



PROGRAM MATERIALS

Program #29129

July 23, 2019

The Land of Lincoln (and Weed): An Analysis of Illinois's Recreational Marijuana Law

**Copyright ©2019 by Ryan Holz, Esq., Doug Sargent, Esq.,
Irina Dashevsky, Esq. and David Standa, Esq.**

Locke Lord LLP

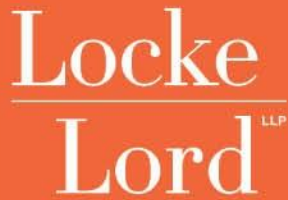
All Rights Reserved.

Licensed to Celesq®, Inc.

Celesq® AttorneysEd Center

www.celesq.com

5301 North Federal Highway, Suite 180, Boca Raton, FL 33487



LAND OF LINCOLN (AND WEED):

An Analysis of Illinois's Recreational Marijuana Law

July 23, 2019

Douglas R. Sargent
Ryan M. Holz
David F. Standa
Irina Dashevsky

Celesq AttorneysEdCenter Webcast
Chicago, Illinois

Legalization via Legislation

- The Illinois General Assembly passed the Cannabis Regulation and Tax Act on May 31, 2019, legalizing recreational marijuana.
 - Illinois had previously legalized medical marijuana.
 - Residents over 21 can possess 30 grams of flower, 500 mg of THC in cannabis-infused products, and five grams of concentrate.
 - Those amounts are cut in half for non-residents.
 - Retail sales and adult use can begin on January 1, 2020.
- Governor J.B. Pritzker signed the Act into law on June 25, 2019.
- The Act is over 600 pages long.
- Illinois became the first state to create a recreational marijuana market via legislation rather than ballot-initiative.
 - Vermont legalized marijuana possession via legislation, but did not create a retail market.
- Illinois is the 11th State (plus Washington D.C.) to legalize recreational marijuana.

Cultivation Licenses

- Authority over cultivation licenses is given to the Department of Agriculture (Dept. of Ag.).
- The bill does not immediately authorize any new large-scale cultivators.
- Instead, the approximately 20 medical marijuana cultivator licensees are permitted to apply for an early recreational cultivation license.
 - Those licensees will have a monopoly over cultivation in the state for several years.
- Cultivators are limited to a canopy of 210,000 square feet of marijuana in the “flowering” stage.
 - There is some concern that there will be supply problems given the lack of new cultivators and the canopy restriction.
- On or after July 1, 2021, the Dept. of Ag. can issue additional cultivation licenses.
 - There is a hard cap at 30 licenses.

Cultivation Licenses Cont'd

- Early Approval Adult Use Cultivation Licenses
 - Any existing medical cultivation center can apply by August 26, 2019 to cultivate for recreational use.
 - Must pay a \$100,000 application fee to the Cannabis Regulation Fund (CRF)
 - Must pay the Cannabis Business Development Fund (CBDF) 5% of sales between June 2018 and June 2019, or \$750,000, whichever is less (but the amount must be at least \$250,000).
 - Must agree to participate in one of two Social Equity Inclusion Plans:
 - Another contribution of 5% of sales or \$100,000, whichever is less, to the CBDF, a cannabis industry training or education program, or a job training service program for those recently incarcerated or in a Disproportionately Impacted Area.
 - Host a cannabis business incubator program and agree to provide a loan of at least \$100,000 and mentor a Social Equity Applicant licensee (for a similar license) for at least a year.
 - Once approved, the cultivator can begin selling products to dispensaries on December 1, 2019.
- Additional Cultivation Licenses
 - The Dept. of Ag. will only issue new cultivation licenses if the recreational market requires it.
 - If such licenses are required, the Dept. of Ag. will accept applications and score licenses based on a point system for certain criteria.
 - The amount of points to be awarded and their allocation is not spelled out in the Act.
- Cultivators must pay a 7% tax on gross receipts into the CRF.

Craft Grow Licenses

- Illinois will also allow a new category of cultivators: craft growers.
- A craft grow facility can share premises with an infuser organization or a dispensary or both, but there are limitations relating to currency and product storage.
 - Combining a craft grow facility with a dispensary obviates the need to transport.
- The Dept. of Ag. will issue up to 40 craft grow licenses by July 1, 2020.
 - A person or entity can only hold one of the original 40 craft grow licenses.
 - The license cannot be sold until after December 21, 2021.
- The Dept. of Ag. will issue up to 60 more craft grow licenses by December 21, 2021.
 - A person can hold two total craft grow licenses once the additional 60 licenses are released.
- After January 1, 2022, the Dept. of Ag. may decide to offer additional craft grow licenses, with a hard cap of 150.

Craft Grow Licenses Cont'd

- A craft grower can have a canopy of 5,000 square feet of marijuana in the “flowering” stage.
 - The Dept. of Ag. can authorize up to 9,000 additional square feet, in increments of 3,000.
- The application fee is \$5,000 to the CRF.
- The registration fee for winning applicants is \$40,000 to the CRF.
- Applications will be scored on a point system with points awarded for:
 - Suitability of the proposed facility.
 - Suitability of the employee training plan.
 - Security and recordkeeping.
 - Cultivation plan.
 - Product safety and labeling plan.
 - Business plan.
 - Status as a Social Equity Applicant (at least 20% of the points).
 - Labor and employment practices (no less than 2% of the points).
 - Environmental plan.
 - 51% ownership by an Illinois entity (to qualify, must be an Illinois resident for the past 5 years).
 - 51% ownership by a veteran.
 - Diversity plan.
 - Two bonus points for a community engagement plan.
- Craft Growers must pay a tax of 7% of gross receipts to the CRF.

Dispensary Licenses

- Dispensaries are overseen by the Illinois Department of Financial and Professional Regulation (IDFPR).
- Early Approval Adult Use Dispensing Organization Licenses
 - Any existing entity holding a medical dispensary registration can apply by August 26, 2019 to serve recreational customers from the existing dispensary location.
 - Must pay \$30,000 to the CRF.
 - Must pay the CBDF 3% of sales between June 2018 and June 2019, or \$100,000, whichever is less.
 - Must agree to participate in one of five Social Equity Inclusion Plans
 - Make another contribution of 3% of sales or \$100,000, whichever is less, to the CBDF.
 - Grant 3% of sales of \$100,000, whichever is less, to a cannabis industry training or education program.
 - Donate \$100,000 or more to a job training service program for those recently incarcerated or in a Disproportionately Impacted Area.
 - Host a cannabis business incubator program and agree to provide a loan of at least \$100,000 and mentor a Social Equity Applicant licensee for a similar license for at least a year.
 - Participate in a sponsorship program for 2 years and provide an interest free loan of at least \$200,000 to a Social Equity Applicant.
 - An existing medical dispensary can apply for a secondary site by August 26, 2019.
 - The secondary site must be in the same “BLS” region as the original site.
 - Must pay a \$30,000 application fee to the CRF, pay \$200,000 to the CBDF, and agree to participate in one of the five Social Equity Inclusion Plans to be eligible for the secondary site.

Dispensary Licenses Cont'd

- The IDFPR will award up to 75 more dispensary licenses before May 1, 2020.
 - The application will be available by October 1, 2019 and applications will be accepted by January 1, 2020, at the latest.
 - The licenses will be issued based on geography (47 in the Chicago-Naperville-Elgin area).
 - The application fee is \$5,000 to the CRF.
 - Applicant must pay a registration fee of \$60,000 to the CRF before opening.
 - Applicants awarded a license have 180 days after the award to secure a physical location.
 - The licenses are awarded based on a points test, with 250 points available:
 - Suitability of Employee Training Plan (15 points).
 - Security and Recordkeeping (65 points).
 - Business Plan, Financials, Operating and Floor Plan (65 points).
 - Knowledge and Experience (30 points).
 - Status as Social Equity Applicant (50 points).
 - Labor and Employment Practices (5 points).
 - Environmental Plan (5 points).
 - Illinois owner (5 points).
 - Status as Veteran (5 points).
 - Diversity Plan (5 Points).
 - Two bonus points available for a plan to engage with the community.
- By December 21, 2021, the IDFPR will issue up to 110 more dispensary licenses.
 - After January 1, 2022 the IDFPR will reevaluate the need for additional dispensaries, but there is a hard cap at 500 dispensary licenses.

Dispensary Licenses Cont'd

- Dispensary licenses cannot be assigned.
- Dispensary licenses cannot be transferred without IDFPR approval.
- There is a restriction on the number of dispensaries one can own: “No person or entity shall hold any legal, equitable, ownership, or beneficial interest, directly or indirectly, of more than 10 dispensing organizations licensed under this Article.”
- There are detailed rules and regulations for the operation of a dispensary after licensure.
- A dispensary can share space with a craft grower or infuser organization, or both, but there are limitations with respect to currency and product storage.

Other Licenses

■ Infuser Organizations

- An infuser organization “directly incorporate[s] cannabis or cannabis concentrate into a product formulation to produce a cannabis-infused product.”
- The Dept. of Ag. will issue 40 infuser licenses by July 1, 2020.
 - The Dept. of Ag. will make applications available on January 7, 2020 and accept applications by March 15, 2020.
- By December 21, 2021, the Dept. of Ag. may issue another 60 infuser licenses.
- After January 1, 2022, the Dept. of Ag. may issue additional licenses – there is no hard cap.
- The application fee is \$5,000 for the CRF.
- There is also a \$5,000 fee to the CRF upon receipt of a license.
- Applications are scored on a points system similar to the cultivation and craft grow licenses.

Presenter to read NY Code

This code is required for all attorneys wishing to receive CLE credit in the state of NY

Please notate it carefully

The presenter will only be able to read the code twice and will not be able to repeat it or email it to you.

Thank you!

Other Licenses

■ Transporting Organizations

- An transporting organization “transport[s] cannabis on behalf of a cannabis business establishment or a community college” licensed under the vocational training pilot program.
 - Transportation is limited to transfers between cultivation centers, craft growers, infuser organizations, dispensaries, and testing facilities, i.e., no home delivery.
- The Dept. of Ag. shall issue licenses by July 1, 2020.
 - The Dept. of Ag. will make applications available on January 7, 2020 and accept applications by March 15, 2020.
 - The application fee is \$5,000 for the CRF.
 - There is also a \$10,000 fee to the CRF upon receipt of a license.
 - Applications are scored on a points system similar to the cultivation, craft grow, and infuser licenses.
 - Any applicant that receives 85% of the available points shall be issued a license.
- Applicants that were registered as medical cultivation centers before January 1, 2020 shall be issued a transportation license.

Social Equity Considerations

- There are three categories of “Social Equity Applicant.”
 - “[a]n applicant with at least 51% ownership and control by one or more individuals who have resided for at least 5 of the preceding 10 years in a Disproportionately Impacted Area.”
 - A Disproportionately Impacted Area is one that:
 - Has a poverty rate of at least 20% percent; or
 - Has 75% of children in the federal free lunch program; or
 - Has at least 20% of households that receive assistance under the Supplemental Nutrition Assistance Program; or
 - Has an average unemployment rate that is more than 120% of the national average for two consecutive calendar years preceding the application; and
 - Has “high” rates of arrest, conviction, and incarceration related to marijuana.
 - “[a]n applicant with at least 51% ownership and control by one or more individuals who:
 - have been arrested for, convicted of, or adjudicated delinquent for any offense that is eligible for expungement under this Act; or
 - is a member of an impacted family.”
 - “for applicants with a minimum of 10 full-time employees, an applicant with at least 51% of current employees who:
 - currently resident in a Disproportionately Impacted Area; or
 - have been arrested for, convicted of, or adjudicated delinquent for any offense that is eligible for expungement under this Act or member of an impacted family.”

