

March 6, 2025

Ms. Jessica Patterson, Director  
Office of State Procurement  
Arkansas Department of Transformation and Shared Services  
501 Woodlane Street, Ste. 220  
Little Rock, AR 72201  
[Jessica.Patterson@arkansas.gov](mailto:Jessica.Patterson@arkansas.gov)

*Via Email and Hand-Delivery*

Re: Protest of Award in Solicitation No. S000000361: Medical Marijuana Seed to Sale Tracking System

Dear Ms. Patterson:

On behalf of Metrc and pursuant to the provisions of Ark. Code Ann. § 19-11-244(a)(2) and Office of State Procurement Rule R1:19-11-244, we are submitting this protest of the anticipated award to BioTrackTHC of the contract for Medical Marijuana Seed to Sale Tracking System for the Arkansas Department of Finance and Administration. (RFP S000000361)(The "RFP") Metrc respectfully requests that no contract be awarded until its protest has been fully resolved.

Metrc is the most experienced provider of cannabis seed to sale solutions. Metrc has been providing, implementing and maintaining seed to sale solutions for government regulators since 2011 when it partnered with the State of Colorado to design and develop the nation's first statewide seed to sale system for the cannabis industry. Since 2011, Metrc has grown to partner with 27 government regulators throughout the U.S. for their cannabis seed to sale system, more than any other seed-to-sale vendor and including all four states with legal medical marijuana markets that border Arkansas. Metrc is the only seed to sale vendor to have successfully replaced another vendor system and has done so three times for Maine, Nevada and Rhode Island (and is in the process of doing so for Illinois). Using the Metrc system, regulatory partners have recorded more than \$85 billion in industry sales and more than 13 billion supply-chain events, such as plantings, harvests, packages, transports and tests. In the jurisdictions served by Metrc, the system has over 520,000 users from over 58,000 licensed businesses.

On September 9, 2024, TSS issued RFP numbered S00000361. Four companies submitted proposals in response to the RFP, but two of the proposals were disqualified. Two prospective contractors, BioTrackTHC and Metrc were evaluated pursuant to the rules of the procurement. Based on the scoring done by the four-member evaluator committee, BioTrackTHC received a total score of 900.13 while Metrc received a total score of 829.38. The total score consisted of the average weighted technical proposal score (BioTrackTHC scored at 656.25; Metrc scored at 529.38). The proposal submitted by Metrc had the lowest total cost of \$565,000, while

BioTrackTHC's proposal was \$695,000. This resulted in a total cost point scored for Metrc of 300 and BioTrackTHC 244.

This protest is made of on one or all of the following grounds pursuant to Ark. Code Ann. § 19-11-244:

- That procurement agency failed to adhere to the rules of the procurement as stated in the solicitation, and the failure to adhere to the rules of procurement materially affected the contract award.
- The procurement process involved responses that were collusive, submitted in bad faith, or not arrived at independently through open competition.

For convenience, Metrc sets forth RFP's Section 3 which states the process for selection of the contractor. As will be explained below, the required process was not strictly followed in ways that materially impacted the selection.

## SECTION 3 – SELECTION

### 3.1 SELECTION PROCESS

- A. TSS OSP will review each *Technical Proposal Packet* to verify Submission Requirements have been met. *Technical Proposal Packets* that do not meet Submission Requirements will be rejected and will not be evaluated.
  1. The State may conduct cost checks based on the cost submitted by each Prospective Contractor on the completed Pricing Response.
    - a. Prospective Contractors submitting Responsive Proposals with a proposed cost that falls twenty-five percent (25%) or more from the average submitted cost may be asked to justify their submitted cost.
    - b. Should TSS OSP request clarification and/or additional information regarding cost, Prospective Contractors shall provide clarification and/or additional information as specified by the request.
- B. A Department-appointed Evaluation Committee will evaluate and score qualifying Technical Proposals. Evaluation will be based on Prospective Contractor's response to the *Information for Evaluation* section included in the *Technical Proposal Packet*.
  1. Members of the Evaluation Committee (Evaluators) will individually review and evaluate proposals and complete an Individual Score Worksheet for each proposal. Individual scoring for each Evaluation Criteria will be based on the scoring description in *Table B: Scoring Table*.

**TABLE B: SCORING TABLE**

SCORE	DESCRIPTION
10	The response provides metrics clearly establishing that the Prospective Contractor is reliable and capable of fully performing the required services.
5	The response provides metrics suggesting that the Prospective Contractor's level of performance may be acceptable, but it does not clearly establish that the Prospective Contractor is reliable and capable of fully performing the required services.
0	The response provides metrics clearly establishing that the Prospective Contractor is unreliable and incapable of fully performing the required services.

2. After initial individual evaluations are complete, the Evaluators will meet to discuss their individual scores. At the initial consensus meeting, each Evaluator will be afforded an opportunity to discuss his or her score for each evaluation criteria.
3. After Evaluators have had an opportunity to discuss their individual scores with the committee, the Evaluators will be given the opportunity to change their initial individual scores, if they feel that is appropriate.
4. The final individual scores of the Evaluators will be recorded on the Consensus Score Sheets and averaged to determine the group or consensus score and rank for each proposal.
5. Other agencies, consultants, and experts may also examine documents at the discretion of the Department.
- C. Prospective Contractors submitting Responsive Proposals and scoring a minimum of 275 points on the written evaluation criteria will be contacted by TSS OSP to schedule an interview.
  1. Prospective Contractors shall attend the interview as scheduled by TSS OSP.

2. Evaluators will complete an Individual Score Worksheet for each interview. Evaluation will be based on Prospective Contractor's responses to questions presented during the interview. Individual scoring for each interview will be based on the Scoring Descriptions in 3.1.B.1.
  3. During a final consensus meeting, after all interviews are complete, Evaluators will have the opportunity to discuss the interviews and change their individual interview scores on the Post-Interview Consensus Score Sheet, if they feel that is appropriate.
  4. The final individual scores of the Evaluators will be recorded on the Post-Interview Consensus Score Sheets and averaged to determine the group or consensus score and rank for each proposal.
- D. During the final consensus meeting, Evaluators will review the combined cost and technical scores to determine if moving forward with the highest-ranking Prospective Contractor is the most advantageous to the State.
- E. Should the State request clarification and/or additional information regarding Prospective Contractors' responses, Prospective Contractors shall provide clarification and/or additional information as specified by the State.
- F. TSS OSP will submit responses and pricing received from the interviewed Prospective Contractors, along with the Evaluation Committee's recommendation to the Department for review and approval to move into Discussions.

### 3.2 TECHNICAL PROPOSAL SCORE

- A. The *Information for Evaluation* section has been divided into sub-sections.

1. Each sub-section has been assigned a maximum point value of ten (10) points. The total point value for each sub-section is reflected in the table below as the Maximum Raw Points Possible.
2. The Department has assigned Weighted Percentages to each sub-section according to its significance.

3.3 INFORMATION FOR EVALUATION SUB-SECTIONS	MAXIMUM RAW POINTS POSSIBLE	SUB-SECTION'S WEIGHTED PERCENTAGE	* MAXIMUM WEIGHTED SCORE POSSIBLE
<b>Written Technical Response</b>			
Experience	10	20%	140
Solution	10	35%	245
Risk	10	15%	105
<b>Total Written Technical Score</b>	<b>30</b>	<b>70%</b>	<b>490</b>
<b>Interview Technical Score</b>			
Interview	10	30%	210
<b>Total Written &amp; Interview Technical Score</b>	<b>40</b>	<b>100%</b>	<b>700</b>

\*Sub-Section's Percentage Weight x Total Technical Maximum Weighted Score = Maximum Weighted Score Possible for the sub-section.

- B. The proposal's weighted score for each sub-section will be determined using the following formula:

$$(A/B) \times C = D$$

A = Actual Raw Points received for sub-section in evaluation

B = Maximum Raw Points possible for sub-section

C = Maximum Weighted Score possible for sub-section

D = Weighted Score received for sub-section

- C. The proposal's weighted scores for sub-sections will be added to determine the Total Technical Score for the proposal.

