

Quality Control Standards

The organization promotes quality assurance at every level of the continuum, from plant to patient. All medicine is produced by educated and licensed providers who have experience in producing cannabis medicines intended for patient use. We will work closely with producers to ensure they have the most current educational materials available and that they strictly adhere to the *Best Practices* (Exhibit 15-f). The staff will thoroughly inspect and assay all medicines with great care and all medicine will be lab tested before being made available to patients. The staff will be trained in recognizing and understanding cannabis quality standards, and will be capable of educating providers whose products fail to meet our standards.

The staff will perform all handling duties, including inventory, processing, and packaging, under laboratory conditions. All handling surfaces will be non-porous to avoid possible contamination. Staff will use proper safety equipment when handling medicine and follow rigid protocols to ensure the supply is of the highest quality. All medicine is to be stored in climate appropriate areas and never exposed to elements that could promote degradation. Patients rely on the collective to properly screen their medicine and handle it with attention and care. The staff will be educated in the importance of safe handling and understand that their duty is to ensure patients are not harmed by the medicine provided.

Our packaging and labeling standards will meet or exceed the requirements for medical products in the State of California. All products will carry prominent warnings and the labeling is extremely detailed and informative. All medicine is to be safely packaged in Tamper Resistant Packaging (TRP) and sealed before leaving the Quality Control/Inventory Department to ensure accountability. The xMed PoS system prints labels to identify the exact weight of each product, as it is packaged. The medical facts panels provide detailed information and warnings to the patient. All medicine is regularly examined for freshness and quality.

Training

Management and knowledgeable industry consultants will regularly conduct training classes for all employees who are responsible for handling quality control duties for the collective. The following subjects will be covered in the regular training material: Proper Medical Cannabis Handling Technique, Pest or Mold Discovery Procedures, Inspection Technology, Drying and Curing Techniques, Organic Procedures, OSHA, and Quality Control Record Keeping Procedure. These classes will be mandatory for all employees who handle medicines directly. Advanced courses will be made available through approved educational resources for employees who wish to become Intake Supervisors.

Medicine Intake Procedure

The Quality Control/Intake Staff will be responsible for quality cultivation assurance. When medicine is received the staff will complete a *Quality Cultivation Report* (Exhibit 15-a) detailing

the method of production, the environment of the production area, the sanitary practices used, and how the medicine was stored and transported. After the report is completed and approved the medicine will be inspected using sensory exam methods and magnification. Upon receiving medicine the Intake staff and the provider will complete an *Intake Evaluation Report* (Exhibit 15-b) detailing and documenting the examination of the medicine by staff.

If the product meets requirements samples it will be sent to the lab for testing. It is stored in a quarantine area until results become available. If it is deemed acceptable it is made available for processing, packaging, and finally dispensing. If it is not acceptable, it is returned to the provider and they are informed of why it was rejected and what they can do to avoid issues in the future. These steps ensure patient safety and accountability at every level.

Medicine Handling

When new batches of medicine are ready for distribution, they are tracked and documented throughout the process to guarantee accountability. Medicines will be stored properly and safely. Medicine is separated for dispensing needs in the processing and packaging area. Raw and extracted bulk medicines will be packaged on-site in appropriate containers. All medicine will have available documentation or labeling stating type of medicine, the proper usage, appropriate warnings, and instructions.

All medicine will be inventoried daily by an employee and verified by a supervisor. When logged in or signed out, two employees are required to verify the quantity of medicine. When medicine is being stored awaiting packaging it will be kept in a locked cabinet in a secure room with both employees verifying its location and amount before being placed in the storage area.

Medical Cannabis Best Practices

Magnolia's *Medical Cannabis Best Practices* document provides detailed protocols for all staff, providers, and patients to adhere to regarding collective operations, medicine production, and security. It is a comprehensive document given to all staff and providers. Each recipient is required to document by signature that they acknowledge and agree to follow these industry standards. The *Medical Cannabis Best Practices* document is Exhibit 15-f.

Analytical Lab Testing

Analytical labs will test both raw materials and finished products. We look to detect any pathogens in the medicine to protect immune deficient or sensitive patients, and monitor active ingredient levels both for research purposes and to make accurate recommendations to patients. Trained staff implements bioassay methods and we monitor patient feedback closely to become better informed as to which strain is effective for certain conditions. We then use this information to help other patients with similar conditions. Documented monitoring of the

properties of our products in analytical labs and via trained sensory exam procedures will assure quality.

We will initially use the services of Steep Hill Labs in Oakland for testing our medicine. They are the industry’s most experienced laboratory and their “Safe Cannabis” program gives assurance to our members that all medicine has been tested by a reputable source. The following are services from Steep Hill we will be utilizing to ensure quality:

Potency Analysis

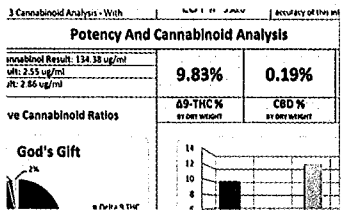
Being aware of the potency of medical cannabis is fundamental in allowing the patient to choose the correct medicine for their needs, as well as determining how much to take.

In commercial medicine, the potency of a drug is clearly stated on the label so one knows the correct dose. Unfortunately, this is not the case in medical cannabis. Cannabis Potency Testing enables patients to know the amount of active ingredients so they can be confident they are administering an appropriate dose. Taking the correct amount of medical cannabis can bring welcome relief to your symptoms; however taking too much can have very negative side effects such as feelings of anxiety and paranoia.

Steep Hill Lab’s Cannabis Potency Analysis measures the major active compounds present in medical cannabis:

- *Tetrahydrocannabinol (THC) The main psychoactive component*
- *Cannabidiol (CBD) A non-psychoactive important for pain relief and other health related effects*
- *Cannabinol (CBN) A degradation product of THC*

Steep Hill Labs Sample Potency Report



Microbiological Screening

Because mold is ubiquitous, it is not surprising that 85% of the cannabis tested at the lab has shown traces of mold. However, only 3% of those samples have been deemed unsafe under general guidelines for herbal products.

Exposure to high levels of microorganisms such as molds and bacteria are known to cause health problems and can be particularly dangerous to patients that have existing medical problems. The Steep Hill Microbiological Screening Program ensures the safety of medical cannabis by identifying the type and level of microorganisms present in the medicine. Molds are ubiquitous and small amounts are found in almost every sample. However patients with existing health problems should not be exposed to medicines that contain large amounts. Medicines that contain bacteria should be destroyed. *Examples of molds and bacteria that can found in medical cannabis: Aspergillus, Pennicillium, Cladosporium, Alternaria, yeasts, and Escherichia Coli.*

Pesticide Screen

It has found that pesticides used in growing operations can be present in the final form of the medicine. Exposure to these chemicals can be harmful to patients; they are toxic at high levels and can be harmful at lower doses, especially to those with other serious medical conditions. Steep Hill Lab has developed residual pesticide tests so that medical cannabis patients are not exposed to harmful pesticide contaminates via their medicines. They have detected the presence of pesticide residue in medical cannabis samples that would be above USDA safe level in most agricultural products. Currently there are no USDA guidelines for residual pesticides in medical cannabis. The residual pesticide screen used at Steep Hill Lab detects the presence of pesticides that are most commonly used in cannabis cultivation; Organophosphates, Carbamates, Pyrethroids, and Avermectins.

Bioassay and Sensory Exam Testing

We have created a system for doing bioassay of our medicines, as well. Bioassay is basic human testing that gives real life responses as to how the medicine affects people. It is a sensory tracking program that helps us to get a better idea of how effective a certain medicine may be. We have developed a system for raw flower medicines, concentrated medicines, and food-based medicines. These forms will also be made available to patients so that they may track their personal experiences with their medicine in order to have a better reference of how a particular type of medicine may work for their condition. Our *Bioassay Forms* can be found as Exhibit (15-c).

RFPA CITY ID#: MCD11105

EXHIBIT15-a

Quality Cultivation Report

Medicine Quality Cultivation Report

Batch Code/Ref. #

Care Provider:

Date of Visit:

Origin

Started from ☐ Seed ☐ Clone
 Seeds were ☐ Feminized ☐ Not Feminized
 Obtained from ☐ Mother ☐ Dispensary
 Other _____
 Strain name and breeder/catalogue name _____

Environment: Indoor/Greenhouse

	Clone/Seedling	Grow	Flower
Square footage of room			
CFM of exhaust system			
Wattage/bulb type			
Peak temperature in room			
Peak humidity in room			

Environment: Outdoor

	Grow	Flower
Was the environment free from any condition that might pose a safety risk to the crop?		
Was the crop exposed to rain or flooding?		
Was the crop protected from animals?		

Water Quality

Water source ☐ Well ☐ Municipal ☐ Other _____
 Filtration method ☐ Reverse osmosis ☐ Distilled ☐ Other _____

Sanitary Practices

Do you have procedures for sanitary handling of medicine and equipment?
☐ Yes ☐ No ☐ Not Sure
 Were all equipment, tools, and containers kept sanitary?
☐ Yes ☐ No ☐ Not Sure
 Was the processing performed in a sanitary manner and location?
☐ Yes ☐ No ☐ Not Sure

Medium

What type of medium was the medicine produced in?
☐ Rockwool Cubes ☐ Vermiculite/Perilite
☐ Coco Fiber ☐ Soil (Specify Brand) _____
☐ Hydroton Rocks
 If hydro, specify: ☐ Top Feeding
☐ Recirculating
☐ Drain to Waste

RFPA CITY ID#: MCD11105

EXHIBIT15-b

Intake Evaluation Forms

Medicine Intake Evaluation Form: Flowers

Batch Code/Ref. #

Date:

Name of Medicine:

Sensory Exam and Summary

I certify that the information below is true and accurate to the best of my knowledge.

Initials:

Initials:

Care Provider:

Screener:

Barcode

Are there signs of

mold?

mildew?

Insect infestation?

nutrient toxicity?

pesticides?

Were

the plants fully flushed?

pesticides used?

water filters used?

sanitary practices followed?

these plants grown indoors?

Does

the bud snap?

the density feel appropriate?

the color look appropriate?

the smell seem appropriate?

Yes

No

Yes

No

Quantity

Unit of M

Donation

Stars

Total

Date

Received

Outstanding

Check in

Ver. 1

Ver. 2

Date Tested:
THC %:

Notes:

Lab Findings

Yes

No

Total aerobic and anaerobic count < 100 CFU/g

Enumeration of coliforms < 3 MPN/g

Enumeration of yeasts and molds < 100 CFU/g

Aflatoxins < 20 ppb of substance

Heavy metals at safe levels

Medicine Intake Evaluation Form: Concentrates

Batch Code/Ref. #

Strain in Extract:

Date:

Extraction Type: ☐ Kief ☐ Coldwater ☐ Butane ☐ Hexane ☐ Ether ☐ CO2

Sensory Exam and Summary

I certify that the information below is true and accurate to the best of my knowledge.

Initials:

Initials:

Care Provider:

Screener:

Barcode

Are there signs of

mold?

mildew?

Insect infestation?

nutrient toxicity?

pesticides?

Is the material used to make the concentrate

fully flushed?

free of pesticides?

handled sanitarilly?

free of moisture?

Is

the concentrate a melt?

there any residual chemical smell?

Does

the sample contain any foreign matter?

Yes

No

Yes

No

Quantity

Unit of M

Donation

Stars

Total

Date

Received

Outstanding

Check in

Ver. 1

Ver. 2

Date Tested:

Direct Weight Transfer:

Notes:

Lab Findings

Yes

No

Total aerobic and anaerobic count < 100 CFU/g

Enumeration of coliforms < 3 MPN/g

Enumeration of yeasts and molds < 100 CFU/g

Aflotoxins < 20 ppb of substance

Heavy metals at safe levels

Medicine Intake Evaluation Form: Edibles

Batch Code/Ref. #

Date:

Contains: ☐ Kif ☐ H2O Hash ☐ Chemical Extract ☐ Flowers ☐ Margarine ☐ Butter

Type of food product:

Strain(s) contained in edible:

Sensory Exam and Summary

I certify that the information below is true and accurate to the best of my knowledge.		Initials:	Initials:	Care Provider:		Screener:	
Barcode	Are there signs of			Yes	No	Yes	No
	mold?						
	mildew?						
	Insect infestation?						
	nutrient toxicity?						
	pesticides?						
	Were						
	the plants fully flushed?						
	pesticides used?						
	water filters used?						
	sanitary practices followed?						
	these plants grown indoors?						
Was the							
packaging sufficient?							
taste free of excessive chloryphyll?							

Quantity	Unit of M	Donation	Stars	Total	
Date	Received	Outstanding	Check in	Ver. 1	Ver. 2

Date Tested:
Direct Weight Transfer:

Notes:

Lab Findings

	Yes	No
Total aerobic and anaerobic count < 100 CFU/g		
Enumeration of coliforms < 3 MPN/g		
Enumeration of yeasts and molds < 100 CFU/g		
Aflotoxins < 20 ppb of substance		
Heavy metals at safe levels		

RFPA CITY ID#: MCD11105

EXHIBIT15-c

Bioassay Forms

Bio-Assay Sheet: Flowers

Reference #

Date:

Initials:

Name of Medicine:

Organoleptics

Rate the medicine from 1–6 full stars:

Taste 1 2 3 4 5 6

Smell 1 2 3 4 5 6

Potency 1 2 3 4 5 6

Appearance 1 2 3 4 5 6

Burn (1) – Melt (6) 1 2 3 4 5 6

Taste ☐ Sweet
☐ Salty
☐ Bitter
☐ Savory
☐ Sour

Specific Flavor:

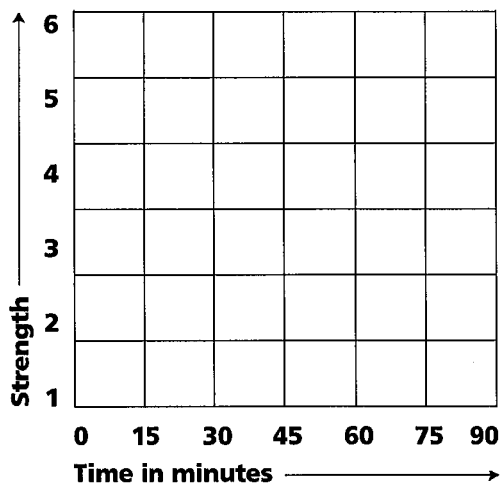
Smell ☐ Sweet
☐ Salty
☐ Bitter
☐ Savory
☐ Sour

Specific Aroma:

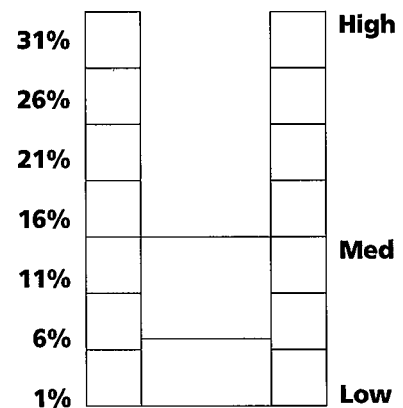
Describe Effect: (uplifting, sedative, etc.)

Potency

Draw a line indicating how strong the medicine was over time.



Write the % of THC you think is in the medicine.



Your best guess at what strain the sample is:

Signs of rot/mold/insect damage/light burn/WPM?

Did the medicine taste flushed?

Method of consumption:

If smoked, did it burn well?

Bio-Assay Sheet: Concentrates

Reference #

Date:

Name:

Organoleptics

Rate the medicine from 1–6 full stars:

Taste 1 2 3 4 5 6

Smell 1 2 3 4 5 6

Potency 1 2 3 4 5 6

Appearance 1 2 3 4 5 6

Burn (1) – Melt (6) 1 2 3 4 5 6

Taste ☐ Sweet

☐ Salty

☐ Bitter

☐ Savory

☐ Sour

Specific Flavor:

Smell ☐ Sweet

☐ Salty

☐ Bitter

☐ Savory

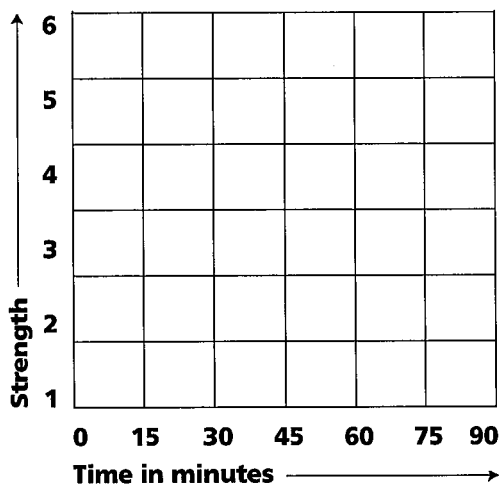
☐ Sour

Specific Aroma:

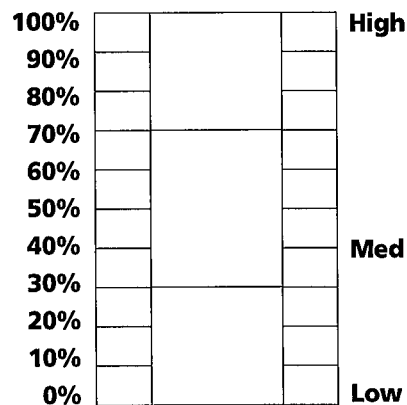
Describe Effect: (uplifting, sedative, etc.)

Potency

Draw a line indicating how strong the medicine was over time.



Write the % of THC you think is in the medicine.



Your best guess at what strain the sample is:

Signs of moisture/mold/mildew?

Did the medicine taste flushed?

