Creating a New Inventory Room

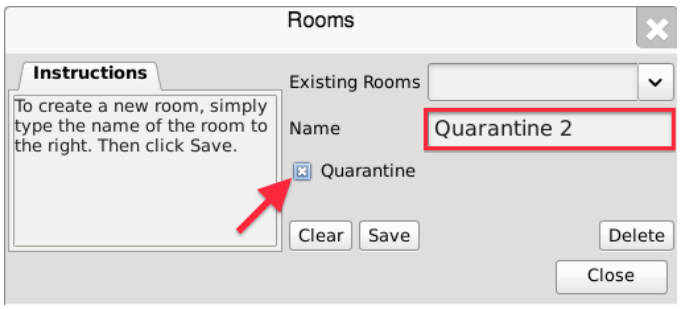
- From the Rooms screen, click on the “Clear” button to clear all fields.
- Within the Name text box, type the name of the new Room (e.g., Safe, etc.).
- Click on the “Save” button when complete.



- The new room will now appear within the Rooms dropdown for selection.

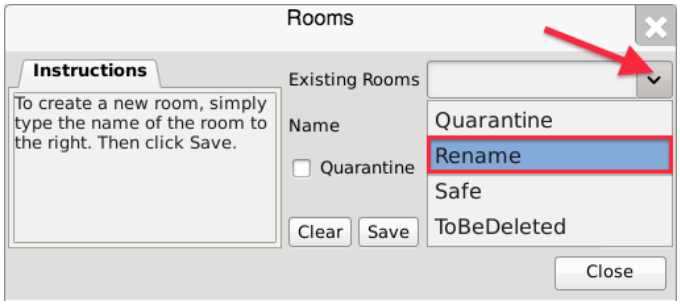


- If the room is to be an additional Quarantine room, be sure to click on the “Quarantine” checkbox prior to saving.

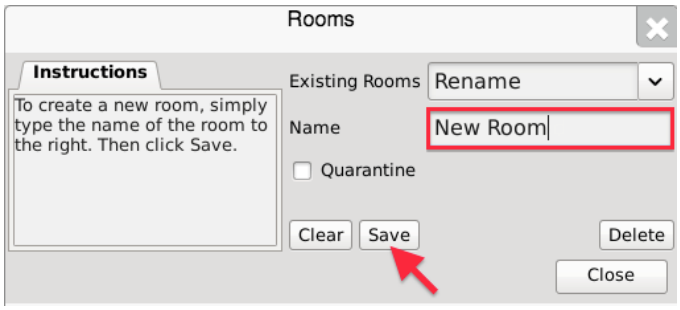


Modifying an Existing Inventory Room

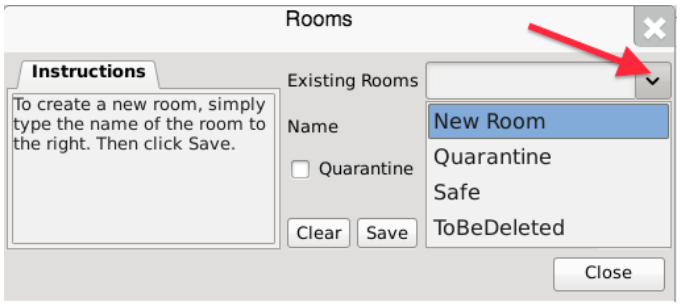
- From the Rooms screen, select the room to be modified from the Existing Rooms dropdown.

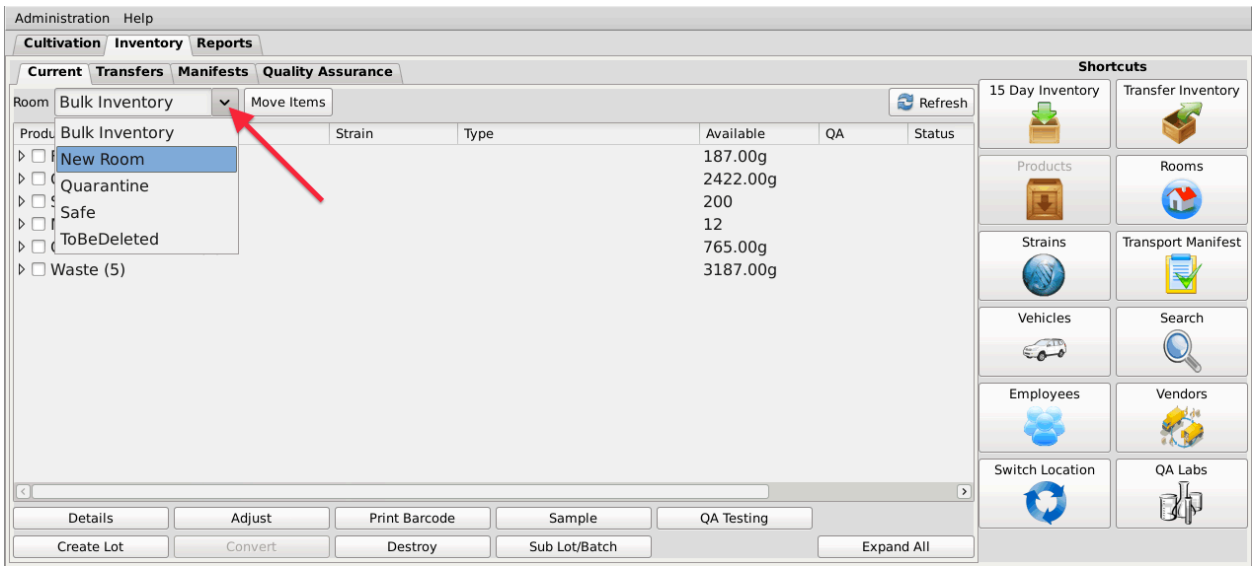


- Once selected, the room's name will automatically appear within the Name text box.
- Within the Name text box, rename the room as desired.



- Click on the "Save" button when complete
- The renamed room will now appear within the Rooms dropdown for selection.



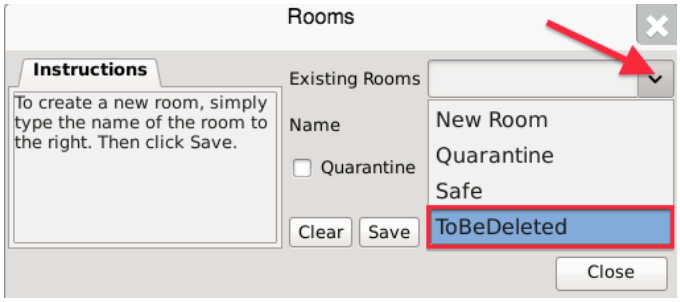


Deleting an Inventory Room

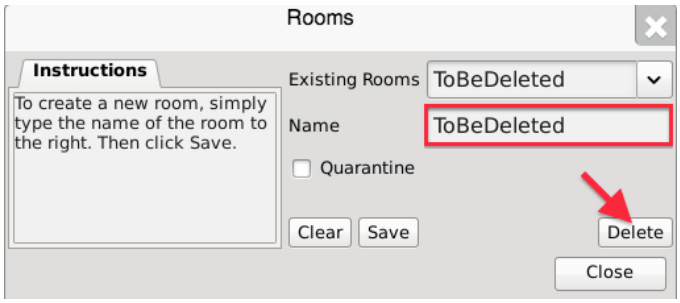
If you find that an existing inventory room is no longer needed, you may delete the room.

<u>NOTE: Removing a room does not delete any of that room's already submitted Traceability System data. It simply removes the room from use moving forward.</u>

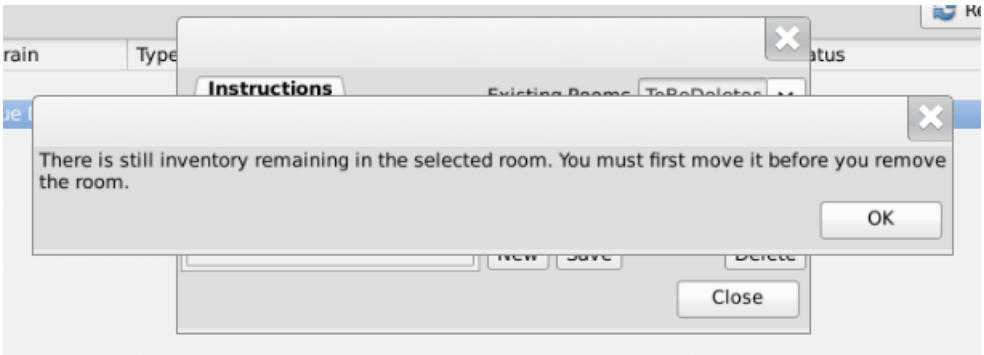
- From the Rooms screen, select the room to be removed from the Existing Rooms dropdown.



- Once selected, the room's name will automatically appear within the Name text box.



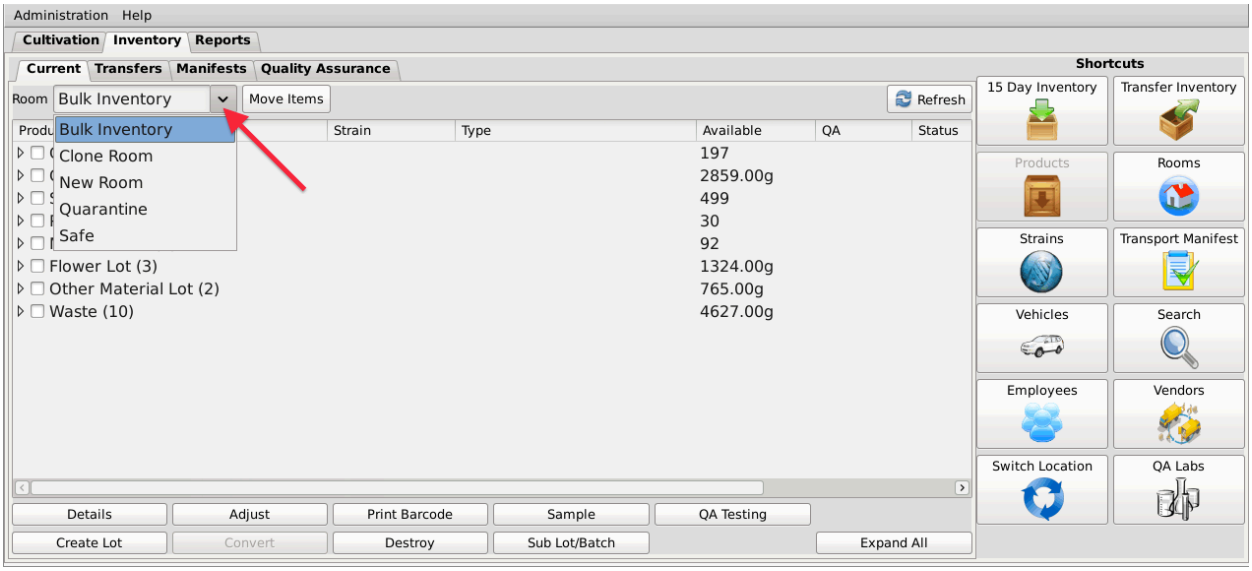
- Click on the “Delete” button.
    - If there is still inventory in the room, the following will appear:



    - If there is no longer any inventory still in the room, the Traceability System will allow removal of the room

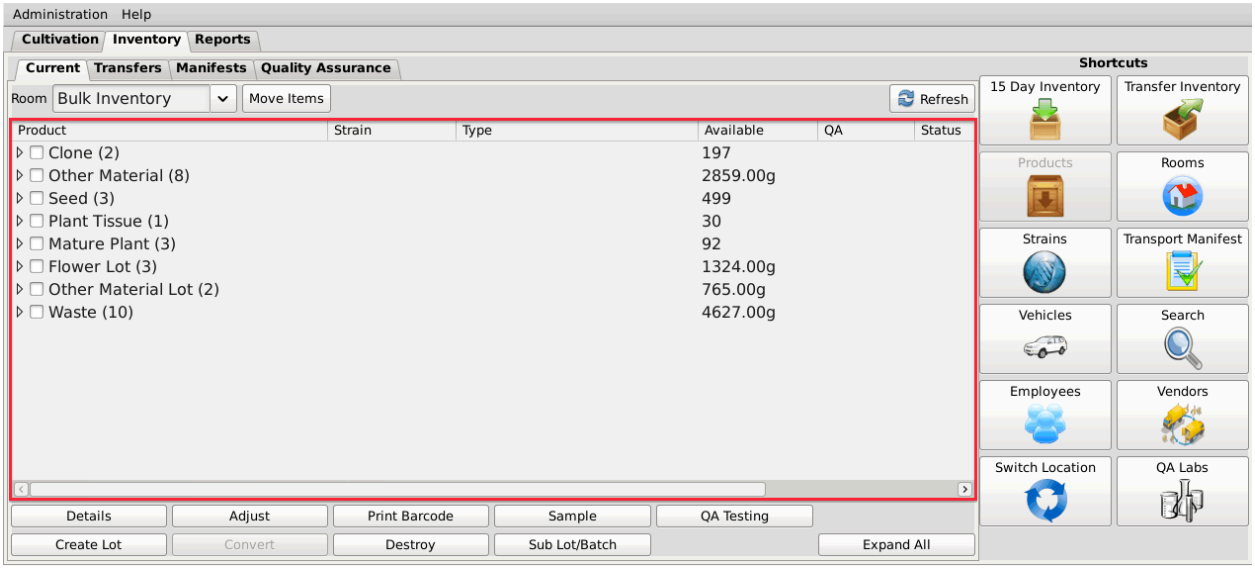
Navigating Inventory Rooms

When in the “Inventory” tab, all of the existing rooms are listed within the Room dropdown in alphabetical order.



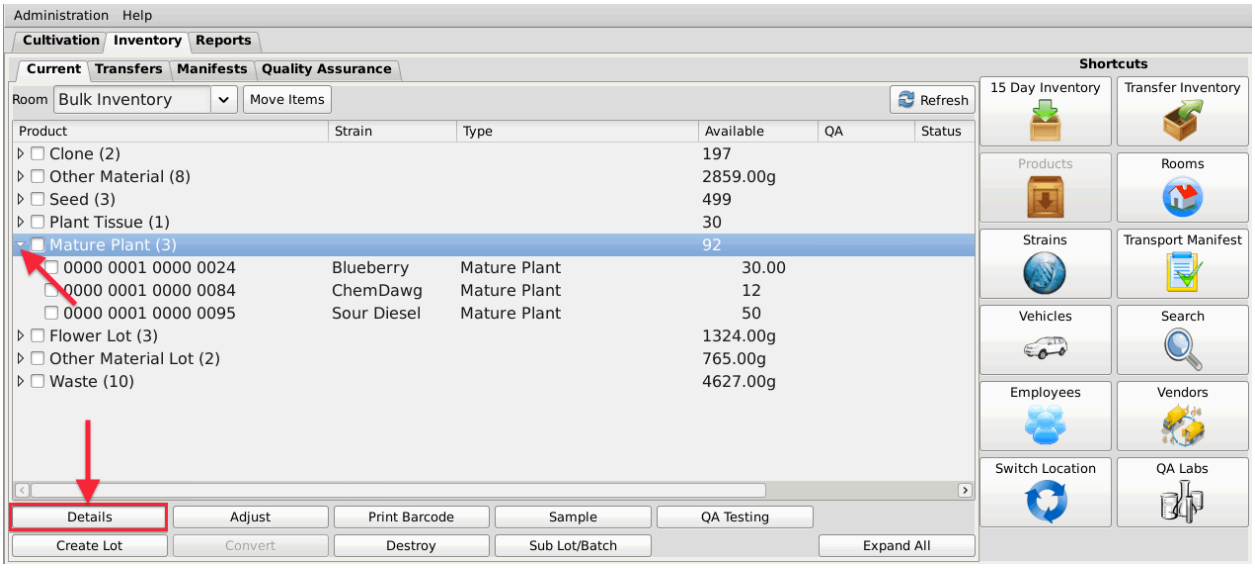
Click on a room to view its contents.

The primary window lists the contents of the selected room. Inventory items are grouped by product type as defined by the WSLCB. The number in parentheses that appears to the right of the product type indicates how many Traceability Identifiers are grouped within it, if more than one.



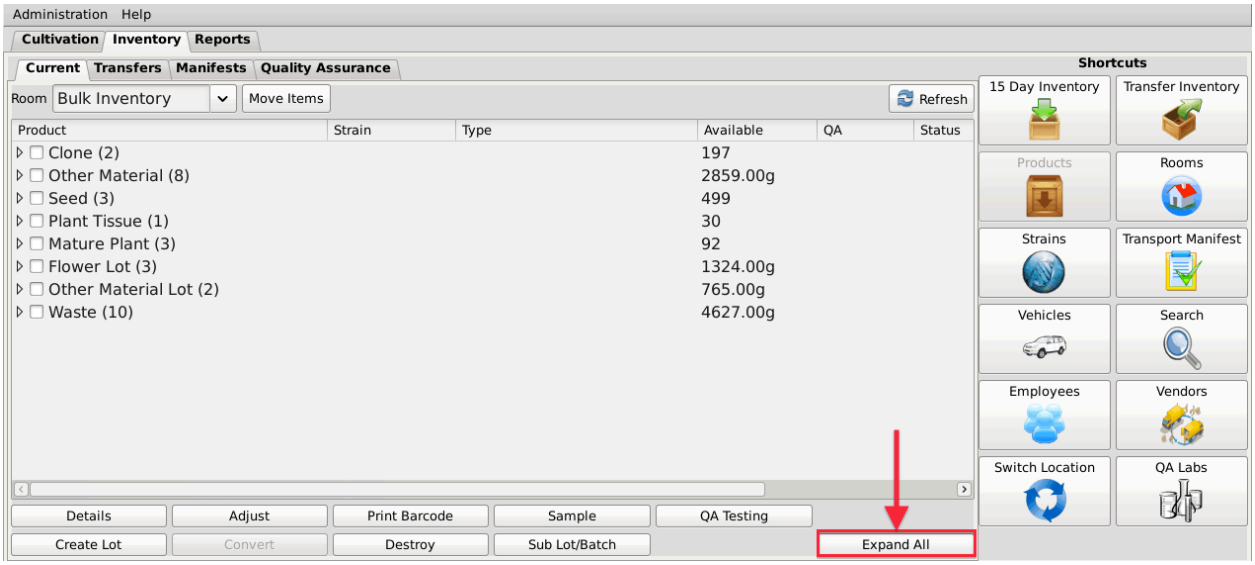
To view the individual inventory items contained within a group you can perform either of the following actions:

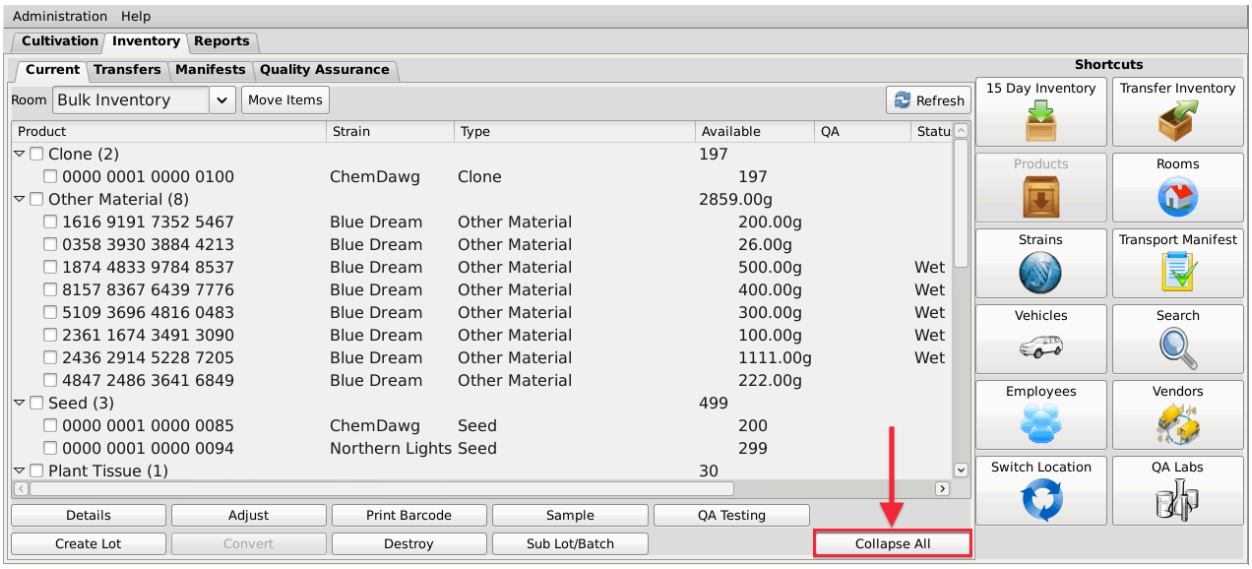
- Double-click on the group;
- Single-click on the Expand/Collapse arrow to the left of the product type;
- Single-click on a group to highlight it, and then click the "Details" button found in the bottom-left corner of the screen;



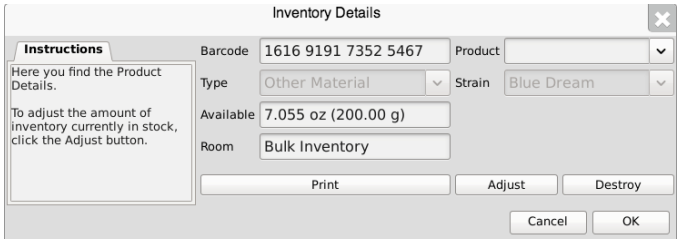
In this view, plant information includes Traceability Identifier, Strain, Inventory Type, Quantity Available, QA Status (if applicable), and Status as is recorded in the Traceability System.

In addition to expanding/collapsing groups individually, you may expand/collapse all groups at once by clicking on the “Expand All” / “Collapse All” button located in the lower-right corner of the screen. The button alternates from “Expand All” to “Collapse All” and back every click.

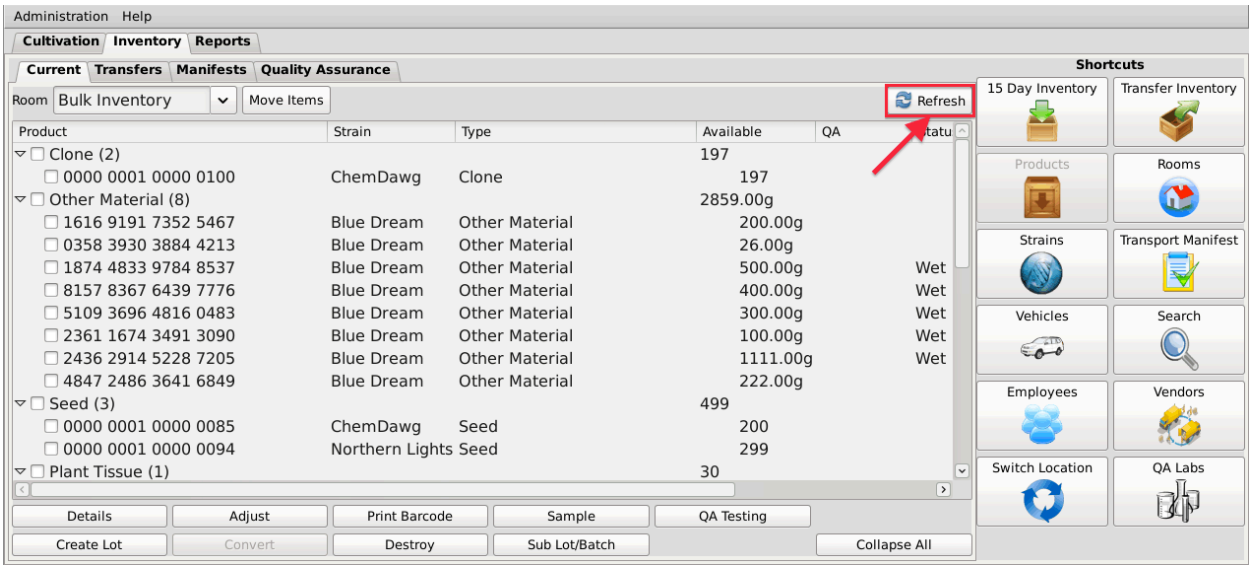




Double-click on an inventory item to view the Inventory Details screen for that item. Alternatively, you may single-click the item to highlight it, and then click the “Details” button found in the bottom-left corner of the screen.



If at any time you perform an action in the Traceability System and it appears that the Traceability System did not update, try clicking on the “Refresh” button found in the upper-right corner of the screen.



Chapter 9: Start-up Inventory (15 Day Window)

In this chapter, you will learn how to:

- ✓ Add 15-day start-up inventory into the Traceability System

Regulations

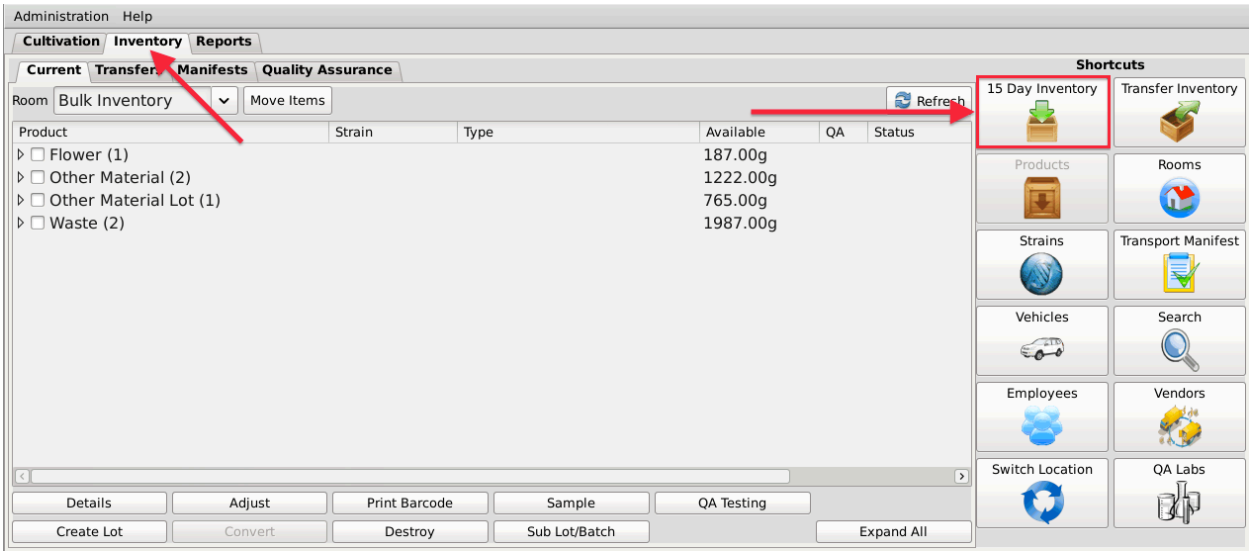
WAC 314-55-083

(5) Start-up Inventory for marijuana producers. Within fifteen days of starting production operations a producer must have all nonflowering marijuana plants physically on the licensed premises. The producer must immediately record each marijuana plant that enters the facility in the traceability system during this fifteen day time frame. No flowering marijuana plants may be brought into the facility during this fifteen day time frame. After this fifteen day time frame expires, a producer may only start plants from seed or create clones from a marijuana plant located physically on their licensed premises, or purchase marijuana seeds, clones, or plants from another licensed producer.

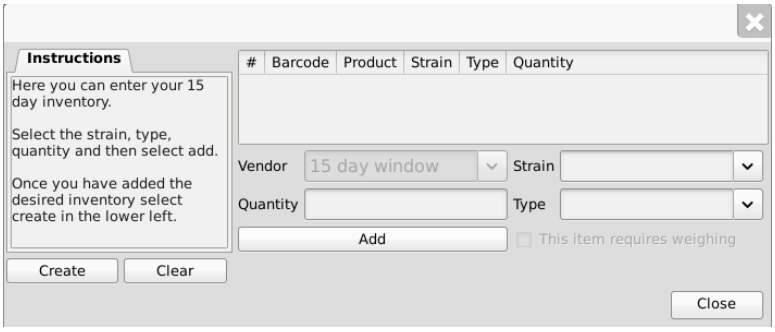
Accessing the 15 Day Inventory Screen

To add new startup inventory to the Traceability System, you will need to access the 15 Day Inventory screen. **<u>THIS BUTTON WILL AUTOMATICALLY DEACTIVATE ONCE YOUR 15 DAY WINDOW HAS EXPIRED.</u>**

- Navigate to the "Inventory" tab found in the top-left corner of the screen, and then click on the "15 Day Inventory" button located on the right-hand side of the screen.



- This will bring up the 15 Day Inventory screen.

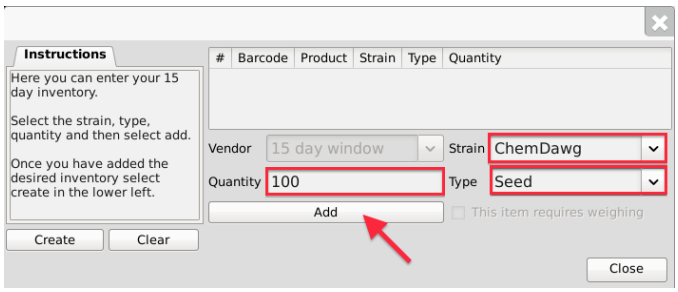


Recording 15 Day Startup Inventory

- From the 15 Day Inventory screen, enter the following information:
  - Strain dropdown: select the strain of the inventory being added. If the applicable strain does not appear within the dropdown, you will first need to add the strain as detailed in the section titled Add a New Strain.
  - Type dropdown: select the type of startup inventory being added. The only available options are seeds, clones, mature plants, and plant tissue.
  - Quantity: key in the quantity of startup inventory being added.

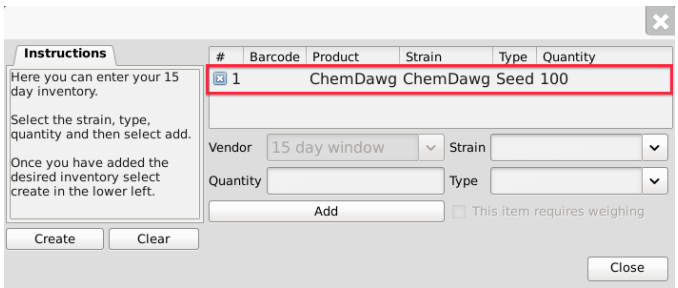
NOTE: The Vendor field is grayed out because startup inventory additions are the only kind that do not require a supplying Licensee to be specified.

- When the fields have been completed, click the "Add" button.

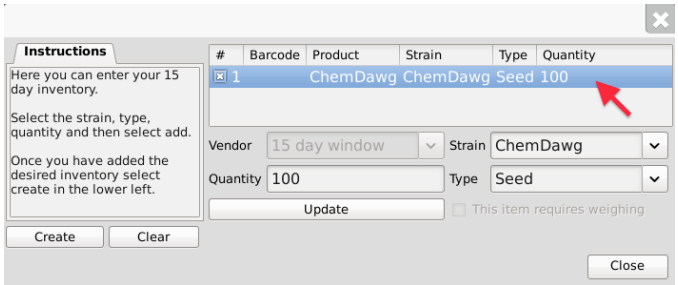


- The inventory as entered now appears within the list of items to be created. You may add multiple items to the list if you desire.

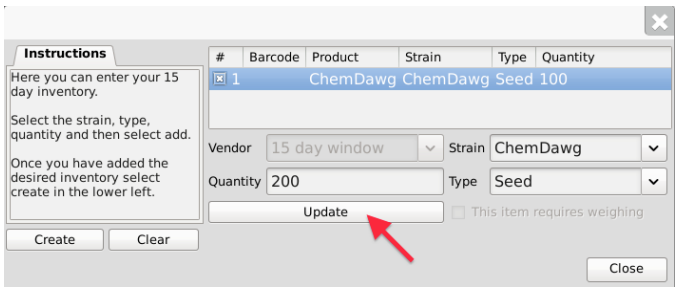
NOTE: Clicking the "Add" button does NOT commit the item to the Traceability System. If you close out the window before clicking the "Create" button as detailed below, you will lose any information entered.



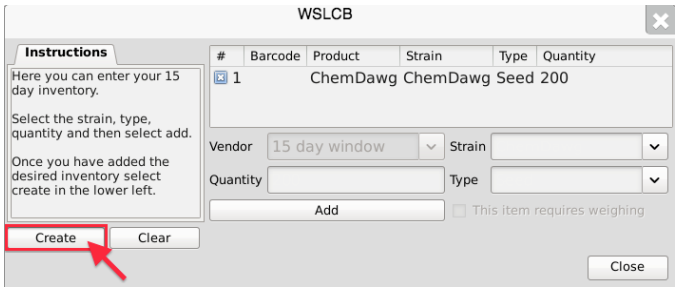
- If upon review you realize that the information was entered incorrectly,
    - Click on the item and the fields will auto-populate with the item's current information. This may also be done if multiple items are within the list.



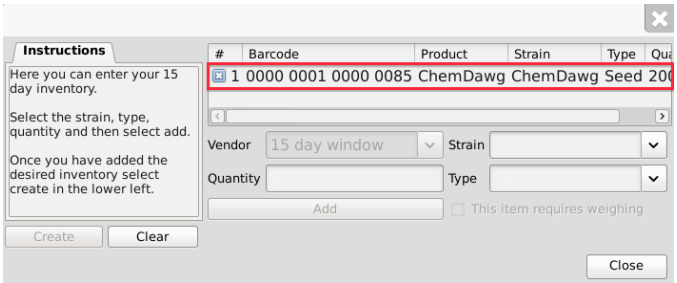
    - Make whatever adjustments neceesary for the information to be accurate (in the example, quantity is changed from 100 to 200). Click "Update" when complete.



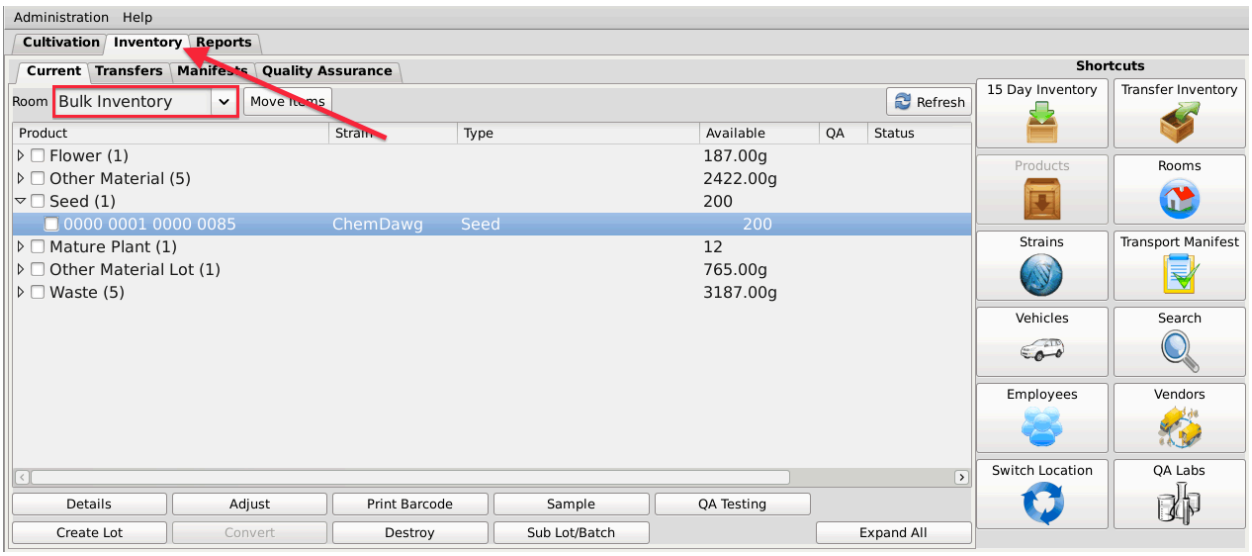
- Once all items are completed and correct, click "Create".



- The window now updates to show the Traceability Identifier assigned to the newly created inventory.



- You may now find the newly created inventory under the "Inventory" tab and within the "Bulk Inventory" room under its respective heading (i.e., seed, clone, mature plant, or plant tissue).



Adding Plants to Cultivation

It is important to note that importing plants into Bulk Inventory is only the first step in accounting for plants in the Traceability System. As detailed in Chapter 6: Traceability Logic – Rooms, Inventory, and Plants, "*plant rooms* (found under the Cultivation tab) *contain plants that are in production,* while *inventory rooms* (found under the Inventory tab) *contain all other inventory types, including mature plants that are not in production* because they were either recently purchased and have yet to be planted or they are ready for sale to another Producer."

Therefore, you must continue on to the next chapter (Chapter 10: Plant Basics) to add plants into the Cultivation area.

Chapter 10: Plant Basics

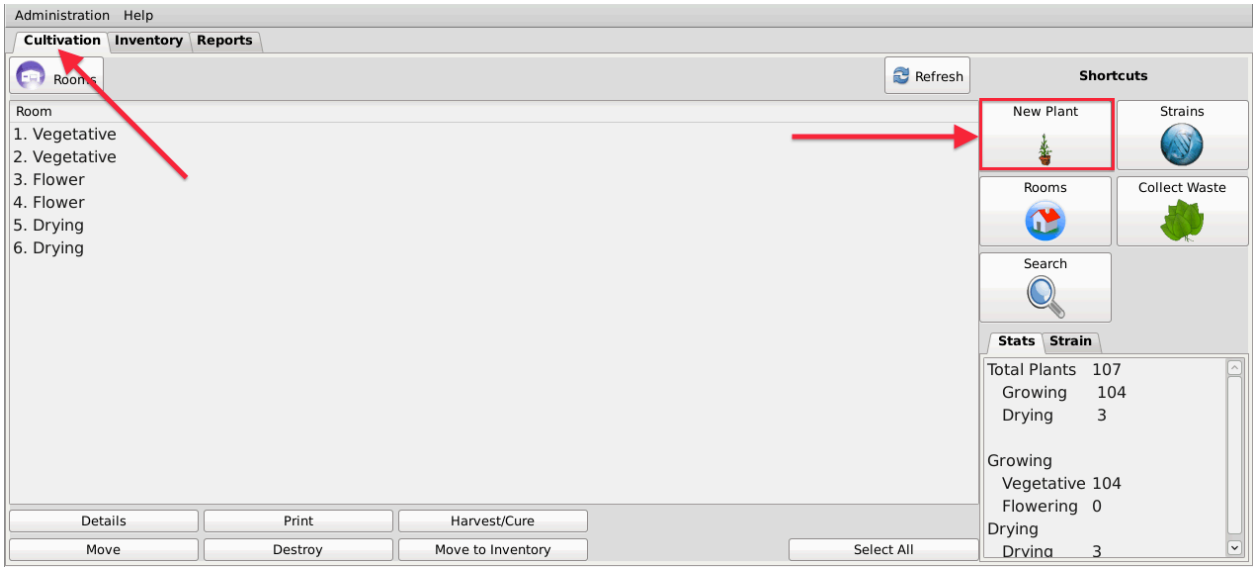
In this chapter, you will learn how to:

- ✓ Create a new plant via seed, clone, or plant tissue
- ✓ Lookup a plant
- ✓ Move a plant between plant rooms

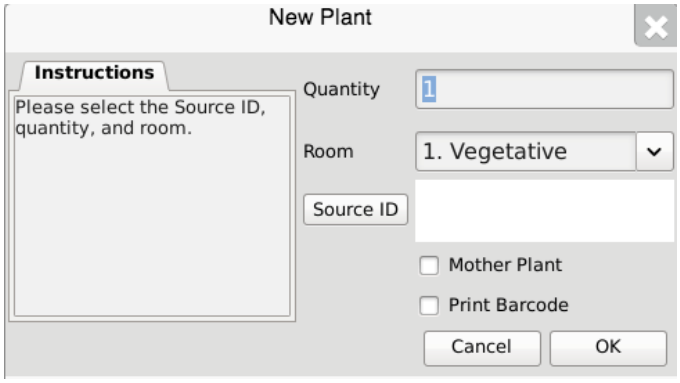
Create a New Plant

To create new plants via seed, clone, or plant tissue, you will need to access the New Plant screen.

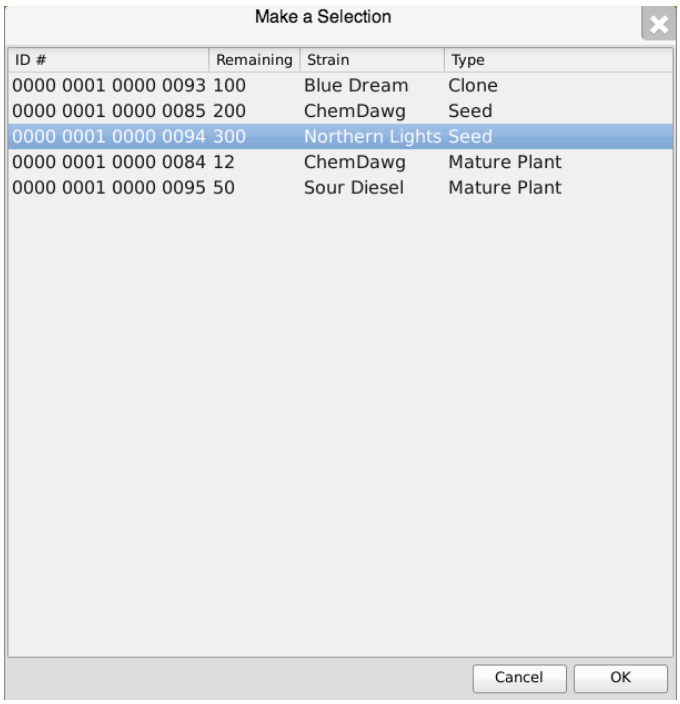
- Navigate to the "Cultivation" tab found in the top-left corner of the screen, and then click on the "New Plant" button located on the right-hand side of the home screen.



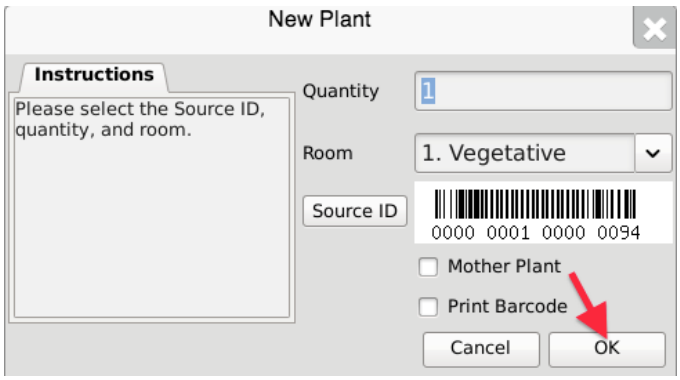
- This will bring up the New Plant screen.



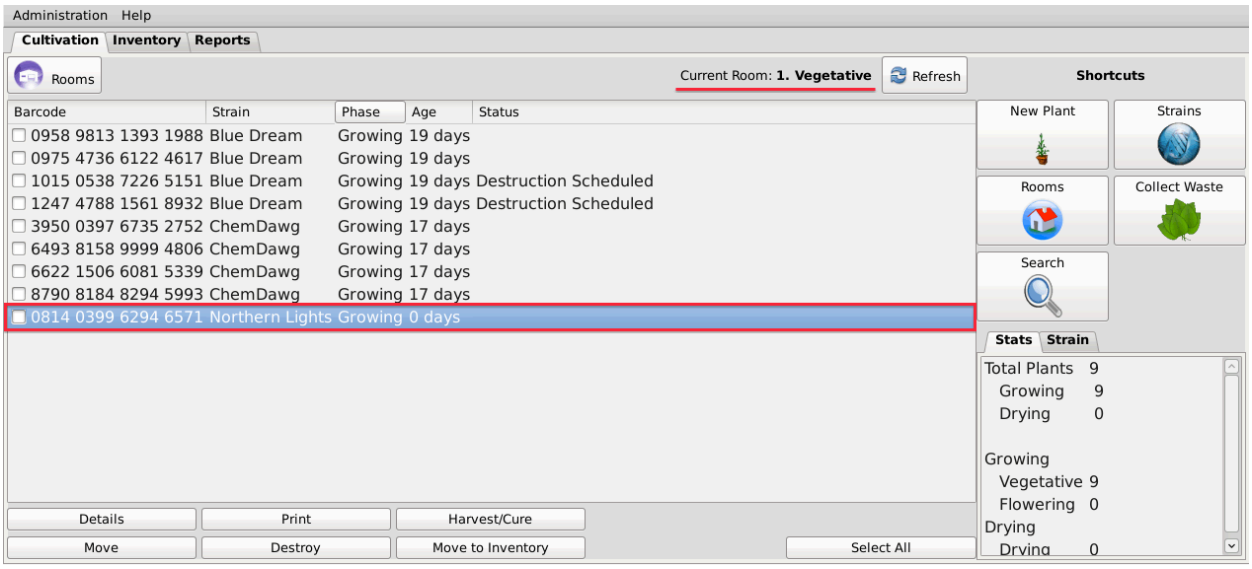
- Within the New Plant screen, enter the following information:
    - Quantity: the number "1" is entered by default, but you may create up to 1,000 plants at one time.
    - Room dropdown: select the room in which the new plant(s) is(are) located.
        - If you clicked on the "New Plant" button while within a specific plant room, the system will default to that room.
        - If you clicked on the "New Plant" button while not within a specific plant room, the system will default to the first plant room in alphabetical order
    - Source ID: Click on the "Source ID" button to view a list of all available sources for new plant propagation.



    - Select the seed, clone, mature plant, or plant tissue from which the new plant(s) is(are) being propagated. The system will automatically determine the strain of the new plant(s) based on the Source ID.



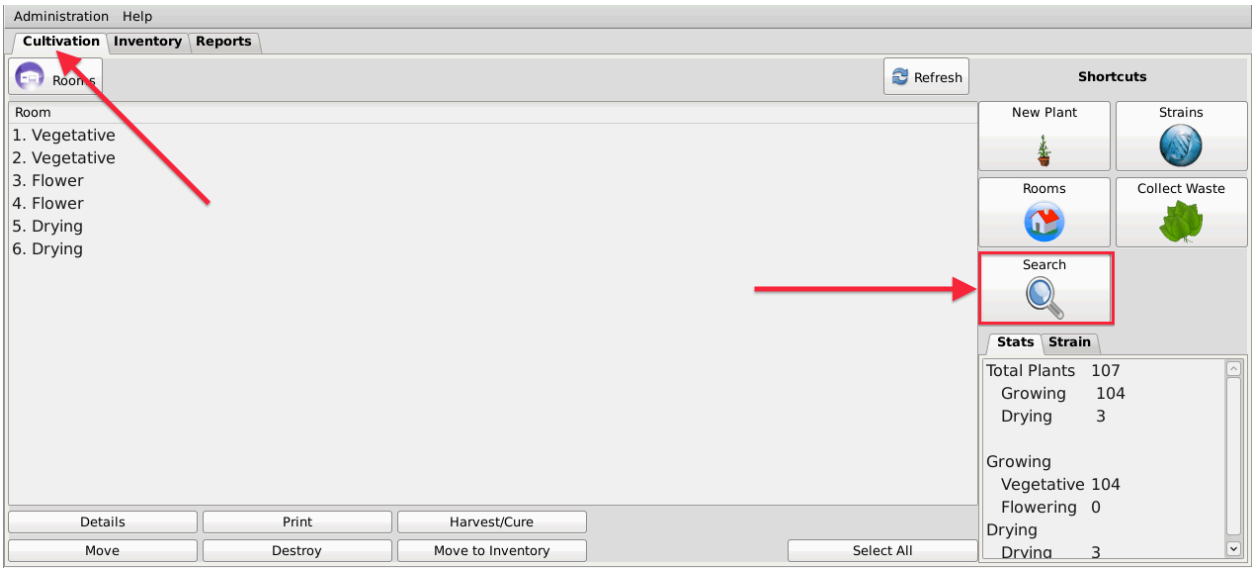
- Click on the "OK" button once all of the required data has been entered.
- The created plant(s) may now be found within the room designated.



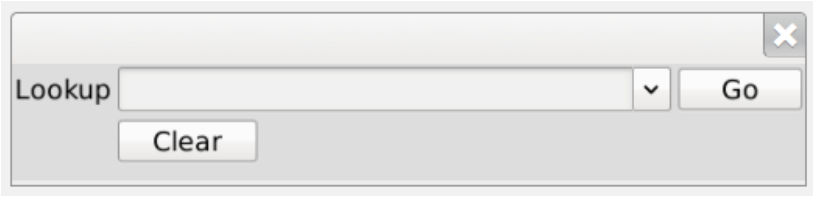
Looking up a Plant

To lookup a specific plant,

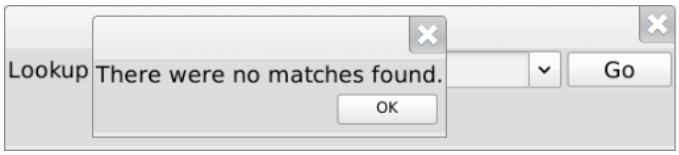
- Navigate to the "Cultivation" tab found in the top-left corner of the screen, and then click on the "Search" button located on the right-hand side of the home screen.



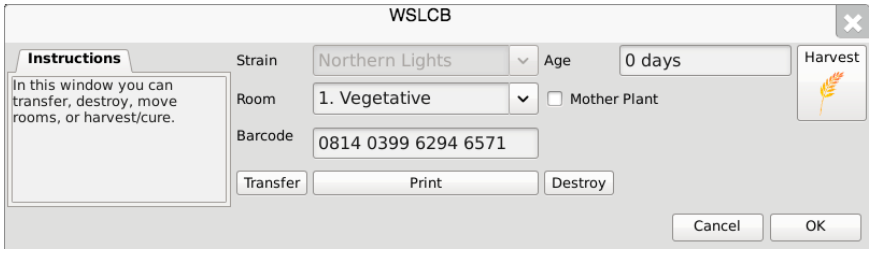
- This will bring up the Plant Lookup screen.



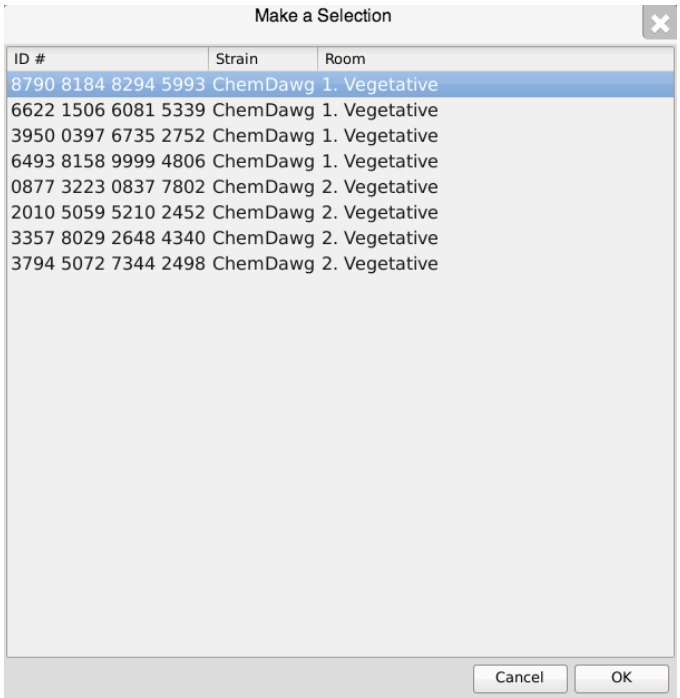
- Within the Lookup field, type in either the plant's 16-digit Traceability Identifier, or the plant's strain. The Traceability Identifier may be typed with or without spaces. If searching by strain, you must spell the strain's name correctly (not case sensitive).
- Click "Go"
    - If the Traceability Identifier entered is not correct or is not associated with your License, the following message will appear:



- If the Plant Identifier entered is correct and associated with your License, the Plant Information screen appears.



- If searching by Strain, then a list of all plants associated with your License that are of that strain will appear in a list. Double-click on any plant and the Plant Information screen for that specific plant will appear:

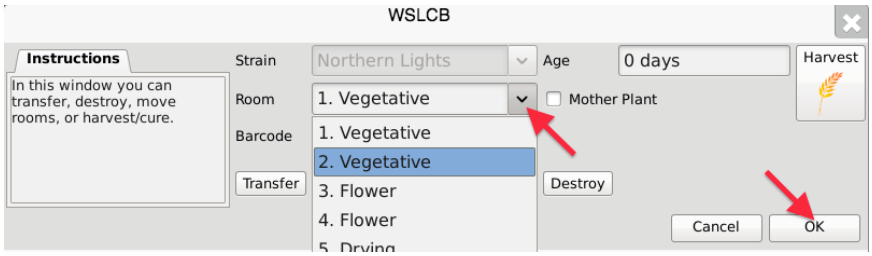


Moving Plants

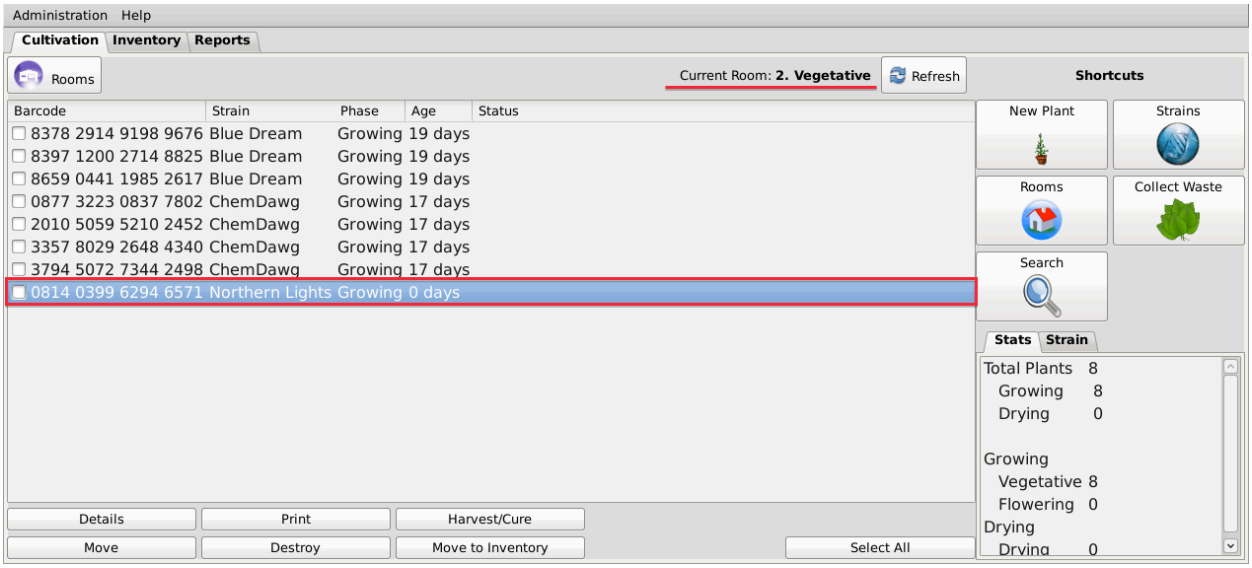
You may move plant inventory from one plant room to another using either of two methods:

<u>Method 1</u>

- Bring up the Plant Information screen for the plant to be moved, either by double-clicking the plant within its room or by using the Plant Lookup function described earler.
- Select the destination room from the "Room" dropdown



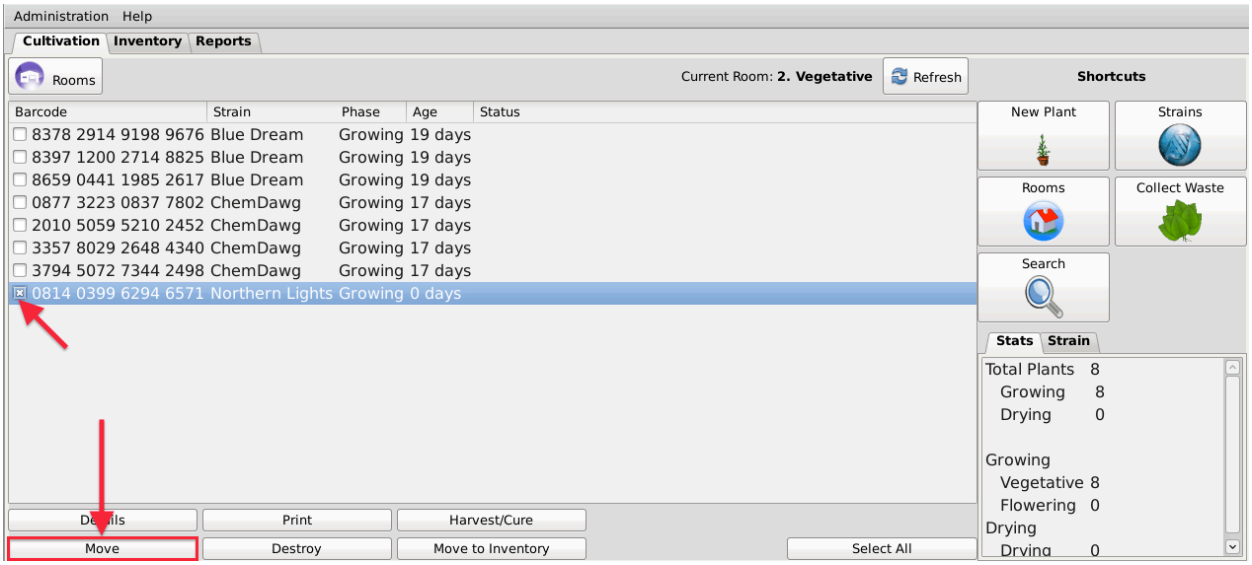
- Click "OK" when complete.



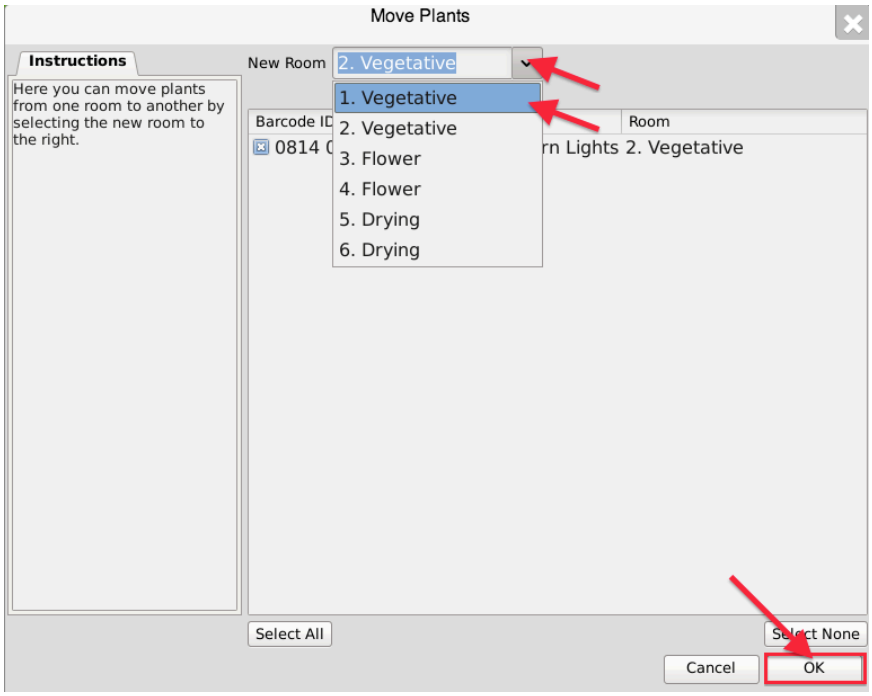
- You will now find that the plant has been moved to the room selected.

Method 2

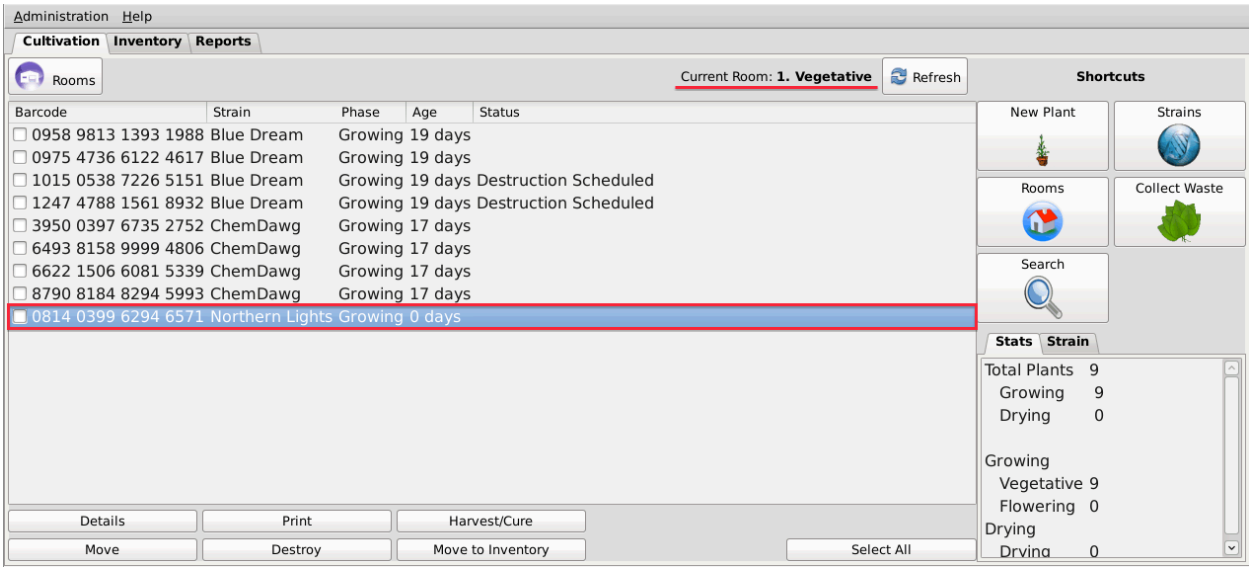
- Enter the room in which the plant(s) is(are) presently located.
- Click on the checkbox(es) to left of the plant identifier(s).
- Click on the "Move" button located at the bottom of the screen.



