**Department of Commerce, Community,
and Economic Development**

ALCOHOL & MARIJUANA CONTROL OFFICE
550 West 7th Avenue, Suite 1600
Anchorage, AK 99501
Main: 907.269.0350

Metrc Training for Finance Officers

**This training was presented by the Alcohol & Marijuana Control Office
In conjunction with the Division of Banking and Securities**

Atwood Building 550 W. 7th Avenue
Anchorage, Alaska

Have you ever wondered how the State of Alaska will know that retail marijuana stores are selling marijuana that was grown in a licensed regulated marijuana cultivation facility?

This training will teach you that and more!

This training was offered by the Division of Banking and Securities in conjunction with the Alcohol and Marijuana Control Office on August 29, 2016. The training is regarding Metrc (Marijuana Enforcement Tracking, Reporting and Compliance), the State of Alaska's seed to sale software, as it pertains to finance officers and bankers.

The documents used in this presentation are attached below and you can view the video here.

Metrc Training for Finance Officers

August 29, 2016

Presented by the Alcohol & Marijuana Control Office
in conjunction with the Division of Banking and Securities
Atwood Building, Room 104 and broadcast through WebEx
550 W. 7th Avenue
Anchorage, Alaska

Meeting Agenda

- **Commercial Marijuana Establishments in Alaska- Orientation**   9:00 am

  - **Cynthia Franklin, Director, Marijuana Control Board**

- **Metrc Marijuana Inventory Tracking System- Introduction**   9:15 am

  - **Scott Denholm, Executive Director, Metrc, Franwell, Inc.**

- **Break**   10:15 am

- **Metrc Reports, Data, and API Parameters**   10:30 am

  - **Scott Denholm, Executive Director, Metrc, Franwell, Inc.**

- **State of Alaska Tax Collection**   11: 15 am

  - **Brandon Spanos, Deputy Director Tax Division, Alaska Department of Revenue**

- **Adjourn**   11: 30 am

Alcohol and Marijuana Control Office
550 W 7th Avenue, Suite 1600
Anchorage, AK 99501
marijuana.licensing@alaska.gov
https://www.commerce.alaska.gov/web/amco
Phone: 907.269.0350

Alaska Marijuana Control Board

Application Process Flow Chart

1

Begin Application Online

NEW: LICENSE STATUS

Visit our website:

www.commerce.alaska.gov/web/amco

to initiate application

2

Supplemental Forms

INITIATED: LICENSE STATUS

Public Notice → 3 weeks Newspaper Ad → Post copies of application at premises & conspicuous location → Notify Local Government

Save Affidavits & Documentation

3

AMCO Completeness Review

UNDER REVIEW: LICENSE STATUS

Moves to "Under Review" after payment is submitted

4

Complete
AMCO Notifies Local Government

Incomplete
Go back to Step 2

5

60 Day waiting period for Local Government protest

Regular Marijuana Control Board Meeting

Goes back to next MCB Board Meeting

6

Approved

Approved with Delegation

Tabled

Denied

7

ACTIVE: LICENSE STATUS

metrc Credentialling → Inspection → Effective Date

Welcome to Metrc

Alcohol and Marijuana Control Office

Scott Denholm
Executive Director Metrc
Franwell Inc.

Agenda

- Introduction
- Who is Franwell
- Why
- What is Metrc
- How does Metrc work
- Security and information
- Why RFID
  - How does it work
- Integration with other software
- Training and support

www.metrc.com

Who is Franwell

- 25+ years of business experience in (high flow & volume) supply chain processes & tracking

- 30+ years of experience in computer technologies

- 15+ years focused on auto identification technology (Bar-coding, RFID, etc.)

- In-house
  - Low and high level software design & engineering
  - Digital/hardware design & engineering
  - Solution architecting
  - Help & Support

Regulatory Customers

- Designed by regulators for oversight, regulation, and enforcement.

- Based on DOJ, Cole recommendations for legal marijuana states.

- Created and honed to meet state statute & rules, like CCR 212 in CO, OAR 845 in OR and AS 17.38 in Alaska .

- Strictly focused on regularity oversight

- Do not sell solutions to Industry to refrain from conflict of interest

- Have been working for the last two years with the Bureau of Standards in Jamaica.

On time under budget

On time on budget

On time on budget

Just Awarded

No cost consulting

Federal Compliance

DOJ Requirements

A system adequate to that task must not only **contain robust controls** and procedures on paper, **it must also be effective in practice…** In jurisdictions that have enacted laws legalizing marijuana in some form and that have implemented **strong and effective regulatory and enforcement systems** to control the cultivation, distribution, sale, and possession of marijuana, conduct in compliance with those laws and regulations **is less likely to threaten the federal priorities set forth above**….

http://www.justice.gov/iso/opa/resources/3052013829132756857467.pdf

"Cole Memo keywords" indicate a strong chain of custody is required by the state

1. **Distribution** *(visibility between licensees and to consumer)*

2. **Revenue** *(sales data uploaded and reporting and taxes)*

3. **Diversion** *(transfer manifests and no illegal product can enter the supply chain)*

4. **State-authorized marijuana activity** *(licensing businesses, employees, and labs, with oversight of all activities)*

5. **Cultivation and distribution** *(growth, mfg, transfer manifesting and repackaging)*

6. **Adverse public health consequences** *(ability to recall from any point in the process, both backwards and forwards)*

7. **Growing of marijuana** *(tagging plants from viability and all movement, waste, harvest and packaging)*