Method of consumption:

Bio-Assay Sheet: Ingestible

Name

Date/Time:

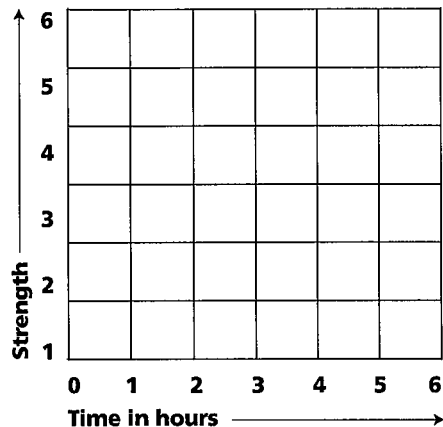
Name of Medicine:

Organoleptics

Rate the medicine from 1-6 full stars:

Taste	1	2	3	4	5	6
Potency	1	2	3	4	5	6
Appearance	1	2	3	4	5	6
Packaging	1	2	3	4	5	6

Draw a line indicating the potency over time.



Effect

Describe how the medicine made you feel at each time point:

0:30	1:00	1:30
2:00	2:30	3:00
3:30	4:00	4:30

What would you pay for this per dose?	
Did you eat this on an empty stomach?	
Were the ingredients and weight listed on the package?	
Estimated dosage:	
Was there mostly a body effect?	
Was there mostly a mental effect?	

EXHIBIT15-d

Letters from Steep Hill Lab



1530 East 12th Street • Oakland, CA 94606 • (510) 698-4446

October 11, 2011

To Oakland City Administrator,

My name is Addison DeMoura, Co-founder of Steep Hill Lab. We are an Oakland-based analytical laboratory, which specializes in ensuring the safety and quality of medical cannabis supplied to California medical cannabis patients. Our business was founded in Oakland and 80% of our employees are Oakland residents.

This letter is in support of the application of Magnolia Wellness to open a center to provide medical cannabis to California patients in Oakland. Magnolia Wellness has shown a dedication to patient safety and quality assurance by testing with our Lab at their collective in Orangevale for the last two years. Their established quality control program has made them a premier collective for California patients.

Our quality assurance program, which Magnolia Wellness has committed too in a signed Letter of Intent, will provide framework for the dispensary to provide quality assured medicine that has been tested for molds, pesticides, and strength. Firstly, the presence of microbiological contaminants and pesticide adulterants are a significant public health issue. Contaminants should not be in products offered for sale to consumers. Pathogenic molds can contaminate medical cannabis and medical cannabis products, injuring and in some circumstances can even kill the sick patients who are seeking relief of their medical problems. Particularly at risk are those patients with weakened or damaged immune systems, such as patients with HIV/AIDS, cancer or other chronic, debilitating diseases. This risk can be mitigated by testing all products for molds, bacteria and pesticide residues, and this testing can be done reliably and inexpensively. Secondly, cannabinoid profiling will help with dosing guidance for consumers. You can't tell by just looking at a product how potent it is.

Additionally, I would also like to give reference that in all of my interactions with the Magnolia Wellness I have been impressed by their organization's professionalism and knowledge about the special needs of immune deficient patients. Magnolia Wellness is an impressive organization with a lot of professional integrity and community involvement. Their community outreach program is far reaching and Oakland will be lucky to have them as a part of the team.

We are proud to have formed a relationship with Magnolia Wellness and look forward to ensuring in partnership with them that medical cannabis products in Oakland are both safe and high quality.

Thank you for your attention. If you have any questions feel free to contact me at 510-698-4446 or addison@steephilllab.com

Sincerely,

Addison DeMoura

Co-founder and Vice President, Steep Hill Lab

October 13, 2011

**Magnolia Wellness LETTER OF INTENT FOR
IMPLEMENTATION OF PRODUCT SAFETY PROGRAM**

This LETTER OF INTENT is made October 13, 2011 to set forth the stated intention of Magnolia Wellness, to form a cooperative relationship with Steep Hill Lab. Should Magnolia Wellness be successful in their application for a dispensary permit in Oakland CA, details of this LETTER OF INTENT will become conditions of the contractual relationship between Magnolia Wellness and Steep Hill Lab. According to the language in the Oakland Special Business Permits Division Medical Cannabis Dispensary Permit Application:

"Should the Applicant be successful and be awarded a permit, their commitments in bonus categories [those communicated in this LOI] will become conditions of their permit...Violations of these conditions will be deemed a material breach of the permit, and the City reserves the to assess a penalty or seek revocation of the permit."

If Magnolia Wellness fails to fulfill this LETTER OF INTENT, Steep Hill Lab reserves the right to alert the oversight body governing their permit.

This letter sets forth the vision and structure of the relationship intended by both parties.

- A. The Vision Statement of Magnolia Wellness and Steep Hill Lab's cooperative relationship will be:
 - 1. To structure a contractual relationship for Magnolia Wellness to meet and surpass compliance standards for a product safety program as is described in the Oakland Special Business Permits Division Medical Cannabis Dispensary Permit Application.
- B. The structure of the aforementioned cooperative relationship intended to carry out A.1 are:
 - 1. Magnolia Wellness will lease Steep Hill Lab's "Phase 2 Technology" (product name still in development) for:
 - i. On-site Cannabinoid Profiling
 - ii. Database management for the dispensary that manages testing information and inventory.
 - iii. Creation of reports customized for specific compliance needs based on local regulation.



2. To provide analytical testing services for fungal contaminants and pesticide residues of all medical cannabis products meant for patient consumption.
3. To make a concerted effort to purchase Safe Cannabis™ certified products whenever possible.
4. To screen all edible and topical products quarterly for cannabinoids and pesticide residue.
5. Magnolia Wellness will honestly represent testing results and will allow periodic audits to ensure that all contracted medical cannabis products are safety screened.
6. Steep Hill Lab will provide education in the form of onsite consultation to collective members in these areas:
 1. Understanding the laboratory results
 2. Cannabinoids: Teach patients about cannabinoid profiles that are most helpful for their needs.
 3. Edibles: To interpret results and how to educate the patients on proper edible dosage.
 4. Microbiological Results: How to interpret the results and design an effective quality control program.
 5. Pesticides: How to mitigate pesticide usage with natural alternatives
- ii. Safe handling of medicine in the dispensary: Purchasing, Inventory, Storage, Packaging, Counter practices
7. When feasible, mutually beneficial agreements will be strengthened.

While both parties intend to proceed promptly in executing this relationship, there is not a contractual date of implementation other than the date that Magnolia Wellness begins operations. There is nothing that precludes Magnolia Wellness from choosing to work with Steep Hill Lab prior to licensure. This LETTER OF INTENT contains the entire understanding between the parties with respect to its subject matter and supersedes any prior understanding and agreements between them with respect there to.

Agreed and accepted by the following authorized representatives of each party.

Signature/Title:

David Spradlin, Director, Magnolia Wellness

Date:

10/14/11

Signature:

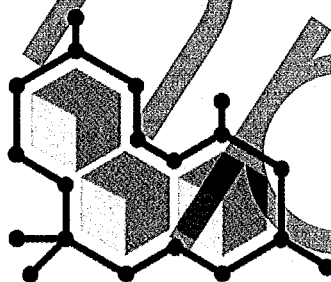
Wilson Linker, Steep Hill Lab

Date 10-13-2011

EXHIBIT15-e

Sample Lab Report from Steep Hill Lab

Medical Cannabis Quality Assurance Report



STEEPHILL

CANNABIS ANALYSIS LABORATORY



1530 East 12th Street

Oakland CA, 94606

Phone: (510) 698-4446

Fax: (510) 698-4446

Web: www.steephilllab.com

Medical Cannabis Screening Potency Summary

Lab ID #	Customer ID #	Strain	Sample Type	Moisture %	THC %	CBD %	CBN %
101209S003	001	Chem Dawg	Flower	06.04	17.71	00.12	00.20
101209S004	002	Silver Surfer Haze	Flower	06.13	20.12	00.21	00.26
101209S005	003	Golden Pineapple	Flower	08.41	22.54	00.20	00.26
101209S006	004	Hazey Kush	Flower	11.79	22.12	00.33	00.24

The color representations for cannabinoid results displayed here are for distinction purposes only. The colors used are not

intended to signify whether one particular result is better or worse than another.



1530 East 12th Street

Oakland CA, 94606

Phone: (510)698-4446

Fax: (510)842-8720

Web: www.steephilllab.com

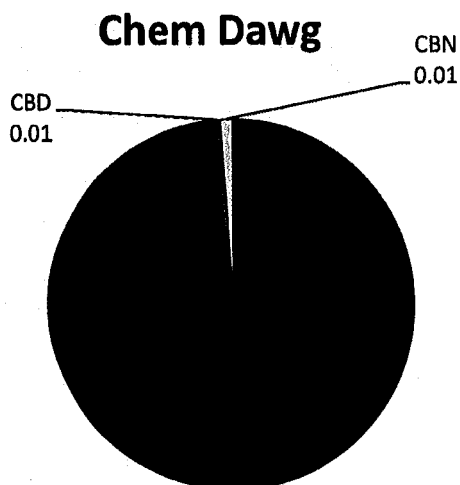
Medical Cannabis Certificate of Analysis

Customer Name: [REDACTED]	Intake Date: 09-Dec-10	Potency Analysis Expiration Date : 6/13/2011
Customer Sample ID: 001	Report Date 09-Dec-10	
Sample ID (Lot #): 101209S003	Intake Weight: 0.3661 g	
Strain Name: Chem Dawg	Moisture Content: 06.04 %	Notes:
Sample Type: Flower	Batch #: 645	
Tests Ordered: SAFE-CANNABIS-3CANN-MOLD-BACT-PEST		

Potency And Cannabinoid Analysis

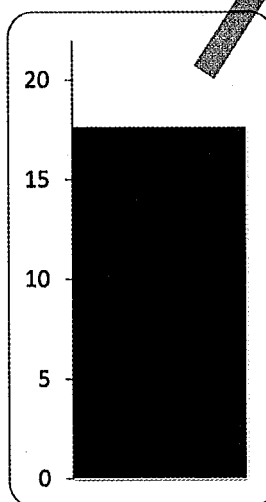
Δ9 Tetrahydrocannabinol Result:	237.37 ug/ml	17.71%	00.12%	00.20%
Cannabidiol Result:	1.62 ug/ml			
Cannabinol Result:	2.66 ug/ml			

Relative Cannabinoid Ratios



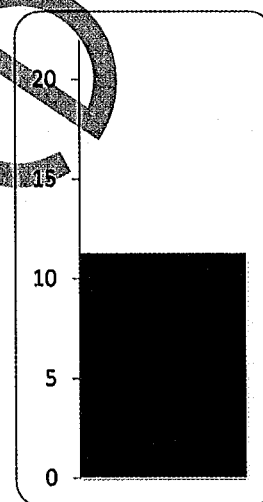
This chart represents the ratio between the cannabinoids in sample #101209S003. The total cannabinoid content is always 100% in this chart. Each wedge is a representation of each cannabinoid's contribution to that total.

Total THC %
BY DRY WEIGHT



This Sample THC % By Dry Weight

Total CBD %
BY DRY WEIGHT



Average Flower THC % In Last 500 Tests .

EXHIBIT15-f

Medical Cannabis Best Practices

2011

MEDICAL CANNABIS BEST PRACTICES

OAKLAND, CALIFORNIA

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Medicinal Cannabis Labeling and Marketing Ethics 11

Avoid using unprofessional, slang, or “counter-culture” terms. 11

Never falsify information to enhance a product. 12

Avoid using imagery that insinuates non-medical use or is seductive in nature. 12

Be educated about standards and practices of the cannabis community, as well as the medical
and health industry in which we are a part of..... 13

Patients Helping Patients..... 13

Good Stewards of the Community

One of the hallmarks of well-run medical cannabis dispensary is its positive role in the community. Good dispensaries have a “good neighbor policy” to ensure that they contribute to the overall wellbeing of the neighborhood. A good neighbor policy includes the following elements:

- Restricting membership to legally qualified patients
- Providing adequate security to protect patients and the neighborhood
- Maintaining a clean facility in good repair
- Preventing nuisance activity like loitering or litter
- Educating members about rules and appropriate behavior in and around the facility
- Excluding patients who break the rules or divert medication for non-medical use
- Keeping lines of communication open with neighbors, elected officials, and law enforcement
- Responding to community concerns

A good neighbor policy will help ensure that patients get the medicine they need and that neighborhoods are protected. Communities have an important role to play in the good neighbor policy, as dispensaries need community input to develop policies that reflect the concerns and values of the neighborhood. They need feedback to know how to contribute to a successful and friendly neighborhood atmosphere. Perhaps the most important element of being a good neighbor is participating in an ongoing dialog between dispensary operators and all members of the community. Well-run dispensaries are good for communities. They bring customers to business districts, provide revenue to city government, and create jobs. They also provide the most practical and effective mechanism for getting high quality medication to those who need it to treat serious conditions. The majority of citizens believe that sick people should have safe access to medical cannabis with a doctor's recommendation. Dispensaries take this compassionate belief and make it a reality for sick and dying people every day. By having a dispensary in your area, you can feel good about the fact that the lives of the sick and dying are being improved, and in some cases saved – and about the fact that you have a role to play in helping make it work in your neighborhood.

Safety for patients and the community is a top priority at medical cannabis dispensaries. Well-run dispensaries adopt a *security culture* to ensure safety. Security culture refers to a set of practices and strategies that work together to maintain community standards.

Security culture may involve the following elements:

- Employing professional, trained security personnel
- Staying alert to detect problems before they occur
- Educating patients to be sure they know the rules
- Implementing policies to prevent diversion
- Restricting access to the facility to authorized persons
- Using appropriate security technology and equipment to monitor and secure the facility
- Maintaining communication with local law enforcement
- Training staff to prevent and respond to emergencies
- Educating staff and members as to their rights and responsibilities under the law

Individually, these elements help make a dispensary safer. Taken together, they provide a comprehensive safety strategy that makes a well-run dispensary one of the best and most secure neighbors in any given community. There is no greater correlation between dispensaries and crime than movie theaters and crime. Rather, dispensaries carry out important work in a discrete and professional manner. In truth, sufficient security and careful membership screening at good dispensaries serves to protect neighborhoods from undesirable elements in general.

In order for us as a community to be pro-active and ensure patient safety, it is imperative that we self-regulate the medicinal products that are being dispensed to patients. Cannabis products intended for medical use must meet certain packaging, labeling, and sanitary requirements to guarantee safe consumption by patients. Understanding proper food handling safety, awareness of the medical uses of cannabis, and communicating accurate dosage information are necessary factors in the process of creating cannabis-infused edibles. All producers of medicine should comply with the minimum industry standards for edibles and related products.

Creating Clean Medicine

Although there are few certification classes for the production of cannabis, producers should be aware of the cleanliness and quality of cannabis used to produce medicinal edibles. The cannabis used for edible production should be handled like any other food ingredient. It should be free from mold, mildew, insects, pesticides, and other impurities that endanger health. Bud Handlers should follow the same practices of hand washing, sanitation, and compassionate awareness that food handlers are expected to follow.

Below are some simple steps you can take to make gardens and grow rooms safer and more sanitary.

- *Make the garden area a clean work environment.* Gardens and grow rooms should be kept cleaned and sanitized prior to cultivation. The best defense is prevention. By eliminating unwanted biological agents from the space prior to planting, you will reduce the need for harsh, potentially hazardous, chemical solutions later on. Surfaces should be kept dust free; floors should be swept or vacuumed regularly. Tools should be sanitized between uses. Plants should be inspected frequently for signs of infestations or chemical imbalance. Regular cleaning is a top priority for medical gardens.
- *Wash up before and after working in grow areas.* Researchers have discovered that the most common pathogens transmitted in cannabis are choloform and *E. Coli* bacteria. The transfer of these bacteriological agents can be greatly reduced by washing your hands before and after working in a garden.
- *Use proper safety equipment when handling medicine.* Use gloves and facemasks when handling medicine intended for direct consumption. It is good practice to have a change of clothes, including shoes, which are designated for use in the garden. This helps avoid bringing in pests and contaminants from the outside. If you wanted to go a step further, you can wear protective Tyvek suits, hairnets, protective shoe booties, and nitrile gloves. This safety equipment can be purchased relatively cheap at medical supply stores and safety equipment outlets.
- *Keep unnecessary elements out of the medicine areas.* Gardens and grow rooms should not be high traffic areas. People not directly working in the garden should stay out, as they may introduce contaminants. Keep children and pets out of garden areas at all times. Grow rooms are not good storage areas and should be kept clear of clutter. Do not eat in the garden area. Do not smoke tobacco products in the garden. The smoke from tobacco (including blunts) contains unnatural toxins which can build up upon the foliage. This can harm plants and possibly patients. Be aware when working around ventilation intakes, as harsh chemicals and cleaners may be drawn in through the system and contaminate the grow. Use filters when needed and seal the room well to control pests
- *Use safe cleaning products and plant maintenance additives.* Since harsh chemicals can damage plant vitality and accumulate inside plant tissue, they should be used sparingly when cultivating medicine. There are many safe and effective fertilizers, pesticides & cleaning agents on the market. Using natural cleaning solutions, such as diluted hydrogen peroxide, are often less expensive and more effective than brand name cleansers. Even natural citrus cleaners can contain petroleum bases that can damage both plants and equipment. Isopropyl alcohol works well on surfaces, utensils and equipment. The use of organic pesticides and nutrients are strongly encouraged as they may be easily flushed and come from natural sources. A simple solution of organic soap can usually take care of small infestation problems if caught early enough. This is why it is important that every plant in the garden be inspected regularly to catch any issues that may arise before they become problematic. Be aware of every product used during cultivation, its possible effects upon human health and document how it was applied. Ensuring patient safety should be the most

important factor when selecting a product to use in medical gardens. If unsure, ask a professional for help.

- *Always flush with plenty of clear water before harvesting.* It is important to clean out as much fertilizer and plant additives that may have accumulated in the plant tissue prior to harvest. Properly flush each plant with the appropriate volume of water. Many resources are available for proper flushing techniques.
- *Handle finished medicinal flowers and byproducts (trimmings) with extreme care.* Cure medicine in a sanitized, well ventilated drying area. Adjust the temperature, humidity and air-flow to minimize the risk of mold. Whether trimming before or after the drying process, it is important to have clean hands, tools, storage containers and work surfaces. Use gloves, facemasks, and dedicated clothing, as if working in the garden. Handle trimmings intended for concentrates, edibles, or other cannabis based products, with the same care as finished flowers. Waste should be removed immediately.
- *Be proactive.* The most dangerous element of growing medical cannabis is human error on part of the cultivator. Pathogens do not magically appear; they were either present in the room before planting, or introduced later through improper practices. Inspect and sanitize the garden frequently. Keep good notes and do not be afraid to ask a professional when situations arise. Most products related to growing have contact numbers on them to reach the company directly. If unsure if a product is appropriate for your needs, call and ask a representative.