- When the Move Plant screen appears, select the destination room from the "New Room" dropdown. Click "OK" when complete.



- You will now find that the plant has been moved to the room selected.



Chapter 11: Plant Harvesting and Curing

In this chapter, you will learn how to:

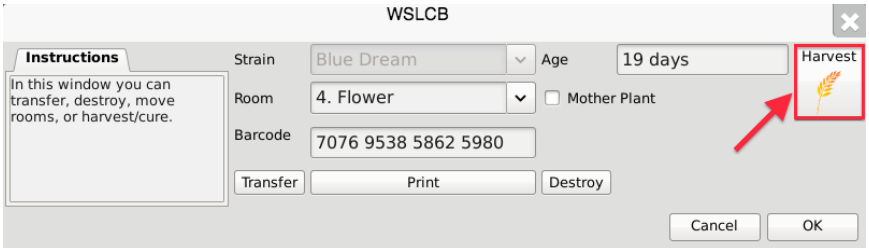
- ✓ Harvest plants
- ✓ Cure plants

Plant Harvest

This function will notify the Traceability System of the intent to begin harvesting a plant. You may perform this action using either of two methods:

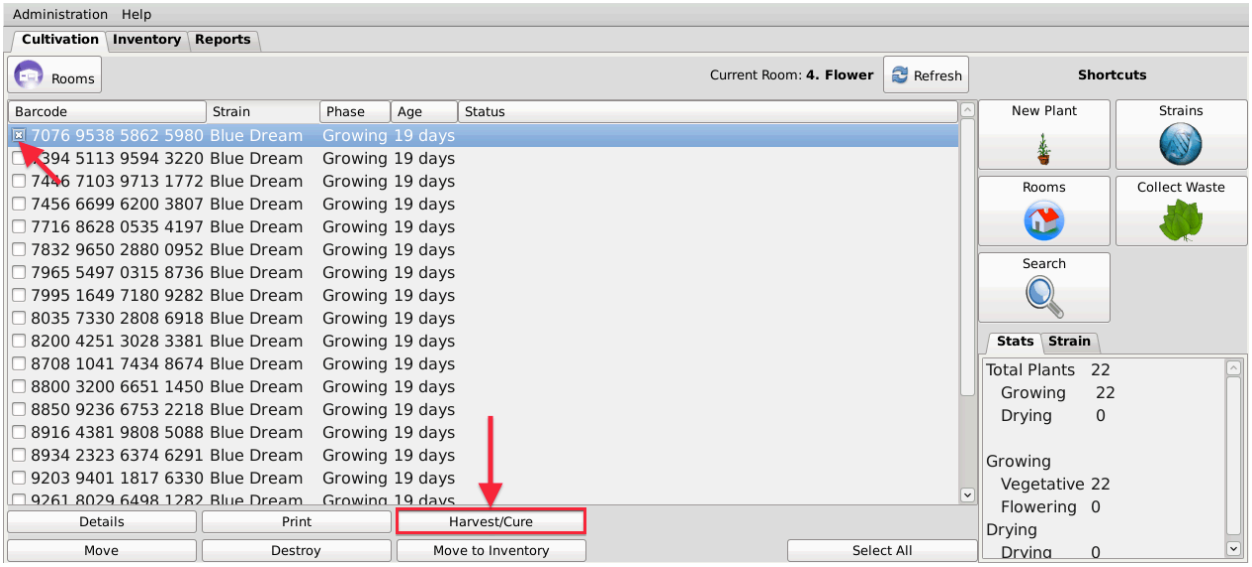
Method 1

- Bring up the Plant Information screen for the plant to be harvested, either by double-clicking the plant within its room or by using the Plant Lookup function described earlier.
- Click on the "Harvest" button.



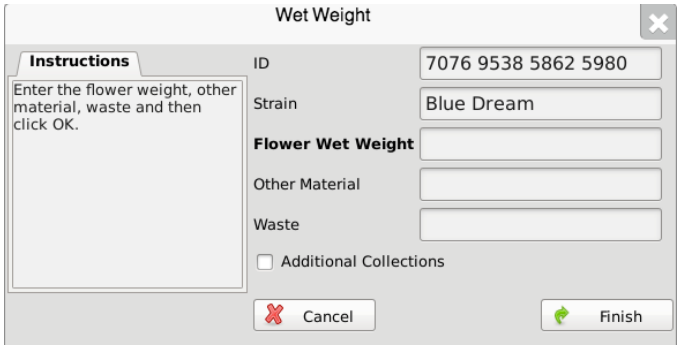
Method 2

- From the Room screen, select the plant to be harvested and click on the "Harvest/Cure" button found at the bottom of the screen.



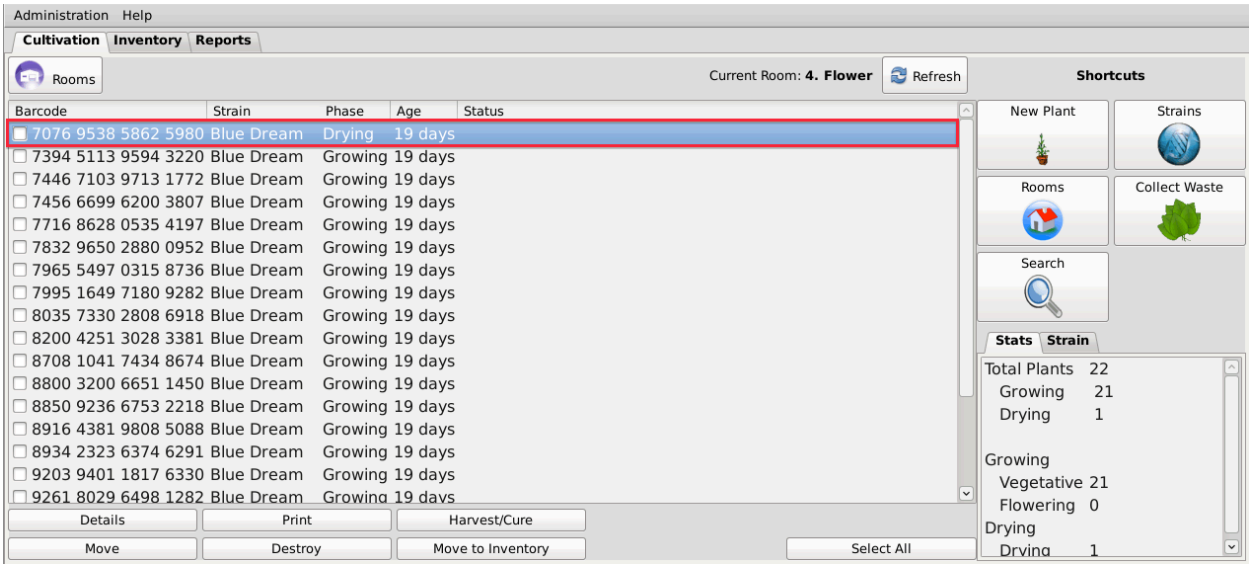
Plant Harvest

- Regardless of which method you use, a pop-up window will appear asking you to confirm the harvest for that plant
- Once confirmed, the Harvest Weight screen appears:

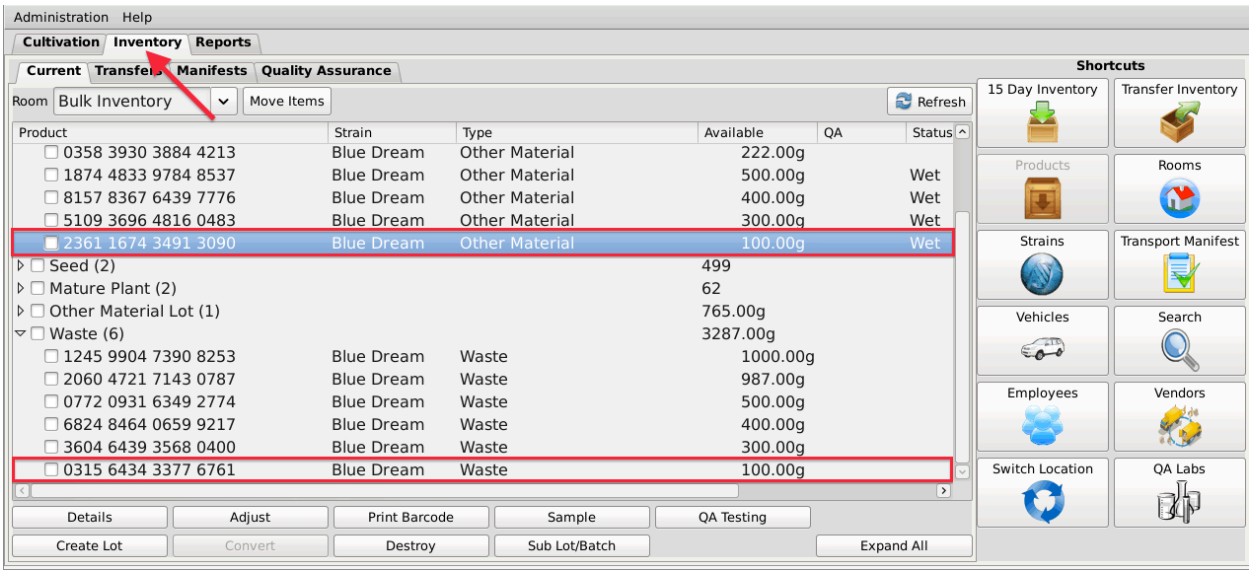


  - Flower Wet Weight: Enter the harvest weight of the plant's flower.
  - Other Material: Enter the harvest weight of the plant's non-flower matter (trim, leaves, or other plant matter).
  - Waste: Enter in the harvest weight of the plant's harvest-specific waste.
  - Additional Collections: If the plant is being fully harvested, leave this box unchecked. If this is a partial harvest and you intend on collecting additional material from this plant at a later date, make sure to check this box.

- Once the weights have been entered, click "Finish". The Traceability System will automatically change the Phase of the plant to "Drying".

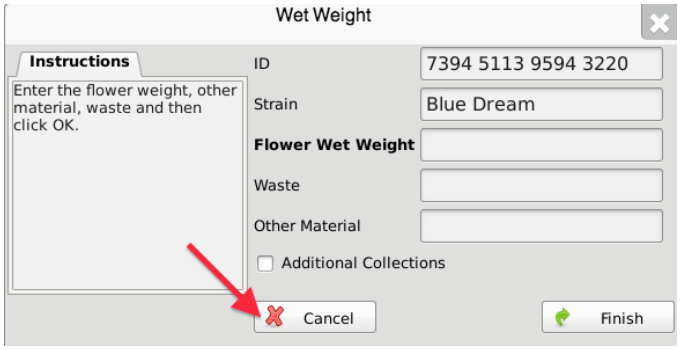


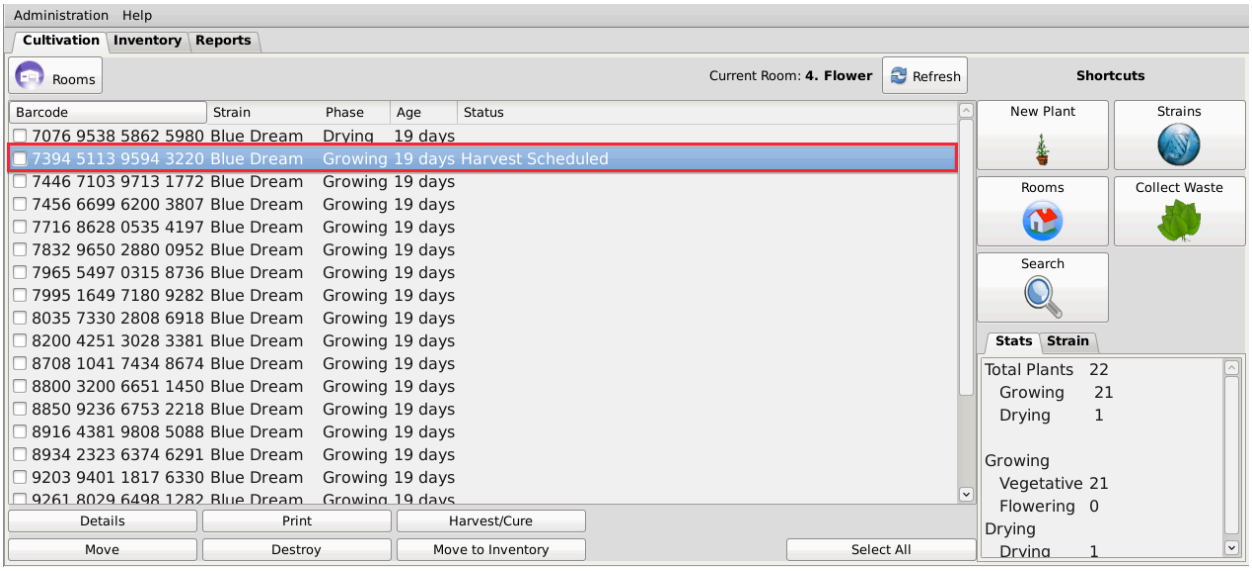
- **NOTE: Because, under current regulations, wet flower material cannot be sold and a dry weight must be taken, it remains under the "Cultivation" tab until a dry weight is taken, at which point it will be moved to the "Inventory" tab and may be treated as any other inventory item.**
- The Traceability System will, however, automatically account for each of the other two components (Other Material, and Waste) as separate inventory items, generate new Traceability Identifiers for each, and move those items to the "Inventory" tab under their respective product groupings.
- NOTE: If the inventory items are not immediately locatable within the Inventory tab, click on the "Refresh" button found in the upper-righthand corner.



Plant Harvest (Schedule Only)

If you are scheduling the harvest but are not ready to enter the harvest weights, clicking the "Cancel" button within the Harvest Weight popup will change the Status of the plant to "Harvest Scheduled".



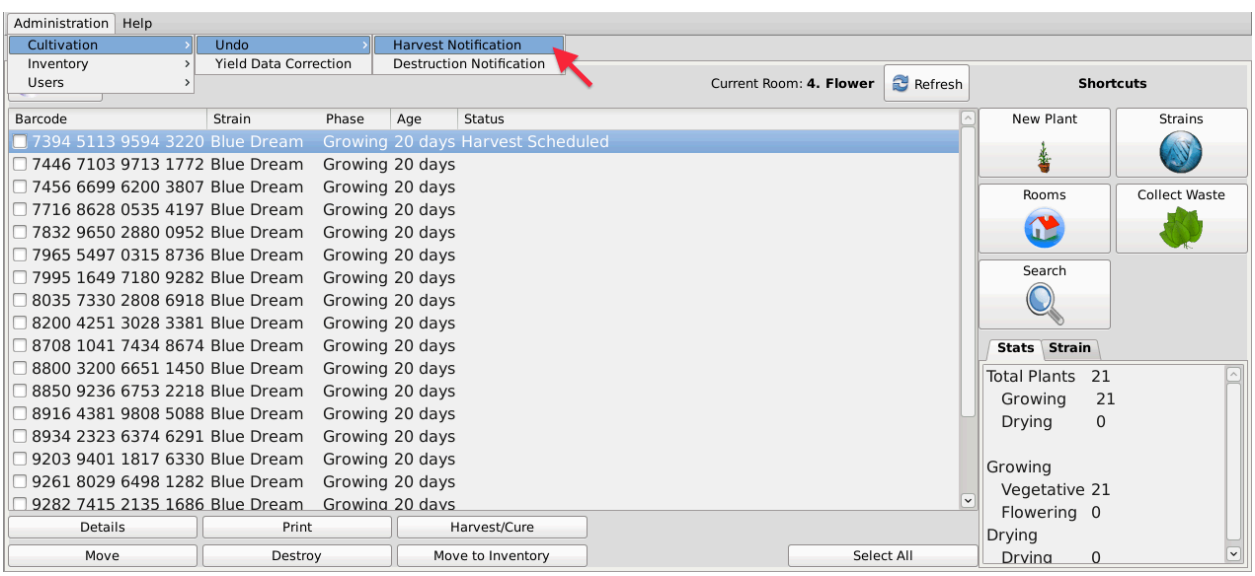


- Whenever you are ready to enter the harvest weights into the Traceability System, simply select the plant and go through the harvest process as described in the above Plant Harvest section.

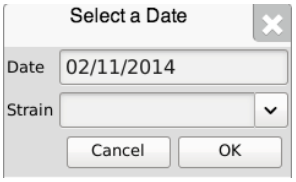
Undo Plant Harvest Schedule

An "Administrator" user may remove the "Harvest Scheduled" status of a plant should it be necessary (e.g., the harvest action was committed to an incorrect plant).

- Click on the Administration menu near the top left corner of the window.
- Hover the cursor over "Cultivation", "Undo", and then click on "Harvest Notification".

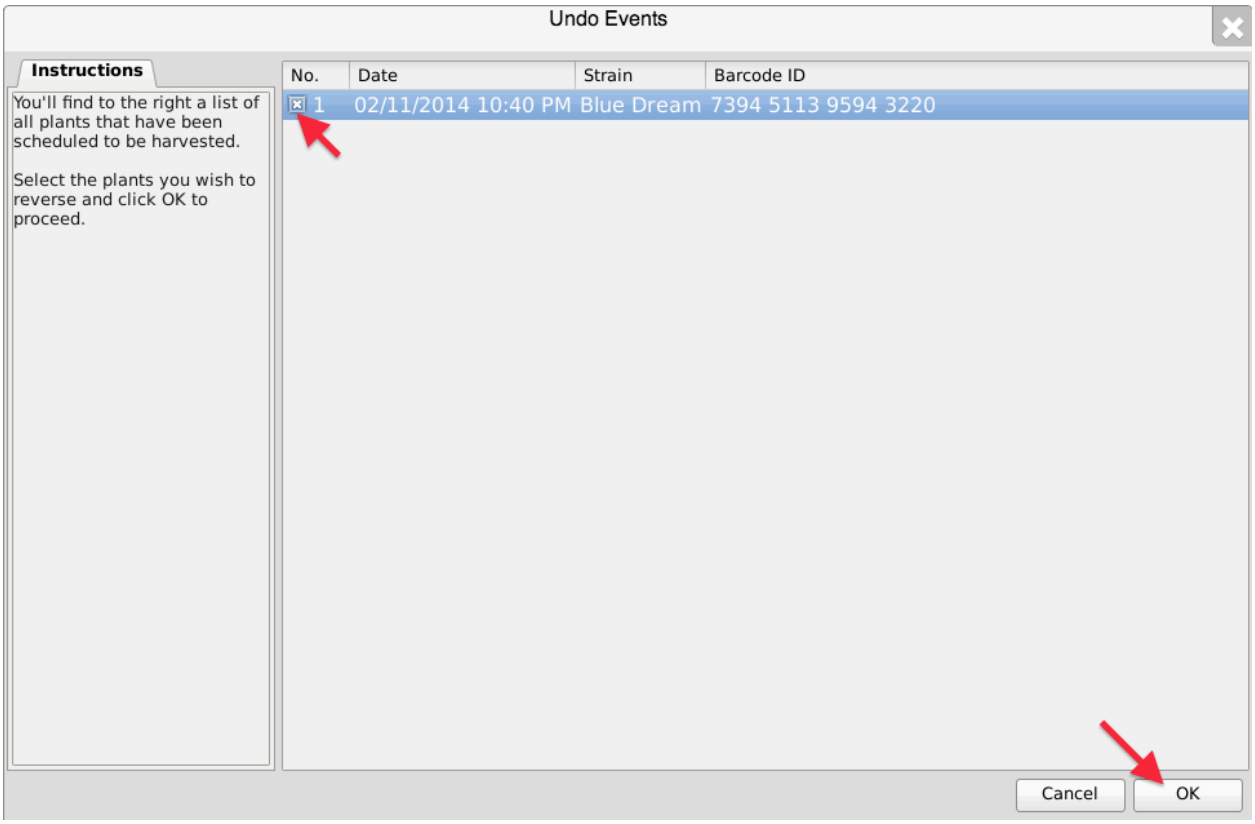


- The following pop-up window appears.



  - Select the date of the to-be-undone harvest.
  - To view all scheduled harvests for a specific day, click "OK".
  - To narrow your results to scheduled harvests of a specific strain, select a strain from the Strain dropdown.

- A list of scheduled harvests based on your search parameters from the prior pop-up window appears.
- Click the checkbox beside the plant(s) for which the scheduled harvest(s) is(are) to be undone.
- Click "OK".



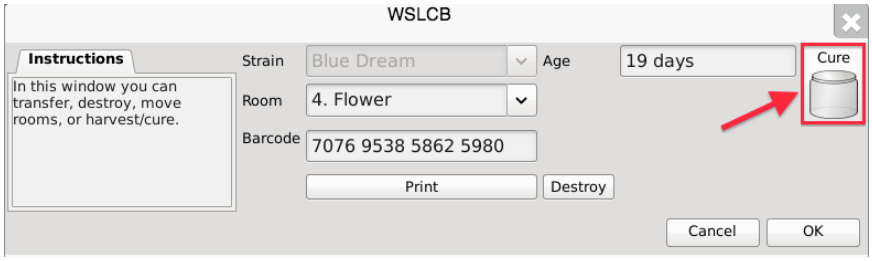
- The "Harvest Scheduled" status of the selected plants will be removed.
- NOTE: If the the plant's status is not immediately adjusted, click on the "Refresh" button found in the upper-righthand corner.

Plant Cure

This function will notify the Traceability System of the completed curing a plant. You may perform this action using either of two methods:

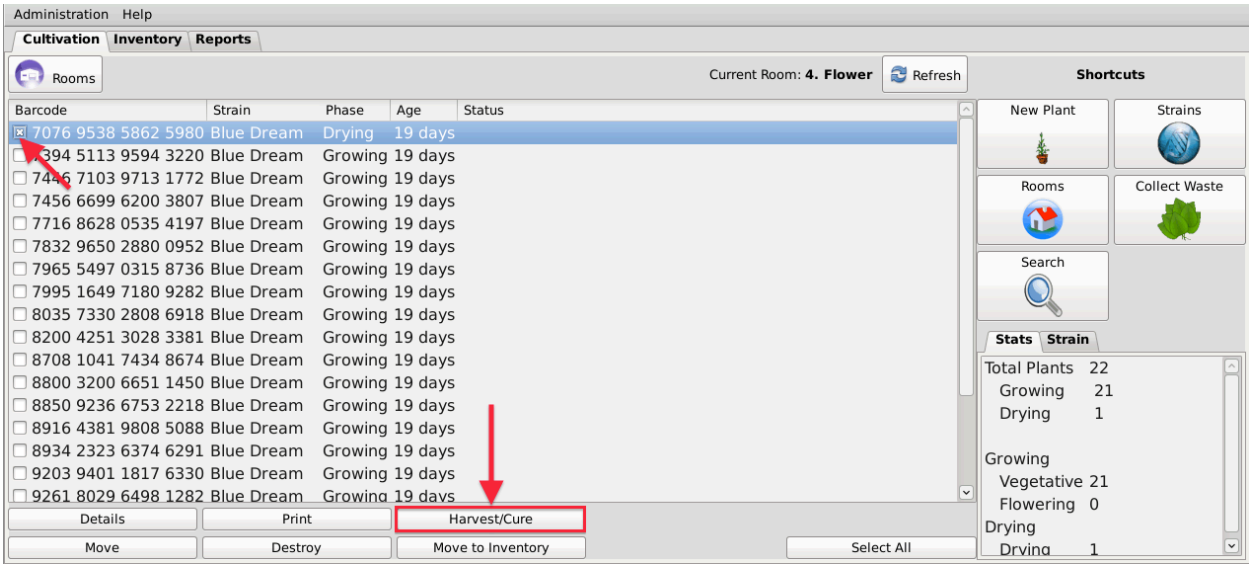
Method 1

- Bring up the Plant Information screen for the plant scheduled for cure, either by double-clicking the plant within its room or by using the Plant Lookup function described earlier.
- Click on "Cure". Note that the plant's phase must be "Drying" in order for the plant to be cured.



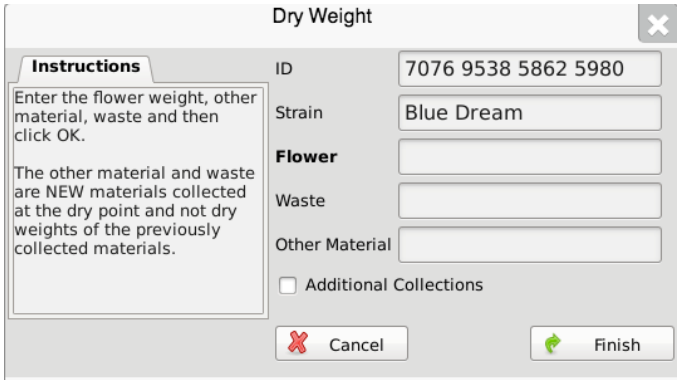
Method 2

- From the Room screen, select the plant to be cured and click on the "Harvest/Cure" button found at the bottom of the screen. Note that the plant's phase must be "Drying" in order for the plant to be cured.



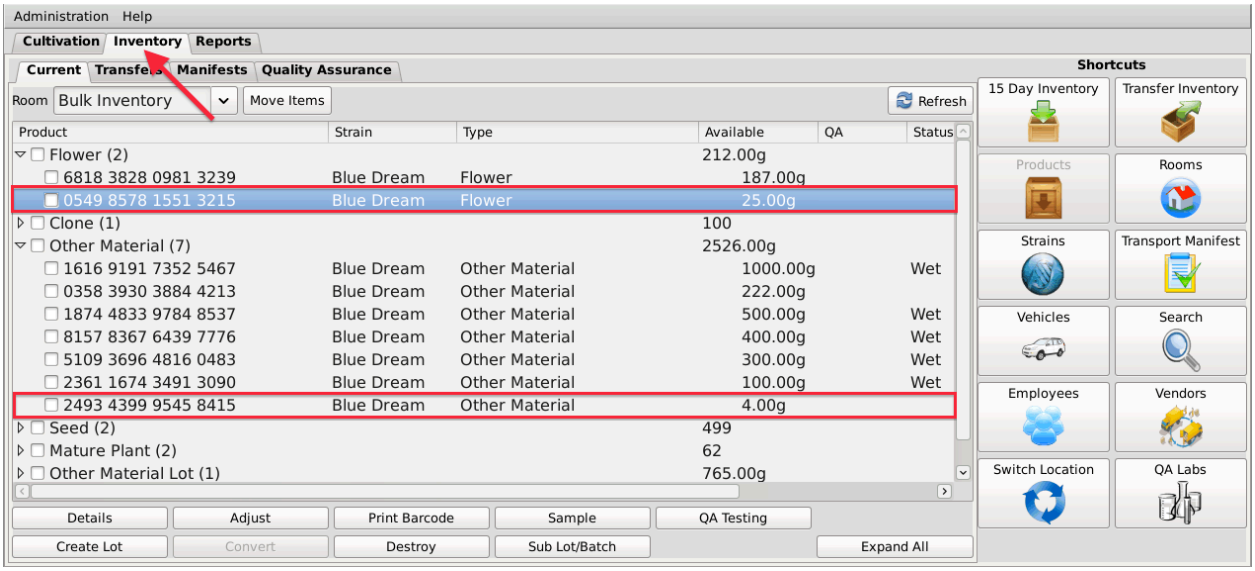
Plant Cure

- Regardless of which method you use, a pop-up window will appear asking you to confirm the cure for that plant.
- Once confirmed, the Dry Weight window appears.



  - Flower: Enter the dry weight of the flower.
  - Other Material: Enter the weight of any *additional* non-flower matter (trim, leaves, or other plant matter) attributable to the curing process, if applicable.
  - Waste: Enter the weight of *additional* waste attributable to the curing process, if applicable.

- Once the weights have been entered, click "Finish".
- Once the dry weights have been submitted, the Traceability System will automatically account for each of the three components (Flower, Other Material, and Waste) as separate inventory items, generate new Traceability Identifiers for each, and move the items to the "Inventory" tab under their respective product groupings.
- NOTE: If the inventory items are not immediately locatable within the Inventory tab, click on the "Refresh" button found in the upper-righthand corner.



Inventory Items Resulting from Harvesting and Curing

After both the harvesting and curing processes are complete, the following items may be found within the "Inventory" tab:

- Other Material: Non-flower material collected during the *harvest* process. Entered as a wet weight.
- Waste: Waste material collected during the harvest process. Entered as a wet weight.
- Other Material: Additional non-flower material collected during the *curing* process, if applicable. Entered as a dry weight.
- Waste: Additional waste material collected during the *curing* process, if applicable.
- Flower: Entered as a dry weight.

Chapter 12: Producer Inventory Basics

In this chapter, you will learn how to:

- ✓ Create a Flower Lot or Other Material Lot
- ✓ Create a Flower Sub-Lot or Other Material Sub-Lot
- ✓ Move inventory between inventory rooms

Regulations

WAC 314-55-010

(10) "Lot" means either of the following:

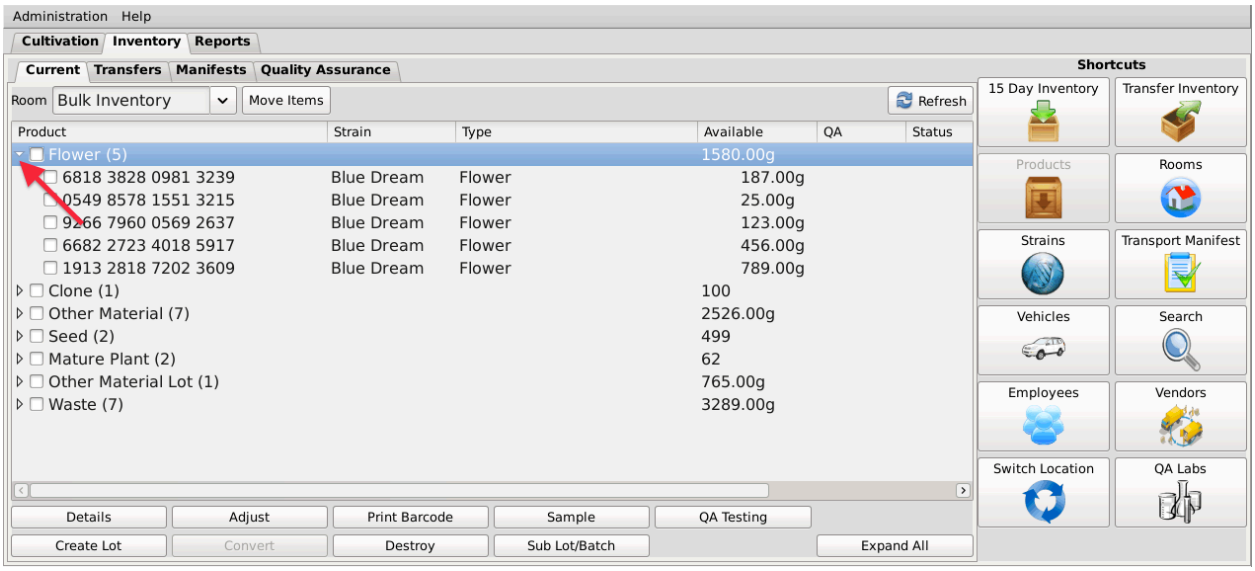
(a) The flowers from one or more marijuana plants of the same strain. A single lot of flowers cannot weigh more than five pounds; or

(b) The trim, leaves, or other plant matter from one or more marijuana plants. A single lot of trim, leaves, or other plant matter cannot weigh more than fifteen pounds.

Create Lot

This function will notify the Traceability System of the creation of a flower lot from cured flower or an other material lot from cured other material. **Though the example screen shots illustrate the creation of a flower lot, creation of an other material lot follows the same path.**

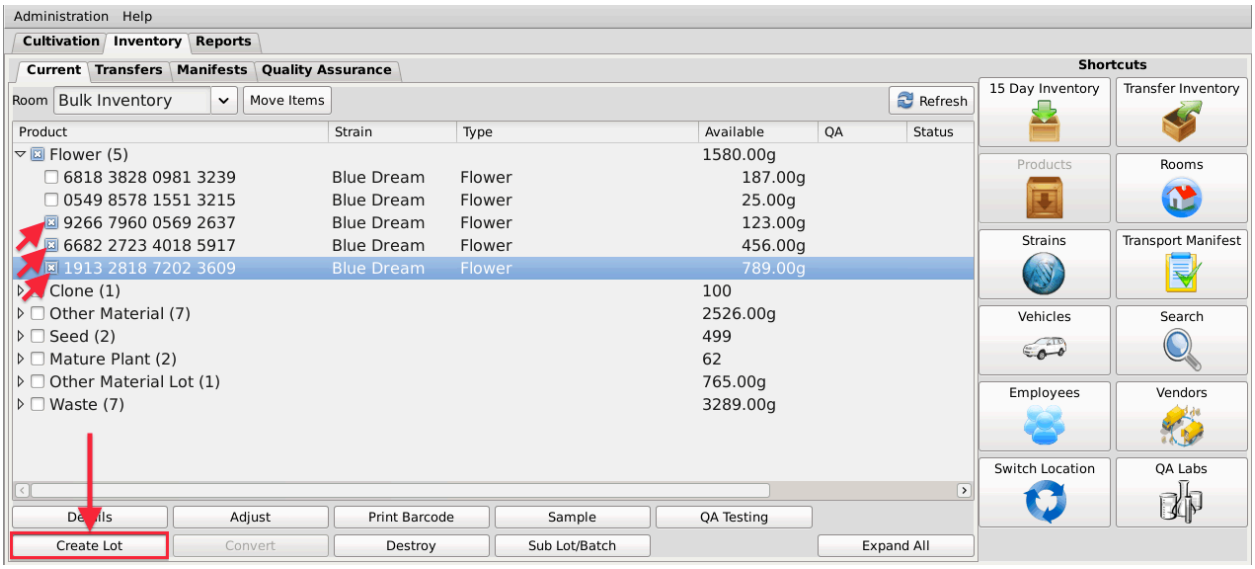
- Navigate to the Inventory Room within which the post-harvest/cure inventory is located (make sure that you are within the Inventory tab and the Current sub-tab).
- If the product groups are collapsed, click on the expand arrow to view all of the available inventory.



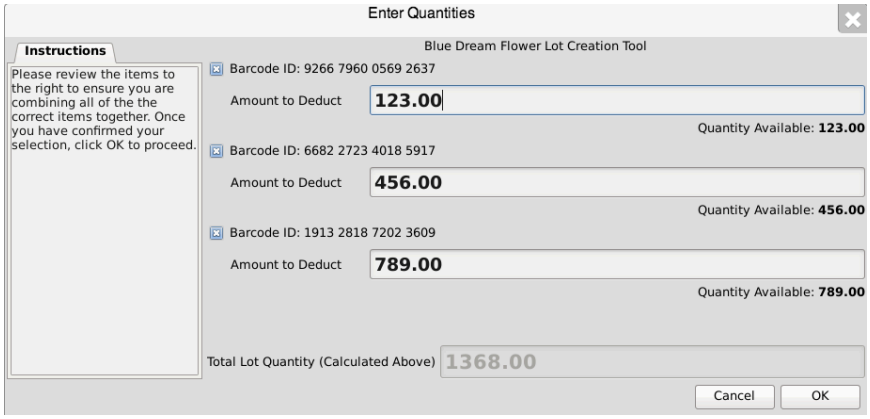
- Click on the checkbox(es) to left of the item(s) to be made into a Lot

<u>NOTE: All inventory to be included in a Lot must be of the same strain and same type (flower or other material).</u>

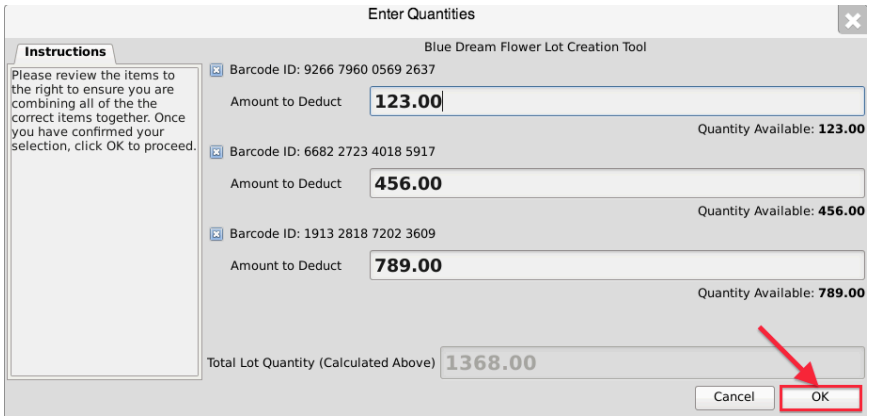
- Once all of the cured inventory to be included in the Lot have been selected, click on the "Create Lot" button at the bottom of the screen.



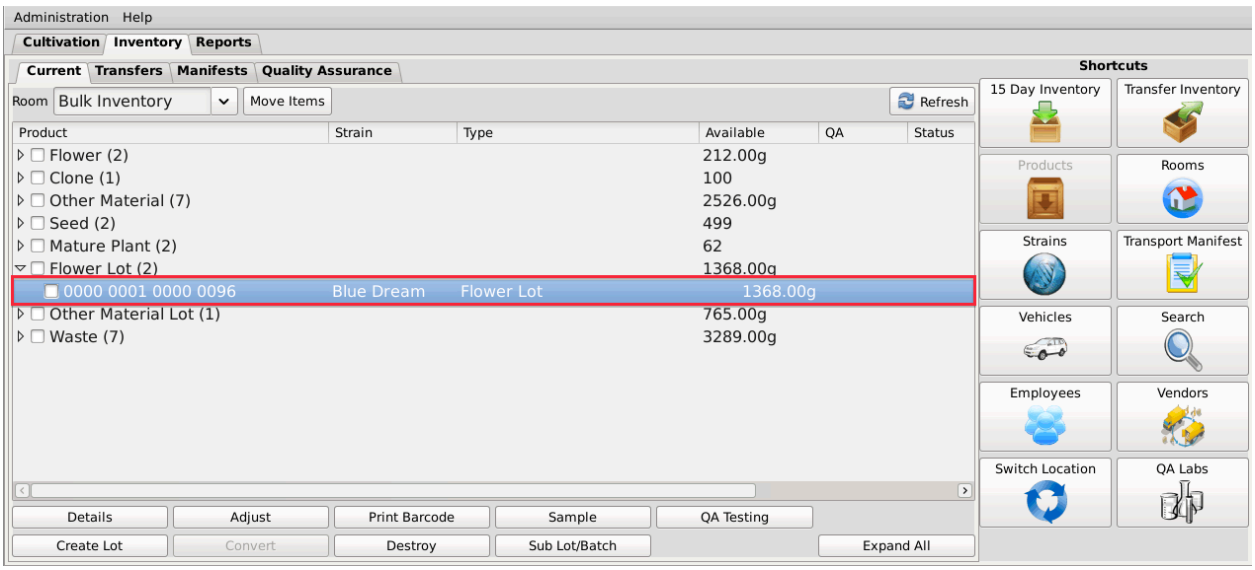
- The Lot Creation Tool then appears. This screen summarizes all of the relevant information for the to-be-created Lot, including: the Traceability Identifier of each inventory item, the Quantity Available for use from each item, the Amount to Deduct from each item that is going into the Lot, and the Total Lot Quantity which will be the final weight of the Lot. By default, the Traceability System assumes that you are fully combining each item into the Lot.



- If necessary, adjust the amounts within the Amount to Deduct fields so that Traceability System numbers match what is actually being combined into the Lot.
- When complete, click “OK”.



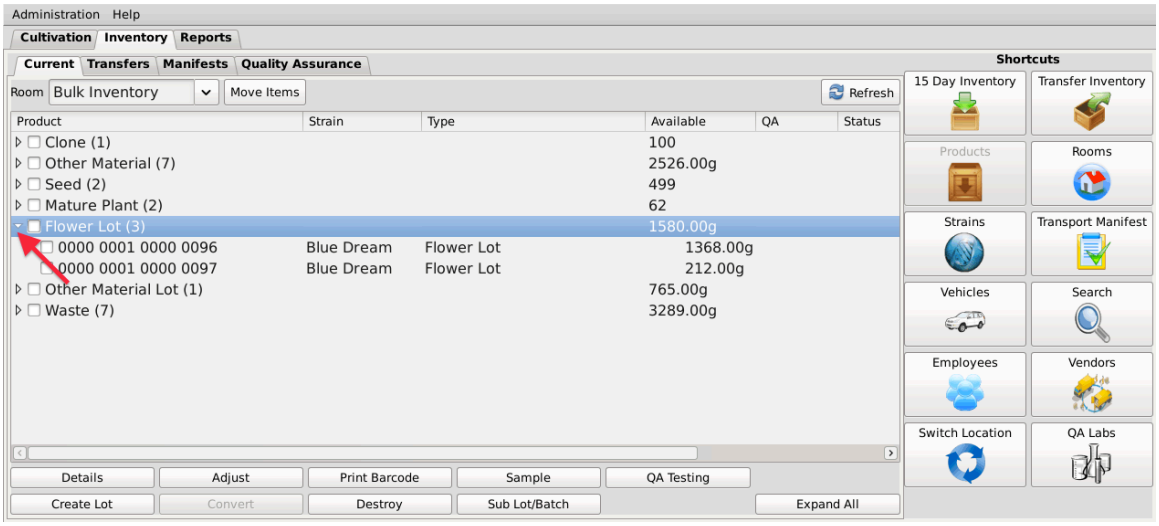
- The newly created Lot may now be found within the same room under the “Flower Lot” or the “Other Material Lot” group, whichever is applicable.



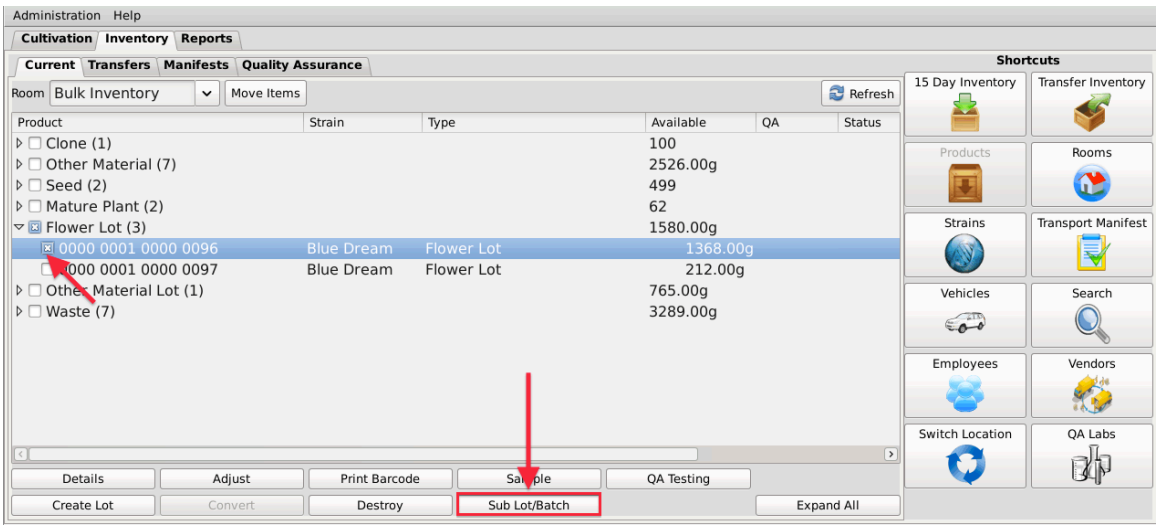
Create Sub-Lot

This function will notify the Traceability System of the creation of a flower sub-lot from a flower lot or an other material sub-lot from an other material lot. This may be appropriate when a Producer sells a partial lot to a Processor. Though the example screen shots illustrate the creation of a flower sub-lot, creation of an other material sub-lot follows the same path.

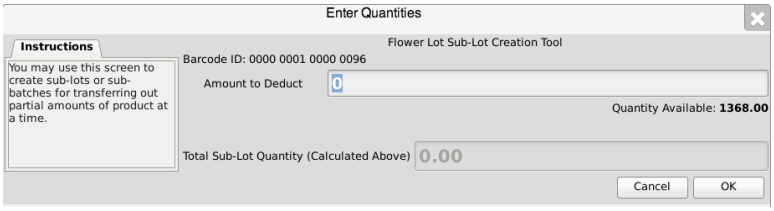
- Navigate to the Inventory Room within which the Lot is located (make sure that you are within the Inventory tab and the Current sub-tab).
- If the product groups are collapsed, click on the expand arrow to view all of the available inventory.



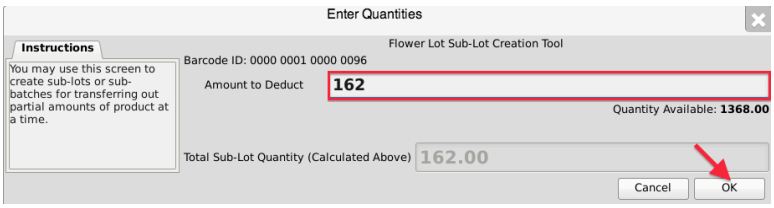
- Click on the checkbox to the left of the Lot to be made into a Sub-Lot.
- Click on the "Sub Lot/Batch" button at the bottom of the screen.



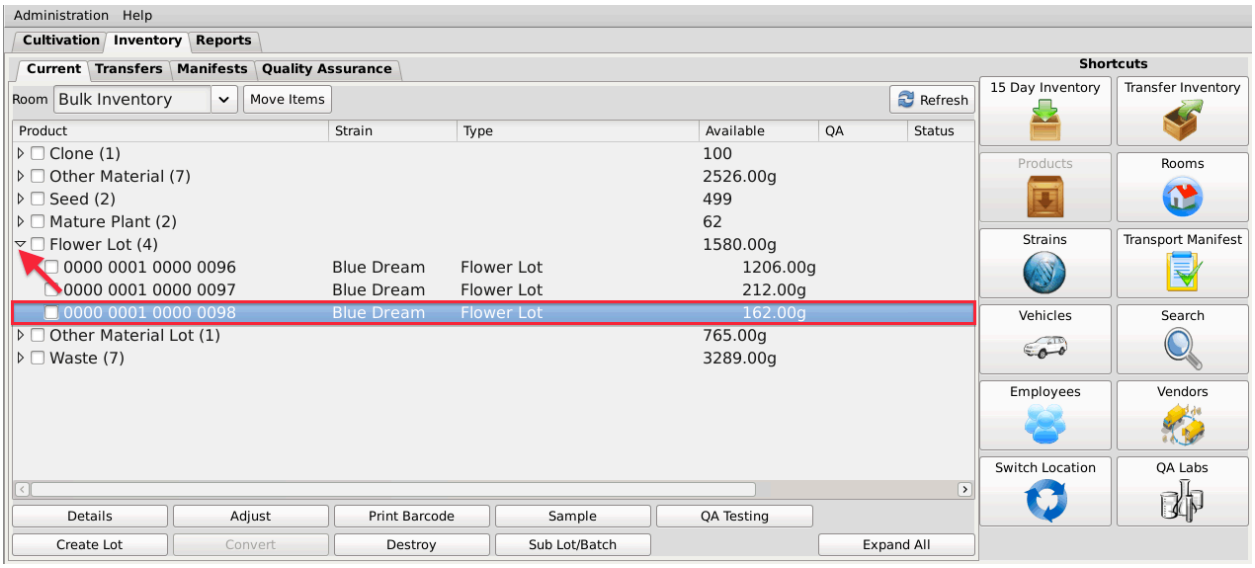
- The Sub-Lot Creation Tool then appears. This screen summarizes all of the relevant information for the to-be-created Sub-Lot, including: the Traceability Identifier of source Lot, the Quantity Available for use from the source Lot, the Amount to Deduct from the source Lot that is going into the Sub-Lot, and the Total Sub-Lot Quantity which will be the final weight of the Sub-Lot.



- Enter the appropriate amout within the Amount to Deduct field.
- When complete, click "OK".



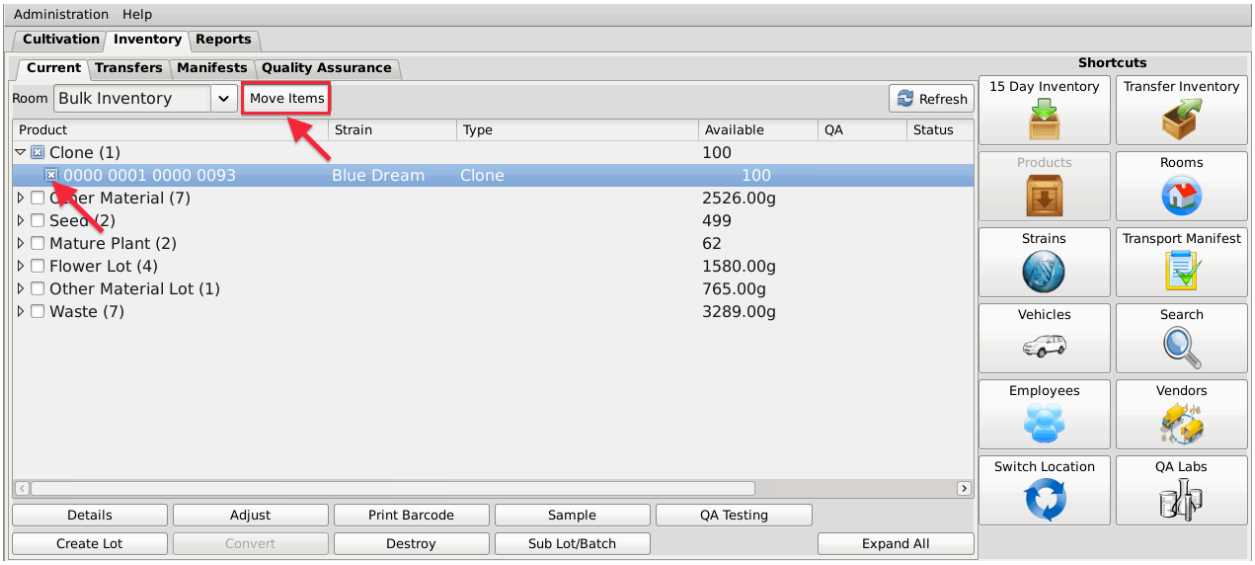
- The newly created Sub-Lot may now be found within the same room under the same group (either "Flower Lot" or "Other Material Lot") as the source Lot.



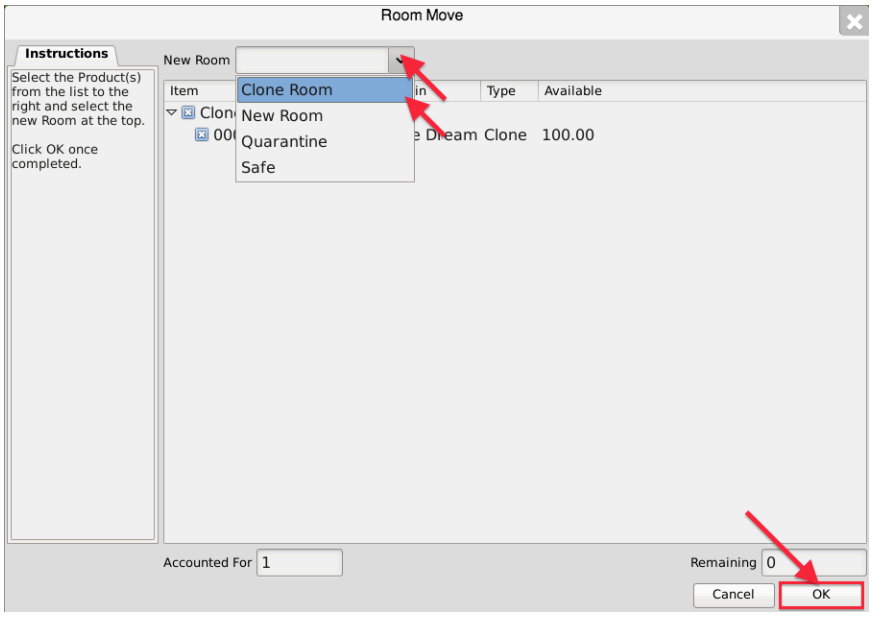
Move Inventory

You may move inventory from one inventory room to another using the following method:

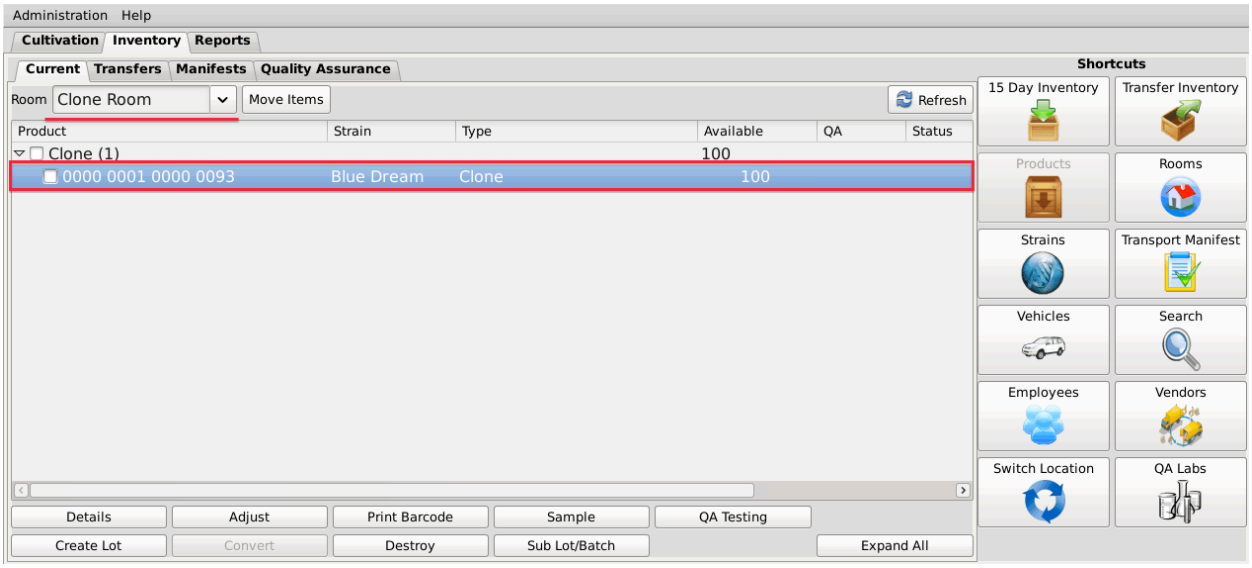
- Navigate to the Inventory Room within which the inventory is presently located (make sure that you are within the Inventory tab and the Current sub-tab).
- Click on the checkbox to left of the inventory item.
- Click on the "Move Items" button



- When the Move Inventory popup appears, select the destination room from the New Room dropdown.
- Click "OK" when complete.



- You will now find that the plant has been moved to the room selected.



Chapter 13: Processor Marijuana-Infused Products

In this chapter, you will learn how to:

- ✓ Add, modify and remove marijuana-infused products (henceforth, "products")

Regulations

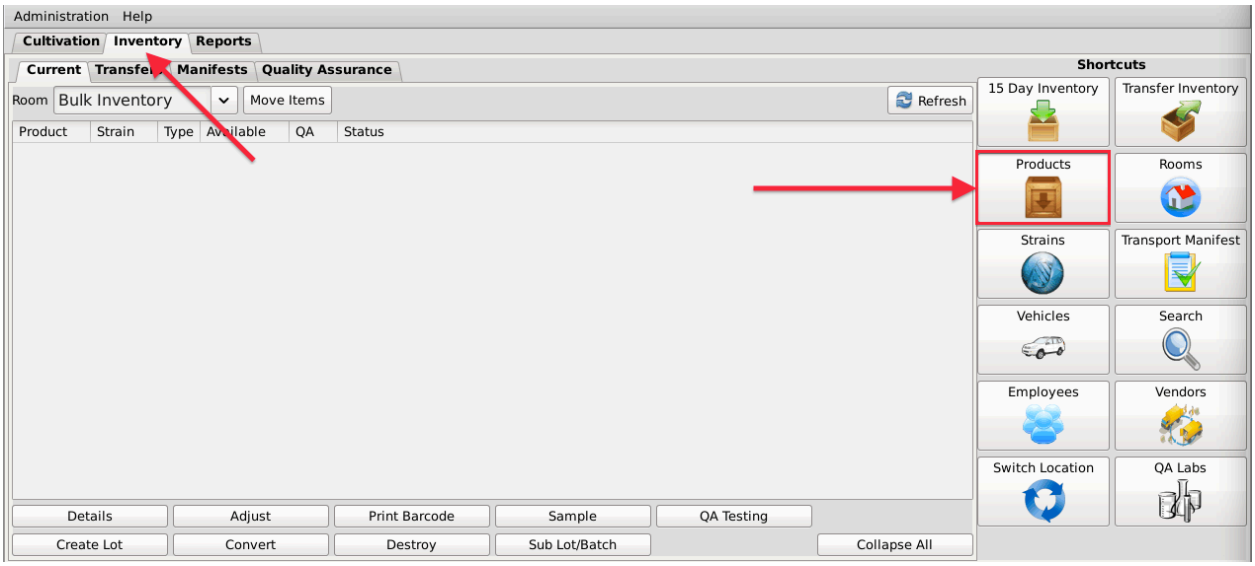
WAC 314-55-077

(1) A marijuana processor license allows the licensee to process, package, and label usable marijuana and marijuana-infused products for sale at wholesale to marijuana retailers.

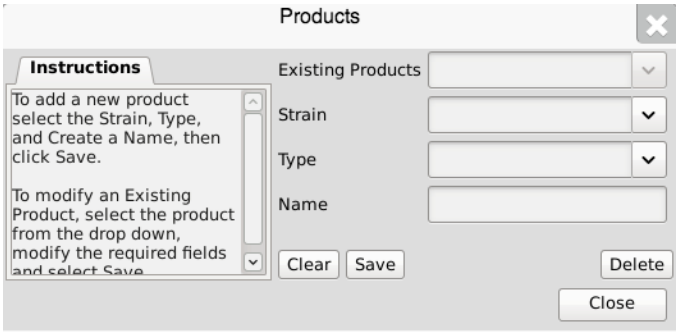
Accessing the Products Screen

To add new products, view or change the information of existing products, or delete products no longer needed, you will need to access the Products screen.

- **NOTE: This chapter only applies to marijuana-infused products. Pre-packaged usable marijuana is already built into the system. Please see Chapter 14: Processor Inventory Conversions regarding pre-packaged usable marijuana.**
- Navigate to the "Inventory" tab found in the top-left corner of the screen, and then click on the "Products" button located on the right-hand side of the home screen.

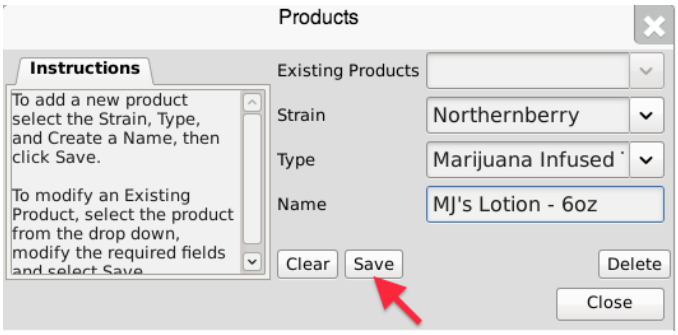


- This will bring up the Products screen.

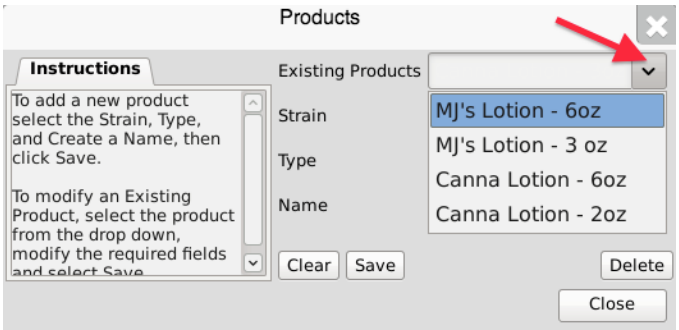


Add a New Product

- From the Product screen, click on the "Clear" button to clear all fields and enter the following information:
  - Strain dropdown: Select the product's strain.
  - Type Dropdown: Select the product's type. All products must fall into one of the following types: Solid Marijuana Infused Edible, Marijuana Infused Topical, Marijuana Extract for Inhalation, or Liquid Marijuana Infused Edible.
  - Name: Type the name of the product. Enough detail must be used to distinguish products from one another (e.g., Arnica Cannabis Cream 9oz, Arnica Cannabis Cream 3oz, Lavender Cannabis Cream 9oz, etc…).
- Click on the "Save" button once all of the required data has been entered.

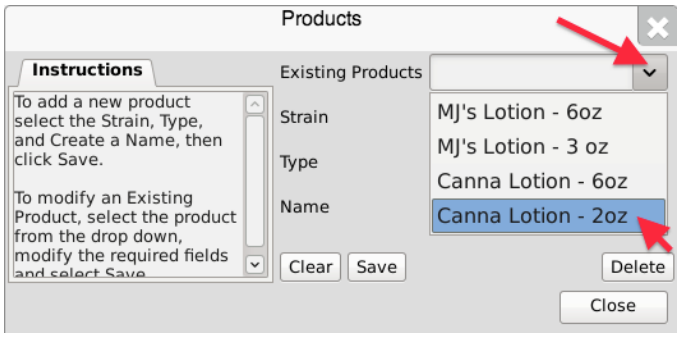


- The new product will now appear within the Existing Products dropdown for selection.