8. **Marijuana possession** *(patient id numbers and dispensary registrations and consumer purchase limits)*
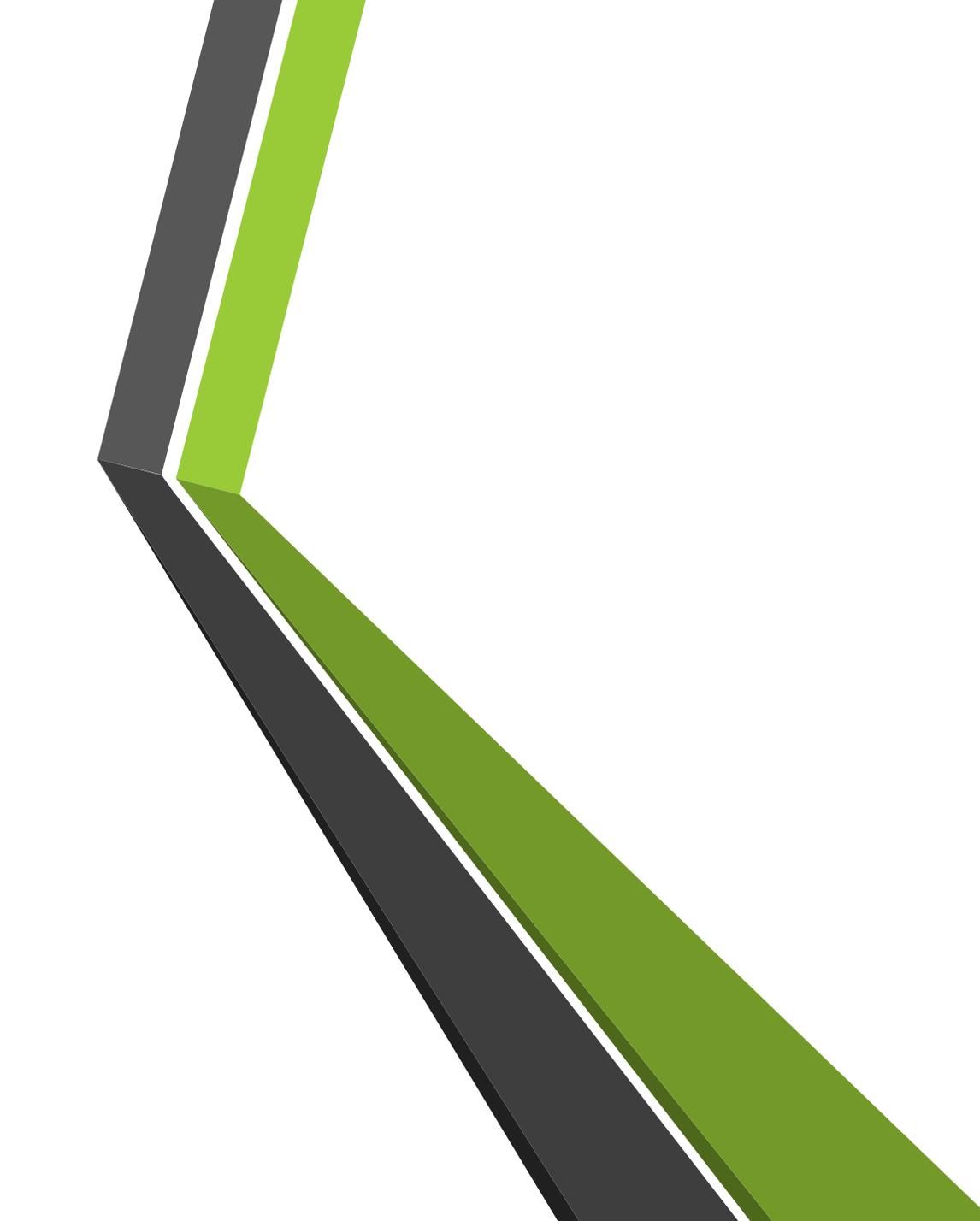
What is Metrc?

Scope

- Metrc™ is a compliance management solution used by regulatory bodies for the oversight of the marijuana industry.

- Metrc is a cloud hosted on-line software reporting system used by licensed marijuana businesses to manage and report supply chain activities as required by state rules.

What Makes up Metrc

The system consists of:
- A web application
- Web services
- A mobile application for site inspection
- A mobile application for industry use
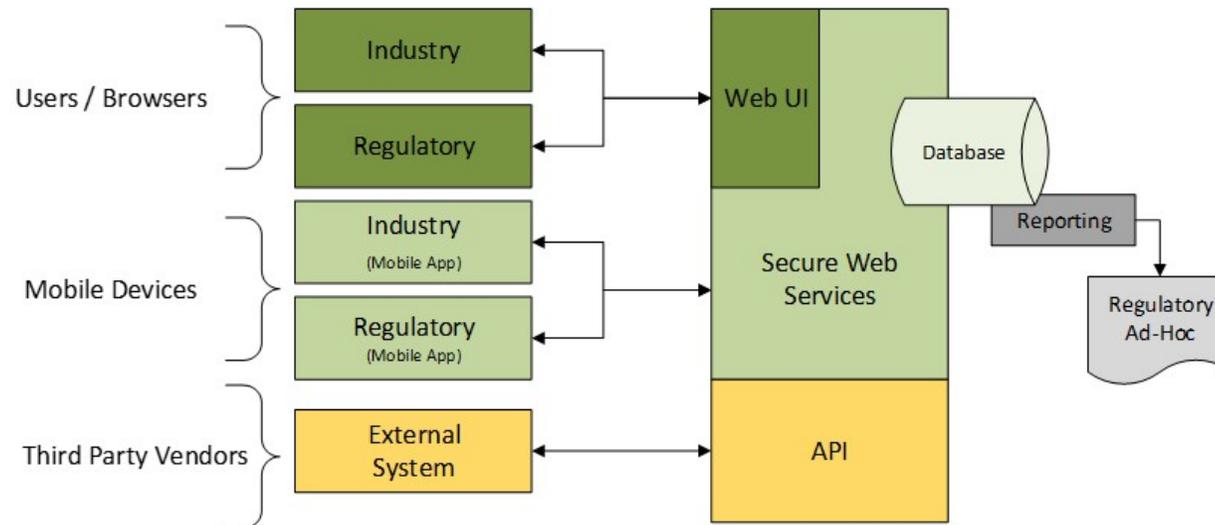
How Metrc is Built