Food Safety & Proper Handling

While we will not be carrying food-based medicines in our upstart phase, these are the suggested best practices should we carry them in the future

In order to protect the health and safety of our patients, medicinal edibles should be produced in a safe and sanitary kitchen environment. It is highly recommended that medicinal edible producers have at least one Certified Food Handler (CFH) on staff. Improper food handling puts patients at risk by unnecessarily exposing them to bacteria, viruses, allergens and harmful chemicals. Irresponsibly produced edibles could further weaken patients with chronic ailments, cause severe allergic reactions, or in some cases, cause death.

By educating ourselves about proper food handling, we better serve our families, friends and neighbors who rely upon these products for relief.

To become certified, one must complete a state approved training course and examination. Certification, once completed, must be renewed every 3 years. Classes are generally affordable, and the exam itself costs about \$60. Upon completion, the original certificate must be in your production facility at all times, and available for the Environmental Health inspector upon request. The CFH does not have to be present during production, as long as they assume the responsibility for training other staff on proper handling techniques. These protections can be put in place without necessarily exposing the medicinal nature of your products.

Topics presented in certification classes include:

- Employee illness
- Hand washing & sanitation
- Food borne disease
- Allergens & physical contaminants
- Temperature control & proper storage
- Proper cooking temperatures
- Cross contamination

Check with your local health department to find a state approved class offered close to you.

Medicinal Edible Kitchens

Companies that produce medicines have very stringent standards to ensure their products are free from unwanted toxins and contaminants. Restaurants, caterers, and other food preparation professionals must adhere to strict guidelines to ensure that the foods produced for public consumption are of the highest quality and fit for consumption. Medical cannabis and edibles should be treated no differently.

The following are simple guidelines to follow to ensure medicinal edibles are produced in accordance with the industry standards for food and medicine.

- *Always follow Certified Food Handler (CFH) Standards and Practices.* California health code requires that all facilities that produce food for human consumption have a Certified Food Handler on staff. These certification classes are affordable and are offered several times throughout the year. It is the responsibility of the CFH to enforce proper food handling procedures in the facility and to train other employees.
- *Maintain a clean and sterile working environment.* Create a clean, non-toxic environment in which to work. In medical, science, and food preparation facilities it is common practice to clean areas at the beginning of a work period, throughout the work period, and after the work is done. Ensure all surfaces, equipment, sink areas, and materials are clean and in good repair. Using non-porous surfaces, such as stainless steel, ensure that areas for preparation are free from unseen contaminants. Be sure to use safe cleaning products and that all equipment is inspected thoroughly. Always use safe and sound cleaning methods for all equipment and areas that will come in direct contact with the products.
- *Always use proper safety equipment.* Use gloves, hats, hairnets, and safety equipment to reduce the risk of contamination. Nobody should find hair or foreign substances in their medicinal edible products. Many patients have strict

dietary needs or severe allergies, so taking the proper steps to make sure there is no cross contamination is extremely important.

- *Store cannabis products safely and securely.* Raw cannabis, cannabis extractions, and products containing cannabis should always be stored properly and securely. Store cured cannabis in a cool, dry area. All medical cannabis food products should be stored independently from non-cannabis food products and should be clearly labeled as medicine. Refrigerators and freezers temperatures should be checked regularly. Perishables should display expiration dates.
- *Be sure medical cannabis is of the highest quality before use.* Ensure that the cannabis was cultivated and cured in a clean environment. Be sure to inspect each batch of medicine closely for signs of mildew, contaminants, pests, overheating, and kiefing. No matter how reliable the source is for the medicinal cannabis it is always good practice to inspect products visually, with magnification. Use a standardized extraction testing method if unsure of the source.
- *Taking steps to remove contaminants.* Regardless of safeguards taken during extraction processes, small amounts of mold or other biological contaminants may still be present. When making a butter, oil, or syrup base it is always a good idea to heat at a high temperature (350°) for at least on half of an hour. This will cook off any molds or biological contaminants that may be residual in the plant material. It is also important to skim off any contaminants that may rise to the top during the infusion process. Always be sure to strain out unwanted plant matter thoroughly before using extractions in cooking. Alcohol extractions are good for killing contaminants, but not always the best tasting or most effective methods for cooking with cannabis. Concentrates added should always be natural (water) based. They can be dissolved in vegetable oil for cooking purposes.
- *Always improve facility.* No facility is perfect, but investing in upgrades and buying new equipment as time goes on is a necessary part of being a medical cannabis provider. Be aware of your workspace and how you can make it safer, cleaner & more ergonomic.

Packaging

Since medical cannabis is available without a formal prescription (relying instead upon a letter of recommendation from a doctor), it makes sense to treat cannabis products like other over-the-counter medication. It should follow the standards for packaging and labeling set forth by the Food and Drug Administration in that area. It is necessary to package medical products in "Tamper Resistant Packaging" (TRP) to ensure that the product the patient receives has not been altered or changed in any way from its original form. It may seem like a daunting concept, but it is simpler than you may think and may even be more cost effective in the long run.

Some examples of qualified TRP packaging can be found on the FDA website.

Labeling

Labeling requirements are necessary to provide patients with full disclosure of the contents. Edible medicines should display prominent drug fact labels, which include prominent warnings, medicinal values, ingredients, expiration dating, and lot number identification. Medicines have minimum labeling requirements and medical cannabis products should be no different, as patients depend on accurate information to make informed decisions about what may or may not be adequate for their therapies and practices. Brief descriptions of different labeling parameters and their practical uses are listed below.

WARNING LABELS: Providing clear and prominent warning labels declaring that the contents are medicinal, not intended for use by non-patients or children, and that the product is manufactured in compliance with the standards set forth by Health and Safety Codes related to medical cannabis products. It should display “as per CA Health & Safety code sections 11362.5 & 11362.7”. Warning labels should be brightly colored and in a clear text to ensure that consumers are clearly warned about the product’s possible effects. It is necessary to display warnings in prominent locations, preferably near the package opening. It is also wise to display warnings on both sides of a product, if applicable, to ensure that it can be seen from all angles.

MEDICINAL FACTS: Whenever using any medication it is important to read the labeling on a product to know what the product is intended to do, who should or should not be taking it, and how to use it. In the Federal Register of March 1999, the Food and Drug Administration published the OTC Drug Facts Label regulation. This regulation set forth a standard of labeling format for the “Drug Facts” label that ensures readability and clear language so consumers can understand and read the package effectively. The following information must be contained on a drug facts panel:

- *The product's active ingredients, including the amount in each dosage unit.* The active ingredient in cannabis is tetrahydrocannabinol (THC) and the amount in each “dosage unit” generally varies in edible products. Without the ability to scientifically test for exact amounts and standardize the process of extraction it is best to simply state that it varies, or not include the dosage amount. Do not mislead patients and caregivers by providing labeling information that may not be accurate.
- *The purpose of the product.* Although listing all potential uses of a medicinal edible may be cumbersome, patients and caregivers should have some guidance as to what ailments the medicine is intended to treat. Generally “pain relief/appetite stimulant” are the most common purposes of cannabis as a medicine and will suffice for the general purpose of labeling requirements.
- *The uses (indications) for the product.* The uses of cannabis as a medicine in conjunction with Proposition 215 are as follows; cancer, anorexia, AIDS, chronic pain, spasticity, glaucoma, arthritis, migraine or any other illness for which (a

physician finds) marijuana provides relief. It is important to include the physician into the text, as doctors are the cornerstones of using medical cannabis safely and for the right purpose. Cannabis has many uses, some of which may not be discovered yet, therefore it is important to make sure that patients consult regularly with physicians to approve their intended uses.

- *Specific warnings, including when the product should not be used under any circumstances, and when it is appropriate to consult with a doctor or pharmacist. This section also describes side effects that could occur and substances or activities to avoid.* Included in this section should be warnings about drowsiness, operating motor vehicles, using alcohol with product, pregnancy & breastfeeding, keeping it out of reach of children, and consulting a physician if taken with other medications. Also, it is good to state that patients should consult a physician if adverse effects occur while using the product.
- *Directions for Use/Dosage instructions--when, how, and how often to take the product.* Pay close attention to this section. With cannabis edibles, like any medication, dosage varies on weight, metabolism, strength, and dietary habit of the patient. Informing a patient on proper usage for consistent dosages helps patients regulate their intake and use the medicine to better suit their specific needs. For example, encourage patients to use $\frac{1}{4}$ to $\frac{1}{2}$ of a product at first and increase dosage as needed. This will help to avoid over-medication by patients who may have a lower tolerance to ingested forms of cannabis. Also, patients should be made aware that edible medicine typically has a slower onset time than inhaled medicine, but once activated, the effects have a longer duration.
- *The product's inactive ingredients, important information to help consumers avoid ingredients that may cause an allergic reaction.* Inactive ingredients are going to be everything but the THC, including cannabis itself, or cannabis infused butter. It is highly recommended to denote what type of cannabis is primarily used (indica or sativa), as this helps patients understand what may be better for their needs. Every ingredient within the edible must be listed. If it is a brownie, for example, it is not sufficient to say "brownie mix." It must list the actual ingredients within the brownie mix. Even peanut butter has ingredients in it, so it is not accurate to simply list "peanut butter." For patients to make informed decisions on the products they purchase, there must be full disclosure of what is actually in every product. Many patients have special dietary needs or allergies that could be triggered by inaccurate information on products. It is the producer's duty to ensure that the proper information is listed on their products.
- *Other information.* As most edibles are food-based products this is a good area to include recommended storage practices for the products. Letting a patient know the proper way to store the product (i.e. temperature, refrigerate after opening, cool, dry place, etc.) enables them to properly take care of their medicine after leaving the dispensary.
- *Non-edible medications & body products.* Products not meant to be ingested should be clearly labeled FOR EXTERNAL USE ONLY. There should be clear directions on how to apply to product.

EXPIRATION DATING: Expiration dates help patients understand that edibles have a limited shelf life and should be consumed before they spoil. A common ingredient used in edible products is butter infused with cannabis. In most cases, butter is the product with the shortest shelf life, as it is a dairy product. Even clarifying butter does not ensure all of the milk fats have been removed; therefore it is important to know that butter has a shelf life of 3 months. Shelf life of a product may be extended if frozen, but generally never over 6 months. *The ingredient with the shortest shelf life determines the expiration date for the product.* For example, a natural product, that may use fresh berries, will only have a shelf life of 5-10 days as the berries do. Stale or spoiled products hurt your reputation as a provider and endanger patient health. Be conscious of the phrasing of expiration dates; “use by” and “best before” communicate different concerns. The durability of a product will determine the proper phrasing, and hinges upon whether a product simply loses its freshness on that date or if it may cause illness. Be honest when dating your products. Monitor the freshness of your products over time and adjust your dating process where appropriate.

LOT NUMBER IDENTIFICATION: A lot number is a simple coded identification number that enables a provider to trace the origin of the product back through the production process. Lot numbers allow producers important advantages. Should a problem arise with impurities or in the case where an edible provides exceptional relief, lot numbers allow the producer to track each batch through its origins to discover why. This allows better protection and more effective recipes. A lot number can be coded in many different ways, as long as the provider is capable of identifying when and where the medicine was produced. The “lot” consists of the batch of butter, tincture, hash, or, any other extraction used to infuse edibles with medicinal properties. For example, if a batch of butter was made on June 1st from plant matter derived from “Garden A” consisting of “Granddaddy Purple” a good lot number identification may be “0601A-GDP.” This form of coding allows the manufacturer to simply look back and say this batch was produced on 06.01 from garden “A” using GDP. It is important to log each batch individually in a record book that may be looked back on later for reference. You can use whatever system allows the information on the history of the medicine to be easily accessed should any issues arise.

Child Proofing

Most of the negative media focused upon medicinal edibles centers around the perceived risk they pose to children. Edibles are potent and should not be given to children in the absence of medical supervision. But the risk to children can be minimized through smart packaging and storage practices. Don’t use packages and labels that may be appealing to young children, such as bright colors, cartoon characters, goofy lettering, etc. Avoid transparent packaging. Even if the label clearly identifies the product as medicine, remember that many children can’t read it. In the eyes of a small

child, a brownie is a brownie. If possible, use opaque or child-proof packaging. Encourage patients to store it out of reach, and out of sight, of children. Edibles marketed on visual appeal can be photographed and displayed in menus.

Any measure you take to protect children from accidental exposure or ingestion will reflect positively upon both your business and the larger medical cannabis community.

Medicinal Cannabis Labeling and Marketing Ethics

Product names, company names, and labeling practices greatly influence the public perception and acceptance of medicinal cannabis. When developing and producing these medicines, we must use common sense, as our decisions may greatly impact the positive development of this industry and the greater cause of ensuring safe access.

Cannabis has a long-standing counter culture reputation, and it is easy for manufacturers to often overlap the recreational terms for cannabis into products intended for medical use. While generally these references cause no direct harm to a patient, they allow for opponents of medical cannabis to doubt the intentions of the community and question the motives of medical cannabis dispensers.

To better protect our professional reputations as providers of safe medicine, we must take it upon ourselves to diffuse these concerns and strengthen our relationship with the patients who rely upon us. Proper product packaging and labeling accomplishes both of these goals by safeguarding the quality of the medicine, clearly identifying the products as medicine and by providing important information so that patients can make good choices regarding their overall health. It is up to us, as providers, to make this step forward.

Here are some simple guidelines for medical cannabis product labeling and marketing ethics.

Avoid using unprofessional, slang, or “counter-culture” terms.

Whether it be the company name, the product name, the information on the label, or marketing tools, it is important to avoid using terms that imply recreational and illegal uses of cannabis. As a medical community, products that clearly convey the medical intent of the product better serve the patients they are intended to help. References to recreational use damage the legitimacy of the product and confuse patients seeking reliable medicine. Professionally packaged products that are effective and consistent out sell products that rely upon cuteness and humor. This a direct reaction from both the patients who purchase medicine and dispensers who are unwilling to recommend products that could endanger patient health or safety.

Never falsify information to enhance a product.

Since cannabis is an herbal medicine, it is extremely difficult to quantify the medicinal values of cannabis. Plants vary in many ways in response to breeding (genetics, strain), cultivation processes, growth & storage environments, extraction methods and handling practices. Potency is directly affected by production decisions made. Testing is expensive and often inconclusive, given that if you test the top flowers of a cannabis plant they would differ in potency from the lower flowers of the same plant. This makes claims regarding specific potencies hard to back up.

Medicinal cannabis providers should never label their products with false or fraudulent information. This includes unfounded claims of potency. Such claims put the patients at great risk as it takes away their ability to make safe decisions regarding their health. Misleading or enhancing a product through false claims and exaggerated facts are a disservice to the community and pose real dangers to patients and the providers alike.

Avoid unreliable or possibly false claims when attempting to define the potency of cannabis products. Do not enhance labels with inconsistent, untrue, or questionable information regarding strength, medical uses, or nutritional values. If there are verifiable tests done that approximate a product's potency, it is best to use that information in a clear phrase, such as "contains between 20-30mg of THC" or "Up to 30mg of THC per serving/dose". When describing dosage, use recognized units of measurement (ounces, milligrams, etc), not abstract approximations ('doses', 'X'). It is not an effective practice to simply label a products "3X" or "20X" to insinuate that there were some incredible levels of THC that were somehow related to each "X" given. All claims will be verified by actual lab testing.

No information is always better than false information. A good phrase to remember: "When in doubt, leave it out." But as providers and dispensers we have a responsibility to communicate as much reliable information as possible to our patients regarding their medicine and how it may affect them. This is an essential part of being a compassionate caregiver.

Avoid using imagery that insinuates non-medical use or is seductive in nature.

Several medical cannabis products are marketed upon the strength of sexual innuendo, cartoons, blatant recreational use, humor and sarcasm. These practices open the door for conflict and bad publicity, exposing the entire medical cannabis community to a higher degree of criticism and confusing patients. Products containing imagery that can be viewed as unsavory, risqué or childish can give the impression that our community lacks seriousness and professionalism.

Develop marketing and products with sound, ethical reasoning and avoid issues that may arise from careless practice and unnecessary imagery. Certain images and phrases to avoid: seductive or sexually explicit images, cartoons & graphics that imply childish behavior or recreational uses, parodies of other companies' logos or advertising, images that signify counter-culture, or copyrighted or trademarked images of any sort.

Avoid marketing practices that may encourage or mislead the public into thinking medical cannabis is geared towards young people. Children are especially vulnerable, and every effort should be made to discourage accidental ingestion or application of a medicinal product.

Medical cannabis is currently unregulated regarding advertising and marketing practices. We must take it upon ourselves to refine our packaging decisions.

Be educated about standards and practices of the cannabis community, as well as the medical and health industry in which we are a part of.

Many regulations regarding medicinal packaging came from public outcry demanding that large drug companies clearly identify and list the ingredients and intended uses of their products. We can learn from these discussions & laws how to better inform and protect our own patient community. Be an active part of the cannabis community and educate yourself and production staff. Participate in the discussion & implementation of operating standards and regulations that may come about as this movement grows. Learn the history of medical cannabis and cannabis products. Products being dispensed as medicine should be crafted with patient safety in mind.

Patients Helping Patients

Patients and caregivers need accurate information and expect safe handling practices. Many patients have serious illnesses and the improper use of medication can cause adverse effects. It is important that we recognize and act upon the needs for proper labeling and packaging in all products intended for patient use through dispensaries. Being pro-active in this arena will better protect patient health, alleviate concerns, and reinforce public acceptance of medical cannabis as the safe and effective medicine it is.