Social Equity Considerations Cont'd

- The CBDF:
 - Provides low interest loans to Social Equity Applicants.
 - Provides grants to Qualified Social Equity Applicants.
 - Compensates the Department of Commerce and Economic Opportunity for costs related to the loans and grants.
 - Pays for outreach to Social Equity Applicants.
 - Pays for studies concerning participation of minorities, vets, women, and disabled in the industry and the barriers to entry.
 - Pays for job training and technical assistance for those in Disproportionately Impacted Areas.
- The Act requires \$12 million to be transferred from the Compassionate Use of Medical Cannabis Fund to the CBDF.
- All money collected for Early Approval Adult Use Dispensing Licenses before January 2021 will go to the CBDF.
- The Department of Commerce shall provide loans and grants to Social Equity Applicants subject to restrictions contained in the Act.
- The IDFPR will waive 50% of license fees for low income Social Equity Applicants.
 - If a license awarded to a Social Equity Applicant is transferred within 5 years to a non-Social Equity Applicant, the transferee must pay the CBDF any fees that were waived and the full amount due on any loan or grant.

Social Equity Considerations Cont'd

- The Restore, Reinvest, and Renew (R3) Program.
 - 180 days after the effective date, the Illinois Criminal Justice Information Authority (ICJIA) and Justice, Equity, and Opportunity Initiative (JEOI) of the Lieutenant Governor's Office will designate certain high-need communities for the R3 Program.
 - Grant funds will be awarded to designated R3 areas by the ICJIA and the R3 board.
 - The grants shall be “used to address economic development, violence prevention services, re-entry services, youth developments, and civil legal aid.”

Social Equity Considerations Cont'd

- The Bill contains a lengthy and complicated criminal justice reform provision. The highlights are:
 - For anyone charged but not convicted of marijuana possession of less than 30 grams, expungement is automatic.
 - For anyone convicted of marijuana possession of less than 30 grams, there is an expungement process:
 - The Illinois State Police identifies the eligible records and sends them to the Prison Review Board;
 - The Prison Review Board clears the record and sends it to the Governor for pardon;
 - The Governor issues the pardon; and
 - Upon the issuance of the pardon, the State Attorney General expunges the conviction.
 - This process happens without any affirmative steps by the party of record.
 - Anyone convicted of marijuana possession of 30 grams to 500 will need to petition the court in which they were convicted for expungement.
 - The expungement/pardon process is expected to impact 770,000 cases in the 102 counties statewide.

Advertising, Labeling, and Marketing

- Advertising and Marketing Restrictions
 - Cannabis entities cannot:
 - Issue false and misleading advertisements.
 - Promote overconsumption.
 - Depict consumption.
 - Make any health, medical, or therapeutic claims.
 - Include images of a marijuana leaf.
 - Include images of cartoons, toys, animals, children, or anything designed to appeal to minors.
 - Give away product via games or competitions related to consumption.
 - Use promotional materials that are appealing to children.
 - Maintain advertisements within 1000 feet of a school, playground, recreation center, child care center, public park, public library, or arcade not restricted to those over 21.
 - Maintain advertisements on public transit or at a public transit shelter.
 - Maintain advertisements on public property or publically-operated property.

Advertising, Labeling, and Marketing Cont'd

■ Product Labeling Requirements

- Each product must be registered with the Dept. of Ag.
- Each product must be labeled with:
 - Name and P.O. Box of the registered cultivator or craft grower.
 - Common name of item and registered name.
 - Unique serial number that matches product with cultivator/craft grower.
 - Date of final testing and packaging.
 - Identification of testing laboratory.
 - Pass/fail rating based on testing.
 - Quantity of the product.
 - List of ingredients (THC, THCA, CBD, CBDA)
 - List of solvents or other chemical compounds for concentrates and extracts.
- Products cannot contain anything that would mislead a purchaser to assume the product is endorsed by the State of Illinois.
- Each product must be packaged in a sealed, odor-proof, and child resistant container.
- Infused products must be individually wrapped and contain labeling consistent with the Illinois Food, Drug, and Cosmetic Act.

Advertising, Labeling, and Marketing Cont'd

- All cannabis products must contain the following warning:
 - “This product contains cannabis and is intended for use by adults 21 and over. Its use can impair cognition and may be habit forming. This product should not be used by pregnant or breastfeeding women. It is unlawful to sell or provide this item to any individual, and it may not be transported outside the State of Illinois. It is illegal to operate a vehicle while under the influence of cannabis. Possession or use of this product may carry significant legal penalties in some jurisdictions and under federal law.”
- Smokeable cannabis must contain the following warning:
 - “Smoking is hazardous to your health.”
- Cannabis-infused products (other than for topical application) must contain the following warning:
 - “CAUTION: This product contains cannabis, and intoxication following use may be delayed 2 or more hours. This product was produced in a facility that cultivates cannabis, and that may also process common food allergens.”
- Cannabis-infused products for topical use must contain the following warning:
 - **“DO NOT EAT.”**
- No cannabis-infused product can contain more than 100 mg of THC per package.

Additional Provisions

- Employers are permitted to establish non-discriminatory drug-free workplaces.
- A private laboratory can test cannabis if it:
 - Is accredited by a private laboratory accrediting organization.
 - Is independent from all persons involved in the Illinois cannabis industry.
 - Employs at least one person with a master's level degree in chemical or biological sciences with 2 years of post-degree laboratory experience or a bachelor's degree in chemical or biological sciences with 4 years of post-degree laboratory experience.
- Local governments can enact reasonable zoning restrictions and enacted reasonable time, place, and manner sales restrictions.
- Local governments can prohibit cannabis entities within their borders within one year.
 - After one year, local governments can only prohibit cannabis entities via local referendum.
- Financial institutions that provide services to Illinois cannabis companies are exempt from any State criminal laws related to those services.
- Medical patients may grow five cannabis plants at their home.

Thank you

Douglas R. Sargent - dsargent@lockelord.com

Ryan M. Holz - rholz@lockelord.com

David F. Standa - dstanda@lockelord.com

Irina Dashevsky – irina.dashevsky@lockelord.com

Atlanta | Austin | Boston | Chicago | Cincinnati | Dallas | Hartford | Hong Kong | Houston | London | Los Angeles
Miami | New Orleans | New York | Princeton | Providence | San Francisco | Stamford | Washington DC | West Palm Beach

ATTORNEY ADVERTISING. Locke Lord LLP disclaims all liability whatsoever in relation to any materials or information provided. This presentation is provided solely for educational and informational purposes. It is not intended to constitute legal advice or to create an attorney-client relationship. If you wish to secure legal advice specific to your enterprise and circumstances in connection with any of the topics addressed, we encourage you to engage counsel of your choice. © 2019 Locke Lord LLP

ARTICLE 7. SOCIAL EQUITY IN THE CANNABIS INDUSTRY

Section 7-1. Findings.

- (a) The General Assembly finds that the medical cannabis industry, established in 2014 through the Compassionate Use of Medical Cannabis Pilot Program Act, has shown that additional efforts are needed to reduce barriers to ownership. Through that program, 55 licenses for dispensing organizations and 20 licenses for cultivation centers have been issued. Those licenses are held by only a small number of businesses, the ownership of which does not sufficiently meet the General Assembly's interest in business ownership that reflects the population of the State of Illinois and that demonstrates the need to reduce barriers to entry for individuals and communities most adversely impacted by the enforcement of cannabis-related laws.
- (b) In the interest of establishing a legal cannabis industry that is equitable and accessible to those most adversely impacted by the enforcement of drug-related laws in this State, including cannabis-related laws, the General Assembly finds and declares that a social equity program should be established.
- (c) The General Assembly also finds and declares that individuals who have been arrested or incarcerated due to drug laws suffer long-lasting negative consequences, including impacts to employment, business ownership, housing, health, and long-term financial well-being.
- (d) The General Assembly also finds and declares that family members, especially children, and communities of those who have been arrested or incarcerated due to drug laws, suffer from emotional, psychological, and financial harms as a result of such arrests or incarcerations.
- (e) Furthermore, the General Assembly finds and declares that certain communities have disproportionately suffered the harms of enforcement of cannabis-related laws. Those communities face greater difficulties accessing traditional banking systems and capital for establishing businesses.
- (f) The General Assembly also finds that individuals who have resided in areas of high poverty suffer negative consequences, including barriers to entry in employment, business ownership, housing, health, and long-term financial well-being.
- (g) The General Assembly also finds and declares that promotion of business ownership by individuals who have resided in areas of high poverty and high enforcement of cannabis-related laws furthers an equitable cannabis industry.
- (h) Therefore, in the interest of remedying the harms resulting from the disproportionate enforcement of cannabis-related laws, the General Assembly finds and declares that a social equity program should offer, among other things, financial assistance and license application benefits to individuals most directly and adversely impacted by the enforcement of cannabis-related laws who are interested in starting cannabis business establishments.

Section 7-10. Cannabis Business Development Fund.

- (a) There is created in the State treasury a special fund, which shall be held separate and apart from all other State moneys, to be known as the Cannabis Business Development Fund. The Cannabis Business Development Fund shall be exclusively used for the following purpose.
 - (1) to provide low-interest rate loans to Social Equity Applicants to pay for ordinary and necessary expenses to start and operate a cannabis business establishment permitted by this Act;

- (2) to provide grants to Qualified Social Equity Applicants to pay for ordinary and necessary expenses to start and operate a cannabis business establishment permitted by this Act.
 - (3) to compensate the Department of Commerce and Economic Opportunity for any costs related to the provision of low-interest loans and grants to Qualified Social Equity Applicants;
 - (4) to pay for outreach that may be provided or targeted to attract and support Social Equity Applicant;
 - (5) (blank);
 - (6) to conduct any study or research concerning the participation of minorities, women, veterans, or people with disabilities in the cannabis industry, including, without limitation, barriers to such individuals entering the industry as equity owners of cannabis business establishments;
 - (7) (blank); and
 - (8) to assist with job training and technical assistance for residents in Disproportionately Impacted Areas.
- (b) All moneys collected under Sections 15-15 and 15-20 for Early Approval Adult Use Dispensing Organization Licenses issued before January 1, 2021 and remunerations made as a result of transfers of permits awarded to Qualified Social Equity Applicants shall be deposited into the Cannabis Business Development Fund.
- (c) As soon as practical after July 1, 2019, the Comptroller shall order and the Treasurer shall transfer \$12,000,000 from the Compassionate Use of Medical Cannabis Fund to the Cannabis Business Development Fund.
- (d) Notwithstanding any other law to the contrary, the Cannabis Business Development Fund is not subject to sweeps, administrative charge-backs, or any other fiscal or budgetary maneuver that would in any way transfer any amounts from the Cannabis Business Development Fund into any other fund of the State.

Section 7-15. Loans and grants to Social Equity Applicants.