- Private dedicated site
- Secure on-line access
- Real-time with data backup and failover

Alaska Marijuana Industry

Franwell
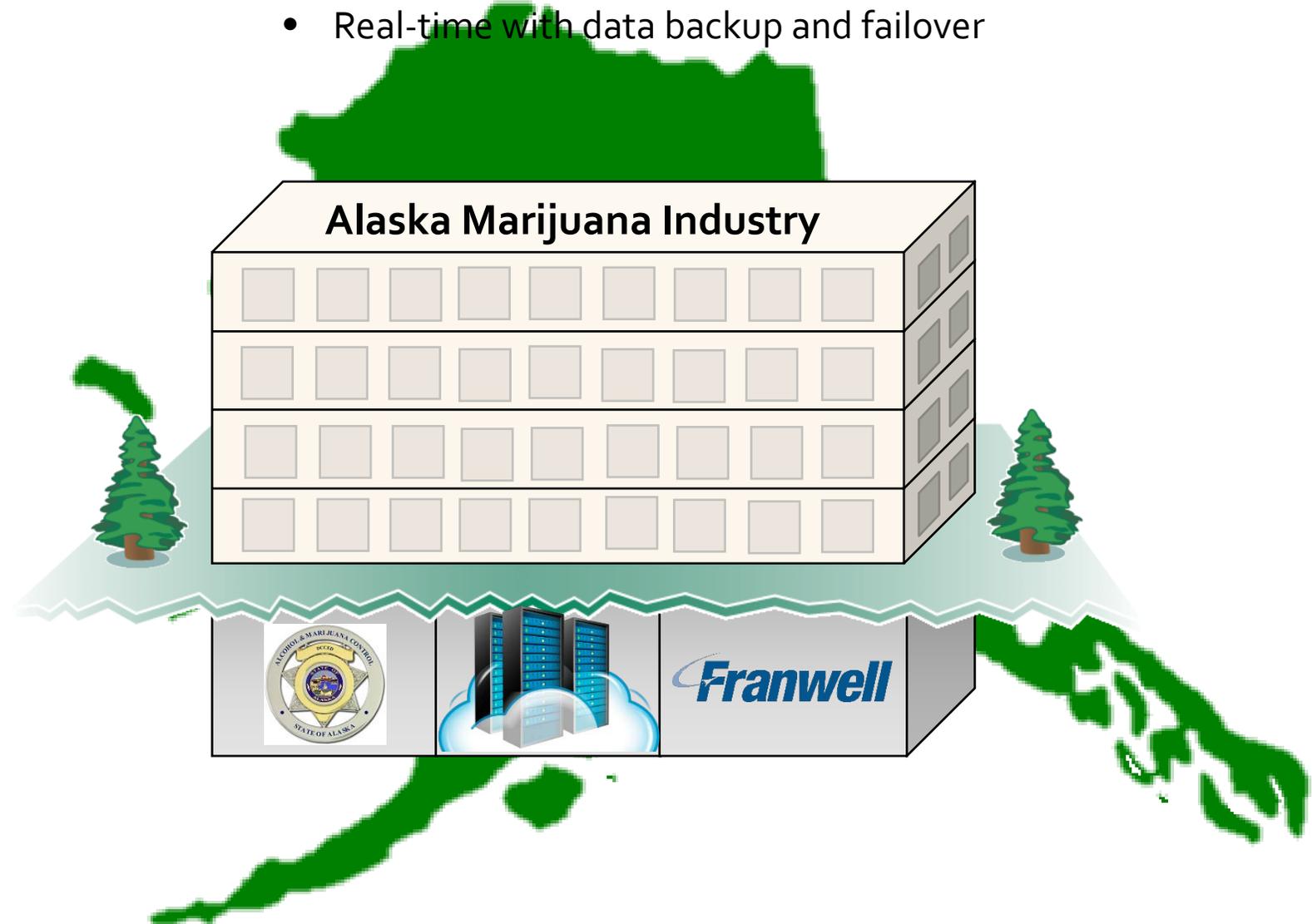
Metrc's Capabilities

- Over **22,000** users enrolled

- Over **3,300** licensees registered

- Over **5,900,000** plants commissioned

- Over **4,300,000** packages tracked

- Over **730,000** travel manifests processed

- Over **61,000** patients served

- Over **60,000,000** events recorded

- Over **130** Metric tons tracked

- Over **2,400,000,000.00** dollars transacted

Brookings Research

- *"The system is widely considered one of the most advanced in the marijuana industry and is used to track product, limit diversion, improve regulatory compliance, and discourage improper market behavior."*

- *"In many ways, the MITS system is the backbone of Colorado's regulatory structure governing legalized marijuana. If effective, it helps businesses and regulators guard against shady practices, while helping keep at bay a federal government that is closely watching enforcement and compliance.*

