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In Recreational Cannabis Law, Illinois Charts Plan to Issue Range of New Licenses

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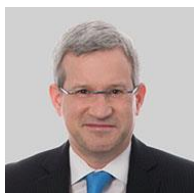
With the General Assembly's passage of the **Cannabis Regulation and Tax Act**, Illinois is now poised to become one of the country's most active markets for new cannabis businesses as state regulators prepare to issue licenses to scores of new dispensaries, cultivation centers and others to prepare for consumer sales beginning in January 1, 2020.

The [610-page act](#) establishes a framework for licensing recreational cannabis dispensaries and new cultivation and processing facilities, as well as licensing for craft growers, infuser organizations and transportation organizations. It took effect on **June 25, 2019**.

In the pages that follow, we summarize some of the most important provisions in the bill, with an emphasis on the details that matter most to businesses. We also note key provisions on advertising, enforcement and the cannabis purchaser excise tax.

For ease of use, our summary tracks the numbering system used in the bill.

- Article 5. Authority
- Article 7. Social Equity Program
- Article 10. Personal Use of Cannabis
- Article 15. License And Regulation of Dispensing Organizations
- Article 20. Adult Use Cultivation Centers
- Article 30. Craft Growers
- Article 35. Infuser Organization
- Article 40. Transporting Organizations.
- Article 45. Enforcement and Immunities
- Article 55. General Provisions
- Article 65. Cannabis Purchaser Excise Tax
- Article 900. Amendatory Provisions
- Article 999. Miscellaneous Provisions



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ARTICLE 5. AUTHORITY (pages 19-28)

The Illinois Department of Agriculture (DOA) has oversight of cultivation centers, craft growers, infuser organizations and transporting organizations and it will establish limits on potency and serving size.

The Department of Financial & Profession Regulation (IDFPR) will have oversight of dispensing organizations and agents.

Section 5-20. Background Checks (pages 21-22)

* Cannabis business establishments (cultivation centers, craft growers, processing organizations, dispensing organizations or transporting organizations) must have principal officers, board members and agents submit fingerprints to State Police and get the results prior to submitting the application. Infuser organizations are subject to the same background checks per Section 35-35.

ARTICLE 7. SOCIAL EQUITY PROGRAM (pages 28-38)

* Cannabis Development Fund – used to provide low-interest-rate loans to Social Equity Applicants and job training. Funded by payments required to be made in connection with those applying for Early Approval licenses, as well as payments required to be made in connection with transfers of licenses from Social Equity Applicants to non-Social Equity Applicants. \$12,000,000 is to be transferred to this Fund from the Compassionate Medical Cannabis Fund as soon as practicable after July 1, 2019.

* “Social Equity Applicant” means an Illinois resident that meets at least one of the following criteria: (i) at least 51% ownership and control by individuals that have lived in a Disproportionately Impacted Area¹ for at least 5 of the last 10 years; (ii) at least 51% ownership and control by one or more individuals who have been arrested for, convicted of, or adjudicated delinquent for any offenses eligible for expungement² under the Act or that are members of an

¹ Disproportionately Impacted Area is defined as one that (1) meets at least one of the following criteria: (a) the area has a poverty rate of at least 20% according to the latest federal decennial census; or (b) 75% or more of the children in the area participate in the federal free lunch program according to reported statistics from the State Board of Education; or (c) at least 20% of the households in the area receive assistance under the Supplemental Nutrition Assistance Program; or (d) the area has an average unemployment rate, as determined by the Illinois Department of Employment Security, that is more than 120% of the national unemployment average, as determined by the U.S. Department of Labor, for a period of at least 2 consecutive calendar years preceding the date of the application; and (2) has high rates of arrest, conviction, and incarceration related to the sale, possession, use, cultivation, manufacture, or transport of cannabis. The Department of Commerce and Economic Development and Illinois Criminal Justice Authority must specify these areas within 60 days of the effective date of the Act.