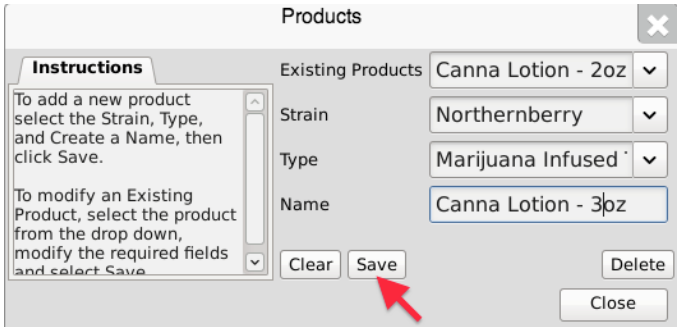


Modifying an Existing Product

- From the Product screen, select the product to be modified from the Existing Products dropdown.



- Once selected, the product's information will automatically appear within their respective fields.
- Modify the necessary field(s) (in the example below, Canna Lotion changed names from 2oz to 3oz and changed strains from Blueberry to Northernberry).



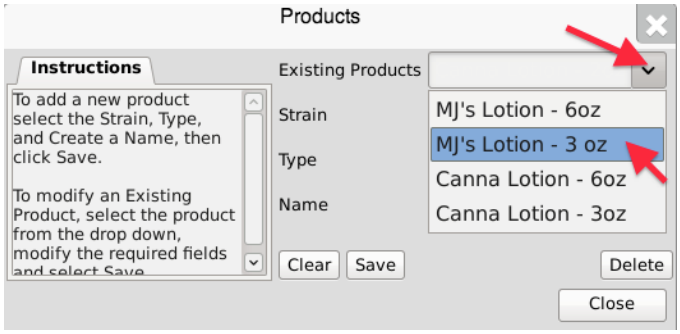
- Click on the "Save" button when complete.

Deleting an Existing Product

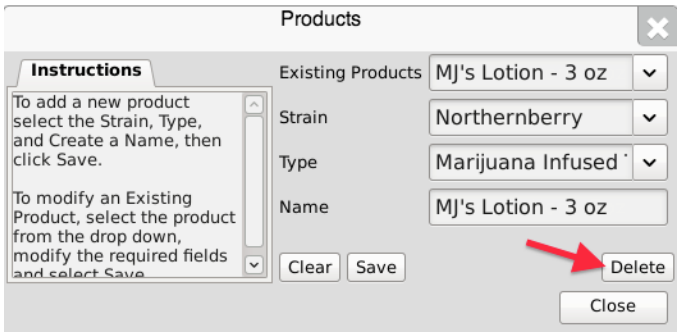
If you find that an existing product is no longer needed (e.g., product line is terminated, product record was created in error, etc…) you may delete the product record.

NOTE: Removing an product does not delete any of the already submitted Traceability System data associated with that product. It simply removes the product from use moving forward.

- From the Product screen, select the product to be deleted from the Existing Product dropdown.



- Once selected, the product's information will automatically appear within their respective fields.



- Click on the "Delete" button.

Chapter 14: Processor Inventory Conversions

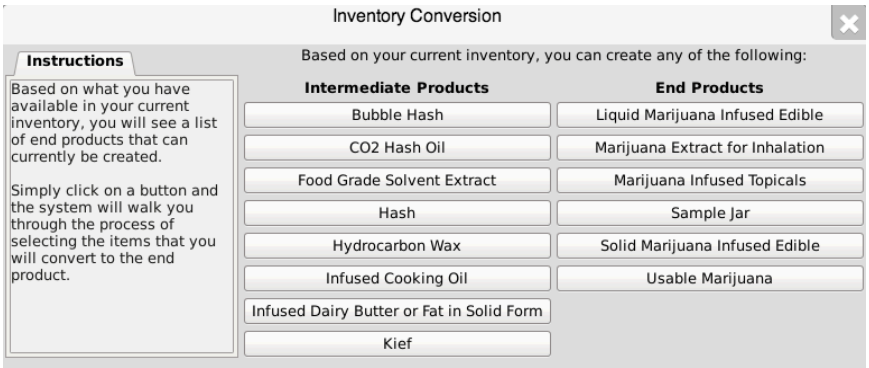
In this chapter, you will learn how to:

- ✓ Convert a Flower Lot into Usable Marijuana
- ✓ Convert a Flower Lot or Other Material Lot into Marijuana Extract
- ✓ Convert Marijuana Extract into Marijuana-Infused Product
- ✓ Move inventory between inventory rooms

Traceablity Logic – Inventory Conversions

The system has many controls in place to reduce the potential for errors and to ensure that the product workflow is consistent with regulations. With respect to the Inventory Conversion menu—which will be discussed throughout this chapter—the menu will only display conversion options that are possible with the inventory you currently have on hand within the room selected.

- A Flower Lot is required to produce Usable Marijuana.
- A Lot of either Flower or Other Material is required to produce an Extract.
- An Extract is required to produce Liquid Marijuana Infused Edible, Marijuana Extract for Inhalation, Marijuana Infused Topicals, and Solid Marijuana Infused Edible.
- The menu in its entirety will only display should the room selected contain all of the precursors for each product type. The left-side displays all Intermediate Products that are required for some of the End Products displayed on the right-side.

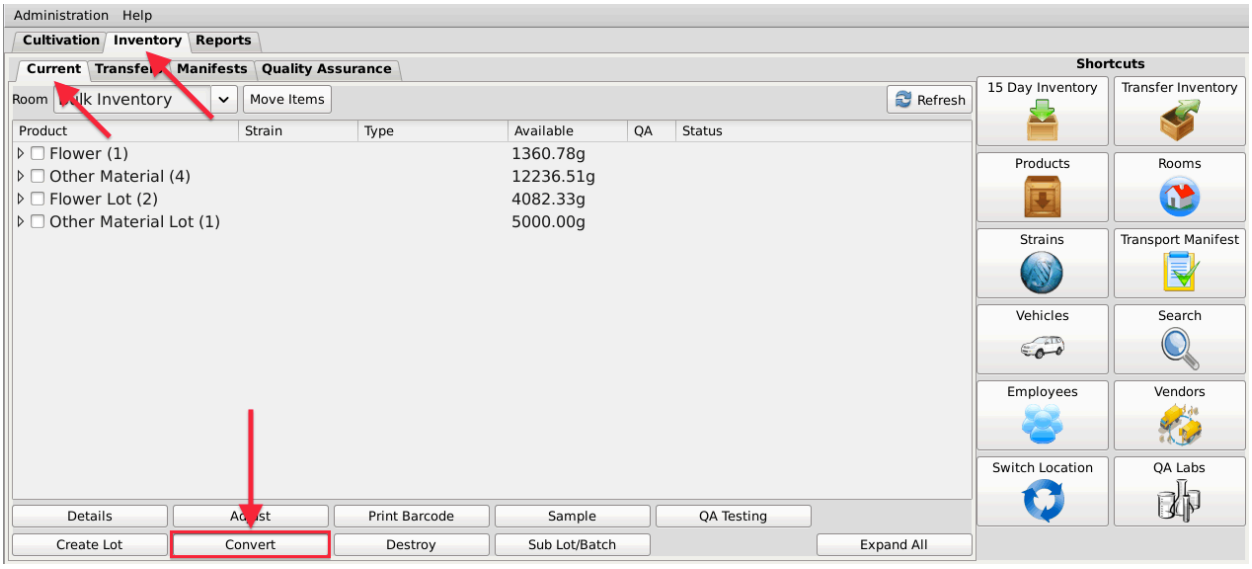


- Otherwise, should the system detect that the precursor for a particular inventory type is not present in the room selected, then the system will remove that option from the menu until it is present.

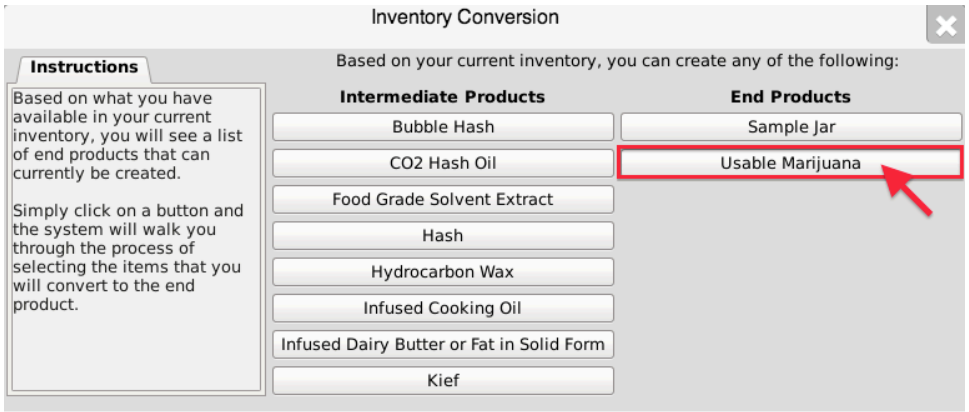
Convert Flower Lot to Usable Marijuana

This function will notify the Traceability System of the creation of a usable marijuana from a flower lot.

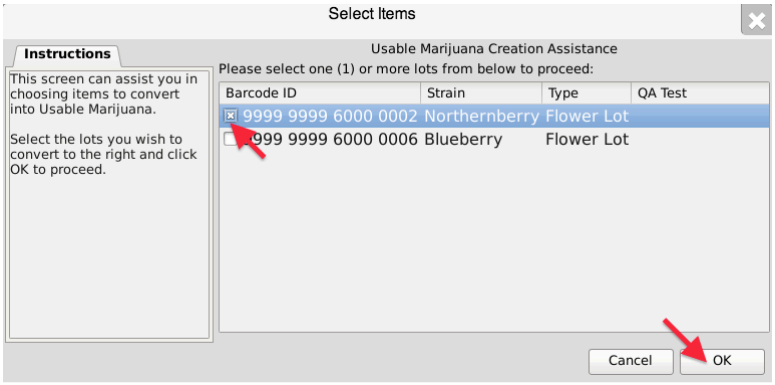
- Navigate to the Inventory Room within which the flower lot inventory is located (make sure that you are within the Inventory tab and the Current sub-tab).
- Click on the "Convert" button at the bottom of the screen.



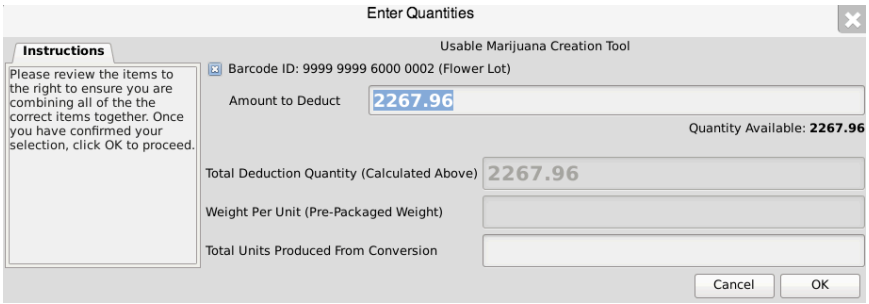
- The Inventory Conversion menu then appears. This menu lists all of the possible inventory types that can be created. Since there are no extracts in inventory for this example, the only End Products available are Sample Jars and Usable Marijuana.
- Click on "Usable Marijuana"button.



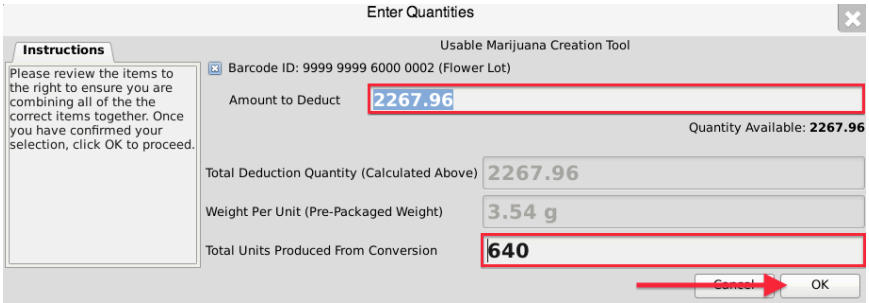
- Select an item from the list of available inventory appropriate for creating Usable Marijuana.



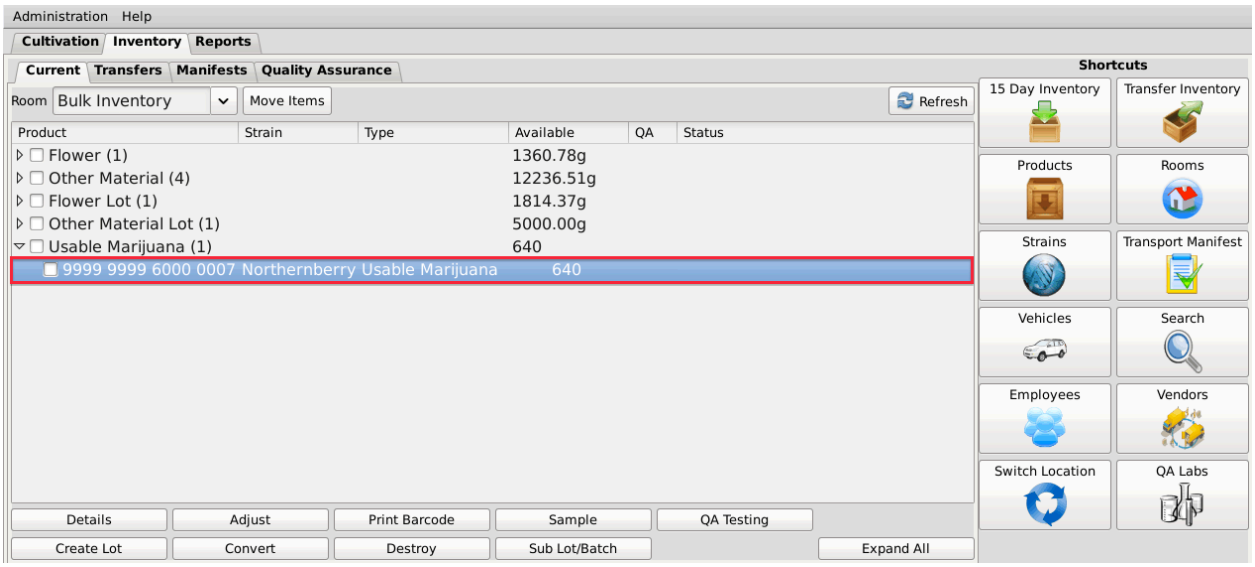
- Click on "OK".
- The Usable Marijuana Creation Tool then appears. This screen summarizes all of the relevent information for the conversion, including: the Traceability Identifier of the source inventory item, the Quantity Available for use from the source item, the Amount to Deduct from the source item that is going into the end product, and the total Units Produced from Conversion. The Traceability System defaults to fully using the source item in the conversion.



- Adjust the amount within the "Amount to Deduct" field (if necessary) and input the "Total Units Produced from Conversion" fields so that Traceability System numbers matches how much is being converted and the resulting product. (In the example below, a five pound flower lot is being converted in its entirety into 640 pre-packs of one-eighth ounce [3.54 g] each.)
- Click "OK" when complete.



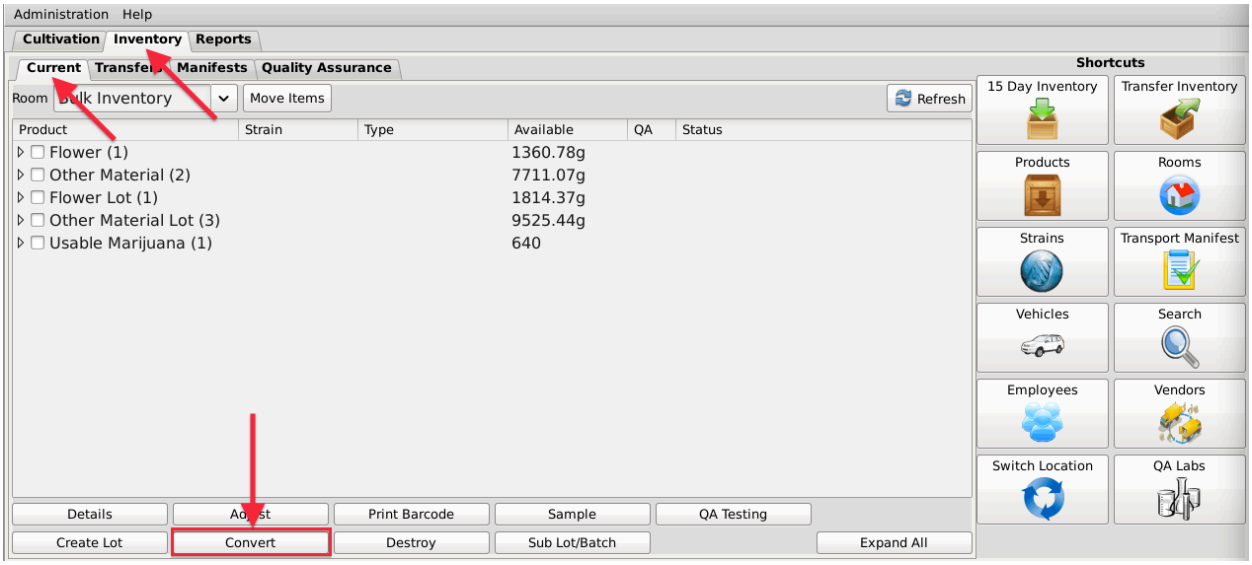
- The newly created Usable Marijuana may now be found within the same room.



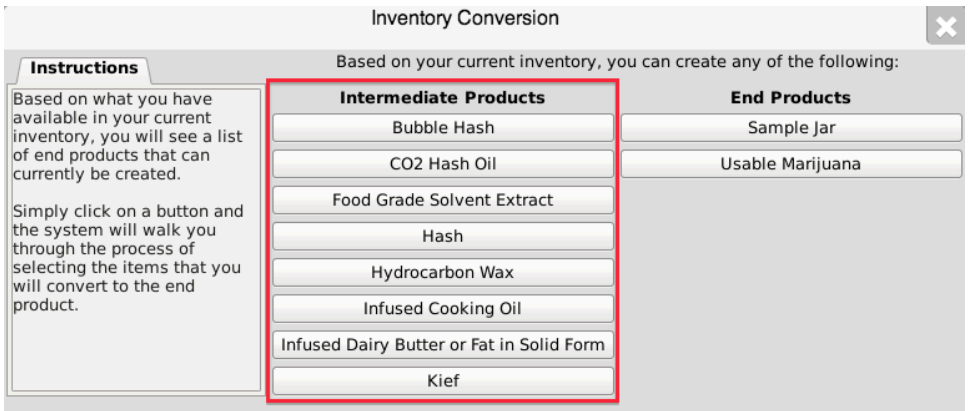
Convert Lot into a Marijuana Extract

This function will notify the Traceability System of the creation of a marijuana extract from a flower lot or other material lot.

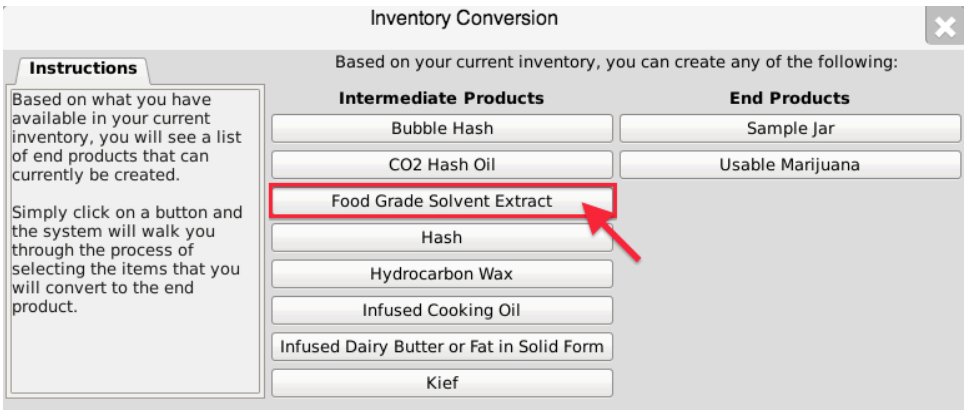
- Navigate to the Inventory Room within which the inventory lot is located (make sure that you are within the Inventory tab and the Current sub-tab).
- Click on the "Convert" button at the bottom of the screen.



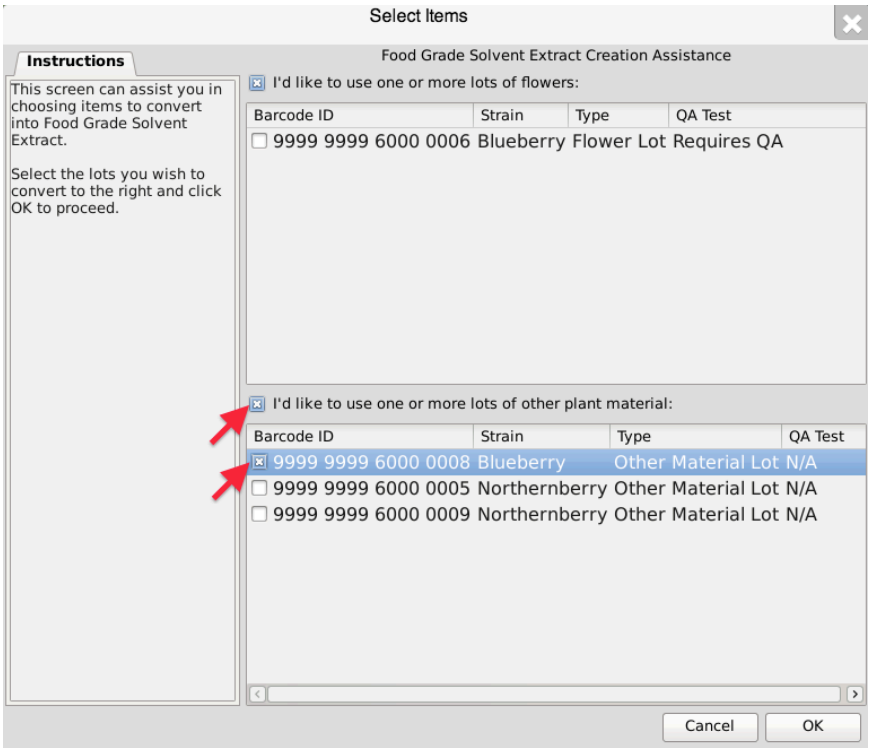
- The Inventory Conversion menu then appears. This menu lists all of the possible inventory types that can be created.
- The left column of options are all of the categories of extracts per regulation (Intermediate Products).



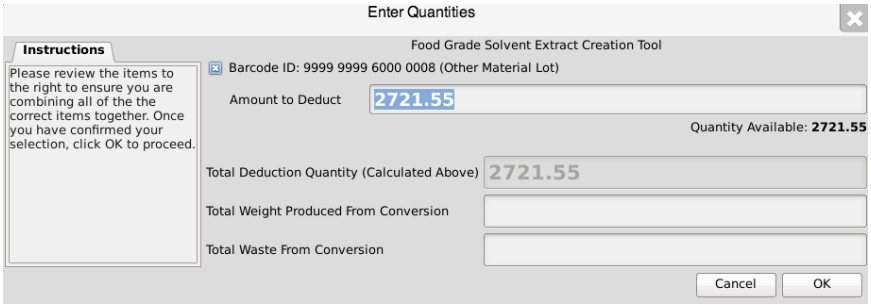
- For this example, we will select "Food Grade Solvent Extract" though any of the option on the left-side of the menu are applicable.



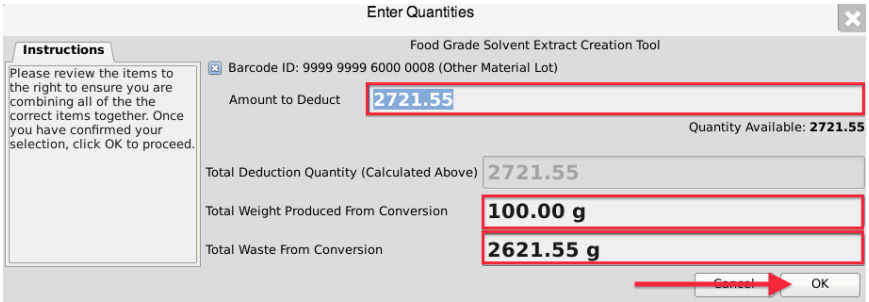
- Upon selecting an extract option from the Inventory Conversion menu, the Extract Creation Assistance tool appears. This tool lists all available inventory items that are allowed for the creation of the extract.
- Select one or more lots from the two lists, flower lot or other material lot.
- Click "OK" when complete.



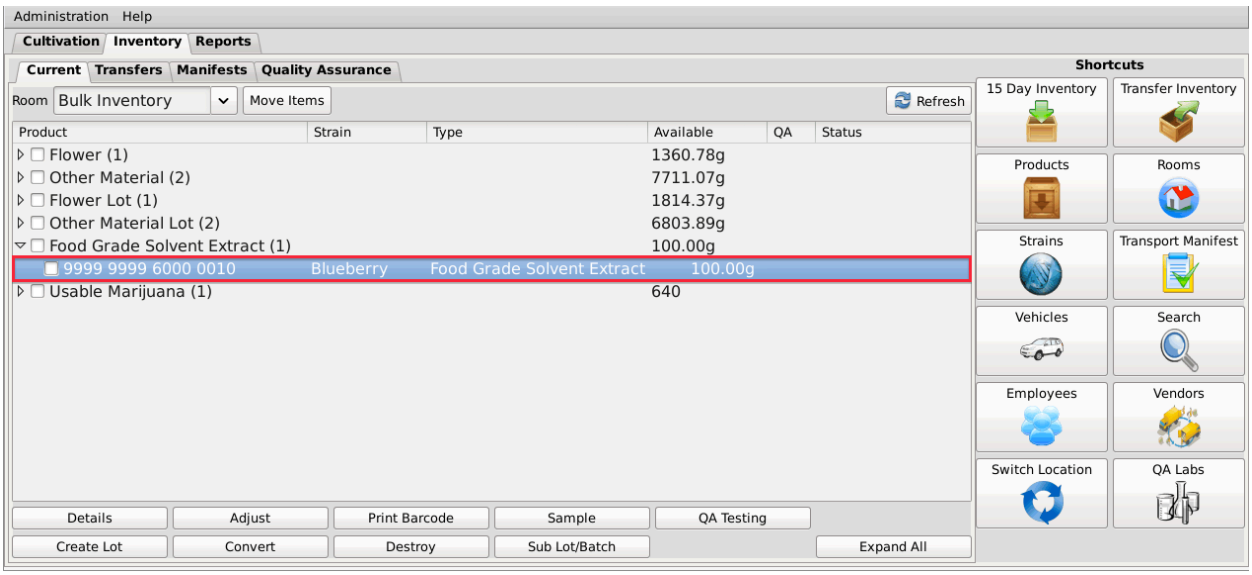
- The Extract Creation Tool then appears. This screen summarizes all of the relevent information for the conversion, including: the Traceability Identifier of the source inventory item(s), the Quantity Available for use from the source item(s), the Amount to Deduct from the source item(s) going into the end product, total Units Produced and Total Waste from Conversion. The Traceability System defaults to fully using the source item(s) in the conversion.



- Enter in the following,
  - Amount to Deduct: weight of Lot material that went into the conversion process.
  - Total Weight Produced: weight of the extract produced.
  - Total Waste: weight of the waste generated from the conversion process
- Click "OK" when complete.



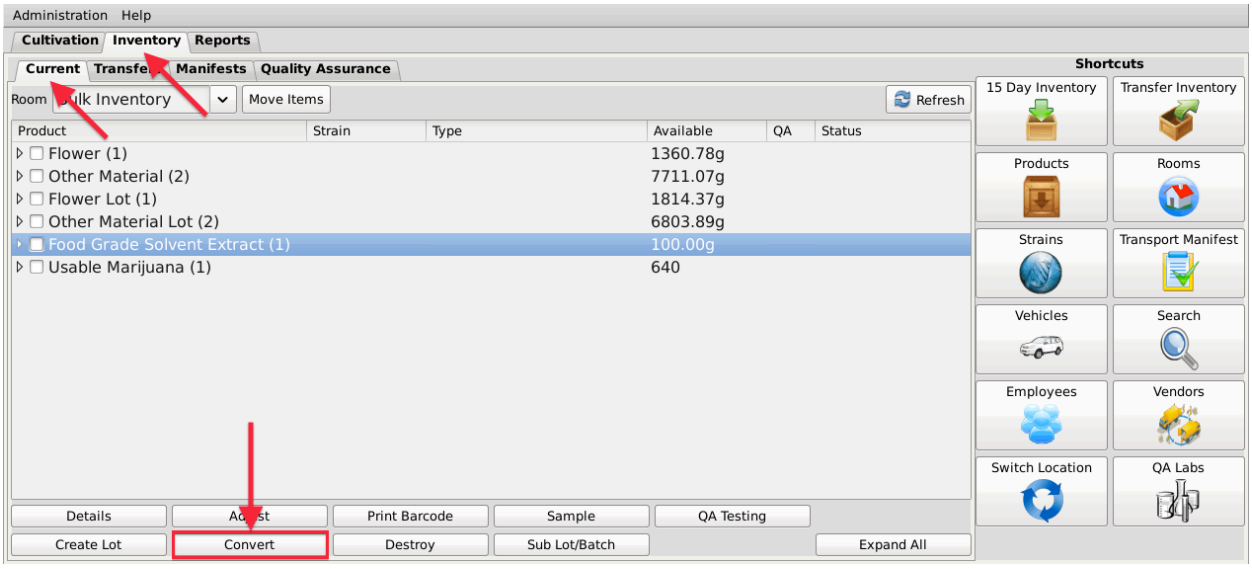
- The newly created extract may now be found within inventory.



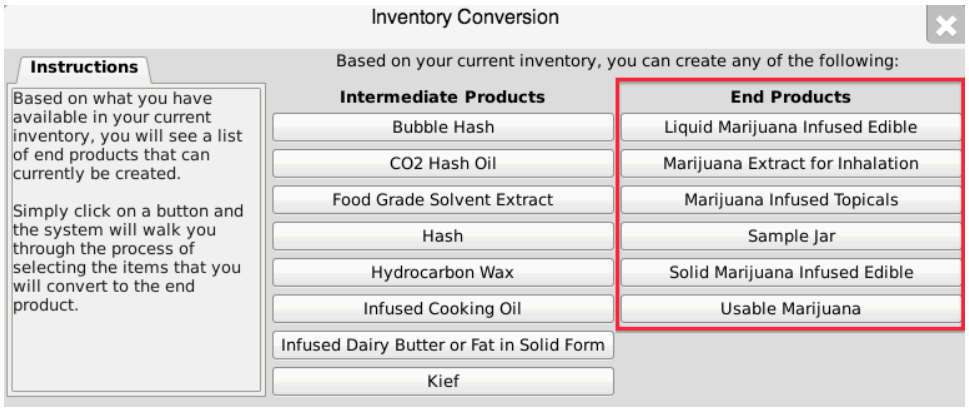
Convert Marijuana Extract into Marijuana-Infused Product

This function will notify the Traceability System of the creation of a marijuana-infused product from a marijuana extract.

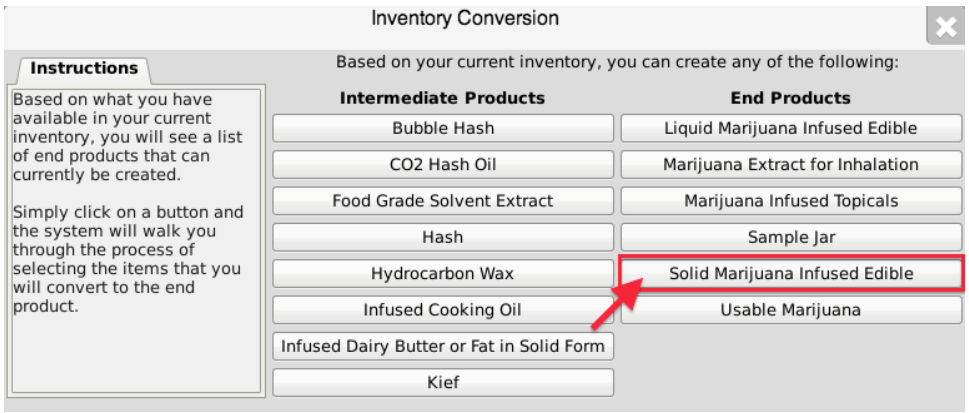
- Navigate to the Inventory Room within which the inventory lot is located (make sure that you are within the Inventory tab and the Current sub-tab).
- Click on the "Convert" button at the bottom of the screen.



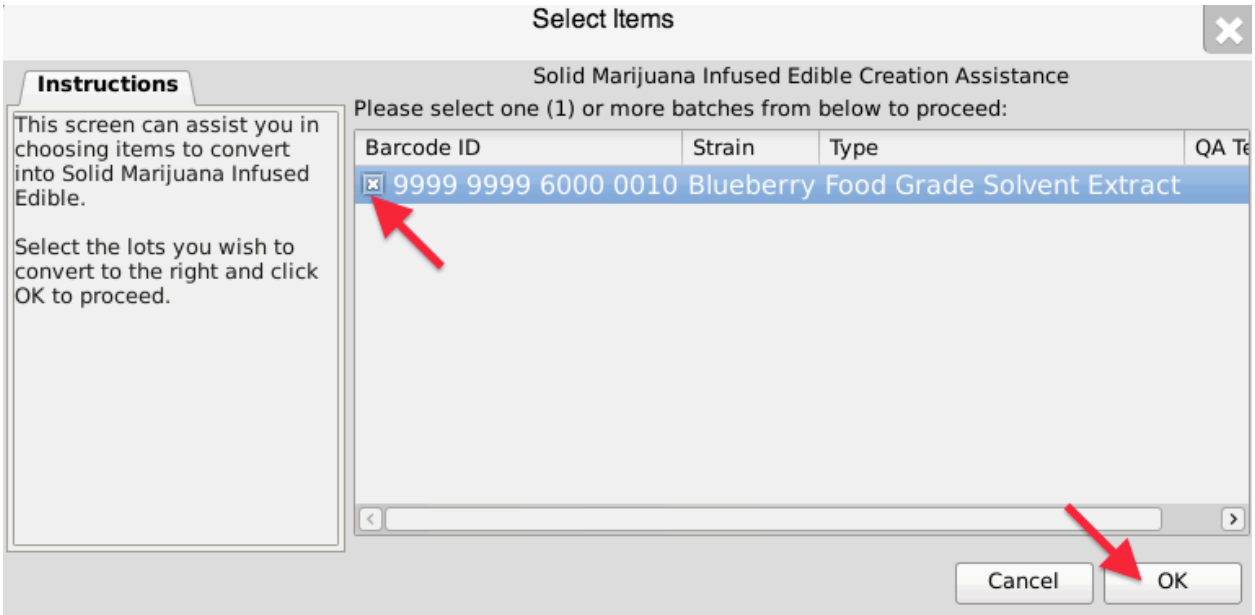
- The Inventory Conversion menu then appears. This menu lists all of the possible inventory types that can be created. Since there are extracts in inventory for this example, all categories of End Products are available in the right column.



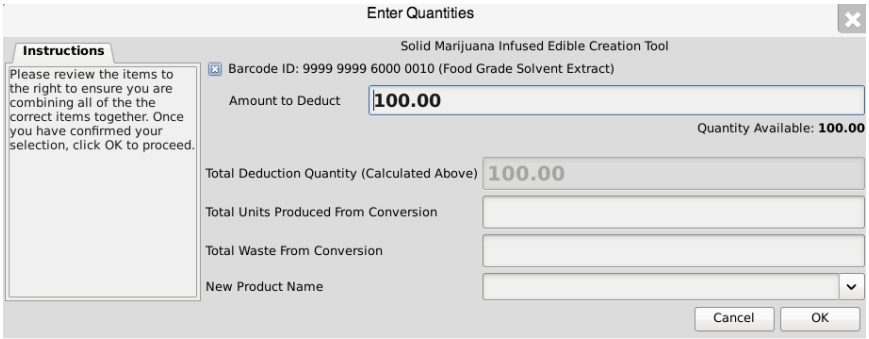
- For this example, we will select "Solid Marijuana Infused Edible" though any of the option on the right-side of the menu are applicable (except Usable Marijuana and Sample Jar).



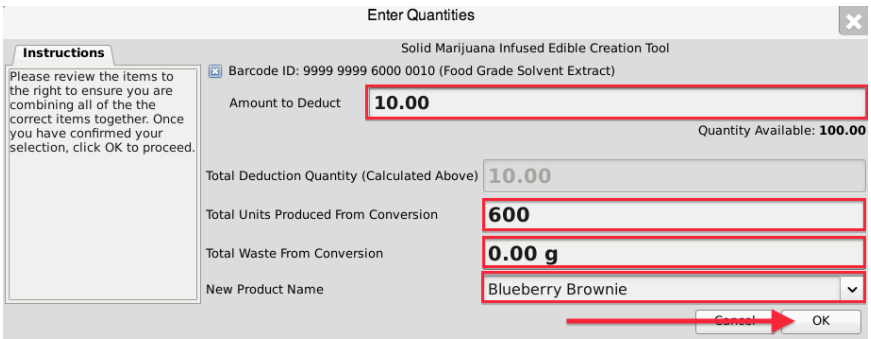
- Upon selecting an end-product option from the Conversion Menu, the Product Creation Assistance tool appears. This tool lists all available inventory items (extracts) that are allowed for the creation of the product.
- Select one or more batches of extract.
- Click "OK" when complete.



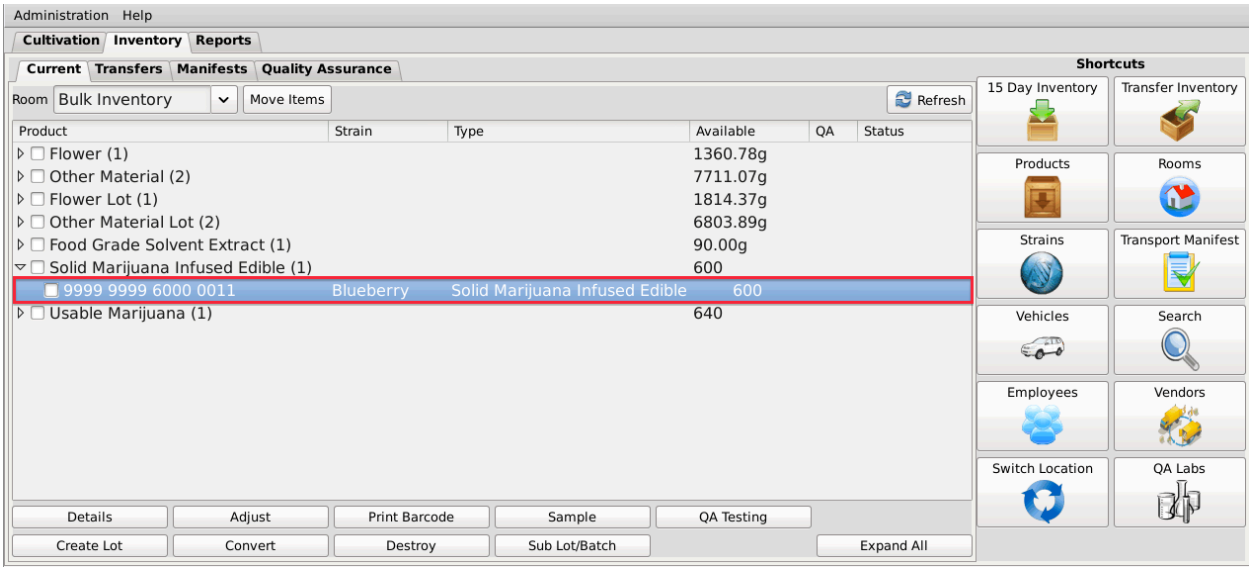
- The Product Creation Tool then appears. This screen summarizes all of the relevent information for the conversion, including: the Traceability Identifier of the source inventory item(s), the Quantity Available for use from the source item(s), the Amount to Deduct from the source item(s) going into the end product, total Units Produced and Total Waste from Conversion. The Traceability System defaults to fully using the source item(s) in the conversion.



- Enter in the following,
  - Amount to Deduct: weight of extract that went into the conversion process.
  - Total Units Produced From Conversion: whole number units of product made
  - Total Waste: weight of the waste generated from the conversion process.
  - New Product Name: Select one of the Products from the dropdown menu.
- Click "OK" when complete.



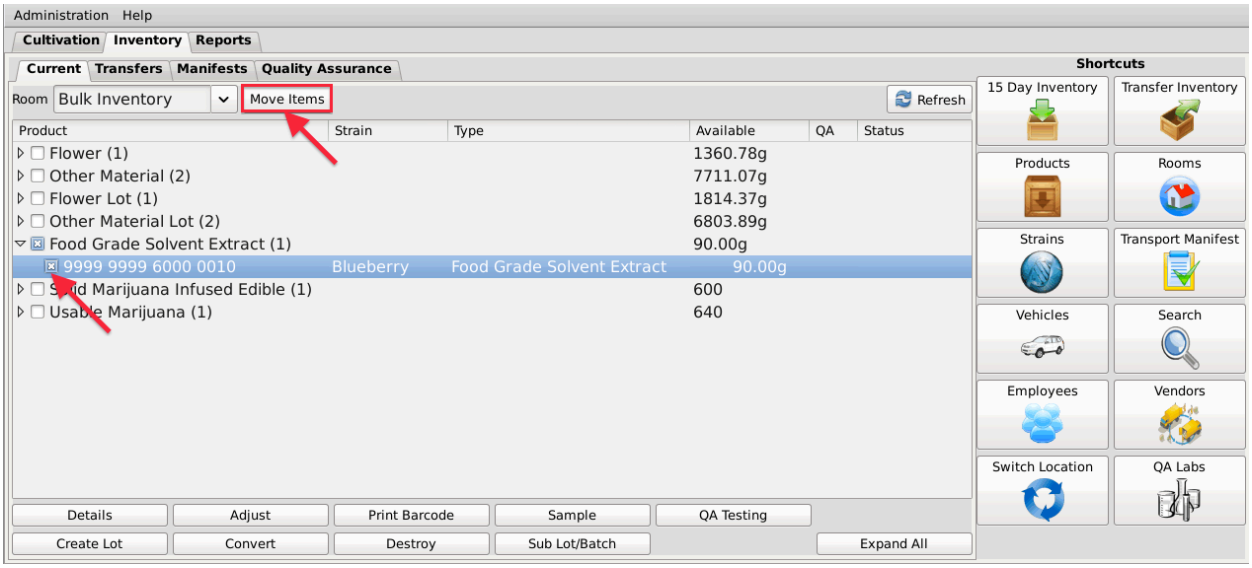
- The newly created product may now be found within inventory.



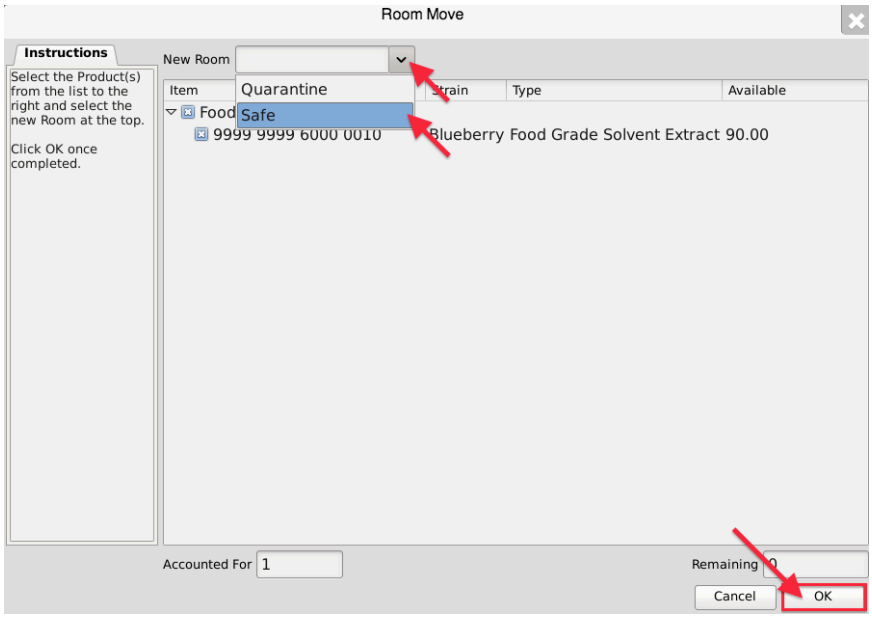
Move Inventory

You may move inventory from one inventory room to another using the following method:

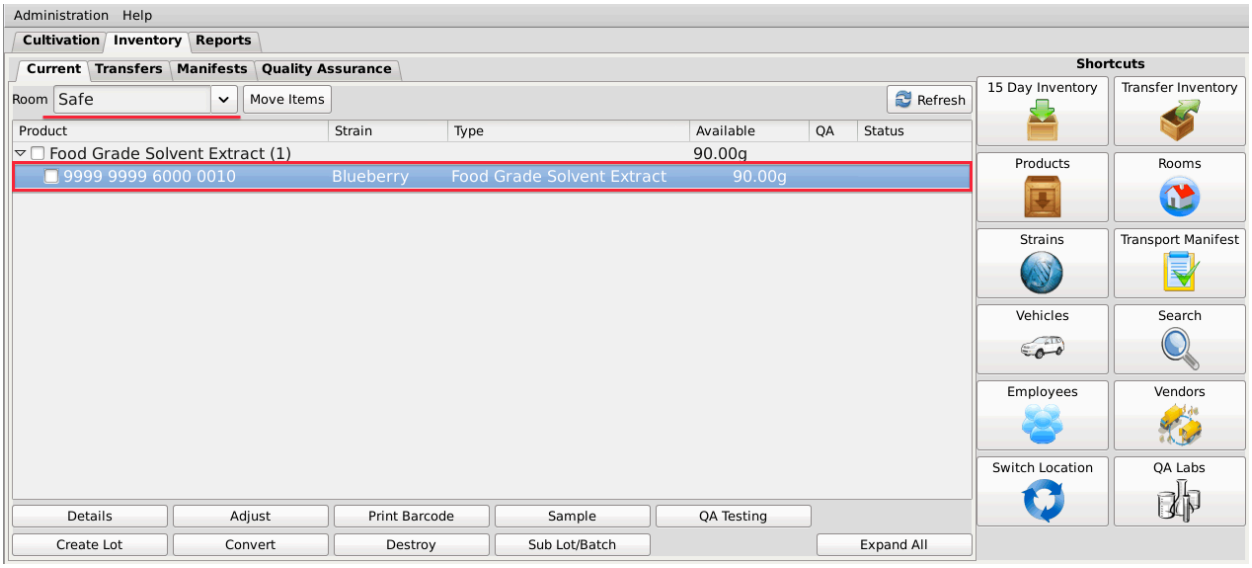
- Navigate to the Inventory Room within which the inventory is presently located (make sure that you are within the Inventory tab and the Current sub-tab).
- Click on the checkbox to left of the inventory item.
- Click on the "Move Items" button



- When the Move Inventory popup appears, select the destination room from the "New Room" dropdown.
- Click "OK" when complete.



- You will now find that the inventory has been moved to the room selected.



Chapter 15: Lab Testing

In this chapter, you will learn how to:

- ✓ Account for samples provided to independent testing labs for quality assurance
- ✓ Retrieve quality assurance test results if submitted by the independeing testing lab
- ✓ Manually input quality assurance test results if necessary

Regulations

WAC 314-55-083

The following information is required and must be kept completely up-to-date in a system specified by the board:

(o) All samples sent to an independent testing lab and the quality assurance test results;

WAC 314-55-102

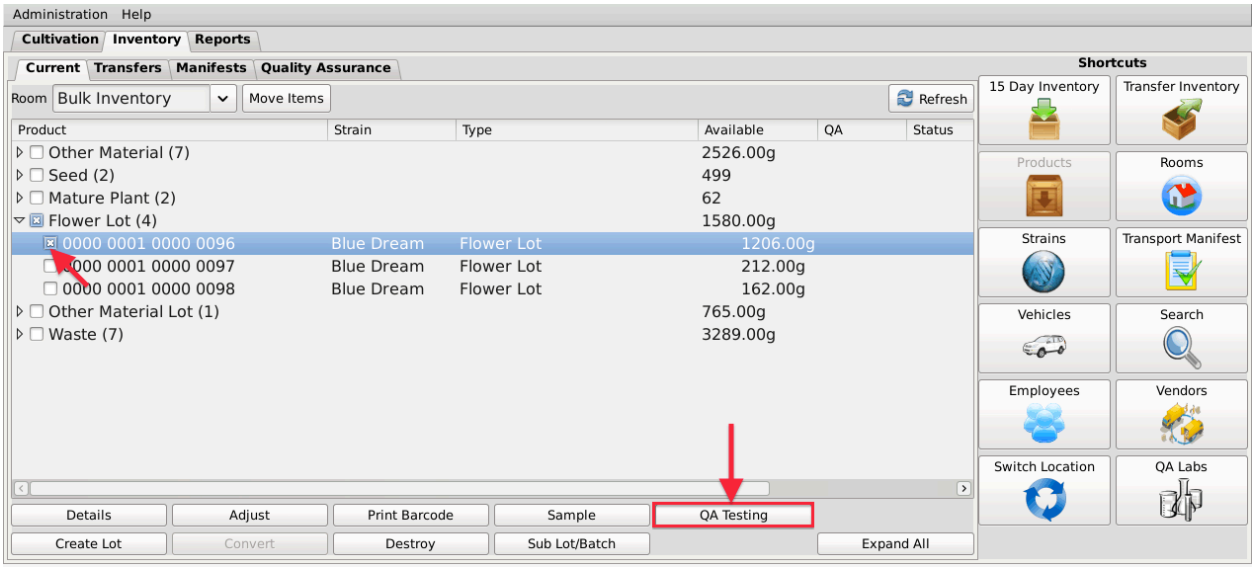
(11) No lot of usable flower or batch of marijuana-infused products may be sold or transported until the completion of all required quality assurance testing.

(12) Any usable marijuana or marijuana-infused product that passed the required quality assurance tests may be labeled as "Class A." Only "Class A" usable marijuana or marijuana-infused product will allowed to be sold.

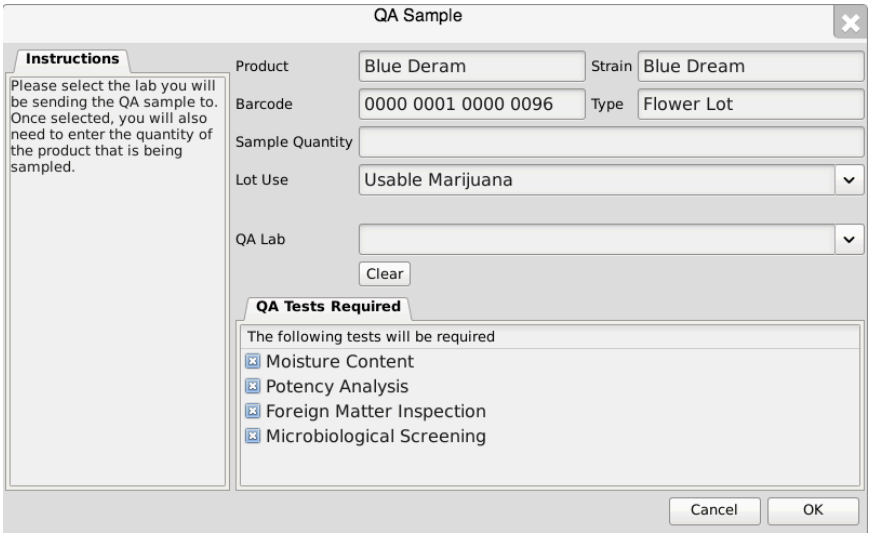
QA Testing

This function will notify the Traceability System of inventory deductions resulting from samples provided to independent testing labs for the purpose of quality assurance testing. Though the example screen shots illustrate the accounting for flower lot testing samples, accounting for other material lot testing samples follows the same path.

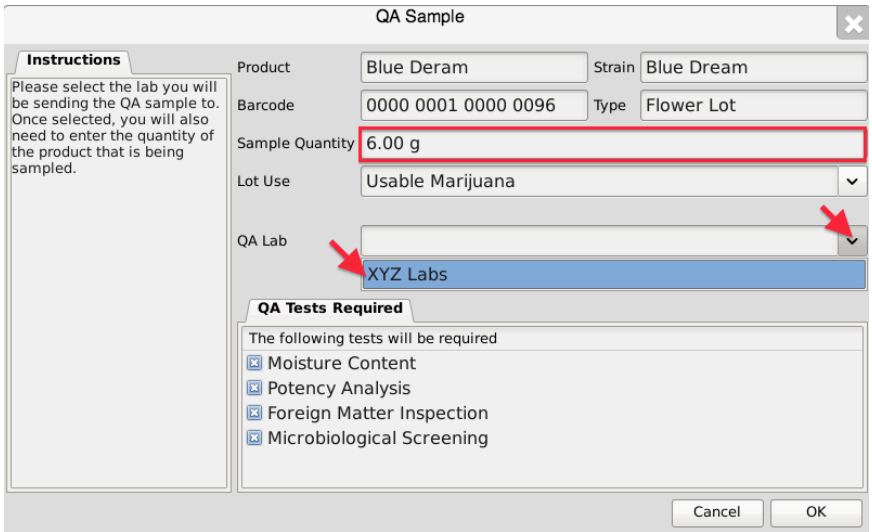
- Navigate to the Inventory Room within which the to-be-tested inventory is located (make sure that you are within the Inventory tab and the Current sub-tab).
- Click on the checkbox to the left of the item to be tested.
- Click on the "QA Testing" button at the bottom of the screen.



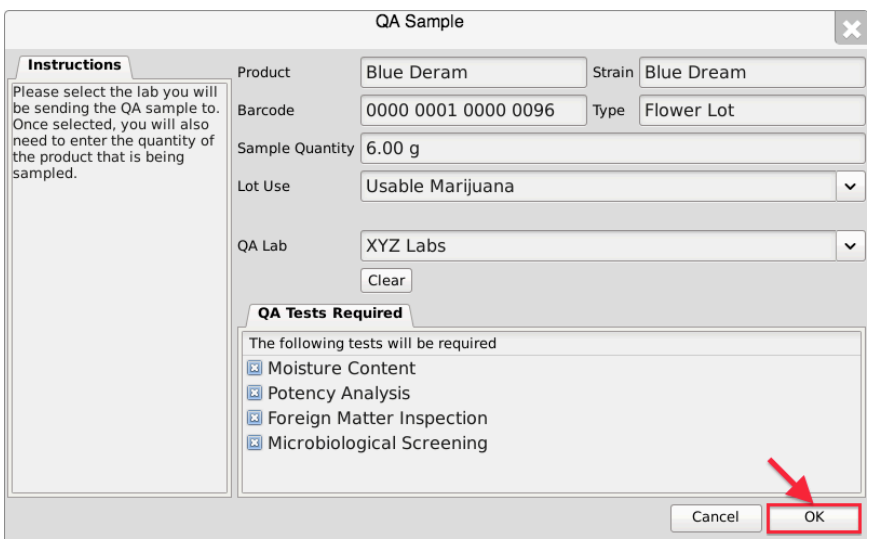
- This will bring up the QA Sample screen.



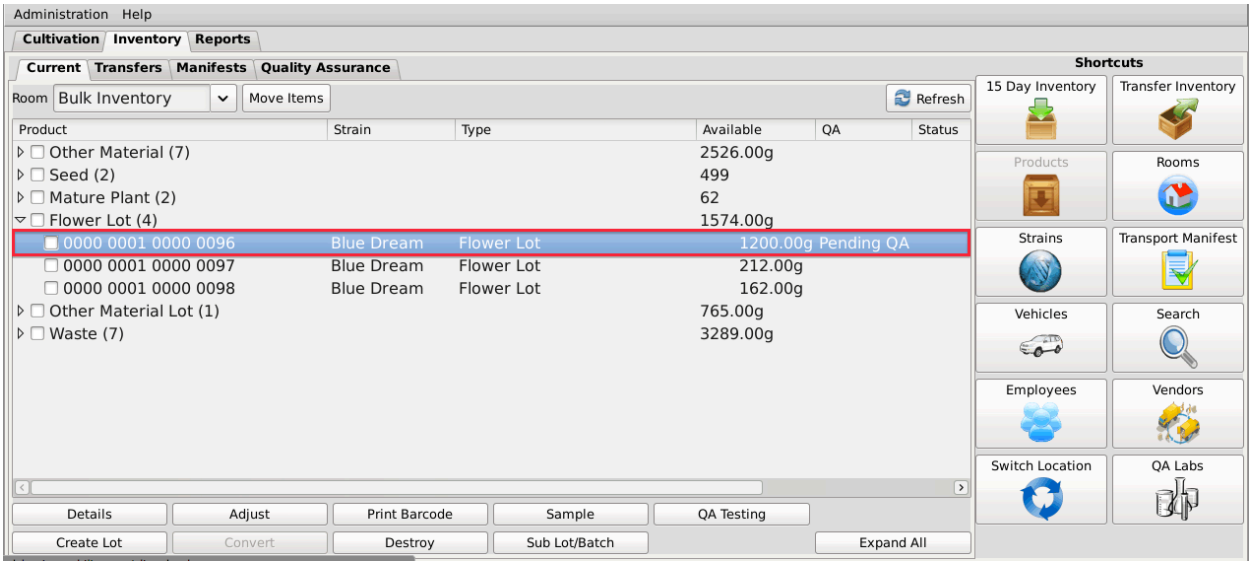
- From the QA Sample screen,
    - Enter the Sample Quantity, and
    - Select the receiving QA Lab from the QA Lab dropdown.



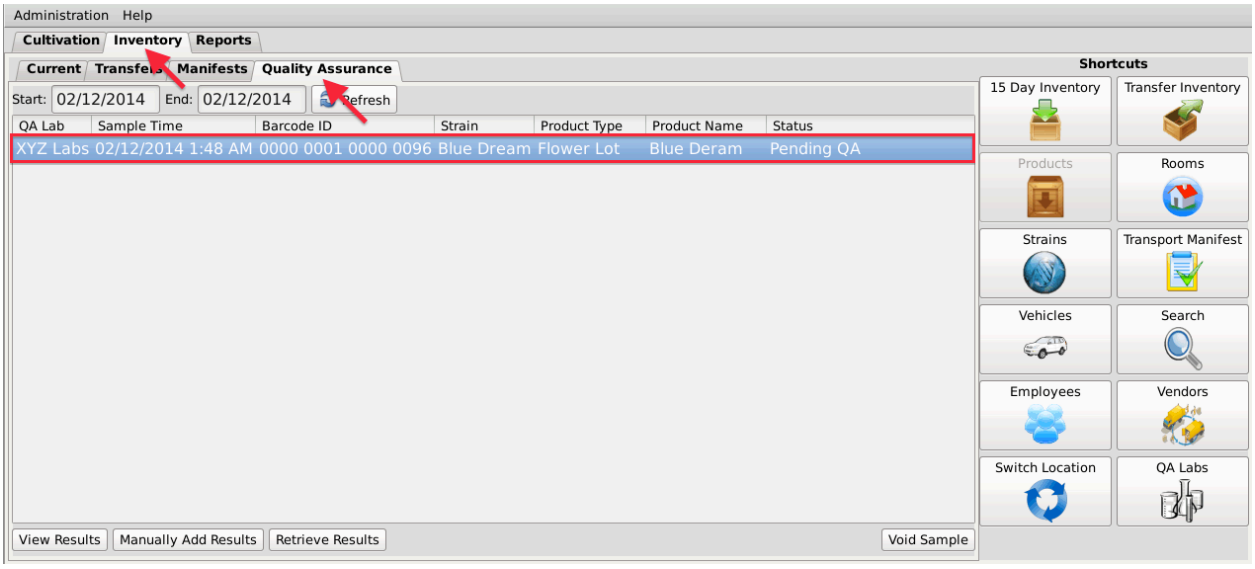
- Click on the "OK" button when complete.



- The Traceability System automatically deducts the sample quantity from inventory and the inventory item's status is updated to read "Pending QA".



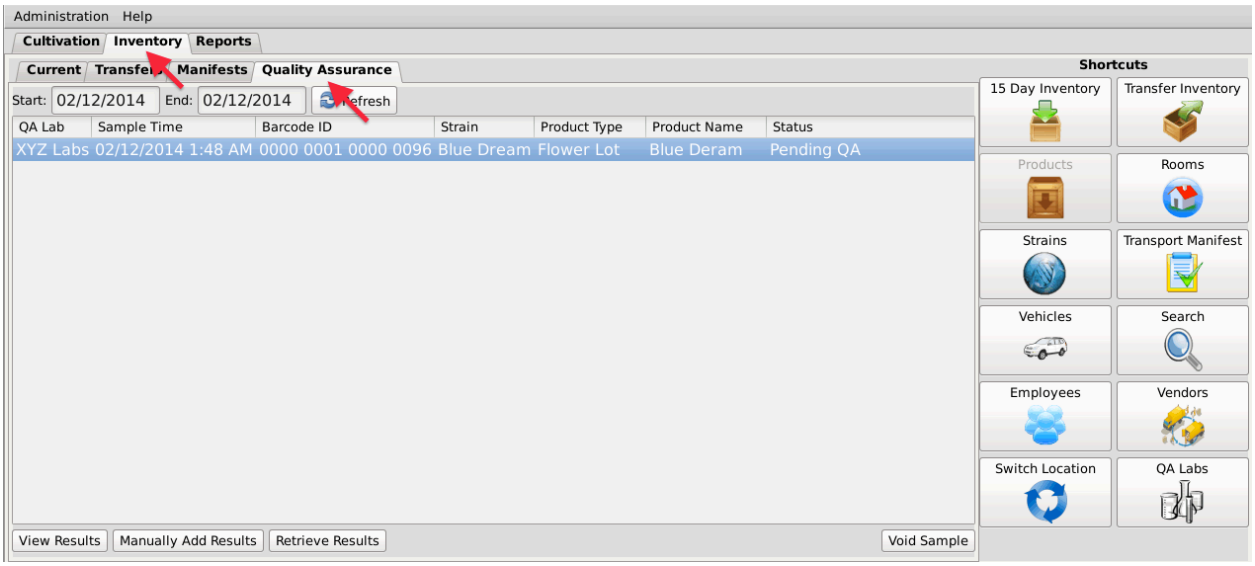
- You will also find a list of all outstanding submitted samples by navigating to the "Quality Assurance" tab within the "Inventory" tab.
- Note: You may need to click the "Refresh" button to update your view.