John Hudak, Brookings Institute, July 31, 2014

B | Center for
Effective Public Management
at BROOKINGS
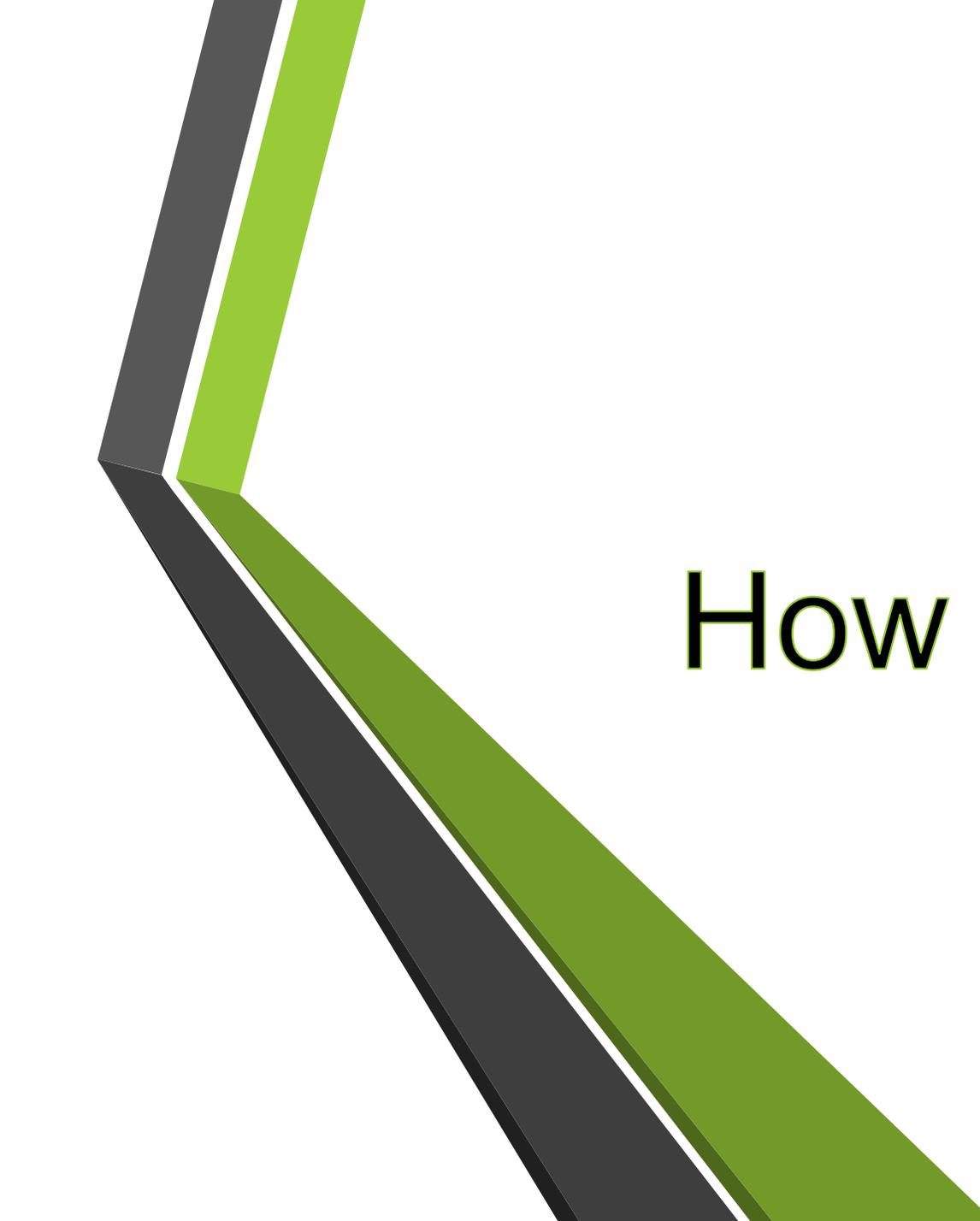
How Does Metrc Work

