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## RESPONSE TO METRC TESTIMONY

Thank you for the opportunity to submit additional testimony. I respectfully submit this written response to directly address and challenge several claims made by Metrc in their recent testimony, and to ensure the full context of their operations and industry concerns is clearly reflected in the public record.

### 1. Leadership Through Contracts Does Not Equal Accountability or Approval

Metrc's claim of being the "industry leader" based on the number of contracts it holds is misleading. Being awarded contracts, especially in a fragmented and newly legal industry, is not a measure of efficacy, accountability, or even preference by stakeholders—particularly not by licensees who are often given no choice in the matter. Many of these contracts were awarded during early stages of legalization when few track-and-trace options were available. This was not a demonstration of superior service, but rather of aggressive lobbying, connections to state officials, and minimal competitive transparency.

Metrc touts a 100% renewal rate, but this conveniently ignores the fact that in many states, Metrc operates as a sole-source, no-bid vendor, effectively removing competition from the equation. When your only choice is Metrc or to lose licensure, "renewal" is not a vote of confidence—it's regulatory coercion.

### 2. Metrc's Failure to Address Diversion and Real-World Illicit Market Concerns

Despite claiming to be the cornerstone of cannabis regulatory compliance, Metrc continues to avoid responsibility for the glaring failure of its system to prevent diversion, particularly in states like California, where the illicit market still dwarfs the legal one.

Metrc entirely sidestepped this issue in their testimony. They failed to acknowledge the ongoing civil lawsuit filed by Elliot Lewis, CEO of Catalyst Cannabis Co., which alleges that Metrc and regulators in California knowingly allow massive diversion to persist. This suit is not a fringe grievance; it stems from a deep and growing frustration within the industry that Metrc's software is easily manipulated, inconsistently enforced, and fails to provide the traceability it promises.

Ignoring this lawsuit and the surrounding evidence of systemic diversion across Metrc-controlled supply chains in California undermines any claim to transparency, effectiveness, or trustworthiness. If Metrc cannot ensure the integrity of supply chains in the world's largest legal cannabis market, how can smaller states be expected to trust them?

### 3. Misrepresentation of Stakeholder Engagement and System Usability

Metrc claims to "work diligently with all stakeholders" through surveys and forums. However, this does not align with the lived experience of many licensees and regulators. The system is widely regarded as clunky, non-intuitive, and poorly supported, particularly for small cultivators and vertically integrated operators.

Even as Metrc expands, users across multiple states have reported:

- Overly burdensome manual data entry

- Broken API integrations

- Unreliable batch data capture

- Lack of real-time synchronization

- Confusing or inconsistent training materials

These persistent issues are not minor hiccups. They jeopardize compliance, create costly inefficiencies, and drive some operators out of business entirely.

### 4. Attempt to Downplay the Significance of Whistleblower Allegations

Metrc's attempt to paint Marcus Estes, a whistleblower and former executive at

Chroma Signet, as merely a disgruntled employee distracts from the broader concerns his case raises. The lawsuit he filed in Oregon alleges serious issues about the internal culture and direction of Metrc, including potential retaliation for raising red flags about transparency and regulatory collaboration.

Metrc's response doesn't address the substance of his concerns—it simply seeks to discredit the individual, rather than confront the legitimacy of what he exposed. That behavior is emblematic of a corporate culture resistant to criticism and accountability.

## 5. Downplaying Potential Conflicts of Interest

While Metrc tries to minimize the relationship between Director John Hudak and executive Lewis Koski, it is naive to ignore the optics and implications of those past professional connections—especially in a regulatory environment that demands impartiality and public trust.

Even if no direct favoritism occurred, the appearance of conflict of interest should have triggered heightened scrutiny, not defensive denial. Metrc and state agencies alike have a responsibility to build public confidence through transparent processes—not backdoor familiarity.

## 6. Track-and-Trace for Medical Cannabis: A Misaligned Burden

Lastly, Metrc's defense of mandatory track-and-trace for medical cannabis patients and caregivers ignores the unique needs and protections that medical users require. Many of these individuals operate on limited incomes, with specific plant needs that do not fit into a rigid commercialized framework.

Forcing patient cultivators and small caregivers into a system built for industrial-scale operators is not "equal treatment"—it's regulatory overreach that places undue burden on the most vulnerable users of cannabis.

### The Catalyst Lawsuit and Metrc's Role in Alleged Diversion Through "Ghost Dispensaries"

It is critical to address the ongoing civil lawsuit filed by Elliot Lewis, CEO of Catalyst Cannabis Co., in California Superior Court, which directly implicates Metrc in one of the most serious and organized diversion schemes alleged in the history of the legal cannabis industry.

The lawsuit, filed in Los Angeles County, alleges that California regulators and Metrc have knowingly enabled large-scale diversion of cannabis through "ghost dispensaries"—retail locations that are issued state licenses, uploaded into Metrc, but do not actually exist in any physical capacity. These ghost entities, according to the complaint, are being used to launder millions of grams of cannabis product through the track-and-trace system under the false appearance of legal sales.

The diverted cannabis is then allegedly trafficked out of state, including to prohibition states where cannabis remains illegal, creating a federally illicit, state-facilitated supply chain. This activity, if proven true, not only violates the intent of California's legalization framework but also directly undermines the legitimacy of Metrc's entire business model, which claims to provide real-time, transparent supply chain oversight.

The fact that this kind of manipulation can occur within the Metrc system raises grave concerns about:

The integrity and verifiability of its data

The enforcement (or lack thereof) by regulators

The potential complicity or willful ignorance of the company in sustaining these patterns

Rather than confront these issues head-on, Metrc has chosen to dismiss them as baseless, despite mounting documentation, industry support for Catalyst's claims, and increasing scrutiny from both media and operators across the state.

This lawsuit reveals the limitations and vulnerabilities of centralized, closed-source tracking systems and further underscores the urgent need for:

Independent audits

Real-time oversight from third parties

A diversity of technology vendors, not monopolized contracts

And most importantly, accountability for both regulators and their private contractors

A company whose system has already been credibly implicated in widespread diversion, including trafficking cannabis to prohibition states, has no place in a medical program where patients rely on access, integrity, and trust. Medical cannabis is not a corporate commodity—it is a lifeline for many, and the systems governing it must reflect that responsibility with the highest ethical standards.

Yet instead of addressing real concerns, Metrc has chosen a consistent strategy: discredit the messenger and dodge the message. In the case of Marcus Estes, they focused on tarnishing his character rather than engaging with the transparency issues he raised. And in the far more damning case of Elliot Lewis and the Catalyst lawsuit—where the claims are documented, public, and growing in support—Metrc has opted for complete silence. If they can't discredit the person, they pretend the problem doesn't exist.

That is not the behavior of a company invested in public good. It's the behavior of a company protecting its contracts, not the communities it claims to serve.

And in that silence, questions grow louder: What exactly is the nature of the relationship between Metrc and Director Hudak? If there's nothing to hide, why does so much seem hidden? Why does Metrc seem more interested in spinning narratives than securing systems?

At some point, you have to trust your gut. If enough things don't add up—it's because something's not right.

If it walks like a pig and smells like shit—it's probably a pig.

Maine deserves better. Our patients deserve better. And the cannabis industry deserves transparency, accountability, and true partnership—not a monopolized system built on lobbying, deflection, and plausible deniability.

Thank you for considering this testimony.