- D. Proposals that do not receive a minimum Total Technical Score of 275 on the written technical evaluation will not be subject to further consideration in the Solicitation process and will not be invited to participate in the Interview portion.
- E. Proposals that do not receive a total combined technical score of 350 after the written and interview portions of the technical evaluation will not be subject to further consideration in the solicitation process. The pricing for proposals that do not receive a minimum Total Technical Score of 350 will not be scored.

### 3.4 COST SCORE

- A. When pricing is opened for scoring, the maximum amount of cost points will be given to the proposal with the lowest grand total as shown in Table One (1) on the completed Pricing Response. (See *Grand Total Score* for maximum points possible for cost score.)
- B. The amount of cost points given to the remaining proposals will be allocated by using the following formula:

$$(A/B)*C = D$$

A = Lowest Estimated Cost  
 B = Second (third, fourth, etc.) Lowest Estimated Cost  
 C = Maximum Points for Lowest Estimated Cost  
 D = Total price points received

### 3.5 GRAND TOTAL SCORE

The Technical Score and Cost Score will be added together to determine the Grand Total Score for the proposal. The State may move forward to Discussions with the Prospective Contractor determined reasonably susceptible of being selected for award.

	MAXIMUM POINTS POSSIBLE
Technical Proposal	700
Cost	300
Maximum Possible Grand Total Score	1,000

### 3.6 EXPLANATION OF THE SUB-SECTIONS OF THE TECHNICAL PROPOSAL

#### A. Experience

1. The Experience sub-section included in the *Technical Proposal Packet* allows Prospective Contractors to differentiate themselves based on their experience, technical capability, and understanding of the State's specific needs.
2. Prospective Contractors should identify expertise in the form of a claim and provide relevant experience to support each claim.
3. Prospective Contractors should use verifiable metrics (number of accounts, size of accounts, years of experience, customer satisfaction ratings) to support each claim.

#### B. Solution

1. The Solution sub-section included in the *Technical Proposal Packet* allows Prospective Contractors to differentiate themselves based on their proposed solution and/or approach to solve the State's specific needs.
2. Prospective Contractors should provide a high-level overview of the Prospective Contractor's proposed solution and/or approach to services using the Requirements outlined in the RFP.

3. Proposed solutions should be non-technical and include the Prospective Contractor's recommendations for meeting the objectives and Requirements of the RFP.
4. Additional service options and recommendations above and beyond those included in proposed solution should be included in the *Recommended Options Form*.

C. Risk

1. The Risk sub-section included in the *Technical Proposal Packet* allows Prospective Contractors to identify and prioritize major risks that they reasonably foresee could potentially prevent or impair the Prospective Contractor's delivery of the solution as offered in the proposal or to otherwise fail to meet the State's desired outcome, specifications, and performance standards, and how they will mitigate, manage, and/or minimize each risk listed.
  - a. Prospective Contractors should include sources, causes, or actions that are both within and beyond the control of the Prospective Contractors that they reasonably foresee may cause cost increases, delays, amendments, or dissatisfaction to the State.
  - b. Risks should be described in simple, clear, and non-technical terms.
  - c. Prospective Contractor should explain how the Prospective Contractor will mitigate, manage, and/or minimize each risk listed.
    - i. The Documented Performance cell should include details such as how many times any identified risk was previously mitigated and the impact on the Prospective Contractor's performance in terms of time, cost, and client satisfaction.

D. Interview

1. The Interview will allow Prospective Contractors to further demonstrate their experience in providing the services outlined in the RFP.
  - a. Each Prospective Contractor scoring a minimum of 275 points on the written technical evaluation will be contacted by TSS OSP to schedule an interview. Prospective Contractors shall attend the interview as scheduled by TSS OSP.
  - b. Prospective Contractors shall identify one (1) Project Lead at the time of interview confirmation who shall attend the interview as part of the evaluation process.
  - c. The Evaluation Committee will interview the Prospective Contractor's identified Project Lead using a pre-determined set of interview questions. Follow up questions may be asked based on responses given by the Project Lead.

Thus, in short, the RFP had four subsections for technical evaluation:

1. Experience
2. Solution
3. Risk
4. Interview

In the explanation of the various factors, there were three potential scores: 10, 5 and zero. According to the scoring table, the evaluator was required to base his score on the following description:

Ten meant “the response provides metrics clearly establishing that the prospective contractor is reliable and capable of fully performing the required services.”

Five meant that the “response provides metrics suggesting that the prospective contractors level of performance may be acceptable, but it does not clearly establish that the prospective contractor is reliable and cable of performing the required services.”

A zero meant the response “provides metrics clearly establishing that the prospective contractor is unreliable and incapable of performing the required services.”

For an explanation of the categories of experience, solution and risk, the evaluator was given certain criteria for experience. The factors were:

1. The Experience subsection included in the Technical Proposal Packet allows Prospective Contractors to differentiate themselves based on their experience, technical capability and understanding of the states’ needs.
2. Prospective contractors should identify expertise in the form of a claim and provide relevant experience to support each claim.
3. Prospective contractors should use verifiable metrics (number of accounts, size of accounts, years of experience, customer satisfaction ratings) to support each claim.

For Risk, the evaluator was to consider the following factors:

1. The risk subsection included in the technical proposal packet allows prospective contractors to identify and prioritize major risk that they reasonably foresee could potentially prevent or impair the prospect of contractor’s delivery of the solution as offered in the proposal or to otherwise fail to meet the states desired outcome, specifications and performance standards, and how they will mitigate, manage and/or minimize each risk listed.
  - a. Prospective contractors should include scores, causes, or actions that are both within and beyond the control of the prospective contractors that they reasonably foresee may cause cost increases, delays, amendments, or dissatisfaction to the state.
  - b. Risk should be described in simple, clear nontechnical terms.

c. Prospective contractors should explain how the prospective contractor will mitigate, manage, and/or minimize each risk listed.

i. The documented performance cell should include details such as how many times any identified risk was previously mitigated and the impact on the prospective contractor's performance in terms of time, cost, and client satisfaction.

The Scoresheets reflecting the scores of the evaluators are as follows:

### Consensus Scoresheet

Solicitation #: S000000361

Description: Medical Marijuana Seed to Sale Tracking System

Prospective Contractor: Biotrack THC

Criteria	Diane Jolley	David Potter	Chip Libovich	Glen Perciful	Average of Raw Points for Category
Experience	10	10	10	10	10.0
Solution	5	10	10	10	8.8
Risk	5	10	10	10	8.8
Interview	10	10	10	10	10.0

### Consensus Scoresheet

Solicitation #: S000000361

Description: Medical Marijuana Seed to Sale Tracking System

Prospective Contractor: Metrc

Criteria	Diane Jolley	David Potter	Chip Libovich	Glen Perciful	Average of Raw Points for Category
Experience	10	10	10	10	10.0
Solution	10	5	5	5	6.3
Risk	5	10	10	5	7.5
Interview	10	5	10	5	7.5

In light of the provisions in the RFP, the scoring actually done by the evaluators is inexplicably inconsistent with the criteria set forth. For instance, BioTrack, which has had multiple years of experience in Arkansas, did not offer any information in its proposal regarding the State of Arkansas's experience with BioTrack. Perhaps that was for good reason as the State and the market have experienced significant issues with the performance of the BioTrack system in



Arkansas. Attached is a document detailing many of the problems with the BioTrack system: See Exhibit 1. Also see the links below to legislature hearings where issues were discussed:

August 26, 2021 meeting, some discussion beginning at 2:28 pm with a question from Sen. Chesterfield:

<https://sg001-harmony.sliq.net/00284/Harmony/en/PowerBrowser/PowerBrowserV2/20210826/-1/21805?viewMode=1>

November 16, 2021 meeting, most of the meeting was a BioTrack discussion:

<http://sg001-harmony.sliq.net/00284/Harmony/en/PowerBrowser/PowerBrowserV2/20211116/-1/22912?viewMode=1>

January 27, 2022 meeting, BioTrack execs appeared before the committee:

<http://sg001-harmony.sliq.net/00284/Harmony/en/PowerBrowser/PowerBrowserV2/20220127/-1/25003?viewMode=1>

While we hope you will take time to review the proceedings, here are some highlights:

August 26, 2021 meeting, starting at 2:29:46:

Alex Gray, Owner, Good Day Farm Arkansas: "I hear on a daily basis that we have issues. Sometimes things go, just disappear in BioTrack. There are other times when BioTrack doesn't work. And the tech support, if you wanna call it, we have issues there. It's prevalent and I think every [...] I know certainly every cultivator and dispensary would echo your concerns on that. [...] We are constantly dealing with these issues and communicate them with ABC. We work with ABC on a daily basis to try and resolve these issues."