- (a) The Department of Commerce and Economic Opportunity shall establish grant and loan programs, subject to appropriations from the Cannabis Business Development Fund, for the purposes of providing financial assistance, loans, grants, and technical assistance to Social Equity Applicants.
- (b) The Department of Commerce and Economic Opportunity has the power to:
- (1) provide Cannabis Social Equity loans and grants from appropriations from the Cannabis Business Development Fund to assist Social Equity Applicants in gaining entry to, and successfully operating in, the State's regulated cannabis marketplace;
 - (2) enter into agreements that set forth terms and conditions of the financial assistance, accept funds or grants, and engage in cooperation with private entities and agencies of State or local government to carry out the purposes of this Section;
 - (3) fix, determine, charge, and collect any premiums, fees, charges, costs and expenses, including application fees, commitment fees, program fees, financing charges, or publication fees in connection with its activities under this Section;
 - (4) coordinate assistance under these loan programs with activities of the Illinois Department of Financial and Professional Regulation, the Illinois Department of

Agriculture, and other agencies as needed to maximize the effectiveness and efficiency of this Act;

- (5) provide staff, administration, and related support required to administer this Section;
- (6) take whatever actions are necessary or appropriate to protect the State's interest in the event of bankruptcy default, foreclosure, or noncompliance with the terms and conditions of financial assistance provided under this Section, including the ability to recapture funds if the recipient is found to be noncompliant with the terms and conditions of the financial assistance agreement;
- (7) establish application, notification, contract, and other forms, procedures, or rules deemed necessary and appropriate; and
- (8) utilize vendors or contract work to carry out the purposes of this Act.

(c) Loans made under this Section:

- (1) shall only be made if, in the Department's judgment, the project furthers the goals set forth in this Act; and
- (2) shall be in such principal amount and form and contain such terms and provisions with respect to security, insurance, reporting, delinquency charges, default remedies, and other matters as the Department shall determine appropriate to protect the public interest and to be consistent with the purposes of this Section. The terms and provisions may be less than required for similar loans not covered by this Section.

(d) Grants made under this Section shall be awarded on a competitive and annual basis under the Grant Accountability and Transparency Act. Grants made under this Section shall further and promote the goals of this Act, including promotion of Social Equity Applicants, job training and workforce development, and technical assistance to Social Equity Applicants.

(e) Beginning January 1, 2021 and each year thereafter, the Department shall annually report to the Governor and the General Assembly on the outcomes and effectiveness of this Section that shall include the following:

- (1) the number of persons or businesses receiving financial assistance under this Section;
- (2) the amount in financial assistance awarded in the aggregate, in addition to the amount of loans made that are outstanding and the amount of grants awarded;
- (3) the location of the project engaged in by the person or business; and
- (4) if applicable, the number of new jobs and other forms of economic output created as a result of the financial assistance.

(f) The Department of Commerce and Economic Opportunity shall include engagement with individuals with limited English proficiency as part of its outreach provided or targeted to attract and support Social Equity Applicants.

Section 7-20. Fee waivers.

(a) For Social Equity Applicants, the Department of Financial and Professional Regulation and the Department of Agriculture shall waive 50% of any nonrefundable license application fees, any nonrefundable fees associated with purchasing a license to operate a cannabis business establishment, and any surety bond or other financial requirements, provided a Social Equity Applicant meets the following qualifications at the time the payment is due:

- (1) the 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

- (2) the 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.
- (b) The Department of Financial and Professional Regulation and the Department of Agriculture may require Social Equity Applicants to attest that they meet the requirements for a fee waiver as provided in subsection (a) and to provide evidence of annual total income in the previous calendar year.
- (c) If the Department of Financial and Professional Regulation or the Department of Agriculture determines that an applicant who applied as a Social Equity Applicant is not eligible for such status, the applicant shall be provided an additional 10 days to provide alternative evidence that he or she qualifies as a Social Equity Applicant. Alternatively, the applicant may pay the remainder of the waived fee and be considered as a non-Social Equity Applicant. If the applicant cannot do either, then the Departments may keep the initial application fee and the application shall not be graded.

Section 7-25. Transfer of license awarded to Social Equity Applicant.

- (a) In the event a Social Equity Applicant seeks to transfer, sell, or grant a cannabis business establishment license within 5 years after it was issued to a person or entity that does not qualify as a Social Equity Applicant, the transfer agreement shall require the new license holder to pay the Cannabis Business Development Fund an amount equal to:
- (1) any fees that were waived by any State agency based on the applicant's status as a Social Equity Applicant, if applicable;
 - (2) any outstanding amount owed by the Qualified Social Equity Applicant for a loan through the Cannabis Business Development Fund, if applicable; and
 - (3) the full amount of any grants that the Qualified Social Equity Applicant received from the Department of Commerce and Economic Opportunity, if applicable.
- (b) Transfers of cannabis business establishment licenses awarded to a Social Equity Applicant are subject to all other provisions of this Act, the Compassionate Use of Medical Cannabis Pilot Program Act, and rules regarding transfers.

Section 7-30. Reporting. By January 1, 2021, and on January 1 of every year thereafter, or upon request by the Illinois Cannabis Regulation Oversight Officer, each cannabis business establishment licensed under this Act shall report to the Illinois Cannabis Regulation Oversight Officer, on a form to be provided by the Illinois Cannabis Regulation Oversight Officer, information that will allow it to assess the extent of diversity in the medical and adult use cannabis industry and methods for reducing or eliminating any identified barriers to entry, including access to capital. The information to be collected shall be designed to identify the following:

- (1) the number and percentage of licenses provided to Social Equity Applicants and to businesses owned by minorities, women, veterans, and people with disabilities;
- (2) the total number and percentage of employees in the cannabis industry who meet the criteria in (3)(i) or (3)(ii) in the definition of Social Equity Applicant or who are minorities, women, veterans, or people with disabilities;
- (3) the total number and percentage of contractors and subcontractors in the cannabis industry that meet the definition of a Social Equity Applicant or who are owned by

minorities, women, veterans, or people with disabilities, if known to the cannabis business establishment; and

- (4) recommendations on reducing or eliminating any identified barriers to entry, including access to capital, in the cannabis industry.

ARTICLE 15.
LICENSE AND REGULATION OF DISPENSING ORGANIZATIONS

Section 15-5. Authority.

(a) In this Article, "Department" means the Department of Financial and Professional Regulation.

(b) It is the duty of the Department to administer and enforce the provisions of this Act relating to the licensure and oversight of dispensing organizations and dispensing organization agents unless otherwise provided in this Act.

(c) No person shall operate a dispensing organization for the purpose of serving purchasers of cannabis or cannabis products without a license issued under this Article by the Department. No person shall be an officer, director, manager, or employee of a dispensing organization without having been issued a dispensing organization agent card by the Department.

(d) Subject to the provisions of this Act, the Department may exercise the following powers and duties:

- (1) Prescribe forms to be issued for the administration and enforcement of this Article.
- (2) Examine, inspect, and investigate the premises, operations, and records of dispensing organization applicants and licensees.
- (3) Conduct investigations of possible violations of this Act pertaining to dispensing organizations and dispensing organization agents.
- (4) Conduct hearings on proceedings to refuse to issue or renew licenses or to revoke, suspend, place on probation, reprimand, or otherwise discipline a license under this Article or take other nondisciplinary action.
- (5) Adopt rules required for the administration of this Article.

Section 15-10. Medical cannabis dispensing organization exemption. This Article does not apply to medical cannabis dispensing organizations registered under the Compassionate Use of Medical Cannabis Pilot Program Act, except where otherwise specified.

Section 15-15. Early Approval Adult Use Dispensing Organization License.

(a) Any medical cannabis dispensing organization holding a valid registration under the Compassionate Use of Medical Cannabis Pilot Program Act as of the effective date of this Act may, within 60 days of the effective date of this Act, apply to the Department for an Early Approval Adult Use Dispensing Organization License to serve purchasers at any medical cannabis dispensing location in operation on the effective date of this Act, pursuant to this Section.

(b) A medical cannabis dispensing organization seeking issuance of an Early Approval Adult Use Dispensing Organization License to serve purchasers at any medical cannabis dispensing location in operation as of the effective date of this Act shall submit an application on forms provided by the Department. The application must be submitted by the same person or entity that holds the medical cannabis dispensing organization registration and include the following:

- (1) Payment of a nonrefundable fee of \$30,000 to be deposited into the Cannabis Regulation Fund;
- (2) Proof of registration as a medical cannabis dispensing organization that is in good standing;

- (3) Certification that the applicant will comply with the requirements contained in the Compassionate Use of Medical Cannabis Pilot Program Act except as provided in this Act;
- (4) The legal name of the dispensing organization;
- (5) The physical address of the dispensing organization;
- (6) The name, address, social security number, and date of birth of each principal officer and board member of the dispensing organization, each of whom must be at least 21 years of age;
- (7) A nonrefundable Cannabis Business Development Fee equal to 3% of the dispensing organization's total sales between June 1, 2018 to June 1, 2019, or \$100,000, whichever is less, to be deposited into the Cannabis Business Development Fund; and
- (8) Identification of one of the following Social Equity Inclusion Plans to be completed by March 31, 2021:

- (A) 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 Business Development Fund. This I in addition to the fee required by item (7) of this subsection (b);

- (B) Make a grant of 3% of total sales from June 1, 2018 to June 1, 2019, \$100,000, whichever is less, to a cannabis industry training or education program at an Illinois community college as defined in the Public Community College Act;

- (C) Make a donation of \$100,000 or more to a program that provides job training services to persons recently incarcerated or that operates in a Disproportionately Impacted Area;

- (D) Participate as a host in a cannabis business establishment incubator program approved by the Department of Commerce and Economic Opportunity, and in which an Early Approval Adult Use Dispensing Organization License holder agrees to provide a loan of at least \$100,000 and mentorship to incubate a licensee that qualifies as a Social Equity Applicant for at least a year. As used in this Section, "incubate" means providing direct financial assistance and training necessary to engage in licensed cannabis industry activity similar to that of the host licensee. The Early Approval Adult Use Dispensing Organization License holder or the same entity holding any other licenses issued pursuant to this Act shall not take an ownership stake of greater than 10% in any business receiving incubation services to comply with this subsection. If an Early Approval Adult Use Dispensing Organization License holder fails to find a business to incubate to comply with this subsection before its Early Approval Adult Use Dispensing Organization License expires, it may opt to meet the requirement of this subsection by completing another item from this subsection; or
- (E) Participate in a sponsorship program for at least 2 years approved by the Department of Commerce and Economic Opportunity in which an Early Approval Adult Use Dispensing Organization License holder agrees to provide an interest-free loan of at least \$200,000 to a Social Equity Applicant. The sponsor shall not take an ownership stake in any cannabis business establishment receiving sponsorship services to comply with this subsection.

(c) The license fee required by paragraph (1) of subsection (b) of this Section shall be in addition to any license fee required for the renewal of a registered medical cannabis dispensing organization license.

(d) Applicants must submit all required information, including the requirements in subsection (b) of this Section, to the Department. Failure by an applicant to submit all required information may result in the application being disqualified.

(e) If the Department receives an application that fails to provide the required elements contained in subsection (b), the Department shall issue a deficiency notice to the applicant. The applicant shall have 10 calendar days from the date of the deficiency notice to submit complete information. Applications that are still incomplete after this opportunity to cure may be disqualified.

(f) If an applicant meets all the requirements of subsection (b) of this Section, the Department shall issue the Early Approval Adult Use Dispensing Organization License within 14 days of receiving a completed application unless: (1) The licensee or a principal officer is delinquent in filing any required tax returns or paying any amounts owed to the State of Illinois; (2) The Secretary of Financial and Professional Regulation determines there is reason, based on documented compliance violations, the licensee is not entitled to an Early Approval Adult Use Dispensing Organization License; or (3) Any principal officer fails to register and remain in compliance with this Act or the Compassionate Use of Medical Cannabis Pilot Program Act.