How Metrc is Organized
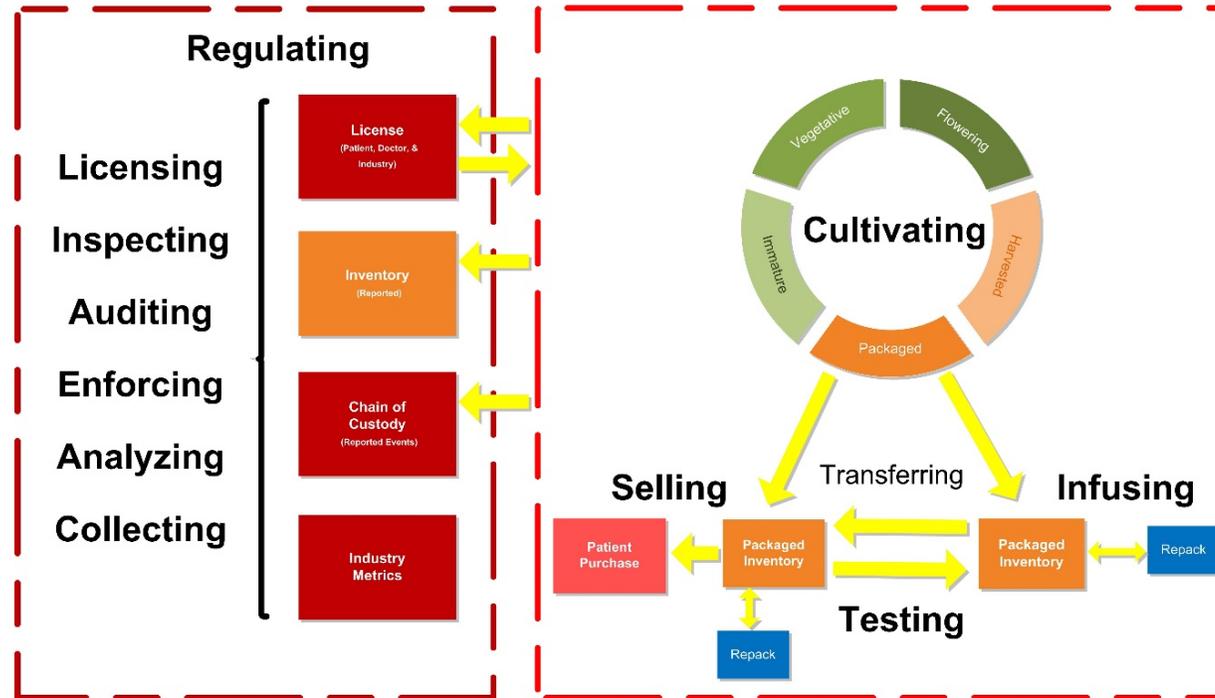
Tracking the Life Cycle
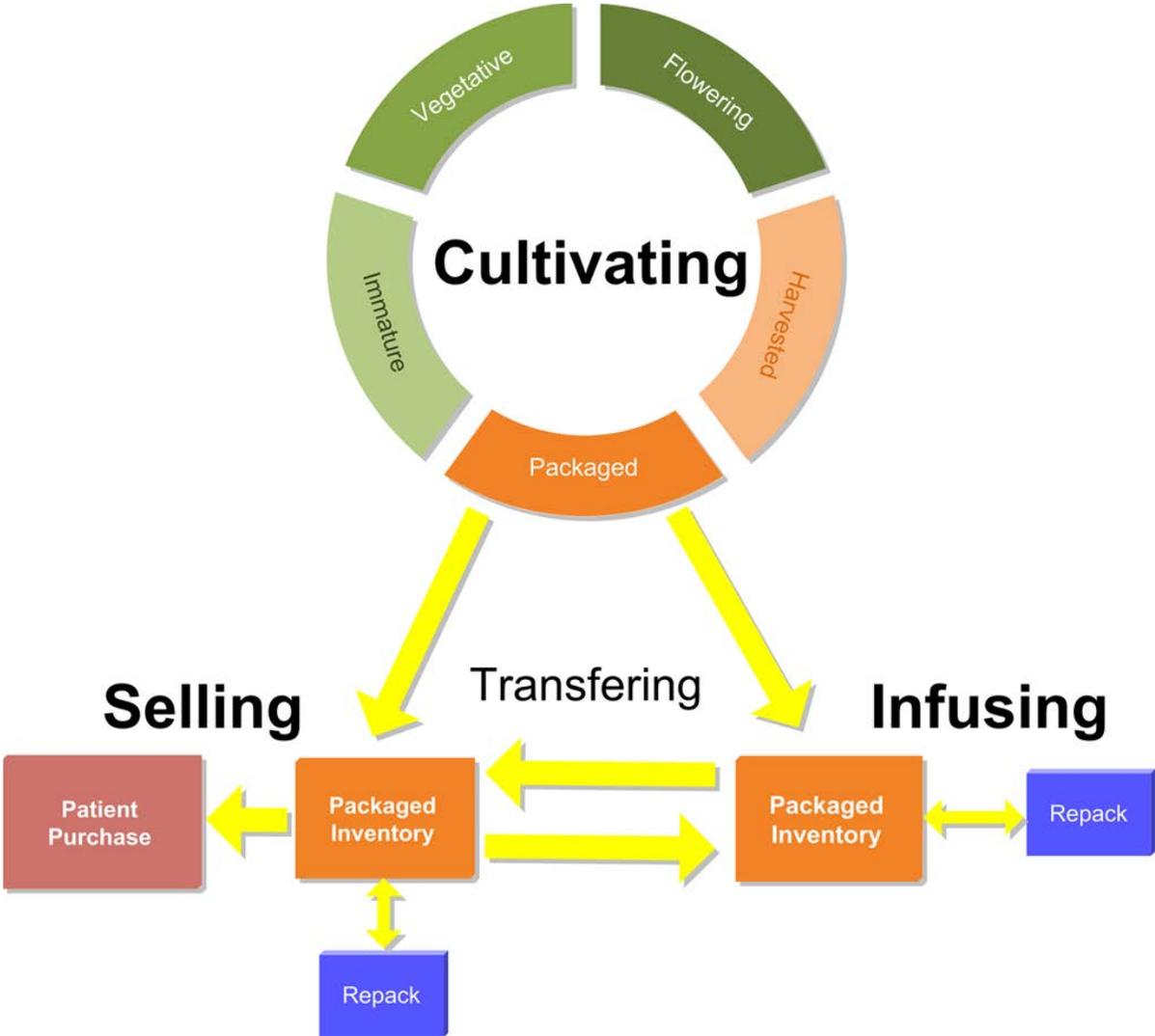
Business Profile

	Retail Store	Cultivation Facility	Product Manufacturing Facility	Concentrate Manufacturing Facility	Testing Facility
Plants		X			
Packages	X	X	X	X	X
Transfers	X	X	X	X	X
Reports	X	X	X	X	X
Sales	X				

Tags and Tracking

Tagged Inventory in Metrc

- There are two types of tagged inventory in Metrc; Plants and Packages.

- Plants are immature, vegetative, or flowering. All plants must enter the system through immature plant batches. However, immature plants will be entered as un-tagged Planting Groups in Metrc.