² Offenses eligible for expungement under the Cannabis Regulation and Tax Act include possession of cannabis up to 500g or the manufacturing and delivery of up to 30g of cannabis.

impacted family³; or (iii) for applicants with at least 10 full-time employees, at least 51% of the current employees currently reside in a Disproportionately Impacted Area or have been arrested for, convicted of, or adjudicated delinquent for any offenses eligible for expungement under the Act.

* Illinois Department of Commerce will establish grant and loan programs.

* IDFPR and DOA shall waive 50% of nonrefundable license fees, any nonrefundable fees associated with purchasing a license, and any surety bond or other financial requirements for Social Equity Applicants that also meet the following criteria: (i) applicant, including all individuals and entities with 10% or greater ownership and all parent companies, subsidiaries and affiliates, has less than a total of \$750,000 of income in the previous calendar year; and (ii) applicant, including all individuals and entities with 10% or greater ownership and all parent companies, subsidiaries and affiliates, has no more than 2 other licenses for cannabis business establishments in the State of Illinois. If, within 5 years, the Social Equity Licensee sells or transfers its license, the new licensee must pay back any waived fees and outstanding loans, as well as the full amount of any grants – unless the new licensee also qualifies under the Social Equity Program.

ARTICLE 10. PERSONAL USE OF CANNABIS (pages 38-63)

Section 10-10. Possession Limits (pages 41-42)

* Possession limits for residents are: 30 grams of cannabis flower, no more than 500 mg of THC contained in cannabis-infused product; 5 grams of cannabis concentrate; plus any amounts produced by cannabis plants properly cultivated at home under the Act.

* Possession limits for non-residents are: 15 grams of cannabis flower; no more than 250 mg of THC contained in cannabis-infused product; 2.5 grams of cannabis concentrate.

ARTICLE 15. LICENSE AND REGULATION OF DISPENSING ORGANIZATIONS (pages 63-161)

Section 15-15. Early Approval Adult Use Dispensing Organization Licenses (pages 64-72)

* Any licensed medical marijuana dispensary can, within 60 days of the effective date of the Act, apply for an Early Approval Adult Use Dispensing Org License to serve recreational purchasers at its existing medical dispensing location. The applicant must be the same as already licensed – so no new people or entities. Payment of a nonrefundable fee of \$30,000. A nonrefundable development fee equal to 3% of the dispensing organization's total sales between June 1, 2018 and June 1, 2019 or \$100,000 whichever is less.

³ “Member of impacted family” means an individual who has a parent, legal guardian, child, spouse, or dependent, or was a dependent of an individual who, prior to the effective date of the Act, was arrested for, convicted of, or adjudicated delinquent for any offense that is eligible for expungement under this Act.

* The **early approval applicant** in its application must identify and follow one of the following (each, a “Social Equity Inclusion Plan”), to be completed by March 31, 2021:

- make a contribution of 3% of total sales from June 1, 2018 to June 1, 2019 or \$100,000 whichever is less to the cannabis development fund (in addition to the 3% required above);
- make a grant of 3% based on the June 2018 to June 2019 sales or \$100,000 whichever is less to a cannabis training or educational program at an Illinois community college;
- make a contribution of \$100,000 to a job training program in a disproportionately impacted area;
- participate in a cannabis incubator program and provide a loan of at least \$100,000 and mentorship to a Social Equity Applicant, provided that the sponsor cannot take an ownership stake of greater than 10% in any entity receiving incubator services;
- participate in a sponsorship program for at least 2 years and provide an interest free loan of at least \$200,000 to a Social Equity Applicant, provided that the sponsor cannot take any ownership stake in any cannabis business receiving the sponsorship.

* If the early approval applicant meets all the requirements, IDFPR shall issue the license within **14 days** of receiving a completed application UNLESS: (i) the licensee or a principal officer is deficient in filing tax returns with Illinois; (ii) the Secretary of IDFPR determines, based on documented compliance violations, that the licensee should not be entitled to an Early Approval License; or (iii) any principal officer fails to register and remain in compliance with the Act or the medical cannabis pilot program.

