

# IL Cannabis Licensing & Social Equity Applicant Requirements



Community Enterprise & Solidarity Economy  
Clinic

**UIC JOHN MARSHALL  
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# Roadmap

- The State's findings
- Cannabis Craft Growers, Infusers, and Transporters
  - What are they?
  - Who can apply for a license?
  - What are the application requirements?
  - How do they differ from Dispensary Licenses?
- The "Social Equity Applicant"
  - Who qualifies?
  - What are disproportionately impacted persons and areas?



# IL Cannabis Regulation and Tax Act

- The War on Drugs has harmed thousands of individuals, families and whole communities for decades. Far too many people have endured long-lasting consequences from the effects of illegalization.
  - Consequences like difficulty finding a job, financial hardship, poor health, trouble finding housing.
- Illinois is prioritizing efforts to correct these past injustices, especially for low-level offenders.
- Illinois will automatically expunge certain cannabis related offenses.
- Illinois will promote business ownership in this new industry for the people who have been most impacted by enforcement of cannabis related laws.
- The Illinois Social Equity Program will offer financial assistance and license application benefits to the people most impacted by the enforcement of marijuana laws in the past and are interested in starting a business in the industry.

# Cannabis Craft Grower Licenses

## What is a Craft Grower?

- Craft growers are simply individuals or entities that grow cannabis.
- Craft growers are smaller than commercial cultivators which grow on a larger scale and output.



# Craft Grower Licenses

- Anyone can apply
  - License application forms are available on the Illinois Department of Agriculture (IDOA) website and **DUE between Feb 14 – Mar 16, 2020.**
  - Up to 40 licenses will be awarded on or before July 1st. An additional 60 licenses by Dec 21, 2021.
- Application fee
  - Non-Social Equity Applicants- \$5,000 nonrefundable fee.
  - Social Equity Applicants- \$2,500 nonrefundable fee.
- License fee
  - Non-Social Equity Applicants- \$40,000 before receiving the license.
  - Social Equity Applicants- \$20,000 before receiving the license.
- Licenses are not restricted by region or district like Dispensary licenses
- Craft Growers can only sell to licensed Dispensaries, Craft Growers, Infusers, Cultivation Centers.
- Craft Growers can process concentrates and cannabis infused products but should describe in operation plan.
- Must have a location identified and proof of zoning compliance.

# Scoring of Craft Grower Applications

- The Illinois Department of Agriculture (IDOA) reviews license applications.
- The IDOA will score and rank applicants out of a total of 1000 point using the following scale:
  - Suitability of the Proposed Facility (75 points)
  - Suitability of Employee Training Plan (50 points)
  - Security Plan and Recordkeeping (145 points)
  - Cultivation Plan (75 points)
  - Product Safety and Labeling Plan (95 points)
  - Business Plan and Services to be Offered (110 points)
  - Status as a Social Equity Applicant (200 points)
  - Labor and Employment Practices (20 points)
  - Environmental Plan (20 points)
  - Illinois Owner (90 points)
  - Status as a Veteran (20 points)
  - Diversity Plan (100 points)

# Cannabis Infuser Licenses



# What is a Cannabis Infuser?

- Infusers are facilities that directly incorporate cannabis concentrate into a product to make it a cannabis infused product.
- Products include edibles, smokable concentrates, tinctures, vaporizers, etc.



# Infuser Licenses

- Anyone can apply
  - License application forms are available on the Illinois Department of Agriculture (IDOA) website and **DUE between Feb. 14 – Mar. 16.**
  - Up to 40 licenses will be awarded on or before July 1, 2020. An additional 60 licenses by Dec 21, 2021.
- Application fee
  - Non-Social Equity Applicants- \$5,000 nonrefundable fee.
  - Social Equity Applicants- \$2,500 nonrefundable fee.
- License fee
  - Non-Social Equity Applicants- \$5,000 before receiving the license.
  - Social Equity Applicants- \$2,500 before receiving the license.
- State-wide distribution
  - Licenses are not restricted by region or district like Dispensary licenses.
- Infuser may not extract cannabis concentrate from cannabis flower.
- Infuser must only sell products to licensed Dispensary Organizations.
- Must have location identified and proof of zoning compliance.