Robert DeBin, President, Natural State Medicinals: "It's been mentioned that things disappear; I've witnessed it with my own eyes. Groups of things disappearing and then reappearing as a different product. [...] Tech support was mentioned; that's probably the biggest area that BioTrack could improve upon. If you call the support line, you may not get a call back for two weeks. [...] It's extremely frustrating."

Robbin Rahman, Executive Director, Harvest Cannabis Dispensary: "And support, just the same thing you've heard before, tech support is almost

nonexistent. It feels to me as though that is the part of the company that they invest the least in. [ . . . ] Products that are supposed to be in our system will sometimes simply disappear. [ . . . ] Even more frustratingly, products will reappear that we have sold or manifested to some third party. And that's very problematic when we are as highly regulated as we are. [ . . . ] My impression is that they [BioTrack] are not motivated to change any of these things, and absent some motivation, I suspect that we will be stuck with some of these issues for the foreseeable future."

November 16, 2021, ~10:42

Senator Chesterfield: "So are they [BioTrack] doing better or not? Is it better than when you were here two months ago?"

Matt Shansky, COO, The ReLeaf Center: "From our perspective, more on the dispensary and retail side, directly dealing with patients, that's been our biggest disappointment with these issues. [ . . . ] The issue that we have experienced on a more frequent basis is just complete outages. The system essentially just crashing. And the challenge that we face from a retail side is the lack of communication. We don't expect a perfect system. [...] Systems will fail when it comes to technology, but when that happens there's absolutely no recourse. And that has really not changed much since the last hearing that occurred."

Mary Claire McLaurin, Chief Compliance Officer, Good Day Farm: "If the system itself cannot be relied upon to track what we're doing, how can we answer to the regulators and ensure that we are in compliance with the rules? That's very difficult. We rely on them not just for business purposes but to comply with the laws of the state that were implemented to ensure that we are preventing inversion of product and things like that."

Despite this lack of disclosure and prior troubling experience, the four evaluators each gave BioTrack the highest score of 10 for experience and three of the four gave BioTrack the highest score of 10 for solution. Ark. Code Ann. § 19-11-229(f) specifically allows, if not requires, the evaluator of a response to an RFP to consider past performance. It does not appear that the consideration of BioTrack's proposal in any way took into account the experience and solution issues raised by its prior performance of the Arkansas contract nor does it appear the evaluators took into consideration the State's prior experience with BioTrack and its solution. (See Exhibit 2 for articles re: BioTrack) Instead, it appears that BioTrack's status as a current contractor gave it some advantage in the review in that it appears the regulators took into account the issues that might be raised by a transfer to a new vendor. Such consideration is contrary to the provisions of the RFP and, if allowed, would result in this being something significantly different than a competitive bid process.

In addition, BioTrack has had significant issues raised by the fact that a former officer in the company has, prior to the submission of the RFP, pled guilty in federal court to insider trading. Another officer of the company entered into a civil settlement with the Securities and Exchange Commission for insider trading. (See attached newspaper articles attached as Exhibit 3.) It has been reported that these two individuals were no longer officers of any corporate entity related to BioTrack, but there appears to be some confusion about that matter. Significantly, BioTrack did not disclose any of this in response to the RFP. We submit that that constituted a risk to BioTrack's ability to perform this contract. It even raises the question of whether BioTrack is a non-suitable contractor.

Under R1:19-11-235,

- (a) (1) Determination of responsibility is made prior to the award of a contract.
- (2) A non-responsible bidder or offeror is one who has been determined through evaluation of bid/offer to lack the capability, integrity and/or reliability to fully perform the contract.
- (b) Determination of responsibility may include, but not be limited to, one or any combination of the following:
  - (1) the ability, capacity and skill to perform the contract or provide the service;
  - (2) the responsibility and experience of the business;
  - (3) the quality of performance on previous contracts or services;
  - (4) the previous and existing compliance by the business with laws relating to the contract or services;
  - (5) the sufficiency of the financial resources and ability of the bidder to perform the contract or provide the services. (emphasis supplied)

The State's prior experience with BioTrack and the fact its offices engaged in unlawful conduct should result in BioTrack being a non-suitable contractor.

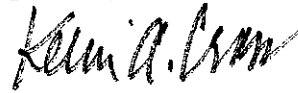
Metrc believes that the decision and scoring which led to the announcement of the anticipation of the award were not consistent with the rules of the proposal nor state law. The result is to deny an award to Metrc which has twice as much experience as BioTrack and submitted a bid that costs the State nearly 20% less than BioTrack. While the evaluators may not have wanted to go through implementation of a new company's software, it should be noted BioTrack's bid calls for use of a new system. See BioTrack proposal "Although BioTrack has been the current vendor of the Arkansas Medical Marijuana Seed-to-Sale System since 2016, the System proposed is not the current S2S; BioTrack proposes to implement our next generation Seed-to-Sale Tracking System first deployed in Connecticut in 2022."

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For these reasons, we would ask that the award not be granted to BioTrack.

Respectfully submitted,



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	<b>ABC REPORTED ISSUES AND REQUESTED UPDATES TO BIOTRACK ("BT")</b>	<b>BIOTRACK'S RESPONSE</b>
1	Issues with BT changing usable weight and erroneously assigning purchases towards patient allotments, resulting in erroneous patient allotment exceedances	Issue allegedly fixed in October of 2021, but issues have persisted into early 2022. Resolved for now.
2	Manifests created by cultivators incorrectly identified destination licensee addresses as located in Washington, despite having the correct dispensary license in BT	Allegedly resolved, however, the same issue presented for some licensees again in December of 2022
3	Red flag report when licensee creates manifest then adjusts the sample size later; everything is correct on printed manifest but amount doesn't change within BT so lab cannot see adjustment (9/22/21 and 9/29/21)	<b>No resolution</b>  BT: Claims this is not a bug in the system; cultivators should not adjust weights after creating the manifest  Instead of adjusting weights, must void that sample to return inventory back to them and then create a new manifest
4	Issues with UIN's appearing that are a result of BT's failure to communicate correctly (9/22/21)	Resolution unclear
5	Old inventory from Aug. 2020 is suddenly reappearing in inventory in some facilities (9/22/21)  Dispensary at issue and ABC sent separate work tickets on this issue.	<b>No resolution</b> —all related tickets have been closed
6	Some facilities have attempted to use a "combine function" with cultivators using the same name strain side; not an option (9/29/21)	<b>No resolution</b>
7	Dispensary's old inventory changing on grow side (9/29/21)  ABC created a ticket on the same issue	<b>No resolution</b> —all related tickets have been closed