* The early approval license is valid until March 31, 2021. The license will be renewed within 60 days of submitting the complete renewal application, provided that all existing licenses are in good standing, and the licensee submits a renewal application, pays a nonrefundable \$30,000 fee to the Cannabis Regulation Fund, and has completed the Social Equity Inclusion Plan it identified in connection with its application. The renewal of the license is valid until March 31, 2022, at which point the licensee can apply for an Adult Use Dispensing Organization License, which will be granted if all criteria of Section 15-36 are met.

* Early approval dispensaries must maintain an adequate supply of products for medical cannabis patients and caregivers (comparable in type and quantity to that maintained for 6 months prior to the effective date of the Act), and are required to prioritize their medical cannabis patients and caregivers in the event of a shortage.

Section 15-20. Early Approval Adult Use Dispensing Organization License; Secondary Site (pages 72-83)

* Within 60 days of the effective date of the Act, any existing medical dispensary can apply to operate a second dispensary within any BLS Region⁴ that shares territory with the dispensing organization district to which the medical dispensing organization is assigned. A Secondary Site cannot be within 1500 feet of another medical cannabis dispensing organization or adult use dispensing organization.

* If the licensee can't find a site in its approved area within 360 days of the effective date of the Act, because no jurisdiction within that area permits the operation of an adult use dispensary, IDFPR can waive the geographic restrictions and specify another BLS Region in which the licensee can locate its secondary site.

* Must pay a \$30,000 application fee for the second site, plus a \$200,000 fee to the development fund and a commitment to one of the Social Equity Inclusion Plans.

Section 15-25. New Dispensary Licenses Issued Prior to Jan. 2021 (pages 83-92)

* IDFPR shall issue up to 75 conditional dispensing licenses before May 1, 2020.

* Applications will be available no later than Oct. 1, 2019 and applications due by January 1, 2020.

* Licenses awarded by BLS Region (See the June 25, 2019 [post](#) on the **In the Weeds** blog for dispersion of licenses).

* \$5,000 application fee per license, to be deposited into the Cannabis Regulation Fund.

* Scoring of applications up to 250 points, based on criteria described in Section 15-30. Can receive up to 2 bonus points for a plan to engage with the community. Social Equity Applicant status is worth 50/250 points.

* An applicant who receives a conditional adult use dispensing license has 180 days from the date of award to identify a physical location for the dispensary storefront. If can't secure a location within 180 days, IDFPR may extend by an additional 180 days if the licensee demonstrates concrete attempts to secure a location and a hardship. If extension denied or location not secured within 360 days, license goes to next highest-scoring applicant in same region. If can't secure a location because no jurisdictions within applicable BLS area permit an adult use dispensary, IDFPR can authorize the license-holder to transfer its license to another region.

⁴ BLS Region means a region in Illinois used by the U.S. Bureau of Labor Statistics to gather and categorize certain employment and wage data. The 17 such regions in Illinois are: Bloomington, Cape Girardeau, Carbondale-Marion, Champaign-Urbana, Chicago-Naperville-Elgin, Danville, Davenport-Moline-Rock Island, Decatur, Kankakee, Peoria, Rockford, St. Louis, Springfield, Northwest Illinois nonmetropolitan area, West Central Illinois nonmetropolitan area, East Central Illinois nonmetropolitan area and South Illinois nonmetropolitan area.

Section 15-30. Selection Criteria for Conditional Licenses Awarded Under Section 15-25 (pages 92-99)

- * IDFPR will rank applicants using the following scale:

Suitability of Employee Training Plan (15 points)
Security and Record Keeping (65 points)
Business Plan, Financials, Operating Plan, and Floor Plan (65 points)⁵
Knowledge and Experience in Cannabis or Related Fields (30 points)
Status as a Social Equity Applicant (50 points)
Labor and Employment Practices (5 points)
Environmental Plan (5 points)
Illinois Owner (5 points)
Status as a Veteran (5 points)
Diversity Plan (5 points)

Total: 250 points

- * Can also receive bonus points for including a plan to engage with the community, but bonus points serve only to break a tie between two equally-scoring applicants.

- * Should the applicant be awarded a license, the information and plans provided in the application shall become a condition of licensure.

- * Licensees have one year to be operational, otherwise the license will be awarded to the next highest scoring applicant if they are still interested.