# Scoring of Infuser Applications

- The Illinois Department of Agriculture (IDOA) reviews license applications.
- The IDOA will score and rank applicants out of a total of 1000 point using the following scale:
  - Suitability of the Proposed Facility (75 points)
  - Suitability of Employee Training Plan (50 points)
  - Security Plan and Recordkeeping (145 points)
  - Infusing Plan (75 points)
  - Product Safety and Labeling Plan (95 points)
  - Business Plan and Services to be Offered (110 points)
  - Status as a Social Equity Applicant (200 points)
  - Labor and Employment Practices (20 points)
  - Environmental Plan (20 points)
  - Illinois Owner (90 points)
  - Status as a Veteran (20 points)
  - Diversity Plan (100 points)

# Cannabis Transporter Licenses

# What is a Cannabis Transporter?

- Simply, these are the individuals or business that are licensed to transport cannabis.



# Transporter Licenses

- Anyone can apply
  - License application forms are available on the Illinois Department of Agriculture (IDOA) website and **DUE between Feb. 14 – Mar. 16.**
  - Licenses will be awarded on or before July 1st.
  - There is not limit to how many transportation licenses will be issued. Any applicant who meets all requirements and scores 75% of the available points, will be issued a license.
- Application fee
  - Non-Social Equity Applicants- \$5,000 nonrefundable fee.
  - Social Equity Applicants- \$2,500 nonrefundable fee.
- License fee
  - Non-Social Equity Applicants- \$10,000 before receiving the license.
  - Social Equity Applicants- \$5,000 before receiving the license.
- State-wide distribution
  - Licenses are not restricted by region or district like Dispensary licenses.
- Transporters can only transport for licensed Craft Growers, Infusers, Dispensaries, Cultivation Centers, or Testing Facilities.
- Must have a location identified and proof of zoning compliance.

# Scoring of Transporter Applications

- The Illinois Department of Agriculture (IDOA) reviews license applications.
- The IDOA will score and rank applicants out of a total of 1000 point using the following scale:
  - Business Plan (180 points)
  - Suitability of Employee Training Plan (160 points)
  - Security and Recordkeeping Plans (200 points)
  - Status as a Social Equity Applicant (200 points)
  - Labor and Employment Practices (20 points)
  - Environmental Plan (20 points)
  - Illinois Controlled or Owned (100 points)
  - Status as a Veteran (20 points)
  - Diversity Plan (100 points)



# Application Requirements



# Business Entities

- Applicants must have a business entity that is recognized by the state of Illinois in order to apply for a dispensary license.
- Common business entities include:
  - Corporations,
  - Limited Liability Companies (“LLC”),
  - Cooperative Corporations, and
  - New Limited Worker Cooperative Associations (“LWCA”).
- All of these entities have specific requirements for formation, i.e., the documents that are necessary to create the business.
- Each allows for different levels of flexibility in its structure and management.

# Business Entity Comparison

	Corporation	Limited Liability Company	Cooperative Corporation	Limited Worker Cooperative Association
Minimum Number of Members	1	1	5	3
Management Style	Board of Directors	Members or Managers	Board of Directors (5)	Members or Managers
Formation Documents Required	Articles of Incorporation	Articles of Organization	Articles of Incorporation	Articles of Organization
Governing Documents	Bylaws	Operating Agreement	Bylaws	Operating Agreement
Owner of the Business	Shareholders	Members	Members	Members, but at least 51% are worker-owners
Limited Liability for Owners	Yes	Yes	Yes	Yes

# Detailed List of What is Required:

- Craft Growers/Infusers (same requirements)
  - Business Plan & Services to be Offered (110 points)
  - Suitability of Employee Training Plan (50 points)
  - Security Plan & Recordkeeping (145 points)
  - Proposed Facility (75 points)
  - Cultivation/Infusing Plan (75 points)
  - Product Safety & Labeling Plan (95 points)
  - Status as a Social Equity Applicant (200 points)
  - Labor & Employment Practices (20 points)
  - Environmental Plan (20 points)
  - Illinois Owner (90 points)
  - Status as a Veteran (20 points)
  - Diversity Plan (100 points)
- Transporters
  - Business Plan (180 points)
  - Employee Training Plan (160 points)
  - Security & Recordkeeping Plan (200 points)
  - Social Equity Applicant Status (200 points)
  - Labor & Employee Practices (20 points)
  - Environmental Plan (20 points)
  - Status as a Veteran (20 points)
  - Diversity Plan (100 points)

# Business, Operating, and Financials

- Business Plan
- Financial documents should include the financial projections for your business, including a few standard projection statements.
- Operating Plan includes information on the nuts and bolts of the business. What will you do day-to-day to operate a successful cannabis business?

