

KHEM
Organics Inc.

BY HAND DELIVERY

March 8, 2016

Monica Bharel, M.D., Commissioner
Medical Use of Marijuana Program
Massachusetts Department of Public Health
99 Chauncy Street, 11th Floor
Boston, Ma 02111

RECEIVED

MAR 08 2016

MA Dept of Public Health
99 Chauncy Street
Boston, MA 02111

Attention: Eric Sheehan, Esq., Interim Bureau Director

RE: Responses to DPH Request for Information dated February 8, 2016

Dear Commissioner Bharel:

I write in response to the February 8, 2016 letter of Eric Sheehan, Esq. to Khem Organics Inc. ("Khem") titled Request for Information. Each of the responses below correspond to the numbered requests that appear in the February 8 Letter.

1. Attached please find a certificate of good standing from the Massachusetts Secretary of State.
2. Attached please find an Employment and Education Form for [REDACTED], the Chief Operations Officer for Khem.
3. Attached please find an Employment and Education Form for [REDACTED] the Chief Executive Officer for Khem.
4. Attached please find an independent legal opinion of Michael E. Levinson, Esq., along with a copy of the proposed Management Agreement described in Khem's responses to Questions C.11 and C.15. I have also attached a copy of the proposed promissory note from Khem to KO Resources LLC.
5. As set forth in response to Questions D.17, D.18, and D.19 in Khem's Management and Operations Profile submitted on December 15, 2015, [REDACTED] as the Chief Operations Officer for Khem. Julia Germaine has no continuing association with or role in Khem.
6. Because [REDACTED] is the Chief Operations Officer, this request requires no further response from Khem.
7. Attached please find a completed response to Question D.18 including a description of the length of experience of Khem's Chief Executive Officer and Chief Operations Officer with providing health care services.

8. Attached please find a completed response to Question D.20 identifying the correct section of the regulations.
9. Attached please find a completed response to Question E.23 identifying the correct section of the regulations. Note that this attachment is responsive to DPH requests number 9 and 10.
10. Attached please find a completed response to Question E.23 identifying the correct section of the regulations. Note that this attachment is responsive to DPH requests number 9 and 10.
11. Attached please find a completed response to Question E.24 identifying the correct section of the regulations.
12. Attached please find a completed response to Question E.26 clarifying the meaning of the abbreviation "SSR," that is, "Secure Storage Room." Note that this attachment is responsive to DPH requests number 12 and 13.
13. Attached please find a completed response to Question E.26 identifying the correct section of the regulations. Note that this attachment is responsive to DPH requests number 12 and 13.
14. Attached please find a completed response to Question E.35 identifying the correct section of the regulations.
15. Attached please find a completed response to Question E.36 stating a completed response that complies with the definition of Verified Financial Hardship.
16. Attached please find a completed response to Question E.40 stating a completed response that complies with 105 CMR 725.105(Q).

Please also note that, after discussion with independent counsel and consultation with [REDACTED] Chief Operations Officer, Khem has modified its response to Questions C.11 and C.15 such that the Management Agreement that Khem contemplates with its manager will require no production fee. As noted in response No. 4 above, attached please find completed responses to Questions C.11 and C.15 that reflect this modification.

Please feel free to contact me by mail, by telephone at [REDACTED] or by email at [REDACTED]

encls.



William Francis Galvin
Secretary of the
Commonwealth

The Commonwealth of Massachusetts
Secretary of the Commonwealth
State House, Boston, Massachusetts 02133

Date: February 19, 2016

To Whom It May Concern :

I hereby certify that according to the records of this office,
KHEM ORGANICS INC.

is a domestic corporation organized on **September 28, 2015**

I further certify that there are no proceedings presently pending under the Massachusetts General Laws Chapter 180 section 26 A, for revocation of the charter of said corporation; that the State Secretary has not received notice of dissolution of the corporation pursuant to Massachusetts General Laws, Chapter 180, Section 11, 11A, or 11B; that said corporation has filed all annual reports, and paid all fees with respect to such reports, and so far as appears of record said corporation has legal existence and is in good standing with this office.



In testimony of which,
I have hereunto affixed the
Great Seal of the Commonwealth
on the date first above written.