Section 15-35. Conditional Adult Use Dispensing Organization License after January 1, 2021 (pages 99-101)

- * IDFPR shall issue up to 110 additional licenses, under same process described for licenses issued prior to January 1, 2021, provided that IDFPR can issue rules modifying the process if they deem it necessary for the public interest, safety and welfare.

Section 15-36. Adult Use Dispensing Organization License (pages 102-104)

- * Entities receiving conditional permits cannot purchase, possess, sell or dispense cannabis or cannabis-infused products until they receive an Adult Use Dispensing Organization License. Will not receive that license until (i) IDFPR has inspected the proposed dispensary site; and (ii) registration fee of \$60,000, or a prorated amount accounting for difference of time between when final license is issued and March 31 of the next even-numbered year, has been paid.

⁵ These plans include policies and procedures required by Section 15-65 regarding administration of the dispensary.

* No single person or entity can have a direct or indirect financial interest in more than 10 Early Approval Adult Use Dispensing Organization Licenses, Conditional Adult Use Dispensing Organization Licenses, or Adult Use Dispensing Organization Licenses.

Section 15-45. Renewals (pages 109-110)

* All Adult Use Dispensing Organization Licenses expire on March 31 of even-numbered years, and the renewal fee is \$60,000. Licensee may not renew if it is delinquent on any taxes owed to Illinois.

Section 15-55. Financial Responsibility (pages 113-115)

* Applicant or Licensee must demonstrate financial responsibility for issuance, maintenance or reactivation of a license. This requirement can be fulfilled by one of the following: (i) escrow/surety account in a financial institution in the amount of \$50,000, with escrow terms approved by IDFPR providing that it shall be payable to IDFPR upon circumstances outlined in the Act; or (ii) surety bond in the amount of \$50,000, naming the dispensing organization as principal of the bond, with terms approved by IDFPR stating that bond defaults to IDFPR upon circumstances outlined in the Act.

Section 15.60. Changes to a dispensing organization (pages 115-118)

- * Can only add principal officer with prior approval of IDFPR.
- * Written notice of removal of an officer within 5 days of the removal.
- * Cannot assign a license.
- * Cannot transfer a license without prior approval and without the same commitments from the new owner.
- * Must apply to sell the dispensing organization, application materials will include, among other things, a \$5,000 change of ownership fee to be deposited in the Cannabis Regulatory Fund.
- * Before remodeling, expansion, reduction or other physical, non-cosmetic alteration of a dispensary, must notify IDFPR and confirm that alterations will be in compliance with the Act.

Medical cannabis dispensing organization exemption can be found in Section 15-10 (page 64)

Dispensing organization agent identification card/training can be found in Section 15-40 (pages 104-109)

Disclosure of Ownership and Control requirements can be found in Section 15-50 (pages 110-113)

Administration requirements for dispensaries can be found in Section 15-65 (pages 118-124)

Operational requirements for dispensaries can be found in Section 15-70 (pages 124-129)

Inventory Control System requirement can be found in Section 15-75 (pages 129-133)

Storage requirements can be found in Section 15-80 (page 133-134)

Dispensing cannabis procedures can be found in Section 15-85 (pages 134-136)

Disposal and destruction of cannabis procedures can be found in Section 15-90 (pages 136-137)

Change of agent in charge procedures can be found in Section 15-95 (pages 137-141)

Security requirements for dispensaries can be found in Section 15-100 (pages 141-149)

Record-keeping requirements can be found in Section 15-110 (pages 149-150)

Closure of a dispensary procedures can be found in Section 15-120 (pages 150-151)

Ability to have fee modification by rule – Section 15-135 (pages 151-152)

Investigation procedures by the State can be found in Section 15-135 (pages 151-152)

Grounds for discipline can be found in Section 15-145 (pages 153-157)

Temporary suspension procedures can be found in Section 15-150 (pages 157-158)

Consent order information can be found in Section 15-155 (page 158)

Notice of violation/hearing/rehearing information and procedures can be found in Sections 15-160, 15-165, 15-170 and 15-175 (pages 158-161)

ARTICLE 20. ADULT USE CULTIVATION CENTERS (pages 161-192)