RECORD KEEPING and ADMINISTRATIVE PLAN

The methods of obtaining,
documenting, accounting,
controlling and securing all
necessary documentation for
Magnolia Wellness.

REPA CITY ID#: MCD11105

Record Keeping Standards

The organization understands the importance of accountability and will make every effort to keep accurate and updated records for all transactions and relevant activities. Staff will keep detailed electronic and written records on financials, patient members, inventory, and quality control matters. The organization will have several checks and balances in the process to ensure accuracy. The **xMed PoS and PatientTrac** specialized software will be used to track both inventory and member transactions. Staff will be trained to keep diligent records on daily inventory and administrative staff will enter all information into the database. Management will be responsible for daily oversight of all income and inventory control systems.

Software Systems

Quickbooks Pro: Magnolia's financial accounting software will be *Quickbooks Pro*, as it is the preferred software of the organization's local Certified Public Accounting service. The management and administrative staff will be fully trained in the operations of this software, with prior knowledge being a requirement of these positions. All financial transactions will be recorded into the system on business days, with weekend records being entered on Monday morning. The records are submitted to the Certified Public Accounting service.

XMed Point of Sale with Patient Track The **XMed PoS and PatientTrac** system are the major hub of the collective's information system, tracking all inventory, member information, transactions (monitors transactions per member), and income transactions. These are the preferred software systems utilized by existing cannabis dispensaries in California. The system allows the collective to input medicine as it is received, assigning it a batch number and identifying it by provider number. Bulk medicines can be tracked by beginning of the day and end of the day weights to ensure there is no tampering. When the product is approved, quality control information is then entered into the system. The product will then be made available for dispensing and it will be prepackaged and entered into the appropriate inventory module of the PoS system. The system uses an integrated scale to track the exact amount of each package to the tenth of a gram. This will enable the collective to keep precise records. Type of medicine, quality control information, net weight, and prominent warnings will be printed on the system's label maker and will be affixed to the package for informative purpose. The PoS system does detailed sales reporting and interacts with Quickbooks software for financial record keeping.

This system also tracks patient records and allows the collective to enter members into a queue. This queue will enable staff to better serve members by being able to look up previous transactions and make recommendations based on previous visits. It will also enable the staff to know who is in the collective at any given time, and quickly look to see if a patient has been there previously in the day. The PatientTrac feature will allow the assignment of each transaction to a member so that we may audit the system regularly and identify possible abuses. The system scans a member's State Issued Medical Marijuana ID or collective issued photo ID card and keeps it in its memory. It will also attach a record of their scanned medical

recommendation and any other patient documents to their profile. Staff can quickly look up profiles and histories to help accommodate the patient better and avoid possible problems. For the safety and security of member information, the system has unique access levels. Employees will be assigned access cards for the system. The system is equipped with a NAS Data Server and 1gb router switch.

More details about this system can be found in the company's brochure in Exhibit 16-a.

Data Maintenance and Storage

There will be a need to maintain and store records for at least five years. Staff will keep both electronic and some paper records for this period. All data will be entered into one of the databases. Our *XMed PoS and PatientTrac* system records all patient, inventory, and purchase histories on a NAS Data Server, which will be stored in the vault room to ensure absolute security of all electronic records. The NAS Data Server is a dual 500g HD, meaning it should have more than adequate storage for all records to be kept for well over the five-year period required by Oakland Municipal Codes. If more storage is needed, additional servers will be added to the system to accommodate this need.

Some paper records, such as original patient intake documents, end of day sales reports, medicine tracking forms, all logs, and other data that is necessary for verification and informational purposes will be kept and stored in case of electronic system failures. These records will also be kept for a period of five years. Our administrative staff will have a strict protocol for the maintenance and storage of all records. All records will be accessible for required inspection at any time. Meticulous record keeping will help the collective to operate effectively, so we will make this a top priority. Disposal of outdated records will be through a confidential document shredding firm.

Data to Be Maintained

Information to be maintained includes all requirements of Oakland Municipal Code. These include information of all staff, management, and Board members, all members and their caregivers to whom the collective provides medicine, all financial activity and receipts of the collective, detailed inventory documents, quality control and lab testing info, transfer records of all instances medicine was transferred either to or from the collective, physician records and contact info, and any other relevant documentation that verify the collective's organizational duties. Magnolia will also maintain records of any audio and videotapes for a period exceeding the security requirements.

Audit Reporting and Inspections

In addition to the monthly reports that will be completed by a local licensed C.P.A., Lee Accountancy Group, for internal review by management and directors, our administrative staff will work with the accountants to prepare a quarterly (or other such interval as determined by the City manager) audit for submission to the city. This audit will show the true and correct amount of the collective's gross revenue, and an audit trail will be made available to show daily intervals of income. Any required fees will be paid at this time. Also, at the end of our fiscal year we will prepare a detailed audit of all yearly financial activities, including an update evaluation of the collective's internal and accounting controls. This report will be filed with the City no later than the allotted time period after the fiscal year, as required. The collective will conform to any modifications set forth by the City or Regulatory Division to make the system work better. All Statements will be filed as required by the City within the allotted time frames. City officials will be given access to all records for inspection at reasonable times in accordance with the parameters of the Oakland Municipal Codes governing medical cannabis businesses.

Financial Records Protocol

In order to maintain not-for-profit status and to ensure the viability of the collective, accurate and detailed financial records will be maintained. The administrative staff under the direction of the Managing Director will be highly trained and experienced in financial reporting and record maintenance. Each day the service staff will report the income gathered on individual records that will be verified by management, using a *Daily Register Sheet* (Exhibit 16-b). This income will be verified and recorded by the Manager on duty on an *End of Day Report* (Exhibit 16-c) that reconciles all registers, cash, credit card, paid out receipts, vouchers, discounts, and CARE program donations made for the day. This *End of Day Report* will be kept on file and all information will be entered into the Quickbooks financial software system.

All payments to vendors and contractors will also be recorded daily into Quickboks. A daily sales report from the XMed PoS system will be used to verify the end of day numbers as reported by the manager on duty. Payroll records will be automatically entered into the Quickbooks software and payroll period reports will be printed and stored with the financial records as well. All monthly, quarterly, and yearly financial audit reports will be subject to oversight from the Board Treasurer, the complete Board of Directors, the Managing Director, and other Director positions that may be created in the future.

Patient and Caregiver Member Records Protocol

Upon becoming a member of Magnolia Wellness a patient will submit a valid recommendation from a doctor to use cannabis and a valid State-issued identification. In addition, they will fill out a *Patient Information Form* (Exhibit 10-c), a *Membership Agreement* (Exhibit 10-d), a *HIPPA Privacy Authorization Form* (Exhibit 10-e), and initial the *Magnolia Rules for Membership*.

Caregiver documents will be attached to the patient profile and patient file for the patient they give care. If the caregiver is also a patient they will have a separate file for their own documentation. These records will be scanned into the XMed PatientTrac System and attached to the patient profile and hard copies will be stored in a patient file. Each member will have their own on-site file, so that should the electronic system fail, we will experience little interruption to patient services. All patient records will only be accessible by approved staff with the proper security clearance. Each time a member returns to the collective and checks-in their patient profile will pop-up and the staff will be able to view or print these documents if needed. They will be verified and added to the patient queue so that the service staff can easily access their information and record their activity for that day. As records are updated, such as a recommendation renewal, these records will also be added to the patient profile and patient file. All staff will have a strict confidentiality agreement that makes them aware and committed to protecting patient privacy at all cost. Private patient information will only be made available for inspection if proper protocol and documentation allows for it. Magnolia will go to great lengths to keep detailed patient records to better serve the patient and enable the collective to audit patient transaction histories when necessary.

Inventory Control Records Protocol

Inventory control is of the utmost importance and the Inventory staff will be highly trained in keeping meticulous records to ensure accountability. Upon receiving new medicine into the facility a provider will fill out a *Quality Cultivation Report* detailing how the medicine was produced. A trained intake employee will inspect the medicine and fill out the appropriate *Intake Evaluation Form*. If the medicine is accepted it will be logged manually in the *Medicine Intake Log* and entered into the XMed PoS system by its bulk weight. A *Medicine Tracking Report* will be kept with the medicine detailing quantities, cost, and quality rating. After lab confirmation comes back the medicine will be made available for processing and dispensing. At this time it will be made available at the counter for Patient Preferred Packaging, or it will be pre-packaged with all weights being recorded on the individual package, as well as in the PoS system. Increments will be recorded on the *Medicine Tracking Report*. In the PoS system a batch number will be assigned to all incoming medicine and it will be assigned a profile based on this number. Daily our current stock levels will be inventoried by Quality Inventory Control and Dispensing Service employees, which will be recorded on an *Inventory Report*. All attributes and documentation will be attached to the medicine profile for staff access. The *Medicine Intake Log* will be highlighted after a medicine is completely dispensed so at a glance it is easy to tell what is in stock and what is no longer available. Medicine batches will have a file assigned for their documents and necessary documents will be kept on file for reference purpose. After the medicine is completely gone the *Medicine Tracking Report* will be filed in long-term storage. All completed *Medicine Intake Log* sheets will be stored long term, as well.

Quality Control Records Protocol

Quality control records will prove to be valuable data to the collective to monitor the effectiveness and desirability of the medicines provided. The *Quality Cultivation Report* (Exhibit 15-a) will detail the growth history of the medicine and provide insight as to how the medicine was produced. Documenting this helps to understand the environment in which the medicine was produced to assure it meets our *Best Practices* standards. The *Intake Evaluation Form* (Exhibit 15-b) will detail the inspection process and record any possible issues identified in the inspection. The *Intake Evaluation Form* will also record the lab results for the product after they come back. These documents will be scanned in, recorded electronically and attached to the product profile. Hard copies will be kept in the product file. Staff will also implement a bioassay or human sensory exam program that will allow for a trained employee or trained designated patient to test the medicine for effectiveness. The *Bioassay Form* (Exhibit 15-c) is a tracking form that will be helpful in gauging the effects of a particular medicine on real patients and this information will be made available to staff and patients to get a technical breakdown on how this medicine works. Patients will also have access to these forms for their personal use, as it can be beneficial to track one's intake and record the effects to make better decisions in their acquiring medicines in the future. All completed *Bio-Assay Forms* will also be attached to the electronic product profile and the product's hard file. Relevant quality control statistics will be printed on the label of each product to inform the patient.

Record Keeping Procedures to Discourage Abuse and Unlawful Activity

By keeping detailed records Magnolia will avoid possible abuses and identify potential unlawful activity. Members will all be logged into the database and their records (including any notes on security) will be verified before allowing them to access collective services. By tracking purchase history we can identify potential abuse patterns and address any problem areas promptly and professionally. Detailed records enable us to show a patient their purchase history and make inquiries if they are consistently over Magnolia's thresholds for responsible use.

Staff will adhere to a strict protocol of record keeping safety measures, including limitations on electronic communications while working, security access levels, and not allowing for electronic storage devices to be brought on the premises. Patients will have to agree to our confidentiality policies before being allowed to work at the collective. Using the collective's Internet service for anything other than company business will be prohibited and periodic audits of system histories will be done to ensure compliance.

EXHIBIT16-a

xMed Pos and xMedTrac Information



Advanced Card Solutions


xMedClub POS / PatientTrac Overview

Date: October 2009



PatientTrac

- Key Benefits and Features:
 - The Ability to Quickly Scan Patient Driver Licenses and ID Cards for Registration and Validation .
 - Quickly Lookup and View Patient Profiles and Visit Histories.
 - Attach Recommendation and/or Caregiver Letters Directly to a Patients Record.



PatientTrac

- Key Benefits and Features:
- Restricted User Access By Use of Employee Access Cards and/or Biometrics.
- Capture Patient Photos From Scanned ID Cards, Drivers Licenses or Digital Camera.
- Ability to View and Reprint Any Attached Patient Document.



xMedClub POS+

- Key Benefits and Features:
 - View Patient Purchase History
 - Detailed Sales Reporting
 - Apply Patient Discounts
 - Assign Patient Caregivers
 - Multi Level Sales Tax
 - View Caregiver Purchase History



xMedClub POS+

- Key Benefits and Features:
 - Network Multiple Dispensaries Together Using a Common Centralized and Secure Database.
 - Remote Secure Web Access for Viewing Daily Activity.
 - Cashless Transaction Capabilities Through Gift and Patient Membership Cards.



xMedClub POS+

- Key Benefits and Features:
 - Inventory Module
 - ❖ Sell by Weight or Prepackaged
 - ❖ Barcode Scanning
 - ❖ Integrated Scale
 - ❖ Inventory Reporting
 - ❖ Capture Start/End of Day Weights



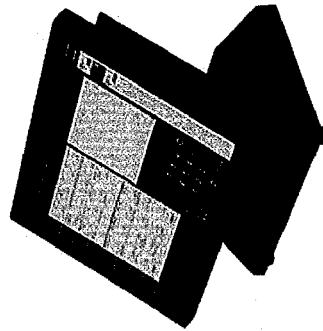
xMedClub POS+

- Hardware Components:
- Touch Screen
- Cash Drawer
- Receipt Printer
- Barcode Scanner
- Label Printer
- Integrated Scale

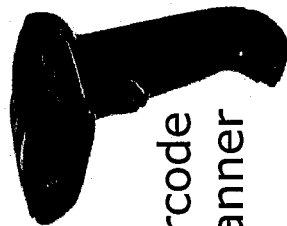
xMedClub Hardware



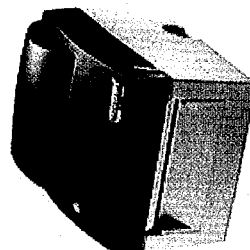
Cash Drawer



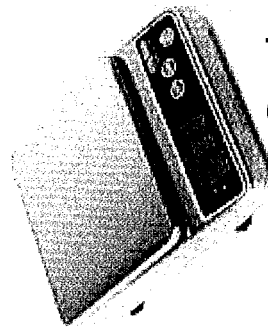
Touch Screen
POS Computer



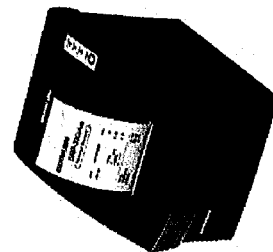
Barcode
Scanner



Label Printer



Scale



Receipt Printer

xMedClub / PatientTrac

Network Topology

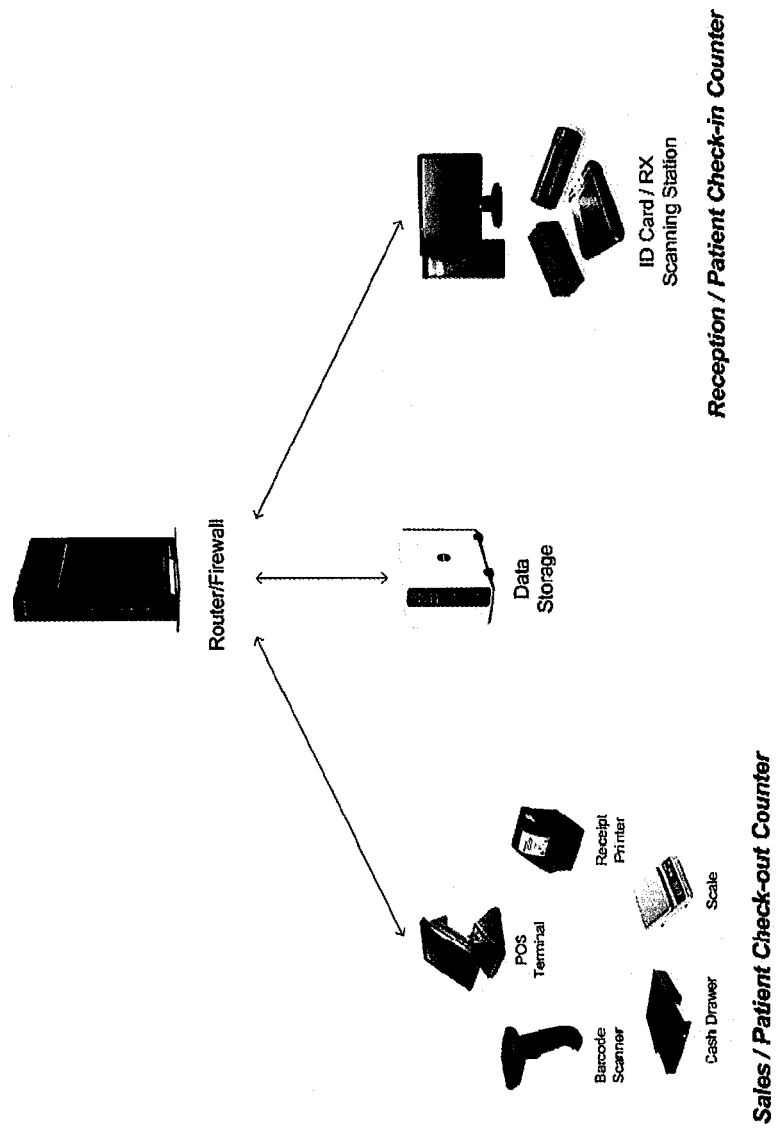


EXHIBIT16-b

Daily Register Sheet

EXHIBIT16-c

End of Day Report

End of Day Report

DATE: _____ ISSUED TO: _____ RECORDED BY: _____ REVIEWED

CASH DEPOSITS

REGISTER 1

DROP TIME	AMOUNT	CASHIER	MANAGER VERIFY
12:00PM			
3:00PM			
6:00PM			
CLOSE			

REGISTER 2

DROP TIME	AMOUNT	CASHIER	MANAGER VERIFY
12:00PM			
3:00PM			
6:00PM			
CLOSE			

TOTAL CASH DEPOSIT:

TOTAL CASH VERIFIED:

CREDIT CARDS

CARD	AMOUNT
VISA	
M/C	
AMEX	
DISCOVER	
OTHER	

BATCH REPORT TOTAL:

DISCOUNTS/CARE PROGRAM

DISCOUNT	AMOUNT
CARE	
SSI	
VETERAN	
SENIOR	
EMPLOYEE	

DISCOUNT/CARE TOTAL:

Staffing Plan and Member Roles

A detailed look at the staff, positions, and policies that will ensure Magnolia Wellness has a great team for our patients to depend on and will be a wonderful place to work.