(g) A registered medical cannabis dispensing organization that obtains an Early Approval Adult Use Dispensing Organization License may begin selling cannabis, cannabis-infused products, paraphernalia, and related items to purchasers under the rules of this Act no sooner than January 1, 2020.

(h) A dispensing organization holding a medical cannabis dispensing organization license issued under the Compassionate Use of Medical Cannabis Pilot Program Act must maintain an adequate supply of cannabis and cannabis-infused products for purchase by qualifying patients, caregivers, provisional patients, and Opioid Alternative Pilot Program participants. For the purposes of this subsection, "adequate supply" means a monthly inventory level that is comparable in type and quantity to those medical cannabis products provided to patients and caregivers on an average monthly basis for the 6 months before the effective date of this Act.

(i) If there is a shortage of cannabis or cannabis-infused products, a dispensing organization holding both a dispensing organization license under the Compassionate Use of Medical Cannabis Pilot Program Act and this Act shall prioritize serving qualifying patients, caregivers, provisional patients, and Opioid Alternative Pilot Program participants before serving purchasers.

(j) Notwithstanding any law or rule to the contrary, a person that holds a medical cannabis dispensing organization license issued under the Compassionate Use of Medical Cannabis Pilot Program Act and an Early Approval Adult Use Dispensing Organization License may permit purchasers into a limited access area as that term is defined in administrative rules made under the authority in the Compassionate Use of Medical Cannabis Pilot Program Act.

(k) An Early Approval Adult Use Dispensing Organization License is valid until March 31, 2021. A dispensing organization that obtains an Early Approval Adult Use Dispensing Organization License shall receive written or electronic notice 90 days before the expiration of the license that the license will expire, and inform the license holder that it may renew its Early Approval Adult Use Dispensing Organization License. The Department shall renew the Early Approval Adult Use Dispensing Organization License within 60 days of the renewal application being deemed complete if:

- (1) the dispensing organization submits an application and the required nonrefundable renewal fee of \$30,000, to be deposited into the Cannabis Regulation Fund;

- (2) the Department has not suspended or revoked the Early Approval Adult Use Dispensing Organization License or a medical cannabis dispensing organization license on the same premises for violations of this Act, the Compassionate Use of Medical Cannabis Pilot Program Act, or rules adopted pursuant to those Acts; and
- (3) the dispensing organization has completed a Social Equity Inclusion Plan as required by paragraph (8) of subsection (b) of this Section.

(l) The Early Approval Adult Use Dispensing Organization License renewed pursuant to subsection (k) of this Section shall expire March 31, 2022. The Early Approval Adult Use Dispensing Organization Licensee shall receive written or electronic notice 90 days before the expiration of the license that the license will expire, and inform the license holder that it may apply for an Adult Use Dispensing Organization License. The Department shall grant an Adult Use Dispensing Organization License within 60 days of an application being deemed complete if the applicant has met all of the criteria in Section 15-36.

(m) If a dispensary fails to submit an application for an Adult Use Dispensing Organization License before the expiration of the Early Approval Adult Use Dispensing Organization License pursuant to subsection (k) of this Section, the dispensing organization shall cease serving purchasers and cease all operations until it receives an Adult Use Dispensing Organization License.

(n) A dispensing organization agent who holds a valid dispensing organization agent identification card issued under the Compassionate Use of Medical Cannabis Pilot Program Act and is an officer, director, manager, or employee of the dispensing organization licensed under this Section may engage in all activities authorized by this Article to be performed by a dispensing organization agent.

(o) All fees collected pursuant to this Section shall be deposited into the Cannabis Regulation Fund, unless otherwise specified.

Section 15-20. Early Approval Adult Use Dispensing Organization License; secondary site.

(a) If the Department suspends or revokes the Early Approval Adult Use Dispensing Organization License of a dispensing organization that also holds a medical cannabis dispensing organization license issued under the Compassionate Use of Medical Cannabis Pilot Program Act, the Department may consider the suspension or revocation as grounds to take disciplinary action against the medical cannabis dispensing organization license. (a-5) If, within 360 days of the effective date of this Act, a dispensing organization is unable to find a location within the BLS Regions prescribed in subsection (a) of this Section in which to operate an Early Approval Adult Use Dispensing Organization at a secondary site because no jurisdiction within the prescribed area allows the operation of an Adult Use Cannabis Dispensing Organization, the Department of Financial and Professional Regulation may waive the geographic restrictions of subsection (a) of this Section and specify another BLS Region into which the dispensary may be placed.

(b) Any medical cannabis dispensing organization holding a valid registration under the Compassionate Use of Medical Cannabis Pilot Program Act as of the effective date of this Act may, within 60 days of the effective date of this Act, apply to the Department for an Early Approval Adult Use Dispensing Organization License to operate a dispensing organization to serve purchasers at a secondary site not within 1,500 feet of another medical cannabis dispensing organization or adult use dispensing organization. The Early Approval Adult Use Dispensing

Organization secondary site shall be within any BLS region that shares territory with the dispensing organization district to which the medical cannabis dispensing organization is assigned under the administrative rules for dispensing organizations under the Compassionate Use of Medical Cannabis Pilot Program Act.

(c) A medical cannabis dispensing organization seeking issuance of an Early Approval Adult Use Dispensing Organization License at a secondary site to serve purchasers at a secondary site as prescribed in subsection (b) of this Section shall submit an application on forms provided by the Department. The application must meet or include the following qualifications:

- (1) a payment of a nonrefundable application fee of \$30,000;
- (2) proof of registration as a medical cannabis dispensing organization that is in good standing;
- (3) submission of the application by the same person or entity that holds the medical cannabis dispensing organization registration;
- (4) the legal name of the medical cannabis dispensing organization;
- (5) the physical address of the medical cannabis dispensing organization and the proposed physical address of the secondary site;
- (6) a copy of the current local zoning ordinance Sections relevant to dispensary operations and documentation of the approval, the conditional approval or the status of a request for zoning approval from the local zoning office that the proposed dispensary location is in compliance with the local zoning rules;
- (7) a plot plan of the dispensary drawn to scale. The applicant shall submit general specifications of the building exterior and interior layout;
- (8) a statement that the dispensing organization agrees to respond to the Department's supplemental requests for information;
- (9) for the building or land to be used as the proposed dispensary:
 - (A) if the property is not owned by the applicant, a written statement from the property owner and landlord, if any, certifying consent that the applicant may operate a dispensary on the premises; or
 - (B) if the property is owned by the applicant, confirmation of ownership;
- (10) a copy of the proposed operating bylaws;
- (11) a copy of the proposed business plan that complies with the requirements in this Act, including, at a minimum, the following:
 - (A) a description of services to be offered; and
 - (B) a description of the process of dispensing cannabis;
- (12) a copy of the proposed security plan that complies with the requirements in this Article, including:
 - (A) a description of the delivery process by which cannabis will be received from a transporting organization, including receipt of manifests and protocols that will be used to avoid diversion, theft, or loss at the dispensary acceptance point; and
 - (B) the process or controls that will be implemented to monitor the dispensary, secure the premises, agents, patients, and currency, and prevent the diversion, theft, or loss of cannabis; and
 - (C) the process to ensure that access to the restricted access areas is restricted to, registered agents, service professionals, transporting organization agents, Department inspectors, and security personnel;
- (13) a proposed inventory control plan that complies with this Section;

(14) the name, address, social security number, and date of birth of each principal officer and board member of the dispensing organization; each of those individuals shall be at least 21 years of age;

(15) a nonrefundable Cannabis Business Development Fee equal to \$200,000, to be deposited into the Cannabis Business Development Fund; and

(16) a commitment to completing one of the following Social Equity Inclusion Plans in subsection (d).

(d) Before receiving an Early Approval Adult Use Dispensing Organization License at a secondary site, a dispensing organization shall indicate the Social Equity Inclusion Plan that the applicant plans to achieve before the expiration of the Early Approval Adult Use Dispensing Organization License from the list below:

(1) 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 Business Development Fund. This is in addition to the fee required by paragraph (16) of subsection (c) of this Section;

(2) make a grant of 3% of total sales from June 1, 2018 to June 1, 2019, or \$100,000, whichever is less, to a cannabis industry training or education program at an Illinois community college as defined in the Public Community College Act;

(3) make a donation of \$100,000 or more to a program that provides job training services to persons recently incarcerated or that operates in a Disproportionately Impacted Area;

(4) participate as a host in a cannabis business establishment incubator program approved by the Department of Commerce and Economic Opportunity, and in which an Early Approval Adult Use Dispensing Organization License at a secondary site holder agrees to provide a loan of at least \$100,000 and mentorship to incubate a licensee that qualifies as a Social Equity Applicant for at least a year. In this paragraph (4), "incubate" means providing direct financial assistance and training necessary to engage in licensed cannabis industry activity similar to that of the host licensee. The Early Approval Adult Use Dispensing Organization License holder or the same entity holding any other licenses issued under this Act shall not take an ownership stake of greater than 10% in any business receiving incubation services to comply with this subsection. If an Early Approval Adult Use Dispensing Organization License at a secondary site holder fails to find a business to incubate in order to comply with this subsection before its Early Approval Adult Use Dispensing Organization License at a secondary site expires, it may opt to meet the requirement of this subsection by completing another item from this subsection before the expiration of its Early Approval Adult Use Dispensing Organization License at a secondary site to avoid a penalty; or

(5) participate in a sponsorship program for at least 2 years approved by the Department of Commerce and Economic Opportunity in which an Early Approval Adult Use Dispensing Organization License at a secondary site holder agrees to provide an interest-free loan of at least \$200,000 to a Social Equity Applicant. The sponsor shall not take an ownership stake of greater than 10% in any business receiving sponsorship services to comply with this subsection.

(e) The license fee required by paragraph (1) of subsection (c) of this Section is in addition to any license fee required for the renewal of a registered medical cannabis dispensing organization license.

(f) Applicants must submit all required information, including the requirements in subsection (c) of this Section, to the Department. Failure by an applicant to submit all required information may result in the application being disqualified.

(g) If the Department receives an application that fails to provide the required elements contained in subsection (c), the Department shall issue a deficiency notice to the applicant. The applicant shall have 10 calendar days from the date of the deficiency notice to submit complete information. Applications that are still incomplete after this opportunity to cure may be disqualified.

(h) Once all required information and documents have been submitted, the Department will review the application. The Department may request revisions and retains final approval over dispensary features. Once the application is complete and meets the Department's approval, the Department shall conditionally approve the license. Final approval is contingent on the build-out and Department inspection.

(i) Upon submission of the Early Approval Adult Use Dispensing Organization at a secondary site application, the applicant shall request an inspection and the Department may inspect the Early Approval Adult Use Dispensing Organization's secondary site to confirm compliance with the application and this Act.

(j) The Department shall only issue an Early Approval Adult Use Dispensing Organization License at a secondary site after the completion of a successful inspection.

(k) If an applicant passes the inspection under this Section, the Department shall issue the Early Approval Adult Use Dispensing Organization License at a secondary site within 10 business days unless:

(1) The licensee; principal officer, board member, or person having a financial or voting interest of 5% or greater in the licensee; or agent is delinquent in filing any required tax returns or paying any amounts owed to the State of Illinois; or

(2) The Secretary of Financial and Professional Regulation determines there is reason, based on documented compliance violations, the licensee is not entitled to an Early Approval Adult Use Dispensing Organization License at its secondary site.

(l) Once the Department has issued a license, the dispensing organization shall notify the Department of the proposed opening date.