William Francis Galvin

Secretary of the Commonwealth

Certificate Number: 16027902210

Verify this Certificate at: <http://corp.sec.state.ma.us/CorpWeb/Certificates/Verify.aspx>

Processed by: Kta

SECTION D. EMPLOYMENT AND EDUCATION FORM

This Employment and Education form must be completed and signed by each of the following individuals: The Corporation's Chief Executive Officer, Chief Operations Officer, Chief Financial Officer, individual/entity responsible for marijuana for medical use cultivation operations, and individual/entity responsible for the RMD security plan and security operations. Submit one Employment and Education form for each of the above individuals when submitting a *Management and Operations Profile* to the Department of Public Health.

Name

Residential Address

Title (at applicant non-profit corporation)

Director of Plant Science

Name of Applicant Non-Profit Corporation

Khem Organics Inc.

Highest Education Attained – Institution, Degree, and Year

Master of Science Degree in plant genetics and molecular biology attained from UMASS Amherst in 2014.

UMASS Amherst
M.S. Plant Biology
September 2014

Past 10 Years of Employment by Employer, Title and Time Period. List chronologically, beginning with most recent employment. Add more forms if space is needed for additional employment history entries.

Employer	Title	Time Period
Canuvo	Director of Plant Science	December 2015- Current
Maine Organic Therapy	Director of Cultivation	2014-2015
UMASS Amherst	Teachers Assistant	2010-2014
Boyce Thompson Institute	Student Researcher	2008-2009
Applebees	Server	2005-2006

I attest that all information included in this form is complete

02-12-16
Date Signed

Applicant Non-Profit Corporation

Khem Organics Inc

SECTION D. EMPLOYMENT AND EDUCATION FORM

This Employment and Education form must be completed and signed by each of the following individuals: The Corporation's Chief Executive Officer, Chief Operations Officer, Chief Financial Officer, individual/entity responsible for marijuana for medical use cultivation operations, and individual/entity responsible for the RMD security plan and security operations. Submit one Employment and Education form for each of the above individuals when submitting a *Management and Operations Profile* to the Department of Public Health.

Name

Residential Address

Title (at applicant non-profit corporation)

CEO

Name of Applicant Non-Profit Corporation

Khem Organics Inc.

Highest Education Attained – Institution, Degree, and Year

Associates Degree Nursing, Berkshire Community College, 2012

Past 10 Years of Employment by Employer, Title and Time Period. List chronologically, beginning with most recent employment. Add more forms if space is needed for additional employment history entries.

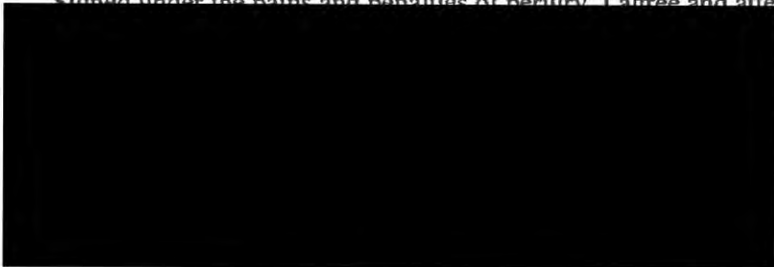
Employer	Title	Time Period
Saint Peters Hospital, Albany, NY	RN	2/2015-Present
Fairview Hospital Hospital, Great Barrington	RN	9/13-2/15
Berkshire Meadows, Housatonic MA	RN	9/12-9/13

Applicant Non-Profit Corporation

Khem Organics Inc

Self Employed	John Mullen Wood Floors	1998-2012

Signed under the pains and penalties of perjury, I agree and attest that all information included in this form is complete



3/3/2016

Date Signed

Application 1 of 1 Applicant Non-Profit Corporation _____**SECTION C. NON-PROFIT COMPLIANCE**

Answer each of the questions below to explain how the Corporation will remain in compliance with the non-profit requirements of Ch. 369 of the Acts of 2012, the regulations at 105 CMR 725.000, and "Guidance for Registered Marijuana Dispensaries Regarding Non-Profit Compliance." Please refer to the "Guidance for Registered Marijuana Dispensaries Regarding Non-Profit Compliance" document in completing this form.

11. Please identify any management company that the applicant intends to utilize and summarize the terms of any agreement or contract, executed or proposed, with the management company.