Section 20-5. Issuance of Licenses after July 1, 2021 (pages 162-163)

* On or after July 1, 2021, DOA can change the number of available cultivation center licenses, but at no time shall the number exceed 30. In determining whether to grant additional licenses DOA must consider:

- the percent of cannabis sales not in the regulated market;
- whether adequate supply to serve medical patients;
- whether adequate supply to serve adult purchasers;
- is there an oversupply;
- population increases/shifts;
- changes to federal law;

- security risks;
- security records of cultivation centers;
- the capacity of the DOA to appropriately regulate additional licensees;
- findings of the study on barriers to entry to be prepared by the Illinois Cannabis Regulation Oversight Officer; and
- any other information that the DOA deems relevant.

Section 20-10. Early Approval of Adult Use Cultivation Center Licenses (pages 164-171)

* Any current licensee in good standing can, within 60 days of the effective date of the Act but no later than 180 days, apply for an Early Approval Adult Use Cultivation Center License to produce cannabis and cannabis infused products at its existing facilities. The form of application will be provided by the DOA and will include, among other things: (i) payment of a nonrefundable application fee of \$100,000 to be deposited into the Cannabis Regulation Fund; (ii) a nonrefundable fee equal to 5% of the center's total sales between June 2018 and June 2019 or \$750,000, whichever is less (subject to a minimum of \$250,000) to be deposited into the Cannabis Business Development Fund; and (iii) a commitment to complete one of the following Social Equity Inclusion Plans before the expiration of the Early Approval Adult Use Cultivation Center License:

- contribution of 5% of the center's total sales between June 2018 and June 2019 or \$100,000, whichever is less, to the Cannabis Business Development Fund, a cannabis industry training or education program at an Illinois community college, or a program that provides job training services to recently incarcerated persons or that operates in a Disproportionately Impacted Area; or
- participate in a cannabis incubator program and provide a loan of at least \$100,000 and mentorship to a Social Equity Applicant; provided that the sponsor cannot take an ownership stake of greater than 10% in any entity receiving incubator services.

* DOA will issue Early Approval cultivation license within 14 days of receiving a completed application, unless the licensee, principal officer, board member or person having a financial interest of 5% or greater in the licensee is (ii) delinquent in filing any required tax returns or paying any amounts owed to the State of Illinois; or (iii) the Director of Agriculture determines, based on an inordinate number of documented violations, that the licensee is not entitled to an Early Approval cultivation license; or (iv) the licensee fails to commit to a Social Equity Inclusion Plan.

* Early use license valid until March 31, 2021. DOA will grant renewal within 60 days of the submission of a renewal application including a \$100,000 fee, provided that the DOA has not suspended or revoked the current license and the cultivation center has completed its Social Equity Inclusion Plan. Renewal will be for 1 year.

* An early use licensee can begin producing product once the license is approved and it may begin selling product to a dispensary on December 1, 2019.

Section 20-15. Conditional Adult Use Cultivation Center Application (pages 171-178)

* If DOA makes additional licenses available, it will set a license fee and establish a new form of application designed to obtain the information listed in Section 20-15.

Section 20-20. Conditional Adult Use License scoring applications (pages 178-180)

* Scoring of new applications will be as follows: suitability of proposed facility; suitability of employee training plan; security and recordkeeping; cultivation plan; product safety and labeling plan; business plan; status as a social equity applicant (no less than 20% of the available points); labor and employment practices (no less than 2% of available points); environmental plan; majority ownership by Illinois residents (for past 5 years); majority ownership by veterans; diversity plan. Can also receive bonus points for including a plan to engage with the community, but bonus points serve only to break a tie between two equally-scoring applicants.

* Fee is \$100,000. Renewal fee the same.

Section 20-21. Adult Use Cultivation Center License (pages 180-181)

* Only eligible to receive a final Adult Use Cultivation license if have first been awarded a Conditional Adult Use Cultivation license or have renewed its Early Approval Cultivation Center license. No final license will be issued until the Department of Agriculture has inspected the cultivation center site and the cultivation center has paid a registration fee of \$100,000 (or a prorated amount accounting for the difference of time between when the Adult Use Cultivation license is issued and March 31 of the next even-numbered year).