# The Business Plan

Applicant must:

- (1) Provide a business plan describing how the license holder plans to operate on a long-term basis, including a description of the amount and source of equity and debt commitment, and financial feasibility;
- (2) Describe the experience that the applicant, its officers, members, or incorporators have in business management, this industry, or agriculture/horticulture, and the extent of their involvement or influence with the day to day operations of the business;
- (3) Provide a startup time-table including an estimated time from permit approval to full operation, and the basis for the estimates. This should include a statement that Applicant can demonstrate experience or business practices that promote economic empowerment to Disproportionately Impacted Areas.



# Operating Plan

How will your business operate on a day-to-day basis. The operating plan should include details about the following:

- Personnel/employees
- Supplier(s) information
- Inventory
- Distribution
- Equipment
- Processes
- Other legal requirements

## Operational Plan

This section explains the daily operation of your business, including its location, equipment, personnel and processes.

### 1. Personnel

What type of personnel will your business need? Explain details such as:

- What types of employees? Are there any licensing or educational requirements?
- How many employees will you need?
- Include job descriptions.
- How do you plan to find qualified employees and contractors?
- What type of training is needed and how will you train employees?

### 2. Inventory

If your business requires inventory, explain:

- What kind of inventory will you keep on hand?
- What will be the average value of inventory (in other words, how much are you investing in inventory)?
- What rate of inventory turnover do you expect? How does this compare to industry averages?
- What is your lead time for ordering inventory?

### 3. Suppliers

List your key suppliers, including:

- Names, addresses, websites
- Type and amount of inventory furnished
- Do you expect any supply shortages or short-term delivery problems? If so, how will you handle them?
- Do you have more than one supplier for critical items (as a backup)?
- What are your suppliers' payment terms?

### 4. Distribution

### 5. Legal environment

What type of legal environment will your business operate in? How are you prepared to handle legal requirements? Include details such as:

- Any licenses and/or permits that are needed,
- The insurance coverage your business requires and how much it costs
- Workplace regulations affecting your business
- Any special regulations affecting your industry
- Bonding requirements, if applicable

After reading the Operational Plan section, the reader should understand how your business will operate on a day-to-day basis.

# Financial Plan

- Start-up expenses
- Opening day balance sheet
- Personal financial statements
- Profits & Loss statement
- Cash flow projection
- Projected balance sheet
- Break even calculation
- Initial capital projections

## Financial Plan

Your financial plan is perhaps the most important element of your business plan. Lenders and investors will review it in detail. Developing your financial plan helps you set financial goals for your startup and assess its financing needs. Include the following:

1. **12-month profit & loss projection**

Also known as an *income statement* or *P&L*, the 12-month profit and loss projection is the centerpiece of your business plan. Download the [12-Month Profit and Loss Projection](#) and fill in your projected sales, cost of goods sold and gross profit. (Refer to the Sales Forecast you created in Section IV.) Then list your expenses, net profit before taxes, estimated taxes and net operating income.

2. **Cash flow projection**

The cash flow statement tracks how much cash your business has on hand at any given time. Once your business is up and running, you'll want to keep close tabs on your cash flow statement. For now, however, you're creating a cash flow *projection*. Think of the cash flow projection as a forecast for your business checking account. It details when you need to spend money on things such as inventory, rent and payroll, and when you expect to receive payments from customers and clients. For example, you may make a sale, have to buy inventory to fulfill the sale, and not collect payment from the customer for 30, 60 or 90 days. The cash flow projection takes these factors into account, helping you budget for upcoming expenses so your business doesn't run out of money.

Download the [12-Month Cash Flow Statement](#) and use it to create your projections.

3. **Projected balance sheet**

A balance sheet subtracts the company's liabilities from its assets to arrive at the owner's equity. You already created an opening day balance sheet in Section I. Now, download the [Balance Sheet \(Projected\)](#), and create a projected balance sheet showing the estimated financial condition of your business at the end of its first year. The major difference between the two is that the projected balance sheet includes any owner's equity resulting from the business's first year in operation. Lenders and investors may want to see this projection.

4. **Break-even calculation**

The break-even analysis projects the sales volume you need in order to cover your costs. In other words, when will the business break even? Download the [Break-Even Analysis](#) template and, using your profit and loss projections, enter your expected fixed and variable costs. Adjust the categories to reflect your own business.