Khem is a community-based non-profit located in the Berkshires. Upon receipt of certificate, Khem will execute a management agreement with KO Resources LLC (KOR). KOR has been formed to support Khem and is aligned with Khem's non-profit mission. The agreement shall provide fair market compensation payable to KOR. Khem will reimburse KOR for equipment, cultivation and retail services on a cost-plus basis at 20%. Khem will pay not more than 18% for financing, if any, sourced through KOR. Services will include:

- Real estate procurement, leasing and management
- Site and building design
- Construction management
- Cap ex and working capital financing
- Production optimization, including cultivation and extraction technology
- Cultivation expertise including grow technologies, soils, organics and best practices
- Dispensary retail strategies, including product mix, patient interaction and related IP
- Brand and logo development
- Patient education
- Outreach to physician/provider community
- Software and IT services
- Financial reporting/audit
- Non-profit and regulatory compliance
- IP development and deployment

Application 1 of 1

Applicant Non-Profit Corporation _____

15. Please identify any contract or agreement, executed or proposed, under which a percentage or portion of the applicant's revenue will be distributed to a third party and summarize the terms of any such agreement or contract.

In accordance with M.G.L. c. 180 and §725.100(A), Khem will operate on a non-profit basis and will devote its revenue solely for the purpose of meeting its patient obligations and satisfying its non-profit mission. Therefore, and as more fully described in response to Question 11, Khem will enter into a management agreement with KOR. In exchange for the services described in the management agreement, Khem will provide fair market compensation to KOR, including reimbursement for equipment, cultivation and retail services on a cost-plus basis at 20%. Khem will pay not more than 18% for financing, if any, sourced through KOR.

The applicant agrees and attests that it will operate in compliance with all applicable state laws and regulations, including but not limited to, laws regarding child support and taxation, as well as the dispensaries Regarding Non-Profit Compliance."

3/03/2016
Date Signed

CEO

Title of Authorized Signatory

indicated by the initials of the authorized signatory here: _____

18. Describe the experience, and length of experience, of the Corporation's Chief Executive Officer, Chief Operations Officer, and Chief Financial Officer with providing health care services.

CEO [REDACTED] has provided health care services to patients in ER, ICU and other hospital and community-based settings since 2012. For the last four years he has worked as an RN licensed in Massachusetts. He has been affiliated with St. Peter's Hospital (Trinity Health) in Albany and Berkshire Health Systems. After completing nursing school, he finished rotations at BMC in Pittsfield and at Fairview Hospital in Gt Barrington. [REDACTED] trained in the management of chronic pain. He has expertise in ICU care, including the management of pain in chronically ill patients. In the ICU, his work has focused on cancer treatment, pain management and anaesthesiology in community-based and hospital settings. He has extensive clinical experience, and has worked with surgeons, PCPs, RNs, ICU techs and others to coordinate plans for pain management and comprehensive care.

As an RN [REDACTED] partners with specialists and patient PCPs to craft pain management therapies for chronically ill patients. He has experience in pharmacology and drug therapies to treat acute pain. He consults with physicians from a range of medical disciplines, including anesthesiology, oncology, physical therapy and ER medicine. More recently, he has trained in providing chronic pain assessment in conjunction with substance abuse treatment, opioid therapy screening and cognitive behavioral disorders.

[REDACTED] worked at Berkshire Meadows in Gt Barrington, a Chapter 766 residential facility for children suffering from severe developmental disabilities, including autism, cerebral palsy and various neurological disorders. [REDACTED] provided hands-on nursing health care for the disabled children living at the facility. Working with physical therapists, orthopedic specialists and others [REDACTED] learned about specific patient needs and worked with Berkshire Meadow staff to coordinate care.

COC [REDACTED] has provided health care services through his work with plant medicine since 2008. In 2008, he began at Boyce Thompson Institute as a student researcher. For the last four years, in addition to completing a Master of Science in plant genetics and molecular biology (UMASS 2014) [REDACTED] has served as director of cultivation at Maine Organic Therapy Inc (MOTI). MOTI is a non-profit cultivation and dispensary formed in 2010 to serve patients in Ellsworth. [REDACTED] has also served on a consulting basis as director of plant science to Canuvo Inc., a Maine non-profit supplying medicinal grade cannabis strains to patients in the Biddeford area. At both organizations, he has used his cultivation skills, MIP expertise and knowledge of plant science to prepare medicine designed to meet individual patient requirements. Since 2008, his usual practice has been to interact with dispensary agents (and from time to time directly with patients) in order to design a cannabis product suitable for patient use.