8	Quantities of product being transferred to labs for testing not pushing from BT to ARSTEMS	Resolved as of 10/8/21
9	Enhancements to “sync process” to decrease number of issues with inventory erroneously moving to a different room or inventory returning to them (9/29/21)	Resolution unclear—update allegedly resolved most issues.
10	Cultivators cannot change sample size after creating a manifest; erroneously increases the number of samples shown on the lab’s side (9/29/21)	<b>No resolution</b> – BT advised that cultivators cannot change sample sizes; they should void the sample and create a new QA sample
11	Issues with lineage report because of lengthy load times; cannot see back to plant’s inception (9/29/21)	Resolution unclear; allegedly resolved with 10/27 update
12	Software updates are not automatic (10/4/21)	<b>No resolution</b> —issue is with BT’s physical server
13	“Waste” adjustments are incorrectly coded as “seized by WSLCB” (10/4/21)	<b>No resolution</b>
14	When licensees conduct internal inventory audits, their adjustments are identified in the red flag reports (10/4/21)	Resolved – initially brought up in early October; Resolved by January 24, 2022
15	Plant UIN changes: cultivators can only transfer a mature plant in BT; if they transfer an immature plant, the dispensary has to create a new UIN (10/4/21)	<b>No resolution</b>
16	Inability/difficulty with running custom reports. (10/4/21) <ul style="list-style-type: none"> <li>- Cannot run reports for “sales by product type” by year</li> <li>- Have to manually change the year in custom reports to push sales numbers for ABC usage</li> </ul>	<b>No resolution</b>
17	SQL search is not in the Existing Reports tab (10/4/21)	<b>No resolution</b>
18	Inventory getting “stuck” on ARSTEMS (10/18/21)	Resolved – autosync “seemed to have good results” in resolving this issue
19	Dispensaries frequently opening tickets due to items being removed from their inventory	Resolved after several months of reported issues

	and posting multiple times to patient allotments (10/18/21)	
20	Card renewal issues (BT alleged issues may have been linked to problems in the patient portal) (11/1/21)	Resolved
21	"Invalid Patient ID" popup in BT	Resolution unclear
22	System crashes during a sale; results in duplicate sales in ARSTEMS (11/1/21)	<b>No resolution (?)</b>
23	Some licensees not showing in BT as authorized until the next renewal period (11/1/21)	Resolved
24	BT requires dispensaries to change the UIN for mature plants purchased from cultivators – resulting in accounting errors (11/1/21)	<b>No explicit resolution proposed (?)</b>
25	Dispensaries sometimes show inventory for an item as "0"; licensee has to adjust up by one to sell the product and then adjust down one after the sale – results in some duplicate sales (12/6/21)	<b>No resolution</b> BT: Suggested dispensary open a ticket for each individual incident
26	Add inventory types for winterization and distillate (2/14/22)	<b>No resolution</b> – Requested consistently for several months; unclear whether any resolution has occurred
27	Add a "combination" option if licensee goes from flower to intermediate using different flower lots—cannot currently combine flower lots into different flower lots (2/28/22)	Resolution unclear.
28	Add a capability to create an invoice without creating the manifest first (2/28/22)	<b>No resolution</b>
29	Cultivators: when a clone is "killed," it was not identified as destroyed in BT; instead, moved into bulk inventory (2/28/22)	Resolution unclear.
30	BT showing that employees who were not currently working had sublotted inventory into a vault (2/28/22)	<b>No resolution</b>
31	BT sometimes doubles plant weights in harvest (2/28/22)	<b>No resolution</b>
32	Multiple manifests created each time a facility attempts to create one manifest (2/28/22)	Resolution unclear.

33	BT frequently “randomly” moves plants from one room in the facility to another during synchronization checks (2/28/22)	Resolution unclear.
34	Incremental syncing: Total sync takes 4-5 hours and when it is almost complete, the facility receives an error message (2/28/22)	Resolution unclear.
35	Dispensary attempting to move shake from grow to dispensary side of their license, issues with usable cannabis inventory; some previously sold inventory moved back into inventory and can't proceed with extraction process until the issue is resolved (2/28/22)	Resolution unclear.
36	Some licensees experienced issues with QA results on some of their UINs (3/2/22)	Resolved
37	When licensees run reports, last two digits of UIN are truncating (3/14/22)	<b>No resolution</b> - Previously “fixed”, but the issue presented after BT initially resolved the issue.
38	Some dispensaries cannot manifest returns which cultivators can accept because the return does not include their licensee #; the date and time rolls with the current time on manifests (3/14/22)	<b>No resolution</b>
39	Cannot convert intermediary goods to intermediary goods within BT	Resolution unclear – Issue reported for several months without any resolution proposed.
40	Enable “Marijuana Mix Packaged” as a product type within BT (3/18/22)	Resolution unclear
41	Unable to intake Intermediary Goods such as distillate in bulk for finished good production through BT; if licensee purchases distillate from a cultivator, they are unable to attach their QA test to the UINs within the system as an intermediary good; thus, they are unable to transfer the material in compliance (3/21/22)	<b>No resolution</b>
42	Non-Mandatory Samples affect mandatory sample's results; when licensee creates a non-mandatory sample from a UIN the results affect any results that UIN may have had from a mandatory sample	Resolved 3/2/22



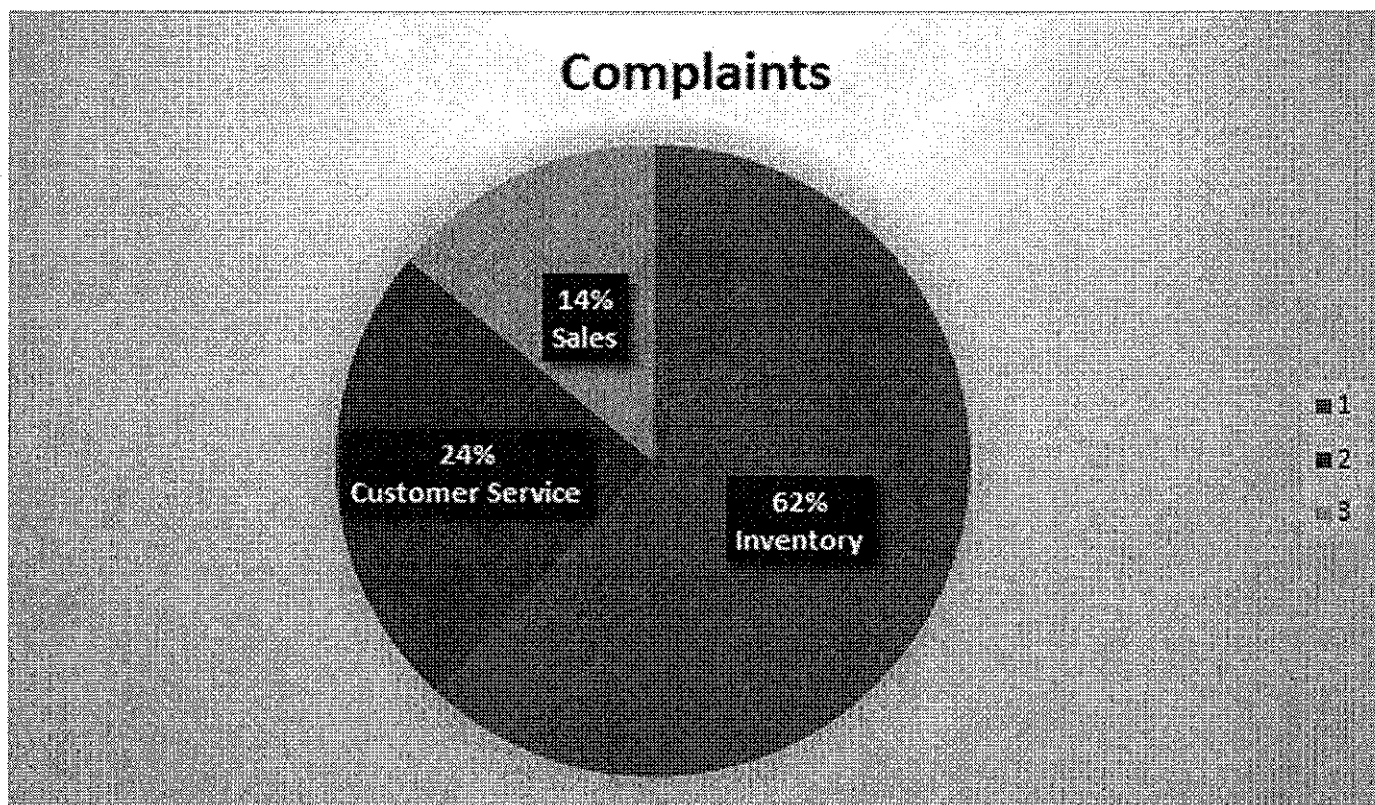
43	Inconsistencies with licensees—inventory reports show full 18 digit UIN # for some licensees and others show partial UINs	Resolved 4/6/22
44	Inventory that dispensaries cannot sell because the QA testing is not attaching in BT (4/11/22)	<b>No resolution</b> ; BT claims this is due to nonmandatory QA testing
45	Hundreds of server errors (4/11/22)	No resolution; BT “still looking” at errors but does not know what caused the errors
46	Inability to run a current inventory or forensic report (4/18/22)	Resolution unclear
47	Fractional weight reports for flowers “rounding down” (4/18/22)	<b>No resolution</b> ; BT claims that this is a LeafLogix issue
48	Wrong usable amount assigned to products without any “backend fix” to resolve the issue (4/18/22)	Apparently resolved in 5/16/22 maintenance window
49	Lack of widely-available generalized or specific training offered to budtenders (4/18/22)	<b>No resolution</b> - BT offers periodic training sessions
50	Errors with manifest dates – arrival/departure date continuously changes to current date (5/2/22)	<b>No resolution</b> ; BT claims that this is a LeafLogix issue—no resolution (5/16/22)
51	Sales being overstated in BT for tax obligation reports (5/2/22)	Resolution unclear
52	Unable to remove or make users inactive that ABC has added on behalf of the state without back-ending by BT (5/12/22)	<b>No resolution</b>
53	Dispensary able to manifest trim to a cultivator with no QA test associated b/c no restrictions in the system for cultivators to complete this transfer (6/21/22)	<b>No resolution</b> - BT admits this is an intentional design, not a flaw; update needed.
54	Heavy metal, moisture activity, and water content retesting requirements with threshold limits (6/23/22)	<b>No resolution</b> ; ABC brought up this issue to BT for months and resolution continuously pushed off
55	Cultivators cannot manifest samples to processor for remediation because of a failed QA (6/23/22)	<b>No resolution</b> ; ABC brought up this issue to BT for months and resolution continuously pushed off