(m) A registered medical cannabis dispensing organization that obtains an Early Approval Adult Use Dispensing Organization License at a secondary site may begin selling cannabis, cannabis-infused products, paraphernalia, and related items to purchasers under the rules of this Act no sooner than January 1, 2020.

(n) If there is a shortage of cannabis or cannabis-infused products, a dispensing organization holding both a dispensing organization license under the Compassionate Use of Medical Cannabis Pilot Program Act and this Article shall prioritize serving qualifying patients and caregivers before serving purchasers.

(o) An Early Approval Adult Use Dispensing Organization License at a secondary site is valid until March 31, 2021. A dispensing organization that obtains an Early Approval Adult Use Dispensing Organization License at a secondary site shall receive written or electronic notice 90 days before the expiration of the license that the license will expire, and inform the license holder that it may renew its Early Approval Adult Use Dispensing Organization License at a secondary site. The Department shall renew an Early Approval Adult Use Dispensing Organization License at a secondary site within 60 days of submission of the renewal application being deemed complete if:

(1) the dispensing organization submits an application and the required nonrefundable renewal fee of \$30,000, to be deposited into the Cannabis Regulation Fund;

(2) the Department has not suspended or revoked the Early Approval Adult Use Dispensing Organization License or a medical cannabis dispensing organization license held by the same person or entity for violating this Act or rules adopted under this Act or the Compassionate Use of Medical Cannabis Pilot Program Act or rules adopted under that Act; and

(3) the dispensing organization has completed a Social Equity Inclusion Plan as required by paragraph (16) of subsection (c) of this Section.

(p) The Early Approval Adult Use Dispensing Organization Licensee at a secondary site renewed pursuant to subsection (o) shall receive written or electronic notice 90 days before the expiration of the license that the license will expire, and inform the license holder that it may apply for an Adult Use Dispensing Organization License. The Department shall grant an Adult Use Dispensing Organization License within 60 days of an application being deemed complete if the applicant has met all of the criteria in Section 15-36.

(q) If a dispensing organization fails to submit an application for renewal of an Early Approval Adult Use Dispensing Organization License or for an Adult Use Dispensing Organization License before the expiration dates provided in subsections (o) and (p) of this Section, the dispensing organization shall cease serving purchasers until it receives a renewal or an Adult Use Dispensing Organization License.

(r) A dispensing organization agent who holds a valid dispensing organization agent identification card issued under the Compassionate Use of Medical Cannabis Pilot Program Act and is an officer, director, manager, or employee of the dispensing organization licensed under this Section may engage in all activities authorized by this Article to be performed by a dispensing organization agent.

(s) If the Department suspends or revokes the Early Approval Adult Use Dispensing Organization License of a dispensing organization that also holds a medical cannabis dispensing organization license issued under the Compassionate Use of Medical Cannabis Pilot Program Act, the Department may consider the suspension or revocation as grounds to take disciplinary action against the medical cannabis dispensing organization.

(t) All fees or fines collected from an Early Approval Adult Use Dispensary Organization License at a secondary site holder as a result of a disciplinary action in the enforcement of this Act shall be deposited into the Cannabis Regulation Fund and be appropriated to the Department for the ordinary and contingent expenses of the Department in the administration and enforcement of this Section.

Section 15-25. Awarding of Conditional Adult Use Dispensing Organization Licenses prior to January 1, 2021.

(a) The Department shall issue up to 75 Conditional Adult Use Dispensing Organization Licenses before May 1, 2020. (b) The Department shall make the application for a Conditional Adult Use Dispensing Organization License available no later than October 1, 2019 and shall accept applications no later than January 1, 2020.

(c) To ensure the geographic dispersion of Conditional Adult Use Dispensing Organization License holders, the following number of licenses shall be awarded in each BLS Region as determined by each region's percentage of the State's population:

(1) Bloomington: 1

(2) Cape Girardeau: 1

- (3) Carbondale-Marion: 1
- (4) Champaign-Urbana: 1
- (5) Chicago-Naperville-Elgin: 47
- (6) Danville: 1
- (7) Davenport-Moline-Rock Island: 1
- (8) Decatur: 1
- (9) Kankakee: 1
- (10) Peoria: 3
- (11) Rockford: 2
- (12) St. Louis: 4
- (13) Springfield: 1
- (14) Northwest Illinois nonmetropolitan: 3
- (15) West Central Illinois nonmetropolitan: 3
- (16) East Central Illinois nonmetropolitan: 2
- (17) South Illinois nonmetropolitan: 2

(d) An applicant seeking issuance of a Conditional Adult Use Dispensing Organization License shall submit an application on forms provided by the Department. An applicant must meet the following requirements:

- (1) Payment of a nonrefundable application fee of \$5,000 for each license for which the applicant is applying, which shall be deposited into the Cannabis Regulation Fund;
- (2) Certification that the applicant will comply with the requirements contained in this Act;
- (3) The legal name of the proposed dispensing organization; (4) A statement that the dispensing organization agrees to respond to the Department's supplemental requests for information;
- (5) From each principal officer, a statement indicating whether that person:
 - (A) has previously held or currently holds an ownership interest in a cannabis business establishment in Illinois; or
 - (B) has held an ownership interest in a dispensing organization or its equivalent in another state or territory of the United States that had the dispensing organization registration or license suspended, revoked, placed on probationary status, or subjected to other disciplinary action;
- (6) Disclosure of whether any principal officer has ever filed for bankruptcy or defaulted on spousal support or child support obligation;
- (7) A resume for each principal officer, including whether that person has an academic degree, certification, or relevant experience with a cannabis business establishment or in a related industry;
- (8) A description of the training and education that will be provided to dispensing organization agents;
- (9) A copy of the proposed operating bylaws;
- (10) A copy of the proposed business plan that complies with the requirements in this Act, including, at a minimum, the following:
 - (A) A description of services to be offered; and
 - (B) A description of the process of dispensing cannabis;
- (11) A copy of the proposed security plan that complies with the requirements in this Article, including:

- (A) The process or controls that will be implemented to monitor the dispensary, secure the premises, agents, and currency, and prevent the diversion, theft, or loss of cannabis; and
- (B) The process to ensure that access to the restricted access areas is restricted to, registered agents, service professionals, transporting organization agents, Department inspectors, and security personnel;
- (12) A proposed inventory control plan that complies with this Section;
- (13) A proposed floor plan, a square footage estimate and a description of proposed security devices, including, without limitation, cameras, motion detectors, servers, video storage capabilities, and alarm service providers;
- (14) The name, address, social security number, and date of birth of each principal officer and board member of the dispensing organization; each of those individuals shall be at least 21 years of age;
- (15) Evidence of the applicant's status as a Social Equity Applicant, if applicable, and whether a Social Equity Applicant plans to apply for a loan or grant issued by the Department of Commerce and Economic Opportunity;
- (16) The address, telephone number, and email address of the applicant's principal place of business, if applicable. A post office box is not permitted;
- (17) Written summaries of any information regarding instances in which a business or not-for-profit that a prospective board member previously managed or served on were fined or censured, or any instances in which a business or not-for-profit that a prospective board member previously managed or served on had its registration suspended or revoked in any administrative or judicial proceeding;
- (18) A plan for community engagement;
- (19) Procedures to ensure accurate recordkeeping and security measures that are in accordance with this Article and Department rules;
- (20) The estimated volume of cannabis it plans to store at the dispensary;
- (21) A description of the features that will provide accessibility to purchasers as required by the Americans with Disabilities Act;
- (22) A detailed description of air treatment systems that will be installed to reduce odors;
- (23) A reasonable assurance that the issuance of a license will not have a detrimental impact on the community in which the applicant wishes to locate;
- (24) The dated signature of each principal officer;
- (25) A description of the enclosed, locked facility where cannabis will be stored by the dispensing organization;
- (26) Signed statements from each dispensing organization agent stating that he or she will not divert cannabis;
- (27) The number of licenses it is applying for in each BLS Region;
- (28) A diversity plan that includes a narrative of at least 2,500 words that establishes a goal of diversity in ownership, management, employment, and contracting to ensure that diverse participants and groups are afforded equality of opportunity;
- (29) 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 in order for the dispensary to have adequate security at its facility; and

(30) Other information deemed necessary by the Illinois Cannabis Regulation Oversight Officer to conduct the disparity and availability study referenced in subsection (e) of Section 5-45.

(e) An applicant who receives a Conditional Adult Use Dispensing Organization License under this Section has 180 days from the date of award to identify a physical location for the dispensing organization retail storefront. Before a conditional licensee receives an authorization to build out the dispensing organization from the Department, the Department shall inspect the physical space selected by the conditional licensee. The Department shall verify the site is suitable for public access, the layout promotes the safe dispensing of cannabis, the location is sufficient in size, power allocation, lighting, parking, handicapped accessible parking spaces, accessible entry and exits as required by the Americans with Disabilities Act, product handling, and storage. The applicant shall also provide a statement of reasonable assurance that the issuance of a license will not have a detrimental impact on the community. The applicant shall also provide evidence that the location is not within 1,500 feet of an existing dispensing organization. If an applicant is unable to find a suitable physical address in the opinion of the Department within 180 days of the issuance of the Conditional Adult Use Dispensing Organization License, the Department may extend the period for finding a physical address another 180 days if the Conditional Adult Use Dispensing Organization License holder demonstrates concrete attempts to secure a location and a hardship. If the Department denies the extension or the Conditional Adult Use Dispensing Organization License holder is unable to find a location or become operational within 360 days of being awarded a conditional license, the Department shall rescind the conditional license and award it to the next highest scoring applicant in the BLS Region for which the license was assigned, provided the applicant receiving the license:

- (i) confirms a continued interest in operating a dispensing organization;
- (ii) can provide evidence that the applicant continues to meet the financial requirements provided in subsection (c) of this Section; and
- (iii) has not otherwise become ineligible to be awarded a dispensing organization license.

If the new awardee is unable to accept the Conditional Adult Use Dispensing Organization License, the Department shall award the Conditional Adult Use Dispensing Organization License to the next highest scoring applicant in the same manner. The new awardee shall be subject to the same required deadlines as provided in this subsection. (e-5) If, within 180 days of being awarded a Conditional Adult Use Dispensing Organization license, a dispensing organization is unable to find a location within the BLS Region in which it was awarded a Conditional Adult Use Dispensing Organization license because no jurisdiction within the BLS Region allows for the operation of an Adult Use Dispensing Organization, the Department of Financial and Professional Regulation may authorize the Conditional Adult Use Dispensing Organization License holder to transfer its license to a BLS Region specified by the Department.

(f) A dispensing organization that is awarded a Conditional Adult Use Dispensing Organization License pursuant to the criteria in Section 15-30 shall not purchase, possess, sell, or dispense cannabis or cannabis-infused products until the person has received an Adult Use Dispensing Organization License issued by the Department pursuant to Section 15-36 of this Act. The Department shall not issue an Adult Use Dispensing Organization License until:

- (1) the Department has inspected the dispensary site and proposed operations and verified that they are in compliance with this Act and local zoning laws; and

(2) the Conditional Adult Use Dispensing Organization License holder has paid a registration fee of \$60,000, or a prorated amount accounting for the difference of time between when the Adult Use Dispensing Organization License is issued and March 31 of the next even-numbered year.