CFO [REDACTED] a CPA, has no experience providing health care services.

20. Describe the experience, and length of experience, of the Corporation's individual/entity responsible for marijuana for medical use cultivation operations and individual/entity responsible for the RMD security plan and security operations with providing services for marijuana for medical purposes.

Khem's Chief Security Officer is Michael Fitzgerald (MF). A veteran of the Pittsfield Police Department, [REDACTED] retired in 2007 as a sergeant after 30 years of service. [REDACTED] is committed to stringent security measures ensuring the safety of patients, personnel and the public consistent with state law and §725.110.

A career police officer with a background in street patrol, investigation and security [REDACTED] is skilled at navigating complex security systems. He has a proven ability to communicate orally and in writing through a chain of command, and is skilled in interacting with local, state and federal law enforcement. He was successful in writing several public safety grants for the PPD, supervised the Accident Investigation Unit of the Traffic Bureau, and served for several years as Union President for Local 447 IBPO, and Local 447S which represented the Superior Officers.

[REDACTED] is knowledgeable about Mass. law relative to marijuana. He has worked closely with many members of the PPD Drug Unit as well as Superior Court Probation, and has interacted with the State Crime Lab, State Police and prosecutors in both District and Superior Court.

In the 1990s [REDACTED] created and designed a system and managed the inventory, storage, transportation, and security for videotapes from then-new cruiser-mounted cameras. He was responsible for the care, accuracy, transportation and security of the Breath Analysis devices employed for OUI prosecutions, and also trained PPD's operators. He was also familiar with the department's security system for monitoring the cell block and access/egress areas.

With Khem staff [REDACTED] will design and operate a Secure Limited Access Area (SLAA) in which Khem will keep all marijuana products located on the premises, as required by §725.110(C). Using police prototypes, [REDACTED] will design an access protocol, per §725.105(C) and (P), through which outside vendors, contractors and visitors must display ID badges when on the premises and will be escorted at all times. ID badges will be returned upon exit [REDACTED] and Khem staff will assure that badge check-in/out is recorded.

Working with [REDACTED] Chief Cultivation Officer [REDACTED] and third-party vendors will install and operate state-of-the-art alarm and surveillance systems. [REDACTED] has 2 years of experience designing and operating systems featuring external surveillance cameras and entry indication hardware on perimeter access points. [REDACTED] has specific experience with bio-metric fingerprint readers, autolock door equipment, and DVR technology to watermark times of entry.

In Maine [REDACTED] and others have assured that cultivation security systems are operational 24/7/365, and that security hardware/software meets or exceeds the standards set forth under state regulation. [REDACTED] will similarly assure Khem's compliance with §725.110(D)(1). [REDACTED] will conduct monthly inspections of all security equipment, and will conduct full annual audits per §725.110(D)&(G). Khem will report any incident per §725.110(F).