56	Issues with miscalculations on patient limits—completed sales are not getting pushed to ARStems, which means patients deductions are not showing up and the inventory is not removed from the licensee's inventory	Resolution unclear
57	Unable to transfer product between dispensaries	<b>No resolution</b> - BT claims dispensaries may need to update their software
58	Clones showing up in inventory	<b>No resolution</b>
59	Unable to change a strain name (7/7/22)	<b>No resolution</b> ; Not a design error, but intentional in the system
60	Inventory type 13 can be transferred without QA result although dispensaries cannot sell the inventory without the QA test (7/7/22)	<b>No resolution</b> - BT claims resolution in development
61	During renewals, automatically opens the 15-day window without knowledge or approval of Admin (7/7/22)	<b>No resolution</b> - BT admitted problem with the system
62	Some cultivators are able to see another cultivator's rooms/products on their BT when they should only be able to see their own (7/7/22)	<b>No resolution</b> - BT has been claiming that resolution is pending since at least the end of April/beginning of May
63	Cultivators/processors have to send 0.5% of their concentrate batch for testing due to QA sample testing requirement in BT (7/21/22)	BT claimed resolution would occur in 8/9/22 window
64	Unexpected outages across all aspects of BT (7/28/22)	<b>No resolution</b> ; BT claims it was "not something on our end"
65	Manifest errors in BT; route information is not available (7/28/22)	BT proposed a resolution; unclear whether it has been carried out
66	Rejected shipments not shown on their return manifest screen but showing up in ARStems (7/28/22)	<b>No resolution</b>
67	Inventory conversion reports- rejected on manifest and created a new UIN at original facility with the date equaling the date the parent lot was created (as opposed to when the subplot was created)	<b>No resolution</b>

68	Inconsistencies on destruction date in reports; some show when items are set for destruction, others when it's destroyed, others when 72-hour expires so enforcement cannot tell when product is actually destroyed (8/4/22)	<b>No resolution</b>
69	David Potter requested a manual for Arkansas-specific STEM/BT users	<b>No resolution</b> - pushed to a later date
70	Sync deleted inventory at dispensary	<b>No resolution</b> - claimed it was due to user error
71	Because of issues with BT data migration (after hard drive failure at a licensed facility) and BT techs ignoring emails, texts, and calls, Director Chandler said the following in an email to a BT representative:  "Do you have any insight on what is going on with Delta Cannabis Company? They are fixing to have to shut the doors because of the negative impact on customer allotments."	<b>No resolution</b> - BT claimed that most of the issues were the licensee's fault
72	Resolve errors with the licensee test report so ABC can complete inspections (8/18/22)	<b>No resolution</b>

Since the inception of the medical marijuana program, Biotrack has failed to provide a stable and accurate system for the tracking of medical marijuana inventory. As you'll see in the short summary below, this has not been resolved, despite the attention of the Medical Marijuana Oversight committee. These failures have been compounded by terrible customer service and extremely inadequate technical support, which has led to dispensaries being forced to shut down over technical problems and total loss of revenue.

An analysis of state agency records has revealed three main problem areas, most of which are still unresolved:



**1. Problems that interfere with the ability to complete sales of medical marijuana**

- Corrupted Biotrack back up files led to the complete shutdown of the Delta Medical dispensary in West Memphis for an entire weekend (8/26-8/28) so that the inventory could be rebuilt manually
- Repeated instances of unexpected outages of all or part of the Biotrack system, forcing dispensaries to close
- Repeated problems with miscalculations on patient limits and assigning purchases in error so that patients are wrongly prevented from making purchases

**2. Inconsistency in Biotrack inventory records, leading to regulatory problems**

- Repeated problems of Biotrack changing the weight of products in inventory
- Inventory amounts changing unexpectedly without any purchases or transfers being made
- Biotrack sometimes doubles plant weights in harvest records, leading to errors in the inventory
- Biotrack inventory “rounds down” fractional weight reports, leading to errors in inventory
- Repeated problems with completed sales not properly being updated to the system, so inventory is not removed from the licensee’s inventory

**3. Lack of access to customer service and technical support**

- Only access to customer service is through email – no phone numbers are provided
- No technical support or customer service is available after office hours or on weekends, even in complete shutdown circumstances
- Inventory manifests incorrectly identified destination licensee addresses as located in Washington state
- Inability to run necessary custom reports
- Inability to transfer some types of products between licensees in Biotrack – this is a continuing problem

The Biotrack contract was originally awarded in 2017 as a one year contract, renewable for up to 7 years. The current contract term expires in December 2022.