- Packages are created from immature plants, harvest batches or other packages.

Chain of Custody

Plant

Facility Name

Identifier

License Number

Order Information

Identification Number

Metrc Seal
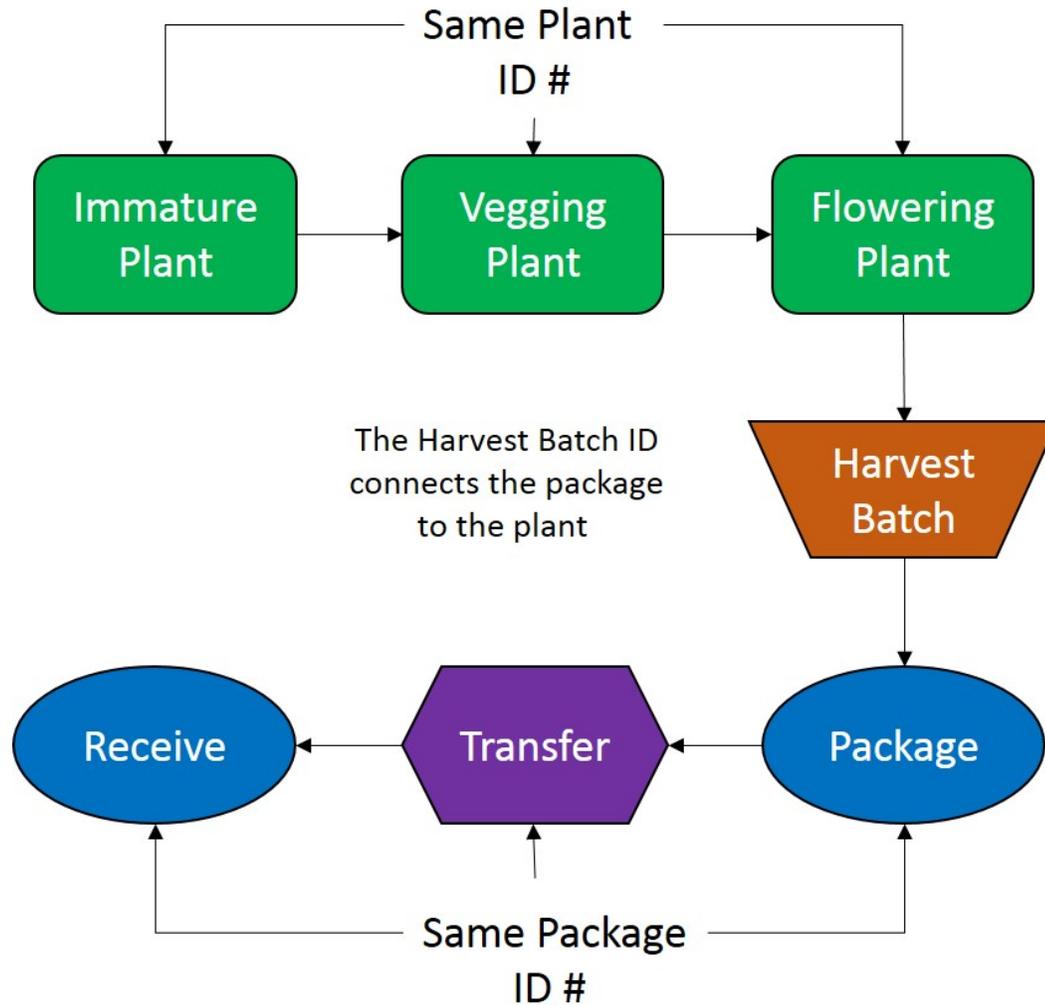
Package

- ▶ Peal and stick – adhesive backing.

- ▶ Package tag is used for transferring packages and tracking of finished product for each licensee in the chain of custody.

- ▶ The package tag is perforated with the "Package ID #" printed on the upper and lower sections. (example: can be used for jar labeling in order to identify associated package).

Tag Attached to Larger Plant

Attachment to Small Plant

Point of strap used for inserting into small plant container

Strap inserted into growth media

Plant Tag Strap User Instructions

Notch

Multi-Use straps

When assembling the tag to a strap, move the tag up until the notch catches the label through the hole, so that the label will not slide down.

When hanging the tag, release one end of the label, then tie the strap around the plant.

Metrc Plants

Plant Tracking

Each phase of plant life captured

Each plant location captured

Ability to destroy or place plants on hold

Each plant uniquely serialized

Complete event history

Harvest Tracking

Harvest details captured

Each harvest captured

All associated plant data captured

Packages

Packages - Definition

- Any amount of marijuana or infused product that may be sold, processed or transferred and must be placed into one or more containers, each having a unique tag created in Metrc.

- Any product intended for transfer must have a package tag.

- Metrc allows you to repack any package into a new package.

**5 Lbs. wholesale
Limit by rule**

Package Tracking

Each package uniquely serialized

Complete package status & history

All associated plant data captured

Transfers

Transfers

- A transfer must be created anytime a package moves from one physical location or licensed facility to another.

- A transfer can be rejected by package or completely.

- A rejected package will require the originating Licensee receive the package back into their custody.