Application 1 of 1 Applicant Non-Profit Corporation _____

23. Provide a summary of the RMD's methods of producing MIPs, if the RMD intends to produce MIPs.

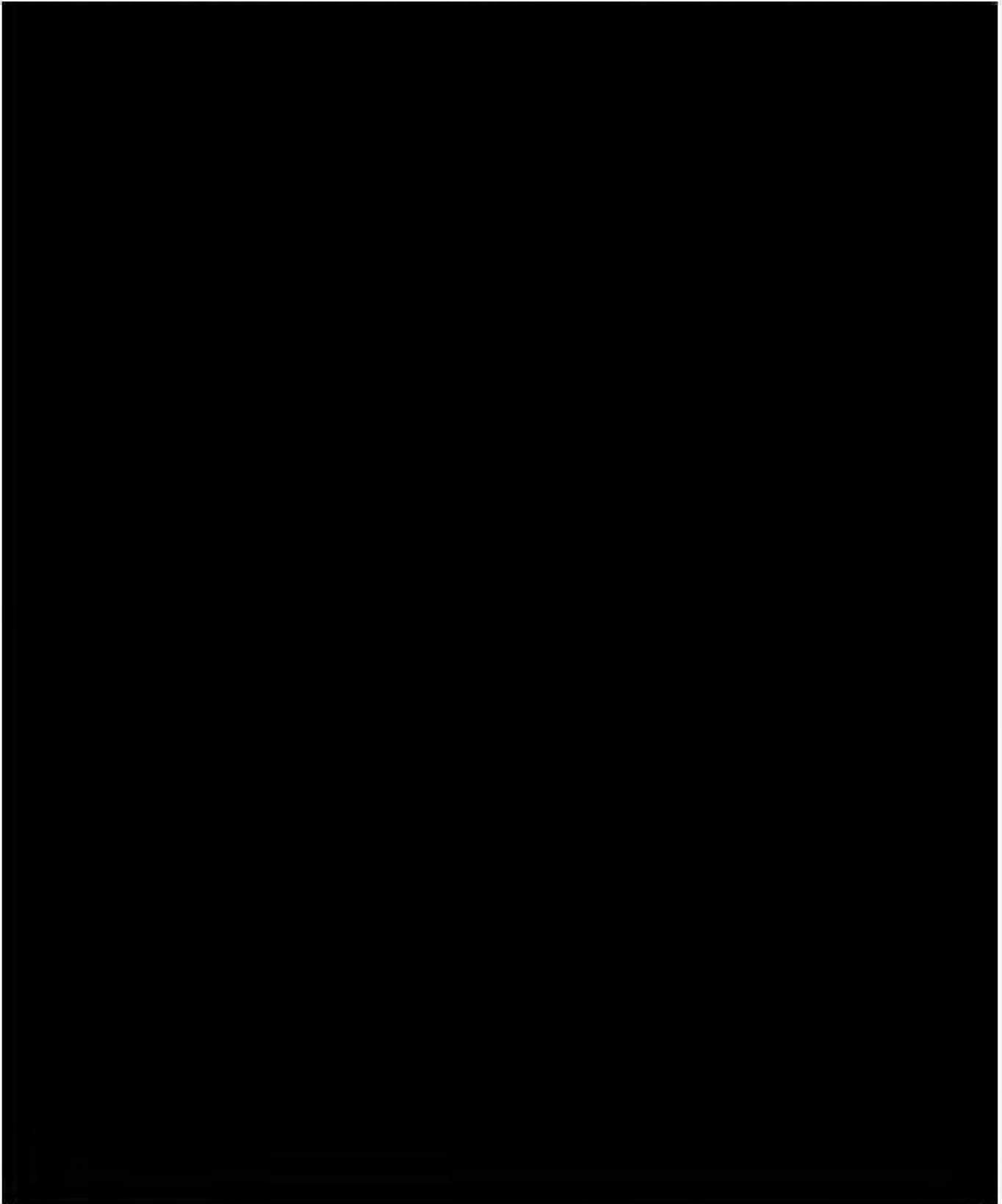
Khem will manufacture and store MIPs in a commercial grade, state of the art processing facility in compliance with §725.105(D) and 105 CMR §725.500. Khem's MIPs production facility will adhere to requirements per §725.105(C). All employees will complete a ServSafe Food Handler Course and examination, facilitated by Cannabis Trainers Inc. of Denver.


Extraction methods will be used to process marijuana and isolate specific desirable cannabinoids. Refined extractions will be used to infuse MIPs at desired dosages. Khem will utilize Apek's Fully Automated CO2 Botanical Extraction system to produce a safe extraction of high medicinal value. The FDA classifies CO2 as non-toxic and GRAS. Dry-sieve and ice-water extraction methods will be used to produce clean, safe extraction which requires the use of water and ice as a solvent.

Marijuana infused oil, butter and tinctures will be produced primarily for production of baked goods and other MIPs. Khem will use a proprietary software platform to conduct inventory management and POS systems. Such technology will allow our RMD to accurately track the entire production of MIPs from raw cannabis to finished product. MIPs will be inventoried and packaged in plain, opaque, tamper-proof, child-proof containers equipped with a firmly affixed, visible label that strictly adheres to the requirements listed under §725.105(E).

Application 1 of 1 Applicant Non-Profit Corporation _____

24. Provide a summary of the RMD's operating procedures for the provision for security at the RMD.



Information on this page has been reviewed by the applicant and where provided by the applicant, is accurate and complete, as indicated by the initials of the authorized signatory here: 

26. Provide a summary of the RMD's operating procedures for the storage of marijuana for medical use.



Application 1 of 1 Applicant Non-Profit Corporation _____

35. Provide a summary of the RMD's operating procedures for patient or personal caregiver home-delivery, if the RMD plans to provide home-delivery services.