(g) The Department shall conduct a background check of the prospective organization agents in order to carry out this Article. The Department of State Police shall charge the applicant a fee for conducting the criminal history record check, which shall be deposited into the State Police Services Fund and shall not exceed the actual cost of the record check. Each person applying as a dispensing organization agent shall submit a full set of fingerprints to the Department of State Police for the purpose of obtaining a State and federal criminal records check. These fingerprints shall be checked against the fingerprint records now and hereafter, to the extent allowed by law, filed in the Department of State Police and Federal Bureau of Identification criminal history records databases. The Department of State Police shall furnish, following positive identification, all Illinois conviction information to the Department.

Section 15-30.

Selection criteria for conditional licenses awarded under Section 15-25.

(a) Applicants for a Conditional Adult Use Dispensing Organization License must submit all required information, including the information required in Section 15-25, to the Department. Failure by an applicant to submit all required information may result in the application being disqualified.

(b) If the Department receives an application that fails to provide the required elements contained in this Section, the Department shall issue a deficiency notice to the applicant. The applicant shall have 10 calendar days from the date of the deficiency notice to resubmit the incomplete information. Applications that are still incomplete after this opportunity to cure will not be scored and will be disqualified.

(c) The Department will award up to 250 points to complete applications based on the sufficiency of the applicant's responses to required information. Applicants will be awarded points based on a determination that the application satisfactorily includes the following elements:

(1) Suitability of Employee Training Plan (15 points). The plan includes an employee training plan that demonstrates that employees will understand the rules and laws to be followed by dispensary employees, have knowledge of any security measures and operating procedures of the dispensary, and are able to advise purchasers on how to safely consume cannabis and use individual products offered by the dispensary.

(2) Security and Recordkeeping (65 points).

(A) The security plan accounts for the prevention of the theft or diversion of cannabis. The security plan demonstrates safety procedures for dispensary agents and purchasers, and safe delivery and storage of cannabis and currency. It demonstrates compliance with all security requirements in this Act and rules.

(B) A plan for recordkeeping, tracking, and monitoring inventory, quality control, and other policies and procedures that will promote standard recordkeeping and discourage unlawful activity. This plan includes the applicant's strategy to communicate with the Department and the Department of State Police on the destruction and disposal of cannabis. The plan must also demonstrate compliance with this Act and rules.

- (C) The security plan shall also detail which private security contractor licensed under Section 10-5 of the Private Detective, Private Alarm, Private Security, Fingerprint Vendor, and Locksmith Act of 2004 the dispensary will contract with in order to provide adequate security at its facility.
- (3) Applicant's Business Plan, Financials, Operating and Floor Plan (65 points).
- (A) The business plan shall describe, at a minimum, how the dispensing organization will be managed on a long-term basis. This shall include a description of the dispensing organization's point-of-sale system, purchases and denials of sale, confidentiality, and products and services to be offered. It will demonstrate compliance with this Act and rules.
- (B) The operating plan shall include, at a minimum, best practices for day-to-day dispensary operation and staffing. The operating plan may also include information about employment practices, including information about the percentage of full-time employees who will be provided a living wage.
- (C) The proposed floor plan is suitable for public access, the layout promotes safe dispensing of cannabis, is compliant with the Americans with Disabilities Act and the Environmental Barriers Act, and facilitates safe product handling and storage.
- (4) Knowledge and Experience (30 points).
- (A) The applicant's principal officers must demonstrate experience and qualifications in business management or experience with the cannabis industry. This includes ensuring optimal safety and accuracy in the dispensing and sale of cannabis.
- (B) The applicant's principal officers must demonstrate knowledge of various cannabis product strains or varieties and describe the types and quantities of products planned to be sold. This includes confirmation of whether the dispensing organization plans to sell cannabis paraphernalia or edibles.
- (C) Knowledge and experience may be demonstrated through experience in other comparable industries that reflect on applicant's ability to operate a cannabis business establishment.
- (5) Status as a Social Equity Applicant (50 points). The applicant meets the qualifications for a Social Equity Applicant as set forth in this Act.
- (6) Labor and employment practices (5 points): The applicant may describe plans to provide a safe, healthy, and economically beneficial working environment for its agents, including, but not limited to, codes of conduct, health care benefits, educational benefits, retirement benefits, living wage standards, and entering a labor peace agreement with employees.
- (7) Environmental Plan (5 points): The applicant may demonstrate an environmental plan of action to minimize the carbon footprint, environmental impact, and resource needs for the dispensary, which may include, without limitation, recycling cannabis product packaging.
- (8) Illinois owner (5 points): The applicant is 51% or more owned and controlled by an Illinois resident, who can prove residency in each of the past 5 years with tax records.
- (9) Status as veteran (5 points): The applicant is 51% or more controlled and owned by an individual or individuals who meet the qualifications of a veteran as defined by Section 45-57 of the Illinois Procurement Code.

(10) A diversity plan (5 points): that includes a narrative of not more than 2,500 words that establishes a goal of diversity in ownership, management, employment, and contracting to ensure that diverse participants and groups are afforded equality of opportunity.

(d) The Department may also award up to 2 bonus points for a plan to engage with the community. The applicant may demonstrate a desire to engage with its community by participating in one or more of, but not limited to, the following actions: (i) establishment of an incubator program designed to increase participation in the cannabis industry by persons who would qualify as Social Equity Applicants; (ii) providing financial assistance to substance abuse treatment centers; (iii) educating children and teens about the potential harms of cannabis use; or (iv) other measures demonstrating a commitment to the applicant's community. Bonus points will only be awarded if the Department receives applications that receive an equal score for a particular region.

(e) The Department may verify information contained in each application and accompanying documentation to assess the applicant's veracity and fitness to operate a dispensing organization.

(f) The Department may, in its discretion, refuse to issue an authorization to any applicant:

(1) Who is unqualified to perform the duties required of the applicant;

(2) Who fails to disclose or states falsely any information called for in the application;

(3) Who has been found guilty of a violation of this Act, or whose medical cannabis dispensing organization, medical cannabis cultivation organization, or Early Approval Adult Use Dispensing Organization License, or Early Approval Adult Use Dispensing Organization License at a secondary site, or Early Approval Cultivation Center License was suspended, restricted, revoked, or denied for just cause, or the applicant's cannabis business establishment license was suspended, restricted, revoked, or denied in any other state; or

(4) Who has engaged in a pattern or practice of unfair or illegal practices, methods, or activities in the conduct of owning a cannabis business establishment or other business.

(g) The Department shall deny the license if any principal officer, board member, or person having a financial or voting interest of 5% or greater in the licensee is delinquent in filing any required tax returns or paying any amounts owed to the State of Illinois.

(h) The Department shall verify an applicant's compliance with the requirements of this Article and rules before issuing a dispensing organization license.

(i) Should the applicant be awarded a license, the information and plans provided in the application, including any plans submitted for bonus points, shall become a condition of the Conditional Adult Use Dispensing Organization Licenses, except as otherwise provided by this Act or rule. Dispensing organizations have a duty to disclose any material changes to the application. The Department shall review all material changes disclosed by the dispensing organization, and may re-evaluate its prior decision regarding the awarding of a license, including, but not limited to, suspending or revoking a license. Failure to comply with the conditions or requirements in the application may subject the dispensing organization to discipline, up to and including suspension or revocation of its authorization or license by the Department.

(j) If an applicant has not begun operating as a dispensing organization within one year of the issuance of the Conditional Adult Use Dispensing Organization License, the Department may revoke the Conditional Adult Use Dispensing Organization License and award it to the next highest scoring applicant in the BLS Region if a suitable applicant indicates a continued interest

in the license or begin a new selection process to award a Conditional Adult Use Dispensing Organization License.

(k) The Department shall deny an application if granting that application would result in a single person or entity having 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. Any entity that is awarded a license that results in a single person or entity having a direct or indirect financial interest in more than 10 licenses shall forfeit the most recently issued license and suffer a penalty to be determined by the Department, unless the entity declines the license at the time it is awarded.

Section 15-35.

Conditional Adult Use Dispensing Organization License after January 1, 2021.

(a) In addition to any of the licenses issued in Sections 15-15, Section 15-20, or Section 15-25 of this Act, by December 21, 2021, the Department shall issue up to 110 Conditional Adult Use Dispensing Organization Licenses, pursuant to the application process adopted under this Section. Prior to issuing such licenses, the Department may adopt rules through emergency rulemaking in accordance with subsection (gg) of Section 5-45 of the Illinois Administrative Procedure Act. The General Assembly finds that the adoption of rules to regulate cannabis use is deemed an emergency and necessary for the public interest, safety, and welfare. Such rules may:

(1) Modify or change the BLS Regions as they apply to this Article or modify or raise the number of Adult Conditional Use Dispensing Organization Licenses assigned to each region based on the following factors:

(A) Purchaser wait times;

(B) Travel time to the nearest dispensary for potential purchasers;

(C) Percentage of cannabis sales occurring in Illinois not in the regulated market using data from the Substance Abuse and Mental Health Services Administration, National Survey on Drug Use and Health, Illinois Behavioral Risk Factor Surveillance System, and tourism data from the Illinois Office of Tourism to ascertain total cannabis consumption in Illinois compared to the amount of sales in licensed dispensing organizations;

(D) Whether there is an adequate supply of cannabis and cannabis-infused products to serve registered medical cannabis patients;

(E) Population increases or shifts;

(F) Density of dispensing organizations in a region;

(G) The Department's capacity to appropriately regulate additional licenses;

(H) The findings and recommendations from the disparity and availability study commissioned by the Illinois Cannabis Regulation Oversight Officer in subsection (e) of Section 5-45 to reduce or eliminate any identified barriers to entry in the cannabis industry; and

(I) Any other criteria the Department deems relevant.

(2) Modify or change the licensing application process to reduce or eliminate the barriers identified in the disparity and availability study commissioned by the Illinois Cannabis Regulation Oversight Officer and make modifications to remedy evidence of discrimination.

(b) After January 1, 2022, the Department may by rule modify or raise the number of Adult Use Dispensing Organization Licenses assigned to each region, and modify or change the licensing

application process to reduce or eliminate barriers based on the criteria in subsection (a). At no time shall the Department issue more than 500 Adult Use Dispensary Organization Licenses.

Section 15-36. Adult Use Dispensing Organization License.

(a) A person is only eligible to receive an Adult Use Dispensing Organization if the person has been awarded a Conditional Adult Use Dispensing Organization License pursuant to this Act or has renewed its license pursuant to subsection (k) of Section 15-15 or subsection (p) of Section 15-20.

(b) The Department shall not issue an Adult Use Dispensing Organization License until:

(1) the Department has inspected the dispensary site and proposed operations and verified that they are in compliance with this Act and local zoning laws;

(2) the Conditional Adult Use Dispensing Organization License holder has paid a registration fee of \$60,000 or a prorated amount accounting for the difference of time between when the Adult Use Dispensing Organization License is issued and March 31 of the next even-numbered year; and

(3) the Conditional Adult Use Dispensing Organization License holder has met all the requirements in the Act and rules.

(c) No person or entity shall hold any legal, equitable, ownership, or beneficial interest, directly or indirectly, of more than 10 dispensing organizations licensed under this Article. Further, no person or entity that is:

(1) employed by, is an agent of, or participates in the management of a dispensing organization or registered medical cannabis dispensing organization;

(2) a principal officer of a dispensing organization or registered medical cannabis dispensing organization; or

(3) an entity controlled by or affiliated with a principal officer of a dispensing organization or registered medical cannabis dispensing organization; shall hold any legal, equitable, ownership, or beneficial interest, directly or indirectly, in a dispensing organization that would result in such person or entity owning or participating in the management of more than 10 dispensing organizations. For the purpose of this subsection, participating in management may include, without limitation, controlling decisions regarding staffing, pricing, purchasing, marketing, store design, hiring, and website design.