HEALTH CARE

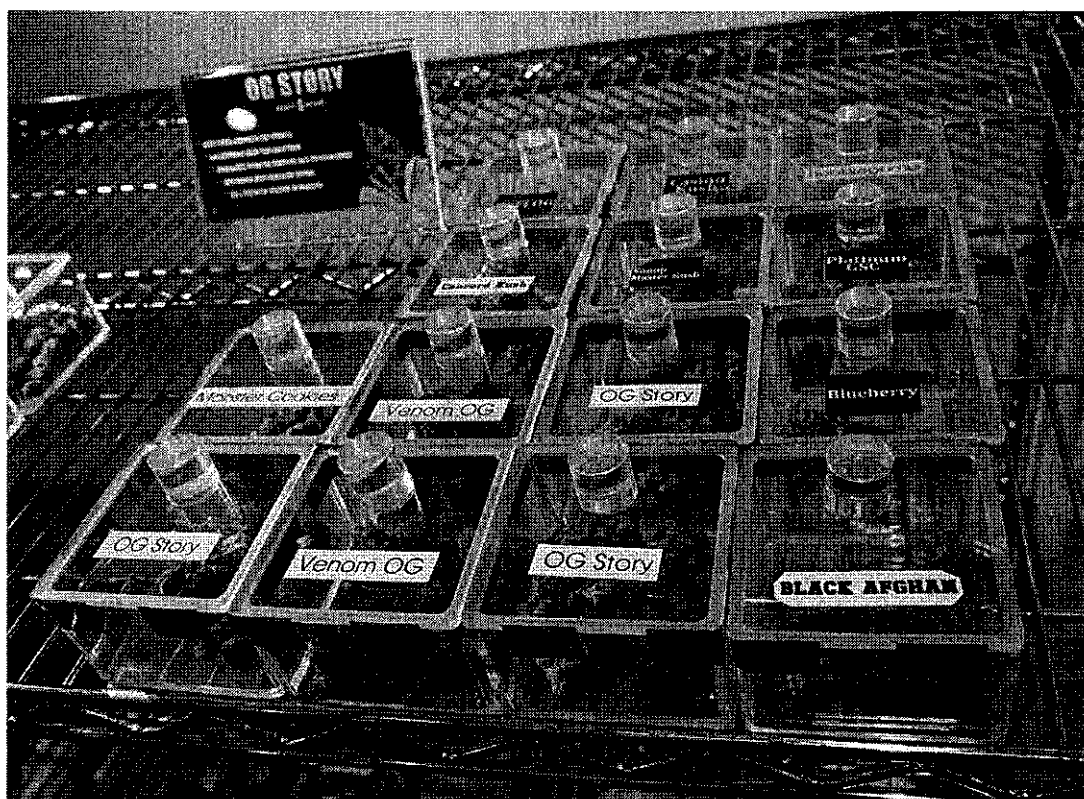
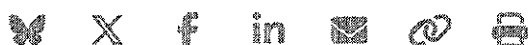
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**EXHIBIT**

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BY: **HUNTER FIELD** - DECEMBER 14, 2022 5:00 PM

BY: **HUNTER FIELD** - DECEMBER 14, 2022 5:00 PM



©(Ethan Miller/Getty Images)

Arkansas' medical marijuana companies are again clashing with the software vendor that operates the state's seed-to-sale tracking system.

Cultivators and dispensaries complain that patient and product data disappear, the software often goes down, available training is insufficient and that customer service is poor when problems do arise.

The vendor, BioTrack, called the complaints misleading and inaccurate, saying it had gone above and beyond its contractual obligations to the state.

Officials for licensed cannabis companies and BioTrack testified before the state Legislature's Medical Marijuana Oversight subcommittee Wednesday.

The testimony made evident problems that can arise in one of the most heavily regulated industries in the state – where every transaction must be logged, from seeds at the cultivation facility to patients purchasing cannabis at a dispensary counter.

“There is no perfect software system out there; there is no perfect provider,” said Bill Paschall, executive director of the Arkansas Cannabis Industry Association.



It's the patients that suffer. When you cannot get the product to the individuals who need it the most, it is indeed the patients who suffer.

– *State Sen. Linda Chesterfield*

## Longstanding problems

Conflicts between licensed medical marijuana companies and BioTrack go back to the start of the industry in Arkansas. The first dispensary experienced delays before its grand opening due to struggles with the software.

Last year, the Medical Marijuana Oversight subcommittee heard nearly identical complaints from the cannabis industry about BioTrack.

The Florida company contracts with the state to host ARStems, the seed-to-sale tracking system. It also provides point-of-sale service to many of the state's dispensaries.

BioTrack Vice President Moe Afaneh blamed several of the problems companies have had on user errors, and a memo BioTrack provided the committee defended the company.



“In the five years that BioTrack has hosted Arkansas’ Medical Marijuana Seed to Sale System, called ARStems, BioTrack has met or exceeded every contractual obligation with the State of Arkansas. [Complaints] submitted to the ALC Medical Marijuana Oversight Subcommittee on November 14, 2022, [are] misleading, and in many instances inaccurate.”



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The state Alcoholic Beverage Control Division, which enforces medical marijuana regulations, has issued more than 100 violations over the last year, according to the agency. Those violations range from advertising infractions to inconsistencies in inventory.

ABC Director Doralee Chandler told lawmakers on Wednesday that she estimates that marijuana companies cite software problems for about 75% of those violations. The agency didn’t have data available on Wednesday about how many violations in the last year involved a BioTrack issue.

But Paschall said companies rarely appeal violations due to legal costs and time.

In Arkansas, there are 38 licensed dispensaries and eight growing facilities; all must be inspected twice a year.

### **The way forward**

Scott Hardin, an ABC spokesman, said agency officials have been meeting with BioTrack officials weekly for more than a year.

“During this time, progress has been made, as the number of unresolved issues remains lower from week to week,” he said.

BioTrack’s current \$560,000 contract with the state expires in 2024. ABC will then put the contract out for bidding again.

However, some are skeptical that a new vendor would fix the ongoing problems, like Robbin Rahman, executive director of Harvest Cannabis dispensary in Conway.

“We should endeavor to try to improve the relationship [with BioTrack],” he said, noting the Conway dispensary conducts



thousands of transactions each month with “every single product tracked down to the gram.”

Rahman emphasized to lawmakers that the cannabis companies bore the brunt of the negative consequences when software problems occur — getting hit with violations or having to temporarily close.

State Sen. Linda Chesterfield (D-Little Rock) quickly interjected.

“It’s the patients that suffer,” she said. “When you cannot get the product to the individuals who need it the most, it is indeed the patients who suffer.”

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## HUNTER FIELD X

Hunter Field is a veteran Arkansas journalist whose reporting on the state has carried him from military air strips in northwest Arkansas to soybean fields in the Arkansas delta. Most recently, he was the Democrat-Gazette's projects editor, leading the newspaper's investigative team. A Memphis native, he enjoys smoking barbecue, kayaking and fishing in his free time.

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## ARKANSAS BLOG

## Data entry issue forces dispensary closures, but the state says the problem is fixed

by Griffin Coop

June 19, 2023 4:07 pm



**OWNERSHIP CHANGES:** Warren Stephens and his family are part of a group that will be the majority owners of Berner's by Good Day Farm dispensary.

A mix-up caused by incorrect dates entered into the state's medical marijuana software system left many of Arkansas's 38 dispensaries no choice but to close for parts of the holiday weekend.

Data for renewed annual dispensary permits was incorrectly entered into BioTrack, the state's cannabis software program. Last month, all 38 dispensaries' permits were renewed for the next fiscal year, which begins on July 1. The data entered into BioTrack did not reflect that the permits were still valid for the rest of this fiscal year, which extends through the end of this month.

As a result, the computer system did not recognize the dispensaries as having valid permits and would not allow them to access the system, which is necessary to carry out sales.

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**Scott Hardin**, spokesman for the state Alcoholic Beverage Control division, said the problem occurred at some point over the weekend and was resolved by about 10:30 a.m. today.

**Robbin Rahman**, executive director of Harvest dispensary in Conway, said his store began experiencing problems on Thursday but was able to access BioTrack. On Saturday, each transaction was taking two to five minutes and sometimes would time out, which creates a discrepancy in the system and must later be fixed. Eventually, the problem was too much to handle, forcing his store to close at 2 p.m. Saturday with a full lobby and a line out the door, he said.

The state's dispensaries sell about \$780,000 worth of products every day, Hardin said.

Hardin said there wasn't any recourse for dispensaries that were forced to close other than for the state to apologize and say the problem wouldn't happen again.