[Redacted content]

Information on this page has been reviewed by the applicant and where provided by the applicant, is accurate and complete, as indicated by the initials of the authorized signatory here [Redacted]

Application 1 of 1 Applicant Non-Profit Corporation _____

36. Provide a summary of the RMD's policies and procedures for the provision of marijuana for medical use to registered qualifying patients with verified financial hardship without charge or at less than the market price.

In accordance with §725.004, Khem will provide a comprehensive program to offer discounted marijuana to patients with a documented verified financial hardship. Patients will be deemed eligible for Financial Hardship Assistance (FHA) upon presenting proof of any one of the following:

- enrollment in MassHealth;
- enrollment in Supplemental Security Income;
- individual income not in excess of 300% FPL;
- current receipt of unemployment benefits; or
- status as a wounded or disabled veteran.

Khem will ensure that FHA records remain confidential at all times, with access limited to authorized Khem employees. Khem will closely monitor the transactions and status of all FHA patients. Khem will ensure that patients remain eligible for FHA while also tracking potential diversion. KHEM will provide free or reduced cost personal home delivery for FHA patients within Berkshire County. KHEM believes that the FHA program will advance and complement its non-profit mission of serving patients. Therefore, Khem intends to review its H program from time to time, and at least annually, to assure that it adequately serves patients and complies with §725.100(A)(6).

38. Will the Corporation provide worker's compensation coverage to the RMD's Dispensary Agents?

Yes ☒ No ☐

39. Will the Corporation obtain professional and commercial insurance coverage?

Yes ☒ No ☐

40. Describe the Corporation's plan to obtain liability insurance or place in escrow the required amount to be expended for coverage of liabilities.

Khem will obtain general liability insurance in compliance with §725 105(Q). The policy will provide coverage of no less than \$1 million dollars per occurrence and \$2 million dollars in aggregate, annually, and product liability insurance coverage for no less than \$1 million per occurrence and \$2 million in aggregate, annually. The deductible for such liability policy shall be no more than \$5,000 per occurrence.

Khem also anticipates securing professional/D&O liability coverage.

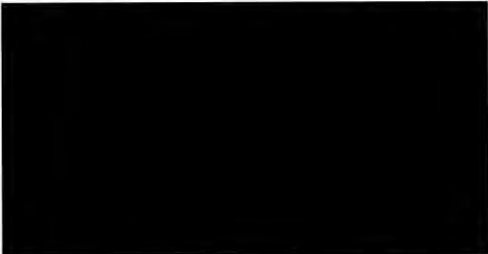
Khem also anticipates securing commercial auto liability coverage at prevailing rates, including enhanced coverage for optional bodily injury, for any Khem vehicles used to transport medicine. Khem will retain the services of a local insurance agent and legal counsel to review and adjust coverages from time to time to meet the needs of the company, to assure compliance with DPH regulation, and to adequately protect Khem's assets, personnel and patients.

Application 1 of 1

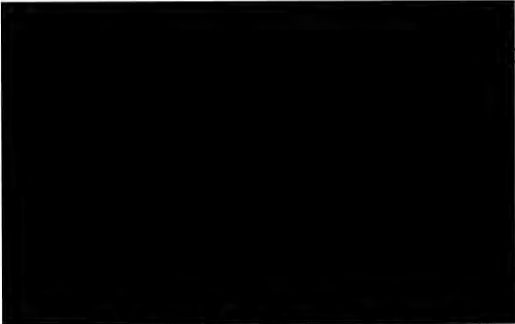
Applicant Non-Profit Corporation _____

ATTESTATIONS

Signed under the pains and penalties of perjury, I, the authorized signatory of the non-profit applicant corporation, agree and attest that all information included in this application is complete and accurate and that I have an ongoing obligation to submit updated information to the Department if the information presented within this application has changed.


03/03/2016Date Signed_____
Print Name of Authorized Signatory

CEO

Title of Authorized Signatory

is allowed to proceed to submit a *Siting Profile*, the corporation is prepared
requirements.

03/03/2016

Date Signed_____
Print Name of Authorized Signatory

CEO

Title of Authorized Signatory