REPA CITY ID#: MCD11105

Staffing Needs and Procedure

The organization expects to employ approximately 15-20 full-time staff members to operate, manage and maintain the collective upon start-up. We will also contract with independent trained professionals to provide complimentary services to members, such as an acupuncturist, a yoga instructor, etc. It may also be necessary to include volunteers or patient interns where needed to provide a way to involve and educate members who want to help the collective achieve its goals.

We plan on hiring at least 60-70% of our staff from the City of Oakland. Magnolia will work directly with the Oakland Private Industry Council program, East Bay Works, and other local job search organizations, to find qualified local candidates that are looking for a quality job with great benefits. We understand that local employees better serve the local community and understand the needs of the community much more clearly.

Training Required

Having a knowledgeable and well-trained staff is essential in establishing a trusting and caring relationship with the patients we serve. Qualified prospects will be hired on a 90-day probationary status. During this time they will be rigorously trained and evaluated for their ability to perform in a restricted-access environment. Their training will include a detailed *Employee Handbook*, reading materials, professional lectures, and hands on training. All staff will be tested on knowledge at the end of their 90-day period to ensure they have absorbed the proper information and are capable of performing their tasks safely and effectively. Also, service and security personnel will be required to take a Red Cross instructed CPR, First Aid, and Automated External Defibrillator (ADE) class.

All employees are given a copy of their *Employee Handbook* that includes their job description and all staff policies. These descriptions will be used in determining job performance. This ensures that everyone is clear about his or her roles and responsibilities and that they understand how their duties create a safe and efficient working environment. We emphasize teamwork in our day-to-day staff operations and encourage employees to be an involved member of the team.

Compensation

It is the intention of the collective to provide great wages and a robust benefits package to our staff, including healthcare. Where needed, the collective will use independent contractors to keep costs low. Management will be salaried and there will be hourly full and part-time employees. Analysis of cost benefit to the collective will be an important factor in all human resource decisions. We will make every effort to maintain positive relations with our staff and keep them working with us as long as possible. We plan to invest a great deal of time and energy into training staff, so we seek those who are looking for a long-term commitment. We

believe in promoting from within, if that talent is available, but first and foremost want to have the best employee for any given position. This is what makes our organization great, and an exciting and fruitful place to work.

Board of Directors

The Board of Directors is made up of five positions with possible expansion to seven positions over time. There is a Chairman, Vice Chair, Treasurer, Secretary and Wellness Director positions on the current Board. The Board sets the policy for the organization. They develop and keep updated the mission and vision for the organization. Their role is to strategically plan for the organization to ensure that the collective is successful and making a positive contribution to the community. The Board is responsible for hiring for active Director positions should they become available. The current Board is comprised of active Directors, as their investment and leadership is needed both on the Board and in the everyday operations during the start-up phase and beyond. The Board monitors the organization's operations and adjusts policies where necessary. They also serve as public figures for the organization in the community. The Board's main responsibility is to ensure healthy discussion and debate is had on issues before major decisions are made. They must take reasonable care when making decisions for the collective and must act in the best interest of the organization at all times. If there is a conflict of interest a Board Member must stand aside and allow the rest of the Board to carry out their duties and obligations.

Advisory Committees

The collective has five planned advisory committees being: Wellness, Budget and Finance, Safety, Outreach, and Non-Profit Administration. The committees will be made up of select Board Members and other professional and stakeholder members of the collective and community. For instance the Wellness Advisory Committee may have the Wellness and Services Directors working in conjunction with patient representatives, local wellness service providers, healthcare professionals, or concerned citizens. The committee will share their opinions and perspectives to formulate recommendations in a small and focused group setting. This will allow for deeper discussion of the many different facets of the organization. The Non-Profit Administration Committee will be responsible for directing the organizations Community Benefit Program in conjunction with Board approval. More committees may be added if there are particular needs that are not being addressed thoroughly enough.

Staff Member Functions

Executive Director- *David Spradlin* (see resume in Section 2)

- Reports to the Board of Directors
- Overall leadership of the organization, including day-to-day operations

- Implements the organization's mission and objectives
- Carry out operational plans and monitor financial performance
- Authority over and responsible for all departments, including services, security, quality/inventory control, administration, community, wellness, and volunteers
- Evaluate, counsel, provide discipline as needed, and terminate as necessary
- Build strong relationships with key stakeholders
- Oversee Board and Advisory Committee development
- Carry chief responsibility for public accountability, including legal obligations, of the organization
- Coordinate written and online communications activities across the agency to ensure consistency and effectiveness
- Provide a positive work environment conducive to trust and respect
- Oversight of the financial health of the organization

Operations Director- *To Be Determined upon receiving permit*

- Reports to the Board of Directors and Executive Director
- Directs all departments, including services, security, quality/inventory control, administration, community, wellness, and volunteers
- Manage/supervise all staff. Recruit, interview, hire, orient, provide training and development as appropriate, evaluate, counsel, provide discipline as needed, and terminate as necessary
- Ensure all operations go according to plan and that organizational standards and requirements are met at every level
- Ensure that the organization's legally mandated documents and filings are timely, properly maintained, and in compliance with applicable laws
- Develops a process for planning, implementing and evaluating short and long-range goals
- Participate in the development, implementation and interpretation of policies and procedures
- Supervise consultants and service providers, including legal counsel, environmental experts, lab consultants, and other consultants.
- Prepare quarterly reports for the Board of Directors and coordinate development activities with the Board
- Ensure sound planning to ensure the agency's overall effectiveness, quality, and sustainability

Wellness Director- *To Be Determined for Oakland*

- Reports to the Board of Directors and Executive Director
- Advancement of the collective's role as a health and wellness provider
- Design therapeutic services programs
- Development, delivery, and supervision of wellness activities, including education, nutritional and fitness opportunities
- Responsible for overseeing all aspects of the organization as they relate to the wellness of the patients we serve, including quality control, security, and non-profit administration

- Works with the Managing Director to develop a budget for wellness services and investments
- Oversee the hiring, scheduling, and supervision of the Wellness Services staff and professional service providers
- Prepare a quarterly report for the Board on the implementation of the wellness program and make recommendations for improvement
- Represent the collective publicly when the venue calls for a health and wellness perspective
- Work with patients in need of counseling on how to best incorporate medicine and therapies to promote health and well-being
- Cultivate and implement innovative methods and services for the collective to provide to its patient base

Community Benefits and Services Director- *To be determined. Eli Austin is interim and will head up Oakland Beautiful full time after finding a Services Director*

- Reports to the Board of Directors and Executive Director
- Focuses on patient services aspects of the organization, including patient intake, dispensing services, therapeutic services, Cares Program, counseling, and all other areas where staff interacts with patients
- Develops and implement the patient education materials to reflect the goals and objectives of the collective
- Organize any hospice or disability related services
- Recruits and trains service employees to project an outgoing and enthusiastic service experience for patients
- Deal with patient inquiries and complaints
- Supervises the patient intake process and evaluation standards
- Use resources to strategize and deliver high quality patient care
- Coordinate all service providers and work with the Wellness director to best utilize the facility to accommodate all service needs
- Organize all patient events, including celebrations, community service projects, and external events, such as the AIDS Walk, etc.
- Provide guidance to patients wishing to develop support groups for conditions based discussion or other relevant topics
- Set a high level of care and service standards for the entire organization

Managing Director / On-Site General Manager- *Currently in negotiations with candidates who have managed licensed East Bay dispensing collectives for several years. Because of the high profile nature of the application process it is necessary for thee candidates to remain anonymous. Both bring a wealth of knowledge and experience of the medical cannabis industry to the team, and both will submit to LiveScan before being hired for the position with no issue.*

- Reports to the Executive Director, Operations Director, Wellness Director and Services Director in conjunction with the Board
- Administer the affairs of the collective in accordance with organizational policies

- Attend Board meetings, disseminating information between governance bodies and staff, and reporting on workplace operations, finances, planning, and other matters as necessary
- Oversee preparation of an Annual Report summarizing progress on short and long-range plans
- Oversee relations with the City, law enforcement organizations, neighborhood associations, and other collective organizations
- Ensure representation at conferences and keep the Board, staff, and members informed of center and other relevant issues and activities
- Oversee patient member intake and orientation procedures
- Ensure provision of information and guidance to service coordinators
- Ensure provision of education and training programs to GNWC leadership, security officers, and staff members
- Manage all bank accounts for the organization and be capable of performing financial transactions independently when necessary, including signatory duties
- Oversee preparation of annual budget and annual audit
- Hire, supervise, evaluate and, if necessary dismiss staff members as specified in the *Employee Handbook (Exhibit 17-a)*
- Oversee workplace operations, including holding staff meetings and parties, and working with staff to maintain and improve effectiveness and efficiency
- Oversee administration of staff benefits and maintenance of personnel and other administrative records
- Promote effective communication on all levels of the organization
- Ensure that the leadership of the collective understands the functions and needs of the workplace
- Act as arbitrator/mediator in work and personnel/personal disputes

Patient Services Staff- To be hired and trained prior to opening

The patient services staff includes the intake/reception staff, the dispensary staff, and informational resource staff. These positions will be directly involved with servicing the needs of the patients. Intake and reception will be responsible for greeting and verifying the patient status. They will conduct a thorough orientation and give the patients a tour of the facility. The dispensing staff will be responsible for helping a patient access their medicine and ensuring a pleasant purchasing experience. They will be trained to assist patients in making good decisions in regards to what products or types of medicine may be beneficial to them. They will also provide patients with any information requested about the products and ensure that they are aware of how to use them. The informational resource staff will help patients with questions and concerns about the collective, the facility, or operational procedures. They will assist patients in getting signed up for services, support groups and special programs to ensure they get the most out of their Magnolia membership. All of these positions are very important, as patient care is our highest priority.

Security Staff- *Police Department approved and permitted, State-licensed, uniformed guard service will be hired and trained prior to opening.*

The security staff will be responsible for patrolling the facility and enforcing the Code of Conduct. The Managing Director will work directly with the security staff to address any problem areas. The security team will be responsible for managing all aspects of our safety and security plans. Their duties will include critical incident reporting, disaster preparedness, monitoring and reporting and addressing all other threats to the organization.

Quality and Inventory Control (QIC) Staff- *To be hired and trained prior to opening*

The Quality and Inventory control staff will be responsible for all medicine intake, handling, testing, packaging inventory and storage procedures. They will be responsible for verifying all medicinal products meet our rigid standards for compliance. They will help to educate producers on our *Medical Cannabis Best Practices* and inform them of their responsibilities in the production process. They will be responsible for doing in depth sensory exam upon intake and ensuring samples are prepared correctly for the lab. QIC employees will be highly trained in recognizing problems and taking the appropriate action. They will be directly responsible for maintaining a sterile handling area and will be in charge of packaging and sealing all medicines intended for patient consumption. They will ensure that all products are accounted for daily and will report any issues in the inventory control procedures directly to management. They will be responsible for the proper storage of the medicine to ensure freshness and safety. They will be responsible for entering the inventory into the *xMed PoS system* and tracking the medicine from producer to the patient.

Administrative Staff- *Harold Rogers will serve as Admin Manager and hire staff as needed*

The administrative staff will handle all record keeping and human resources duties for the collective. They will reconcile the flow of medicine and income and ensure that all medicine is accounted. They will handle all payroll and staff benefit tasks and help employees to access their benefits. They will do daily reports on purchases and oversee service staff's daily register transaction history. They will be responsible for the accounting input on a daily basis and tracking incoming and outgoing resources to keep the bookkeeping software up to date for our C.P.A. Admin employees will keep the organization's record-keeping logs to meet reporting requirements as required by Oakland Municipal Code and State law regarding collectives. They will also work with patients applying for the Cares program to fill out the required paperwork.

Community Liaison- *To be determined*

The Community Liaison will be the face of the organization and is responsible for the collective's public relations. They will attend all relevant City Council and community meetings and speak for the entire organization. They will be a part of neighborhood committees and work with our

neighbors to avoid problems. The Liaison will be accessible to law enforcement, city administrators and development personnel, media, or concerned citizens to handle the affairs of Magnolia Wellness in the community. They will also organize the collective's participation in community events and represent the organization at all educational seminars and industry conventions. They will also be responsible for organizing charity events, such as toy drives or soup kitchen help days. They will work directly with the leadership to ensure that the messaging for the collective is in line with the objectives of the organization.

Wellness Services Staff- *To be hired and trained prior to opening*

The Wellness Services staff will be directly responsible for managing and implementing our many wellness services. They may consist of independent contractors hired to perform specialized therapies for our patients or staff members that direct educational, support and fitness services. The service staff will be educated and trained in patient conditions, will be capable of helping patients find the right therapies for their needs, and will encourage patients to find a total wellness program through a mix of diet, medicine, and exercise that will help them to find health and happiness.

Volunteer Members- *Will be taken on as needed*

The collective will allow members to volunteer as needed. These volunteers will go through an orientation procedure and be expected to adhere to the same policies as our hired staff.

Staff Policies and Procedures

Training and Education: Staff members will be hired on a 90-day probationary period. During this time they will receive training and be evaluated for performance. They will be trained in the areas of the cannabis industry, safety, patient care, legal issues and CPR/First Aid training. Training will be ongoing throughout the year and topics of concern will be reinforced where necessary. Additional training will be made available to staff as needed from reputable industry training organizations.

Performance Reviews: A new employee's job performance will be reviewed formally at 90 days from hire date, six-months from the hire date (Update), and one year from the hire date. After the first year a performance review will be scheduled yearly at the approximate anniversary of hire. Forms for these reviews are made available to staff upon request.

Dress Code: The collective will allow our staff to express themselves through their clothing and style within limits. We want people to feel comfortable and casual in their work environment, but also want to maintain a sense of professionalism. We reserve the right to deem any item inappropriate and to request that it be changed when necessary. Staff will be required to wear a badge that identifies them as a staffer to patients and interested parties. The collective may require a uniform shirt for staff at a later date.

Hygiene: Employees must wash their hands with warm water and anti-bacterial soap after eating, smoking, or using the restroom before returning to work. Employees are expected to present themselves in a clean and odor-free fashion. Proper measures should be taken to avoid body odor. Proper grooming must be maintained at all times. We ask staff refrain from wearing powerful perfumes and odors to work out of respect for those who may be sensitive to them.

Personal Safety: Personal safety is our top concern. Safety depends on safe work practices. Accidents and injuries can be avoided with attention, caution, and care. During training and throughout employment, staff leaders will inform staff of the safest practices for their job. Staff will immediately discuss any aspect of safety with staff leaders. Staff will immediately report to their staff leader all on-the-job injuries and illness, any unsafe working conditions, hazard or potentially violent situation. In case of injury during work-related activity, the staff leader will secure the required information and fill out the proper *Critical Incident Report* forms.

Door Protocol: All doors equipped with biometric locks that access the secured areas of the facility should only be open when in use. Staff is instructed to close all doors that may be left open to these areas immediately. All sensitive doors are equipped with automatic closers, but we ask that employees make sure all these areas are secure at all times.

Confidentiality of Company Information: Confidentiality of patient information, collective policies, procedures, standards, practices, et. al. is a strictly enforced policy. Organizational information is for the organization's use only and is not to be used outside of organizational business. All information gained and created while employed at the collective is property of the collective and cannot be taken when leaving the organization. This will be treated as stealing and the organization will take appropriate action to protect its intellectual property.

Confidentiality of Patient Information: The law and our professional ethics require that staff maintain confidentiality in handling patient matters. We maintain a level of professional confidence by not disclosing information to those outside of the company, including other patients, family members, or third parties. We discourage forming personal relationships beyond the collective with patient members in order to limit this liability. Disclosure of private patient information is automatic grounds for termination. Patients expect their HIPPA privacy rights to be respected and we do not tolerate anything less.

Care of Patient Records: The organization has strict policies regarding HIPPA compliance and staff is expected follow them. Failure to do so may result in termination. All records must be treated with a high level of care and returned to their proper place upon completion of any task. Records at no time are allowed off of the premises. If patient records are requested by any outside agency, only a member of the leadership team may fulfill that request and all requests must be legally approved or after proper authorization is given. Records are to be handled with care. Falsification of any records will result in termination.

Personal Property: The collective does not take responsibility for the personal property of employees. Lockers will be provided for personal effects and it is up to the staff to protect their property.

Diversion or Theft of Medical Cannabis: The organization will not hesitate to work with local law enforcement to prosecute employees that are caught stealing or diverting medical cannabis from the collective. We will press charges and prosecute to the fullest extent of the law.

Personal Conversations: In order to best serve the needs of our patients, we ask that all personal conversations or personal phone calls be conducted on the employees own time away from the public areas of the collective.

Electronic Communication: Staff is required to use company approved communication devices when handling company business. Using company devices for personal use is prohibited. Communications on collective devices are subject to inspection if abuse is suspected. Staff is not allowed to download anything from the Internet without written approval from the Managing Director. All passwords or encryption keys on company equipment must be disclosed to leadership.

Cell Phones: Personal cell phone use is not allowed while on the job. Use of collective's cell phones for personal business is prohibited.

Drug and Alcohol Free Workplace: For the safety of our patients and staff, no person may report to work or be on company property while under the influence of alcohol or illegal drugs. In addition, the use, possession, sale, transfer, or purchase of illicit drugs at any time on center property is prohibited. We reserve the right to require drug and alcohol testing if one is suspected of a problem or in case of an accident resulting in injury. All staff members, including Board Members that are involved in the center's operations, may be periodically screened for illicit drug. We strongly suggest that staff members who have a drug or alcohol problem seek assistance for themselves.

Equal Opportunity Employment: The organization strongly believes in fair practices and consideration for others. We do not tolerate unlawful discrimination of any kind for any reason. Magnolia Wellness provides equal employment opportunities without regard to race, color, religion, sex, national origin, ancestry, age, mental or physical disability, marital status, sexual orientation, pregnancy, childbirth or related medical conditions, disability, status as a U.S. military veteran, or any other characteristic protected by federal, state, or local law. This applies to all terms and conditions of employment, including but not limited to, hiring, placement, promotion, termination, transfer, leave of absence, compensation, and training. If you have a problem or concern in any matter relating to equal opportunity please discuss it with your staff leader.