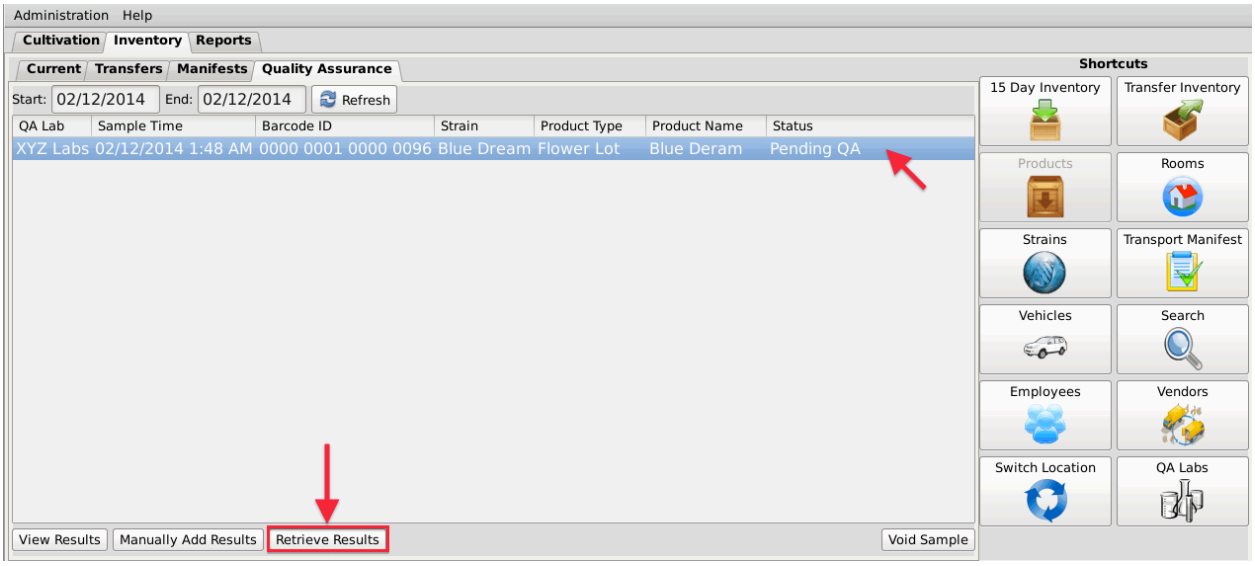
Retrieve Results

If the independent testing lab submitted the quality assurance testing results directly to the Traceability System, you may retrieve those results.

- Navigate to the "Quality Assurance" tab within the "Inventory" tab.



- Samples for which results have not been entered into the Traceability System have a status of "Pending QA".
- Select the sample for which you would like to retrieve testing results.
- Click on the "Retrieve Results" button at the bottom of the screen.

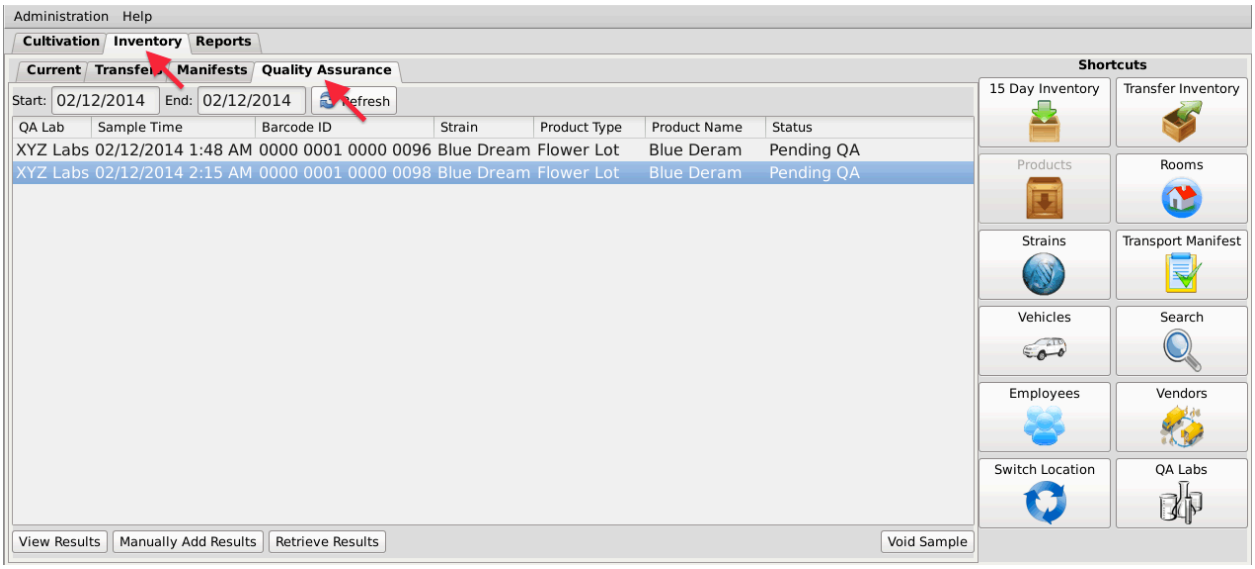


- Once the results have been retrieved, the "Status" of the sample will update to either "Passed QA" or "Failed QA".

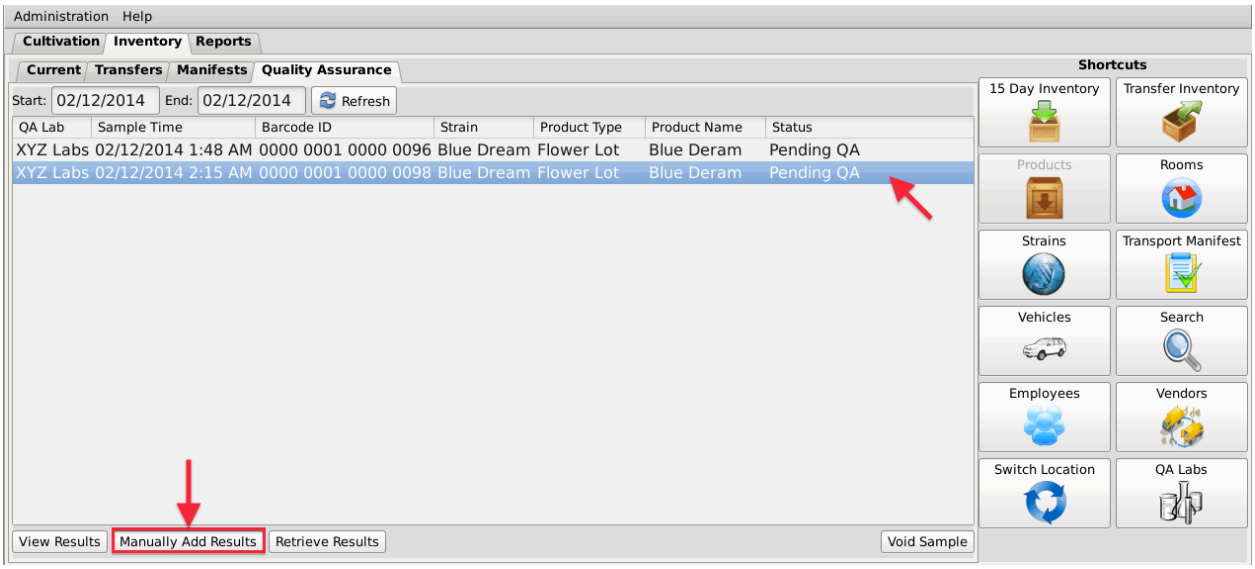
Manually Add Results

If the independent testing lab did not submit the quality assurance testing results directly to the Traceability System, you may manually add the results yourself.

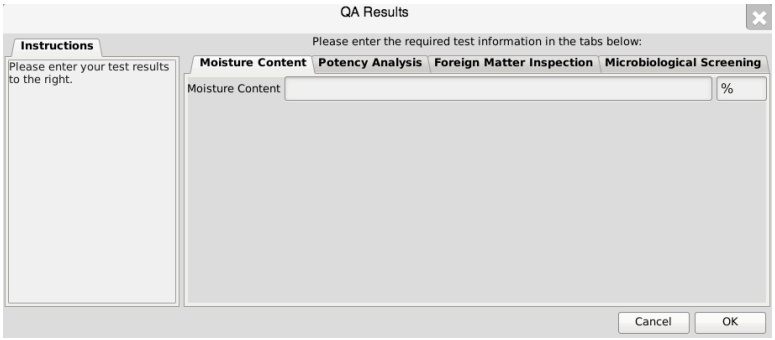
- Navigate to the "Quality Assurance" tab within the "Inventory" tab.

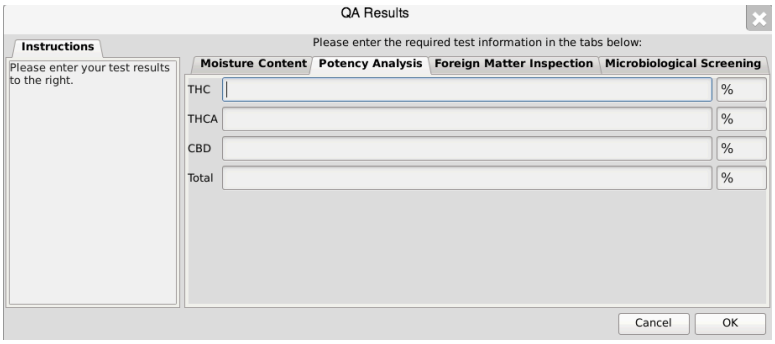


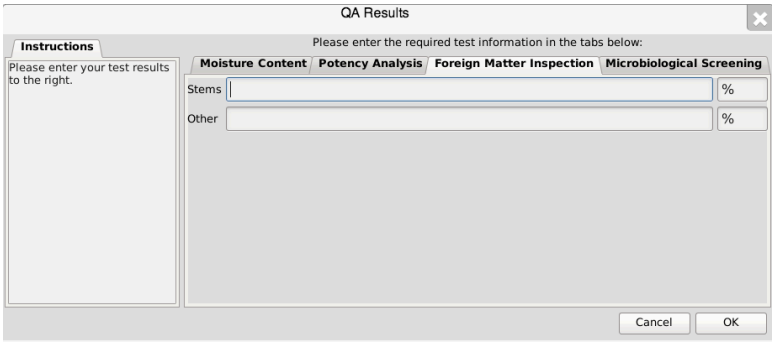
- Select the sample for which you would like to add testing results.
- Click on the "Manually Add Results" button at the bottom of the screen.

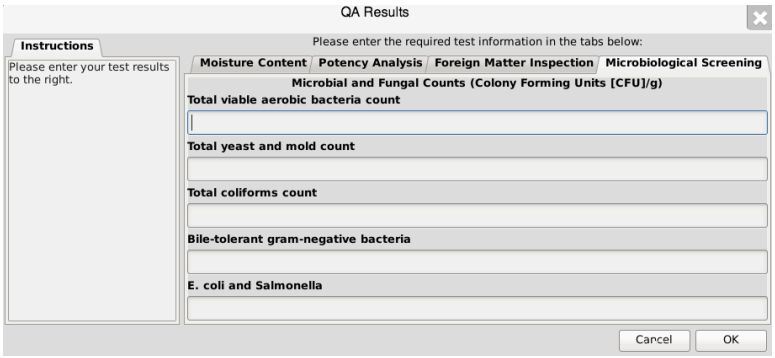


- The QA Test Results screen appears with one tab for each of the relevant test types.







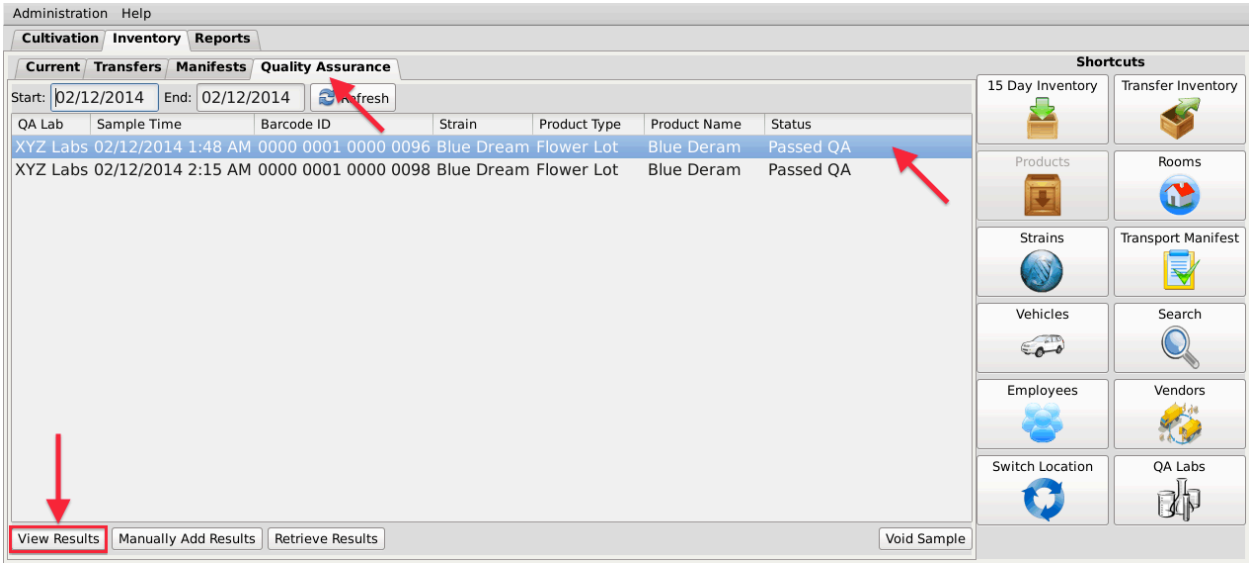


- Complete all of the fields within all of the provided tabs so that the results in the Traceability System data matches the results you received from the testing lab.
- Click "OK" when complete.

View Results

Once the quality assurance test results for a sample have been entered into the Traceability System, you may view the results at any time by navigating to the Quality Assurance tab.

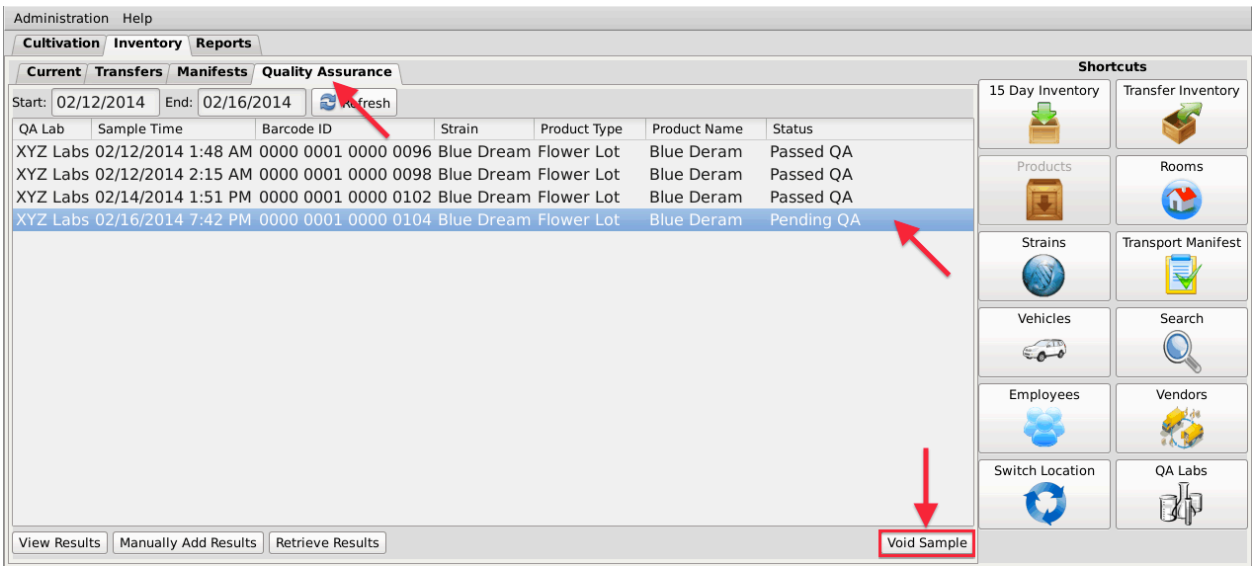
- Narrow the results by selecting a start-date and an end-date.
- Select the desired sample and then click on the "View Results" button.



Void a Sample

You may void a quality assurance testing sample should it be necessary (e.g., sample is actually from a different Lot), but only if the sample's status is "Pending QA".

- Navigate to the Quality Assurance tab.
- Narrow the results by selecting a start-date and an end-date.
- Select the to-be-voided sample and then click on the "Void Sample" button.



Chapter 16: Transportation Manifests

In this chapter, you will learn how to:

- ✓ Generate a Transportation Manifest
- ✓ Modify a Transporation Manifest

Regulations

WAC 314-55-083

(3) (f) All marijuana or marijuana-infused products that are intended to be removed or transported from marijuana producer to marijuana processor and/or marijuana processor to marijuana retailer shall be staged in an area known as the "quarantine" location for a minimum of twenty-four hours. Transport manifest with product information and weights must be affixed to the product. At no time during the quarantine period can the product be handled or moved under any circumstances and is subject to auditing by the liquor control board or designees.

(4) (g) There is a twenty-four hour mandatory waiting period after the notification described in this subsection to allow for inspection before a lot of marijuana is transported from a producer to a processor;

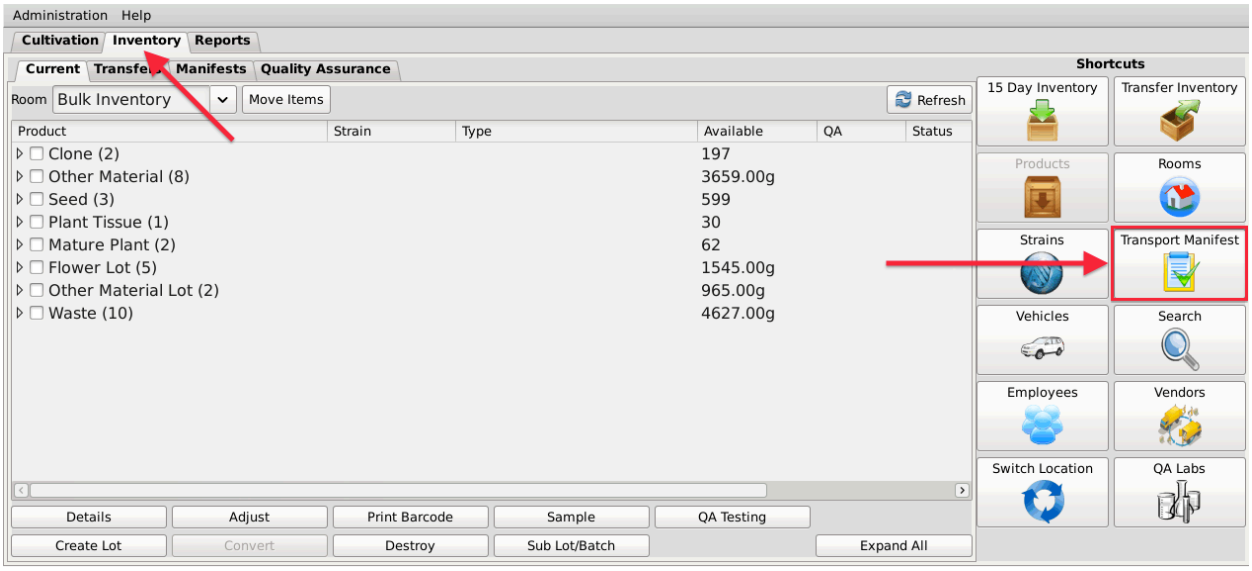
WAC 314-55-085

(3) Transportation manifest. A complete transport manifest containing all information required by the board must be kept with the product at all times.

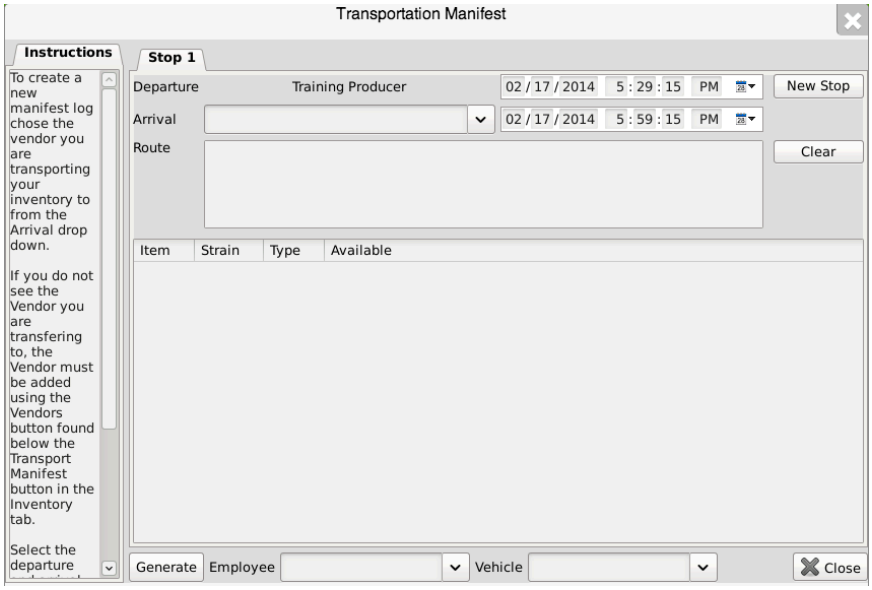
Create a Transportation Manifest

To create the standardized Washington Marijuana Transportation Manifest for outbound shipments, you will need to access the Transportation Manifest screen.

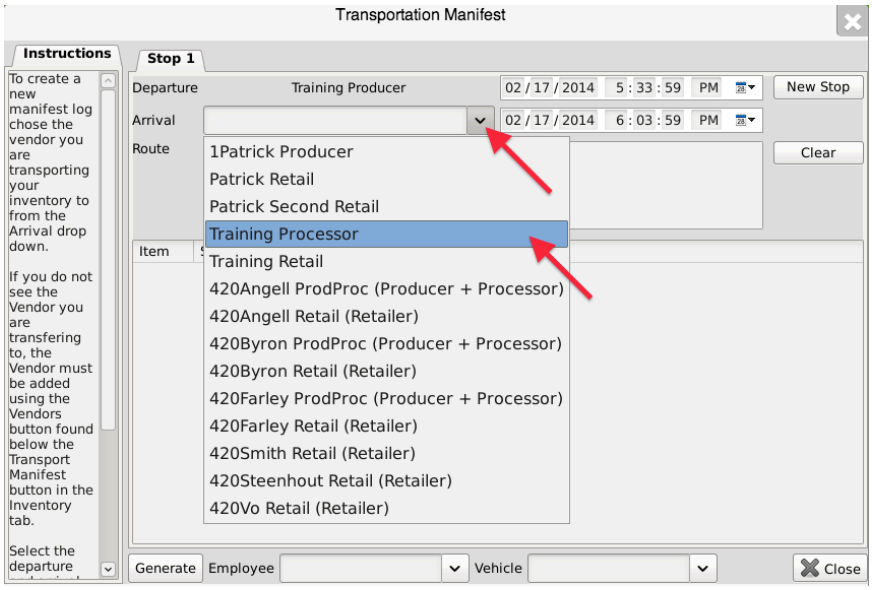
- Navigate to the "Inventory" tab found in the top-left corner of the screen, and then click on the "Transportation Manifest" button located on the right-hand side of the screen.



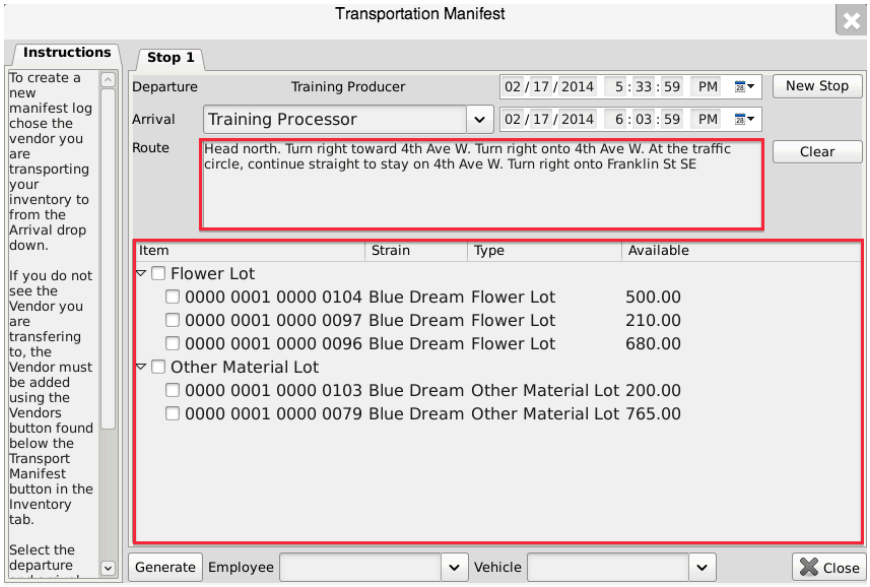
- This will bring up the Transportation Manifest screen.



- Select the destination Licensee from the "Arrival" dropdown. If the intended recipient is not found within the dropdown, you will need to add the recipient to your Preferred Vendor List as described in Chapter 4: Vendors.

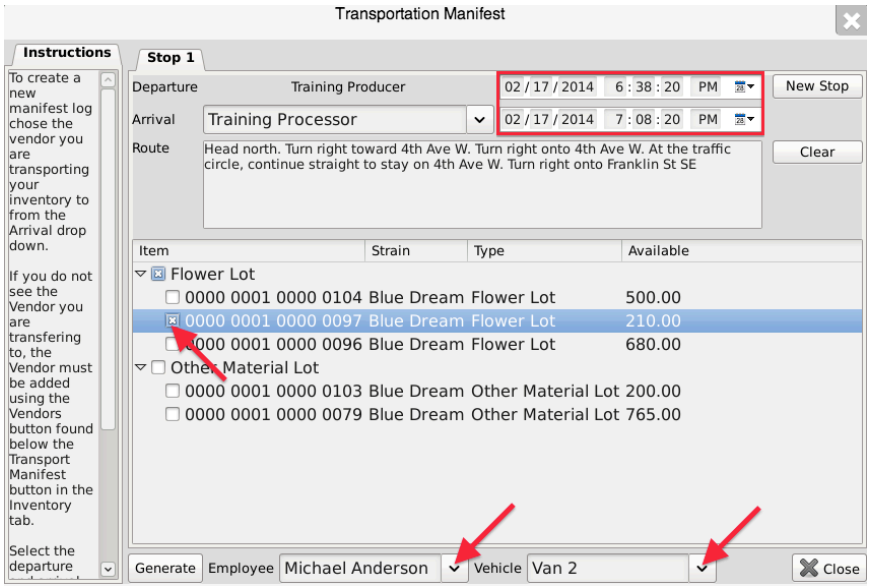


- Once "Arrival" is selected, the system automatically completes a default driving "Route" and lists all of the available inventory items that can be included on the manifest.

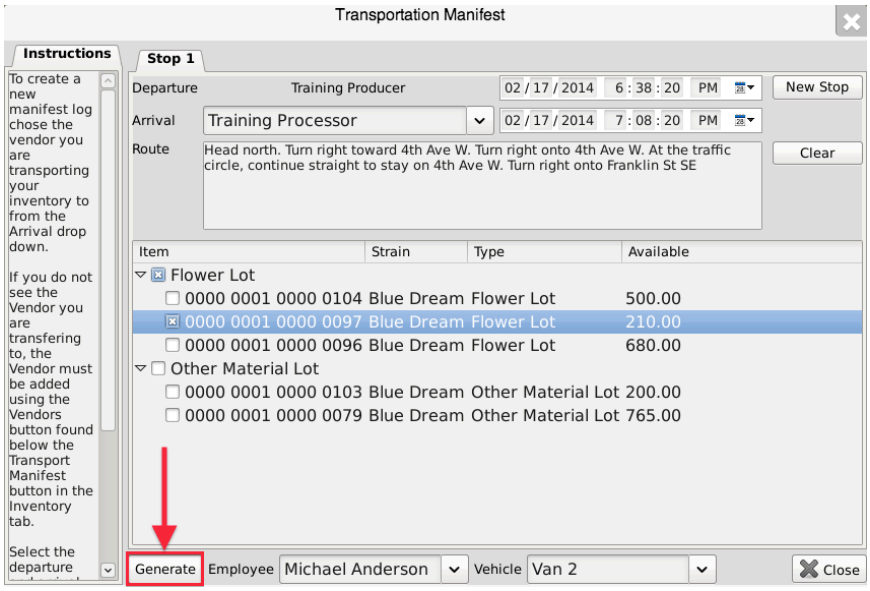


- If the receiving Licensee is a Producer, only Seeds, Clones, Mature Plants, and Plant Tissue will be available for selection.
- If the receiving Licensee is a Processor, only Flower Lots and Other Material Lots that have a status of "Passed QA" will be available for selection.

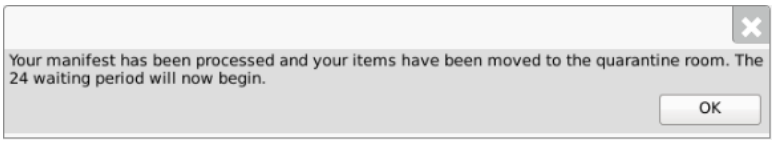
- Within the inventory section, select the item(s) to be included on this manifest.
- Select the Employee and Vehicle that will be transporting the inventory.
- Select the expected departure date/time and the expected arrival date/time.



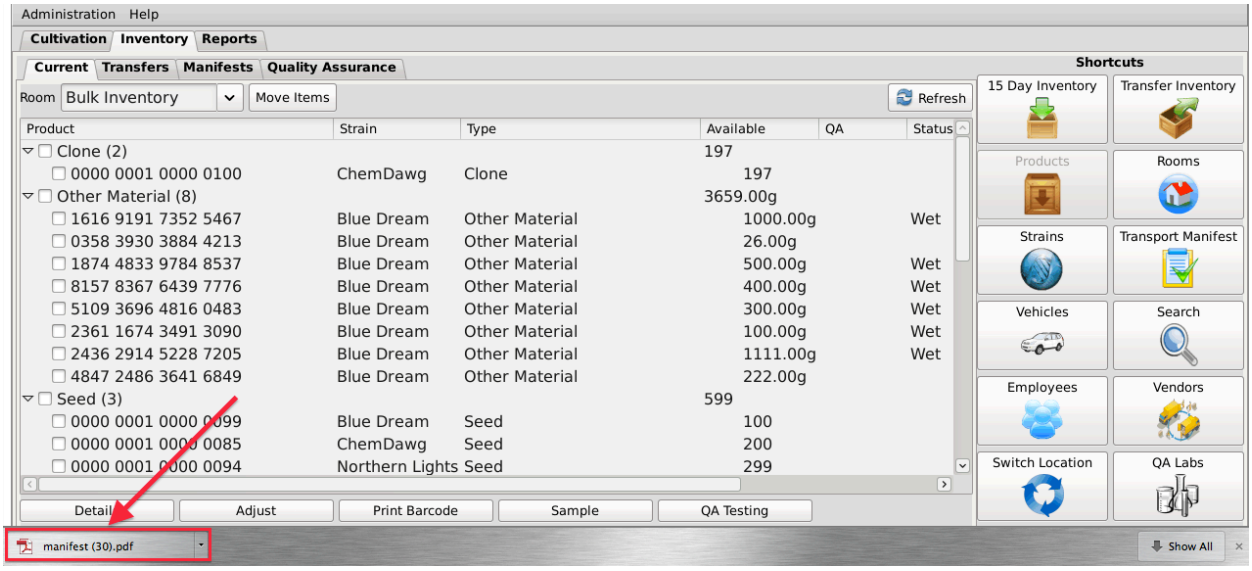
- Click "Generate" when all of the manifest components have been completed.



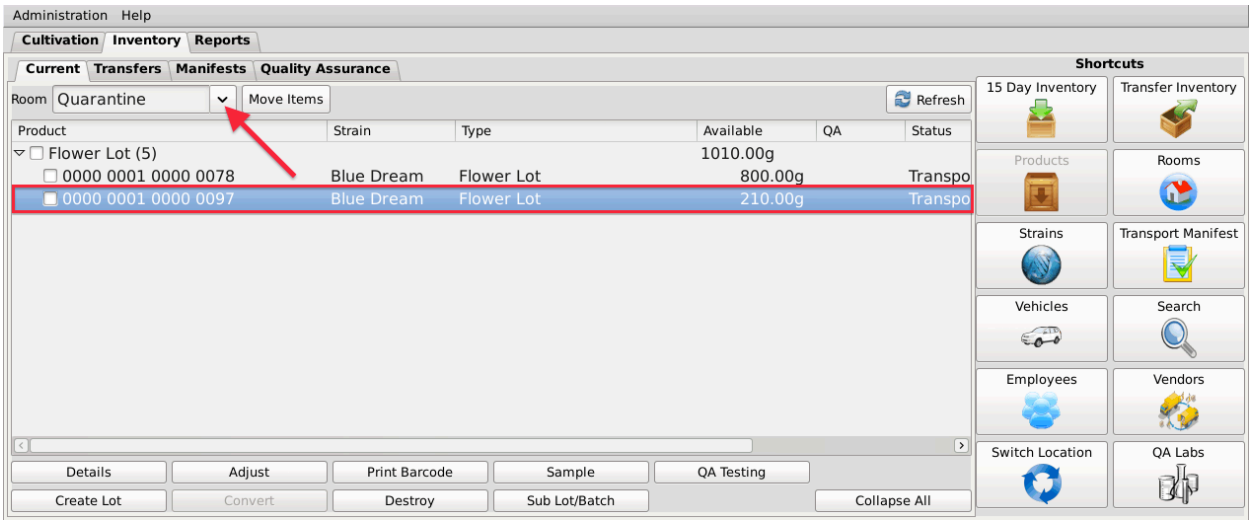
- The following notice confirms (1) the Traceability System's receipt of the digital copy of the manifest, (2) the to-be-shipped items movement to the quarantine room within the Traceability System, and (3) the start of the 24-hour waiting period.



- Depending on your internet browser and your settings, your computer may automatically begin downloading a pdf version of the manifest, or may prompt you to allow, keep, or accept the file.



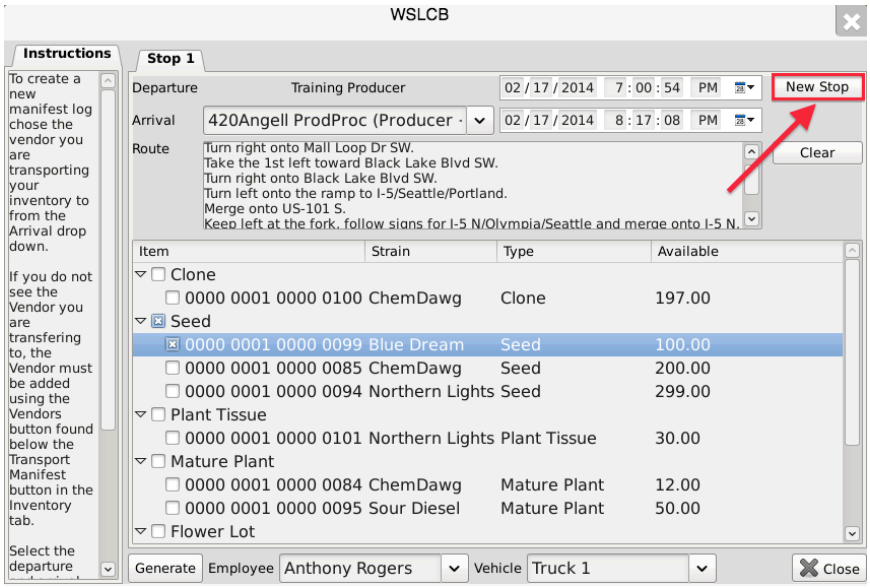
- The inventory will automatically be moved to the Quarantine room for the mandatory 24-hour waiting period.



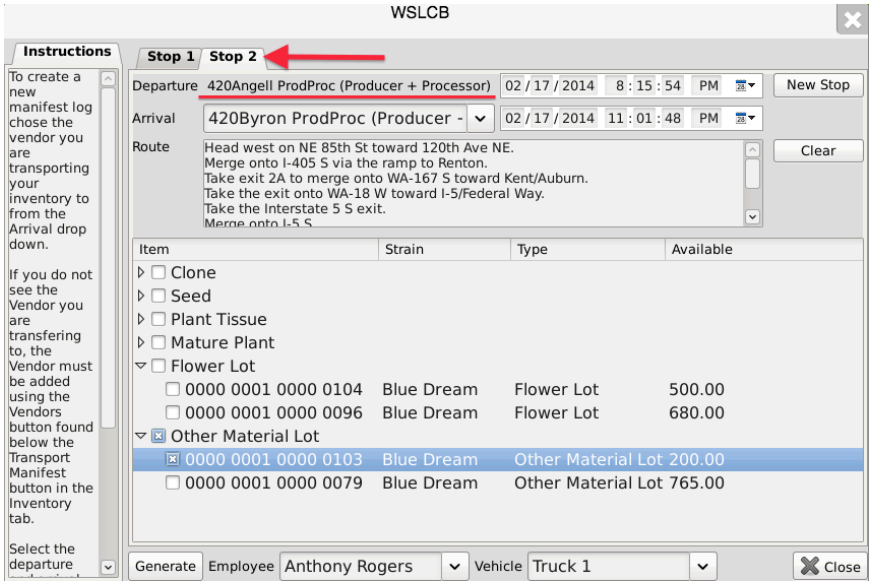
Multi-Stop Transportation Manifests

Perform the following steps to create a transportation manifest with multiple delivery stops.

- After completing the first stop on the manifest, click on the "New Stop" button.



- A tab for a subsequent stop will appear with the Departure location pre-populated with the Arrival location of the previous stop (e.g., if Licensee 123 is the destination of the first delivery, then License 123 will be the starting point for the second delivery).

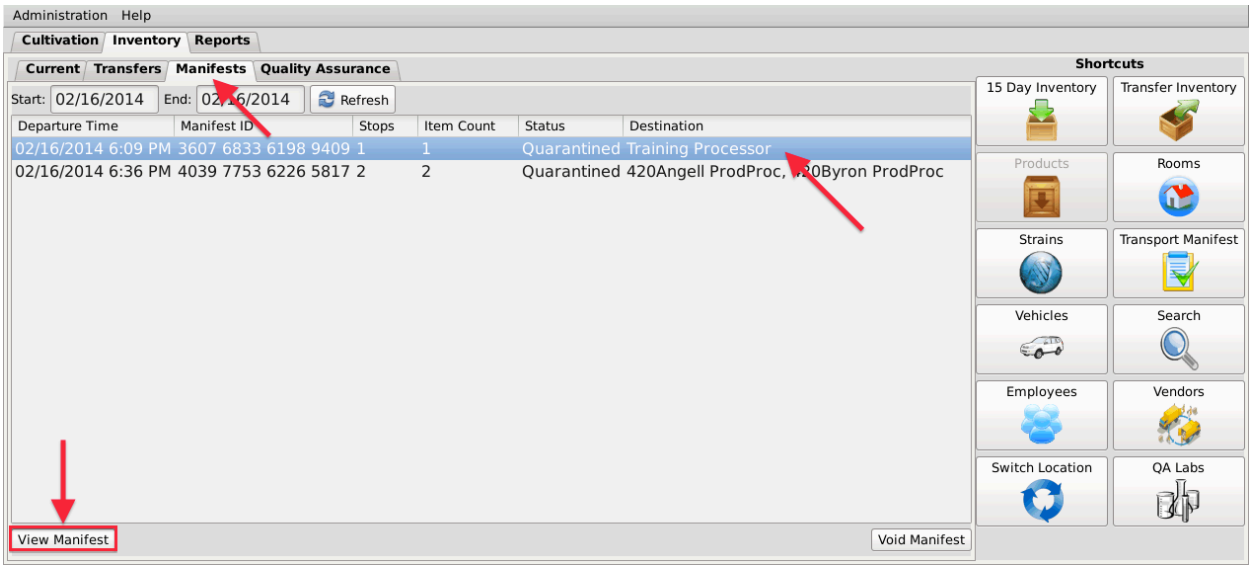


- Click on the "Generate" button when all stops have been created.

View Manifests

Once a transportation manifest has been entered into the Traceability System, you may re-download it at any time by navigating to the Manifests tab.

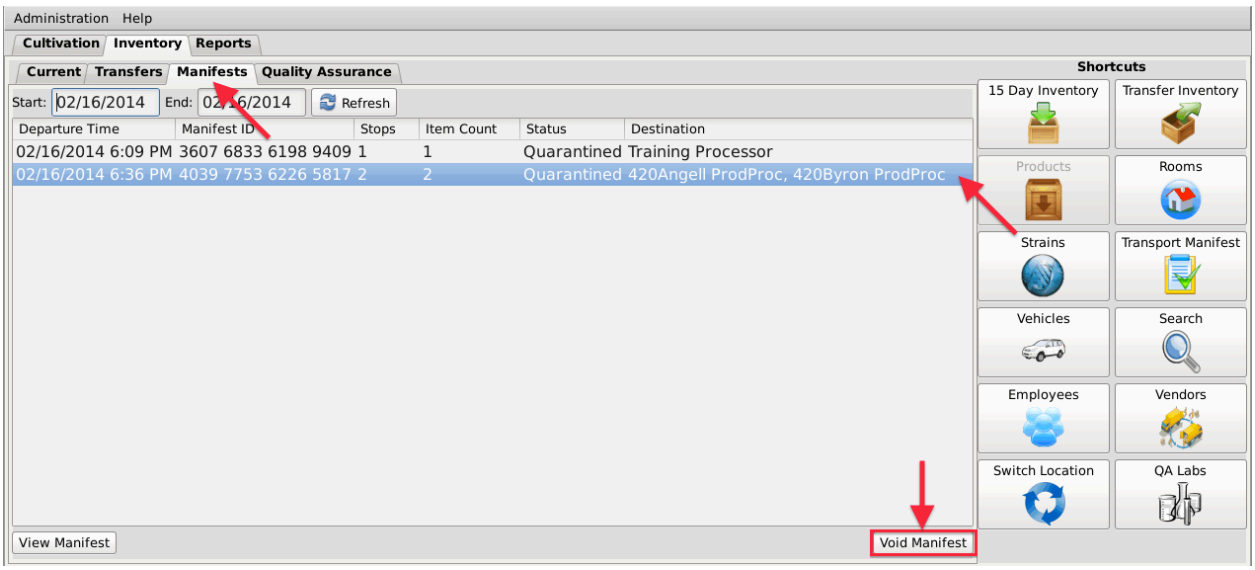
- Narrow the results by selecting a start-date and an end-date.
- Select the desired manifest and then click on the "View Manifest" button.



Void a Manifest

You may void a transportation manifest should it be necessary (e.g., the sale is cancelled or the manifest needs to be changed), but only if the manifest's status is still "Quarantined".

- Navigate to the Manifests tab.
- Narrow the results by selecting a start-date and an end-date.
- Select the to-be-voided manifest and then click on the "Void Manifest" button.



Chapter 17: Wholesale Inventory Transfers

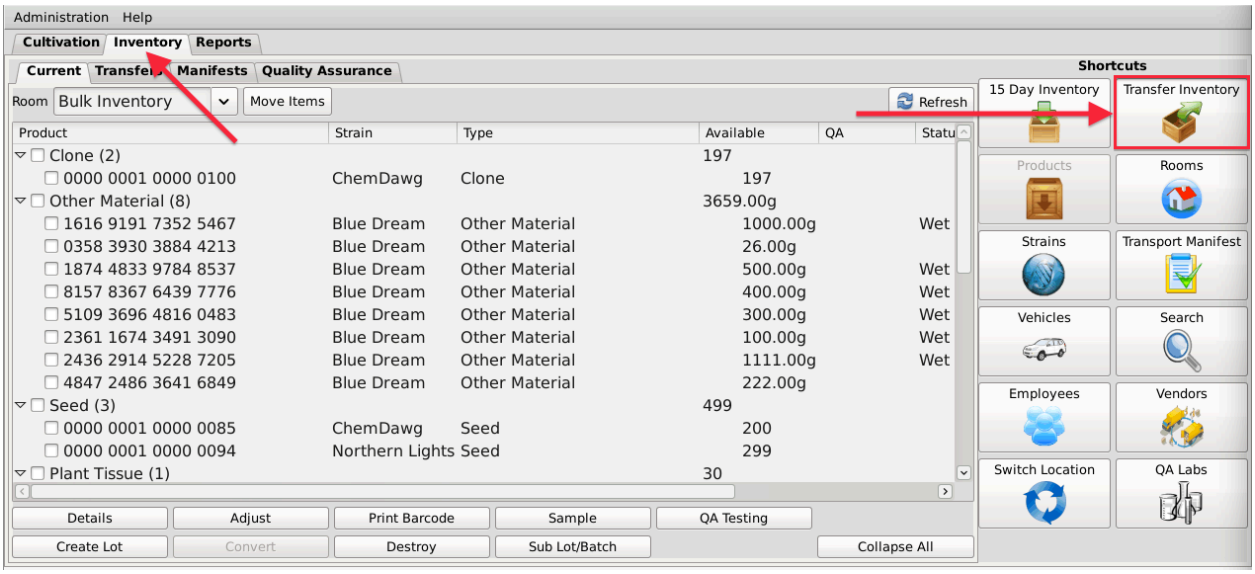
In this chapter, you will learn how to:

- ✓ Complete an inbound inventory transfer
- ✓ Complete an outbound inventory transfer

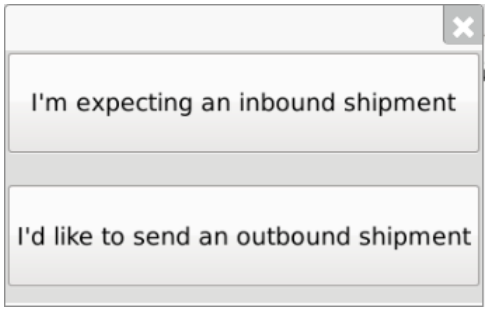
Initiating an Inventory Transfer

To receive inbound shipments and send outbound shipments in the Traceability System, you will need to

- Navigate to the "Inventory" tab found in the top-left corner of the screen, and then click on the "Transfer Inventory" button located on the right-hand side of the screen.



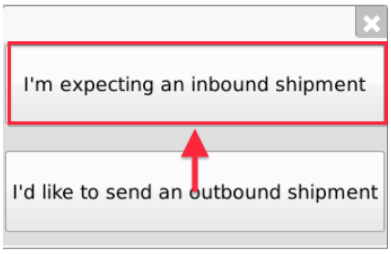
- The following pop-up appears:



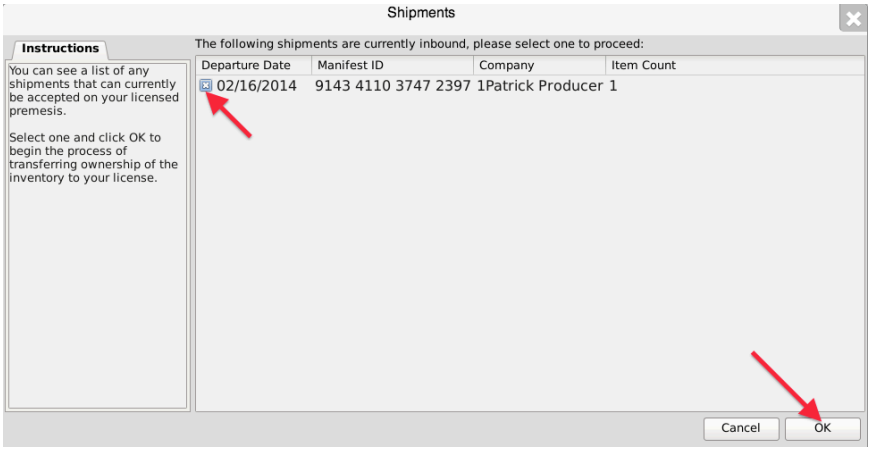
Inbound Shipment

To receive an inbound shipment,

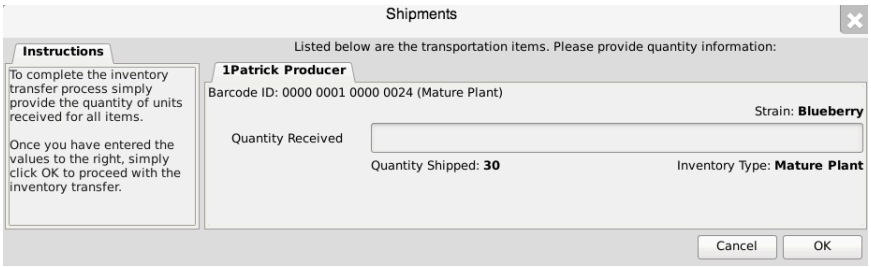
- Click on "I'm expecting an inbound shipment"



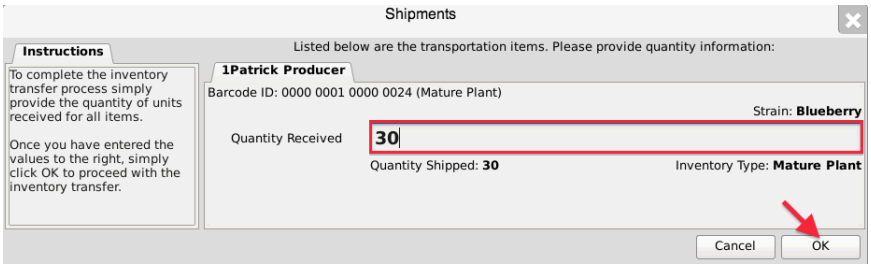
- A list of all currently filed but not-yet-received inbound manifests from vendors appears.
- Click on the checkbox to the left of the manifest being received.
- Click "OK".



- The Receipt Confirmation screen, which lists the inventory associated with the manifest, appears. Note that though the example illustrates only one item, multiple items may be associated with the manifest and each item will have its own line accordingly.



- Enter the Quantity Received for each item that is on the manifest.
- Click the "OK" button after all quantities received are entered.

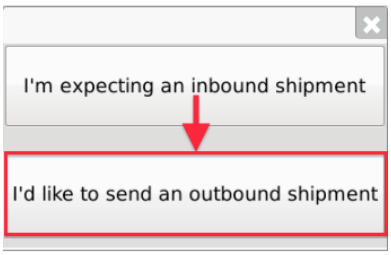


- The Traceability System automatically moves the inventory on the manifest into the Bulk Inventory room.

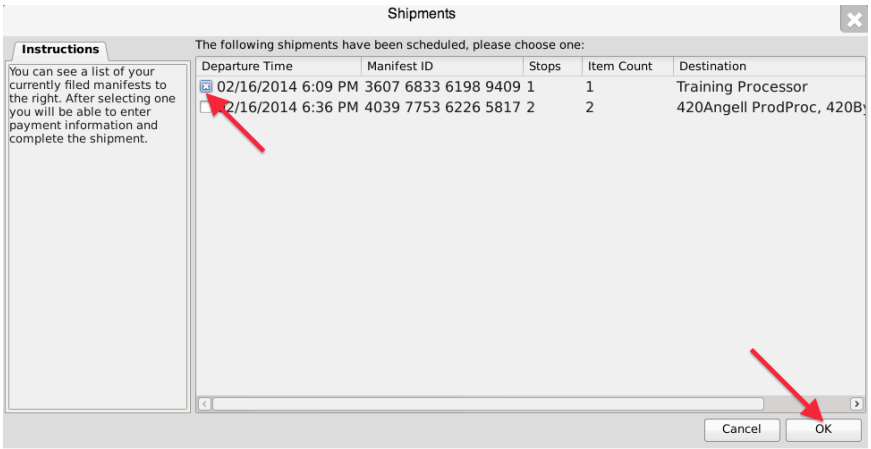
Outbound Shipment

To send an outbound shipment,

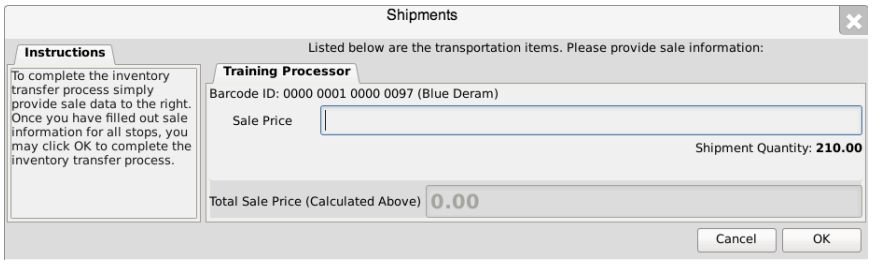
- Click on "I'd like to send an outbound shipment"



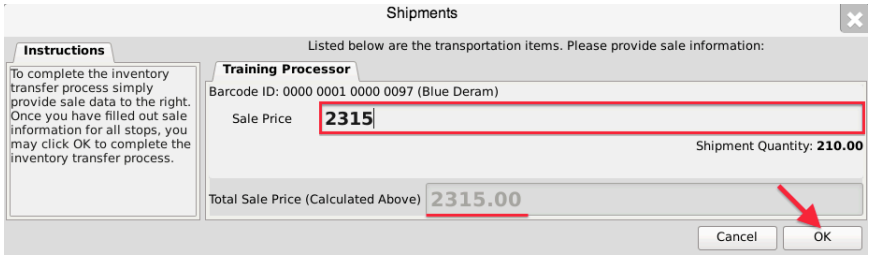
- A list of all currently filed but un-shipped outbound manifests to vendors appears.
- Click on the checkbox to the left of the manifest being shipped.
- Click "OK".



- The Sales Price screen, which lists the inventory associated with the manifest, appears. Note that though the example illustrates only one item, multiple items may be associated with the manifest and each item will have its own line accordingly.



- Enter the Sales Price of each item that is on the manifest.
  - **<u>NOTE: BE SURE TO INCLUDE THE 25% EXCISE TAX IN THE SALES PRICE ENTERED, BUT NOT STATE OR LOCAL TAXES.</u>**
  - Example: if the pre-tax price of the item in the below example is $1,852, then the Sales Price with the 25% excise tax equals $2,315 before state or local taxes.
- Click "OK" after all sales prices are entered (the total sales price is automatically computed within the greyed-out box).



- The Traceability System automatically moves the inventory on the manifest out of the Quarantine room.

Chapter 18: Waste and Destruction Events

In this chapter, you will learn how to:

- ✓ Collect general plant waste not attributable to the harvest/cure process
- ✓ Schedule plants for destruction
- ✓ Schedule inventory for destruction

Regulations

WAC 314-55-083

(4) (f) There is a seventy-two hour mandatory waiting period after the notification described in this subsection is given before any plant may be destroyed or a lot or batch of marijuana or marijuana-infused product may be destroyed;

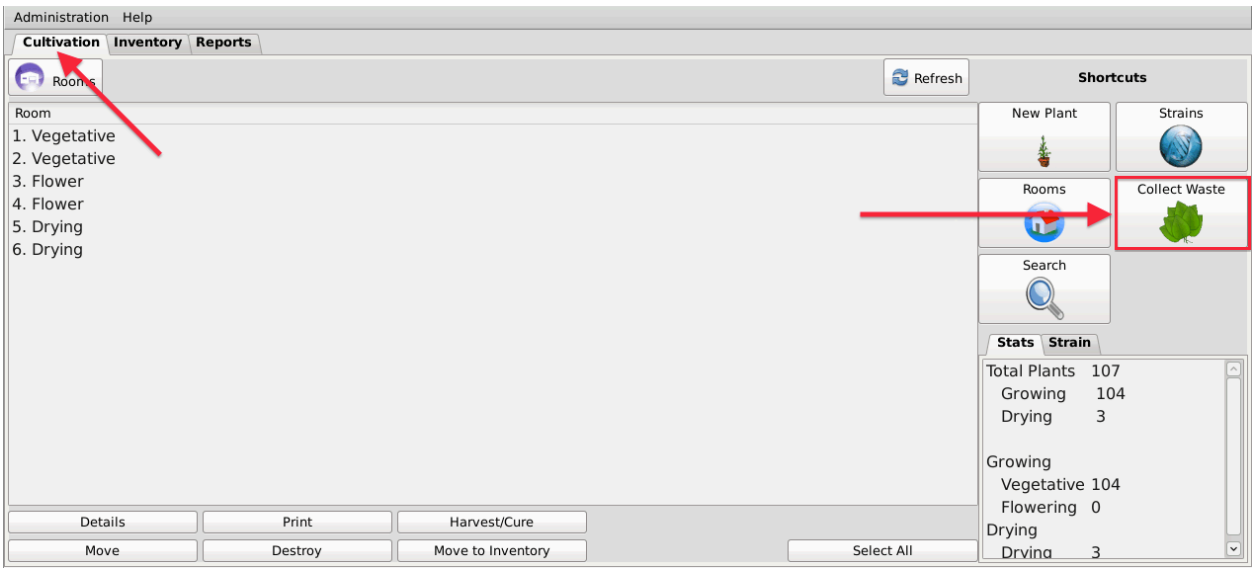
Collecting General Plant Waste

The Traceability System accounts for two types of marijuana waste: (1) waste specifically attributable to the harvest, cure, or conversion process; and (2) general waste not associated with the harvest, cure, or conversion process.

The specifically attributable waste collection is covered in each of their respective sections. This section details how to account for general waste not associated with the harvest, cure, or conversion process. An example of general waste would be a daily walkthrough of plant rooms and collecting dead leaves and vegetation trim.

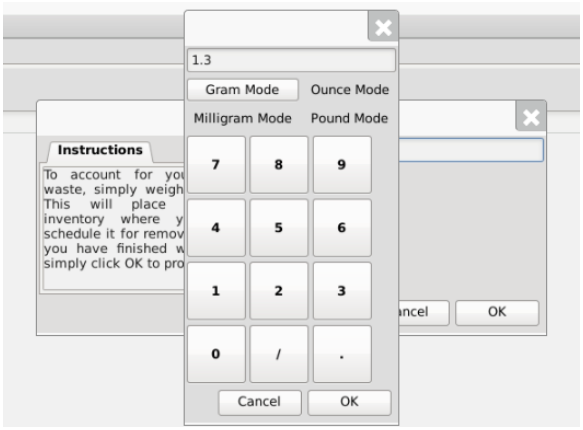
To record collection of general waste:

- Navigate to the "Cultivation" tab, and then click on the "Collect Waste" button located on the right-hand side of the home screen.

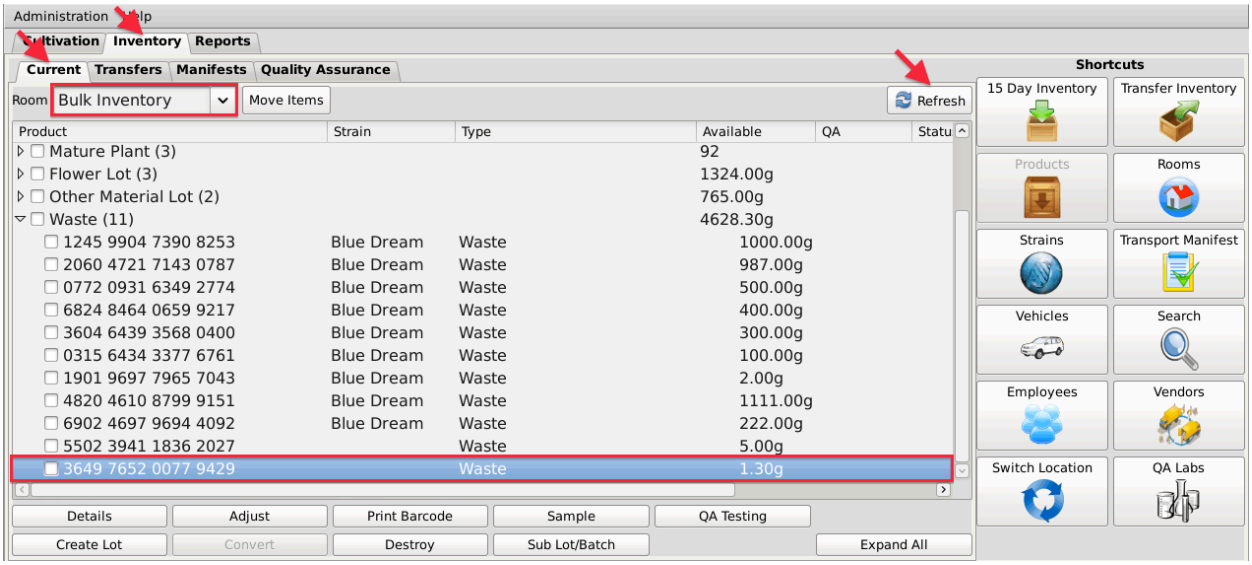


- This will bring up the “Collect Waste” screen:

- Enter in the amount of general waste collected and click “OK”.