Transfer Tracking

Transfer manifest created, moved and monitored by the system

Detailed transfer manifest and history captured

Processors

Edible/Non-Edible Process

8/30/2016
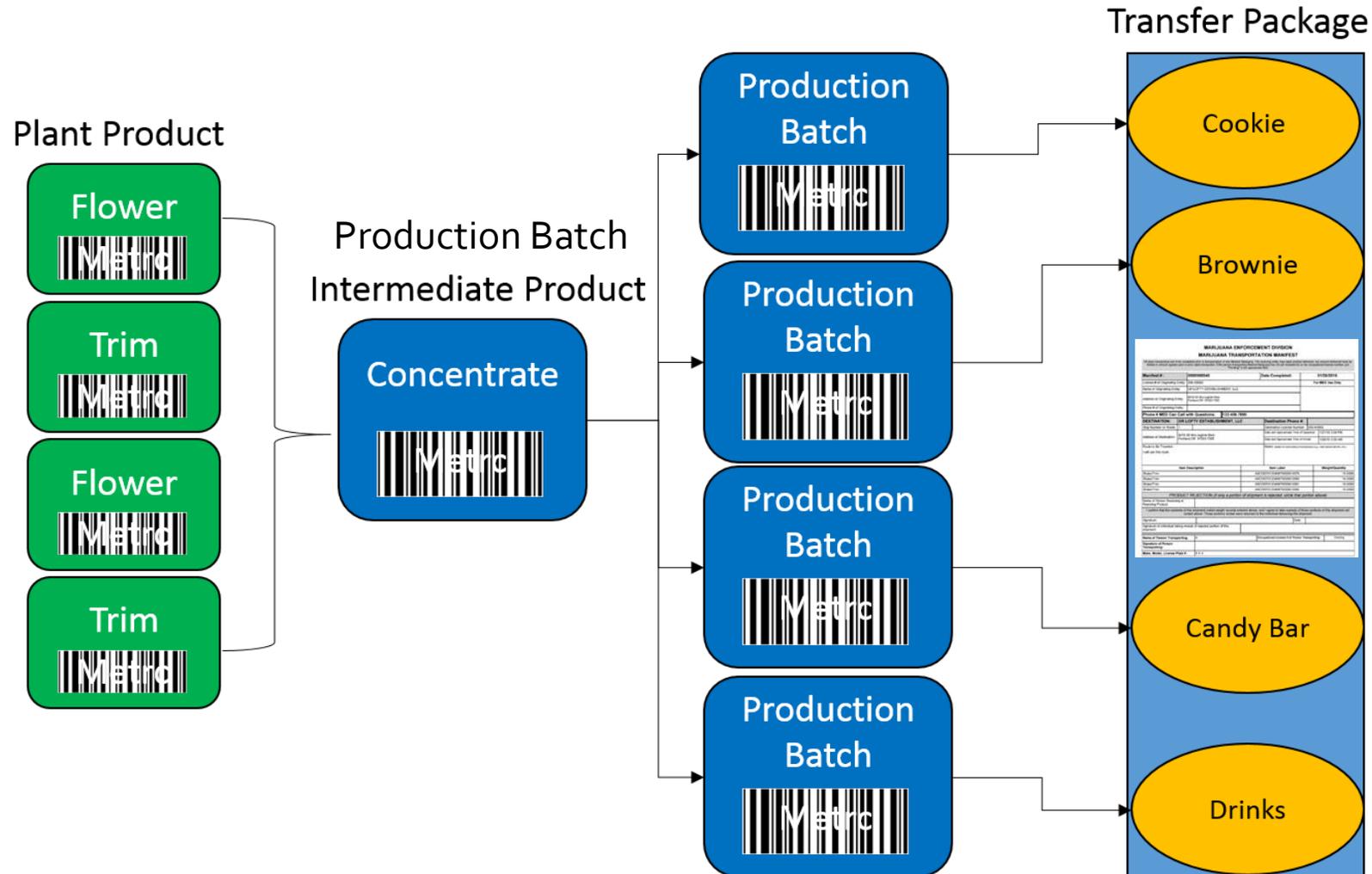
Sales Tracking

Sales Reporting

RFID, What & Why

RFID

What?

- Radio Frequency Identification
  - A technology that identifies objects using low-power radio frequency technology.
- RFID Solutions consist of three components:
  - Hardware (Reader and Antenna)
  - RFID Tag
  - Software

Why?

- Read Range – 10+ Feet
- No line of sight
- Speed 8 to 10 times faster than bar-code
  - Improved Accuracy
  - Faster compliance
  - Search and find feature