Cultivation center requirements and prohibitions can be found in Section 20-30 (pages 182-186)

Section 20-50. Cultivator taxes (pages 191-192)

* **7% of gross receipts from sale by a cultivator to a dispensing organization.**

* Paid by the cultivator and is not the responsibility of the dispensing organization, qualifying patient or purchaser. This tax is in addition to all other occupation/privilege taxes imposed by Illinois or any municipal corporation or political subdivision thereof.

ARTICLE 30. CRAFT GROWERS (pages 200-225)

Section 30-5. Issuance of licenses (pages 200-203)

* DOA shall issue up to 40 craft grower licenses by July 1, 2020. Craft grower means a facility operated by a business that is licensed by the DOA to cultivate, dry, cure, and package cannabis and perform other necessary activities to make cannabis available for sale at a dispensing organization or use at a processing organizations. A craft grower may contain up to 5,000 square feet of canopy space on its premises for plants in the flowering state. The DOA may authorize an increase or decrease of flowering stage cultivations space in increments of 3,000 square feet by rule based on market need, craft grower capacity, and the licensee's history of compliance or noncompliance, with a maximum space of 14,000 square feet for cultivating plants in the flowering

stage, which must be cultivated in all stages of growth in an enclosed and secure space. A craft grower may share premises with a processing organization or a dispensing organization or both, provided each licensee stores currency and cannabis or cannabis-infused products in a separate secured vault to which the other licensee does not have access or all licensees sharing a vault share more than 50% of the same ownership.

One license per person and the licensee cannot sell that license until after December 21, 2021.

* By December 21, 2021, DOA shall issue up to 60 additional craft licenses. A person getting a license under this subsection shall not hold more than 2 craft licenses.

* Prior to issuing licenses, the DOA can adopt rules to modify/raise the number of craft grower licenses assigned to each region and modify/change the licensing application process to reduce or eliminate barriers to entry, subject to substantially similar considerations described in Section 20-5 regarding authorization of additional cultivation licenses.

* After January 1, 2022, DOA can by rule modify or raise the number of craft licenses assigned to each region, but at no time can there be more than 150 licenses and no person may hold more than 3 licenses.

Section 30-10. Application (pages 203-210)

* Along with application including typical requirements/provisions, craft grower required to submit a nonrefundable application fee of \$5,000 (subject to change by the DOA after January 1, 2021), to be deposited into the Cannabis Regulation Fund.

Section 30-15. Scoring Applications (pages 210-212)

* Scoring of new applications will be as follows: suitability of proposed facility; suitability of employee training plan; security and recordkeeping; cultivation plan; product safety and labeling plan; business plan; status as a social equity applicant (no less than 20% of the available points); labor and employment practices (no less than 2% of available points); environmental plan; majority ownership by Illinois residents (for past 5 years); majority ownership by veterans; diversity plan. Can also receive bonus points for including a plan to engage with the community, but bonus points serve only to break a tie between two equally-scoring applicants.

Section 30-20. Issuance of license to certain persons prohibited (pages 212-213)

* A craft grower cannot hold a cultivation license nor can any entity owning a craft license have more than a 10% interest in a cultivation license. The only exception is that a principal officer, agent, or human may own 5% or less of public stock in a cultivation licensee.

Section 30-30. Craft grower requirements; prohibitions (pages 214-219)

* Craft growers can only sell to a cultivation center, another craft grower, an infuser organization or a dispensing organization. Need a transport license to transport cannabis or

cannabis products. There are certain exceptions (i.e., in Cook County do not need a transport licensee if the receiver is within 2000 feet of the craft grower).

Section 30-50. Craft grower taxes (pages 224-225)

- * **7% of gross receipts from sale by a cultivator to a dispensing organization.**

* Paid by the craft grower who makes the first sale, and is not the responsibility of the dispensing organization, qualifying patient or purchaser. This tax is in addition to all other occupation/privilege taxes imposed by Illinois or any municipal corporation or political subdivision thereof.