Rahman, who is also the regulatory chair of the Arkansas Cannabis Industry Association, said dispensaries and cultivators are held to the "highest standards" when it comes to following regulations and get fines when they violate a rule.

“That’s the standard dispensaries and cultivators are held to,” he said. “I don’t think that’s the standard the state is held to.”

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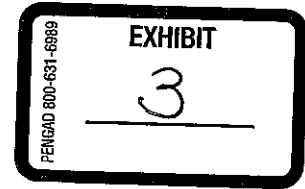
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## MARIJUANA

## Florida cannabis tracking company linked to men in Trump Media insider trading scheme

By Ben Wieder, Kevin G. Hall and Jay Weaver

November 01, 2024 7:09 AM | 5



Cloned plants at the Trulieve medical marijuana facility in Quincy on Wednesday, Feb. 1, 2017.

Joe Randone/Tallahassee Democrat Joe Randone/Tallahassee Democrat

A company contracted by Florida and several other states to track the cultivation and sale of legal marijuana has been linked to two men who have been penalized for insider trading, records show.

Michael Shvartsman was sentenced in October to more than two years in prison following his guilty plea to securities fraud. Shvartsman made millions of dollars in “illegal profits” from insider trades in a company that merged with Trump Media & Technology Group Corp.

The other man, Eric Hannelius, agreed to pay a “civil penalty” in September to settle a civil suit, which also accused him of insider trading in relation to the merger with the media company owned by former President Donald Trump.

Shvartsman and Hannelius have been named in numerous corporate records connected to Alleaves, which is the parent company for BioTrack, which holds the contract to track legal cannabis in Florida.

The two men, along with Hannelius’s wife, were listed as beneficial owners of an Alleaves subsidiary that bought BioTrack last year, giving them ultimate control of the subsidiary, according to court records filed this year.

Their connections to BioTrack are being revealed for the first time by the Miami Herald and Organized Crime and Corruption Reporting Project as voters in Florida debate whether to legalize marijuana for recreational use. Florida currently only allows people with certain medical conditions to obtain marijuana.

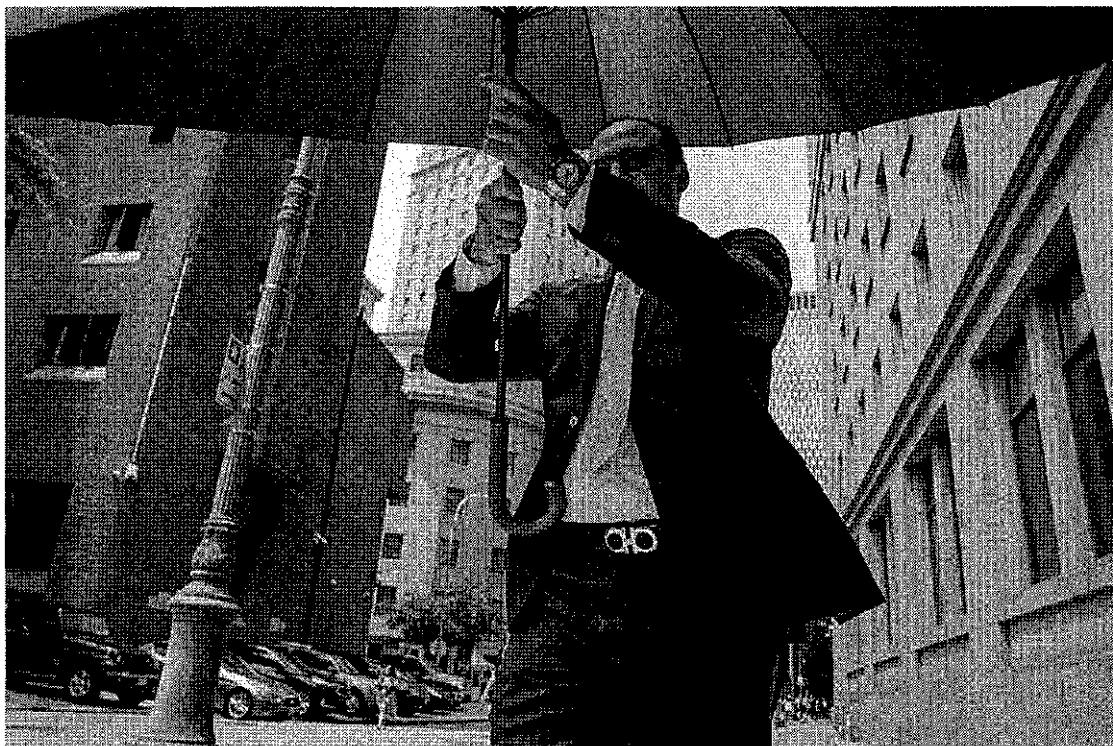
Alleaves said that neither man currently has a role with the company.

If Shvartsman does, it could potentially pose a problem because the 2022 contract between BioTrack and the state of Florida stipulates that no one convicted of “[f]raudulent practices, false pretenses and frauds,” can work on the project, or have access to data it generates.

That contract pays the company up to \$768,000 over five years to provide software that tracks the lifecycle of legally grown cannabis from “seed-to-sale,” to ensure that none of it is diverted for illegal use.

The company said that neither man has any role with Alleaves now and that Shvartsman has no stake in the company. However, Hannelius was listed as one of

the Alleaves directors on corporate records filed in Delaware and Florida earlier this year and is currently listed as a director of Alleaves in the Florida corporate registry.



Michael Shvartsman, hides from photojournalists using an umbrella after exiting Federal Court, Thursday, July 20, 2023, in New York. (AP Photo/John Minchillo) John Minchillo AP

When asked to explain this discrepancy, company spokesperson Emily Vetter said Hannelius's inclusion in the public records was a mistake.

"We believe that was an administrative error that needs to be corrected," she said.

Shvartsman and Hannelius did not respond to multiple requests for comment.

Florida's Department of Health, which holds the contract, didn't respond to numerous requests for comment.

In addition to Florida, BioTrack has contracts with Arkansas, Delaware, Hawaii, Illinois, New Mexico, New York and North Dakota to operate traceability systems. The company also signed contracts to run portals for medical cannabis patients in New Hampshire and Virginia.

While states have taken numerous measures to keep criminal elements out of the burgeoning legal marijuana market, BioTrack's connection to two men penalized for

a financial crime suggests there is an uphill challenge for regulators to keep pace with a rapidly evolving industry.

"I can say this with confidence that every state has had to figure out how to create an infrastructure and regulate a federally illegal substance and with few resources, this has never been done before," said David Vaillencourt, whose Colorado-based consultancy GMP Collective helps companies enter the complex cannabis market.

## Payment Problems

Cannabis is big business in the U.S. Sales revenue is expected to reach nearly \$43 billion this year, according to Statista Market Insights, and it is legal for recreational use in nearly half the states in the country.

But there's a problem: While some states have legalized marijuana, it is still illegal under federal law, which has made most banks reluctant to work with cannabis companies.

That's where BioTrack's parent company, Alleaves Inc, comes in.

Alleaves acts as an intermediary in a system that allows the purchaser to pay a marijuana dispensary using their debit card. To the bank, the payment looks like a cash withdrawal, but it's actually a cashless debit payment to the dispensary.

The money still has to go somewhere, though.

Shvartsman and Hannelius were sued earlier this year for fraud and breach of contract by a bank in Oklahoma, which alleged that they lied about whether their businesses were connected to the cannabis industry.

Alleaves wasn't named in the lawsuit, but BT Assets Group, which the company used to acquire BioTrack, was a party to the suit. Shvartsman, along with Hannelius and his wife, are the beneficial owners of BT Assets Group — meaning they have ultimate control over the company — according to court files. The suit is still pending.

Along with their ownership of BT Assets Group, corporate registry documents reveal the role of Shvartsman and Hannelius in Alleaves. Shvartsman and Hannelius have each been listed as CEO of the company in state corporate filings in recent years and Hannelius is listed as a director on the company's most recent filings in Florida and Delaware.