5. **Use of capital**

If you're using the business plan to seek financing from lenders or investors, provide a breakdown of how you will the capital and what results you expect. For example, perhaps you will use the money to buy new equipment and expect that to double your production capacity.

After reading the Financial Plan section, the reader should understand the assumptions behind your financial projections and be able to judge whether these projections are realistic.

# Financial Information & Startup Capital

- An applicant need provide a statement demonstrating that the applicant will have access to sufficient funds to own and operate a craft grow, infuser or transport business if awarded a license.
- Craft Growers & Infusers must demonstrate \$20,000 in liquid assets. (No Requirement for Transporters)
- Applicants can provide supporting documentation, but it's not required.
- Consider your plans for financing and raising capital. Keep in mind you may have to comply securities regulations.

## Startup Expenses & Capitalization

In this section, detail the expenses involved in opening for business and how much capital you'll need. (Do not include ongoing expenses after your business opens; those are listed in the Financial Plan.) Estimating startup expenses as accurately as possible helps you gather enough startup capital.

### 1. Start-Up Expenses

Download and complete the [Start-Up Expenses](#) template. In working on this Business Plan, you should already have gathered most, if not all, of the information you need. In the body of this section, be sure to explain all of the assumptions behind the figures. How did you come up with these expenses? If you've secured or expect to secure loans, explain the source/s, amount/s and terms. If you've secured or expect to secure investors, explain how much each investor will contribute and what percentage of ownership each receives in return.

Be sure to include extra capital for unexpected expenses. Opening a new business almost always ends up costing more than expected, and you need to be prepared. List this figure in the Start-Up Expenses template under "Reserve for Contingencies." How much should you set aside for contingencies? You can talk to other business owners in your industry to get a ballpark figure. If you can't come up with a figure this way, a good rule of thumb is to set aside 20% to 25% of your total startup costs for contingencies.

### 2. Opening Day Balance Sheet

Download and complete the [Opening Day Balance Sheet](#). Use it to detail the expected state of your business finances on opening day. As with the Start-Up Expenses sheet, be sure to explain the assumptions behind the figures.

### 3. Personal Financial Statement

If you are using the business plan to seek financing, include personal financial statements for each owner and each major stockholder. The personal financial statements should detail each person's assets and liabilities outside of the business and their personal net worth. Investors and/or lenders typically expect business owners to use personal assets to finance a startup, and they'll want to see how much capital you have available from your personal finances.

After reading the Startup Expenses & Capitalization section, the reader should know how much money is needed to start the business and how well capitalized you are.



# Principal Officer Application Forms

A Principal Officer is:

- Someone with a greater than 1% ownership interest in a privately owned company  
or;
- Someone with greater than 5% ownership interest in a publicly traded company.

Must be 21 years old, no outstanding taxes to Illinois.

Fingerprint consent forms.

**Illinois**  
Department of  
**Agriculture**

**CANNABIS CRAFT GROWER  
APPLICATION AND EXHIBITS**

John R. Block Building, 801 E Sangamon Ave, Springfield IL 62702 • 217/782-2172 • TDD 217/524-6858

**Exhibit Q: Principal Officer and Board Member Disclosure**  
This form must be completed for each principal officer and/or board member. This form must be filled out entirely despite the potential appearance of duplicative information.

First Name \_\_\_\_\_  
Middle Name \_\_\_\_\_  
Last Name \_\_\_\_\_  
Maiden Name (if applicable) \_\_\_\_\_  
Alias(es) or former names \_\_\_\_\_  
Sex (optional) \_\_\_\_\_  
Race (optional) \_\_\_\_\_  
U.S. Resident? \_\_\_\_\_  
Illinois Resident? \_\_\_\_\_  
Date of Birth \_\_\_\_\_  
Work Telephone \_\_\_\_\_  
Cell Phone \_\_\_\_\_  
Email Address \_\_\_\_\_  
Social security number (as required by the Act) \_\_\_\_\_

# Security and Record Keeping Plan

- Applicants must submit a contract with a private security contractor that is licensed under Section 10-5 of the Private Detective, Private Alarm, Private Security, Fingerprint Vendor, and Locksmith Act of 2004.
- Plan must provide for a security guard to be onsite during operating hours, video surveillance cameras, an extensive alarm system. How will you handle incidents?
- Must maintain the following records electronically: 1) operating procedures, 2) inventory records and procedures, 3) security records, 4) audit records, 5) staffing plan, and 6) business records (transactions, financial documents, etc.).