Unlawful Harassment and Discrimination: We believe in providing our staff and patients a friendly, open and supportive environment, free from harassment and discrimination. We expect every employee to support our values of fairness, decency and respect for others. Racial slurs, jokes or other inappropriate comments directed towards any person or groups of people

are strictly prohibited and we will not tolerate violation or ignorance of this philosophy. While it is not always easy to define sexual harassment, it does include unwelcome sexual advances, requests for sexual favors, verbal or physical conduct of a sexual nature, and sexually related comments or jokes that are offensive and/or create an offensive, intimidating, or hostile work environment. Sexual harassment is illegal and will not be tolerated.

Solicitation and Distribution: Solicitation, distribution of advertising, handbills or literature by non-staff persons is prohibited at all times. Solicitation by employees is prohibited while on company time and property. Check with staff leader before posting any information in the collective facility.

Jury Duty: Being summoned for jury duty is a civic responsibility that we fully support. If an employee is summoned they should inform the human resources and management staff immediately, so that the organization can make proper arrangements for coverage.

Military Leave: Any employee that is required to fulfill obligations to any branch of the US Armed Services will be given the necessary time off and reinstated upon return in accordance with the law. Time off is unpaid, but accrued Paid Time Off hours may be used if the employee chooses.

Termination: We pride ourselves in maintaining high standards for our staff. Unfortunately there are times when staff members are unable to reach these standards. All employment relationships are terminable at will, at the option of the staff member or the center. Nothing in the *Employee Handbook* is intended to create an employment contract, or in any manner disrupt the "at will" status of the employment relationship. The organization reserves the right to terminate an employee without notice or utilization of disciplinary procedures at any time.

EXHIBIT17-a

Employee Handbook

2011

EMPLOYEE HANDBOOK



OAKLAND, CALIFORNIA



EMPLOYEE HANDBOOK

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EMPLOYEE HANDBOOK

WELCOME TO MAGNOLIA WELLNESS

Magnolia Wellness has prepared this handbook to provide you with an overview of Magnolia Wellness's policies, benefits, and rules. It is intended to familiarize you with important information about Magnolia Wellness, as well as information regarding your own privileges and responsibilities. Please understand that this booklet only highlights company policies, practices, and benefits for your personal understanding and cannot, therefore, be construed as a legal document. Although it is not a contract or a legal document, it is important that you read, understand, and follow the provisions of the handbook.

It is obviously not possible to anticipate every situation that may arise in the work place or to provide information that answers every possible question. In addition, circumstances will undoubtedly require that policies, practices, and benefits described in this manual change from time to time. Accordingly, Magnolia Wellness must reserve the right to modify, supplement, rescind, or revise any provision of this manual from time to time as it deems necessary or appropriate in its discretion. You will, of course, be advised of changes that occur.

No business is free from day-to-day problems, but we believe we have personnel policies and practices that will resolve problems. All of us must work together to make Magnolia Wellness a safe, viable and healthy organization. This is the only way we can provide a satisfactory working environment which promotes genuine concern and respect for others including all employees and our patients who are affected by our services.

NON-DISCRIMINATION POLICY

It is Magnolia Wellness's policy to provide equal employment opportunity to all employees and qualified applicants without regard to race, color, religion, sex, age, national origin, marital status, Veterans status, or physical or mental disability, to the extent required by law. This policy applies to all personnel actions, benefits, terms, and conditions of employment including, but not limited to: hiring, placement, training, compensation, transfer, promotion, leave-of-absence, termination, layoff, and recall. It is Magnolia Wellness's policy to prohibit any kind of harassment of patients, co-employees, supervisors or subordinates because of their race, color, religion, sex, age, national origin, marital status, Era Veterans status, or physical or mental disability, to the extent required by law. Violations of this non-discrimination policy should be brought to the attention of your supervisor or his/her supervisor if your supervisor is the subject of the complaint. Additionally, a violation of this policy may be made the subject of a complaint under Magnolia Wellness's grievance procedure.

Magnolia Wellness considers the implementation and monitoring of this policy to be an important part of each supervisor's responsibility. Supervisors will inform all employees of our policy and shall take positive steps in an effort to seek adherence to the policy by all employees within the realm of their responsibility.

The failure of any employee or supervisor to fully comply with this policy will be grounds for disciplinary action up to and including termination of employment.



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SEXUAL HARASSMENT

Sexual harassment is a violation of the law and Magnolia Wellness will not tolerate sexual harassment at any level by management or non-management employees. Therefore, any and all conduct of a sexual nature including words as well as physical acts which has the purpose or the effect of unreasonably interfering with an employee's work performance, or creates an intimidating, hostile, uncomfortable, or offensive working environment is strictly prohibited. Requiring an employee to submit to sexually harassing conduct as a term or condition of employment is strictly prohibited.

Any employee confronted with a decision or behavior which he/she believes is contrary to the above policy should notify Magnolia Wellness's Director within forty-eight (48) hours of the act. Magnolia Wellness will investigate the matter on a confidential basis and take appropriate action. Any employee who violates the above policy will be subject to appropriate disciplinary action, up to, and including termination.

EMPLOYMENT ON AN AT WILL BASIS

All employees of Magnolia Wellness, regardless of their classification or position, are employed on an "At Will" basis, and their employment is terminable at the will of the employee or Magnolia Wellness any time, with or without cause, and with or without notice. No officer, agent, representative, or employee of Magnolia Wellness has any authority to enter into any agreement with any employee or applicant for employment on other than on "At Will" basis and nothing contained in the policies, procedures, handbooks, manuals, or any other document of Magnolia Wellness shall in any way create an express or implied contract of employment or an employment relationship on other than an "At Will" basis.

WORKING AND COMPENSATION

ATTENDANCE AND REPORTING TO WORK

Each employee is important to the overall success of our operation. When you are not here, someone else must do your job. Consequently, you are expected to report to work on time at the scheduled start of the work day or work shift. Reporting to work on time means that you are ready to start work, not just arriving to work.

In order for Magnolia Wellness to succeed, we depend on our employees to be at work at the times and locations scheduled. Excessive absenteeism and/or tardiness is sufficient cause for termination of employment. Absence from work for five consecutive days without proper notification to your supervisor will be considered a voluntary resignation. After three days' absence, you will be required to provide a physician's certificate of disability to document an illness-related absence.

Magnolia Wellness reserves the right to require a medical doctor's certification of illness or injury for any employee at other times upon request.

If you will be absent from the job for allowed leave purposes (e.g., vacation or sickness), you should notify your supervisor as far in advance as possible of your leave request. Otherwise,



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you are expected to notify your supervisor before the starting time of the workday that you will be late or absent and the reason for that absence. If your supervisor is not available, you should contact our main office by the starting time. Leave your number so that your supervisor can return your call. Failure to properly contact us will generally disqualify the employee from any sick leave payment for that day, and the day off will then be counted as an unexcused absence for disciplinary purposes. Your attendance record is a part of your overall performance rating, and it will be included during your review.

Medical and dental appointments should be scheduled around your assigned work hours or will be considered absences without pay. If you are unable to schedule an appointment before or after your shift, you are required to talk to your supervisor to make special arrangements.

WORKDAY HOURS AND SCHEDULING

Magnolia Wellness will keep employees posted as to the current hours of operation. Hours may change per season. Should you have any questions as to the current hours of operation, please talk with your supervisor to be updated

For lunch or meals, our policy is:

Employee lunch will be for one hour.
The meal period is unpaid.

For rest periods or breaks, our policy is:

Scheduled breaks will be for two 15 minute periods.
Scheduled breaks are paid.

RECORDING HOURS WORKED TO PAYROLL

You are expected to correctly record or note the times you report for and leave work each day.

Use time sheets for reporting your hours. You must sign each time sheet submitted to confirm that this time submitted is accurate.

PAY PERIOD AND PAYDAY

We pay employees weekly. Payday is on every Friday of the pay period.

A work week is defined as 12:01 a.m. Monday through 12:00 midnight Sunday.

OVERTIME

Occasionally it may be necessary for an employee to work beyond his/her normal hours. Overtime pay is paid only when work is scheduled, approved, and made known to you by your supervisor in advance. Under no circumstances shall an employee work overtime without the prior approval of his/her supervisor.

Hourly employees will receive overtime pay at a rate of one and one-half times their regular hourly rate for all hours worked in excess of 40 in a work week.



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To the extent possible, overtime will be distributed equally among all employees in the same classification who are willing to work overtime, provided that the employees concerned are equally capable of performing the available work. Decisions in this area will be made by the division president or vice president. Any employee asked to work overtime will be expected to rearrange his/her personal schedule to work when requested, and, in the discretion of Magnolia Wellness, will be required to work overtime when asked.

HOLIDAYS

We observe the following holidays. These holidays will be paid as long as the employee was present the work days prior to and following that holiday, or had an acceptable excuse for being absent on either or both days.

Holidays in which we are closed are the following:

- New Year's Day
- Easter
- Thanksgiving Day
- Christmas Day

Holidays where we are open for a half day are the following:

- 4th of July
- Labor Day
- Memorial Day

If a paid holiday falls within an employee's vacation period, it will not be considered a vacation day.

PROBATIONARY PERIOD

The first ninety consecutive days of employment is a probationary period, which may be extended at the discretion of Magnolia Wellness. An employee may be terminated at any time during the probationary period in the discretion of Magnolia Wellness. At the end of the probationary period, your supervisor will evaluate and discuss your performance with you and will grant regular employment, continue probation, or terminate the employee/company relationship. An employee who successfully completes his or her probationary period and is granted regular employment, remains an At Will employee and continues his or her employment subject to the mutual right to terminate such employment for any reason, with or without notice, at any time.

There shall be no scheduled vacation scheduled during the first 90 days of employment. Paid time off (PTO) will be accruing during the first 90 days and may be used after the probationary period and review is completed. Should there be a concern on this policy the employee is responsible to speak with their Supervisor regarding the situation. Any variances from this policy will be made on a case by case basis by the Supervisor.



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DRUG FREE WORKPLACE

Magnolia Wellness does not tolerate the presence of illegal drugs in our workplace. Magnolia Wellness's definition of illegal drugs does not include the use of medicinal marijuana. The use, possession, distribution, or sale of controlled substances such as drugs or alcohol, or being under the influence of such controlled substances is strictly prohibited while on duty, while on Magnolia Wellness premises or worksite, or while operating Magnolia Wellness's equipment. The illegal use of drugs is a threat to us all because it promotes problems with safety, customer service, productivity, and our very ability to survive and prosper as a business. Violation of this policy will result in disciplinary action, up to and including termination.

This policy has the following implications:

1. All employees are prohibited from unlawfully manufacturing, distributing, dispensing, possessing, or using controlled substances in the workplace. Controlled substances include (but are not limited to):
 - Narcotics (e.g., heroin or morphine)
 - Stimulants (e.g., cocaine)
 - Depressants (e.g., tranquilizers)
 - Hallucinogens (e.g., PCP or LSD)
2. Any employee who violates this policy will be subject to disciplinary action, up to and including termination.
3. Employees are encouraged to seek help and assistance for any drug abuse problem by taking advantage of any educational or rehabilitation services.
4. Your receipt of this policy statement and signature on the handbook acknowledgment signify your agreement to comply with this policy.
5. Any employee convicted of violating criminal drug statutes in this workplace must notify an appropriate officer or senior official of Magnolia Wellness of that conviction within five days of the conviction. Failure to do so may lead to disciplinary action. Employees convicted of violating criminal drug laws may be given the option of participating in an approved rehabilitation program. However, the employee must successfully participate in such a program as a condition of continued employment.

MOONLIGHTING

Permission will not be given for an employee to take any outside job in the employ of a company which is in the same or related business as Magnolia Wellness, or which is in any way a competitor of Magnolia Wellness.

POLITICS AND RELIGION IN THE WORKPLACE

Magnolia Wellness believes in people's absolute right to their own beliefs although some topics are not appropriate to discuss in the office. Topics that Magnolia Wellness discourages from any discussion, with other employees or clients, involve anything related to political views, topics,



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etc, or anything related to religion or religious beliefs. These are sensitive areas for most individuals that could create animosity or opinions that do not reflect those of Magnolia Wellness, and therefore cannot be discussed.

LEAVES AND ABSENCES

Paid Time Off

Because our business is often very seasonal, Magnolia Wellness reserves the right to grant vacation leave at times that are most suitable for our business conditions and limit vacation during our busy season. Vacation should be scheduled and approved by Magnolia Wellness at least two weeks in advance of the scheduled leave time.

OTHER LEAVE

1. Bereavement Leave:

Magnolia Wellness will provide time off for the employee upon the death of an immediate family member. Employees who have been with the Magnolia Wellness for six months continuous of employment are eligible to receive up to four days paid leave a calendar year. Other accommodations may be made depending on the circumstances. Notify and confer with your supervisor or other senior member of Magnolia Wellness. Appropriate documentation of this event may be necessary to support unusual requests.

Members of the employee's immediate family include: spouse, parents, children, siblings, grandparents, and in-laws.

Leave will be paid at straight time for the hours the employee would have worked on the days missed.

2. Jury Leave

Employees who are called for jury duty will be granted time off with pay to perform this civic duty. The employee must provide his/her supervisor with the jury summons notice and a note from the Clerk of the Court indicating the times your were at the court for jury duty. Magnolia Wellness will pay you straight time for your regularly scheduled hours of work, minus the compensation you received from the court for your service for up to 5 days. If you are excused from jury duty on any day or any portion of a day, you are expected to report for work on that day, or otherwise notify your supervisor.

3. Military Leave

Employees called into military service will be granted an unpaid leave of absence and reemployment rights as provided by the laws of the United States. Appropriate military papers must be presented to Magnolia Wellness before the employee is granted military leave of absence. The employee may use PTO to compensate during this period. However, this is not required.



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4. Family and Medical Leave

Any employee who has been employed by the Magnolia Wellness for twelve months and who worked at least 1250 hours during the previous twelve months will be permitted to take twelve weeks of unpaid leave during a twelve month period in the following situations:

The birth or adoption of a child in the family

A serious illness to the employee or a member of his/her immediate family (spouse, child or parent)

A serious illness is an illness, injury, impairment, or physical or mental condition that involves either in-patient care in a hospital, hospice or residential medical care facility

A serious illness requiring continuing treatment by or under the continuing supervision of a health care provider (a state licensed doctor or osteopath, or a federally approved person capable of providing health care services)

5. Pregnancy

Any employee needing leave as a result of the birth or placement of a child is required to provide at least 30 days notice before the commencement of the leave or such notice as is practicable. Leave for the birth or placement of a child can be taken only within twelve months of the birth or placement. If you and your spouse both desire to take leave for the care of a newly arrived child or a sick parent, the aggregate leave is limited to twelve weeks. If the leave is requested to care for a sick child or a spouse, each spouse is entitled to twelve weeks of leave.

Any employee needing leave because of the serious health condition of a spouse, child or parent or his/her own serious health condition, is required to provide at least 30 days notice before the commencement of the leave or give such notice as is practicable. If leave is requested for a personal serious health condition or that of a family member, you will be required to provide certification from the health care provider supporting the need for the requested leave in a timely manner. The certification must contain the following information:

- The date on which the serious health condition began.
- The probable duration of the condition.
- The medical facts regarding the condition.
- A statement that the employee is unable to perform his/her functions or that he/she is needed to care for a spouse, parent, or child.
- An estimate of the time required to recover or care for a spouse, parent, or child.
- In the case of intermittent leave, the date and duration of treatment.



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Magnolia Wellness may require a second opinion, at its own expense, from an independent health care provider designated or approved by Magnolia Wellness. If the second opinion differs from the original certification provided by you, Magnolia Wellness may obtain a third opinion, at its expense, from a mutually acceptable health care provider, whose opinion is final and binding on you and Magnolia Wellness. Recertification may, at the option of Magnolia Wellness, be required on a reasonable basis.

Employees desiring leave for a personal serious health condition or a serious health condition of a spouse, child or parent may take leave on an intermittent or reduced schedule if medically necessary. If such leave is for planned medical treatment you must make a reasonable effort to schedule the treatment so as not to unduly disrupt Magnolia Wellness's operations and give 30 days advance notice or such notice as is practicable. It may be necessary to require you to temporarily transfer to an alternative position with equivalent pay and benefits if the transfer better accommodates your recurring periods of leave.

Employees desiring family and medical leave under this section must first use their PTO. If such paid leave available is less than twelve weeks, unpaid leave will be made available to complete the twelve weeks of family and medical leave.

Upon completion of your Family and Medical Leave, you will be returned to your former position or to a position equivalent in pay and other terms and conditions of employment. If you are one of the highest paid, ten percent of our workforce within a 75 mile radius of your worksite, you may be denied restoration of employment if your return would cause substantial and grievous economic injury to Magnolia Wellness's business. In such a case, you will be notified of Magnolia Wellness's intent not to restore your employment at the time the determination is made and will be given an opportunity to return to work at that time.

PATIENTS AND COMMUNICATIONS

ANSWERING THE TELEPHONE

Our current and potential patients often contact us through the telephone. The impression we make when answering the phone can be very important to the success of our business. Therefore, you should always answer the phone with a pleasant greeting.

"Thank you for calling Magnolia Wellness"

In addition, a prospective new patient may call in to ask about how they can become a member, or who they should see to obtain a prescription.

The most common questions that a caller may have are driving instructions, hours of operation, membership requirements and our caregiver policy. All of these questions are acceptable to answer.

OUR CUSTOMERS

Magnolia Wellness is very proactive about patient retention and satisfaction. Below is a list of the goals, expectations, and process by which all Magnolia Wellness employees should focus each day.



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Goal: To give our patients the best experience possible by providing the most cost effective, high end medicine available to us.

Pre Registration and Verification: Magnolia Wellness offers an easy on-line pre-registration process for our new members to benefit from. In addition, our website offers additional information to new members about our process, beliefs, and medicinal information to help them prepare for their first visit.