- Navigate to the “Inventory” tab, then to the “Current” sub-tab, and then select the “Bulk Inventory” room from the room dropdown to find the collected waste as a line-item with its own Traceability Identifier. You may need to click on the “Refresh” button before the system will display the item.



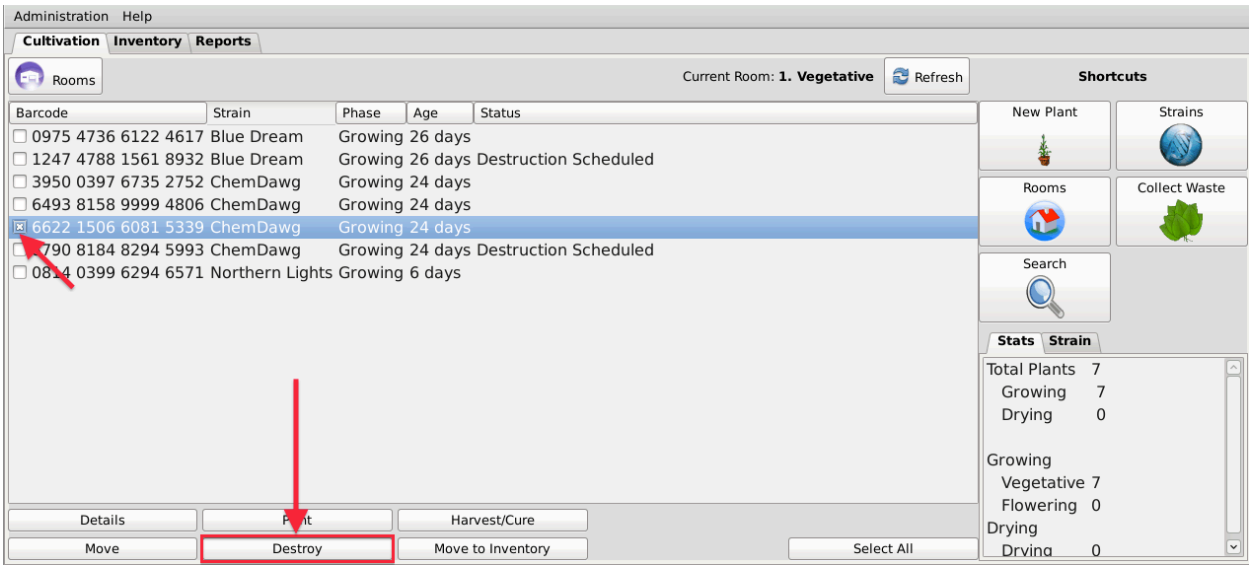
Schedule Plant Destruction

This function allows you to schedule a plant for destruction. This event begins the 72-hour waiting period before the Remove Plant function may be used on the plant.

There are two methods through which you may click a "Destroy" button for a plant.

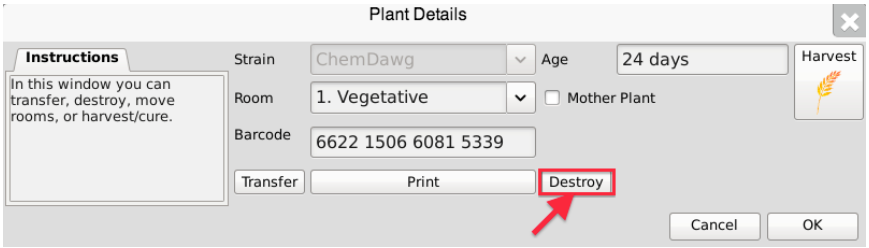
Method 1

- Navigate to the Plant Room within which the to-be-destroyed plant is located.
- Click on the checkbox to the left of the plant to be destroyed.
- Click on the "Destroy" button at the bottom of the screen.

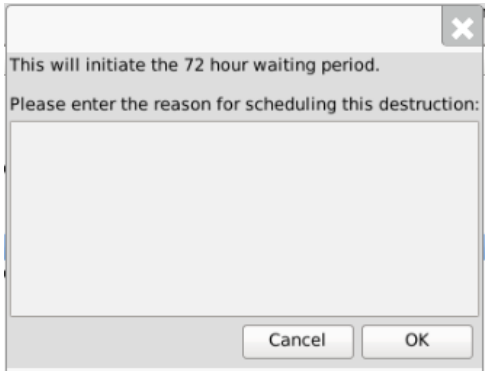


Method 2

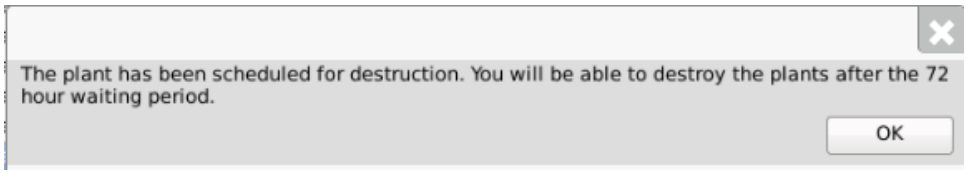
- Bring up the to-be-destroyed plant's Plant Information screen, either by selecting the plant within its room or by using the Plant Lookup function.
- Click on "Destroy"



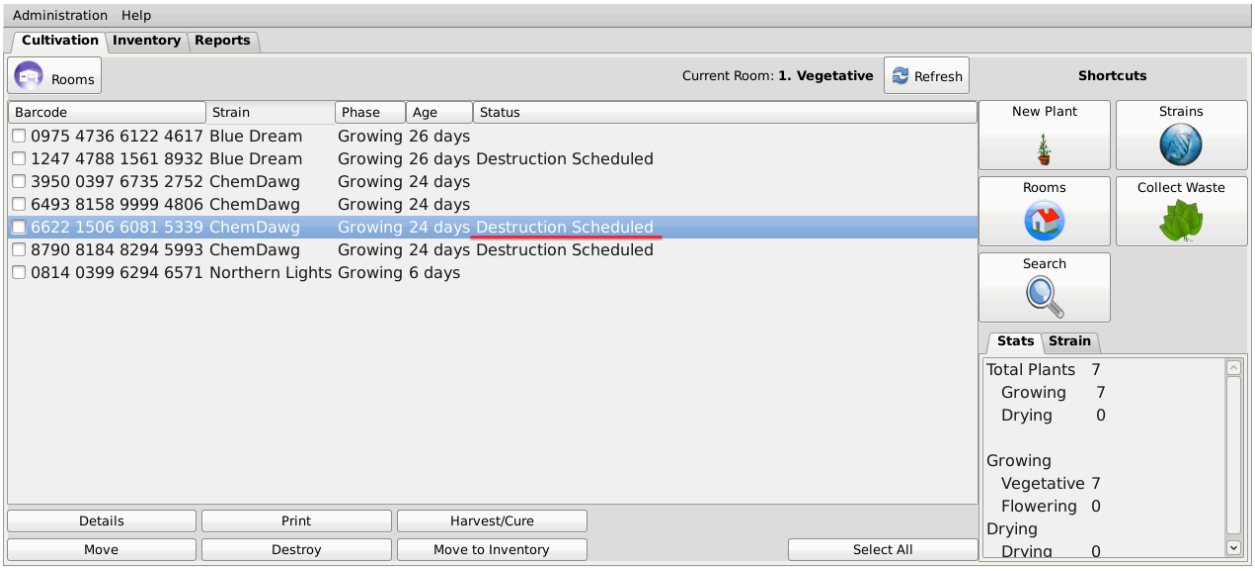
- Regardless of which method you use to click “Destroy”, a pop-up window appears wherein you type the reason the plant is being destroyed. Click “OK” when completed.



- Another pop-up window appears notifying you that the Traceability System has accepted the scheduled destruction and provides a reminder that the plant may be destroyed after the 72-hour waiting period has expired.



- Note that the plant’s Status is updated to “Destruction Scheduled”.



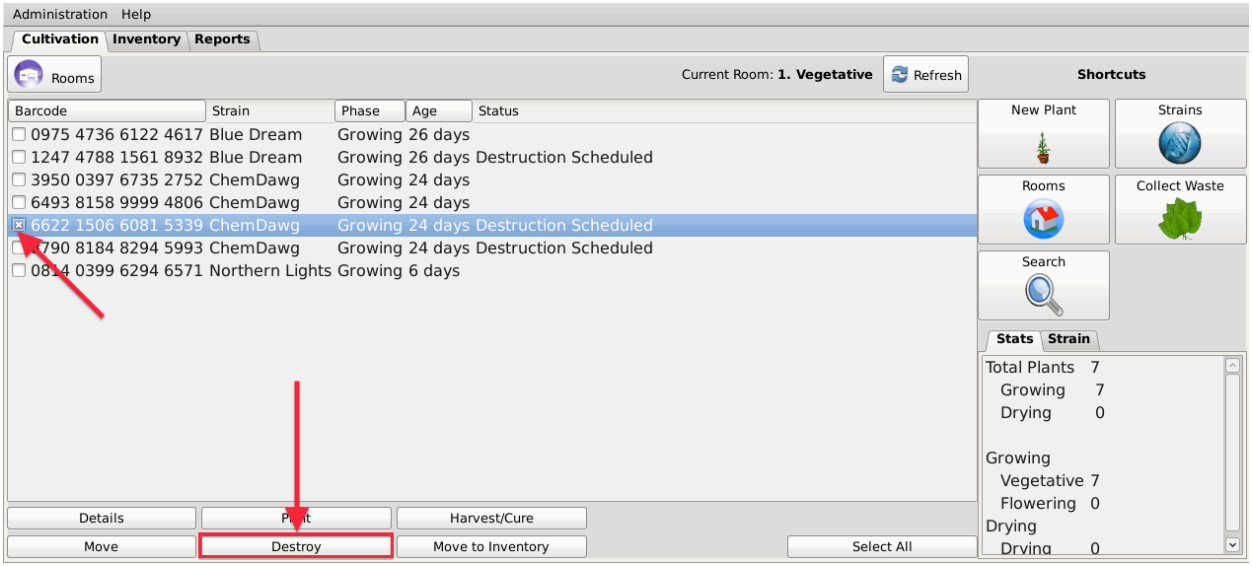
Destroy Plant

This function allows you to destroy a plant that has been scheduled for destruction. Plants may only be destoyed after the waiting period has expired.

There are two methods through which you may click a "Destroy" button for a plant.

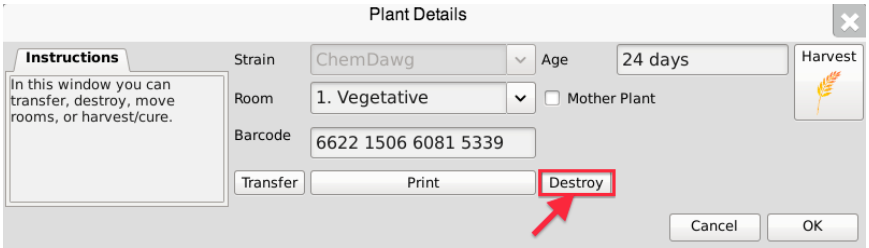
Method 1

- Navigate to the Plant Room within which the plant scheduled for destruction is located.
- Click on the checkbox to the left of the plant to be destroyed.
- Click on the "Destroy" button at the bottom of the screen.



Method 2

- Bring up the Plant Information screen for the plant scheduled for destruction, either by selecting the plant within its room or by using the Plant Lookup function
- Click on "Destroy"



- Regardless of which method you use to click "Destroy", if the plant's 72-hour waiting period has elapsed, then the plant is destroyed in the Traceability System.

- Should you attempt to destroy the plant prior to the 72-hour waiting period expiring, a pop-up window appears to inform you how many hours remain in the waiting period before that plant may be destroyed.

<u>NOTE: Destroying a plant does not delete any of that plant's already submitted Traceability System data. It simply removes the plant from use moving forward and that plant will be identified as having been destroyed.</u>

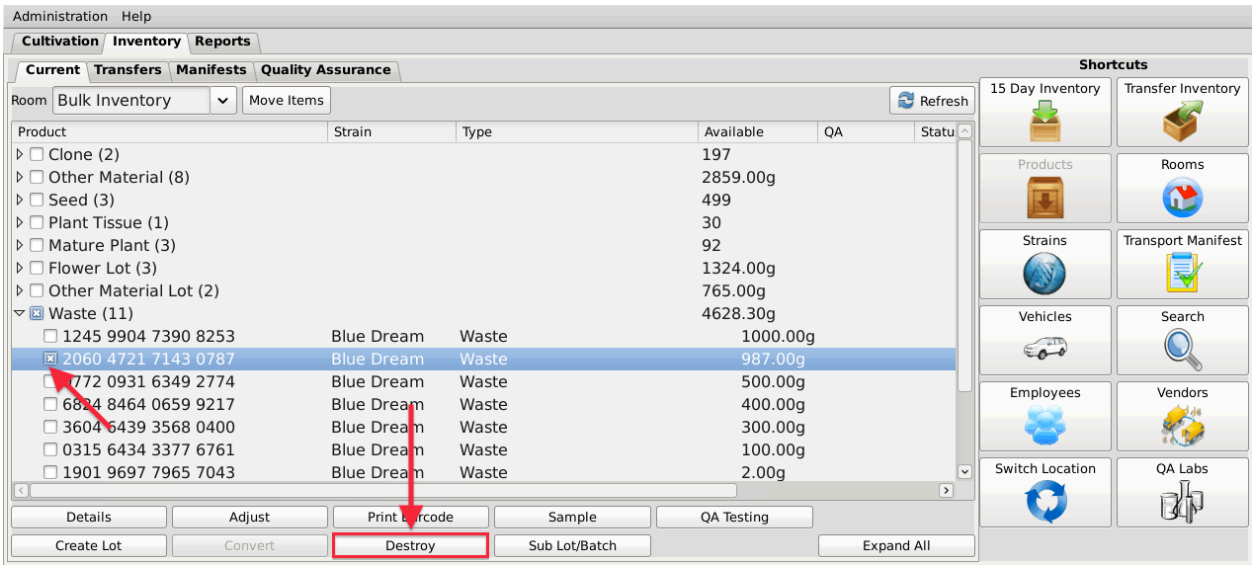
Schedule Inventory Destruction

This function allows you to schedule inventory for destruction. This event begins the 72-hour waiting period before the Destroy Inventory function may be used on the inventory item.

There are two methods through which you may click a "Destroy" button for inventory.

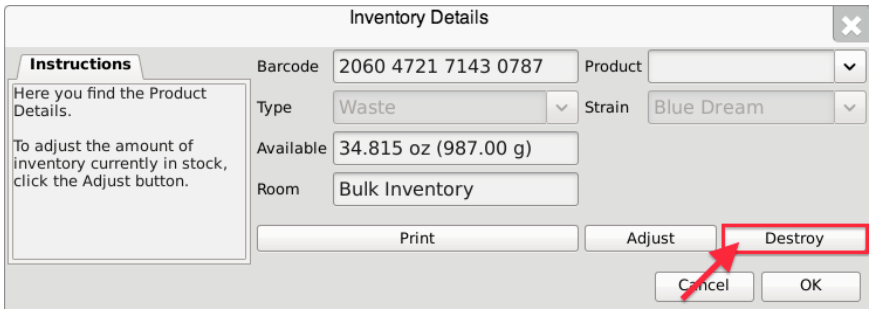
Method 1

- Navigate to the Inventory Room within which the to-be-destroyed inventory is located (make sure that you are within the Inventory tab and the Current sub-tab).
- Click on the checkbox to the left of the item to be destroyed.
- Click on the "Destroy" button at the bottom of the screen.

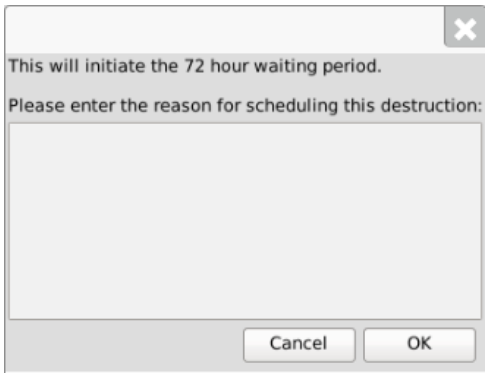


Method 2

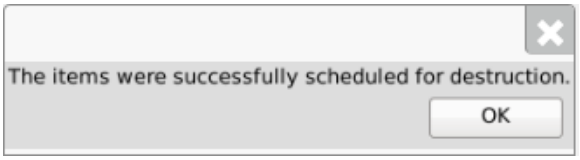
- Bring up the to-be-destroyed item's Inventory Details screen, either by selecting the item within its room or by using the Inventory Lookup function.
- Click on "Destroy".



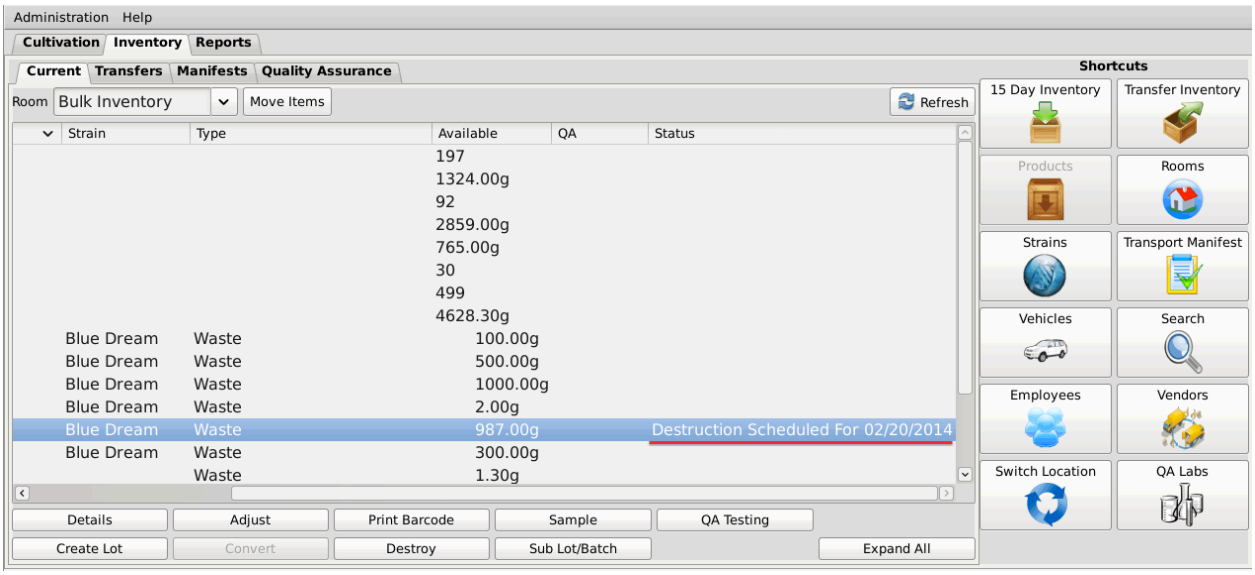
- Regardless of which method you use to click “Destroy”, a pop-up window appears wherein you type the reason the item is being destroyed. Click “OK” when completed.



- Another pop-up window appears notifying you that the Traceability System has accepted the scheduled destruction.



- Note that the inventory item’s Status is updated to “Destruction Scheduled for MM/DD/YYYY”.



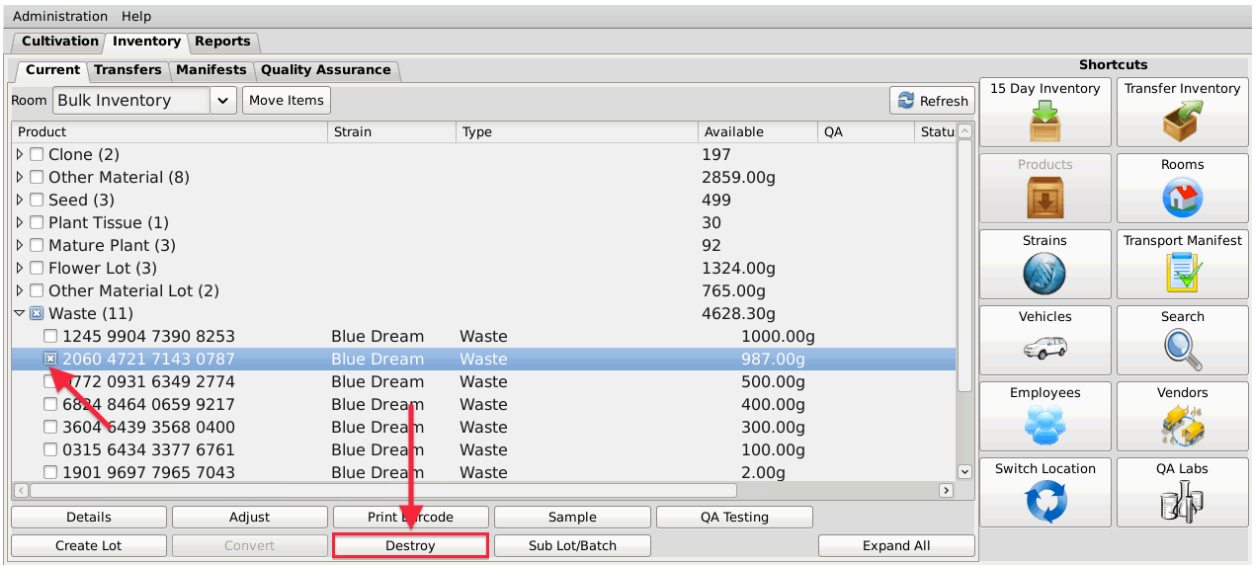
Destroy Inventory

This function allows you to destroy an inventory item. Inventory may only be destroyed after the waiting period has expired.

There are two methods through which you may click a "Destroy" button for inventory.

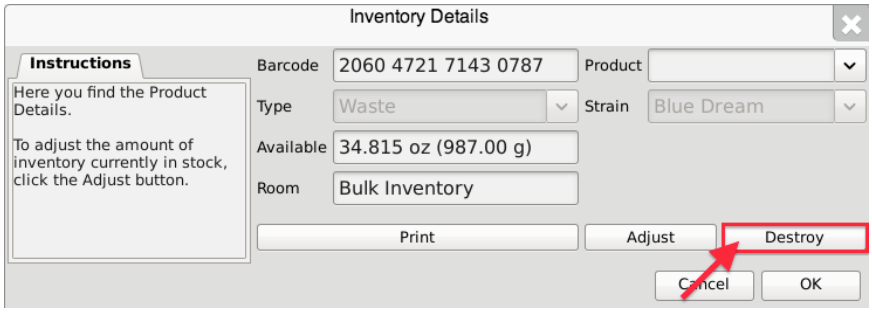
Method 1

- Navigate to the Inventory Room within which the to-be-destroyed inventory is located (make sure that you are within the Inventory tab and the Current sub-tab).
- Click on the checkbox to the left of the item to be destroyed.
- Click on the "Destroy" button at the bottom of the screen.



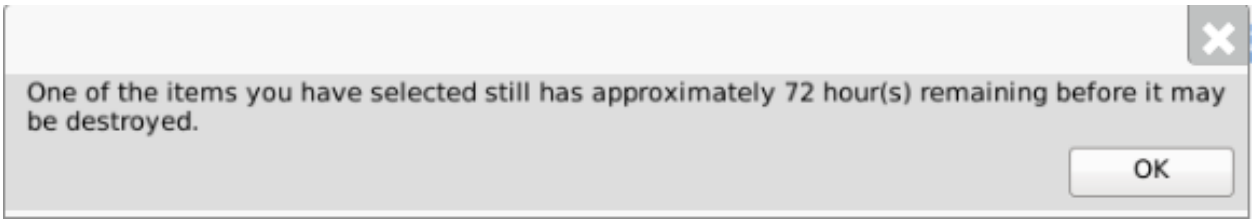
Method 2

- Bring up the to-be-destroyed item's Inventory Details screen, either by selecting the item within its room or by using the Inventory Lookup function.
- Click on "Destroy".



- If the item's 72-hour waiting period has elapsed, then the item is destroyed in the Traceability System.

- Should you attempt to destroy the inventory item prior to the 72-hour waiting period expiring, a pop-up window appears to inform you how many hours remain in the waiting period before that plant may be destroyed.



NOTE: Destroying an Inventory Item does not delete any of that item's already submitted Traceability System data. It simply removes the inventory from use moving forward and that inventory will be identified as having been destroyed.

Chapter 19: Samples

In this chapter, you will learn how to:

- ✓ Account for inventory deductions resulting from samples for negotiating a sale
- ✓ Account for inventory deductions resulting from internal sampling

Regulations

WAC 314-55-083

(4) The following information is required and must be kept completely up-to-date in a system specified by the board:

(n) All free samples provided to another licensee for purposes of negotiating a sale;

(o) All samples used for testing for quality by the producer or processor;

(6) Free samples of usable marijuana may be provided by producers or processors, or used for product quality testing, as set forth in this section.

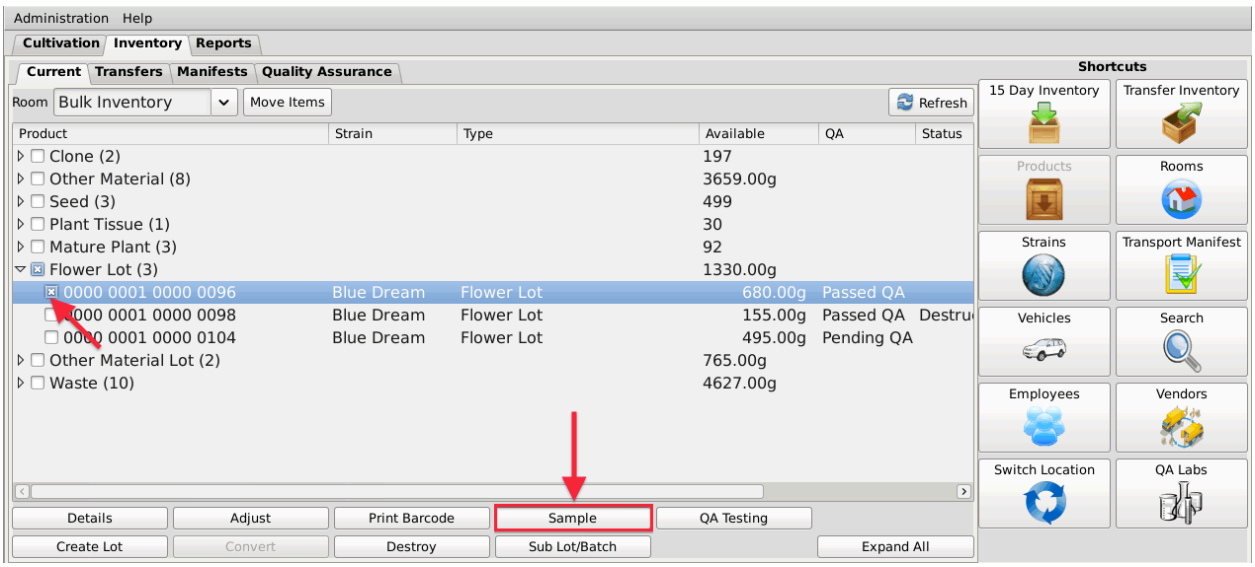
(a) Samples are limited to two grams and a producer may not provide any one licensed processor more than four grams of usable marijuana per month free of charge for the purpose of negotiating a sale. The producer must record the amount of each sample and the processor receiving the sample in the traceability system.

(f) Producers may sample one gram of usable marijuana per strain, per month for quality sampling. Sampling for quality may not take place at a licensed premises. Only the producer or employees of the licensee may sample the usable marijuana for quality. The producer must record the amount of each sample and the employee(s) conducting the sampling in the traceability system.

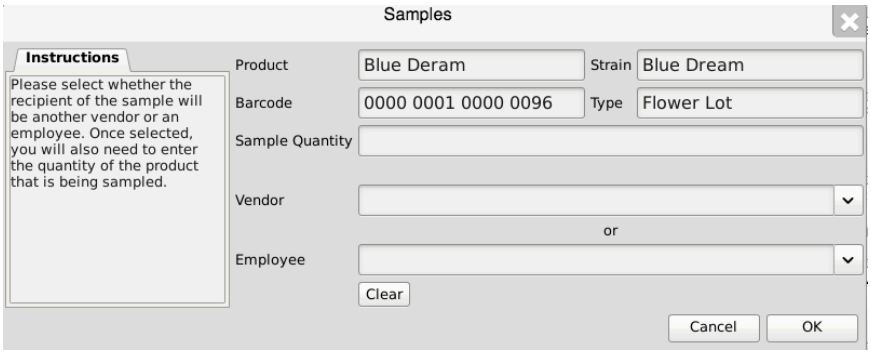
Account for Free Sample

This function will notify the Traceability System of inventory deductions resulting from free samples provided to another licensee for purposes of negotiating a sale and samples provided to producer/employee for internal quality sampling. Though the example screen shots illustrate the accounting for product quality samples, accounting for sale negotiation samples follows the same path.

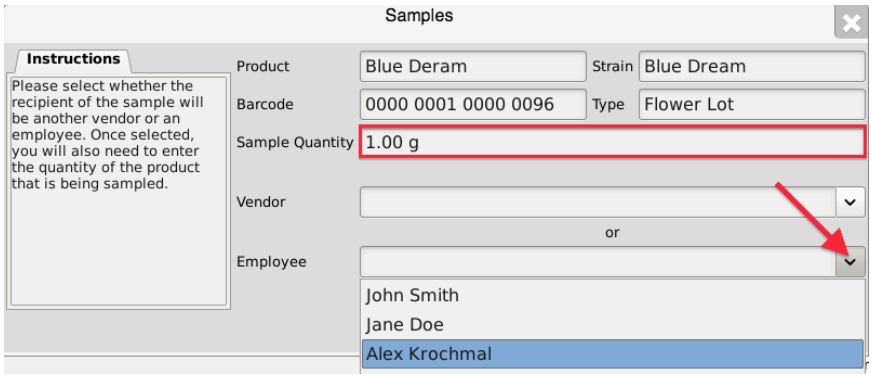
- Navigate to the Inventory Room within which the to-be-sampled inventory is located (make sure that you are within the Inventory tab and the Current sub-tab).
- If the product groups are collapsed, click on the expand arrow to view all of the available inventory.
- Click on the checkbox to left of the item to be sampled.
- Click on the “Sample” button at the bottom of the screen



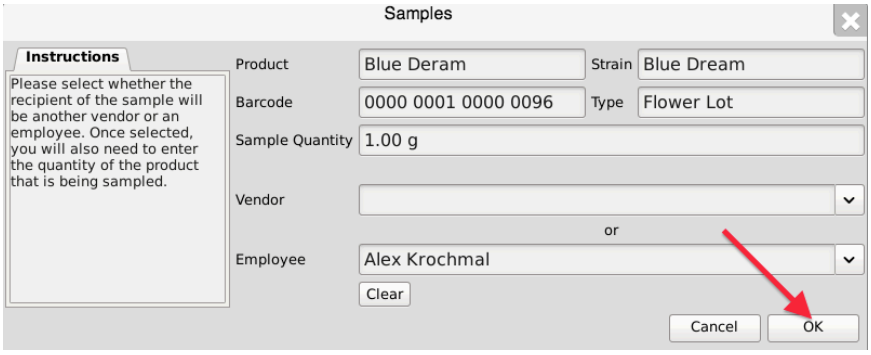
- This will bring up the Sample screen.



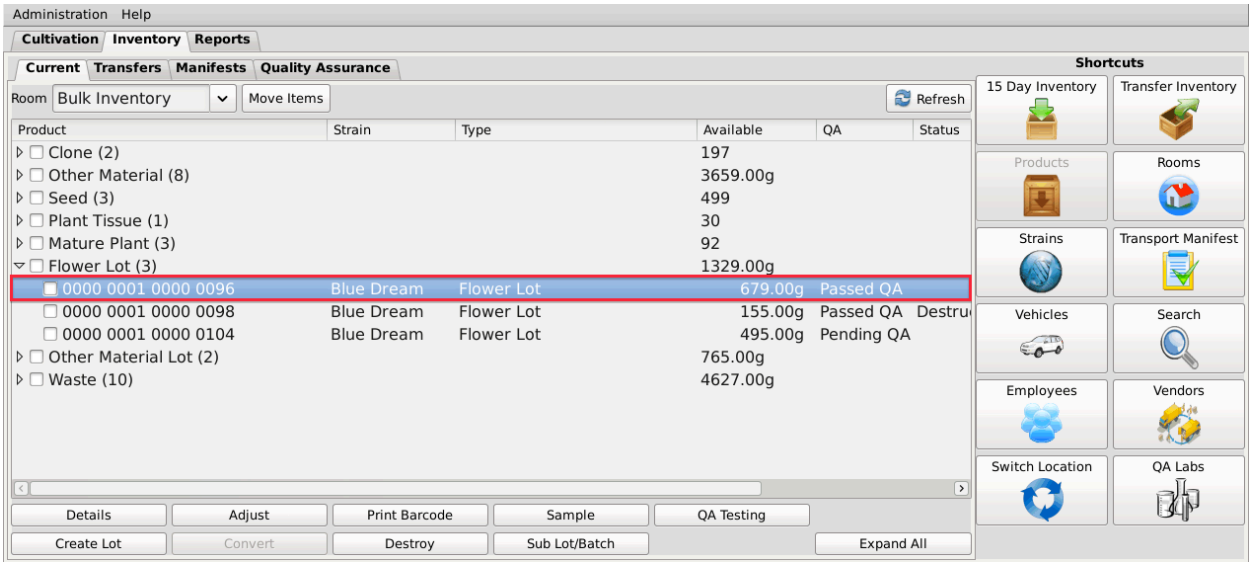
- From the Sample screen,
  - Enter the Sample Quantity, and
  - Select the recipient of the sample from either
    - Vendor dropdown (if for negotiating a sale) or
    - Employee dropdown (if product quality sample).



- Click on the “OK” button when complete.



- The Traceability System automatically deducts the sample quantity from inventory.



Chapter 20: Inventory Adjustments

In this chapter, you will learn how to:

- ✓ Adjust Inventory

Types of Inventory Adjustments

This function will notify the Traceability System of inventory deductions that are not attributable to sales, samples, or destruction. The list of the different adjustment types and guidelines with respect to when each type should be used are as follows:

Inventory Audit. If after performing an inventory audit you find that actual inventory quantities do not match quantities as reported in the Traceability System, and you are unable to determine an explanation for the difference.
Theft. If inventory loss is determined to be due to theft.
Seizure by Federal, State, Local, or Tribal Law Enforcement. If inventory loss occurred because of non-WSLCB law enforcement seizure.
Mistake. If it is determined that prior data submitted to the Traceability System was keyed incorrectly. (This is the only type of adjustment that could result in an inventory increase).
Moisture Loss. If Other Material with a status of "Wet" (wet weight resulting from a harvest event) is subsequently dried.
Depleted. Reserved for Plant Tissue, removes plant tissue from inventory after its final use.

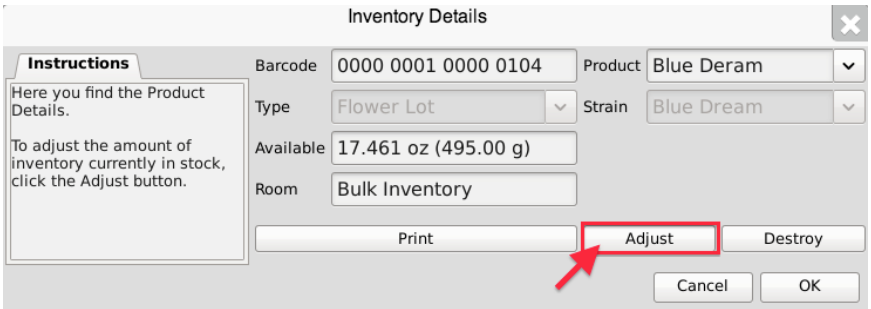
Though the example screen shots illustrate an inventory adjustment due to theft, all of the inventory adjustment types follow the same path.

Accessing the Inventory Adjustment Screen

You may access the inventory adjustment screen by using either of two methods:

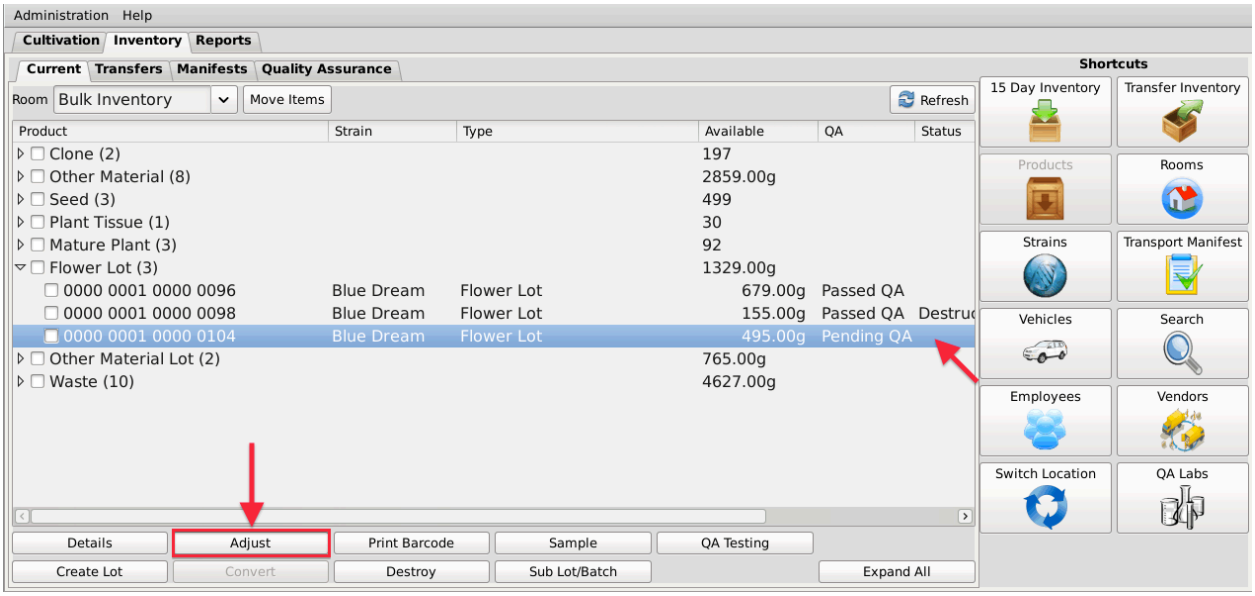
Method 1

- Bring up the Inventory Details screen for the item to-be-adjusted, either by double-clicking the item within its room or by using the Inventory Lookup function described earlier.
- Click on the "Adjust" button.



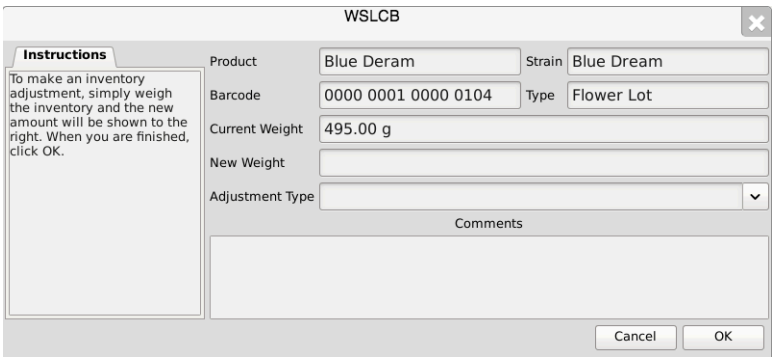
Method 2

- Navigate to the Inventory Room within which the to-be-adjusted item is located (make sure that you are within the Inventory tab and the Current sub-tab).
- Select the item to be adjusted and click on the "Adjust" buton found at the bottom of the screen.

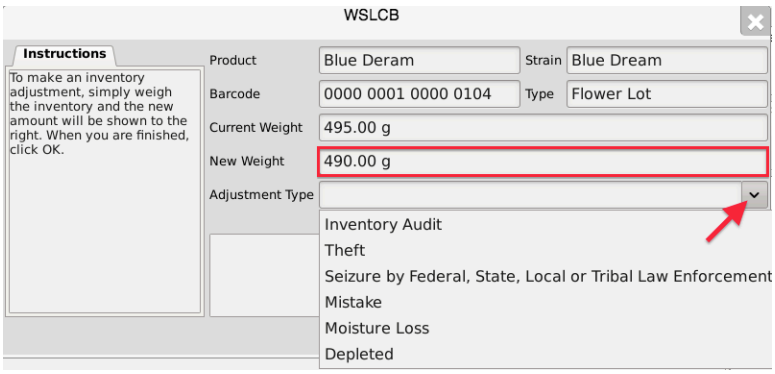


Adjust Inventory

- Regardless of which method you use, the Inventory Adjustment screen will appear.

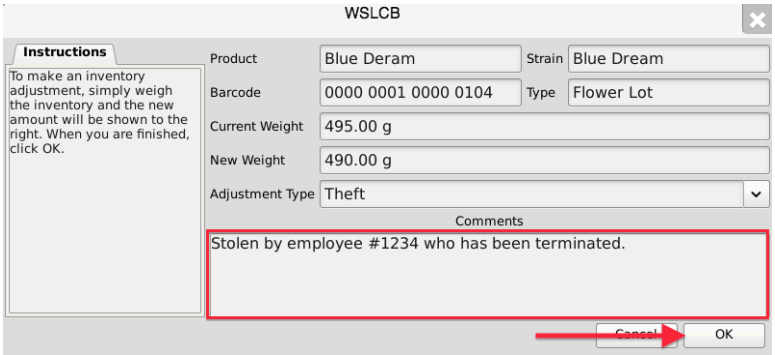


- From the Inventory Adjustment screen,
  - Enter the New Weight (current actual weight that needs to be reflected in the Traceability System), and
  - Select the Adjustment Type via the dropdown.

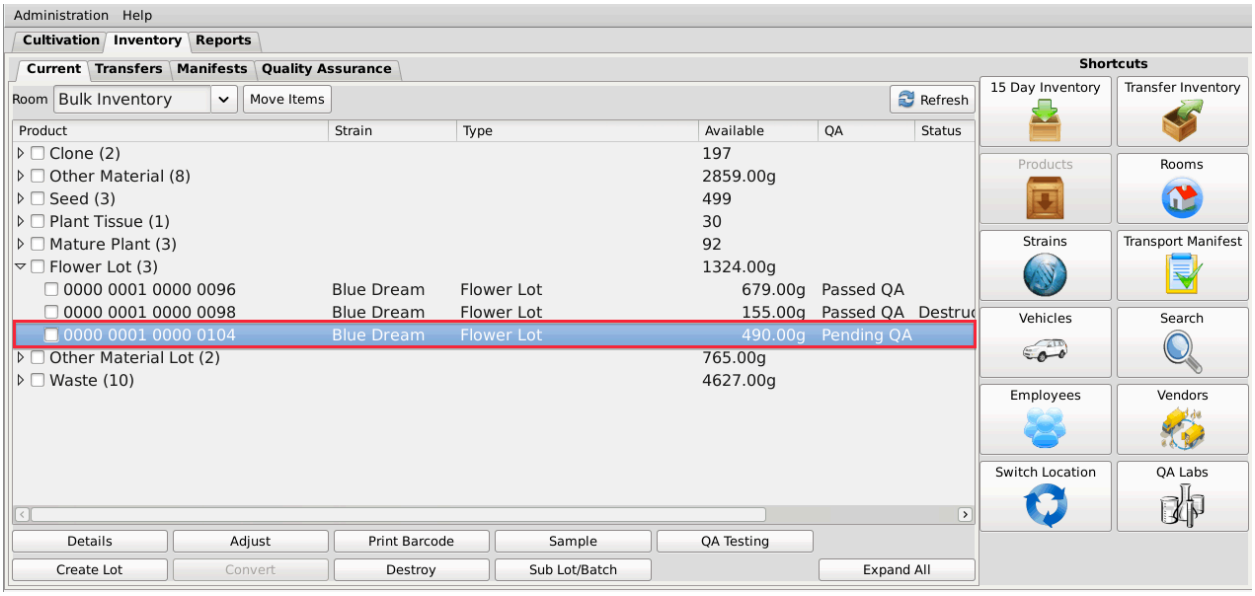


- Type in a detailed explanation for the inventory adjustment within the Comments box.

- Click the "OK" button when complete.

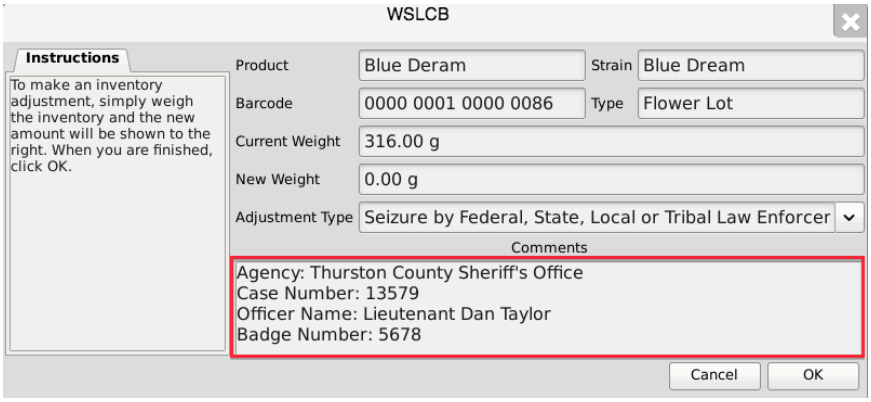


- The item now reflects the actual weight and the reason for the discrepancy has been submitted to the WSLCB.



Instructions Specific to Seizure by Federal, State, Local, or Tribal Law Enforcement

Though all adjustments should include as much detail as reasonable within the Comments box, should any plant or inventory be seized by enforcement other than Washington State Liquor Control Board Enforcement, the Licensee is responsible for including incident-specific information such as the name of the agency seizing the product; case or citation number; the name, rank, and badge number of the officer involved; and the reason for the seizure, if known.



Chapter 21: Tax Obligation Report

In this chapter, you will learn how to:

- ✓ Access and submit the Tax Obligation Report

Regulations

WAC 314-55-089

What are the tax and reporting requirements for marijuana licensees?

(1) Marijuana licensees must submit monthly report(s) and payments to the board. The required monthly reports must be:

(a) On a form or electronic system designated by the board;

(b) Filed every month, including months with no activity or payment due;

(c) Submitted, with payment due, to the board on or before the twentieth day of each month, for the previous month. (For example, a report listing transactions for the month of January is due by February 20th.) When the twentieth day of the month falls on a Saturday, Sunday, or a legal holiday, the filing must be postmarked by the U.S. Postal Service no later than the next postal business day;

(d) Filed separately for each marijuana license held; and

(e) All records must be maintained and available for review for a three-year period on licensed premises (see WAC 314-55-087).

(2) Marijuana producer licensees: On a monthly basis, marijuana producers must maintain records and report purchases from other licensed marijuana producers, current production and inventory on hand, sales by product type, and lost and destroyed product in a manner prescribed by the board. A marijuana producer licensee must pay to the board a marijuana excise tax of twenty-five percent of the selling price on each wholesale sale to a licensed marijuana processor.

(3) Marijuana processor licensees: On a monthly basis, marijuana processors must maintain records and report purchases from licensed marijuana producers, production of marijuana-infused products, sales by product type to marijuana retailers, and lost and/or destroyed product in a manner prescribed by the board. A marijuana processor licensee must pay to the board a marijuana excise tax of twenty-five percent of the selling price on each wholesale sale of usable marijuana and marijuana-infused product to a licensed marijuana retailer.

WAC 314-55-092

What if a marijuana licensee fails to report or pay, or reports or pays late?

(1) If a marijuana licensee does not submit its monthly reports and payment(s) to the board as required in WAC 314-55-089: The licensee is subject to penalties.

Penalties: A penalty of two percent per month will be assessed on any payments postmarked after the twentieth day of the month following the month of sale. When the twentieth day of the month falls on a Saturday, Sunday, or a legal holiday, the filing must be postmarked by the U.S. Postal Service no later than the next postal business day.

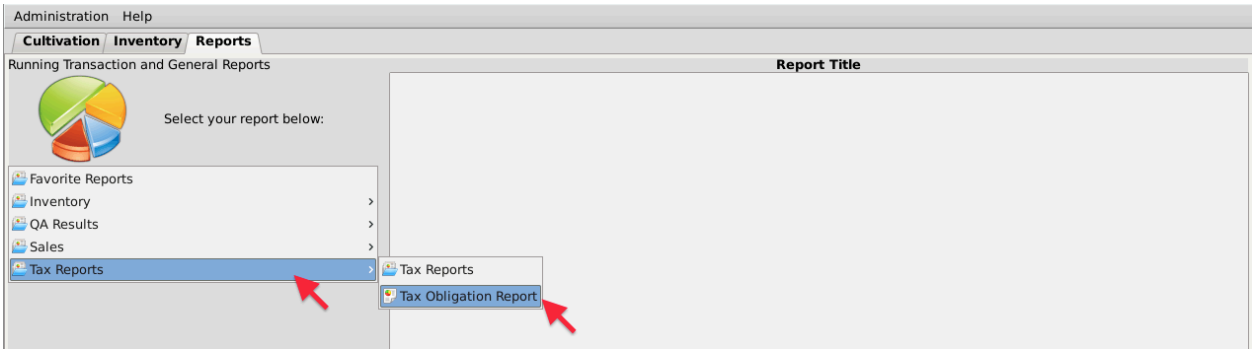
(2) Failure to make a report and/or pay the license taxes and/or penalties in the manner and dates outlined in WAC 314-55-089 will be sufficient grounds for the board to suspend or revoke a marijuana license.

Accessing the Tax Obligation Report

You will need to access the tax obligation report section in order to view, electronically confirm, export, and print your monthly tax obligation report.

- Navigate to the "Reports" tab found in the top-left corner of the screen, and then click on the "Favorite Reports" dropdown located on the left-hand side of the screen.

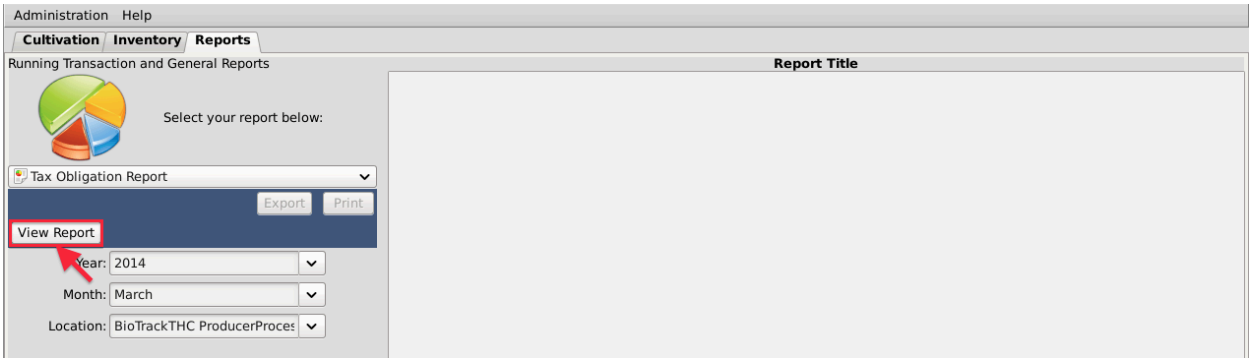
- Hover the cursor over "Tax Reports" and then click on "Tax Obligation Report".



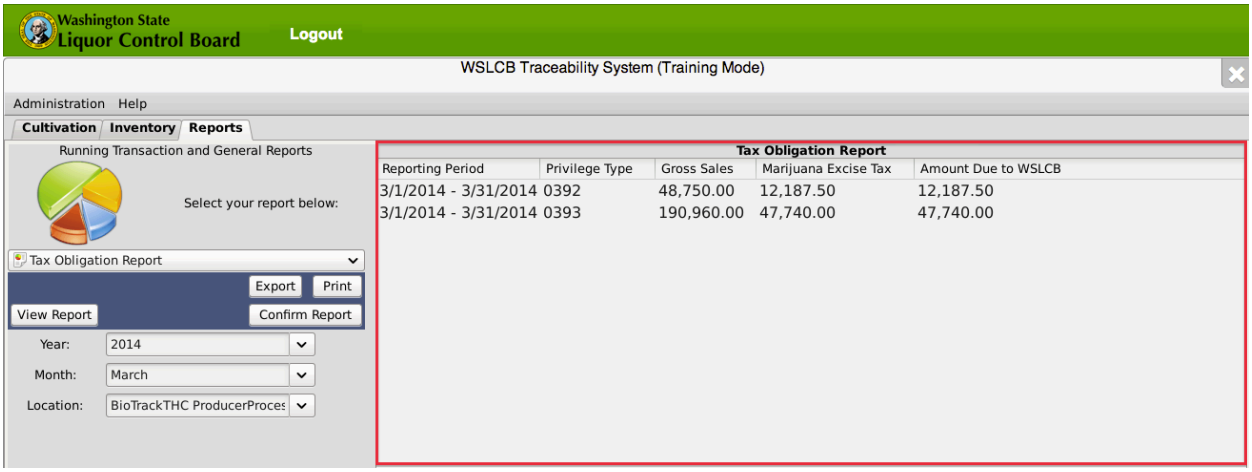
Viewing the Tax Obligation Report

- Using the provided dropdowns select the desired year, month, and location (if more than one) for the report.

- When complete, click "View Report".



- The primary window will populate with the Reporting Period, Privilege Type, Gross Sales, Marijuana Excise Tax, and Amount Due to the WSLCB for each privilege code.



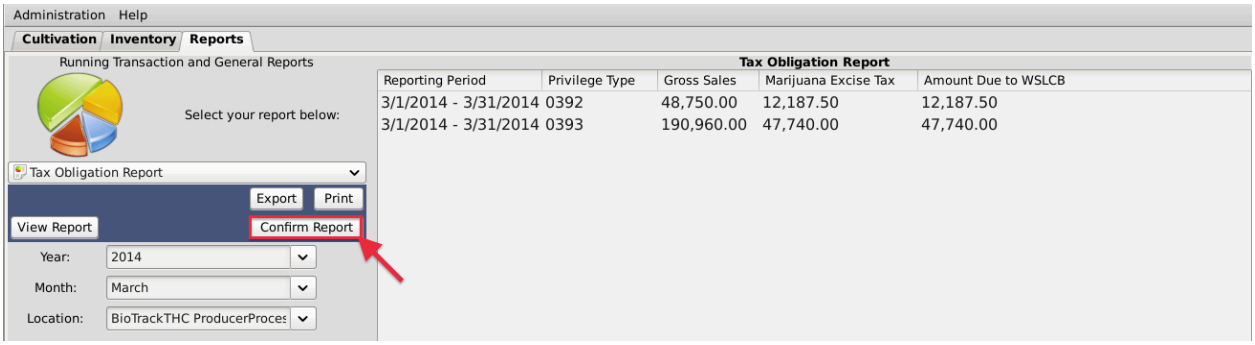
- NOTE: IF YOUR INTERNAL RECORDS DO NOT MATCH THE REPORT, PLEASE REVIEW THE LAST SECTION OF THIS CHAPTER, TITLED "SALES REPORTS", SO YOU CAN RECONCILE SUBMITTED TRACEABILITY DATA WITH YOUR INTERNAL RECORDS.

Confirming and Electronically Submitting the Tax Obligation Report

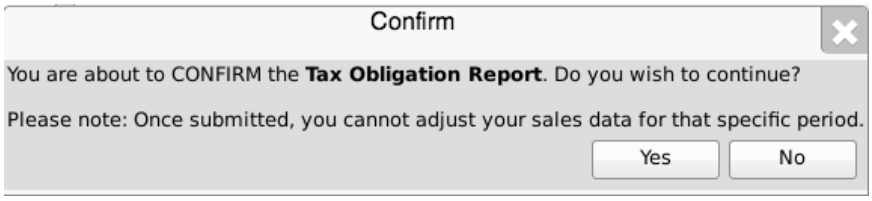
Once you have verified that the reporting period's gross sales match your internal records, you will need to electronically submit the tax obligation report to the WSLCB through the Traceability System.

NOTE: The Traceability System will break out sales and excise tax obligations by privilege types on the report submitted to the WSLCB. You will only need to confirm one report to meet your tax obligation reporting requirement.

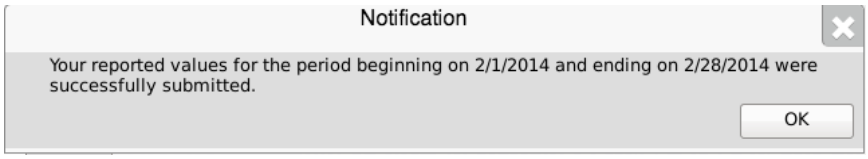
- Click on the "Confirm Report" button.



- A prompt will appear warning you that once the tax obligation report is confirmed, you may no longer adjust sales data for that specific period. Click "Yes" when you wish to confirm.



- You will see the following notification when the WSLCB has received the confirmation of the reporting period's tax obligation report.

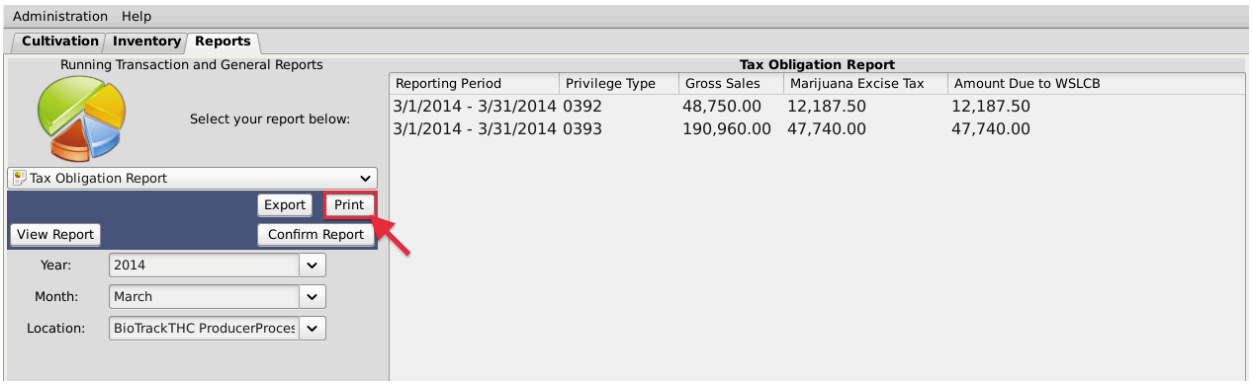


- NOTE: IF YOU DISCOVER AN ERROR IN THE REPORTING PERIOD AFTER THE CONFIRMATION HAS BEEN PROCESSED, YOU WILL NEED TO CONTACT THE WSLCB TO HAVE THE REPORTING PERIOD TEMPORARILY UNLOCKED IN ORDER TO MAKE THE NECESSARY PRIOR-PERIOD REPORTING ADJUSTMENTS.

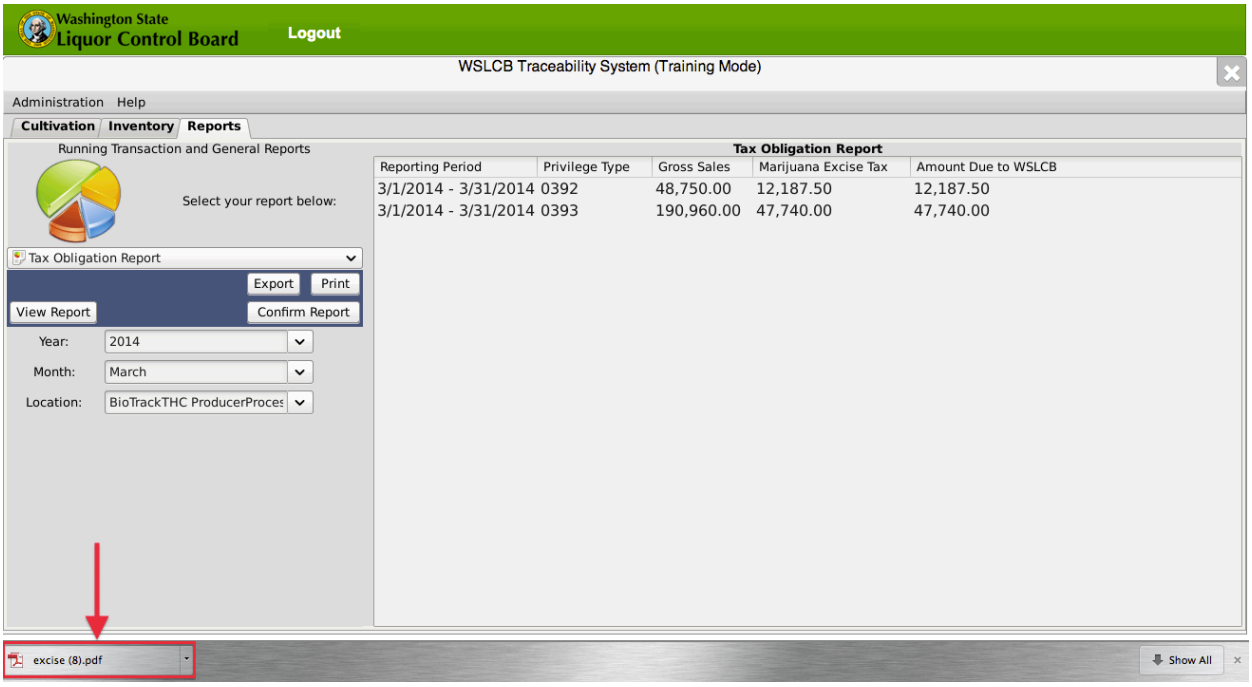
Downloading and Printing the Tax Obligation Report

Once you have confirmed the Tax Obligation Report within the Traceability System, you must download and print the tax obligation report for the purposes of sending it to the WSLCB with payment due.

- Click on the "Print" button.