# Dispensary License vs. Other Licenses

Dispensaries	Craft Growers, Infusers, & Transporters
90 days to secure location once granted a conditional license	Proposed Location Required with Application
Proof of Zoning Compliance Not Required with Application	Proof of Zoning Compliance Required with Application
Proof of liquid assets not required. Must provide statement that applicant will have sufficient funds to operate a dispensary	Proof of \$20,000 in liquid assets required for Craft Growers & Infusers Proof of liquid assets not required for Transporters
\$5,000 app fee/\$60,000 license fee	Grower: \$5,000 app fee/\$40,000 license fee Infuser: \$5,000 app fee/\$5,000 license fee Transporter: \$5,000 app fee/\$10,000 license fee

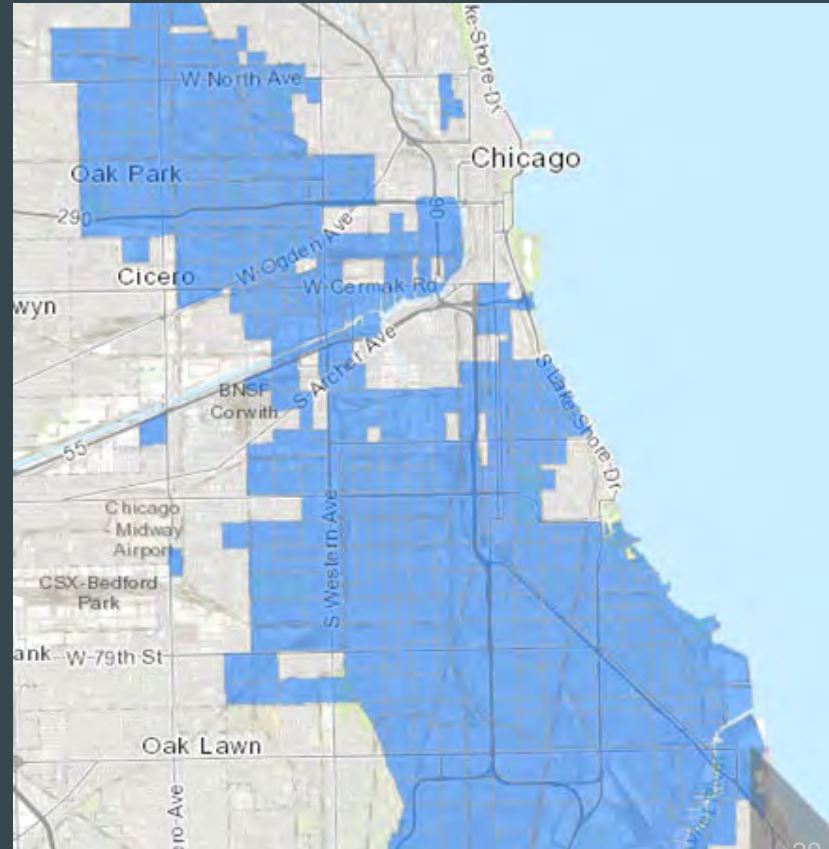
# Social Equity Applicant Status

- The Cannabis Regulation and Tax Act gives additional points in the license application scoring specifically for Social Equity Applicants.
- The Act establishes a program for Social Equity Applicants who meet the following criteria:
  - Is an Illinois resident.
  - Has at least 51% ownership and control by one or more individuals who:
    - Have lived in a Disproportionately Impacted Area in 5 of the past 10 years.
    - Have been arrested for, convicted of, or adjudicated delinquent for cannabis-related offenses eligible for expungement, including cannabis possession up to 500 grams or intent to deliver up to 30 grams.
    - Have a parent, child, or spouse that has been arrested for, convicted of, or adjudicated delinquent for cannabis-related offenses eligible for expungement, including possession up to 500 grams or intent to deliver up to 30 grams.
  - Has more than 10 full-time employees, and at least 51% of those employees:
    - Currently reside in a Disproportionately Impacted Area.
    - Have been arrested for, convicted of, or adjudicated delinquent for cannabis-related offenses eligible for expungement, including cannabis possession up to 500 grams or intent to deliver up to 30 grams.
    - Have a parent, child, or spouse that has been arrested for, convicted of, or adjudicated delinquent for cannabis-related offenses eligible for expungement, including possession up to 500 grams or intent to deliver up to 30 grams.