New Member: Each new patient shall be welcomed wholeheartedly! This is a safe house for them to feel comfortable obtaining the items they need for their health. Always be sympathetic to the needs and conditions of each patient and ensure that they are comfortable sharing anything that they would like to share with you to help advise them on the type of offerings we have for them. The entire process should be enjoyable and fulfilling.

Post Process: Please encourage each patient that their opinion matters. We always look for ways to improve and would like to hear back from them on what we can do to better their experience. If they do not have computer access please hand them a form to fill out and return to Magnolia Wellness for processing.

CONFIDENTIALITY OF MAGNOLIA WELLNESS, CUSTOMER, AND/OR SUPPLIER INFORMATION

During the course of your duties, you may come across information about Magnolia Wellness, our patients, suppliers, and/or about other employees. Unless this information is publicly known, employees should consider that it is sensitive, private, and confidential. Do not reveal this information to any other employee, coworker, supplier, or the public.

Further, you should make sure that any materials containing such information should be filed and/or locked before leaving your work area every day. During the workday, do not leave any sensitive information lying about or unguarded.

If you have any questions, refer those questions to your supervisor.

PERSONAL CONDUCT

APPEARANCE AND DRESS

In order to present a comfortable yet professional image to our patients and the public, all employees are required to wear appropriate clothing on the job. Business casual dress and grooming should be clean and without excessive wear, fashionably torn jeans are acceptable. All tops must be black with no logos other than Magnolia Wellness logos. No plaid prints or patterns. All pants must be dark.

Magnolia Wellness may have an event in which management will make employees aware of changes to the dress for the occasion. This may occur on days where we have scheduled special visitors.



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The following are examples of items that do not qualify as “business casual” and are not permitted at any time: T-shirts that are ripped, worn, or unclean; tank tops; any top that exposes too much midriff; shorts that are ripped or worn; athletic clothing; see-through clothing; clothing that is normally covered by business attire; clothing that exposes underwear.

In addition, clothing articles should be worn that fit appropriately on the body – nothing excessively large or small permitted. Employees who report to work unacceptably dressed may be required to return home to change and will be charged with leave during their absence.

CONFLICT OF INTERESTS

You should avoid having an outside business, financial, or employment interests that conflict with Magnolia Wellness or with your ability to perform your job duties as described. A conflict of interest would exist when you stand to gain through another party who acts in a way to harm your current employer. This applies to your possible relationships with any other employer, consultant, contractor, customer, or supplier.

Violations of this rule may lead to disciplinary action, up to and including termination.

CODE OF ETHICAL CONDUCT

In order to avoid any appearance of a conflict of interest, employees are expected to abide by the following code of ethical conduct. Please consult your supervisor or other Magnolia Wellness official if there are any questions.

Employees of Magnolia Wellness should not solicit anything of value from any person or organization with which Magnolia Wellness has a current or potential business relationship.

Employees of Magnolia Wellness should not accept any item of value from any current or potential business party in exchange for or in connection with a business transaction between Magnolia Wellness and that other party.

Employees may accept items of incidental value (generally, no more than \$25) from patients, suppliers, or others as long as the gift is obtained without solicitation on your part and as long as it implies no exchange for business purposes. Items may include: gifts, gratuities, food and drink, and/or entertainment. Should any of the above occur, even if it is within the allowable value, notify your supervisor of the gift you were given. Employees are responsible to report any tips/gratuities on their taxes.

If you are faced with a situation that violates this code of ethic conduct, notify your supervisor.

SOLICITATION & DISTRIBUTION

For the safety, convenience, and protection of all employees, the Magnolia Wellness has adopted the following rules concerning solicitation and the distribution of materials:

Persons who are not employed by Magnolia Wellness are not permitted to solicit or distribute materials for any purpose on Magnolia Wellness property or job sites.



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Solicitation by employees for any purpose is strictly prohibited during working time, including the working time of the employee doing the solicitation and the employee to whom it is directed. This prohibited time does not include time spent by employees for rest periods, meal periods, or other free periods during the day when employees are not supposed to be performing job tasks.

PERSONAL CELLULAR PHONE CALLS, VISITS OR BUSINESS

While on the job, we expect your full attention. When a customer is in the Magnolia Wellness building there are no cellular phone calls permitted whatsoever. This policy is due to the security measures we put in place to protect everyone within the Magnolia Wellness building.

Although, we recognize that you may have to take care of some personal matters, such as checking up on children or making arrangements. If you must do such things, please try to make cellular phone calls or conduct personal business during any breaks or meal periods. Regardless of when the call is made, it should be kept short. Employees should keep their cell phones on vibrate.

A pattern of excessive personal phone calls, personal visits, and/or private business dealings is not acceptable and may lead to disciplinary action.

Under no circumstances may personal calls be conducted on the Magnolia Wellness business phone line.

PRIVACY AND MAGNOLIA WELLNESS PROPERTY

As an employee, you use the property and equipment owned and provided by Magnolia Wellness. You also use the materials, information, and other supplies of Magnolia Wellness. It is important to remember that supplied property does belong to Magnolia Wellness. As such, we reserve the right to search any such property (e.g., personal computers, desks) at any time. We also reserve the right to inspect personal property as the employee leaves the worksite. Refusal to allow inspection may lead to disciplinary action, including termination.

If a search is deemed necessary, it will generally be done on a non-discriminatory basis for legitimate business reasons. This will involve situations in which there is reasonable concern that there may be a violation of the rules and policies of Magnolia Wellness.

All company records are confidential. No records of any kind nor any information regarding company matters or patients may be released to outsiders. Violation of the Confidentiality Policy is grounds for immediate discharge.

MAINTAINING YOUR PERSONNEL RECORDS

It is the employee's responsibility to provide current information concerning address, telephone number, dependents, marital status, etc. Please notify your supervisor of any changes in your address, phone, emergency numbers, marital status, number of dependents, etc. Changes in exemptions for tax purposes will only be made upon the receipt of a completed W-4 form.



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VIEWING YOUR PERSONNEL RECORDS

You may examine the contents of your personnel folder by appointment during regular business hours. You can review the contents of your folder no more than once per quarter. Since the contents of the folder are Magnolia Wellness's property, these materials cannot be kept by the employee. A Magnolia Wellness official will be present while the employee reviews his or her personnel folder.

If you wish to contest information in the folder, submit a written note that describes the item(s) you wish to contest, why it should be changed, and the way you believe it should be written. That note will be reviewed, and either the changes made to the original document, or your note will be attached to the unchanged document.

BENEFITS

Staff Discount

As a staff member of Magnolia Wellness Patient Collective we offer a 10% discount on medicinal products, and a 30% discount on non-medicinal goods, such as books and clothing. It is important to note that this discount is not for your friends, roommates, and extended family or for other business purposes. All transactions must be made with a staff leader. You will initial the discount sheet to acknowledge that you understand the guidelines of the staff discount. Any abuse of this benefit could result in disciplinary action or termination.

Direct Deposit

You are encouraged to take advantage of our direct deposit benefit. If you do not choose to use direct deposit, you will receive a standard paycheck.

Full-Time Health and Dental Coverage

Health and dental coverage are important benefits offered to full-time employees of Magnolia Wellness Patient Collective. Our health coverage is through Kaiser Permanente and our dental coverage is through Delta Dental. Magnolia Wellness pays 100% of the premium for both health and dental because we want our staff to be as healthy as possible. You are eligible to participate in our health and dental programs if you are classified as a full-time employee. There is a one-month waiting period from the date you are hired, rounded to the first of the next month.

Sick Days

Sick days are intended for use when you are too ill or incapacitated to perform your duties effectively or to seek medical care. Sick days may also be used to aid or care for an ill child, parent, legal guardian or ward, sibling, grandparent, grandchild, spouse or domestic partner. Sick days are not to be used for extended weekends or personal days.

Every full-time staff member is allowed up to three days of paid sick leave per fiscal year. The number of sick days allowed in the initial day of employment is calculated by dividing the rest of the number of calendar days in the year by the number 122. Additional sick days are without pay.

If you are too sick to come to work, or must take a day off to care for another individual as stated above, please personally notify the staff leader in charge as soon as possible. Failure to



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notify us about your absence may result in your termination. If you are too ill to make the call, please have a family member make the call on your behalf. We will expect to hear from you personally, as soon as possible. We understand that there are days when employees just need a day to make life work, but please try not to abuse this benefit.

Paid Time Off (PTO)

Magnolia Wellness offers 5 "Paid-Time-Off" days for all full-time employees. The company appreciates how hard we all work throughout the year, and recognizes how important breaks are for mental and physical health. PTO benefits are based upon the fiscal year. All PTO dates must be requested and approved two weeks in advance. Staff can take extended leave beyond PTO days, but with absences over two weeks there is no guarantee of scheduling upon return. Generally, we follow a first come, first serve policy, but will do whatever possible to accommodate your first choice of dates. Staffers must use their PTO days during the fiscal year. They may not be carried forward or earned from year to year. Earned time will be reimbursed upon termination of your position by the collective or yourself. All of these policies are designed to organize our schedules to provide the exceptional service that our patients count on. Please let the administrator know if you have any questions about how much PTO time you have available. You become eligible for paid time off after six months of full-time continuous service. The company may extend a staff members eligible PTO time based on promotion, tenure, excellent performance, and dedication to service standards.

EMPLOYEE MANAGEMENT POLICIES

GRIEVANCE PROBLEM-SOLVING

If you experience any problems or concerns relating to your job performance or work situation, you are encouraged to bring them forward to an appropriate officer of Magnolia Wellness, so that the problem can be addressed and resolved as well as possible. Any employee who brings forward such problems or concerns in a good faith manner will not be penalized for raising these matters. While it may not be possible to guarantee your confidentiality and still address the problem, every effort will be made to protect employee privacy in this process.

Magnolia Wellness will make every effort to address the problem quickly and thoroughly. Where possible and appropriate, we will take appropriate action to resolve the problem fairly. You will be informed of any outcome and the reason for it.

The following procedures should be followed:

1. If you are experiencing some kind of problem relating to your work, discuss the problem with your immediate supervisor if possible. If that is not possible, you may ask to discuss the problem with some senior officer of Magnolia Wellness.
2. If you do not receive a response to your problem from your immediate supervisor within a reasonable time or at all, you should bring this matter to the attention of the Director of Magnolia Wellness.
3. If you are not satisfied with the response to your problem, you may ask that response be reviewed and reconsidered by a senior officer of the business, including the Director. The Director's decision will be final.



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PERFORMANCE EVALUATIONS

Employees may have their job performance reviewed:

- After the probation period (90 Days)
- One full year of employment
- Annually thereafter

PROGRESSIVE DISCIPLINARY PROCEDURE

A violation of Magnolia Wellness Employment Policies or General Work Rules and Regulations will result in the issuance of a written warning unless the seriousness of the violation calls for a stronger disciplinary action. Copies of all written warnings will become a permanent part of the employee's personnel file. Receipt of two written warnings in any twelve month period will cause a suspension without pay of up to five days. Receipt of three written warnings in any twelve month period will result in automatic dismissal.

Magnolia Wellness will not reemploy anyone who was discharged for cause.

GENERAL WORK RULES AND REGULATIONS

The efficient operation of Magnolia Wellness and the general welfare of our employees require the establishment of certain uniform standards of behavior. Accordingly, the following rules are some examples of types of conduct that are unacceptable and may lead to disciplinary action, up to and including immediate termination of employment.

1. Inattention to duties; carelessness in performance of duties; loafing on the job; or negligence or carelessness in handling, care, or use of equipment or Magnolia Wellness property. Written Warning
2. Deliberate abuse of equipment or Magnolia Wellness property, or defacing Magnolia Wellness property. Immediate Termination
3. Unauthorized use, removal, theft, or intentional damage to the property or equipment of Magnolia Wellness, another employee, an independent contractor, or a customer. Immediate Termination
4. Fighting or attempting bodily injury upon others. Immediate Termination
5. Failure to comply with safety or health rules or regulations or misuse or failure to properly use safety equipment. Written Warning or Immediate Termination
6. Failure to meet minimum standards set by Magnolia Wellness. Written Warning
7. Failure to treat patients, the general public, fellow employees, supervisors, and management officials in a courteous manner. Written Warning
8. Use of threatening, abusive, or profane language toward others. Written Warning



EMPLOYEE HANDBOOK

9. Horse-play, malicious mischief, or other conduct that compromises the rights of others.

Written Warning or Immediate Termination

10. Immoral conduct, or conduct which violates the common decency of patients, fellow employees, Magnolia Wellness, or the general public. Immediate Termination.

11. Signing another employee's time card or attempting to induce a fellow employee to punch a time card other than his own. Immediate Termination

12. Failure to signing in or signing out. Written Warning

13. Falsifying or refusing to give testimony when accidents or incidents are being investigated; or falsifying or assisting in the falsification of personnel records, or any other records; or giving false information in making application for employment, or working under an assumed name. Immediate Termination

14. Refusal or failure to perform assigned work or to comply with supervisory instructions. Immediate Termination

15. Excessive tardiness or absenteeism will not be tolerated and if it continues, will be grounds for disciplinary action including discharge. If, for any reason, you cannot report to work at your scheduled time, it is your obligation to call your supervisor before your starting time to let him know you will not be in; the failure to call in will be treated as an unexcused absence. Any two instances of unexcused tardiness or absenteeism during a calendar month will result in a written warning.

Absences or tardiness for the following reasons will be considered excused and will not be counted for disciplinary purposes: holidays, authorized leave of absence, or layoff for lack of work or disciplinary reasons, authorized absence due to job related injuries, authorized jury duty, or any approved or authorized absence or tardiness. Employees who are absent for three or more days because of sickness or injury must present a Doctor's slip indicating they are physically able to return to full-time regular duty before they will be allowed to return to work.

16. Dishonesty. Immediate Termination

17. Leaving employees' regular working place during working hours without authorization from the supervisor. Written Warning.

18. Leaving Magnolia Wellness premises without punching out. All employees must clock out any time they leave the premises, unless they leave for Magnolia Wellness business. Written Warning

19. Violating Magnolia Wellness distribution or solicitation rule. Immediate Termination

20. Having possession, use, or consumption of any alcoholic beverage, unauthorized narcotics, or drugs during working hours (including lunch time). Being under the influence of alcohol, narcotics, or drugs during working hours. Immediate Termination



EMPLOYEE HANDBOOK

21. Failure to furnish information requested by Magnolia Wellness. Written Warning
22. Insubordination. Immediate Termination
23. Failure to start work at scheduled time or quitting work before scheduled quitting time. Written Warning
24. Bringing firearms and/or other dangerous weapons onto Magnolia Wellness property. Immediate Termination
25. Use of Magnolia Wellness telephones for personal use. Written Warning
26. Conduct detrimental to Magnolia Wellness and/or its efficient operation. Written Warning or Immediate Termination
27. Unauthorized discussion about Magnolia Wellness during off-duty hours. Written Warning or Immediate termination

This is not an all inclusive listing of unacceptable behaviors. Other types of conduct will be evaluated and handled according to the severity of the conduct.

RE-EMPLOYMENT

Former employees will not be rehired if they:

- Were discharged for cause
- Resigned without giving proper notice
- Were terminated during their 90 day probationary period for failure to meet standards
- Had a poor attendance record
- Had a below average evaluation

Former employees who are rehired and return to work within three months of their termination will not be required to go through another probationary period, unless Magnolia Wellness deems it necessary, and will be given credit for their past continuous service. Former employees who are rehired and return to work more than three months after their termination will be rehired only as new employees and will be required to satisfactorily complete a new probationary period and will be considered new employees for any and all benefits.



EMPLOYEE HANDBOOK

ACKNOWLEDGING RECEIPT OF EMPLOYEE PERSONNEL HANDBOOK

I have received the current Magnolia Wellness Employee Handbook and have read and understand the material covered. I have been allowed to ask questions, and realize that a designated representative will clarify the covered material, should I require it. I understand that any future questions which I may have about the Handbook or its contents will be answered a supervisor or his/her designated representative upon request. I agree to and will comply with the policies, procedures and other guidelines set forth in the Handbook and I understand that Magnolia Wellness reserves the right to change, modify, or abolish any or all of the policies, benefits, rules, and regulations contained or described in the Handbook as it deems appropriate at any time, with or without notice.

I further understand that all employees of Magnolia Wellness, regardless of their classification or position, are employed on an "At Will" basis, and their employment is terminable at the will of the employee or Magnolia Wellness at any time, with or without cause, and with or without notice. I have also been informed and understand that no officer, agent, representative, or employee of Magnolia Wellness has any authority to enter into any agreement with any applicant for employment or employee for an employment arrangement or relationship other than on "At Will" basis and nothing contained in the policies, procedures, handbooks, or any other documents of Magnolia Wellness shall in any way create an express or implied contract of employment or an employment relationship other than one on an "At Will" basis.

This Handbook is Magnolia Wellness property and must be returned prior to separation.

Signature

Date _____

Printed Employee Name: _____

3299456

ENDORSED - FILED
In the office of the Secretary of State
of the State of California

JUN 30 2010

**ARTICLES OF INCORPORATION OF
MAG WELLNESS INC.
A California Nonprofit Mutual Benefit Corporation**

I.

The name of this corporation is Mag Wellness Inc.

II.

This corporation is a nonprofit mutual benefit corporation organized under the Nonprofit Mutual Benefit Corporation Law. The purpose of this corporation is to engage in any lawful act or activity, other than credit union business, for which a corporation may be organized under such law.

III.

The name of this corporation's initial agent for service of process is Paracorp Incorporated.



Alex Zavell, Incorporator

I declare that I am the person who executed the above Articles of Incorporation, and that this instrument is my act and deed.



Alex Zavell, Incorporator



BYLAWS
OF
MAG WELLNESS INC.
A California Nonprofit Mutual Benefit Corporation

ARTICLE 1 PURPOSES; OFFICES AND NOTICE

Section 1.1 Purposes.