ARTICLE 35. INFUSER ORGANIZATIONS⁶ [AND PROCESSOR LICENSES] (pages 225-247)

Section 35-5. Issuance of licenses (pages 225-228)

* DOA will issue up to 40 infuser licenses no later than July 1, 2020. Applications will be available on January 7, 2020 and the deadline is March 15, 2020. \$5000 application fee. \$5000 license fee.

- * By December 21, 2021, DOA may issue up to 60 additional licenses.

* Prior to issuing licenses, the DOA can adopt rules to modify/raise the number of infuser licenses and modify/change the licensing application process to reduce or eliminate barriers to entry, subject to substantially similar considerations described in Section 20-5 regarding authorization of additional cultivation licenses.

Section 35-10. Application (pages 228-232)

* Along with application including typical requirements/provisions, infuser required to submit a nonrefundable application fee of \$5,000 (subject to change by the DOA after January 1, 2021), to be deposited into the Cannabis Regulation Fund.

Section 35-15. Issuing Licenses (pages 232-234)

* DOA required to develop a scoring system by rule to rank applications. Scoring of new applications will be as follows: suitability of proposed facility; suitability of employee training plan; security and recordkeeping; infusing plan; product safety and labeling plan; business plan; status as a social equity applicant (no less than 20% of the available points); labor and employment practices (no less than 2% of available points); environmental plan; majority ownership by Illinois residents (for past 5 years); majority ownership by veterans; diversity plan. Can also receive bonus

⁶ Infuser organization means a facility operated by an organization or business that is licensed by the DOA to directly incorporate cannabis or cannabis concentrate into a product formulation to produce a cannabis-infused product.

points for including a plan to engage with the community, but bonus points serve only to break a tie between two equally-scoring applicants.

* If applicant receives a license, it is required to pay a fee of \$5,000 to the Cannabis Regulation Fund prior to receiving the license.

Section 35-25. Infuser organization requirements; prohibitions (pages 235-239)

* Restrictions on transportation similar to craft growers, with exemptions based on county population. Infusers not permitted to extract cannabis concentrate from cannabis flower.

* An infuser may only sell to a dispensing organization.

Section 35-31. Ensuring an adequate supply of raw materials [processor licenses] (pages 241-244)

* If in 2022 DOA determines that infusers do not have access to an adequate supply of reasonably affordable raw cannabis material (i.e., cannabis oil, distillate or extract), then DOA may by rule adopt measures to ensure infusers have access to an adequate supply of reasonably affordable raw materials necessary for the manufacture of cannabis-infused cannabis products, including (i) requiring cultivation centers and craft growers to set aside a minimum amount of raw materials for the wholesale market , or (ii) enabling infusers to apply for processor licenses to extract raw materials themselves from cannabis flower.

ARTICLE 40. TRANSPORTING ORGANIZATIONS (pages 247-261)

Section 40-5. Issuance of licenses (page 247)

* DOA will issue licenses no later than July 1, 2020. Applications will be available on Jan. 7, 2020 and due no later than March 15, 2020. Thereafter, applications will be available on January 7 of each year and due on March 15 of each year.

Section 40-15. Issuing licenses (pages 250-253)

* \$5000 application fee. \$10,000 license fee. \$10,000 renewal fee.

Transportation organization requirements and prohibitions can be found in Section 40-25 (pages 254-257)

ARTICLE 45. ENFORCEMENT AND IMMUNITIES (pages 261-267)

Section 45-5. License suspension; revocation; other penalties (pages 261-263)

* Maximum fines are as follows: \$50,000 for each violation of the Act by a cultivation center or cultivation center agent; \$15,000 for each violation of the Act by a craft grower or craft grower agent, dispensing organization or dispensing organization agent, infuser organization or infuser organization agent; or transportation organization or transportation organization agent.

ARTICLE 55. GENERAL PROVISIONS (pages 271-308)

Section 55-20. Advertising and promotions (pages 275-277)

* Cannabis businesses prohibited from engaging in advertising or promotion that contains any statement or illustration that:

- is false or misleading;
- promotes overconsumption of cannabis products;
- depicts the actual consumption of cannabis products;
- depicts a person 21 or under consuming cannabis;
- makes any health, medicinal or therapeutic claims about cannabis or cannabis-infused products;
- includes the image of a cannabis leaf or bud; and
- includes images likely to appeal to minors, including cartoons, toys, animals, etc.