(d) The Department shall deny an application if granting that application would result in a person or entity obtaining direct or indirect financial interest in more than 10 Early Approval Adult Use Dispensing Organization Licenses, Conditional Adult Use Dispensing Organization Licenses, Adult Use Dispensing Organization Licenses, or any combination thereof. If a person or entity is awarded a Conditional Adult

Use Dispensing Organization License that would cause the person or entity to be in violation of this subsection, he, she, or it shall choose which license application it wants to abandon and such licenses shall become available to the next qualified applicant in the region in which the abandoned license was awarded.

Section 15-40.

Dispensing organization agent identification card; agent training.

(a) The Department shall:

(1) Verify the information contained in an application or renewal for a dispensing organization agent identification card submitted under this Article, and approve or deny an application or renewal, within 30 days of receiving a completed application or renewal application and all supporting documentation required by rule;

(2) Issue a dispensing organization agent identification card to a qualifying agent within 15 business days of approving the application or renewal;

(3) Enter the registry identification number of the dispensing organization where the agent works;

(4) Within one year from the effective date of this Act, allow for an electronic application process and provide a confirmation by electronic or other methods that an application has been submitted; and

(5) Collect a \$100 nonrefundable fee from the applicant to be deposited into the Cannabis Regulation Fund. (b) A dispensing agent must keep his or her identification card visible at all times when on the property of the dispensing organization.

(c) The dispensing organization agent identification cards shall contain the following:

(1) The name of the cardholder;

(2) The date of issuance and expiration date of the dispensing organization agent identification cards;

(3) A random 10-digit alphanumeric identification number containing at least 4 numbers and at least 4 letters that is unique to the cardholder; and (4) A photograph of the cardholder.

(d) The dispensing organization agent identification cards shall be immediately returned to the dispensing organization upon termination of employment.

(e) The Department shall not issue an agent identification card if the applicant is delinquent in filing any required tax returns or paying any amounts owed to the State of Illinois.

(f) Any card lost by a dispensing organization agent shall be reported to the Department of State Police and the Department immediately upon discovery of the loss.

(g) An applicant shall be denied a dispensing organization agent identification card if he or she fails to complete the training provided for in this Section.

(h) A dispensing organization agent shall only be required to hold one card for the same employer regardless of what type of dispensing organization license the employer holds.

(i) Cannabis retail sales training requirements.

(1) Within 90 days of September 1, 2019, or 90 days of employment, whichever is later, all owners, managers, employees, and agents involved in the handling or sale of cannabis or cannabis-infused product employed by an adult use dispensing organization or medical cannabis dispensing organization as defined in Section 10 of the Compassionate Use of Medical Cannabis Pilot Program Act shall attend and successfully complete a Responsible Vendor Program.

(2) Each owner, manager, employee, and agent of an adult use dispensing organization or medical cannabis dispensing organization shall successfully complete the program annually.

(3) Responsible Vendor Program Training modules shall include at least 2 hours of instruction time approved by the Department including:

(i) Health and safety concerns of cannabis use, including the responsible use of cannabis, its physical effects, onset of physiological effects, recognizing signs of impairment, and appropriate responses in the event of overconsumption.

(ii) Training on laws and regulations on driving while under the influence.

(iii) Sales to minors prohibition. Training shall cover all relevant Illinois laws and rules. (iv) Quantity limitations on sales to purchasers. Training shall cover all relevant Illinois laws and rules.

(v) Acceptable forms of identification. Training shall include:

(I) How to check identification; and

(II) Common mistakes made in verification;

(vi) Safe storage of cannabis;

(vii) Compliance with all inventory tracking system regulations;

(viii) Waste handling, management, and disposal;

(ix) Health and safety standards;

(x) Maintenance of records;

(xi) Security and surveillance requirements;

(xii) Permitting inspections by State and local licensing and enforcement authorities;

(xiii) Privacy issues;

(xiv) Packaging and labeling requirement for sales to purchasers; and

(xv) Other areas as determined by rule.

(j)BLANK.

(k) Upon the successful completion of the Responsible Vendor Program, the provider shall deliver proof of completion either through mail or electronic communication to the dispensing organization, which shall retain a copy of the certificate.

(l) The license of a dispensing organization or medical cannabis dispensing organization whose owners, managers, employees, or agents fail to comply with this Section may be suspended or revoked under Section 15-145 or may face other disciplinary action.

(m) The regulation of dispensing organization and medical cannabis dispensing employer and employee training is an exclusive function of the State, and regulation by a unit of local government, including a home rule unit, is prohibited. This subsection (m) is a denial and limitation of home rule powers and functions under subsection (h) of Section 6 of Article VII of the Illinois Constitution.

(n) Persons seeking Department approval to offer the training required by paragraph (3) of subsection (i) may apply for such approval between August 1 and August 15 of each odd-numbered year in a manner prescribed by the Department.

(o) Persons seeking Department approval to offer the training required by paragraph (3) of subsection (i) shall submit a non-refundable application fee of \$2,000 to be deposited into the Cannabis Regulation Fund or a fee as may be set by rule. Any changes made to the training module shall be approved by the Department.

(p) The Department shall not unreasonably deny approval of a training module that meets all the requirements of paragraph

(3) of subsection (i). A denial of approval shall include a detailed description of the reasons for the denial.

(q) Any person approved to provide the training required by paragraph (3) of subsection (i) shall submit an application for re-approval between August 1 and August 15 of each odd-numbered year and include a non-refundable application fee of \$2,000 to be deposited into the Cannabis Regulation Fund or a fee as may be set by rule.

Section 15-45. Renewal.

(a) Adult Use Dispensing Organization Licenses shall expire on March 31 of even-numbered years.

(b) Agent identification cards shall expire one year from the date they are issued.

(c) Licensees and dispensing agents shall submit a renewal application as provided by the Department and pay the required renewal fee. The Department shall require an agent, employee, contracting, and subcontracting diversity report and an environmental impact report with its renewal application. No license or agent identification card shall be renewed if it is currently under revocation or suspension for violation of this Article or any rules that may be adopted under this Article or the licensee, principal officer, board member, person having a financial or voting interest of 5% or greater in the licensee, or agent is delinquent in filing any required tax returns or paying any amounts owed to the State of Illinois.

(d) Renewal fees are:

(1) For a dispensing organization, \$60,000, to be deposited into the Cannabis Regulation Fund.

(2) For an agent identification card, \$100, to be deposited into the Cannabis Regulation Fund.

(e) If a dispensing organization fails to renew its license before expiration, the dispensing organization shall cease operations until the license is renewed.

(f) If a dispensing organization agent fails to renew his or her registration before its expiration, he or she shall cease to perform duties authorized by this Article at a dispensing organization until his or her registration is renewed.

(g) Any dispensing organization that continues to operate or dispensing agent that continues to perform duties authorized by this Article at a dispensing organization that fails to renew its license is subject to penalty as provided in this Article, or any rules that may be adopted pursuant to this Article.

(h) The Department shall not renew a license if the applicant is delinquent in filing any required tax returns or paying any amounts owed to the State of Illinois. The Department shall not renew a dispensing agent identification card if the applicant is delinquent in filing any required tax returns or paying any amounts owed to the State of Illinois.

Section 15-50. Disclosure of ownership and control.

(a) Each dispensing organization applicant and licensee shall file and maintain a Table of Organization, Ownership and Control with the Department. The Table of Organization, Ownership and Control shall contain the information required by this Section in sufficient detail to identify all owners, directors, and principal officers, and the title of each principal officer or business entity that, through direct or indirect means, manages, owns, or controls the applicant or licensee.

(b) The Table of Organization, Ownership and Control shall identify the following information:

- (1) The management structure, ownership, and control of the applicant or license holder including the name of each principal officer or business entity, the office or position held, and the percentage ownership interest, if any. If the business entity has a parent company, the name of each owner, board member, and officer of the parent company and his or her percentage ownership interest in the parent company and the dispensing organization.
- (2) If the applicant or licensee is a business entity with publicly traded stock, the identification of ownership shall be provided as required in subsection (c).
- (c) If a business entity identified in subsection (b) is a publicly traded company, the following information shall be provided in the Table of Organization, Ownership and Control:
- (1) The name and percentage of ownership interest of each individual or business entity with ownership of more than 5% of the voting shares of the entity, to the extent such information is known or contained in 13D or 13G Securities and Exchange Commission filings. (2) To the extent known, the names and percentage of interest of ownership of persons who are relatives of one another and who together exercise control over or own more than 10% of the voting shares of the entity.
- (d) A dispensing organization with a parent company or companies, or partially owned or controlled by another entity must disclose to the Department the relationship and all owners, board members, officers, or individuals with control or management of those entities. A dispensing organization shall not shield its ownership or control from the Department.
- (e) All principal officers must submit a complete online application with the Department within 14 days of the dispensing organization being licensed by the Department or within 14 days of Department notice of approval as a new principal officer.
- (f) A principal officer may not allow his or her registration to expire.
- (g) A dispensing organization separating with a principal officer must do so under this Act. The principal officer must communicate the separation to the Department within 5 business days.
- (h) A principal officer not in compliance with the requirements of this Act shall be removed from his or her position with the dispensing organization or shall otherwise terminate his or her affiliation. Failure to do so may subject the dispensing organization to discipline, suspension, or revocation of its license by the Department.
- (i) It is the responsibility of the dispensing organization and its principal officers to promptly notify the Department of any change of the principal place of business address, hours of operation, change in ownership or control, or a change of the dispensing organization's primary or secondary contact information. Any changes must be made to the Department in writing.

Section 15-55. Financial responsibility. Evidence of financial responsibility is a requirement for the issuance, maintenance, or reactivation of a license under this Article. Evidence of financial responsibility shall be used to guarantee that the dispensing organization timely and successfully completes dispensary construction, operates in a manner that provides an uninterrupted supply of cannabis, faithfully pays registration renewal fees, keeps accurate books and records, makes regularly required reports, complies with State tax requirements, and conducts the dispensing organization in conformity with this Act and rules. Evidence of financial responsibility shall be provided by one of the following:

- (1) Establishing and maintaining an escrow or surety account in a financial institution in the amount of \$50,000, with escrow terms, approved by the Department, that it shall be payable to the Department in the event of circumstances outlined in this Act and rules.

(A) A financial institution may not return money in an escrow or surety account to the dispensing organization that established the account or a representative of the organization unless the organization or representative presents a statement issued by the Department indicating that the account may be released.

(B) The escrow or surety account shall not be canceled on less than 30 days' notice in writing to the Department, unless otherwise approved by the Department. If an escrow or surety account is canceled and the registrant fails to secure a new account with the required amount on or before the effective date of cancellation, the registrant's registration may be revoked. The total and aggregate liability of the surety on the bond is limited to the amount specified in the escrow or surety account.

(2) Providing a surety bond in the amount of \$50,000, naming the dispensing organization as principal of the bond, with terms, approved by the Department that the bond defaults to the Department in the event of circumstances outlined in this Act and rules. Bond terms shall include:

(A) The business name and registration number on the bond must correspond exactly with the business name and registration number in the Department's records.

(B) The bond must be written on a form approved by the Department.

(C) A copy of the bond must be received by the Department within 90 days after the effective date.