The purchase of BioTrack for \$30 million in February 2023, by BT Assets Group, then controlled by Shvartsman and Hannelius, came the year after the firm signed its contract with Florida to monitor the flow of legal marijuana.

Vetter, the spokesperson for Alleaves, said that Alleaves divested BT Assets Group in December 2023, 10 months after SEC filings show that the sale was completed. And she said that despite corporate records showing both Shvartsman and Hannelius as officers of the company in the past, to “our knowledge” neither man has a role at the company. She didn’t say when their relationship with the company ended.

The company’s current listed CEO, Michael Beedles, did not respond to multiple phone calls and emails seeking clarification on the relationship.

Alleaves touts the integration of BioTrack into its payment systems as a selling point for cannabis companies that already use the firm to keep tabs on the marijuana they produce or sell.

Alleaves’ acquisition of BioTrack came four months before the U.S. Attorney for the Southern District of New York unveiled charges against Shvartsman. Ahead of Shvartsman’s sentencing, prosecutors accused him and his circle of investors of “netting nearly \$40 million in illegal profits” from well-timed investments in the company that merged with Trump Media.

“The defendant’s criminal conduct was flagrant, manipulative and motivated by sheer greed,” prosecutors wrote.

Shvartsman, who owns a 4,000 square-foot condo in the Porsche Design Tower on posh Sunny Isles Beach, pleaded guilty earlier this year and agreed to forfeit the \$18.2 million in profits he made as part of his plea deal. At his sentencing he was also fined an additional \$1 million.



Porsche Design Tower Miami. *Porsche Design Tower Miami.*

Shvartsman could be deported after serving his prison sentence because he is not American. Born in Ukraine when it was part of the Soviet Union, Shvartsman immigrated to Canada as a child and later became a citizen.

Hanneliuss settled a civil suit brought by the U.S. Securities Exchange Commission by agreeing to give up his proceeds from the trades, which totaled \$168,000, plus interest. He also agreed to pay a penalty of the same amount. The agreement allowed Hanneliuss to end the case without admitting or denying the charges.

The Herald previously reported on another member of the insider trading circle, a Russian American businessman named Anton Postolnikov.

He hasn't been charged, but federal prosecutors allege that he made \$14.5 million off of illegal insider trades in the company that merged with Trump Media.

A company controlled by Postolnikov later loaned millions of dollars to Trump Media.

*This story was produced in coordination with Organized Crime and Corruption Reporting Project, OCCRP, an investigative nonprofit newsroom with staff on six continents.*

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**Jay Weaver**  
Miami Herald

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Jay Weaver writes about federal crime at the crossroads of South Florida and Latin America. Since joining the Miami Herald in 1999, he's covered the federal courts nonstop, from Elian Gonzalez's custody battle to Alex Rodriguez's steroid abuse. He was part of the Herald teams that won the 2001 and 2022 Pulitzer Prizes for breaking news on Elian's seizure by federal agents and the collapse of a Surfside condo building killing 98 people. He and three Herald colleagues were 2019 Pulitzer Prize finalists for explanatory reporting on gold smuggling between South America and Miami.



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Ben Wieder is an investigative reporter in McClatchy's Washington bureau and for the Miami Herald. He worked previously at the Center for Public Integrity and Stateline. His work has been honored by the Society of American Business Editors and Writers, National Press Foundation, Online News Association and Association of Health Care Journalists.

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# State will continue contract with firm operating medical marijuana inventory software

February 22, 2025 at 11:30 p.m.

by Neal Earley





An attendant holds a mason jar of medical marijuana at the Far West Holistic Center dispensary in Detroit in this Nov. 7, 2018, file photo. (AP/Carlos Osorio)

The state of Arkansas announced Thursday its intent to award a \$695,000 contract to BioTrack THC to continue operating the state's medical marijuana inventory software.

BioTrack operates the state's "seed to sales" software to ensure cannabis businesses are in compliance with state laws and regulation, and under a pending agreement, the Florida-based company would continue to do so for an additional seven years.

BioTrack's profile has garnered attention as the former CEO of its parent company pleaded guilty to one count of securities fraud in connection to insider trading scheme involving a company that merged with Trump Media and Technology Group, according to the Miami Herald.

After reviewing four bid offers, the Arkansas Department of Finance and Administration chose BioTrack, letting the company to continue to operate the state's software used to track medical cannabis' businesses' inventory and sales.

"The technology presented by BioTrack was chosen as it meets the specific needs of Arkansas' medical marijuana market," Scott Hardin, a spokesman for the Department of Finance and Administration said in an email. "Arkansas' medical marijuana industry is strictly controlled, with the details of each transaction documented to ensure ongoing compliance."

BioTrack has operated the state's medical marijuana inventory software called ARStems, or Arkansas State Traceability Enforcement Monitoring System, since 2018.

The Arkansas Department of Transformation and Shared Services posted an "anticipation to award," notice Thursday saying BioTrack won the bid process. But the contract won't be finalized until approval from the Joint Budget Committee's Performance Evaluation and Experience Review subcommittee, Hardin said.

In its proposal to the state, BioTrack pointed to its success operating similar software in 11 states -- including Arkansas -- promising their product "already meets all of the requirements within the RFP out of the box and is flexible enough to quickly configure any necessary changes, if needed."

BioTrack's ARStems has had mixed reviews from medical marijuana businesses. However, industry executives have also acknowledged that switching to a competitor could be a major inconvenience for businesses who would temporarily have to stop operations for the switch.

"I think it's the right call, they're dealing with the lesser of two evils," said Bennett "Storm" Nolan, owner of River Valley Relief, a cannabis cultivator based in Fort Smith.

Casey Flippo, founder and CEO of Dark Horse Cannabis, said despite issues his company has integrating its own inventory software with ARStems, the state decision to stick with BioTrack is "the path of least resistance."

In an email, Hardin said, "Input from the industry was considered. However, the key concerns have been resolved."

The final decision on who would get the contract came down to BioTrack and Metrc. After a five-month-long review process, BioTrack ended up scoring higher than its competitor.

The Department evaluated both companies on five categories, with BioTrack scoring higher than Metrc in the "Solution," "Risk" and "Interview" categories. When it came to "Experience," both companies received the highest score from evaluators at the Finance Department.

Like BioTrack, in Metrc pointed to its success in providing similar software systems in other states, including four that border Arkansas. Only in cost did Metrc outscore BioTrack, as Metrc bid \$565,000 for its services, compared to the \$695,000 contract BioTrack was awarded.

BioTrack CEO Moe Afaneh did not return a phone call to comment on Friday.

Arkansas entered into a contract valued at \$2.8 million with BioTrack in December 2018, just ahead of when the first medical marijuana dispensaries were set to open months later. However, the state was unable to award a bid for a new contract by the time its six-year deal with BioTrack expired on Dec. 15.

So the Department of Finance and Administration signed a one-year "bridge contract," allowing to still use BioTrack, while it had yet to settle on which company would win the long-term deal.

BioTrack has come under scrutiny as the former CEO of its parent company Alleaves Michael Shvartsman pleaded guilty to one count of securities fraud for his part insider trading scheme. According to the U.S. Attorney's Office for the Southern District of New York, Michael Shvartsman and his brother Gerald

Shvartsman made \$22 million in illegal profits after they were invited to invest in two special acquisition companies.

According to the U.S. Attorney's Office for the Southern District of New York, Shvartsman made \$22 million in illegal profits after being invited to invest in two special acquisition companies. The two men used inside information about a pending acquisition to make illegal trades before news of the merger of the company with Trump Media became public.

Alleaves, a company based in Florida but incorporated in Delaware, bought BioTrack for \$30 million in 2023 according to a filing with the Securities and Exchange Commission.

"There were not legal issues within the parent company that played a role in this decision," Hardin said in an email. "The company confirmed none of its officers or shareholders have a felony conviction."

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