* Also not permitted to advertise within 1,000 feet of a playground/rec center/child care center/public park/public library, or in a public transit vehicle or public transit shelter.

* Also not permitted to encourage the sale of cannabis or cannabis products by giving away cannabis products, by conducting games or competitions related to the consumption of cannabis or cannabis products, or by providing promotional materials or activities that would be appealing to children.

Packaging and labeling requirements can be found in Section 55-21 (pages 277-283)

Section 55-25. Local Ordinances (pages 283-285)

* In general, through zoning ordinances a municipality may **prohibit or significantly limit** the location of cannabis businesses. Such ordinances must not conflict with the Act or rules adopted to govern time, place, manner and the number of cannabis businesses. If a municipality chooses to permit cannabis businesses to locate and operate within its borders, it may also enact reasonable zoning regulations.

Section 55-28 Restricted Cannabis Zones (pages 285-288)

* There section explains the “opt out” provision. Only a precinct within a municipality of 500,000 registered voters may “opt out.” So in short, only a precinct within Chicago can even consider opting out.

* The process is so difficult that it would be hard for a precinct to opt out. The legal voters in a precinct may petition their alderman to introduce an ordinance establishing the precinct as a restricted zone. The process is as follows: a person must file a Notice of Intent to file a petition on a form provided by the city clerk; the notice shall include a description of the affected area and the scope of the restriction sought – i.e. prohibit home cultivation, one or more types of cannabis

businesses or both; then the clerk posts the Notice online. The petition must contain the requisite number of valid signatures (25% of the registered voters of the precinct) and all signatures must be obtained within 90 days of the date that the clerk posts the Notice. The petition is submitted to the clerk who will post it for a 30 day comment period. The clerk verifies the legal sufficiency of the petition. Following the comment period, the clerk will post the petition as accepted or rejected. If rejected, the clerk shall state the reasons for rejection. If the petition is rejected as legally insufficient, another petition in the precinct cannot be filed for at least 12 months.

* If the petition with the valid number of signatures is legally sufficient following the posting (not sure what legally sufficient means), the clerk shall notify the alderman. The alderman will then assess various factors within the precinct such as geography, density and character, prevalence of residentially zoned property, the number of current licensed cannabis businesses in the precinct and the prevailing viewpoint with regard to the issue raised in the petition. Then the alderman MAY introduce an ordinance to the city council creating a restricted cannabis zone in the precinct.

* The city council may enact an ordinance creating a restricted zone. The ordinance shall; identify the precinct boundaries; the specific prohibition; be in effect for 4 years – unless repealed earlier; and can be renewed by ordinance vs a new petition process.

Section 55-30. Confidentiality (pages 288-291)

* Information received by and records kept by DOA, IDFPR, Illinois Department of Public Health or Illinois State Police for the purpose of administering the Act are exempt from disclosure under FOIA except as provided in the Act and not subject to disclosure to any individual or private entity.

* Each agency that will issue licenses will list ownership licensee info on its website, including the name and address of the person or entity holding the licensee.

* Formal complaints and disciplinary orders will be public records unless otherwise prohibited by law.

Section 55-35. Administrative rulemaking (pages 291-295)

* Agencies required to adopt permanent rules no later than 180 days after the effective date of the Act.

Section 55-65. Financial institutions (pages 299-301)

* Financial institutions providing services to entities under the Act are exempt from criminal law as it relates to cannabis-related conduct.

ARTICLE 65. CANNABIS PURCHASER EXCISE TAX (pages 318-340)

Section 65-10. Tax imposed (pages 320-321)

- * Beginning Jan. 1, 2020 any cannabis (other than a cannabis-infused product) that has THC level below 35% is taxed at 10% of the purchase price. If product above 35% THC tax is 25%.
- * Cannabis infused products taxed at 20% of purchase price.