The purposes of the above-named entity (the "Collective") are in general, to operate on a not for profit basis as a patient collective under the medical cannabis laws of California and in connection therewith to facilitate safe access to medical marijuana and cannabis products to the Collective's Patient Members.

Section 1.2 Principal Executive Office.

The Board of Directors shall fix the location of the principal executive office of the Collective at any place within or outside the State of California.

Section 1.3 Other Offices.

Branch or subordinate offices may be established at any time and at any place by the Board of Directors.

Section 1.4 Notice.

When notice is required to be given to a Governing Member or Patient Member, it may be given either in a regular publication of the Collective or by separate notice, either of which shall be mailed or sent electronically according to the address records of the Collective.

ARTICLE 2 MEMBERS; DUES AND ASSESSMENTS; MEETINGS

Section 2.1 Classification of Members.

Members of the Collective (each, a "Member" and collectively, "Members") shall consist of Governing Members, who shall be comprised of the member(s) of the Board of Directors, and Patient Members, as such terms are defined in this Article 2.

Section 2.2 Governing Members.

All persons on the Board of Directors shall be governing members (each, a "Governing Member" and collectively, "Governing Members"). Only Governing Members will have voting rights and such voting rights will be exercised exclusively by the Board of Directors.

Section 2.3 Patient Members.

A person who is not a Governing Member under Section 2.2 is eligible to be a patient member of the Collective (each, a "Patient Member" and collectively, "Patient Members") if the person satisfies the requirements set forth below in this Section 2.3. The requirements for eligibility to become a Patient Member are the following:

- (a) The person is a California resident, with a medical condition for which the person's licensed California physician shall have recommended medical cannabis;
- (b) The person has signed a membership agreement for Patient Members in the form then used by the Collective; and
- (c) The person abides by the Collective's rules and regulations for Patient Members (the "Rules and Regulations").

Section 2.4 No Voting Rights.

Subject to the advisory role described in Section 2.10 below which may be obtained at any meetings of the Patient Members called by the Board of Directors, Patient Members will have no voting rights.

Section 2.5 Admission to Membership.

All persons desiring to become a Patient Member of the Collective shall submit to the Collective a written application signed by the applicant under penalty of perjury. The Patient Member shall agree that his or her physician may be contacted to verify the recommendation. Upon verification, the prospective Patient Member shall be approved as a Patient Member.

Section 2.6 Application Fee and Dues.

The Board of Directors may set an application fee to be submitted as part of the application to become a Patient Member. In the event of rejection, any dues paid shall be returned to the applicant. Membership dues for Patient Members, including section dues, shall be determined by the Board of Directors, which has complete authority to set various dues by different categories. The Board of Directors shall have the power to remit or waive the dues of any Patient Member, or Patient Members, entirely or partially, and shall give particular attention to waivers based upon financial hardship. Dues shall accompany the initial application and shall be payable on January 1 of each year thereafter.

Section 2.7 Membership Cards and Certificates.

The Board of Directors may provide from time to time for the issuance of membership cards or certificates to Patient Members.

Section 2.8 Termination of Membership.

The membership of any Patient Member will terminate upon occurrence of any of the following events:

- (a) The resignation of such Patient Member.
- (b) The failure of such Patient Member to promptly pay dues.
- (c) The failure of such Patient Member to continue to satisfy the eligibility requirements applicable to Patient Members.
- (d) The determination by the Board of Directors or a committee designated to make such determination that such Patient Member has failed to a material and serious degree to observe the Rules and Regulations of the Collective.

Section 2.9 Procedure for Termination of Patient Membership.

Following the determination by the Board of Directors that the membership of a Patient Member should be terminated under Section 2.8(c) or 2.8(d) above, the following procedure will be implemented:

- (a) Notice shall be hand delivered or sent by mail by prepaid, first-class postage, or certified mail, or by email, to the most recent address/email address of the Patient Member as shown on the Collective's and California State Bar's records, setting forth the proposed termination and the reasons thereof.
- (b) The Patient Member whose membership is being terminated will be given an opportunity to be heard, either orally or in writing, in a hearing to be on request. The hearing will be held by the Board of Directors or by a special committee created by the Board of Directors for such purpose (the "Membership Termination Review Committee").
- (c) Following the hearing, the Board of Directors or the Membership Termination Review Committee, whichever is applicable, will decide whether the membership of the Patient Member should be terminated or, alternatively, whether a suspension of such membership or some other sanction is more appropriate. The decision of the Board of Directors or the Membership Termination Review Committee will be final.
- (d) Any person whose membership as a Patient Member is terminated will not receive a refund or dues and assessments already paid.

Section 2.10 Regular Meetings.

The Collective shall hold an annual meeting of Governing Members in January of each year on a date set by the President. The Collective shall hold other regular meetings of the Governing Members and/or Patient Members at such places and times as shall be determined by the Board of Directors. At the discretion of the Board of Directors, the Patient Members may be entitled at any meeting of Patient Members to vote by referendum, in an advisory capacity only,

on such issues facing the Collective as types of medicine, operating methods, rules and regulations.

Section 2.11 Special Meetings.

The Collective will hold special meetings of the Members upon the call of the President. The President will call a special meeting of the Members when requested by the Board of Directors, or when requested in writing by Patient Members constituting at least ten percent (10%) of the total Patient Members.

Section 2.12 Notice of Meetings.

Notice of regular or special meetings of Governing Members and/or Patient Members will be given in accordance with Section 1.4 of these Bylaws not less than thirty (30) days prior to the date of such meeting. The notice will state the time, date, and place of the meeting and the general nature of the business to be transacted.

Section 2.13 Rules of Order.

Except as otherwise provided by these Bylaws, all regular or special meetings of the Members of the Collective will be conducted under "Robert's Rules of Order." At all meetings of the Collective, the order of business will be prescribed by the President.

ARTICLE 3 DIRECTORS

Section 3.1 Number.

The board of directors of the Collective (the "Board of Directors") will consist of no fewer than one (1) voting member of the Board of Directors (a "Director") nor more than five (5) voting members of the Board of Directors (collectively, the "Directors") until changed by amendment to the Bylaws as hereinafter provided. The exact number of Directors will be fixed from time to time by resolution adopted by the Board of Directors. Each Director will also be a Governing Member.

Section 3.2 Terms of Office.

Each Director shall hold office for life until the earlier of death, resignation, or removal of such Director.

Section 3.3 Nomination.

Any natural person may be nominated by the method of nomination authorized by the Board or by any other method authorized by law.

Section 3.4 Election.

The Directors shall be elected at meetings of the Board of Directors or as prescribed in Section 3.7 of these Bylaws. Directors will become appointed to the Board upon their election by a majority of the Directors present at a duly held meeting at which a quorum is present pursuant to Section 3.7(e).

Section 3.5 Compensation.

Directors and members of committees of the Board may be compensated for their services or reimbursed for expenses, as fixed or determined by resolution of the Board of Directors. This section shall not be construed to preclude any Director from serving the Collective in any other capacity, as an officer, agent, employee, or otherwise, or from receiving compensation for those services.

Section 3.6 Meetings.

(a) Call of Meetings.

Special meetings of the Board may be called by the President or the Secretary or any Director. Regular meetings of the Board may be held without notice at such time and place as the Board may fix.

(b) Place of Meetings.

All meetings of the Board shall be held at any place within or outside California that has been designated by resolution of the Board or in the notice of the meeting, or if not so designated, at the principal office of the Collective.

(c) Notice of Meetings.

Notice of the time and place of meetings requiring notice shall be given to each Director by (a) first-class mail, postage prepaid; (b) personal delivery of written notice; (c) telephone, including a voice messaging system or other system of technology designed to record and communicate messages, either directly to the Director or to a person at the Director's office who would reasonably be expected to communicate that notice promptly to the Director; (d) facsimile; (e) electronic mail; or (f) other electronic means. All such notices shall be given or sent to each Director's contact information shown on the Collective's records. Notices sent by first-class mail shall be deposited in the United States mail at least four (4) days before a meeting. Notices given by other means shall be sent at least forty-eight (48) hours before the time set for the meeting.

(d) Notice Exceptions.

Notice of the meeting need not be given to any Director who signs a waiver of notice or a written consent to holding the meeting, or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting prior thereto or at its commencement, the lack of such notice either before or at the Commencement of the meeting.

(e) Quorum.

A majority of the authorized number of Directors constitutes a quorum of the Board for the transaction of business except as hereinafter provided.

(f) Transactions of the Board.

Except as otherwise provided in the Articles, in these Bylaws, or by law, every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present is the act of the Board; provided, however, that any meeting at which a quorum was initially present may continue to transact business notwithstanding the withdrawal of Directors if any action taken is approved by at least a majority of the required quorum for such meeting, or such greater number as required by law, the Articles, or these Bylaws.

(g) Conduct of Meetings.

The President of the Collective, or any Director selected by the Directors present, shall preside at meetings of the Board of Directors. The Secretary of the Collective or, in the Secretary's absence, any person appointed by the presiding officer, shall act as Secretary. The Board of Directors may participate in a meeting through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another. Such participation shall constitute personal presence at the meeting. Meetings shall be governed by "Robert's Rules of Order," as such rules may be revised from time to time, insofar as such rules are not inconsistent with or in conflict with these Bylaws, with the Articles of Incorporation of this Corporation, or with provisions of law.

(h) Adjournment.

A majority of the Directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. If the meeting is adjourned for more than twenty-four (24) hours, notice of the adjournment to another time or place must be given prior to the time of the adjourned meeting to the Directors who were not present at the time of the adjournment.

Section 3.7 Action Without Meeting.

Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board of Directors individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board of Directors. Such action by written consent shall have the same force and effect as the unanimous vote of the Directors.

Section 3.8 Removal of Directors.

(a) Removal for Cause.

The Board of Directors may, but shall not be required to, declare vacant any office of a Director on the occurrence of any of the following events:

(1) The Director has been declared of unsound mind by a final order of a court;

(2) The Director has been found by a final order or judgment of any court to have breached duties imposed by Sections 5230 through 5239 of the Collectives Code on directors who perform functions with respect to assets held in charitable trust; or

(3) The Director has failed to attend three (3) consecutive meetings of the Board.

(b) Removal Without Cause.

Any Director may be removed without a cause if such removal is approved by the Board of Directors within the meaning of Section 5032 of the Collectives Code.

Section 3.9 Resignation of Director.

Any Director may resign effective on giving written notice to the President, the Secretary, or the Board of Directors of the Collective, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective. A Director shall not resign where the Collective would then be left without a duly elected Director or Directors in charge of its affairs.

Section 3.10 Vacancies on the Board.

(a) Causes.

Vacancies on the Board of Directors shall exist on the death, resignation, or removal of any Director; whenever the number of Directors authorized is increased; and on the failure of any election to elect the full number of Directors authorized. Any reduction in the authorized number of Directors shall not, by itself, result in any Director being removed.

(b) Filling Vacancies by Directors.

Vacancies on the Board of Directors may be filled by approval of the Board of Directors, or, if the number of Directors then in the office is less than a quorum, by (1) the unanimous written consent of the Directors then in the office; (2) the affirmative vote of a majority of Directors then in office at a meeting held pursuant to notice or waivers of notice as provided in these Bylaws; or (3) a sole remaining Director.

Section 3.11 Committees.

(a) The Board then in office, provided of two or more Director committees shall be by one or more Directors a member at any meeting resolution of the Board, may, by resolution adopted by a majority of the number of Directors that a quorum is present, create one or more committees, each constituted, to serve at the pleasure of the Board. Appointments to such majority vote of the Directors then in office. The Board may appoint alternate members of any

committee, who may replace any absent of the committee. Any such committee, to the extent provided in the resolution shall have all the authority of the Board, except with the respect to:

- (1) The filling of vacancies on the Board or on any committee that has authority of the Board.
- (2) The fixing of compensation of the Directors for serving on the Board or on any committee.
- (3) The amendment or repeals of these Bylaws or the adoption of new Bylaws.
- (4) The amendment or repeal of any resolution of the Board that by its express terms is not so amendable or repealable.
- (5) The appointment of committees of the Board or the members thereof.
- (6) The expenditure of corporate funds to support a nominee for Director after there are more people nominated for Director than can be elected.
- (7) With respect to any assets held in charitable trust, the approval of any self-dealing transaction except as provided in paragraph (3) of subdivision (d) of Section 5233 of the Collectives Code.

(b) Subsection (a) shall not apply to any committee that does not exercise the authority of the Board.

(c) Unless these Bylaws otherwise provide, the Board may delegate to any committee powers as authorized by Section 5210 of the Collectives Code, but may not delegate the powers set forth in paragraphs (y) through (7) of subsection (a) of this Bylaw section.

(d) Meetings and actions of committees of the Board shall be governed by, held, and taken under the provisions of these Bylaws concerning meetings and other Board actions. Minutes of each meeting shall be kept and shall be filed with the corporate records.

ARTICLE 4 OFFICERS

Section 4.1 Number and Titles.

The officers of the Corporation shall be a President, a Secretary, a Chief Financial Officer, and such other officers with such titles and duties as shall be determined by the Board and as may be necessary to enable the corporation to sign instruments. Any number of offices may be held by the same person.

Section 4.2 Appointment and Removal of Officers.

The officers shall be chosen by and serve at the pleasure of the Board, subject to the rights, if any, of an officer under any contract of employment. Officers may be removed with or

without cause by the Board of Directors by the affirmative vote of a majority of all of the Directors.

Section 4.3 Resignation of Officers.

Any officer may resign at any time by giving written notice to the Board. The resignation shall take effect on the date the notice is received or at any later time specified in the notice. Unless otherwise specified in the notice, the resignation need not be accepted to be effective. Any resignation shall be without prejudice to any rights of the Collective under any contract to which the officer is a party.

Section 4.4 Responsibilities of Officers.

(a) President.

Subject to the control of the Board, the President shall be the Chief Executive Officer and general manager of the Collective. The President shall supervise, direct, and control the Collective's activities, affairs, and officers. The President shall have such other powers and duties as the board may designate.

(b) Secretary.

The Secretary shall keep or cause to be kept a book of minutes of all meetings, proceedings, and actions of the Board and of committees of the Board. The minutes of meetings shall include the time and place that the meeting was held; whether the meeting was annual, general, or special, and, if special, how authorized; the notice given; and the names of persons present at meetings.

The Secretary shall give, or cause to be given, notice of all meetings of the Board and of committees of the Board that these Bylaws require to be given. The Secretary shall keep or cause to be kept a copy of the Articles of Incorporation and Bylaws, as amended to date. The Secretary shall keep the corporate seal in safe custody and shall have such other powers and perform such other duties as the Board may designate.

(c) Chief Financial Officer.

The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and accounts of the Collective's properties and transactions. The books of account shall be open to inspection by any Director at all reasonable times.

The Chief Financial Officer shall (i) deposit, or cause to be deposited, all money and other valuables in the name and to the credit of the Collective with such depositories as the Board may designate; (ii) disburse the Collective's funds as the Board may order; (iii) render to the President and the Board, when requested, an account of all transactions and of the financial condition of the Collective; and (iv) have such other powers and perform such other duties as the Board may designate.

If required by the Board, the Chief Financial Officer shall give the Collective a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of the office and for restoration to the Collective of all of its books, papers, vouchers, money, and other property of every kind in the possession or under the control of the Chief Financial Officer on his or her death, disability, resignation, retirement, or removal from office.

ARTICLE 5 CORPORATE RECORDS AND REPORTS

Section 5.1 Keeping Records.

The Collective shall keep adequate and correct records of account and minutes of the proceedings of the Board and committees of the Board. The minutes shall be kept in written form. Other books and records shall be kept either in written form or in any other form capable of being converted into written form. The Collective shall keep at its principal California office the original or a copy of the Articles of Incorporation and Bylaws, as amended to the current date.

Section 5.2 Annual Report.

The Board shall cause an annual report to be prepared not later than one hundred twenty (120) days after the close of the Collective's fiscal year. The report shall contain a balance sheet as of the end of the fiscal year, an income statement, and a statement of changes in financial position for the fiscal year. The annual report shall be furnished to all Directors. This Section shall not apply if the Collective receives less than \$10,000 in gross revenues or receipts during the fiscal year.

Section 5.3 Annual Statement of Transactions and Indemnifications.

As part of the annual report, or as a separate document if no annual report is issued, the Collective shall annually prepare and furnish to its Directors a statement of any transaction or indemnification of the following kinds within 120 days after the end of the Collective's fiscal year:

(a) Any transaction (i) to which the Collective, its parent, or its subsidiary was a party, (ii) which involved more than \$50,000 or was one of a number of such transactions with the same person involving, in the aggregate, more than \$50,000, and (iii) in which any Director or Officer of the Collective had a direct or indirect material financial interest (a mere common directorship is not a material financial interest).

The statement shall include a brief description of the transaction, the names of interested persons involved, their relationship to the Collective, the nature of their interest in the transaction, and, when practicable, the amount of that interest, except that, in a partnership in which such person is a partner, only the partnership interest need be stated.

(b) A brief description of the amounts and circumstances of any loans, guaranties, indemnifications, or advances aggregating more than \$10,000 paid during the fiscal year to any Officer or Director of the Collective, unless the loan, guaranty, indemnification, or advance is not subject to Corporation's Code section 7235(a).

ARTICLE 6 BYLAW CONSTRUCTION AND CHANGES

Section 6.1 Construction and Definitions.

Unless the content requires otherwise, the general provisions, rules of construction, and definitions in the California Nonprofit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the preceding sentence, the masculine gender includes the feminine, the singular includes the plural, the plural includes the singular, and the term "person" includes both a legal entity and a natural person.

(a) Bylaw Changes

Bylaws may be adopted, amended, or repealed by the Board of Directors.

CERTIFICATE OF SECRETARY

OF

MAG WELLNESS INC.

A California Nonprofit Mutual Benefit Corporation

I hereby certify that I am the duly elected and acting Secretary of said Corporation and that the foregoing Bylaws, comprising nine pages, constitute the Bylaws of said Corporation as duly adopted by the Board of Directors thereof on December 31, 2010.

Date: December 31, 2010

David Spadlin, Secretary