- Depending on your internet browser and your settings, your computer may automatically begin downloading a pdf version of the tax obligation report, or may prompt you to allow, keep, or accept the file.

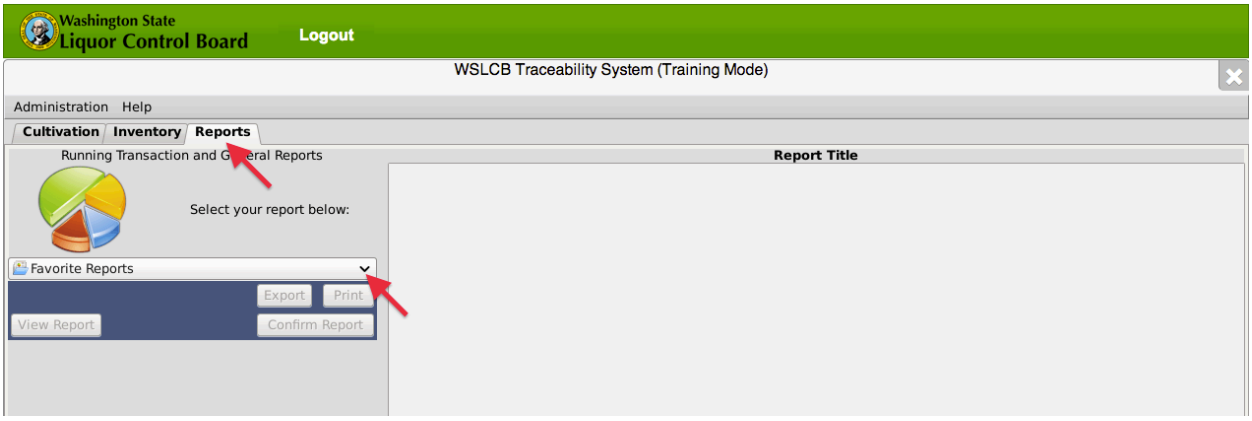


- Open and print the tax obligation report pdf file and follow its instructions for remitting the hardcopy of the report and payment to the WSLCB.

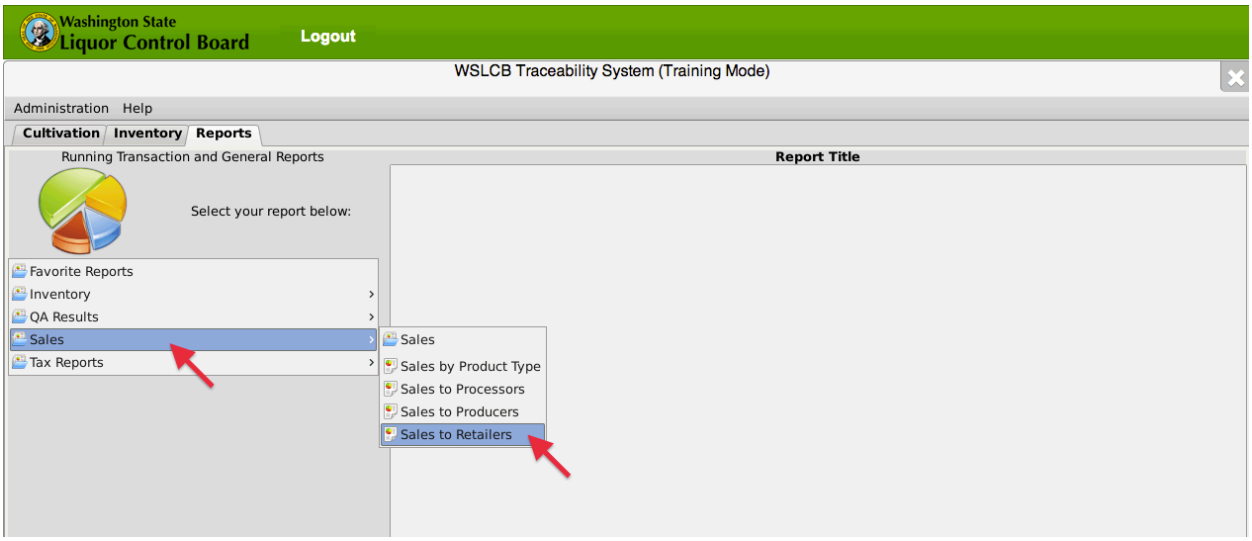
Sales Reports

You may view your sales activity—as entered into the Traceability System—by looking up the sales reports within the Reports tab.

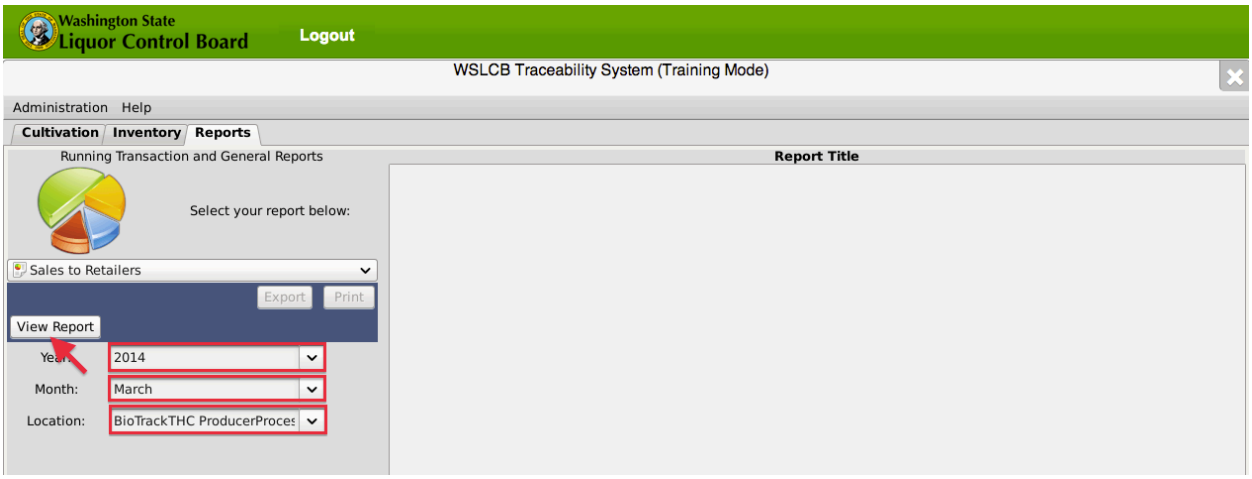
- Navigate to the Reports Tab and click on the "Favorite Reports" dropdown



- Hover your cursor over the "Sales" category and then select the licensee-type that you would like to look-up.

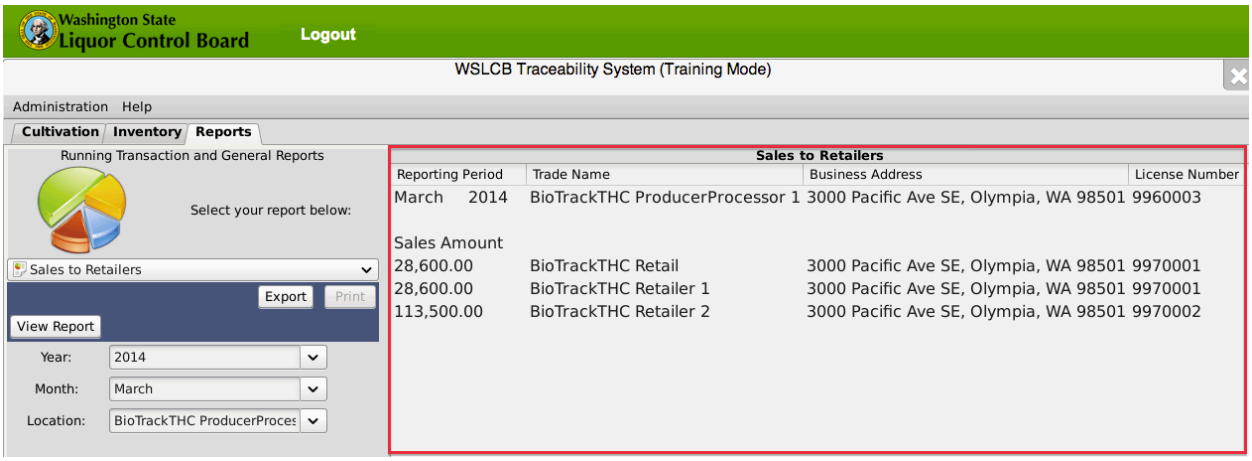


- Three dropdown menus will appear on the left-hand side. Select the year, month, and location (if you have multiple locations under the same UBI) that you would like to look-up and then click on the "View Report" button.



- A breakdown of total sales to each licensee for the reporting period selected will display in the primary report window.

- NOTE: Producers-Processors may sell to Producers, Processors, and Retailers. Therefore, you may need to query the "Sales to Producers" report, the "Sales to Processors" report, and the "Sales to Retailers" report to compute your combined total sales figure.



Chapter 22: Miscellaneous

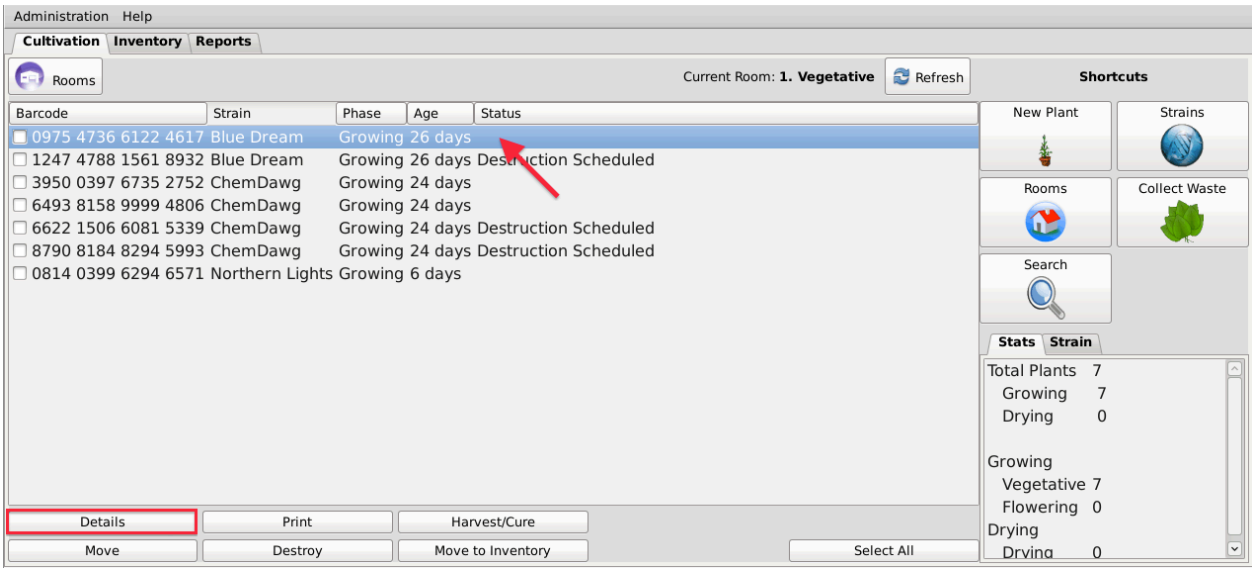
In this chapter, you will learn how to:

- ✓ Transfer mature plant from Cultivation to Inventory

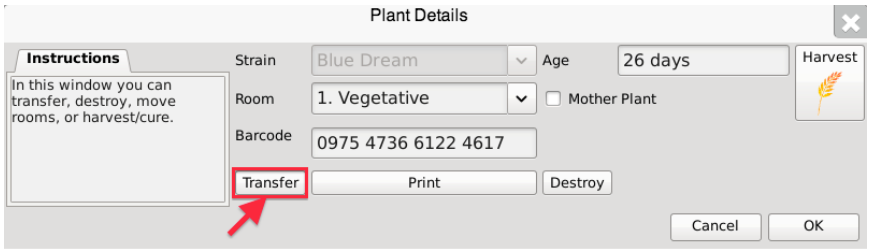
Plant Transfer from Cultivation to Inventory

This function allows transfers a plant out of the Cultivation area and into Inventory for the purposes of selling a mature plant in a Producer-to-Producer transaction.

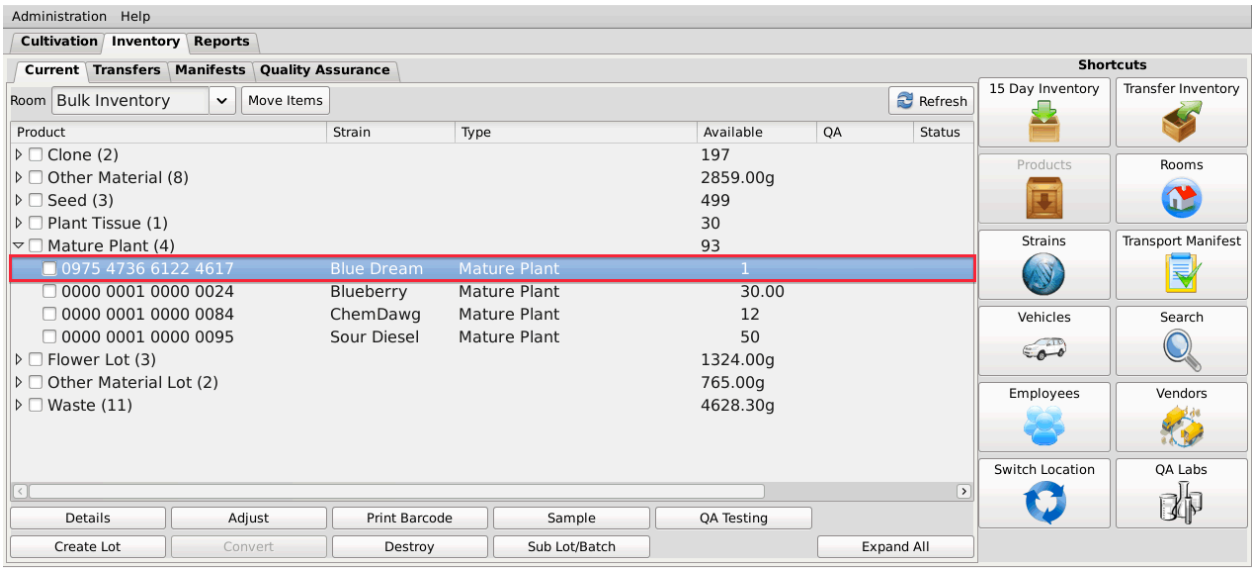
Double-click on a plant to view the Plant Information screen for that plant. Alternatively, you may single-click the plant to highlight it, and then click the "Details" button found in the bottom-left corner of the screen.



- Click on the "Transfer" button.



- Upon confirming the transfer, the plant may be found within the Bulk Inventory Room and may be placed on a transportation manifest for a Producer-to-Producer sale.



MALAMA GROUP LLC: OAHU MEDICAL MARIJUANA APPLICATION

Section 8: Malama Group Patient Confidentiality Procedures

Malama Group is extremely aware of the need and requirement to safeguard patient confidentiality. All new and existing patients and their designated caregivers who visit Malama Group dispensaries will undergo strict protocols to verify the legal and current patient status of each and every visitor in compliance with requirements of HRS 329. Through the company's intake security protocols, new patient orientation, and returning patient tracking data, we will utilize our electronic verification system to comply with State mandated monitoring and reporting and to safely track and serve our patient population.

First time and returning visitors will be required to present their state-issued patient identification card and government-issued photo identification for verification by our trained dispensary staff. While we confirm their patient status, new visitors will wait inside our Secured Patient Entrance to complete Malama Group's "New Patient/Caregiver Intake Form" including patient and/or caregiver name, date of birth, address, phone number, emergency contact, a voluntary description of the patient's medical condition(s), allergies to any food or medications, primary care physician info, and preferred cannabis varieties, products and cannabinoid ratios. After verifying patient and/or caregiver status, patients shall be buzzed into our dispensing room, and proceed to the patient services desk for orientation.

Orientation procedures will include an introduction to the dispensary security protocols, creating a new patient tracking profile in our electronic verification system, the issuance of a dispensary member card, patient education materials, a tour of the dispensary storefront, and

an introduction to a dispensary retail staff member who can help them with their purchasing options. There will be a maximum occupancy limit ratio in the secured sales room of two customers to every one employee.

Malama Group will utilize BioTrackTHC as its electronic verification system. BiotrackTHC's customer management tools allow for the collection of all patient and caregiver information. For all visits by new and existing patients and caregivers, and/or once a sale commences, information including but not limited to; name, date, registration identification card, the issue and expiration date of the card, products purchased, quantity and name of establishment can be instantaneously recoded. The system can also keep track of which employee rang up the sale, and the exact date and time they performed the action. This is done using BiotrackTHC's internal security functionality via either a fingerprint scan or individualized PIN.

It’s important to note that patient confidentiality is a core principle taught by Malama Group to all employees, subcontractors and partners. Company training courses cover basic and advanced privacy measures, as well as an understanding of the key rules and regulations for ensuring confidentiality. A sample HIPAA test from one of these courses is attached as an addendum to this section.

Malama Group will exercise substantial care to ensure that the personal identifying information of persons who hold registry identification cards which is contained in the electronic verification system is encrypted, protected and not divulged for any purpose not specifically authorized by law.

Supplemental materials to this section include:

1. ***Patient Check-in & Dispensing Procedures***
2. ***Sample HIPAA Acknowledgement Form***
3. ***HIPAA Privacy Summary***
4. ***Employee HIPAA Training Test***

“Aloha oia o ka aina a ohana makou.”

Malama Group

Patient Check-In and Dispensing Procedures

January 2016

Confidential

MALAMA GROUP: PATIENT CHECK-IN AND DISPENSING PROCEDURES

Patient Flow, Access and Purchase Protocol

Malama Group dispensaries will be designed to maintain the safety and security of employees, patients, and products. As we are legally required to ensure the quality, care, and safekeeping of marijuana from "seed to sale," our Dispensary Operations Plan plays a crucial role in interfacing and tracking our transactions with our end-user patients. The following information should be reviewed frequently and updated as needed.

The following sections describe each Malama Group dispensary in terms of its one-way patient flow and inventory access protocol.

Room 1 (Waiting and Check-In)

All patients shall access our dispensary via a secured locked waiting/check-in room ("Room 1"). We will have an internal, roped queue line that can accommodate up to 20 waiting patients at a time. Any lines out the door shall queue outside, in an orderly fashion, and be managed by additional security staff.

Security/Check-In

Inside our Secured Entry Room, patients will present authorization documentation along with a government-issued photo ID, for inspection by our security guard manning our security kiosk. Upon the successful verification and screening of a patient's medical marijuana documentation and government issued photo identification, the check-in manager shall call up patients individually, and buzz each approved individual into the dispensary retail area.

Room 2 (Dispensing Room)

Malama Group's Dispensing Rooms will each be in a separated secured room from the intake area, where all medical marijuana and related products shall be on display, and where all patient counseling, product selection, and monetary transactions shall occur. There will be a maximum occupancy limit ratio in the secured sales room of two customers to every one employee.

Room 2 (Dispensing Room) - Product Display & Handling

All Malama Group medical marijuana flower products shall be displayed under locked transparent display counters, or in transparent locked containers behind the service counters.

Manufactured marijuana products shall be displayed both under locked glass or clear acrylic, or be displayed in locked racks or refrigerated units, behind the counters. When assisting a patient, upon request, staff shall allow the patient to smell, and only lightly touch flower product (samples from each batch may be provided for this purpose).

Room 2 (Dispensing Room) - Purchases

Once patients make their decision, the medical marijuana or related product will be dispensed by our staff. The assisting staff member shall, for flower products only:

(1) Using only Malama Group approved containers, weigh out the amount(s) of medical marijuana in full view of the patient;

(2) Collect payment from patient;

(3) Enter the purchase data into that patient's profile in BioTrackTHC (this could include card swiping, manual entry, etc.);

(4) Again using BioTrackTHC, print out the product label for the transaction, affix onto the container; and

(5) Hand the product, and receipt, to the patient.

For non-flower products, such as infused medications and topicals, follow Steps 2, 3 and 5 described above.

Room 2 (Dispensing Room) - Exit

Malama Group's Dispensing Rooms shall each have a one-way, secured exits for patients to exit the Dispensing Room. Immediately outside this secured, fire-proof door will be a one-way, full-height, metal turnstile commonly found at pedestrian border crossings, for patients to exit. There will be a separate manually guard-operated secured exit, operated on an as needed basis, for handicapped persons and others, in compliance with ADA standards.

Electronic Verification System

All new and existing patients and their designated caregivers who visit our dispensary shall undergo strict protocols to verify the legal and current patient status of each and every visitor in compliance with requirements of HRS 329. Through our intake security protocols, new patient orientation, and returning patient tracking data, we will utilize our electronic

verification system to comply with State mandated monitoring and reporting and to safely track and serve our patient population.

First time and returning visitors will be required to present their state-issued patient identification card for verification by our trained dispensary staff. While we confirm their patient status, new visitors will wait inside our Secured Patient Entrance (Room 1) to complete Malama Group's "New Patient/Caregiver Intake Form" including patient and/or caregiver name, date of birth, address, phone number, emergency contact, a voluntary description of the patient's medical condition(s), allergies to any food or medications, primary care physician info, and preferred cannabis varieties, products and cannabinoid ratios. After verifying patient and/or caregiver status, patients shall be buzzed into our dispensing room (Room 2), and proceed to the patient services desk for orientation.

Orientation procedures will include an introduction to the dispensary security protocols, creating a new patient tracking profile in our electronic verification system, the issuance of a dispensary member card, patient education materials, a tour of the dispensary storefront, and an introduction to a dispensary retail staff member who can help them with their purchasing options.

Dispensary staff will enter all required and relevant patient data into our electronic verification system as required by law, as follows:

1. Malama Group, in consultation with the DOH, shall maintain an electronic verification system approved by the State (BioTrackTHC).

2. The electronic verification system will monitor and report information, including, without limitation:

    a. For each person who holds a valid registry identification card and who purchased marijuana from the dispensary in the immediately preceding 30-day period:

        i. The number of the card;

        ii. The date on which the card was issued; and

        iii. The date on which the card will expire.

    b. For each medical marijuana establishment agent who is employed by or volunteers at the Malama Group, the number of the person's medical marijuana establishment agent registration card.

3. Malama Group will utilize BioTrackTHC as its electronic verification system. BiotrackTHC's customer management tools allow for the collection of all patient and caregiver information. For all visits by new and existing patients and caregivers, and/or once a sale commences, information including but not limited to; name, date, registration identification card, the issue and expiration date of the card, products purchased, quantity and name of establishment can be instantaneously recoded. The system can also keep track of which employee rang up the sale, and the exact date and time they performed the action. This is done using BiotrackTHC's internal security functionality via either a fingerprint scan or individualized PIN.

4. Malama Group will exercise reasonable care to ensure that the personal identifying information of persons who hold registry identification cards which is contained in the electronic verification system is encrypted, protected and not divulged for any purpose not specifically authorized by law.

Inventory Tracking

Please refer to Inventory Tracking System Overview document for details on Malama Group inventory management procedures.

As part of our compliance with an integrated plan for the care, quality and safekeeping of medical marijuana from seed to sale, pursuant to HRS 329D, we require all operations to be tracked by our interactive IT-based inventory control system (BioTrackTHC). The software will allow us to, at any given time, have a clear understanding of exactly what we have on hand and exactly where all of our inventory is within the facility. All information will allow the Department real time, 24 hour access to the tracking system and inventory records.

For our dispensary, we would like to highlight that before a registered employee completes a sale within the system, BiotrackTHC can prompt for identity verification of the patient, and internally verify that the patient does not exceed their 15 day 4 ounce, or 30 day 8 ounce legal limit as set out in section 329D-7, HRS. The system can apply a limit on a patient to patient basis and prohibit a registered employee from dispensing anything over the established limit.

The Dispensary Manager and staff are responsible for the oversight of the inventory control system as it relates to all dispensary operations. Changes or updates made in the inventory system will be restricted to only authorized personnel as directed by the Dispensary Director. A unique pin number will be assigned or created for each authorized employee, which is required to be entered before being able to update/change any inventory data in the system. This allows

for the tracking and documentation of what changes were made, at what time, the reason, and by whom.

All our inventory control system data will be available to State and local authorities at all times. Our database will be kept digitally on-site or offsite (at our discretion) for at least six years. Although not legally required, we will strive to achieve the "gold standard" by treating all data in compliance with federal patient information confidentiality and electronic exchange rules under HIPPA (the Health Insurance Portability Act of 1996, Privacy, Security and Breach Notification Rules, 45 CFR Part 160 and Part 164, Subparts A and E. All records are encrypted with the latest secure socket layer (SSL) to ensure the privacy of those whose information is recorded.

HIPAA Acknowledgment

I acknowledge and understand the requirement for confidentiality as outlined in the Employee Handbook and Department of Health and Human Services HIPPA Rules

Name	Date	Signature	Test Passed

OCR PRIVACY BRIEF

SUMMARY OF THE HIPAA PRIVACY RULE

HIPAA Compliance Assistance

SUMMARY OF
THE HIPAA PRIVACY RULE

Contents

SUMMARY OF
THE HIPAA PRIVACY RULE

Introduction	The *Standards for Privacy of Individually Identifiable Health Information* ("Privacy Rule") establishes, for the first time, a set of national standards for the protection of certain health information. The U.S. Department of Health and Human Services ("HHS") issued the Privacy Rule to implement the requirement of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA").[1] The Privacy Rule standards address the use and disclosure of individuals' health information—called "protected health information" by organizations subject to the Privacy Rule — called "covered entities," as well as standards for individuals' privacy rights to understand and control how their health information is used. Within HHS, the Office for Civil Rights ("OCR") has responsibility for implementing and enforcing the Privacy Rule with respect to voluntary compliance activities and civil money penalties. A major goal of the Privacy Rule is to assure that individuals' health information is properly protected while allowing the flow of health information needed to provide and promote high quality health care and to protect the public's health and well being. The Rule strikes a balance that permits important uses of information, while protecting the privacy of people who seek care and healing. Given that the health care marketplace is diverse, the Rule is designed to be flexible and comprehensive to cover the variety of uses and disclosures that need to be addressed. This is a summary of key elements of the Privacy Rule and not a complete or comprehensive guide to compliance. Entities regulated by the Rule are obligated to comply with all of its applicable requirements and should not rely on this summary as a source of legal information or advice. To make it easier for entities to review the complete requirements of the Rule, provisions of the Rule referenced in this summary are cited in notes at the end of this document. To view the entire Rule, and for other additional helpful information about how it applies, see the OCR website: http://www.hhs.gov/ocr/hipaa. In the event of a conflict between this summary and the Rule, the Rule governs. Links to the OCR Guidance Document are provided throughout this paper. Provisions of the Rule referenced in this summary are cited in endnotes at the end of this document. To review the entire Rule itself, and for other additional helpful information about how it applies, see the OCR website: http://www.hhs.gov/ocr/hipaa.
Statutory & Regulatory Background	The Health Insurance Portability and Accountability Act of 1996 (HIPAA), Public Law 104-191, was enacted on August 21, 1996. Sections 261 through 264 of HIPAA require the Secretary of HHS to publicize standards for the electronic exchange, privacy and security of health information. Collectively these are known as the *Administrative Simplification* provisions. HIPAA required the Secretary to issue privacy regulations governing individually identifiable health information, if Congress did not enact privacy legislation within

	three years of the passage of HIPAA. Because Congress did not enact privacy legislation, HHS developed a proposed rule and released it for public comment on November 3, 1999. The Department received over 52,000 public comments. The final regulation, the Privacy Rule, was published December 28, 2000.[2] In March 2002, the Department proposed and released for public comment modifications to the Privacy Rule. The Department received over 11,000 comments. The final modifications were published in final form on August 14, 2002.[3] A text combining the final regulation and the modifications can be found at 45 CFR Part 160 and Part 164, Subparts A and E on the OCR website: http://www.hhs.gov/ocr/hipaa.
Who is Covered by the Privacy Rule	The Privacy Rule, as well as all the Administrative Simplification rules, apply to health plans, health care clearinghouses, and to any health care provider who transmits health information in electronic form in connection with transactions for which the Secretary of HHS has adopted standards under HIPAA (the "covered entities"). For help in determining whether you are covered, use the decision tool at: http://www.cms.hhs.gov/hipaa/hipaa2/support/tools/decisionsupport/default.asp. **Health Plans.** Individual and group plans that provide or pay the cost of medical care are covered entities.[4] Health plans include health, dental, vision, and prescription drug insurers, health maintenance organizations ("HMOs"), Medicare, Medicaid, Medicare+Choice and Medicare supplement insurers, and long-term care insurers (excluding nursing home fixed-indemnity policies). Health plans also include employer-sponsored group health plans, government and church-sponsored health plans, and multi-employer health plans. There are exceptions—a group health plan with less than 50 participants that is administered solely by the employer that established and maintains the plan is not a covered entity. Two types of government-funded programs are not health plans: (1) those whose principal purpose is not providing or paying the cost of health care, such as the food stamps program; and (2) those programs whose principal activity is directly providing health care, such as a community health center,[5] or the making of grants to fund the direct provision of health care. Certain types of insurance entities are also not health plans, including entities providing only workers' compensation, automobile insurance, and property and casualty insurance. **Health Care Providers.** Every health care provider, regardless of size, who electronically transmits health information in connection with certain transactions, is a covered entity. These transactions include claims, benefit eligibility inquiries, referral authorization requests, or other transactions for which HHS has established standards under the HIPAA Transactions Rule.[6] Using electronic technology, such as email, does not mean a health care provider is a covered entity; the transmission must be in connection with a standard transaction. The Privacy Rule covers a health care provider whether it electronically transmits these transactions directly or uses a billing service or other third party to do so on its behalf. Health care providers include all "providers of services" (e.g., institutional providers such as hospitals) and "providers of medical or health services" (e.g., non-institutional providers such as physicians, dentists and other practitioners) as defined by Medicare, and any other person or organization that furnishes, bills, or is paid for health care.

	Health Care Clearinghouses. *Health care clearinghouses* are entities that process nonstandard information they receive from another entity into a standard (i.e., standard format or data content), or vice versa.[7] In most instances, health care clearinghouses will receive individually identifiable health information only when they are providing these processing services to a health plan or health care provider as a business associate. In such instances, only certain provisions of the Privacy Rule are applicable to the health care clearinghouse's uses and disclosures of protected health information.[8] Health care clearinghouses include billing services, repricing companies, community health management information systems, and value-added networks and switches if these entities perform clearinghouse functions.
Business Associates	**Business Associate Defined.** In general, a business associate is a person or organization, other than a member of a covered entity's workforce, that performs certain functions or activities on behalf of, or provides certain services to, a covered entity that involve the use or disclosure of individually identifiable health information. Business associate functions or activities on behalf of a covered entity include claims processing, data analysis, utilization review, and billing.[9] Business associate services to a covered entity are limited to legal, actuarial, accounting, consulting, data aggregation, management, administrative, accreditation, or financial services. However, persons or organizations are not considered business associates if their functions or services do not involve the use or disclosure of protected health information, and where any access to protected health information by such persons would be incidental, if at all. A covered entity can be the business associate of another covered entity. **Business Associate Contract.** When a covered entity uses a contractor or other non-workforce member to perform *"business associate"* services or activities, the Rule requires that the covered entity include certain protections for the information in a business associate agreement (in certain circumstances governmental entities may use alternative means to achieve the same protections). In the business associate contract, a covered entity must impose specified written safeguards on the individually identifiable health information used or disclosed by its business associates.[10] Moreover, a covered entity may not contractually authorize its business associate to make any use or disclosure of protected health information that would violate the Rule. Covered entities that have an existing written contract or agreement with business associates prior to October 15, 2002, which is not renewed or modified prior to April 14, 2003, are permitted to continue to operate under that contract until they renew the contract or April 14, 2004, whichever is first.[11] Sample business associate contract language is available on the OCR website at: http://www.hhs.gov/ocr/hipaa/contractprov.html. Also see OCR "Business Associate" Guidance.
What Information is Protected	**Protected Health Information.** The Privacy Rule protects all *"individually identifiable health information"* held or transmitted by a covered entity or its business associate, in any form or media, whether electronic, paper, or oral. The Privacy Rule calls this information "*protected health information (PHI)*."[12]

	"Individually identifiable health information" is information, including demographic data, that relates to: • the individual's past, present or future physical or mental health or condition, • the provision of health care to the individual, or • the past, present, or future payment for the provision of health care to the individual, and that identifies the individual or for which there is a reasonable basis to believe can be used to identify the individual.[13] Individually identifiable health information includes many common identifiers (e.g., name, address, birth date, Social Security Number). The Privacy Rule excludes from protected health information employment records that a covered entity maintains in its capacity as an employer and education and certain other records subject to, or defined in, the Family Educational Rights and Privacy Act, 20 U.S.C. §1232g. **De-Identified Health Information.** There are no restrictions on the use or disclosure of de-identified health information.[14] De-identified health information neither identifies nor provides a reasonable basis to identify an individual. There are two ways to de-identify information; either: 1) a formal determination by a qualified statistician; or 2) the removal of specified identifiers of the individual and of the individual's relatives, household members, and employers is required, and is adequate only if the covered entity has no actual knowledge that the remaining information could be used to identify the individual.[15]
General Principle for Uses and Disclosures	**Basic Principle.** A major purpose of the Privacy Rule is to define and limit the circumstances in which an individual's protected heath information may be used or disclosed by covered entities. A covered entity may not use or disclose protected health information, except either: (1) as the Privacy Rule permits or requires; or (2) as the individual who is the subject of the information (or the individual's personal representative) authorizes in writing.[16] **Required Disclosures.** A covered entity must disclose protected health information in only two situations: (a) to individuals (or their personal representatives) specifically when they request access to, or an accounting of disclosures of, their protected health information; and (b) to HHS when it is undertaking a compliance investigation or review or enforcement action.[17] See OCR "Government Access" Guidance.
Permitted Uses and Disclosures	**Permitted Uses and Disclosures.** A covered entity is permitted, but not required, to use and disclose protected health information, without an individual's authorization, for the following purposes or situations: (1) To the Individual (unless required for access or accounting of disclosures); (2) Treatment, Payment, and Health Care Operations; (3) Opportunity to Agree or Object; (4) Incident to an otherwise permitted use and disclosure; (5) Public Interest and Benefit Activities; and

(6) Limited Data Set for the purposes of research, public health or health care operations.[18] Covered entities may rely on professional ethics and best judgments in deciding which of these permissive uses and disclosures to make.

(1) To the Individual. A covered entity may disclose protected health information to the individual who is the subject of the information.

(2) Treatment, Payment, Health Care Operations. A covered entity may use and disclose protected health information for its own treatment, payment, and health care operations activities.[19] A covered entity also may disclose protected health information for the treatment activities of any health care provider, the payment activities of another covered entity and of any health care provider, or the health care operations of another covered entity involving either quality or competency assurance activities or fraud and abuse detection and compliance activities, if both covered entities have or had a relationship with the individual and the protected health information pertains to the relationship. See OCR "Treatment, Payment, Health Care Operations" Guidance.

> ***Treatment*** is the provision, coordination, or management of health care and related services for an individual by one or more health care providers, including consultation between providers regarding a patient and referral of a patient by one provider to another.[20]
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> ***Payment*** encompasses activities of a health plan to obtain premiums, determine or fulfill responsibilities for coverage and provision of benefits, and furnish or obtain reimbursement for health care delivered to an individual[21] and activities of a health care provider to obtain payment or be reimbursed for the provision of health care to an individual.
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> ***Health care operations*** are any of the following activities: (a) quality assessment and improvement activities, including case management and care coordination; (b) competency assurance activities, including provider or health plan performance evaluation, credentialing, and accreditation; (c) conducting or arranging for medical reviews, audits, or legal services, including fraud and abuse detection and compliance programs; (d) specified insurance functions, such as underwriting, risk rating, and reinsuring risk; (e) business planning, development, management, and administration; and (f) business management and general administrative activities of the entity, including but not limited to: de-identifying protected health information, creating a limited data set, and certain fundraising for the benefit of the covered entity.[22]

Most uses and disclosures of psychotherapy notes for treatment, payment, and health care operations purposes require an authorization as described below.[23]

Obtaining "consent" (written permission from individuals to use and disclose their protected health information for treatment, payment, and health care operations) is optional under the Privacy Rule for all covered entities.[24] The content of a consent form, and the process for obtaining consent, are at the discretion of the covered entity electing to seek consent.

(3) Uses and Disclosures with Opportunity to Agree or Object. Informal permission may be obtained by asking the individual outright, or by circumstances that clearly give the individual the opportunity to agree, acquiesce, or object. Where the individual is incapacitated, in an emergency situation, or not available, covered entities generally may make such uses and disclosures, if in the exercise of their professional judgment, the use or disclosure is determined to be in the best interests of the individual.

> ***Facility Directories.*** It is a common practice in many health care facilities, such as hospitals, to maintain a directory of patient contact information. A covered health care provider may rely on an individual's informal permission to list in its facility directory the individual's name, general condition, religious affiliation, and location in the provider's facility.[25] The provider may then disclose the individual's condition and location in the facility to anyone asking for the individual by name, and also may disclose religious affiliation to clergy. Members of the clergy are not required to ask for the individual by name when inquiring about patient religious affiliation.

> ***For Notification and Other Purposes.*** A covered entity also may rely on an individual's informal permission to disclose to the individual's family, relatives, or friends, or to other persons whom the individual identifies, protected health information directly relevant to that person's involvement in the individual's care or payment for care.[26] This provision, for example, allows a pharmacist to dispense filled prescriptions to a person acting on behalf of the patient. Similarly, a covered entity may rely on an individual's informal permission to use or disclose protected health information for the purpose of notifying (including identifying or locating) family members, personal representatives, or others responsible for the individual's care of the individual's location, general condition, or death. In addition, protected health information may be disclosed for notification purposes to public or private entities authorized by law or charter to assist in disaster relief efforts.

(4) Incidental Use and Disclosure. The Privacy Rule does not require that every risk of an incidental use or disclosure of protected health information be eliminated. A use or disclosure of this information that occurs as a result of, or as "incident to," an otherwise permitted use or disclosure is permitted as long as the covered entity has adopted reasonable safeguards as required by the Privacy Rule, and the information being shared was limited to the "minimum necessary," as required by the Privacy Rule.[27] See OCR "Incidental Uses and Disclosures" Guidance.

(5) Public Interest and Benefit Activities. The Privacy Rule permits use and disclosure of protected health information, without an individual's authorization or permission, for 12 national priority purposes.[28] These disclosures are permitted, although not required, by the Rule in recognition of the important uses made of health information outside of the health care context. Specific conditions or limitations apply to each public interest purpose, striking the balance between the individual privacy interest and the public interest need for this information.

> ***Required by Law.*** Covered entities may use and disclose protected health information without individual authorization as *required by law* (including by

statute, regulation, or court orders).[29]

Public Health Activities. Covered entities may disclose protected health information to: (1) public health authorities authorized by law to collect or receive such information for preventing or controlling disease, injury, or disability and to public health or other government authorities authorized to receive reports of child abuse and neglect; (2) entities subject to FDA regulation regarding FDA regulated products or activities for purposes such as adverse event reporting, tracking of products, product recalls, and post-marketing surveillance; (3) individuals who may have contracted or been exposed to a communicable disease when notification is authorized by law; and (4) employers, regarding employees, when requested by employers, for information concerning a work-related illness or injury or workplace related medical surveillance, because such information is needed by the employer to comply with the Occupational Safety and Health Administration (OHSA), the Mine Safety and Health Administration (MHSA), or similar state law.[30] See OCR "Public Health" Guidance; CDC Public Health and HIPAA Guidance.

Victims of Abuse, Neglect or Domestic Violence. In certain circumstances, covered entities may disclose protected health information to appropriate government authorities regarding victims of abuse, neglect, or domestic violence.[31]

Health Oversight Activities. Covered entities may disclose protected health information to health oversight agencies (as defined in the Rule) for purposes of legally authorized health oversight activities, such as audits and investigations necessary for oversight of the health care system and government benefit programs.[32]

Judicial and Administrative Proceedings. Covered entities may disclose protected health information in a judicial or administrative proceeding if the request for the information is through an order from a court or administrative tribunal. Such information may also be disclosed in response to a subpoena or other lawful process if certain assurances regarding notice to the individual or a protective order are provided.[33]

Law Enforcement Purposes. Covered entities may disclose protected health information to law enforcement officials for law enforcement purposes under the following six circumstances, and subject to specified conditions: (1) as required by law (including court orders, court-ordered warrants, subpoenas) and administrative requests; (2) to identify or locate a suspect, fugitive, material witness, or missing person; (3) in response to a law enforcement official's request for information about a victim or suspected victim of a crime; (4) to alert law enforcement of a person's death, if the covered entity suspects that criminal activity caused the death; (5) when a covered entity believes that protected health information is evidence of a crime that occurred on its premises; and (6) by a covered health care provider in a medical emergency not occurring on its premises, when necessary to inform law enforcement about the commission and nature of a crime, the location of the crime or crime victims, and the perpetrator of the crime.[34]

Decedents. Covered entities may disclose protected health information to funeral directors as needed, and to coroners or medical examiners to identify a deceased person, determine the cause of death, and perform other functions authorized by law.[35]

Cadaveric Organ, Eye, or Tissue Donation. Covered entities may use or disclose protected health information to facilitate the donation and transplantation of cadaveric organs, eyes, and tissue.[36]

Research. "Research" is any systematic investigation designed to develop or contribute to generalizable knowledge.[37] The Privacy Rule permits a covered entity to use and disclose protected health information for research purposes, without an individual's authorization, provided the covered entity obtains either: (1) documentation that an alteration or waiver of individuals' authorization for the use or disclosure of protected health information about them for research purposes has been approved by an Institutional Review Board or Privacy Board; (2) representations from the researcher that the use or disclosure of the protected health information is solely to prepare a research protocol or for similar purpose preparatory to research, that the researcher will not remove any protected health information from the covered entity, and that protected health information for which access is sought is necessary for the research; or (3) representations from the researcher that the use or disclosure sought is solely for research on the protected health information of decedents, that the protected health information sought is necessary for the research, and, at the request of the covered entity, documentation of the death of the individuals about whom information is sought.[38] A covered entity also may use or disclose, without an individuals' authorization, a limited data set of protected health information for research purposes (see discussion below).[39] See OCR "Research" Guidance; NIH Protecting PHI in Research.

Serious Threat to Health or Safety. Covered entities may disclose protected health information that they believe is necessary to prevent or lessen a serious and imminent threat to a person or the public, when such disclosure is made to someone they believe can prevent or lessen the threat (including the target of the threat). Covered entities may also disclose to law enforcement if the information is needed to identify or apprehend an escapee or violent criminal.[40]

Essential Government Functions. An authorization is not required to use or disclose protected health information for certain essential government functions. Such functions include: assuring proper execution of a military mission, conducting intelligence and national security activities that are authorized by law, providing protective services to the President, making medical suitability determinations for U.S. State Department employees, protecting the health and safety of inmates or employees in a correctional institution, and determining eligibility for or conducting enrollment in certain government benefit programs.[41]

Workers' Compensation. Covered entities may disclose protected health information as authorized by, and to comply with, workers' compensation laws and other similar programs providing benefits for work-related injuries or illnesses.[42] See OCR "Workers' Compensation" Guidance.

(6) Limited Data Set. A limited data set is protected health information from which certain specified direct identifiers of individuals and their relatives, household members, and employers have been removed.[43] A limited data set may be used and disclosed for research, health care operations, and public health purposes, provided the recipient enters into a data use agreement promising specified safeguards for the protected health information within the limited data set.

Authorized Uses and Disclosures

Authorization. A covered entity must obtain the individual's written authorization for any use or disclosure of protected health information that is not for treatment, payment or health care operations or otherwise permitted or required by the Privacy Rule.[44] A covered entity may not condition treatment, payment, enrollment, or benefits eligibility on an individual granting an authorization, except in limited circumstances.[45]

An authorization must be written in specific terms. It may allow use and disclosure of protected health information by the covered entity seeking the authorization, or by a third party. Examples of disclosures that would require an individual's authorization include disclosures to a life insurer for coverage purposes, disclosures to an employer of the results of a pre-employment physical or lab test, or disclosures to a pharmaceutical firm for their own marketing purposes.

All authorizations must be in plain language, and contain specific information regarding the information to be disclosed or used, the person(s) disclosing and receiving the information, expiration, right to revoke in writing, and other data. The Privacy Rule contains transition provisions applicable to authorizations and other express legal permissions obtained prior to April 14, 2003.[46]

Psychotherapy Notes[47]. A covered entity must obtain an individual's authorization to use or disclose psychotherapy notes with the following exceptions[48]:

- The covered entity who originated the notes may use them for treatment.
- A covered entity may use or disclose, without an individual's authorization, the psychotherapy notes, for its own training, and to defend itself in legal proceedings brought by the individual, for HHS to investigate or determine the covered entity's compliance with the Privacy Rules, to avert a serious and imminent threat to public health or safety, to a health oversight agency for lawful oversight of the originator of the psychotherapy notes, for the lawful activities of a coroner or medical examiner or as required by law.

Marketing. Marketing is any communication about a product or service that encourages recipients to purchase or use the product or service.[49] The Privacy Rule carves out the following health-related activities from this definition of marketing:

- Communications to describe health-related products or services, or payment

	for them, provided by or included in a benefit plan of the covered entity making the communication; • Communications about participating providers in a provider or health plan network, replacement of or enhancements to a health plan, and health-related products or services available only to a health plan's enrollees that add value to, but are not part of, the benefits plan; • Communications for treatment of the individual; and • Communications for case management or care coordination for the individual, or to direct or recommend alternative treatments, therapies, health care providers, or care settings to the individual. Marketing also is an arrangement between a covered entity and any other entity whereby the covered entity discloses protected health information, in exchange for direct or indirect remuneration, for the other entity to communicate about its own products or services encouraging the use or purchase of those products or services. A covered entity must obtain an authorization to use or disclose protected health information for marketing, except for face-to-face marketing communications between a covered entity and an individual, and for a covered entity's provision of promotional gifts of nominal value. No authorization is needed, however, to make a communication that falls within one of the exceptions to the marketing definition. An authorization for marketing that involves the covered entity's receipt of direct or indirect remuneration from a third party must reveal that fact. See OCR "Marketing" Guidance.
Limiting Uses and Disclosures to the Minimum Necessary	**Minimum Necessary.** A central aspect of the Privacy Rule is the principle of "minimum necessary" use and disclosure. A covered entity must make reasonable efforts to use, disclose, and request only the minimum amount of protected health information needed to accomplish the intended purpose of the use, disclosure, or request.[50] A covered entity must develop and implement policies and procedures to reasonably limit uses and disclosures to the minimum necessary. When the minimum necessary standard applies to a use or disclosure, a covered entity may not use, disclose, or request the entire medical record for a particular purpose, unless it can specifically justify the whole record as the amount reasonably needed for the purpose. See OCR "Minimum Necessary" Guidance. The minimum necessary requirement is not imposed in any of the following circumstances: (a) disclosure to or a request by a health care provider for treatment; (b) disclosure to an individual who is the subject of the information, or the individual's personal representative; (c) use or disclosure made pursuant to an authorization; (d) disclosure to HHS for complaint investigation, compliance review or enforcement; (e) use or disclosure that is required by law; or (f) use or disclosure required for compliance with the HIPAA Transactions Rule or other HIPAA Administrative Simplification Rules. **Access and Uses.** For internal uses, a covered entity must develop and implement policies and procedures that restrict access and uses of protected health information based on the specific roles of the members of their workforce. These policies and procedures must identify the persons, or classes of persons, in the workforce who need access to protected health information to carry out their duties, the categories of

	protected health information to which access is needed, and any conditions under which they need the information to do their jobs. **Disclosures and Requests for Disclosures.** Covered entities must establish and implement policies and procedures (which may be standard protocols) for *routine, recurring disclosures, or requests for disclosures,* that limits the protected health information disclosed to that which is the minimum amount reasonably necessary to achieve the purpose of the disclosure. Individual review of each disclosure is not required. For non-routine, non-recurring disclosures, or requests for disclosures that it makes, covered entities must develop criteria designed to limit disclosures to the information reasonably necessary to accomplish the purpose of the disclosure and review each of these requests individually in accordance with the established criteria. **Reasonable Reliance.** If another covered entity makes a request for protected health information, a covered entity may rely, if reasonable under the circumstances, on the request as complying with this minimum necessary standard. Similarly, a covered entity may rely upon requests as being the minimum necessary protected health information from: (a) a public official, (b) a professional (such as an attorney or accountant) who is the covered entity's business associate, seeking the information to provide services to or for the covered entity; or (c) a researcher who provides the documentation or representation required by the Privacy Rule for research.

Notice and Other Individual Rights	**Privacy Practices Notice.** Each covered entity, with certain exceptions, must provide a notice of its privacy practices.[51] The Privacy Rule requires that the notice contain certain elements. The notice must describe the ways in which the covered entity may use and disclose protected health information. The notice must state the covered entity's duties to protect privacy, provide a notice of privacy practices, and abide by the terms of the current notice. The notice must describe individuals' rights, including the right to complain to HHS and to the covered entity if they believe their privacy rights have been violated. The notice must include a point of contact for further information and for making complaints to the covered entity. Covered entities must act in accordance with their notices. The Rule also contains specific distribution requirements for direct treatment providers, all other health care providers, and health plans. See OCR "Notice" Guidance.
	
	• **Notice Distribution.** A covered health care provider with a *direct treatment relationship* with individuals must deliver a privacy practices notice to patients starting April 14, 2003 as follows:
	
	  o Not later than the first service encounter by personal delivery (for patient visits), by automatic and contemporaneous electronic response (for electronic service delivery), and by prompt mailing (for telephonic service delivery);
	  o By posting the notice at each service delivery site in a clear and prominent place where people seeking service may reasonably be expected to be able to read the notice; and
	  o In emergency treatment situations, the provider must furnish its notice as soon as practicable after the emergency abates.

Covered entities, whether *direct treatment providers* or *indirect treatment providers* (such as laboratories) or *health plans* must supply notice to anyone on request.[52] A covered entity must also make its notice electronically available on any web site it maintains for customer service or benefits information.

The covered entities in an *organized health care arrangement* may use a joint privacy practices notice, as long as each agrees to abide by the notice content with respect to the protected health information created or received in connection with participation in the arrangement.[53] Distribution of a joint notice by any covered entity participating in the organized health care arrangement at the first point that an OHCA member has an obligation to provide notice satisfies the distribution obligation of the other participants in the organized health care arrangement.

A health plan must distribute its privacy practices notice to each of its enrollees by its Privacy Rule compliance date. Thereafter, the health plan must give its notice to each new enrollee at enrollment, and send a reminder to every enrollee at least once every three years that the notice is available upon request. A health plan satisfies its distribution obligation by furnishing the notice to the "named insured," that is, the subscriber for coverage that also applies to spouses and dependents.

- **Acknowledgement of Notice Receipt.** A covered health care provider with a direct treatment relationship with individuals must make a good faith effort to obtain written acknowledgement from patients of receipt of the privacy practices notice.[54] The Privacy Rule does not prescribe any particular content for the acknowledgement. The provider must document the reason for any failure to obtain the patient's written acknowledgement. The provider is relieved of the need to request acknowledgement in an emergency treatment situation.

Access. Except in certain circumstances, individuals have the right to review and obtain a copy of their protected health information in a covered entity's *designated record set*.[55] The "designated record set" is that group of records maintained by or for a covered entity that is used, in whole or part, to make decisions about individuals, or that is a provider's medical and billing records about individuals or a health plan's enrollment, payment, claims adjudication, and case or medical management record systems.[56] The Rule excepts from the right of access the following protected health information: psychotherapy notes, information compiled for legal proceedings, laboratory results to which the Clinical Laboratory Improvement Act (CLIA) prohibits access, or information held by certain research laboratories. For information included within the right of access, covered entities may deny an individual access in certain specified situations, such as when a health care professional believes access could cause harm to the individual or another. In such situations, the individual must be given the right to have such denials reviewed by a licensed health care professional for a second opinion.[57] Covered entities may impose reasonable, cost-based fees for the cost of copying and postage.

Amendment. The Rule gives individuals the right to have covered entities amend their protected health information in a designated record set when that information is

inaccurate or incomplete.[58] If a covered entity accepts an amendment request, it must make reasonable efforts to provide the amendment to persons that the individual has identified as needing it, and to persons that the covered entity knows might rely on the information to the individual's detriment.[59] If the request is denied, covered entities must provide the individual with a written denial and allow the individual to submit a statement of disagreement for inclusion in the record. The Rule specifies processes for requesting and responding to a request for amendment. A covered entity must amend protected health information in its designated record set upon receipt of notice to amend from another covered entity.

Disclosure Accounting. Individuals have a right to an accounting of the disclosures of their protected health information by a covered entity or the covered entity's business associates.[60] The maximum disclosure accounting period is the six years immediately preceding the accounting request, except a covered entity is not obligated to account for any disclosure made before its Privacy Rule compliance date.

The Privacy Rule does not require accounting for disclosures: (a) for treatment, payment, or health care operations; (b) to the individual or the individual's personal representative; (c) for notification of or to persons involved in an individual's health care or payment for health care, for disaster relief, or for facility directories; (d) pursuant to an authorization; (e) of a limited data set; (f) for national security or intelligence purposes; (g) to correctional institutions or law enforcement officials for certain purposes regarding inmates or individuals in lawful custody; or (h) incident to otherwise permitted or required uses or disclosures. Accounting for disclosures to health oversight agencies and law enforcement officials must be temporarily suspended on their written representation that an accounting would likely impede their activities.

Restriction Request. Individuals have the right to request that a covered entity restrict use or disclosure of protected health information for treatment, payment or health care operations, disclosure to persons involved in the individual's health care or payment for health care, or disclosure to notify family members or others about the individual's general condition, location, or death.[61] A covered entity is under no obligation to agree to requests for restrictions. A covered entity that does agree must comply with the agreed restrictions, except for purposes of treating the individual in a medical emergency.[62]

Confidential Communications Requirements. Health plans and covered health care providers must permit individuals to request an alternative means or location for receiving communications of protected health information by means other than those that the covered entity typically employs.[63] For example, an individual may request that the provider communicate with the individual through a designated address or phone number. Similarly, an individual may request that the provider send communications in a closed envelope rather than a post card.

Health plans must accommodate reasonable requests if the individual indicates that the disclosure of all or part of the protected health information could endanger the individual. The health plan may not question the individual's statement of endangerment. Any covered entity may condition compliance with a confidential communication request on the individual specifying an alternative address or method of contact and explaining how any payment will be handled.

Administrative Requirements	HHS recognizes that covered entities range from the smallest provider to the largest, multi-state health plan. Therefore the flexibility and scalability of the Rule are intended to allow covered entities to analyze their own needs and implement solutions appropriate for their own environment. What is appropriate for a particular covered entity will depend on the nature of the covered entity's business, as well as the covered entity's size and resources. **Privacy Policies and Procedures.** A covered entity must develop and implement written privacy policies and procedures that are consistent with the Privacy Rule.[64] **Privacy Personnel.** A covered entity must designate a privacy official responsible for developing and implementing its privacy policies and procedures, and a contact person or contact office responsible for receiving complaints and providing individuals with information on the covered entity's privacy practices.[65] **Workforce Training and Management.** Workforce members include employees, volunteers, trainees, and may also include other persons whose conduct is under the direct control of the entity (whether or not they are paid by the entity).[66] A covered entity must train all workforce members on its privacy policies and procedures, as necessary and appropriate for them to carry out their functions.[67] A covered entity must have and apply appropriate sanctions against workforce members who violate its privacy policies and procedures or the Privacy Rule.[68] **Mitigation.** A covered entity must mitigate, to the extent practicable, any harmful effect it learns was caused by use or disclosure of protected health information by its workforce or its business associates in violation of its privacy policies and procedures or the Privacy Rule.[69] **Data Safeguards.** A covered entity must maintain reasonable and appropriate administrative, technical, and physical safeguards to prevent intentional or unintentional use or disclosure of protected health information in violation of the Privacy Rule and to limit its incidental use and disclosure pursuant to otherwise permitted or required use or disclosure.[70] For example, such safeguards might include shredding documents containing protected health information before discarding them, securing medical records with lock and key or pass code, and limiting access to keys or pass codes. See OCR "Incidental Uses and Disclosures" Guidance. **Complaints.** A covered entity must have procedures for individuals to complain about its compliance with its privacy policies and procedures and the Privacy Rule.[71] The covered entity must explain those procedures in its privacy practices notice.[72] Among other things, the covered entity must identify to whom individuals can submit complaints to at the covered entity and advise that complaints also can be submitted to the Secretary of HHS. **Retaliation and Waiver.** A covered entity may not retaliate against a person for exercising rights provided by the Privacy Rule, for assisting in an investigation by HHS or another appropriate authority, or for opposing an act or practice that the person believes in good faith violates the Privacy Rule.[73] A covered entity may not

	require an individual to waive any right under the Privacy Rule as a condition for obtaining treatment, payment, and enrollment or benefits eligibility.[74] **Documentation and Record Retention.** A covered entity must maintain, until six years after the later of the date of their creation or last effective date, its privacy policies and procedures, its privacy practices notices, disposition of complaints, and other actions, activities, and designations that the Privacy Rule requires to be documented.[75] **Fully-Insured Group Health Plan Exception.** The only administrative obligations with which a fully-insured group health plan that has no more than enrollment data and summary health information is required to comply are the (1) ban on retaliatory acts and waiver of individual rights, and (2) documentation requirements with respect to plan documents if such documents are amended to provide for the disclosure of protected health information to the plan sponsor by a health insurance issuer or HMO that services the group health plan.[76]
Organizational Options	The Rule contains provisions that address a variety of organizational issues that may affect the operation of the privacy protections. **Hybrid Entity.** The Privacy Rule permits a covered entity that is a single legal entity and that conducts both covered and non-covered functions to elect to be a "hybrid entity."[77] (The activities that make a person or organization a covered entity are its "covered functions."[78]) To be a hybrid entity, the covered entity must designate in writing its operations that perform covered functions as one or more "health care components." After making this designation, most of the requirements of the Privacy Rule will apply only to the health care components. A covered entity that does not make this designation is subject in its entirety to the Privacy Rule. **Affiliated Covered Entity.** Legally separate covered entities that are affiliated by common ownership or control may designate themselves (including their health care components) as a single covered entity for Privacy Rule compliance.[79] The designation must be in writing. An affiliated covered entity that performs multiple covered functions must operate its different covered functions in compliance with the Privacy Rule provisions applicable to those covered functions. **Organized Health Care Arrangement.** The Privacy Rule identifies relationships in which participating covered entities share protected health information to manage and benefit their common enterprise as "organized health care arrangements."[80] Covered entities in an organized health care arrangement can share protected health information with each other for the arrangement's joint health care operations.[81] **Covered Entities With Multiple Covered Functions.** A covered entity that performs multiple covered functions must operate its different covered functions in compliance with the Privacy Rule provisions applicable to those covered functions.[82] The covered entity may not use or disclose the protected health information of an individual who receives services from one covered function (e.g., health care provider) for another covered function (e.g., health plan) if the individual is not involved with the other function.

	Group Health Plan disclosures to Plan Sponsors. A group health plan and the health insurer or HMO offered by the plan may disclose the following protected health information to the "plan sponsor"—the employer, union, or other employee organization that sponsors and maintains the group health plan[83]: • Enrollment or disenrollment information with respect to the group health plan or a health insurer or HMO offered by the plan. • If requested by the plan sponsor, summary health information for the plan sponsor to use to obtain premium bids for providing health insurance coverage through the group health plan, or to modify, amend, or terminate the group health plan. "Summary health information" is information that summarizes claims history, claims expenses, or types of claims experience of the individuals for whom the plan sponsor has provided health benefits through the group health plan, and that is stripped of all individual identifiers other than five digit zip code (though it need not qualify as de-identified protected health information). • Protected health information of the group health plan's enrollees for the plan sponsor to perform plan administration functions. The plan must receive certification from the plan sponsor that the group health plan document has been amended to impose restrictions on the plan sponsor's use and disclosure of the protected health information. These restrictions must include the representation that the plan sponsor will not use or disclose the protected health information for any employment-related action or decision or in connection with any other benefit plan.
Other Provisions: Personal Representatives and Minors	**Personal Representatives.** The Privacy Rule requires a covered entity to treat a *"personal representative"* the same as the individual, with respect to uses and disclosures of the individual's protected health information, as well as the individual's rights under the Rule.[84] A personal representative is a person legally authorized to make health care decisions on an individual's behalf or to act for a deceased individual or the estate. The Privacy Rule permits an exception when a covered entity has a reasonable belief that the personal representative may be abusing or neglecting the individual, or that treating the person as the personal representative could otherwise endanger the individual. **Special case: Minors.** In most cases, parents are the personal representatives for their minor children. Therefore, in most cases, parents can exercise individual rights, such as access to the medical record, on behalf of their minor children. In certain exceptional cases, the parent is not considered the personal representative. In these situations, the Privacy Rule defers to State and other law to determine the rights of parents to access and control the protected health information of their minor children. If State and other law is silent concerning parental access to the minor's protected health information, a covered entity has discretion to provide or deny a parent access to the minor's health information, provided the decision is made by a licensed health care professional in the exercise of professional judgment. See OCR "Personal Representatives" Guidance.