# Disproportionately Impacted Area

“Disproportionately Impacted Area” are census tracts or comparable geographic areas that have high rates of arrest, conviction, and incarceration related to the sale, possession, use, cultivation, manufacture, or transport of cannabis.

- Neighborhoods like: Englewood, South Shore, Brookdale, Woodlawn, Bronzeville, and Washington Park.
- Not sure? Check DCEO Website HERE: <https://www2.illinois.gov/dceo/Pages/CannabisEquity.aspx>



# Social Equity Applicant Evidence

- An applicant can prove they qualify as a Social Equity Applicant by submitting the following items with their application
  - Evidence of Illinois residency:
    - Individuals must supply at least two of the following:
      - a signed lease agreement,
      - a property deed, school records,
      - voter registration card,
      - Illinois driver's license or ID card,
      - paycheck stub, or
      - utility bill
      - tax record
    - Business and organizations must submit its incorporation documents filed with the state of Illinois;
- AND
  - Evidence the applicant lived in a Disproportionately Impacted Area by submitting tax filings, voter registrations, signed leases, mortgages, paycheck stubs, utility bills, insurance forms, or school; or
  - A court record of an arrest or conviction for any offense eligible for expungement; or
  - Evidence of the relationship between the applicant's principal officer or officers and the person who was arrested for, convicted of, or adjudicated delinquent for any offense made eligible for expungement; or
  - Evidence that the applicant employs 10 or more full-time employees, and evidence that 51% or more of those employees:
    - currently reside in a Disproportionately Impacted Area;
    - have been arrested for, convicted of, or adjudicated delinquent for any offense that is eligible for expungement; or are members of an "impacted family".

# Social Equity Applicant Support and Services

- Receive technical assistance and support
  - Provided through the Illinois Department of Commerce and Economic Opportunity (DCEO).
- Bonus application points
  - Receive 200 points (out of a possible total of 1000) on their license application score.
- 50% reduction of license and application fees.
  - 50% reduction in application fees.
  - 50% reduction in license costs
  - 50% reduction in surety bond or any other financial requirement
- Access to low-interest loans for starting and operating a cannabis-related business.
  - Loan qualifications consider criteria, such as business plans, financial details, operational and compliance information, and creditworthiness.
  - Loan recipients will be required to demonstrate on a quarterly basis they are continuing to operate a viable dispensary business.
  - Loans are non-transferable.
  - Failure to comply with loan requirements, to retain a current license, or remain in good standing will result in required repayment.

# Community Engagement Plan

- The applicant may demonstrate a desire to engage with its community by participating in one or more of the following:
  - Create an incubator program designed to increase participation of Social Equity Applicants in the cannabis industry,
  - Provide financial assistance to substance abuse treatment centers,
  - Educate children and teens about the potential harms of cannabis use, or
  - other actions that would demonstrate a commitment to the community.
- A community engagement plan is only scored in the event of a tie between two applications in the same region.



# Labor & Employment Plan

May include:

1. A code of conduct;
2. Employer provided health benefits;
3. Employer provided educational benefits;
4. Employer provided retirement benefits;
5. A commitment to provide a living wage; or
6. A specific and verifiable employee benefit other than those identified above that the applicant will provide to employees.

# Other types of Cannabis Businesses

## NEED A LICENSE

- Dispensaries
- Cannabis Processors
- Transporter
- Craft Grower

## DON'T NEED A LICENSE

- Marketing
- Packaging
- Security Solutions
- Staffing/Payroll/HR
- Legal
- Accounting
- Software
- Equipment Manufacturing

# Forms & Resources

- [Map of Disproportionately Impacted Areas](#)
- [IDOA Adult Cannabis Forms & FAQs](#)
- [Craft Growers FAQ](#)
- [Craft Grower Application and Forms](#)
- [Infuser FAQ](#)
- [Infuser Application and Forms](#)
- [Transporter FAQ](#)
- [Transporter Application and Forms](#)
- [IDOA Social Equity Applicant FAQ](#)
- [IDOA First Round Application Questions](#)
- [Free Cannabis Webinars, CPA Academy](#)
- [Chicago NORML \(classes/trainings\)](#)
- [Illinois Cannabis Trainers](#)

# UIC John Marshall Law School: Community Enterprise & Solidarity Economy Clinic



Community Enterprise and Solidarity Economy Clinic

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<https://jmls.uic.edu/clinics/community-enterprise/>