Radio Signal

Computer
Memory
Radio
Power

RFID Tag

Reader "speaks" to tag
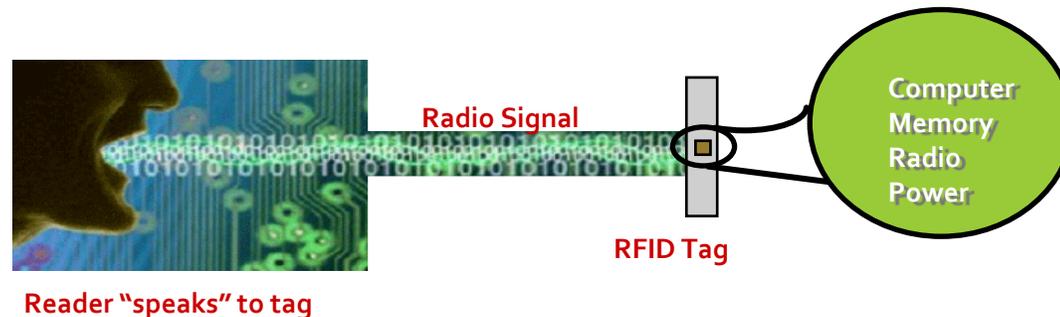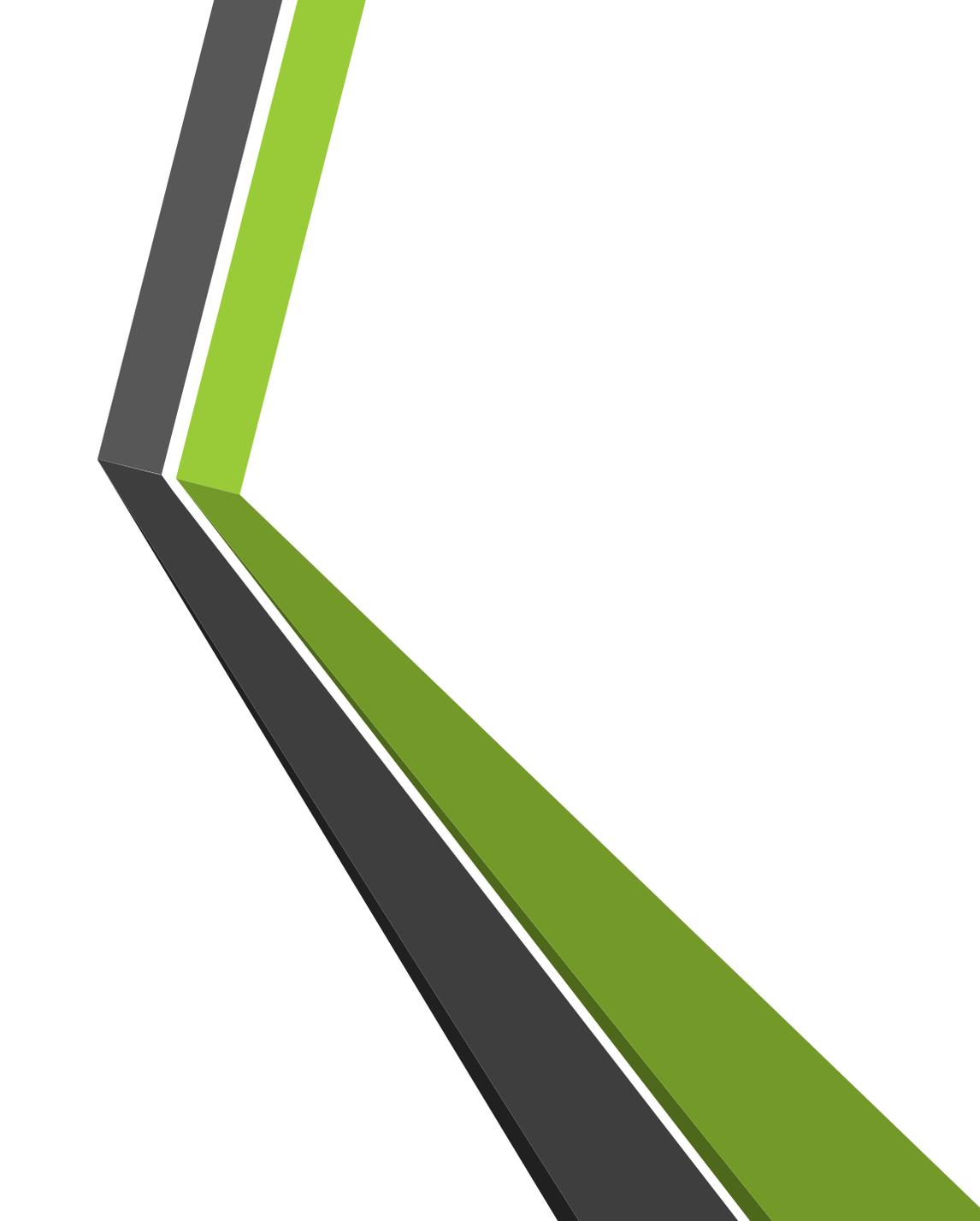
Integration and Reporting

Application Programming Interface

- The API supports data transfer FROM vendor applications to METRC

- The API supports data transfer TO vendor applications from METRC

- The API supports data transfer FROM agency applications to METRC

- The API supports data transfer TO agency applications from METRC

Third party vendors certification process currently in process

Reports

Sales

Cultivation

Transfer

Package

Reports configured with trend Analysis

Exportable to MS Word, MS Excel and PDF formats

Support

Support Resources

- Metrc Manual/User Guide
- Quick Reference guide
- Training
- FAQ's www.metrc.com

- **Interactive Support**
- E-mail
  - Support@metrc.com
  - Metrc support line - 877-566-6506

- Dedicated US based staff
- Dedicated Staff
  - Tickets:
    - Total: 21,052
    - Email: 15,100
    - Phone: 5,952

Contact Information

Support Desk
877-556-6506
Support-or@metrc.com

www.metrc.com/Alaska

ALASKA MARIJUANA TAX

Presented by Brandon Spanos
August 29, 2016

EXCISE TAX ON MARIJUANA

- Voter passed initiative created a $50 / ounce excise tax that is imposed on the marijuana cultivation facility but allowed the Department of Revenue to exempt parts of the plant or establish a lower rate for parts of the plant.

- Regulations impose the $50 / ounce tax on the bud and flower and a $15 / ounce tax on all other parts of the plant.

- The tax return and payment are due on the last day of the month following the month of the sale or transfer.

- Failure to pay the tax may result in the taxpayer's license being revoked.

- The Department of Revenue estimates tax revenue between $5 million and $19 million for the first year.

CHALLENGES

- Federal versus State
- Inability to tax marijuana that does not come from a licensed cultivator
- Bonding
- Cash collection
  - Payments made to Department via drop safe or mail
  - Large payments by appointment via pass-through safe

QUESTIONS?

Brandon Spanos
Deputy Director, Tax Division

907.269.6736

brandon.spanos@alaska.gov