State Law	**Preemption.** In general, State laws that are contrary to the Privacy Rule are preempted by the federal requirements, which means that the federal requirements will apply.[85] "Contrary" means that it would be impossible for a covered entity to comply with both the State and federal requirements, or that the provision of State law is an obstacle to accomplishing the full purposes and objectives of the Administrative Simplification provisions of HIPAA.[86] The Privacy Rule provides exceptions to the general rule of federal preemption for contrary State laws that (1) relate to the privacy of individually identifiable health information and provide greater privacy protections or privacy rights with respect to such information, (2) provide for the reporting of disease or injury, child abuse, birth, or death, or for public health surveillance, investigation, or intervention, or (3) require certain health plan reporting, such as for management or financial audits. **Exception Determination.** In addition, preemption of a contrary State law will not occur if HHS determines, in response to a request from a State or other entity or person, that the State law: • Is necessary to prevent fraud and abuse related to the provision of or payment for health care, • Is necessary to ensure appropriate State regulation of insurance and health plans to the extent expressly authorized by statute or regulation, • Is necessary for State reporting on health care delivery or costs, • Is necessary for purposes of serving a compelling public health, safety, or welfare need, and, if a Privacy Rule provision is at issue, if the Secretary determines that the intrusion into privacy is warranted when balanced against the need to be served; or • Has as its principal purpose the regulation of the manufacture, registration, distribution, dispensing, or other control of any controlled substances (as defined in 21 U.S.C. 802), or that is deemed a controlled substance by State law.
Enforcement and Penalties for Noncompliance	**Compliance.** Consistent with the principles for achieving compliance provided in the Rule, HHS will seek the cooperation of covered entities and may provide technical assistance to help them comply voluntarily with the Rule.[87] The Rule provides processes for persons to file complaints with HHS, describes the responsibilities of covered entities to provide records and compliance reports and to cooperate with, and permit access to information for, investigations and compliance reviews. **Civil Money Penalties.** HHS may impose civil money penalties on a covered entity of $100 per failure to comply with a Privacy Rule requirement.[88] That penalty may not exceed $25,000 per year for multiple violations of the identical Privacy Rule requirement in a calendar year. HHS may not impose a civil money penalty under specific circumstances, such as when a violation is due to reasonable cause and did not involve willful neglect and the covered entity corrected the violation within 30 days of when it knew or should have known of the violation.

	Criminal Penalties. A person who knowingly obtains or discloses individually identifiable health information in violation of HIPAA faces a fine of $50,000 and up to one-year imprisonment.[89] The criminal penalties increase to $100,000 and up to five years imprisonment if the wrongful conduct involves false pretenses, and to $250,000 and up to ten years imprisonment if the wrongful conduct involves the intent to sell, transfer, or use individually identifiable health information for commercial advantage, personal gain, or malicious harm. Criminal sanctions will be enforced by the Department of Justice.
Compliance Dates	**Compliance Schedule.** All covered entities, except "small health plans," must be compliant with the Privacy Rule by April 14, 2003.[90] Small health plans, however, have until April 14, 2004 to comply. **Small Health Plans.** A health plan with annual receipts of not more than $5 million is a small health plan.[91] Health plans that file certain federal tax returns and report receipts on those returns should use the guidance provided by the Small Business Administration at 13 Code of Federal Regulations (CFR) 121.104 to calculate annual receipts. Health plans that do not report receipts to the Internal Revenue Service (IRS), for example, group health plans regulated by the Employee Retirement Income Security Act 1974 (ERISA) that are exempt from filing income tax returns, should use proxy measures to determine their annual receipts.[92] See What constitutes a small health plan?
Copies of the Rule & Related Materials	The entire Privacy Rule, as well as guidance and additional materials, may be found on our website, http://www.hhs.gov/ocr/hipaa.

End Notes

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[1] Pub. L. 104-191.

[2] 65 FR 82462.

[3] 67 FR 53182.

[4] 45 C.F.R. §§ 160.102, 160.103.

[5] Even if an entity, such as a community health center, does not meet the definition of a health plan, it may, nonetheless, meet the definition of a health care provider, and, if it transmits health information in electronic form in connection with the transactions for which the Secretary of HHS has adopted standards under HIPAA, may still be a covered entity.

[6] 45 C.F.R. §§ 160.102, 160.103; *see* Social Security Act § 1172(a)(3), 42 U.S.C. § 1320d-1(a)(3). The transaction standards are established by the HIPAA Transactions Rule at 45 C.F.R. Part 162.

[7] 45 C.F.R. § 160.103.

[8] 45 C.F.R. § 164.500(b).

[9] 45 C.F.R. § 160.103.

[10] 45 C.F.R. §§ 164.502(e), 164.504(e).

[11] 45 C.F.R. § 164.532

[12] 45 C.F.R. § 160.103.

[13] 45 C.F.R. § 160.103

[14] 45 C.F.R. §§ 164.502(d)(2), 164.514(a) and (b).

[15] The following identifiers of the individual or of relatives, employers, or household members of the individual must be removed to achieve the "safe harbor" method of de-identification: (A) Names; (B) All geographic subdivisions smaller than a State, including street address, city, county, precinct, zip code, and their equivalent geocodes, except for the initial three digits of a zip code if, according to the current publicly available data from the Bureau of Census (1) the geographic units formed by combining all zip codes with the same three initial digits contains more than 20,000 people; and (2) the initial three digits of a zip code for all such geographic units containing 20,000 or fewer people is changed to 000; (C) All elements of dates (except year) for dates directly related to the individual, including birth date, admission date, discharge date, date of death; and all ages over 89 and all elements of dates (including year) indicative of such age, except that such ages and elements may be aggregated into a single category of age 90 or older; (D) Telephone numbers; (E) Fax numbers; (F) Electronic mail addresses: (G) Social security numbers; (H) Medical record numbers; (I) Health plan beneficiary numbers; (J) Account numbers; (K) Certificate/license numbers; (L) Vehicle identifiers and serial numbers, including license plate numbers; (M) Device identifiers and serial numbers; (N) Web Universal Resource Locators (URLs); (O) Internet Protocol (IP) address numbers; (P) Biometric identifiers, including finger and voice prints; (Q) Full face photographic images and any comparable images; and ® any other unique identifying number, characteristic, or code, except as permitted for re-identification purposes provided certain conditions are met. In addition to the removal of the above-stated identifiers, the covered entity may not have actual knowledge that the remaining information could be used alone or in combination with any other information to identify an individual who is subject of the information. 45 C.F.R. § 164.514(b).

[16] 45 C.F.R. § 164.502(a).

[17] 45 C.F.R. § 164.502(a)(2).

[18] 45 C.F.R. § 164.502(a)(1).

[19] 45 C.F.R. § 164.506(c).

[20] 45 C.F.R. § 164.501.

[21] 45 C.F.R. § 164.501.

[22] 45 C.F.R. § 164.501.

[23] 45 C.F.R. § 164.508(a)(2)

[24] 45 C.F.R. § 164.506(b).

[25] 45 C.F.R. § 164.510(a).

[26] 45 C.F.R. § 164.510(b).

[27] 45 C.F.R. §§ 164.502(a)(1)(iii).

[28] *See* 45 C.F.R. § 164.512.

[29] 45 C.F.R. § 164.512(a).

[30] 45 C.F.R. § 164.512(b).

[31] 45 C.F.R. § 164.512(a), (c).

[32] 45 C.F.R. § 164.512(d).

[33] 45 C.F.R. § 164.512(e).

[34] 45 C.F.R. § 164.512(f).

[35] 45 C.F.R. § 164.512(g).

[36] 45 C.F.R. § 164.512(h).

[37] The Privacy Rule defines research as, "a systematic investigation, including research development, testing, and evaluation, designed to develop or contribute to generalizable knowledge." 45 C.F.R. § 164.501.

[38] 45 C.F.R. § 164.512(i).

[39] 45 CFR § 164.514(e).

[40] 45 C.F.R. § 164.512(j).

[41] 45 C.F.R. § 164.512(k).

[42] 45 C.F.R. § 164.512(l).

[43] 45 C.F.R. § 164.514(e). A limited data set is protected health information that excludes the following direct identifiers of the individual or of relatives, employers, or household members of the individual: (i) Names; (ii) Postal address information, other than town or city, State and zip code; (iii) Telephone numbers; (iv) Fax numbers; (v) Electronic mail addresses: (vi) Social security numbers; (vii) Medical record numbers; (viii) Health plan beneficiary numbers; (ix) Account numbers; (x) Certificate/license numbers; (xi) Vehicle identifiers and serial numbers, including license plate numbers; (xii) Device identifiers and serial numbers; (xiii) Web Universal Resource Locators (URLs); (xiv) Internet Protocol (IP) address numbers; (xv) Biometric identifiers, including finger and voice prints; (xvi) Full face photographic images and any comparable images. 45 C.F.R. § 164.514(e)(2).

[44] 45 C.F.R. § 164.508.

[45] A covered entity may condition the provision of health care solely to generate protected health information for disclosure to a third party on the individual giving authorization to disclose the

information to the third party. For example, a covered entity physician may condition the provision of a physical examination to be paid for by a life insurance issuer on an individual's authorization to disclose the results of that examination to the life insurance issuer. A health plan may condition enrollment or benefits eligibility on the individual giving authorization, requested before the individual's enrollment, to obtain protected health information (other than psychotherapy notes) to determine the individual's eligibility or enrollment or for underwriting or risk rating. A covered health care provider may condition treatment related to research (e.g., clinical trials) on the individual giving authorization to use or disclose the individual's protected health information for the research. 45 C.F.R. 508(b)(4).

[46] 45 CFR § 164.532.

[47] "Psychotherapy notes" means notes recorded (in any medium) by a health care provider who is a mental health professional documenting or analyzing the contents of conversation during a private counseling session or a group, joint, or family counseling session and that are separated from the rest of the of the individual's medical record. Psychotherapy notes excludes medication prescription and monitoring, counseling session start and stop times, the modalities and frequencies of treatment furnished, results of clinical tests, and any summary of the following items: diagnosis, functional status, the treatment plan, symptoms, prognosis, and progress to date. 45 C.F.R. § 164.501.

[48] 45 C.F.R. § 164.508(a)(2).

[49] 45 C.F.R. §§ 164.501 and 164.508(a)(3).

[50] 45 C.F.R. §§ 164.502(b) and 164.514 (d).

[51] 45 C.F.R. §§ 164.520(a) and (b). A group health plan, or a health insurer or HMO with respect to the group health plan, that intends to disclose protected health information (including enrollment data or summary health information) to the plan sponsor, must state that fact in the notice. Special statements are also required in the notice if a covered entity intends to contact individuals about health-related benefits or services, treatment alternatives, or appointment reminders, or for the covered entity's own fundraising.

[52] 45 C.F.R. § 164.520(c).

[53] 45 C.F.R. § 164.520(d).

[54] 45 C.F.R. § 164.520(c).

[55] 45 C.F.R. § 164.524.

[56] 45 C.F.R. § 164.501.

[57] A covered entity may deny an individual access, provided that the individual is given a right to have such denials reviewed by a licensed health care professional (who is designated by the covered entity and who did not participate in the original decision to deny), when a licensed health care professional has determined, in the exercise of professional judgment, that: (a) the access requested is reasonably likely to endanger the life or physical safety of the individual or another person; (b) the protected health information makes reference to another person (unless such other person is a health care provider) and the access requested is reasonably likely to cause substantial harm to such other person; or (c) the request for access is made by the individual's personal representative and the provision of access to such personal representative is reasonably likely to cause substantial harm to the individual or another person.

A covered entity may deny access to individuals, without providing the individual an opportunity for review, in the following protected situations: (a) the protected health information falls under an exception to the right of access; (b) an inmate request for protected health information under certain circumstances; (c) information that a provider creates or obtains in the course of research that includes treatment for which the individual has agreed not to have access as part of consenting

to participate in the research (as long as access to the information is restored upon completion of the research); (d) for records subject to the Privacy Act, information to which access may be denied under the Privacy Act, 5 U.S.C. § 552a; and (e) information obtained under a promise of confidentiality from a source other than a health care provider, if granting access would likely reveal the source. 45 C.F.R. § 164.524.

[58] 45 C.F.R. § 164.526.

[59] Covered entities may deny an individual's request for amendment only under specified circumstances. A covered entity may deny the request if it: (a) may exclude the information from access by the individual; (b) did not create the information (unless the individual provides a reasonable basis to believe the originator is no longer available); (c) determines that the information is accurate and complete; or (d) does not hold the information in its designated record set. 164.526(a)(2).

[60] 45 C.F.R. § 164.528.

[61] 45 C.F.R. § 164.522(a).

[62] 45 C.F.R. § 164.522(a). In addition, a restriction agreed to by a covered entity is not effective under this subpart to prevent uses or disclosures permitted or required under §§ 164.502(a)(2)(ii), 164.510(a) or 164.512.

[63] 45 C.F.R. § 164.522(b).

[64] 45 C.F.R. § 164.530(i).

[65] 45 C.F.R. § 164.530(a).

[66] 45 C.F.R. §160.103.

[67] 45 C.F.R. § 164.530(b).

[68] 45 C.F.R. § 164.530(e).

[69] 45 C.F.R. § 164.530(f).

[70] 45 C.F.R. § 164.530(c).

[71] 45 C.F.R. § 164.530(d).

[72] 45 C.F.R. § 164.520(b)(1)(vi).

[73] 45 C.F.R. § 164.530(g).

[74] 45 C.F.R. § 164.530(h).

[75] 45 C.F.R. § 164.530(j).

[76] 45 C.F.R. § 164.530(k).

[77] 45 C.F.R. §§ 164.103, 164.105.

[78] 45 C.F.R. § 164.103.

[79] 45 C.F.R. §164.105. Common ownership exists if an entity possesses an ownership or equity interest of five percent or more in another entity; common control exists if an entity has the direct or indirect power significantly to influence or direct the actions or policies of another entity. 45 C.F.R. §§ 164.103.

[80] The Privacy Rule at 45 C.F.R. § 160.103 identifies five types of organized health care arrangements:

- A clinically-integrated setting where individuals typically receive health care from more than one provider.
- An organized system of health care in which the participating covered entities hold themselves out to the public as part of a joint arrangement and jointly engage in

utilization review, quality assessment and improvement activities, or risk-sharing payment activities.

- A group health plan and the health insurer or HMO that insures the plan's benefits, with respect to protected health information created or received by the insurer or HMO that relates to individuals who are or have been participants or beneficiaries of the group health plan.
- All group health plans maintained by the same plan sponsor.
- All group health plans maintained by the same plan sponsor and all health insurers and HMOs that insure the plans' benefits, with respect to protected health information created or received by the insurers or HMOs that relates to individuals who are or have been participants or beneficiaries in the group health plans.

[81] 45 C.F.R. § 164.506(c)(5).

[82] 45 C.F.R. § 164.504(g).

[83] 45 C.F.R. § 164.504(f).

[84] 45 C.F.R. § 164.502(g).

[85] 45 C.F.R. §160.203.

[86] 45 C.F.R. § 160.202.

[87] 45 C.F.R.§ 160.304

[88] Pub. L. 104-191; 42 U.S.C. §1320d-5.

[89] Pub. L. 104-191; 42 U.S.C. §1320d-6.

[90] 45 C.F.R. § 164.534.

[91] 45 C.F.R. § 160.103.

[92] Fully insured health plans should use the amount of total premiums that they paid for health insurance benefits during the plan's last full fiscal year. Self-insured plans, both funded and unfunded, should use the total amount paid for health care claims by the employer, plan sponsor or benefit fund, as applicable to their circumstances, on behalf of the plan during the plan's last full fiscal year. Those plans that provide health benefits through a mix of purchased insurance and self-insurance should combine proxy measures to determine their total annual receipts.

“Aloha oia o ka aina a ohana makou.”

Malama Group

Employee Knowledge HIPAA Test

January 2016

Confidential

MALAMA GROUP LLC: OAHU MEDICAL MARIJUANA APPLICATION

Section 9: Malama Group Product Testing Plan

Malama Group will perform two types of tests on all marijuana products: Internal testing for quality control and inventory management purposes, and external testing for validation of product quality and to comply with HRS 329 D-7 and D-8. All cannabis plants grown in the Cultivation Center will have random samples taken throughout their life-cycle to measure cannabinoid and terpenoid content to determine optimal harvest time, nutrient solutions, watering cycle, and light intensity. All harvested flowers will be internally tested for moisture content and cannabinoid and terpenoid content prior to being distributed for third party laboratory testing. All concentrates will have a random sample taken, post purge, to test for residual solvent levels, cannabinoid profile, and terpenoid profile. Internal testing will also be used to determine the residual solvent levels of all extracted concentrates post purge.

For external testing, Malama Group will ensure that any cannabis grown, cannabis concentrates, or cannabis infused products are thoroughly reviewed internally by a quality control unit and then sent to a third party state licensed medical marijuana testing laboratory. All test results must be reviewed by the quality control unit to determine if the product is suitable for sale.

The procedure for external testing of raw marijuana product ("flower") is:

1. After harvest, drying, and curing is complete each harvested lot will be homogenized into the appropriate containers.

2. The homogenized harvested lot is then segregated for sampling. The harvested lot is kept segregated until lab results have been returned and approved by the QCU. This harvested lot will not be used in any products or sold to any establishment prior to receiving lab results and being approved by the QCU
3. The QCU will take a random 12 gram, or less, sample from the segregated homogenized harvested lot to be delivered to a third party state approved medical marijuana testing laboratory. Samples selected for testing will be labeled with the following information: Harvest Lot Number; Date of harvest; Date of segregation; Quantity; Quarantine status.
4. Laboratory results will be returned and reviewed by the QCU. Lab results must pass all tests for: Moisture content, Potency analysis, Terpene analysis, foreign matter inspection, Microbial screening, Mycotoxin screening, Heavy metal screening, Pesticide residue analysis. If the sample does not pass all tests the entire harvest lot must be rendered unusable and disposed of.
5. The QCU can now approve the harvest lot to be used in extracts, infused products, or to be sold to another licensed establishment.
    a. Change the label from “Quarantined” to “Approved”

The procedure for testing of any batch of extract, edible, or infused product is:

1. Products must have a single unit retained in a freezer for future testing. If a freezer is not suitable for storage it will be stored in the optimal area segregated from any other products.
2. The stored product will be labeled as “Quarantine”, “Not for Sale”, and have the third party lab test results on their labels.

3. The stored product will be visually inspected at 30, 60, and 90 days.
4. Laboratory results will be returned and reviewed by the QCU. Lab results must pass all tests based on method of extraction: Non-solvent extracts: Potency analysis, Foreign matter inspection, Microbial screening, terpene analysis; CO_2 solvent extracts: Potency analysis, Terpene analysis, Microbial screening; Light hydrocarbon extracts: Potency analysis, Terpene analysis, Residual solvent testing, Microbial screening; Food grade ethanol extracts: Potency analysis, Terpene analysis, Microbial screening.
5. If the sample does not pass all tests the entire harvest lot must be rendered unusable and disposed of. See **Section 11: Waste Management** for details on these procedures.
6. The QCU can now approve the extracted lot to be used as concentrates, in infused products, or to be sold to another licensed establishment.

Malama Group product testing procedures are an important part of the company's training plan for employees, subcontractors and partners. Lab employees in particular, but all employees generally, need to understand the purpose of testing, how testing should be performed for maximum accuracy and how test results should be recorded, tracked, and incorporated into labels and packaging. In this way, Malama patients can be assured that the product they are consuming has been thoroughly and professionally tested for quality control and patient education purposes.

Supplemental materials to this section of the application include:

1. ***Internal Testing Standard Operating Procedures SOP***
2. ***Sample Testing Standard Operating Procedure SOP***

“Aloha oia o ka aina a ohana makou.”

Malama Group

Internal Testing Standard Operating Procedure

January 2016

Confidential

MALAMA GROUP: INTERNAL TESTING PROCEDURE

Policy: All cannabis plants being grown in the garden will have random samples taken throughout its life-cycle to measure cannabinoid and terpenoid content to determine optimal harvest time, nutrient solutions, watering cycle, and light intensity. All harvested flowers will be internally tested for moisture content and cannabinoid and terpenoid content prior to being distributed for third party laboratory testing. All concentrates will have a random sample taken, post purge, to test for residual solvent levels, cannabinoid profile, and terpenoid profile.

Scope: To determine the cannabinoid and terpene profile of the cannabis plants being grown, the harvested cannabis flowers, and extracted concentrates. The internal testing will also be used to determine the residual solvent levels of all extracted concentrates post purge. Any concentrate with residual solvent levels that exceed 500ppm will be purged a secondary time and retested after completion.

Procedure:

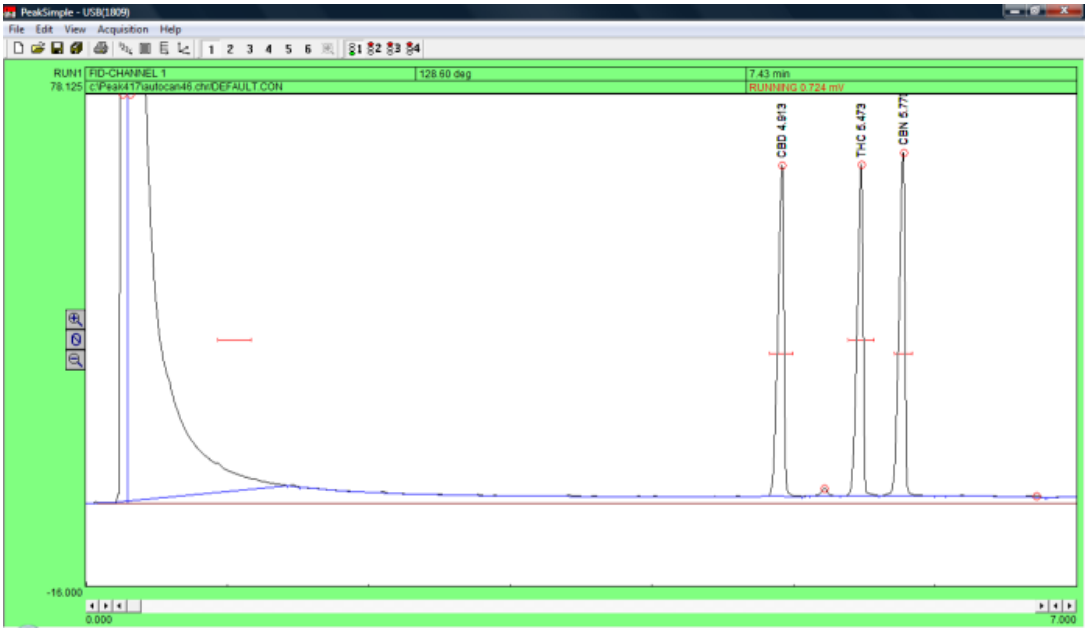
<u>Testing flowers for moisture content:</u>

1. Thoroughly wash hands and don a pair of gloves.
2. Collect two one gram samples for testing purposes.
    a. Both of these samples will be disposed.
3. Weigh and record the exact weight of each sample using a 3-point balance.
    a. A 5-point balance can be used as well.
4. Place both samples into a dehydrator and start the dehydration process.
    a. Set the temperature to 140°F to reduce decarboxylation of THCa
5. Allow the samples to fully dehydrate
    a. The approximate time to fully dehydrate the sample is four hours.
        i. Visually inspect the sample to determine if it is fully dehydrated.
6. Remove the samples from the dehydrator
7. Weigh and record the exact weight of each sample using a 3-point balance.
    a. A 5-point balance can be used as well.
8. Using the formula below, input the values of your sample to determine the percent moisture content of the representative sample.
    a. %Moisture = ((Initial Mass – Dried Mass) / Initial Mass) x 100%

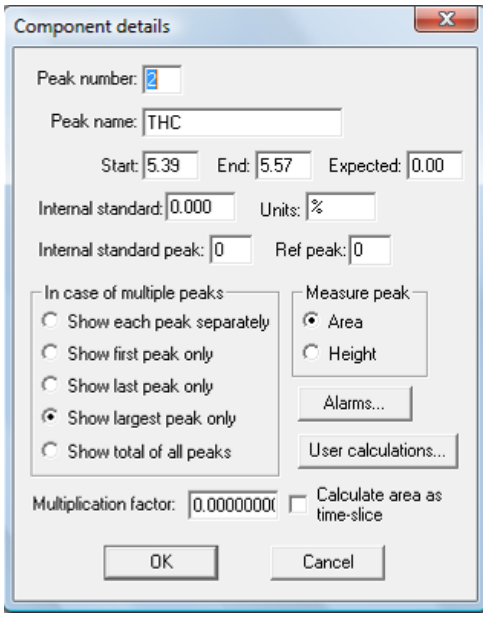
Calibration of the Gas Chromatograph using cannabinoid standards for potency testing

1. Obtain a 1000ng/ul in methanol standard for the following cannabinoids.
    a. D9-THC
    b. CBD
    c. CBN
2. Create a 333 standard solution (this step can be skipped if the solution is already made)
    a. Using a 100ul syringe transfer 100ul of each 1000ng/ul cannabinoid standard into a sterile 2mL vial.
    b. Label the vial 333 Standard Solution, include the date the standard was made and an expiration date
        i. The expiration date should be 6 months after creating the standard.
3. Ensure the MXT-500 metal capillary column is installed on the Gas Chromatograph
    a. If the appropriate column is not currently attached remove the existing column and install the correct one
4. Ensure the Gas Chromatograph is powered on
5. Ensure the FID gain switch is set to MED
6. Ensure the Carrier Gas is on and flame ignited
    a. Use a metal tool and place it next to the FID and check for condensation.
        i. If there is no condensation the flame is not ignited.
7. Ensure the appropriate temperature profile is set up in Peak Simple
    a. Initial: 120
    b. Ramp: 20
    c. Until: 180
    d. Initial 180
    e. Ramp: 5
    f. Until: 220
8. Using a 10ul syringe draw up 1ul of the working 333 standard solution
    a. Ensure all moisture is removed from the needle of the syringe
9. Inject the sample into the instrument and immediately start the Peak Simple readout
    a. Expel the full contents of the syringe, and do a 180 degree twist when removing the syringe

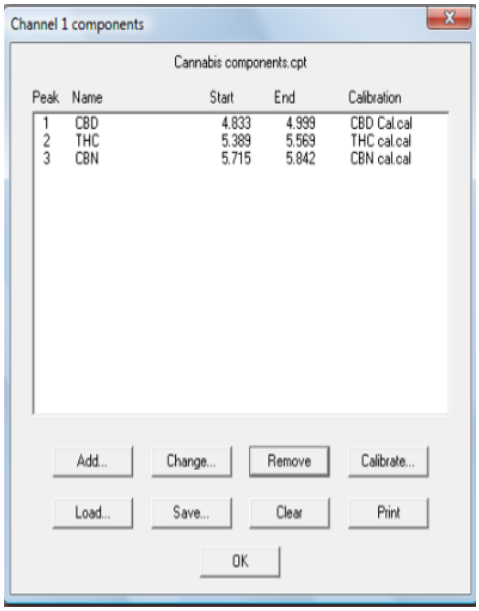
10. Allow the sample to run the full duration
    a. The final sample should look similar to the below read-out:



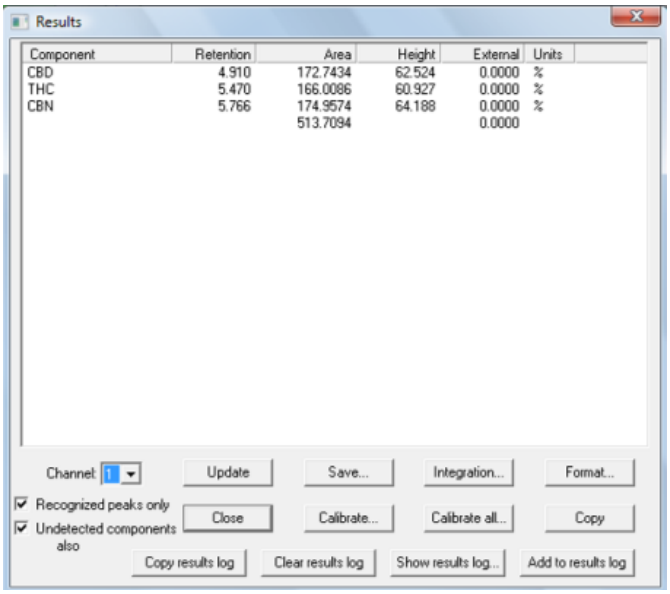
11. Add retention peak windows in the peak simple software.
    a. Right click on the peak
    b. Select “add component”
    c. In the “Units” field input “%”
    d. “In case of multiple peaks” select “Show largest peak only”
    e. Identify and label the three peaks.
        i. From left to right;
            1. Cannabidol (CBD),
            2. Delta-9-Tetrahydrocannabinol (D9THC)
            3. Cannabinol (CBN)
    f. Close the window with the “OK” button



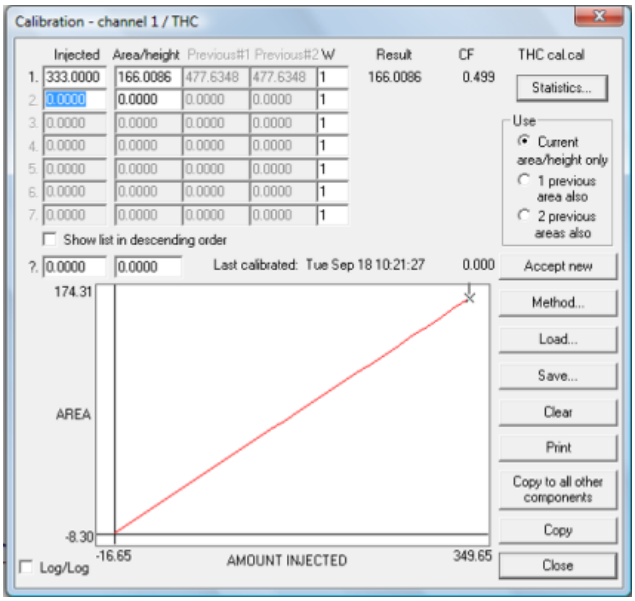
12. Open the “Channel One Components” screen by right clicking in peak simple and selecting “Components”.
    a. If the components don’t show the Start and the End values with the number and name of the Peak re-do the retention peak step.
    b. Select “Save” and name the component file “333 Standard Component”



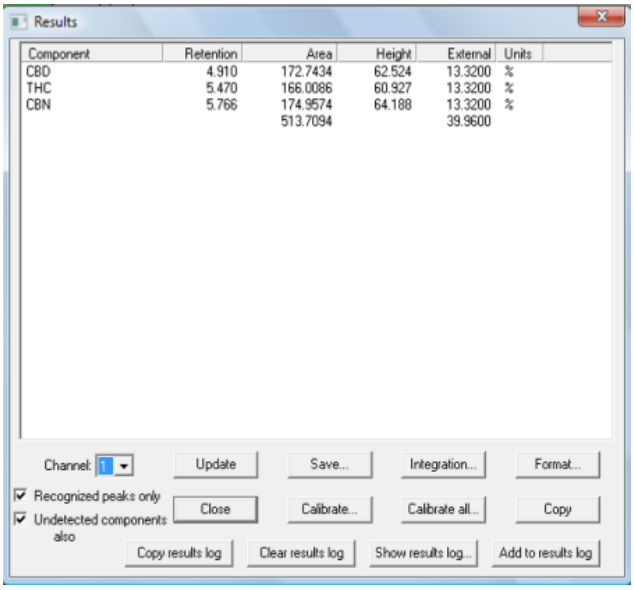
13. Open the results screen by right clicking in peak simple and selecting “Results”, to review the cannabinoid areas.
    a. The total standard area count should be between 420 and 540, with each individual area equaling roughly 140-180.



14. Create a calibration curve to calibrate each peak.
    a. Open the “Results” tab, highlight a peak, and select “Calibrate”
    b. In the “injected” field input “333”
    c. Select “Accept New” and then “Save”
        i. Name the curve “333 Standard peak name Curve”
    d. Repeat these steps for each peak



15. Return to the “Results” screen, if the calibration curve was properly set up each peak should read 13.3200%
    a. This means that the sample injected was 13.3200% CBD, 13.3200% D9 THC, and 13.3200% CBN by weight.



16. Five more injections using the 333 standard solution with the new calibration curve and performing a relative standard deviation calculation on the areas is recommended but not necessary.
    a. This step is strictly to ensure that the technique of the person performing the injections is consistent.
    b. The %RSD should not exceed 10%; if it does there is a technique error on the injection procedure and the Calibration should be performed an additional time.
17. Your instrument and software has now been calibrated and is ready to operate.

Preparing a sample for potency testing using Gas Chromatography

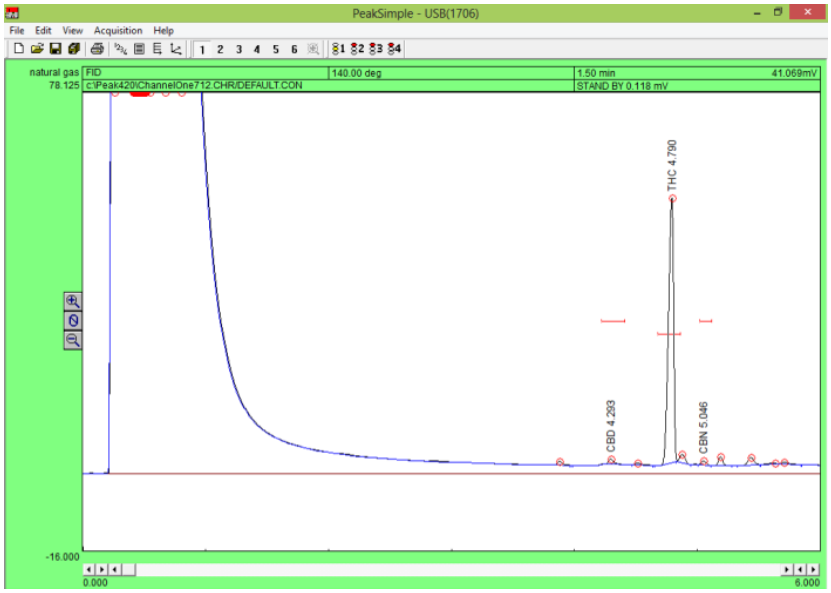
1. Thoroughly wash hands and don a pair of gloves.
2. Clean and sanitize your workspace and weigh station
3. Place an empty 40mL vial on a 4 point balance and zero out the balance
    a. The scale must be able to read 0.001g
4. Carefully add 100mg of cannabis flower or trim; if testing cannabis concentrates only add 50mg of sample.
    a. Write down the exact weight of the sample as it will need to be input into Peak Simple upon testing
    b. Break down the cannabis flower by hand as much as possible.
5. Remove the 40mL vial from the scale
6. Measure out 40mL of extraction solvent using a graduated cylinder or pipettor, then add it to the 40mL vial.
    a. Approved solvents
        i. Denatured Alcohol (50% Ethanol 50% Methanol)
        ii. 70% or 91% Isopropyl Alcohol
        iii. Methanol
    b. Never use a Non-Polar solvent
7. Mix the vial using gentle rocking motion and place the vial in an incubator for 20 minutes.
    a. If no incubator is available the sample must be left in the solution for 12 hours.
8. Label the vial
    a. Sample “A”
    b. Batch lot # or Production lot #
    c. Sample weight
    d. Date of Preparation mm/dd/yyyy
    e. 90 day Expiration date mm/dd/yyyy
    f. Prepared by “X”
9. The sample can now be tested for its potency or cannabinoid profile.

Preparing cannabis infused product samples for potency testing using Gas Chromatography

1. Thoroughly wash hands and don a pair of gloves.
2. Clean and sanitize your workspace and weigh station
3. Place an empty 40mL vial on a 4 point balance and zero out the balance
    a. The scale must be able to read 0.001g
4. Take the infused product to be tested and break it down into small pieces
5. Weigh out 1 gram of the sample in the 40mL vial
    a. If the sample needs to be further broken down add 10mL of water into the vial, seal the vial, and shake. Then allow the vial to sit in the incubator for 5 minutes.
6. Measure out 40mL of extraction solvent using a graduated cylinder or pipettor, then add it to the 40mL vial.
    a. Approved solvents
        i. Denatured Alcohol (50% Ethanol 50% Methanol)
        ii. 70% or 91% Isopropyl Alcohol
        iii. Methanol
    b. Never use a Non-Polar solvent
    c. If 10mL of water was added to break down the infused product only add 30mL of extraction solvent.
7. Mix the vial using gentle rocking motion and place the vial in an incubator for 20 minutes.
    a. If no incubator is available the sample must be left in the solution for 12 hours.
8. Label the vial
    a. Sample “A”
    b. Batch lot # or Production lot #
    c. Sample weight
    d. Date of Preparation mm/dd/yyyy
    e. 90 day Expiration date mm/dd/yyyy
    f. Prepared by “X”
9. The sample can now be tested for its potency or cannabinoid profile.

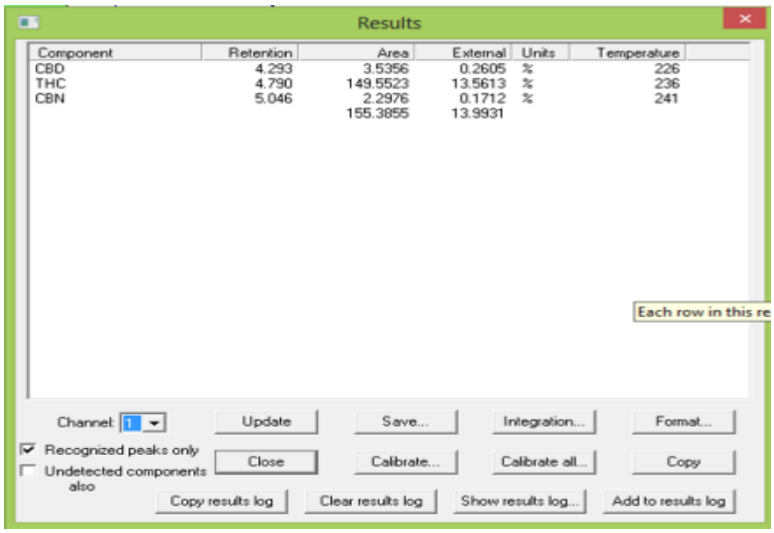
Determining sample cannabinoid profile utilizing Gas Chromatography

1. Using a 10uL syringe draw up 1uL of your sample solution
    a. Ensure all moisture is removed from the needle of the syringe
2. Inject the sample into the instrument and immediately start the Peak Simple readout
    a. Expel the full contents of the syringe, and do a 180 degree twist when removing the syringe
3. Allow the sample to run the full duration
    a. A real sample will not have a clean or uniform series of peaks, there will be background noise in the readout similar to the image below.
        i. The background noise is generally unmeasurable cannabinoids.
        ii. A real sample may have such low quantities of CBD or CBN that is may appear to be background noise.
    b. A real sample will not have peaks that resemble the 333 standard solution, however the cannabinoids will appear at the same retention times.



4. Go to the “Channel 1 Integration” screen and input the sample weight into the “Sample Weight” field, then select “OK”
5. Go to the “Results” tab to view the cannabinoid profile of the sample.

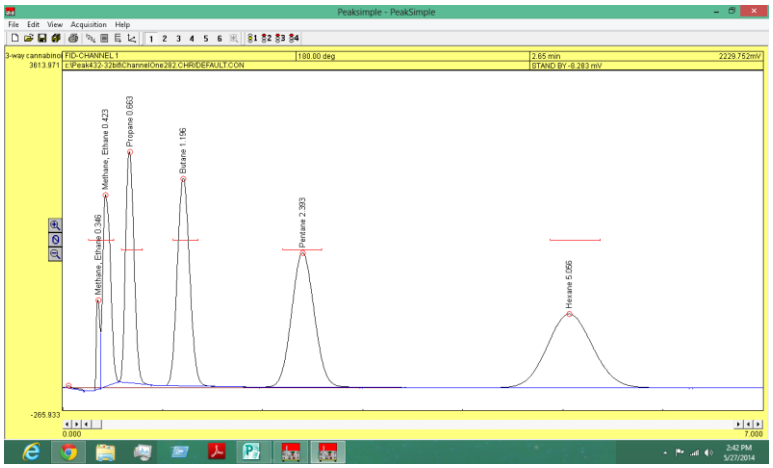
a. A real sample's results may look similar to the image below.



6. Go to the print results tab and rename the sample to the sample name, then print out a copy of the results to file.
7. Save the results using the generic file number, but ensure that the sample name has been changed in the print section.
8. Five more injections using the sample solution and preform a relative standard deviation calculation on the areas is recommended but not necessary.
    a. This step is strictly to ensure that the technique of the person performing the injections is consistent.
    b. The %RSD should not exceed 10%; if it does there is a technique error on the injection procedure and the results will be considered invalid and should be performed an additional time.

Calibration of the Gas Chromatograph using residual gas standard for residual solvent analysis

1. Obtain a C1 – C6 gas standard cylinder at 0.1% concentration (1000ppm) containing the following gases
    a. Butane
    b. Propane
    c. Hexane
2. Ensure the 3' Hayesep D column is installed on the Gas Chromatograph
    a. If the appropriate column is not currently attached remove the existing column and install the correct one
3. Ensure the Gas Chromatograph is powered on
4. Ensure the FID gain switch is set to MED
5. Ensure the Carrier Gas is on and flame ignited
    a. Use a metal tool and place it next to the FID and check for condensation.
        i. If there is no condensation the flame is not ignited.
6. Ensure the appropriate temperature profile is set up in Peak Simple
    a. Initial: 180.00
    b. Hold: 10.00
    c. Ramp: 0.00
    d. Final Temp: 180.00
7. Set the Integration Parameters
    a. Peak: 95%
    b. Base Line: 65%
    c. Spike Channel: None
    d. Area Reject: 1.00
    e. Standard Weight 1.00
    f. Sample Weight: 1.00
8. Pressurize the Calibration Gas Cylinder
    a. Slightly open the release valve and then close it immediately
9. Using a 3mL gas syringe pierce the septum of the calibration gas cylinder and withdraw 1mL
    a. Be cautious there may be ~200psi being released from the septum
10. Inject the sample into the instrument and immediately start the Peak Simple readout
    a. Expel the full contents of the syringe, and do a 180 degree twist when removing the syringe
11. Allow the sample to run the full duration
    a. The final sample should look similar to the below read-out.



12. In the "Retention Window" label the peaks in the following order; from left to right
    a. Ethane
    b. Methane
        i. Ethane and Methane may elute together into a single split peak
    c. Propane
    d. Butane
    e. Pentane
    f. Hexane
13. Create a calibration curve for the desired residual solvents.
    a. Butane: The "Injected 1" field should be 24.2000
        i. 1mole of butane weighs 58.1g and occupies 24000mL at room temp, therefore 1ml of butane in a syringe weighs 2.42mg. The standard is .1% butane (1000ppm) so the weight of butane in the 1ml syringe is 2.42ug. 2.42ug divided by 100mg is 0.0000242 (24.2ppm), so the peak would be 24.2ppm.
14. Save all calibration curves.
15. Five more injections using the calibration gas cylinder with the new calibration curve and performing a relative standard deviation calculation on the areas is recommended but not necessary.
    a. This step is strictly to ensure that the technique of the person performing the injections is consistent.
    b. The %RSD should not exceed 10%; if it does there is a technique error on the injection procedure and the Calibration should be performed an additional time.
16. Your instrument and software has now been calibrated and is ready to operate.

Preparing a sample for residual solvent testing using Gas Chromatography

1. Thoroughly wash hands and don a pair of gloves.
2. Clean and sanitize your workspace and weigh station
3. Place an empty 40mL vial on a 4 point balance and zero out the balance
    a. The scale must be able to read 0.001g
4. Add 100mg of analyte (Concentrate, Hash, Wax, Butter)
    a. Write down the exact weight of the sample as it will need to be input into Peak Simple upon testing
5. Place the cap back on the vial and seal
6. Place the vial into the incubator for 20 minutes
    a. It is possible to volatize the sample using a heat gun for 5 minutes.
    b. Never use the sample after it has been sitting for extended periods of times.
7. Label the vial
    a. Sample “A”
    b. Batch lot # or Production lot #
    c. Sample weight
    d. Date/Time of Preparation mm/dd/yyyy 0000
    e. 1 hour expiration time 0000
    f. Prepared by “X”
8. The sample is now ready to be tested for residual solvents.

Determining sample residual solvent levels utilizing Gas Chromatography

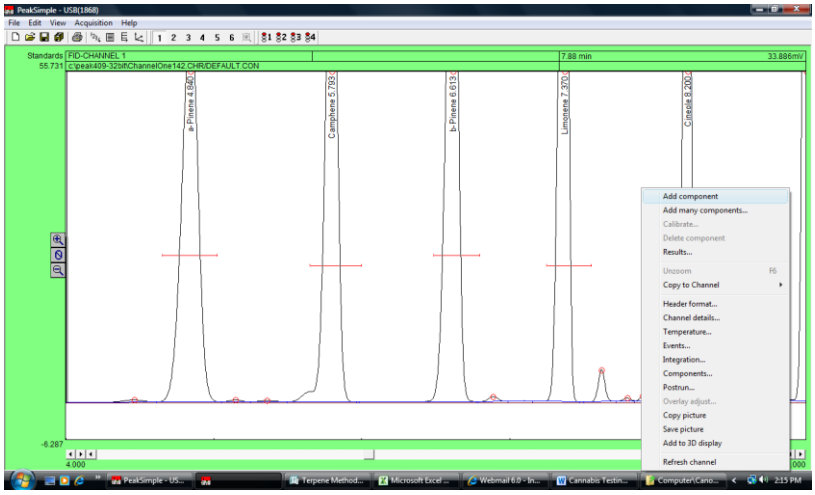
1. Using a 3mL gas syringe draw up 1mL of headspace from your sample vial
2. Inject the sample into the instrument and immediately start the Peak Simple readout
    a. Expel the full contents of the syringe, and do a 180 degree twist when removing the syringe
3. Allow the sample to run the full duration
    a. A real sample will not have a clean or uniform series of peaks, there will be background noise in the readout similar to the image below.
        i. The background noise is generally unquantifiable organic solvents such as terpenes and cannabinoids or trace amounts of other solvents from the primary solvents degrading.
    b. A real sample will not have peaks that resemble the standard solution, however the solvents will appear at the same retention times.
4. Go to the "Results" tab to view the residual solvent levels in "Parts per Million" of the sample.
5. Go to the print results tab and rename the sample to the sample name, then print out a copy of the results to file.
6. Save the results using the generic file number, but ensure that the sample name has been changed in the print section.
7. Five more injections using the sample headspace and preform a relative standard deviation calculation on the areas is recommended but not necessary.
    a. This step is strictly to ensure that the technique of the person performing the injections is consistent.
    b. The %RSD should not exceed 10%; if it does there is a technique error on the injection procedure and the results will be considered invalid and should be performed an additional time.

Calibration of the Gas Chromatograph using terpene standards for terpene profile analysis

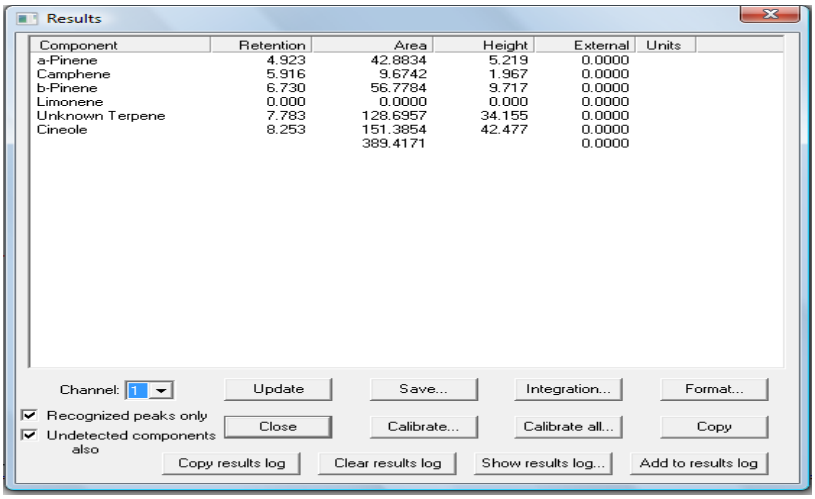
This analysis is strictly for qualitative purposes and should not be used to quantify terpenes

1. Obtain a standard solution for the following terpenes
    a. A-Pinene
    b. B-Pinene
    c. Camphene
    d. Cineole (Eucalyptol)
    e. Terpinene
    f. B-Caryophyllene
    g. Limonene
2. Ensure the 30meter MXT-WAX with 1 micron film thickness and .53mm id column is installed on the Gas Chromatograph
    a. If the appropriate column is not currently attached remove the existing column and install the correct one
3. Ensure the Gas Chromatograph is powered on
4. Ensure the FID gain switch is set to MED
5. Ensure the Carrier Gas is on and flame ignited
    a. Use a metal tool and place it next to the FID and check for condensation.
        i. If there is no condensation the flame is not ignited.
6. Ensure the appropriate temperature profile is set up in Peak Simple
    a. Initial: 40.00
    b. Hold: 4.00
    c. Ramp: 20.00
    d. Final Temp: 180.00
    e. Initial: 180:00
    f. Hold: 3.00
    g. Ramp: 0.00
    h. Final Temp: 180.00
7. Set the Integration Parameters
    a. Peak: 95%
    b. Base Line: 60%
    c. Spike Channel: None
    d. Area Reject: 1.00
    e. Standard Weight 100.00
    f. Sample Weight: 1.00
8. Using a 10uL syringe pierce the septum of the terpene standard and withdraw 1uL
    a. Ensure all moisture is removed from the needle of the syringe

9. Inject the sample into the instrument and immediately start the Peak Simple readout
    a. Expel the full contents of the syringe, and do a 180 degree twist when removing the syringe
10. Allow the sample to run the full duration
11. Label the peak with the name of the terpene standard used
12. Repeat this step for each terpene standard and then integrate the results into a single read-out



    a. It should look similar to the below read-out
13. View the "results" screen to ensure each terpene has a value associated with it.
    a. It should look similar to the below read-out



Component	Retention	Area	Height	External	Units
a-Pinene	4.923	42.8834	5.219	0.0000	
Camphene	5.916	9.6742	1.967	0.0000	
b-Pinene	6.730	56.7784	9.717	0.0000	
Limonene	0.000	0.0000	0.000	0.0000	
Unknown Terpene	7.783	128.6957	34.155	0.0000	
Cineole	8.253	151.3854	42.477	0.0000	
		389.4171		0.0000	

Preparing a sample for terpene analysis using Gas Chromatography

1. Thoroughly wash hands and don a pair of gloves.
2. Clean and sanitize your workspace and weigh station
3. Place an empty 40mL vial on a 4 point balance and zero out the balance
    a. The scale must be able to read 0.001g
4. Carefully add 100mg of cannabis flower or trim; if testing cannabis concentrates only add 50mg of sample.
    a. Write down the exact weight of the sample as it will need to be input into Peak Simple upon testing
    b. Break down the cannabis flower by hand as much as possible.
5. Remove the 40mL vial from the scale
6. Place the cap back on the vial and seal
7. Place the vial into the incubator for 20 minutes
    a. Never use the sample after it has been sitting for extended periods of times.
8. Label the vial
    a. Sample "A"
    b. Batch lot # or Production lot #
    c. Sample weight
    d. Date/Time of Preparation mm/dd/yyyy 0000
    e. 1 hour expiration time 0000
    f. Prepared by "X"
9. The sample is now ready for terpene analysis.

Performing Terpene Analysis utilizing Gas Chromatography

This analysis is strictly for qualitative purposes and should not be used to quantify terpenes

1. Using a 3mL gas syringe draw up 1mL of headspace from your sample vial
2. Inject the sample into the instrument and immediately start the Peak Simple readout
    a. Expel the full contents of the syringe, and do a 180 degree twist when removing the syringe
3. Allow the sample to run the full duration
    a. A real sample will not have a clean or uniform series of peaks, there will be background noise in the readout similar to the image below.
        i. The background noise is generally unquantifiable organic solvents such as unidentified terpenes and cannabinoids.
    b. A real sample will not have peaks that resemble the standard solution, however the terpenes will appear at the same retention times.

4. Go to the “Results” tab to view the terpene analysis of the sample.
5. Go to the print results tab and rename the sample to the sample name, then print out a copy of the results to file.
6. Save the results using the generic file number, but ensure that the sample name has been changed in the print section.
7. The results of this test are strictly for qualitative purposes and should not be used to determine the quantity of terpenes in a sample.

"Aloha oia o ka aina a ohana makou."

Malama Group

Sample Testing Standard Operating Procedures

January 2016

Confidential

MALAMA GROUP: SAMPLE TESTING PROCEDURES

Policy: Ensure that all cannabis and cannabis based products are tested and safe for human use, devoid of all potentially harmful residual solvents and pesticides. Any product that fails these tests will be rendered unusable and disposed.

Scope: Any cannabis grown, cannabis concentrates, or cannabis infused products must be reviewed internally by a quality control unit and then sent to a third party state licensed medical marijuana testing laboratory. All test results must be reviewed by the quality control unit to determine if the product is suitable for sale.

Procedures:

<u>Raw Material Sampling (Usable Cannabis)</u>

1. Thoroughly wash hands and forearms
2. Don a pair of fresh disposable gloves
3. After harvest, drying, and curing is complete each harvested lot will be homogenized into the appropriate containers.
4. Segregate the homogenized harvested lot
    a. Keep the harvested lot segregated until lab results have been returned and approved by the QCU
    b. This harvested lot must not be used in any products or sold to any establishment prior to receiving lab results and being approved by the QCU
    c. Label the sample;
        i. Harvest Lot Number
        ii. Date of harvest
        iii. Date of segregation
        iv. Quantity
        v. Quarantined
5. The quality control unit will perform a review of the segregated homogenized harvested lot
    a. The QCU can approve or reject the lot

i. If the lot is rejected it must be labeled so, rendered unusable, and disposed according to the appropriate procedure.

6. The QCU will take a random 12 gram, or less, sample from the segregated homogenized harvested lot to be delivered to a third party state approved medical marijuana testing laboratory.

    a. Label the sample;

        i. Harvest Lot number

        ii. Date of harvest

        iii. Date sample was sent

        iv. Quantity

7. Laboratory results will be returned and reviewed by the QCU

    a. Lab results must pass all tests for;

        i. Moisture content, Potency analysis, Terpene analysis, foreign matter inspection, Microbial screening, Mycotoxin screening, Heavy metal screening, Pesticide residue analysis.

    b. If the sample does not pass all tests the entire harvest lot must be rendered unusable and disposed of.

        i. Except as otherwise provided in NAC 453A.672

            1. Upon approval of the division a lot of marijuana that fails quality assurance test may be used to make a CO^2 or solvent based extract.

8. The QCU can now approve the harvest lot to be used in extracts, infused products, or to be sold to another licensed establishment.

    a. Change the label from “Quarantined” to “Approved”

<u>Testing of Extract, Edibles, or infused Products: Generally</u>

1. Any batch of extract, edible, or infused product produces must have a single unit retained in a freezer for future testing.

    a. If a freezer is not suitable for storage it will be stored in the optimal area segregated from any other products.

2. The stored product will be labeled as “Quarantine”, “Not for Sale”, and have the third party lab test results.

3. The stored product will be visually inspected at 30, 60, and 90 days to ensure product stability.

    a. In-house testing can also be performed on the product

        i. If any in-house testing occurs the product must;

            1. Labeled with the date of sample collection

            2. Labeled with sample size in mg

            3. Vacuum sealed

            4. Stored in the appropriate location

4. The stored product will be available for laboratory retests.

    a. Laboratory retests will not be for sales purposes.

    b. Laboratory retests are strictly for data collection or legal purposes.

<u>Raw Material Sampling (Extracts)</u>

1. Thoroughly wash hands and forearms

2. Don a pair of fresh disposable gloves

3. After extraction, purging, winterizing (if needed), and decarboxylation (if needed) is complete each extracted lot will be homogenized into the appropriate containers.

4. Segregate the homogenized extracted lot

    a. Keep the extracted lot segregated until lab results have been returned and approved by the QCU

    b. This extracted lot must not be used in any products or sold to any establishment prior to receiving lab results and being approved by the QCU

    c. Label the sample;

        i. Extraction Lot Number

        ii. Date of extraction

iii. Date of segregation

iv. Quantity

v. Quarantined

5. The quality control unit will perform a review of the segregated homogenized extracted lot

    a. The QCU can approve or reject the lot

        i. If the lot is rejected it must be labeled so, rendered unusable, and disposed according to the appropriate procedure.

6. The QCU will take a random sample from the segregated homogenized extracted lot to be delivered to a third party state approved medical marijuana testing laboratory.

    a. Sample sizes based on method of extraction

        i. Non-solvent extracts = 7 grams or less

        ii. CO_2 solvent extracts = 2 grams or less

        iii. Light hydrocarbon extracts = 2 grams or less

        iv. Food grade ethanol extracts = 2 grams or less

        v. Food grade glycerin or propylene glycol = 20 grams or less

    b. Label the sample;

        i. Extract Lot number

        ii. Date of extraction

        iii. Date sample was sent

        iv. Quantity

7. Laboratory results will be returned and reviewed by the QCU

    a. Lab results must pass all tests based on method of extraction

        i. Non-solvent extracts: Potency analysis, Foreign matter inspection, Microbial screening, terpene analysis

        ii. CO_2 solvent extracts: Potency analysis, Terpene analysis, Microbial screening

iii. Light hydrocarbon extracts: Potency analysis, Terpene analysis, Residual solvent testing, Microbial screening

1. Only perform Microbial screening if using marijuana that failed the initial test

iv. Food grade ethanol extracts: Potency analysis, Terpene analysis, Microbial screening

1. Only perform Microbial screening if using marijuana that failed the initial test

v. Food grade glycerin or propylene glycol: : Potency analysis, Terpene analysis, Microbial screening

1. Only perform Microbial screening if using marijuana that failed the initial test

b. If the sample does not pass all tests the entire harvest lot must be rendered unusable and disposed of.

8. The QCU can now approve the extracted lot to be used as concentrates, in infused products, or to be sold to another licensed establishment.

a. Change the label from “Quarantined” to “Approved”

Edible Cannabis Products or Cannabis-Infused Product Sampling

1. Thoroughly wash hands and forearms

2. Don a pair of fresh disposable gloves

3. Once a finished batch or edibles, or infused products, has been manufactured each lot produced shall be segregated and packaged into the appropriate containers.

b. Keep the lot segregated until lab results have been returned and approved by the QCU

c. This lot must not be distributed or sold to any establishment prior to receiving lab results and being approved by the QCU

d. Label the sample;

i. Batch Lot Number

ii. Date of production

iii. Expiration date (if perishable)

iv. Date of segregation

v. Quantity

vi. Quarantined

4. The quality control unit will perform a review of the segregated production lot

    e. The QCU can approve or reject the lot

        i. If the lot is rejected it must be labeled so, rendered unusable, and disposed according to the appropriate procedure.

5. The QCU will take a random sample from the segregated production lot to be delivered to a third party state approved medical marijuana testing laboratory.

    a. Sample sized based on type of product

        i. Edible marijuana-infused product = 1 Unit

        ii. Liquid marijuana-infused product (soda/tonic) = 1 Unit

        iii. Topical marijuana-infused product = 1 Unit

    b. Label the sample

        i. Batch Lot Number

        ii. Date of production

        iii. Expiration date (if perishable)

        iv. Date sample was sent

        v. Quantity

6. Laboratory results will be returned and reviewed by the QCU

    a. Lab results must pass all tests based on type of product

        i. Edible marijuana-infused product: Potency analysis, Terpene analysis, Microbial screening

ii. Liquid Marijuana-infused product (soda/tonic): Potency analysis, Terpene analysis, Microbial screening

iii. Topical marijuana-infused product: Potency analysis

b. If the sample does not pass all tests the entire harvest lot must be rendered unusable and disposed of.

7. The QCU can now approve the batch production lot to be distributed and sold to a licensed establishment.

   a. Change the label from “Quarantined” to “Approved”

MALAMA GROUP LLC: OAHU MEDICAL MARIJUANA APPLICATION

Section 10: Packaging, Labeling, Signage & Traceability Procedures

Packaging & Labeling: To ensure the quality, accuracy, safety, and efficacy of our material(s) (products, components, food, labeling, packaging materials, product container and closures), Malama Group will take measures to prevent access to children, tampering, contamination, and adulteration. The company will take measures to accurately, truthfully, and clearly label all material. All packaging and labeling will conform to the following requirements as outlined in HRS 329 D-11: Packaging will be child-resistant and opaque so that the product cannot be seen from outside the packaging; Packaging and labeling will use only black lettering on a white background with no pictures or graphics; clearly display the phrase "For medical use only"; clearly display the phrase "Not for resale or transfer to another person"; Include instructions for use and "use by date"; Contain information about the contents and potency of the product; Include the name and ID number of the Malama Group cultivation center where marijuana in the product was produced, including the batch number and date of packaging; Include a barcode generated by the BioTrackTHC system; In the case of a manufactured marijuana product, a listing of the equivalent physical weight of the marijuana used to manufacture the amount of the product that is within the packaging, pursuant to section 329D-9(c).

Beyond this, Malama Group packaging will incorporate:

1. Marijuana-infused products in solid or liquid from will be packaged in a plastic which is 4 mil or more in thickness and will be heat-sealed without an easy-open tab, dimple, or corner or flap so that it is difficult for a child to open and as a tamperproof measure.

2. Marijuana-infused products in liquid form will be sealed using a metal crown cork-style bottle cap or in a child-resistant packaging in accordance with 16 C.F.R. 1700.
3. Container or packaging containing any material will be selected in ensure protection of the contents from contamination and must not impart any toxic or deleterious substance to the material.
4. Employees that suspected exposure to contamination or adulteration will follow the **Contamination and Adulteration** and **Disposal of Rejected Materials SOPs (Section 12)**.
5. Any marijuana, edible marijuana products and marijuana-infused products will be individually packaged, labeled and sealed such that no single unit contains more than a 2 ½ ounce supply of marijuana or 10mg of THC in any single unit.
6. Malama Group products will also contain the following additional warnings:
    a. "Warning: This product may have intoxicating effects and may be habit forming. Smoking is hazardous to your health."
    b. "There may be health risks associated with consumption of this product."
    c. "Should not be used by women who are pregnant or breast feeding."
    d. "For use only by the person named on the label of the dispensed product. Keep out of the reach of children."
    e. "Marijuana can impair concentration, coordination and judgment. Do not operate a vehicle or machinery under the influence of this drug."
    f. The text used on all accompanying material must be printed in at least 12-point font and may not be in italics.

g. Malama Group will also ensure that all edible marijuana products and marijuana-infused products sold at retail accompanying material properly discloses any pesticides applied to the marijuana plants and growing medium during production of the marijuana used to create the extract added to the edible marijuana products or marijuana-infused products and the type of extraction method used, including, without limitation, any solvents, gases, or other chemicals or compounds used to produce or that are added to the extract.

7. Employees will exercise strict control over labeling materials issued for the use in labeling operations for all materials in accordance to the company's **Quality Assurance SOP (Section 10)** and **Inventory Tracking and Record Keeping SOPs (Section 7)**.

Signage: Signage in the Malama Group Cultivation Center will focus on safety procedures, labor & employment requirements, HR policies, and the like. Signage in the retail dispensaries will be squarely focused on patient education and safety. There will be no signs or advertising promoting marijuana products or brands. On the exterior of the retail dispensaries, Malama Group will post a single sign for each location no greater than one thousand six hundred square inches; this sign will display simply the business name with no accompanying graphics.

Chain of Custody: Malama Group's chain of custody procedures are outlined in the **Inventory Tracking and Record Keeping SOPs (Section 7)** of this application. Briefly, they incorporate the key features of the BioTrackTHC system to ensure that all products are tracked electronically via bar code from "seed to sale."

Supplemental materials to this section of the application include:

1. ***Packaging and Labeling SOP***

“Aloha oia o ka aina a ohana makou.”

Malama Group

Packaging and Labeling Standard Operating Procedure

January 2016

Confidential

MALAMA GROUP: PACKAGING AND LABELING

Policy

To ensure the quality, accuracy, safety and efficacy of our "material(s)" (products, components, food, labeling, packaging materials, product container and closures), we will take measures to prevent access to children, tampering, contamination and adulteration. We will take measures to accurately, truthfully and clearly label all material.

Scope

All packaging and labeling must be pre-approved by DOH in accordance with Chapter 11-850, Hawaii Administrative Rules and performed in a designated that is appropriate for the material(s) intended use.

Procedures

<u>Packaging</u>

1. Any Products Containing marijuana will be packaged for the patient in a child-resistant packaging in accordance with 16 C.F.R. 1700 or to the standards specified in the following subsection 2 or 3.
2. Except as otherwise provided in subsection 3, marijuana-infused products in sold or liquid from will be packaged in a plastic which is 4 mil or more in thickness and will be heat-sealed without and easy-open tab, dimple, or corner or flap so that it is difficult for a child to open and as a tamperproof measure.
3. Marijuana-infused products in liquid form will be sealed using a metal crown cork-style bottle cap or in a child-resistant packaging in accordance with 16 C.F.R. 1700.
4. Container or packaging containing any material will be selected in ensure protection of the contents from contamination and must not impart any toxic or deleterious substance to the material.
5. Employees that suspected exposure to contamination or adulteration will follow the Contamination and Adulteration and Disposal of Rejected Materials SOPs.
6. Any marijuana, manufactured marijuana products and marijuana-infused products will be individually package, label and seal the marijuana or marijuana products in unit sizes such that no single unit contains more than a 2 ½ ounce supply of marijuana.

Labeling

1. Labeling for all marijuana, manufactured marijuana products and marijuana-infused products will at the minimum include the standards described in as outlined below.

    a. *Maximum unit size; minimum requirements for font and size of label.*

        i. Any medical marijuana establishment that packages marijuana, manufactured marijuana products or marijuana-infused products must individually package, label and seal the marijuana or marijuana products in unit sizes such that no single unit contains more than a 2 1/2 ounce supply of marijuana.

        ii. For marijuana, manufactured marijuana products or marijuana-infused products that are intended to be dispensed or sold to a holder of a valid patient identification card or his or her designated primary caregiver:

        iii. The text used on all labeling will be printed in at least 10-point font and may not be in italics; and

        iv. Each label must be at least 2 3/4 inches high by 4 inches wide.

    b. *Labeling requirements for marijuana and related products for sale to medical marijuana dispensary.*

        i. Our cultivation facility or facility for the production of manufactured marijuana products or marijuana-infused products shall label all marijuana, manufactured marijuana products and marijuana-infused products before it sells the marijuana or marijuana products to a medical marijuana dispensary and shall securely affix to the package a label that includes, without limitation, in legible English:

            1. The name of the medical marijuana establishment and its medical marijuana establishment registration certificate number;

            2. The lot number;

            3. The date of harvest;

4. The date of final testing;

5. The date on which the product was packaged;

6. The cannabinoid profile and potency levels and terpinoid profile as determined by the independent testing laboratory;

7. If the product is perishable, the expiration date; and

8. The quantity of marijuana being sold.

9. Any additional requirements requested by the DOH

ii. The label required by subsection i for a container or package containing usable marijuana, manufactured marijuana products or marijuana-infused products sold by a cultivation facility or facility for the production of manufactured marijuana products or marijuana-infused products will be in substantially the following form:

Malama Group
Certificate Number: 123 456 789 001 0001

Lot Number:
1234

Harvested on:
01/01/2013

Final Testing Date: 01/15/2013
Packaged on: 01/17/2013
Best if used by: March 17, 2013

Cannabinoids
16.7% THC 0.5%THCA
1.5% CBD 0.3% CBN

Terpenes
β-Myrcene 5.6 mg/g Limonene 5.1 mg/g α-Bisabolol 3.5 mg/g α-Humulene 0.01mg/g
α-Pinene 0.5mg/g α-terpinene 0.0mg/g
β-Eudesmol 1.2mg/g β-Pinene 0.7mg/g
Camphene 0.05mg/g Limonene 5.0mg/g
Linalool 0.0mg/g

Net Weight: 2 lbs.

c. *Labeling requirements for usable marijuana sold at retail; accompanying materials.*

   i. A medical marijuana dispensary must affix to each container or package containing usable marijuana sold at retail a label which must include, without limitation:

      1. The business or trade name and the medical marijuana establishment registration certificate number of the cultivation facility that cultivated and sold the usable marijuana.

      2. The lot number.

3. The date and quantity dispensed, including the net weight measured in ounces and grams or by volume, as appropriate.

4. The name and registry identification card number of the patient and, if applicable, the name of his or her designated primary caregiver.

5. The name and address of the medical marijuana dispensary.

6. The cannabinoid profile and potency levels and terpinoid profile as determined by the independent testing laboratory.

7. A warning that states: "This product may have intoxicating effects and may be habit forming."

8. The statement: "This product may be unlawful outside of the State of Hawaii."

9. The date on which the marijuana was harvested.

10. Any additional requirements requested by the DOH

ii. The label required by subsection 1 for a container or package containing usable marijuana sold at retail must be in substantially the following form:

Joe's Plant Emporium Cert.#: 123 456 789
001 0001

Lot#: 1234 Harvested:
01/01/2013

Dispensed to: John J. Smith #1234987 on 11/27/2013

by

We Care Dispensary

123 Main Street, Honolulu, HI 96815

WARNING:

This product may have intoxicating effects

and may be habit forming.

16.7% THC 1.5% CBD 0.3% CBN

Myrcene 5.6 mg/g Limonene 5.1 mg/g Valencene 3.5 mg/g

Net Weight: .25 ounces (7 grams)

<u>This product may be unlawful outside the State of Hawaii.</u>

iii. A medical marijuana dispensary must provide with all usable marijuana sold at retail accompanying material that discloses any pesticides applied to the marijuana plants and growing medium during production and processing and contains the following warnings:

1. "Warning: This product may have intoxicating effects and may be habit forming. Smoking is hazardous to your health."
2. "There may be health risks associated with consumption of this product."
3. "Should not be used by women who are pregnant or breast feeding."

4. “For use only by the person named on the label of the dispensed product. Keep out of the reach of children.”

5. “Marijuana can impair concentration, coordination and judgment. Do not operate a vehicle or machinery under the influence of this drug.”

6. The text used on all accompanying material must be printed in at least 12-point font and may not be in italics.

7. Any additional warning requirements requested by the DOH

d. Labeling requirements for manufactured marijuana products or marijuana-infused products sold at retail; accompanying materials.

i. A medical marijuana dispensary must affix to each container or package containing manufactured marijuana products or marijuana-infused products sold at retail a label which must include, without limitation:

ii. The business or trade name and the medical marijuana establishment registration certificate number of the facility for the production of manufactured marijuana products or marijuana-infused products that manufactured and sold the product.

iii. The lot numbers of all marijuana used to create the product.

iv. The batch number of the product.

v. The date and quantity dispensed, including the net weight in ounces and grams or by volume, as appropriate.

vi. The name and registry identification card number of the patient and, if applicable, the name of his or her designated caregiver.

vii. The name and address of the medical marijuana dispensary

viii. The date on which the product was manufactured.

ix. If the product is perishable, a suggested use-by date.

x. The total milligrams of active cannabinoids and terpenoid in the product, as provided by the independent testing laboratory that tested the product.

xi. A list of all ingredients and all major food allergens as identified in 21 U.S.C. §§ 343.

xii. A warning that states: "Caution: When eaten or swallowed, the intoxicating effects of this drug may be delayed by 2 or more hours."

xiii. If a marijuana extract was added to the product, a disclosure of the type of extraction process and any solvent, gas or other chemical used in the extraction process, or any other compound added to the extract.

xiv. A warning that states: "This product may have intoxicating effects and may be habit forming."

xv. A statement that: "This product may be unlawful outside of the State of Hawaii."

xvi. Any additional warning requirements requested by the DOH

e. The front and back of the label required by subsection 1 for a container or package containing manufactured marijuana products or marijuana-infused products sold at retail must be in substantially the following form:

We Care Dispensary, 123 Main Street, Honolulu, HI 96815

Date Dispensed: 3/27/2014 **To:** John J. Smith #1234987

Lozenge

Net Weight: 6oz (168 Grams)

Serving Size: 10mg of THC

Contains 10 servings and a total of 100 MG of THC

Use by: 6/3/2014

Myrcene 5.6 mg/g Limonene 5.1 mg/g Valencene 3.5 mg/g

CAUTION: When eaten or swallowed the intoxicating effects of this product can be delayed 2 or more hours.

This product may be unlawful outside the State of Hawaii.

f. A medical marijuana dispensary must provide with all manufactured marijuana products and marijuana-infused products sold at retail accompanying material that discloses any pesticides applied to the marijuana plants and growing medium during production of the marijuana used to create the extract added to the manufactured marijuana products or marijuana-infused products and the type of extraction method used, including, without limitation, any solvents, gases or other chemicals or

compounds used to produce or that are added to the extract, and contains the following warnings:

i. "There may be health risks associated with consumption of this product."

ii. "This product contains or is infused with marijuana or active compounds of marijuana."

iii. "Should not be used by women who are pregnant or breast feeding."

iv. "For use only by the person named on the label of the dispensed product. Keep out of the reach of children."

v. "Products containing marijuana can impair concentration, coordination and judgment. Do not operate a vehicle or machinery under the influence of this drug."

vi. "Caution: When eaten or swallowed, the intoxicating effects of this drug may be delayed by 2 or more hours."

vii. The text used on all accompanying material must be printed in at least 12-point font and may not be in italics.

viii. Any additional warning requirements requested by the DOH

2. Employees will exercise strict control over labeling materials issued for the use in labeling operations for all materials in accordance to the company's Quality Assurance and Inventory Tracking and Record Keeping SOP's.

3. Employees will carefully examine labeling materials issued for a batch for identity and conformity to the labeling specified in the applicable production or control records in accordance to our Quality Assurance and Inventory Tracking and Record Keeping SOP's.

4. Employees will follow written procedures describing in sufficient detail the control procedures employed for the issuance of labeling in accordance to our Quality Assurance and Inventory Tracking and Record Keeping SOP's.

5. Our facility will not label usable marijuana, manufactured marijuana products or marijuana-infused products as "organic" unless the marijuana plants used are produced, processed and certified in a manner that is consistent with the national

organic standards established by the United States Department of Agriculture in accordance with the Organic Foods Production Act of 1990.

Storage Areas: Labeling and packaging materials will be stored in designated areas to avoid direct contact with toxic or flammable materials and to prevent contamination and adulteration.

Preparation: Labeling and packaging of marijuana products, manufactured marijuana products or marijuana-infused products will be performed in the building in designated areas intended for such purposes that:

1. Includes work space that can be sanitized; and

2. Is only used for the preparation or packaging of marijuana products, manufactured marijuana products or marijuana-infused products.

3. Any excess and/or erroneous labeling or packaging material will be quarantined and destroyed by end of day.

MALAMA GROUP LLC: OAHU MEDICAL MARIJUANA APPLICATION

Section 11: Malama Group Waste Management & Disposal Procedures

Malama Group's Waste Management Protocol covers the following types of waste:

- **Liquid waste** – including cleaning agents, solvents, and other liquids.
- **Chemical waste** – including chemical, pesticides, solvents, and dangerous or hazardous waste.
- **Solid waste** – including flowers, stems, leaves, trichomes, kief, unusable oil, etc.

Waste Storage: To ensure the quality and safety of our products, Malama Group will implement a comprehensive waste management protocol, starting with separation of all waste product and storage of waste for 72 hours prior to handling the waste by rendering it unusable for consumption and readying it for disposal. All of Malama Group's waste storage procedures are in accordance with applicable federal, state, county and city laws, statutes, ordinances, and other regulations.

Waste Handling: In general, all marijuana-related waste will be rendered unusable and unrecognizable prior to disposal. All compostable waste (leaves, stems, seeds, flowers, trichomes, etc.) will be placed in a grinder and mixed with other, non-marijuana compostable waste (such as food scraps and yard waste) in a 50/50 ratio of marijuana and non-marijuana product. All non-compostable waste – such as silica or extraction debris– will be placed in a grinder and mixed with other non-marijuana, non-compostable waste (such as plastics or

metals) in a 50/50 ratio of marijuana and non-marijuana product. All waste – both compostable and non-compostable – will then be readied for disposal.

Waste Disposal: Working with local waste management authorities, Malama Group will deliver its compostable and non-compostable waste for disposal in designated containers and using designated methods. From there, the rendered waste will be: 1. Disposed of at a solid waste site and disposal facility that has a Certificate of Designation from the local governing body; 2. Deposited at a compost facility that has a Certificate of Designation from the Department of Public Health and Environment; or 3. Composted on-site at a facility owned by the generator of the waste and operated in compliance with applicable regulations and statutes. Only authorized Malama Group personnel will be permitted to conduct waste storage, handling and disposal, and all waste will be stored, rendered unusable, or disposed of in containers or receptacles that are wholly owned and managed by Malama Group or its subcontractors.

Waste Tracking: All waste product will be weighed and identified in the BioTrackTHC system and disposal methods will also be recorded in the BioTrackTHC system at least once per day.

Supplemental materials to this section of the application include:

1. ***Waste Management SOP***

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Malama Group

Waste Management Standard Operating Procedure

January 2016

Confidential

MALAMA GROUP: WASTE MANAGEMENT STANDARD OPERATING PROCEDURE

NOTES

1. Destruction of unusable plant and material and manufactured marijuana products are strictly regulated by the State of HI Department of Health. The following procedures comply with these requirements and must be followed to avoid penalties and fines.

2. All plant material must either be used or destroyed. Usable material includes: flowers, small buds and trim for joints trim or fan leaves with trichomes that will be sold for processing.

3. Unusable plant material that must be destroyed includes:

Stems, leaves removed from plants (i.e.: dead leaves, damaged leaves, thinning process), clones that have not been selected for transplant, dead plants (includes plants that have been pulled from the grow or buds or flowers that are damaged or diseased, any batch of flowers that has not passed lab testing for mold and mildew.

4. All manufactured marijuana products must either be used or destroyed.

TOOLS NEEDED

1. Eye protection
2. Gardening or work gloves
3. Black contractor bags
4. Wood chipper/leaf shredder
5. Large box
6. Tarp

Procedure

1.1 PREPARATION

1. Once plant or parts of plant have been determined to be destroyed, move to lockable staging container

2. 72 hours prior to destruction, notify the Hawaii Department of Health (DOH) or the certified waste management team of intent to destroy material using the tracking system.

3. After 72 hour period, remove plant material from staging area.

1.2 DESTRUCTION OF PLANT MATERIAL

1. Wear gloves and eye protection

2. Set down a tarp to work over

3. Set up chipper/shredder over a large box to collect shredded material

4. Take leaves, stems and other plant material and run through chipper/shredder, following instruction manual.

5. Take shredded material and thoroughly mix with used soil (soil marked for disposal) at a ratio of 1 part plant material to 2 parts soil.

6. Put mixture into black contractor bags or directly into transportation vehicle.

7. Dump material at Waste Management facility or have the certified waste management team pick it up.

1.3 DOCUMENTING DISPOSAL TRANSACTIONS OF MATERIALS

1. The waste disposal process will be recorded by video surveillance and will be witnessed by another employee on the grow team.
2. All dates from the 72 hours prior to destruction when the DOH or certified waste management team was initially contacted up to the point when the waste is officially destructed will be documented by the witness employee.
3. The employee witness will document the date, method, and reason for destruction and the employee who conducted the destruction process.
4. Any disposal of marijuana products from the batch must also be documented in BIOTRACK including:
    a. Reason for the disposal
    b. Number and weight of failed/unusable product
    c. Date of the disposal
    d. Confirmation that the marijuana product was rendered unusable before the disposal
    e. The method of disposal

f. Name and agent number of the agent responsible for the disposal

1.4 CLEANUP

1. Clean up working area. Sweep and mop.

2. Clean and service chipper/shredder per instructions.

3. Clean out wooden disposal box.

Section 12: Malama Group Product Safety Procedures

The Malama Group has a number of measures and procedures designed to safeguard and guarantee product safety. Foremost among these are:

Internal and External Product Testing: Pursuant to 329D-8 lab standards and testing the Malama Group will adhere to a strict set of standards for quality assurance, beginning with internal product testing as outlined in **Internal Testing Procedure SOP (Section 9)**, as well as our **Sample Testing SOP (Section 9)**.

Our state-of-the-art laboratory features gas chromatography equipment to ensure accurate testing, while thorough employee training and management procedures enable the company to adhere to best-practices testing methodologies. These best practices also include implementing policies for the safe handling of marijuana products during the testing process. The safe handling of products by employees will negate any cross-contamination of marijuana products. This allows for the most accurate testing procedure results, enabling patients and health officials to know the breakdown of THC and CBD within all marijuana and processed marijuana products.

In addition to rigorous internal testing, Malama Group is committed to working with third-party, state-certified laboratories for external testing and verification of product safety. Testing results will be recorded and tracked in the company's BioTrackTHC system, printed on labels and packaging for the product, and used in discussions with patients around product safety and efficacy.

Clean and Safe Manufacturing Practices: Malama Group will implement FDA and GMP approved procedures in its manufacturing facilities, to ensure that all products are produced and handled in a safe and sanitary manner. This adherence to FDA and GMP standards incorporates construction of commercial kitchen facilities meeting these standards; employee training; signage and postings in the Cultivation Center continual quality checks by Malama Group management to ensure compliance.

Proper Measuring and Weighing of Marijuana Product: To ensure product safety from the perspective of dosing and serving sizes, Malama Group follows these procedures:

1. Product weighing and scale calibration: Much of the inventory control system is based on accurate measures of weight. As such, Malama Group will utilize scales in compliance with requirements set forth by the State. This way, documentation of licensure, and accurate record-keeping, will be maintained for review by both marijuana establishments receiving marijuana from our facility, and local and State regulators. To ensure scale accuracy, the company will calibrate scales to .001 degrees at least once per month.
2. Discrepancy management: If at any time the amount of marijuana on hand is increased or reduced in a way that is not documented in the electronic inventory control system, our personnel will determine the source of the discrepancy. After identifying the source, corrective action will be taken to ensure that there will be no further variance from expected amounts. Any loss of product will be reported to the DOH, and if criminal activity is suspected, it will be reported to relevant law enforcement agencies. If at any time product disappears or deviates from predicted production amounts, employees are

required to report the discrepancy in BioTrackTHC, and verbally to their supervisor. Our personnel will determine the source of the discrepancy and corrective action will be taken to ensure that there will be no further variance from expected amounts.

3. Formula Calculations: Our formula for calculating weight equivalencies will be disseminated with the public and health officials. This methodology will ensure that patients are receiving the proper and safe dosage of medicine. This policy will allow our staff to work with each patient to help assess their consumption and select the proper medicine to address their medical condition.

Product Type Control: Malama Group recognizes that the Department of Health is seeking to ensure that marijuana products are optimized for medical efficacy and patient symptom relief, and will adhere to the product types outlined by the department in HRS-329D-11:

1. Capsules
2. Lozenges
3. Pills
4. Oils & oil extracts
5. Tinctures
6. Ointments and skin lotions, and:
7. Other products as specified by the department.

Lifecycle Assessment: In the production process our methodologies allow us to track the production process in each of its phases. This allows us to disseminate to patients and health officials the lifecycle of marijuana plants as it is processed into the marijuana products. This also highlights our low solvent CO^2 process that we are utilizing, which creates a safer processed

product than alternative processing methods, which contain more solvents to create processed products. Our policy is to maintain transparency throughout the manufacturing process and open to all patients so they know the product is being manufactured safely.

Safe Packaging and Advertising: As discussed in Section 10 of this application, pursuant to Section 329D-11 and Section 329D-7 in addition to complying with the rule our safe packaging and advertising policies are implemented with the intent to ensure that marijuana and processed marijuana products do not end up in the possession of non-qualified marijuana patients.

Our packaging will be tamper-proof and the product labeling will be 100% comprehensible so that patients and health officials can immediately recognize what the contents and the potency of the products are without opening the package. This reinforces our safe product policies and allows patients to know what they are consuming and to create a safe regimen to consume the proper amount of dosage.

Our labeling will include traceability data, so that should any product be found on anyone or anywhere without proper authorization, that product can be traced back to our dispensary, and if applicable, to the patient to whom it was sold – ultimately, we will work to identify where in the chain of custody the product left authorized ownership. Should any such need arise, we will be sure to collaborate with law enforcement as needed to ensure compliance with all pertinent regulations.

Supplemental materials to this section of the application include:

1. ***Quality Assure SOP***
2. ***Product Recall SOP***

3. ***Cleaning and Sanitation SOP***

4. ***Contaminated and Adulterated Products SOP***

5. ***Disposal of Rejected Materials SOP***

6. ***Personal Hygiene and Gloves SOP***

“Aloha oia o ka aina a ohana makou.”

Malama Group

Quality Assurance Standard Operating Procedure

January 2016

Confidential

MALAMA GROUP: QUALITY ASSURANCE SOP

Policy

To ensure all medical marijuana, concentrates, edibles, and infused products are stored, labeled, packaged, and documented correctly, and that all products have been tested by a state approved third party lab.

Scope

Each department within the facility will have an assigned Quality Control Unit to ensure all procedures are being followed and that all products are conforming to the standards set by the DOH of Public and Behavioral Health.

Procedures

<u>Quality Control Unit</u>

1. Approve or reject all components, product containers, closures, in-process materials, packaging materials, labeling and marijuana or marijuana products
    A. All products will only be purchased from approved vendors
    B. All products will be inspected and approved or rejected prior to receiving components, product container, closures, in-process materials, packaging materials, labeling and marijuana or marijuana products.
    C. All components, product container, closures, in-process materials, packaging materials, labeling and marijuana or marijuana products will be labeled with the expiration, lot number and common name then stored under the appropriate conditions.
    D. Any rejected products will be disposed of by means documented in Disposal of Rejected Materials SOP.

2. Review of production records to assure that no errors have occurred or, if errors have occurred, that they are fully investigated and resolved.
    A. Each lot produced will be verified by the quality control unit for errors.
    B. Any errors will be investigated to determine root cause and documented.
    C. An action plan will be instituted to correct process and/or human errors.
    D. Standard Operating Procedures will be updated to reflect process changes.

    E. Training in-service will be scheduled to update employees on the new procedural changes.

3. Approve or reject marijuana or marijuana products manufactured, processed, packaged or held under contract by another medical marijuana establishment.
    A. All marijuana or marijuana products manufactured, processed, packaged or held under contract by another medical marijuana establishment will be only be accepted from Nevada approved and licensed medical marijuana establishments.
    B. All marijuana or marijuana products manufactured, processed, packaged or held under contract by another medical marijuana establishment will be inspected and approved or rejected according to standards for labeling (NAC 453A. 500-514) , production (NAC 453A.550-626) and testing (NAC 453A.650-672)
    C. Any rejected products will be disposed of by means documented in Disposal of Rejected Materials SOP.
4. Approve or reject all procedures or specifications which may impact the identity, strength, quality and purity of the marijuana or marijuana products.
    A. All procedures or specifications which may impact the identity, strength, quality and purity of the marijuana or marijuana products will be documented and strictly enforced by the quality control unit.
    B. Any deviation from the procedures or specifications will be documented with explanation and must be signed off by quality control unit.
    C. Any errors due to procedures or specifications which may impact the identity, strength, quality and purity of the marijuana or marijuana products will be investigated to determine root cause and documented.
    D. An action plan will be instituted to correct process and/or human errors.
    E. Standard Operating Procedures will be updated to reflect process changes.
    F. Training in-service will be scheduled to update employees on the new procedural changes.
    G. Any rejected products will be disposed of by means documented in Disposal of Rejected Materials SOP.
5. Ensure that all received perishables follow appropriate Receiving Materials SOP
    A. Assure that all foods come from approved vendors and sources
    B. Schedule deliveries for off-peak hours and make sure enough trained staff are available to receive, inspect, and store food promptly
    C. Assure that no home-prepared foods are accepted or used
    D. Check receiving Temperature Log (for delivery days) to ensure proper procedures are being followed.
    E. Follow up with staff as necessary

6. Ensure that all packages and containers of marijuana, concentrates, infused products, or edibles that are for sale are correctly labeled
    A. Collect a representative sample of all units within a batch during finishing operations to provide assurance that the containers and packages have the correct labels
    B. Record the results of the examinations in the applicable batch records

Person in charge: Demonstration of knowledge *(NAC 453A.552)*

1. Based on the risks inherent to the operation of a facility for the production of edible marijuana products or marijuana-infused products, the persons responsible for managing each such facility shall demonstrate to the DOH knowledge of disease prevention, and the requirements of this chapter and chapter 453A of NRS by:

    A. Complying with the provisions of this chapter and chapter 453A of NRS and having no violations of a critical nature during inspections.

    B. Attending appropriate courses and training and implementing an appropriate training program for all medical marijuana establishment agents engaged in the production of edible marijuana products or marijuana-infused products at the facility.

    C. Responding correctly to the questions of an inspector of medical marijuana establishments regarding:

        I. The relationship between the prevention of disease and the personal hygiene of a medical marijuana establishment agent engaged in the production of edible marijuana products or marijuana-infused products.

        II. The prevention of the transmission of disease by a medical marijuana establishment agent engaged in the production of edible marijuana products or marijuana-infused products who has a disease or medical condition that may transmit disease.

        III. The symptoms associated with the diseases that are transmissible through marijuana products and ingredients.

        IV. The significance of the relationship between maintaining the temperature for a certain amount of time for potentially hazardous marijuana products and ingredients and the prevention of illness transmission.

V. The hazards involved in the consumption of raw or undercooked meat, poultry and eggs.

VI. The required temperatures and times for safe cooking of potentially hazardous marijuana products and ingredients, including, without limitation, meat, poultry and eggs.

VII. The required temperatures and times for the safe refrigerated storage, hot holding, cooling and reheating of potentially hazardous marijuana products and ingredients.

VIII. The relationship between the prevention of illness transmission and the management and control of:

a. Cross contamination;

b. Hand contact with finished marijuana products and ingredients;

c. Hand washing; and

d. Maintaining the establishment in a clean condition and in good repair.

IX. The correct procedures for cleaning and sanitizing utensils and the surfaces of equipment that have direct contact with marijuana products and ingredients.

X. The identification of poisonous or toxic materials in the facility and the procedures necessary to ensure that those materials are safely stored, dispensed, used and disposed of according to applicable state and federal laws and regulations.

“Aloha oia o ka aina a ohana makou.”

Malama Group

Product Recall Standard Operating Procedure

January 2016

Confidential

MALAMA GROUP: PRODUCT RECALL SOP

Policy

If a product is suspected to be the cause of a foodborne illness, is suspected to contain a biological, chemical, or physical contaminate, or if the product is defective that product and each product that shares a batch lot number must be immediately recalled from all vendors and an investigation must begin. All vendors that carry products must be notified immediately via phone call, and be sent physical notifications along with an email notification within 24hours of the recall that contains all suspected batch lots provided by the Quality Control Unit.

The Quality Control Unit will also investigate the source of contamination and the potential health threat. After identifying the source, corrective action will be taken to ensure no further contamination occurs. The quality control unit will trace all associated batch lots discovered in the investigation to ensure any potentially effected lot has been recalled.

Scope

Product Recall must be reported and investigated. There will be a corrective actions plan developed and executed to prevent future contamination. Every vendor that has products will be notified and compensated for the recall.

Procedures

<u>Product Recall: Generally</u>

1. It is the responsibility of the quality control unit to pass on information immediately to the managers of the facility about the circumstances which might justify a recall.
    a. The managers and quality control unit must determine whether the product recall is justifiable, if so than the following must occur.
2. Anytime a product has been reported and suspected to have the following, and is justifiable, an investigation must begin and the product must be immediately recalled.
    a. Contamination
    b. To cause foodborne illness
    c. Is defective
3. The investigation will provide the following.
    a. Potential source of contamination

        i. If the contaminant is an ingredient that is shared amongst multiple batch lots, all of the batch lots must be recalled.
            1. E.G. If Peanut Butter Lot 4321 had a salmonella contamination at the manufacturer, all batch lots containing Peanut Butter Lot 4321 must be recalled.
    b. Health Hazard Evaluation
    c. All effected batch lots
4. Identify and record all products that are within the batch lot.
    a. All products within the batch lot must be considered contaminated and recalled.
    b. All products that share a contaminated or compromised ingredient must be recalled.
5. The DOH of Public and Behavioral Health must be notified of the recall.
    a. Include all effected batch lot numbers
6. Identify and record all vendors that received the items that share a batch lot
7. All vendors that received the recalled product must be notified of the recall immediately.
    a. Immediately place a phone call to the manager of the vendor and inform them of a product recall for the suspected batch lot.
        i. Vendors will be compensated after investigation for any product recalls that are issued.
            1. There may be exceptions at the manager's discretion.
    b. A secondary notification containing all potentially contaminated batch lots must be sent via email to the vendor's manager.
    c. A third physical notification containing all potentially contaminated batch lots must be sent through the postal service.
8. All recalled product batch lots must be recovered from the vendors and placed into segregated quarantine labeled "Quarantine" "Do not Use" and "Do Not Discard".
    a. Obtain accurate inventory counts of the recalled products from each vendor including the amount in inventory and the amount used.
    b. Account for all recalled products by verifying inventory counts against records of the received vendors.
9. All recalled products will be quarantined and not be disposed of until the investigation has been completed.
    a. After investigation, if the recalled batch lot is determined to be contaminated it must be destroyed.
        i. This is when compensation for the recalled products will take place.
    b. After investigation, if the recalled batch lot is determined to be free of contamination and defects it can be returned to vendors.

10. A corrective action will be developed and implemented to prevent any further recalls.
11. Consolidation of the product recall must happen as quickly as possible a must be concluded before thirty (30) days of the recall notification.
12. All documents related to the recall must be stored and filed; including
    a. All recall notices
    b. Records of how the product was returned or destroyed
    c. Reimbursable costs
    d. Public notice and media communications
    e. Correspondence to and from the DOH of Public and Behavioral Health

<u>Product Recall: Role of Quality Control Unit</u>

1. Responsible for receiving the recall notification from vendors, staff, suppliers, or other individuals.
2. Responsible for notifying the managers of the facility to the potential for a batch lot recall.
3. Responsible for issuing all batch lot recall notifications, including follow-ups.
4. Responsible for executing an investigation of the batch recall.
5. Responsible for discovering all batch lots that are potentially contaminated.
6. Responsible for obtaining accurate inventory counts of the recalled products from the vendors, and by verifying inventory counts against the records of the received vendors.

<u>Product Recall: Role of Managers</u>

1. Responsible for determining if the batch recall is justifiable
2. Responsible for providing a list of all vendors that may have purchased the product.
3. Responsible for initial phone call notification to vendors who have the product
4. Responsible for issuing compensation or returning product to vendors

<u>Product Recall: Investigation</u>

1. An investigation must be initiated within 24 hours of the product recall
2. All batch records associated with the recalled product will be reviewed.
    a. Determine the source of potential contamination
        i. Review all ingredient lot numbers and ensure no recall on the ingredients has occurred
            1. If an ingredient is determined to be the source of contamination all batch lots associated with ingredient must be recalled.

        ii. Ensure all steps in the process have been signed off on and verified by the quality control unit
        iii. Review any non-conformance reports associated with batch record
    b. Interview each agent responsible for the product
        i. Produce a written and signed attestation from each individual as to how the batch was produced.
3. All transportation records associated with the recalled product will be reviewed.
    a. Any deviation or non-conformance reports associated with the transportation will be reviewed.
4. Collect and review copies of all labeling associated with the product.
5. Review all third party lab testing
6. Send a sample of the contaminated batch lot to the third party lab for a secondary analysis.
    a. Dependent on State testing regulations
7. The investigative team will complete a health hazard evaluation form within five (5) working days after issuing a recall.
    a. Unless additional information is required.
8. The completed investigation will determine the appropriate classification of the recall.
    a. Class I – The product is in violation and there is a reasonable probability that use of or exposure to the product will cause serious adverse health consequences or death.
    b. Class II – The product is in violation and use of or exposure to the product may cause temporary or medically reversible adverse health consequences or where the probability of serious adverse health consequences (life threatening/death) is remote.
    c. Class III – The product is in violation and use or exposure to the product in not likely to cause any adverse health consequences.
    d. The production is not in violation.

<u>Product Recall: Compensation to Vendors</u>

1. Compensation for product recall will be handled on a per case basis.
    a. The manager must decide on how the compensation will be handled.
        i. The vendor can have the recalled items immediately replaced with the same product of a different batch lot.
        ii. The vendor can immediately be given credits to use on other products.
        iii. The vendor can be given replacement product, of a different batch lot, after the full investigation has been completed.

iv. The vendor can have the recalled items returned to them if the investigation determines that the recall was unnecessary.

2. No compensation will take place without dual manager approval.

"Aloha oia o ka aina a ohana makou."

Malama Group

Cleaning and Sanitation Standard Operating Procedure

January 2016

Confidential

MALAMA GROUP: CLEANING AND SANITATION SOP

Policy

Maintain a clean work environment to reduce the potential for contamination of materials and marijuana products. Ensure that the facility is maintained in a good state of repair. Cleaning removed food and other dirt from surfaces, Sanitizing reduces pathogens on a surface to a safe level. During any cleaning procedure all employees involved must wear the appropriate personal protective equipment; including but not limited to protective eyewear and gloves. All sanitation procedures apply to work performed by contractors or temporary medical marijuana establishment agents for the medical marijuana establishment as well as work performed by full-time medical marijuana establishment agents during the ordinary course of operations.

Scope

To create a clean environment all employees must adhere to the following cleaning schedule and procedures.

Procedures

<u>Cleaning Schedule</u>

1. Daily Cleaning and Inspections
    a. Cleaning and Sanitization of countertops and table tops
        i. Must also performed every 4 hours when in direct contact with marijuana
            (1) Start of day cleaning and sanitation
            (2) Midday cleaning and sanitation four (4) hours into each shift
            (3) End of day cleaning and sanitation
    b. Cleaning and Sanitization of equipment, utensils, dishes
        i. Must also performed every 4 hours when in direct contact with marijuana
            (1) Start of day cleaning and sanitation
            (2) Midday cleaning and sanitation four (4) hours into each shift
            (3) End of day cleaning and sanitation
    c. Sweeping/Dry mopping of production and cultivation areas
    d. Dusting of any floor mats
    e. Wet mopping of production and cultivation areas
    f. Disposal of trash and recyclables
    g. Cleaning and Sanitization of all stationary equipment
    h. Cleaning of cooking and baking equipment

2. Weekly Cleaning and Inspections
    a. Sweeping/Dry Mopping of all floors
    b. Wet Mopping of all floors
    c. Inspect for pest infestation
    d. Cleaning and sanitizing of all work surfaces; including shelving, drawers, cabinets, storage containers
    e. Cleaning and sanitizing of waste receptacles
    f. Dust and Inspect all light fixtures
    g. Cleaning of Common area
    h. Cleaning and Sanitation of Bathrooms
3. Quarterly Cleaning and Inspections
    a. Cleaning and Sanitization of walls and floors
    b. Inspect the integrity of door and window seals
    c. Inspect all areas of the facility for any need of repair
    d. Schedule repairs to bring facility to a good state of repair

<u>Cleaning Frequency of Items in Contact with Marijuana</u> *(NAC 453A.580)*

1. The surfaces of equipment and utensils that have direct contact with marijuana products are cleaned:
    a. Before each use with a different type of raw animal ingredient, including, without limitation, beef, pork or poultry;
    b. Each time there is a change from working with raw marijuana products to working with finished marijuana products;
    c. Between uses with raw fruits and vegetables and with potentially hazardous marijuana products and ingredients, using the appropriate time and temperature controls to ensure the safety of the marijuana products; and
    d. At any time during operation when contamination may have occurred.
2. If they come into contact with potentially hazardous marijuana products and ingredients, surfaces and utensils are cleaned throughout the day at least once every 4 hours.
3. The surfaces of utensils and equipment that have direct contact with marijuana products and ingredients that are not potentially hazardous are cleaned:
    a. At any time when contamination may have occurred; and
    b. In equipment, including, without limitation, ice bins and beverage dispensing nozzles, and enclosed components of equipment, such as ice makers, cooking oil storage tanks and distribution lines, beverage and syrup dispensing lines or tubes, coffee bean grinders and water vending equipment:

4. At a frequency specified by the manufacturer; or
5. If the manufacturer does not specify a frequency, at a frequency necessary to prevent the accumulation of soil or mold.

<u>Sanitization Frequency of Items in Contact with Marijuana</u> *(NAC 453A.582)*

1. The surfaces and utensils that have direct contact with marijuana products are adequately sanitized.
2. The utensils and surfaces of equipment that have direct contact with marijuana products are sanitized before use after cleaning.
3. After being cleaned, surfaces of equipment and utensils that have direct contact with marijuana products are sanitized in:
    a. Hot water manual operations by immersion for at least 30 seconds with a temperature of 170°F (77°C) or above;
    b. Hot water mechanical operations by being cycled through equipment that is set up and achieving a utensil surface temperature of 160°F (71°C) as measured by an irreversible registering temperature indicator; or
    c. Chemical manual or mechanical operations, including, without limitation, the application of sanitizing chemicals by immersion, manual swabbing, brushing or pressure spraying methods using a solution as specified on the manufacturer's label use instructions that are approved by the Environmental Protection Agency, by providing:
        i. An exposure time of at least 10 seconds for a standard chlorine solution;
        ii. An exposure time of at least 7 seconds for a chlorine solution of 50 mg/L that has a pH of 10 or less and a temperature of at least 100°F (38°C) or a pH of 8 or less and a temperature of at least 75°F (24°C);
        iii. An exposure time of at least 30 seconds for any other chemical sanitizing solutions.

<u>General Requirements</u>

1. Surfaces of equipment, utensils, and workspace that have direct contact with marijuana or marijuana products must be clean to sight and to touch
2. The surfaces of cooking equipment, and pans, that have direct contact with marijuana or marijuana products must be kept free of encrusted grease deposits and other soil accumulations

3. The surfaces of equipment, utensils, and workspaces that do not have direct contact with marijuana or marijuana products must be kept free of an accumulation of dust, dirt, residue, and other debris.
4. Ensure that the facility is maintained in a good state of repair
5. All surfaces of equipment, utensils, and workspaces must have a record kept of any maintenance, cleaning, sanitizing, and inspections.

Cleaning of Cultivation Containers

1. Remove all soil, debris, and plant material from the drying screen/pots/trays
    a. All plant material, including but not limited to; roots, leaves, resin, flower, stem; must be disposed of using the appropriate disposal procedure. (Refer to appropriate SOP)
2. Using cold water and antimicrobial soap scrub off all contaminants from the drying screen/pots/trays
    a. All plant material, including but not limited to; roots, leaves, resin, flower, stem; must be disposed of using the appropriate disposal procedure. (Refer to appropriate SOP)
3. Once all contaminants have been removed place the drying screen/pots/trays into the steam sterilizing wash machine.
4. Set the sterilizing wash machine to 170°F (77°C) or above
5. Allow the containers to run through the sterilizing wash machine for a minimum 30 seconds.
    a. If the temperature drops below 170°F, all items in the wash must be re-ran
    b. If the items go through the machine quicker than 30 seconds sterilization will not occur
6. Stack the sterilized cultivation containers in the designated drying area
    a. Use a pyramid style stack to allow all containers proper airflow for drip dry

Cleaning Non-Food Work Surfaces

1. Remove any loose debris from the surface, and discard it into a trash can.
2. Using a Sterile 70% IPA spray bottle, held at 8-10 inches away, apply solution directly onto surface area or onto single use disposable towel
    a. When using a disinfecting solution allow a 10 minute surface hold time, the full area must stay wet
3. Using a single use disposable towel, Starting from the furthest surface wipe Back to Front and Left to Right
4. Ensure that no solution or moisture is left on the table surface

Cleaning Food Related Work Surfaces

1. Using an appropriate tool, Remove any food or marijuana bits from the surface and dispose into the appropriate waste receptacle.
    a. All plant material, including but not limited to; roots, leaves, resin, flower, stem; must be disposed of using the appropriate disposal procedure. (Refer to appropriate SOP)
2. Prepare a cleaning solution (refer to appropriate SOP) and wash the surface using a cloth towel. Starting from the furthest surface wipe Back to Front and Left to Right
3. Using a new cloth towel, rinse the surface with clean water
4. Prepare a sanitation solution (refer to appropriate SOP), using a cloth towel cover the full surface area in the solution
5. Allow surface to air dry, must stay wet for a minimum 10 minutes

Sterilization of Planting Media

1. Gather all used planting media and remove any debris
    a. All plant material, including but not limited to; roots, leaves, resin, flower, stem; must be disposed of using the appropriate disposal procedure. (Refer to appropriate SOP)
2. Prepare a 6.0 pH water solution in the soil sterilization unit
3. Inspect the planting media for any signs of pests or pathogen infection
    a. If an infection is present dispose of all planting media
4. Using the soil sterilization unit, flush all of the planting media with the 6.0pH water solution
    a. Ensure the unit is set to 160°F for sterilization
5. Heat dry all sterilized planting media and package into appropriate storage container
    a. Label the container “Sterilized Planting Media dd/mm/yyyy”
6. Perform a soil test after each cycle to determine the quality and safety of the planting media
    a. If the planting material is suitable for use add an “Approved” label to the container
    b. If the planting material is deemed unusable add a “Rejected” label to the container
7. Dispose of all “Rejected” planting media

Cleaning Hard Flooring

1. Starting at the furthest point from the entrance Sweep the full surface of the room, ensure to sweep under all equipment and tables. Move items if necessary
2. For everyone's safety put out a wet floor sign in the area to be mopped
3. Prepare 2 gallons of cleaning solution in a mop bucket (refer to appropriate SOP)
4. Starting at the furthest point from the entrance mop the full surface of the room, ensure to mop under all equipment and tables. Move items if necessary
5. Allow a 10 minute hold time for the solution
6. Fill a new bucket with hot clean water
7. Starting at the furthest point from the entrance rinse mop the full surface of the room, ensure to rinse mop under all equipment and tables. Move items if necessary
8. Once the full surface has dried remove the wet floor sign

<u>General Cleaning of Stationary Equipment</u>

1. Unplug equipment to be cleaned
2. Take the removable parts off of the equipment, to be washed by hand
3. Using an appropriate tool scrape or remove food and soil particulates from the equipment surfaces
4. Prepare a cleaning solution in a bucket
5. Wash all equipment surfaces using appropriate tool or cloth towel
6. Fill a clean bucket with hot clean water (refer to sanitization solution section of this SOP)
7. Prepare a sanitizing solution in a spray bottle or clean bucket(refer to sanitization solution section of this SOP)
8. Apply the sanitizing solution to all surfaces of the equipment
9. Allow all surfaces to air dry, must stay wet for the minimum contact time for the sanitizing solution
10. Hand clean all removed parts in three compartment sink
11. Allow all removed parts to air dry, must stay wet for the minimum contact time for the sanitizing solution
12. Put the Stationary Equipment back together

<u>Cleaning of Cooking and Baking Equipment and Microwave Ovens</u> *(NAC 453A.584)*

- The surfaces of cooking and baking equipment that have direct contact with marijuana products are cleaned at least once every 24 hours; and
- The cavities and door seals of microwave ovens are cleaned at least once every 24 hours by using the recommended cleaning procedure of the manufacturer.

<u>Quarterly Cleaning of Walls (in controlled rooms)</u>

1. Prepare 2 gallons of cleaning solution in a mop bucket (refer to appropriate SOP)
2. Starting at the upper left corner of the wall mop the full surface area from top to bottom, left to right.
3. Allow a 10 minute hold time for the solution
4. Prepare 2 gallons of sanitizing solution in a mop bucket (refer to appropriate SOP)
5. Starting at the upper left corner of the wall mop the full surface area from top to bottom, left to right.
6. Allow a 10 minute hold time for the solution
7. Fill a new bucket with hot clean water
8. Starting at the upper left corner of the wall rinse mop the full surface area from top to bottom, left to right.

<u>Quarterly Cleaning of Flooring (in controlled rooms)</u>

1. Starting at the furthest point from the entrance Sweep the full surface of the room, ensure to sweep under all equipment and tables. Move items if necessary
2. For everyone's safety put out a wet floor sign in the area to be mopped
3. Prepare 2 gallons of cleaning solution in a mop bucket (refer to appropriate SOP)
4. Starting at the furthest point from the entrance mop the full surface of the room, ensure to mop under all equipment and tables. Move items if necessary
5. Allow a 10 minute hold time for the solution
6. Prepare 2 gallons of sanitization solution in a mop bucket (refer to appropriate SOP)
7. Starting at the furthest point from the entrance mop the full surface of the room, ensure to mop under all equipment and tables. Move items if necessary
8. Allow a 10 minute hold time for the solution
9. Fill a new bucket with hot clean water
10. Starting at the furthest point from the entrance rinse mop the full surface of the room, ensure to rinse mop under all equipment and tables. Move items if necessary
11. Once the full surface has dried remove the wet floor sign

<u>Cleaning and Sanitizing in Three Compartment Sink</u>

1. Rinse, Scrape, or soak all items in the first sink before washing them
    a. If soaking items prepare a cleaning solution (refer to appropriate SOP)
    b. replace the cleaning solution when the solution has particulate build up or all suds are gone
2. In the First Sink Wash all items with detergent and clean hot water
    a. change the cleaning solution when the suds are gone or the water is dirty

3. In the Second Sink rinse all items with clean water using a Spray Nozzle, or Dip Method, to remove all detergent and remaining food
    a. If using the Dip Method replace the water when it becomes dirty or full of suds
4. In the Third Sink, with hot water, create a Sanitizing Solution (refer to appropriate SOP) and dip all items into the sink.
    a. Change the sanitization solution when the temperature of water or sanitizer concentration falls below requirements
    b. Never rinse items after sanitizing them
5. Place items upside down on a clean and sanitized surface, allow them to air dry

<u>Cleaning Waste Receptacles</u>

1. Remove each trash bag from each waste receptacle
2. Ensure that no liquid drips from the bag, and no trash is falling from the bag
    a. if the bag is leaking use a secondary bag to contain the leak
3. Properly seal the trash bags and dispose of them in the appropriate containers
4. Prepare a cleaning solution (refer to appropriate SOP) in a bucket and wash the full surface area of the waste receptacle with a non-food contact brush or scouring pad.
5. Fill a clean bucket with hot clean water
6. Rinse all surface areas of the waste receptacle
7. Empty any residual dirty water into a mop sink
8. Allow containers to air dry
9. Once all moisture is gone place new trash bags in containers and return all waste receptacles to their appropriate location

<u>Cleaning of Common Area</u>

1. Dust all surfaces, including desks, filing cabinets and shelves.
2. Empty trash cans and replace garbage bags
    a. Clean trash can and surrounding area if necessary.
3. Wipe down desks, telephones, calculators, and computer keyboards thoroughly using a disinfectant spray or wipe.
4. Dust heating vents, ledges, door jambs and window sills at any easily reachable level.
5. Dust mop all tiled or hard surface floors, then sweep up that debris into dust pan.
6. Wet mop all hard floor surfaces
7. Vacuum all carpeted floors, starting with the mats and runners.
8. Clean wall-mounted units
9. Wipe down all vertical surfaces with an all-purpose cleaner.

10. Dust or vacuum all vents, overhead circular fans, and behind hard to reach areas like tables and desks.
11. Clean all windows with a glass cleaner to remove all marks and fingerprints.

<u>Cleaning of Restrooms and Locker Room</u>

1. Visually check the appearance of the restroom. Pick up any debris on the floor, around the sink or toilet/urinal areas.
2. Check garbage cans and recycling bins. If they are full or nearly full, remove the trash can liner and replace with a new one.
3. Check soap, toilet paper, and paper towel dispensers to make sure they are properly stocked.
4. Don a pair of gloves
    a. Use gloves that are exclusive to cleaning the restrooms or locker area
        i. Single use disposable gloves are adequate
5. Clean and scrub all surfaces of the toilet bowls using a toilet bowl cleaner for the inner bowel, and a disinfectant cleaner on the exterior.
    a. Leave the toilet seat down
    b. Manually flush the toilet using a pail of water; this is to prevent the bowl from refilling with water
    c. Apply toilet bowl cleaner to the inner lip of the rim of the toilet bowl
        i. Allow the cleaner to be in contact with the inner bowl for the duration of the exterior cleaning
    d. Using a single use disposable towels apply disinfectant and scrub starting at the top of the toilet and working down to the floor; including the seat
        i. Never use a sponge or anything that can be reused
    e. Using a bowl brush thoroughly scrub the inside of the bowl; including the flushing rim and disposal chute
    f. Flush the toilet
6. Wipe down and disinfect all surfaces, including door handles, light switches, countertops, partitions and dispensers.
7. Dust all out of the way areas, including the tops of doors, shelves, partitions, dispensers, hand dryers and air vents.
8. Clean all mirrors with a glass cleaner to remove any fingerprints and marks.
9. Use a germicidal/acidic surface cleanser to wipe down the sinks and faucets and handles.
10. Replace all metered aerosol deodorizers and air fresheners.
11. Dust mop, sweep and wet mop the floors

a. Keep the mops, mop buckets, and solutions used as bathroom only items.
b. Avoid cross-contamination with other areas of the facility at all costs.

12. Rinse out and clean all tools used in the cleaning process

Sanitation Solutions; Generally

1. In a mechanical operation, the temperature of the fresh hot water sanitizing rinse as it enters the manifold is no more than 194 F (90 C) and no less than 180 F (82 C)
2. A chemical sanitizer used in a sanitizing solution for a manual or mechanical operation at contact times is used in accordance with the manufacturer's label use instructions that are approved by the Environmental Protection Agency.

Preparing a Chlorine Sanitization Solution

1. Fill a 1 gallon (3.8L) bucket with clean hot water; minimum of 100° F
2. Add in 376mg of Chlorine solution; 99mg/L
3. Label the container as "99mg/L Chlorine solution dd/mm/yyyy"
4. Refer to the manufacturers label for the contact time, or the Environmental Protection Agency, whichever limit is higher

Concentration Range	Minimum Temperature	
mg/L	pH 10 or less °F (°C)	pH 8 or less °F (°C)
25 – 49	120°F (49°C)	120°F (49°C)
50 – 99	100°F (38°C)	75°F (24°C)
100 or more	55°F (13°C)	55°F (13°C)

Preparing an Iodine Sanitization Solution

1. Fill a 1 gallon (3.8L) bucket with clean hot water; minimum 68°F and <5pH
2. Add 95mg of Iodine solution; 25 mg/L
3. Label the container as "25mg/L Iodine Solution dd/mm/yyyy"
4. This solution requires a minimum contact time of 30 seconds

Preparing a Quaternary Ammonium Sanitization Solution

1. Fill a 1 gallon (3.8L) bucket with clean hot water; minimum 75°F

2. Add 760mg of Quats; 200mg/L
3. Label the container as “200mg/L Quats Solution dd/mm/yyyy”
4. This solution requires a minimum contact time of 30 seconds
5. Be used only in water with 500 mg/L hardness or less, or in water having a hardness not greater than specified by the manufacturer’s label use instructions that are approved by the Environmental Protection Agency, whichever limit is higher.

<u>Preparing Vesphene Ilse Solution for mopping</u>

1. Fill a mop bucket with 4 gallons of hot clean water
2. Add 4 fl.oz. of Vesphene Ilse; 1fl oz/ gallon
3. Thoroughly mix solution
4. Label the container as “1floz/gal Vesphene Solution dd/mm/yyyy”
5. This solution requires a 10 minute contact time

"Aloha oia o ka aina a ohana makou."

Malama Group

Contaminated and Adulterated Products Standard Operating Procedure

January 2016

Confidential

MALAMA GROUP: CONTAMINATED AND ADULTERATED PRODUCTS SOP

Policy

To ensure the quality, accuracy, safety and efficacy of our "material(s)" (products, components, food, labeling, packaging materials, product container and closures), we will take measures to prevent contamination or adulteration of our materials in accordance with our Materials Storage SOP. If products are found to have been potentially exposed to such circumstances, we will take the following procedures.

Scope

All materials within the facility shall be stored, handled, and used in a manner that does not compromise the quality, accuracy, or safety of the material. All potentially exposed items will be handled using the necessary procedures

Procedure

<u>Contaminated/Adulterated Materials</u>

1. Any report or observance of potential contamination, adulteration, disease, exposure to extreme conditions, or potential hazard associated with any material will be immediately reported to the Quality Control Unit.

2. The Quality Control Unit will investigate and report the findings

3. Material found to be contaminated, diseased, exposure to extreme conditions, or potential hazards will be recalled and labeled rejected and disposed of according to Disposal of Rejected Materials SOP.

4. If contamination or adulteration is not suspected, before it may be salvaged the products must conform to both of the following:

    a. Evidence from laboratory tests and assays that the marijuana or marijuana products meet all applicable standards or identity, strength, quality and purity and

    b. Evidence from inspection of the premises that the marijuana or marijuana products and their associated packaging were not subject to improper storage conditions as a result of the disaster or accident, if any.

5. A corrective action plan will be developed and administered to prevent future occurrences.

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Malama Group

Disposal of Rejected Materials Standard Operating Procedure

January 2016

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MALAMA GROUP: DISPOSAL OF REJECTED AND WASTE MATERIALS SOP

Policy

To ensure that any rejected materials, expired materials**,** or unwanted materials whether marijuana or otherwise are rendered unusable and properly disposed of. All medical marijuana and marijuana infused products must be disposed of within ten (10) calendar days of expiration or rejection.

Scope

All employees must follow the procedures in place to appropriately destroy of waste material

Procedures

<u>Disposal of Unusable Marijuana</u>

1. Marijuana plant waste, including roots, stalks, leaves, and stems that have not been processed with solvent must be rendered unusable prior to disposal
2. Take the waste material and combine it with 50% cardboard by volume
3. Grind the material up
4. Bag up the 50/50 mixture of waste material and cardboard
5. Before disposing of any marijuana or infused products the following items must be documented.
    a. A description of and reason for the marijuana being disposed of
    b. The number of failed plants or materials
    c. The date of disposal
    d. Confirmation that the marijuana was rendered unusable before disposal
    e. The method of disposal
    f. Name and Agent number of the employee that is responsible for the disposal
6. Deliver the bagged waste to a franchised or licensed solid waste facility for final disposition.

- Do not put medical marijuana or marijuana infused products down the drain, storm drain, city waste water collection system, or any unsecured rubbish disposal system
- Do not transfer, share, give, sell, or deliver any unused medical marijuana in the establishment's possession to any other person, regardless of whether they are licensed as a medical marijuana establishment

- Do not dispose of medical marijuana or marijuana infused products in any other methods.

Disposal of waste material from extractions

1. Remove all of the waste material from the extraction system
    a. Collect the material on a bakers sheet
2. Place the bakers sheet onto a covered and vented bakers rack
    a. The bakers rack must be vented to an area with ventilation approved by local AHJ
3. Allow the waste material to off-gas inside of vented bakers rack
4. Using a portable %LEL detector monitor the waste material
    a. No waste material can be disposed unless it is below 25% LEL
5. Bag up the 50/50 mixture of waste material and cardboard
6. Before disposing of any marijuana or infused products the following items must be documented.
    a. A description of and reason for the marijuana being disposed of
    b. The weight of waste material
    c. The date of disposal
    d. Confirmation that the marijuana was rendered unusable before disposal
    e. The method of disposal
    f. Name and Agent number of the employee that is responsible for the disposal
7. Deliver the bagged waste to a franchised or licensed solid waste facility for final disposition.

Handling of Rejected Materials

1. Any rejected material, marijuana related or otherwise, must be stored in a secured storage area clearly labeled as “REJECTED Materials”, and be marked as “REJECTED”
2. A record of all products entering the “REJECTED Materials” storage area must be kept
    a. Date of rejection
    b. Date of storage
    c. Name and type of item
    d. Date of disposal
    e. Agent number of employee responsible for storage and disposal
3. The products within the “REJECTED Materials” storage area will be disposed of according to manufacturer’s guidelines.
    a. If it is medical marijuana, or a marijuana infused product, please dispose of it in the approved manner. (Refer to appropriate SOP)

Handling of Rejected Labels

If a label for a medical marijuana infused product is rejected the active quality control unit must immediately shred the rejected label, and have a new label printed for the item.

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Malama Group

Personal Hygiene and Gloves Standard Operating Procedure

January 2016

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MALAMA GROUP: PERSONAL HYGIENE AND GLOVES SOP

Policy

Efforts will be made to reduce the transfer of pathogens, including personal hygiene program and use of gloves

Scope

All staff shall use the following personal hygiene and gowning procedure to reduce the risk of contaminating work space

Procedures

<u>Hand Washing Procedure:</u>

1. Using a designated Hand Washing Sink Rinse hands under clean, running, warm water 100°F±2°.
    a. never was hands in a food prep sink, three compartment sink, or utility sink
2. Apply an amount of APPROVED cleaning compound create a lather.
3. Rub together vigorously for at least 15 seconds while:
    a. Paying particular attention to removing soil from underneath the fingernails.
    b. Creating friction on the surfaces of the hands and arms or surrogate prosthetic devices for hands and arms, finger tips, and areas between the fingers.
4. Thoroughly rinse under clean, running, warm water 100°F±2°.
5. Immediately follow the rinse with thorough drying using a single-use sanitary disposable towel.
6. Dispose of used towel in the appropriate waste receptacle

<u>When to Wash Hands:</u>

- After using the restroom
- Before preparing edible marijuana products or marijuana-infused products, including, without limitation, working with ingredients, equipment or utensils
- Touching hair, face, clothing, or body
- Sneezing, coughing, or using a tissue
- Eating, drinking, smoking, or chewing gum
- Handling any chemicals
- Taking out the garbage
- Cleaning work surfaces

- Before donning gloves
- When switching between working with raw marijuana and finished products
- Leaving and returning to the production area

Hand Care:

- Keep fingernails short and clean, trimmed and filed, No false nails or nail polish.
- Any wounds, cuts, or boils must be covered with an impermeable cover with a glove

Work Attire Guidelines:

- Hair restraints or a clean hat must be worn in food prep areas.
- Employees with facial hair must wear a beard restraint
- Employees must be wearing clean clothes, when entering the production area the appropriate lab coat must also be worn
- No jewelry is to be worn on the hands or arms when working in the product area, with the exception for plain band rings.

Gowning Procedure

1. Wash and dry hands and forearms
2. Don a pair of gloves
3. Put on hair net or approved hat
4. Put on a clean static-resistant lab frock
5. If required, put on approved protective eyewear
6. Remove primary gloves and replace when necessary

Glove Using Procedure:

1. Wash and Dry hands and forearms
2. Select the correct size glove, you do not want the glove to have loose fingertips or to not cover palm of hand
    a. Never blow into glove to make it fit
3. Hold gloves by the edge when putting them on, avoid touching the glove as much as possible
    a. Never roll gloves to make them easier to put on
4. Check the glove for rips or tears

Glove Removal Procedure:

1. Grasp the palm of one glove near the wrist, and carefully pull glove off
2. Hold the removed gloved in the palm of the still-gloved hand
3. Slip two (2) fingers under the wrist of the remaining glove

4. Pull the glove until it comes off inside out; the first glove will be inside of the removed glove.
5. Dispose of glove into the appropriate waste receptacle
6. Wash and Dry hands using the appropriate procedure

<u>When to change gloves</u>

- All tasks require the use of gloves
- If they become dirty or damaged
- Before beginning a new task
- After any interruptions; such as taking a phone call
- Before handling any prepared products

MALAMA GROUP LLC: OAHU MEDICAL MARIJUANA APPLICATION

Section 13: Malama Group Business History

[redacted]

Supplemental materials to this section of our application include:

1. ***Nina Arizumi Financial Statements from Previous Businesses***