(D) The bond shall not be canceled by a surety on less than 30 days' notice in writing to the Department. If a bond is canceled and the registrant fails to file a new bond with the Department in the required amount on or before the effective date of cancellation, the registrant's registration may be revoked. The total and aggregate liability of the surety on the bond is limited to the amount specified in the bond.

Section 15-60. Changes to a dispensing organization.

(a) A license shall be issued to the specific dispensing organization identified on the application and for the specific location proposed. The license is valid only as designated on the license and for the location for which it is issued.

(b) A dispensing organization may only add principal officers after being approved by the Department.

(c) A dispensing organization shall provide written notice of the removal of a principal officer within 5 business days after removal. The notice shall include the written agreement of the principal officer being removed, unless otherwise approved by the Department, and allocation of ownership shares after removal in an updated ownership chart.

(d) A dispensing organization shall provide a written request to the Department for the addition of principal officers. A dispensing organization shall submit proposed principal officer applications on forms approved by the Department.

(e) All proposed new principal officers shall be subject to the requirements of this Act, this Article, and any rules that may be adopted pursuant to this Act.

(f) The Department may prohibit the addition of a principal officer to a dispensing organization for failure to comply with this Act, this Article, and any rules that may be adopted pursuant to this Act.

(g) A dispensing organization may not assign a license.

(h) A dispensing organization may not transfer a license without prior Department approval. Such approval may be withheld if the person to whom the license is being transferred does not commit to the same or a similar community engagement plan provided as part of the dispensing organization's application under paragraph (18) of subsection (d) of Section 15-25, and such transferee's license shall be conditional upon that commitment.

(i) With the addition or removal of principal officers, the Department will review the ownership structure to determine whether the change in ownership has had the effect of a transfer of the license. The dispensing organization shall supply all ownership documents requested by the Department.

(j) A dispensing organization may apply to the Department to approve a sale of the dispensing organization. A request to sell the dispensing organization must be on application forms provided by the Department. A request for an approval to sell a dispensing organization must comply with the following:

(1) New application materials shall comply with this Act and any rules that may be adopted pursuant to this Act;

(2) Application materials shall include a change of ownership fee of \$5,000 to be deposited into the Cannabis Regulation Fund;

(3) The application materials shall provide proof that the transfer of ownership will not have the effect of granting any of the owners or principal officers direct or indirect ownership or control of more than 10 adult use dispensing organization licenses; (4) New principal officers shall each complete the proposed new principal officer application;

(5) If the Department approves the application materials and proposed new principal officer applications, it will perform an inspection before approving the sale and issuing the dispensing organization license;

(6) If a new license is approved, the Department will issue a new license number and certificate to the new dispensing organization. (k) The dispensing organization shall provide the Department with the personal information for all new dispensing organizations agents as required in this Article and all new dispensing organization agents shall be subject to the requirements of this Article. A dispensing organization agent must obtain an agent identification card from the Department before beginning work at a dispensary.

(l) Before remodeling, expansion, reduction, or other physical, noncosmetic alteration of a dispensary, the dispensing organization must notify the Department and confirm the alterations are in compliance with this Act and any rules that may be adopted pursuant to this Act.

Section 15-65. Administration.

(a) A dispensing organization shall establish, maintain, and comply with written policies and procedures as submitted in the Business, Financial and Operating plan as required in this Article or by rules established by the Department, and approved by the Department, for the security, storage, inventory, and distribution of cannabis. These policies and procedures shall include methods for identifying, recording, and reporting diversion, theft, or loss, and for correcting errors and inaccuracies in inventories. At a minimum, dispensing organizations shall ensure the written policies and procedures provide for the following:

(1) Mandatory and voluntary recalls of cannabis products. The policies shall be adequate to deal with recalls due to any action initiated at the request of the Department and any

voluntary action by the dispensing organization to remove defective or potentially defective cannabis from the market or any action undertaken to promote public health and safety, including:

- (i) A mechanism reasonably calculated to contact purchasers who have, or likely have, obtained the product from the dispensary, including information on the policy for return of the recalled product;
 - (ii) A mechanism to identify and contact the adult use cultivation center, craft grower, or infuser that manufactured the cannabis;
 - (iii) Policies for communicating with the Department, the Department of Agriculture, and the Department of Public Health within 24 hours of discovering defective or potentially defective cannabis; and
 - (iv) Policies for destruction of any recalled cannabis product;
- (2) Responses to local, State, or national emergencies, including natural disasters, that affect the security or operation of a dispensary;
- (3) Segregation and destruction of outdated, damaged, deteriorated, misbranded, or adulterated cannabis. This procedure shall provide for written documentation of the cannabis disposition;
- (4) Ensure the oldest stock of a cannabis product is distributed first. The procedure may permit deviation from this requirement, if such deviation is temporary and appropriate;
- (5) Training of dispensing organization agents in the provisions of this Act and rules, to effectively operate the point-of-sale system and the State's verification system, proper inventory handling and tracking, specific uses of cannabis or cannabis-infused products, instruction regarding regulatory inspection preparedness and law enforcement interaction, awareness of the legal requirements for maintaining status as an agent, and other topics as specified by the dispensing organization or the Department. The dispensing organization shall maintain evidence of all training provided to each agent in its files that is subject to inspection and audit by the Department. The dispensing organization shall ensure agents receive a minimum of 8 hours of training subject to the requirements in subsection (i) of Section 15-40 annually, unless otherwise approved by the Department;
- (6) Maintenance of business records consistent with industry standards, including bylaws, consents, manual or computerized records of assets and liabilities, audits, monetary transactions, journals, ledgers, and supporting documents, including agreements, checks, invoices, receipts, and vouchers. Records shall be maintained in a manner consistent with this Act and shall be retained for 5 years;
- (7) Inventory control, including:
- (i) Tracking purchases and denials of sale;
 - (ii) Disposal of unusable or damaged cannabis as required by this Act and rules;
- and
- (8) Purchaser education and support, including:
- (i) Whether possession of cannabis is illegal under federal law;
 - (ii) Current educational information issued by the Department of Public Health about the health risks associated with the use or abuse of cannabis;
 - (iii) Information about possible side effects;
 - (iv) Prohibition on smoking cannabis in public places; and
 - (v) Offering any other appropriate purchaser education or support materials.

(b) BLANK.

(c) A dispensing organization shall maintain copies of the policies and procedures on the dispensary premises and provide copies to the Department upon request. The dispensing organization shall review the dispensing organization policies and procedures at least once every 12 months from the issue date of the license and update as needed due to changes in industry standards or as requested by the Department.

(d) A dispensing organization shall ensure that each principal officer and each dispensing organization agent has a current agent identification card in the agent's immediate possession when the agent is at the dispensary.

(e) A dispensing organization shall provide prompt written notice to the Department, including the date of the event, when a dispensing organization agent no longer is employed by the dispensing organization.

(f) A dispensing organization shall promptly document and report any loss or theft of cannabis from the dispensary to the Department of State Police and the Department. It is the duty of any dispensing organization agent who becomes aware of the loss or theft to report it as provided in this Article.

(g) A dispensing organization shall post the following information in a conspicuous location in an area of the dispensary accessible to consumers:

(1) The dispensing organization's license;

(2) The hours of operation.

(h) Signage that shall be posted inside the premises.

(1) All dispensing organizations must display a placard that states the following: "Cannabis consumption can impair cognition and driving, is for adult use only, may be habit forming, and should not be used by pregnant or breastfeeding women."

(2) Any dispensing organization that sells edible cannabis-infused products must display a placard that states the following:

(A) "Edible cannabis-infused products were produced in a kitchen that may also process common food allergens."; and

(B) "The effects of cannabis products can vary from person to person, and it can take as long as two hours to feel the effects of some cannabis-infused products. Carefully review the portion size information and warnings contained on the product packaging before consuming."

(3) All of the required signage in this subsection (h) shall be no smaller than 24 inches tall by 36 inches wide, with typed letters no smaller than 2 inches. The signage shall be clearly visible and readable by customers. The signage shall be placed in the area where cannabis and cannabis-infused products are sold and may be translated into additional languages as needed. The Department may require a dispensary to display the required signage in a different language, other than English, if the Secretary deems it necessary.

(i) A dispensing organization shall prominently post notices inside the dispensing organization that state activities that are strictly prohibited and punishable by law, including, but not limited to:

(1) No minors permitted on the premises unless the minor is a minor qualifying patient under the Compassionate Use of Medical Cannabis Pilot Program Act;

(2) Distribution to persons under the age of 21 is prohibited;

(3) Transportation of cannabis or cannabis products across state lines is prohibited.

Section 15-70. Operational requirements; prohibitions.

- (a) A dispensing organization shall operate in accordance with the representations made in its application and license materials. It shall be in compliance with this Act and rules.
- (b) A dispensing organization must include the legal name of the dispensary on the packaging of any cannabis product it sells.
- (c) All cannabis, cannabis-infused products, and cannabis seeds must be obtained from an Illinois registered adult use cultivation center, craft grower, infuser, or another dispensary.
- (d) Dispensing organizations are prohibited from selling any product containing alcohol except tinctures, which must be limited to containers that are no larger than 100 milliliters.
- (e) A dispensing organization shall inspect and count product received by the adult use cultivation center before dispensing it.
- (f) A dispensing organization may only accept cannabis deliveries into a restricted access area. Deliveries may not be accepted through the public or limited access areas unless otherwise approved by the Department.
- (g) A dispensing organization shall maintain compliance with State and local building, fire, and zoning requirements or regulations.
- (h) A dispensing organization shall submit a list to the Department of the names of all service professionals that will work at the dispensary. The list shall include a description of the type of business or service provided. Changes to the service professional list shall be promptly provided. No service professional shall work in the dispensary until the name is provided to the Department on the service professional list.
- (i) A dispensing organization's license allows for a dispensary to be operated only at a single location.
- (j) A dispensary may operate between 6 a.m. and 10 p.m. local time.
- (k) A dispensing organization must keep all lighting outside and inside the dispensary in good working order and wattage sufficient for security cameras.
- (l) A dispensing organization shall ensure that any building or equipment used by a dispensing organization for the storage or sale of cannabis is maintained in a clean and sanitary condition.
- (m) The dispensary shall be free from infestation by insects, rodents, or pests.
- (n) A dispensing organization shall not:
 - (1) Produce or manufacture cannabis;
 - (2) Accept a cannabis product from an adult use cultivation center, craft grower, infuser, dispensing organization, or transporting organization unless it is pre-packaged and labeled in accordance with this Act and any rules that may be adopted pursuant to this Act;
 - (3) Obtain cannabis or cannabis-infused products from outside the State of Illinois;
 - (4) Sell cannabis or cannabis-infused products to a purchaser unless the dispensary organization is licensed under the Compassionate Use of Medical Cannabis Pilot Program, and the individual is registered under the Compassionate Use of Medical Cannabis Pilot Program or the purchaser has been verified to be over the age of 21;
 - (5) Enter into an exclusive agreement with any adult use cultivation center, craft grower, or infuser. Dispensaries shall provide consumers an assortment of products from various cannabis business establishment licensees such that the inventory available for sale at any dispensary from any single cultivation center, craft grower, processor, or infuser entity shall not be more than 40% of the total inventory available for sale. For the purpose of this subsection, a cultivation center, craft grower, processor, or infuser shall be

considered part of the same entity if the licensees share at least one principal officer. The Department may request that a dispensary diversify its products as needed or otherwise discipline a dispensing organization for violating this requirement;

(6) Refuse to conduct business with an adult use cultivation center, craft grower, transporting organization, or infuser that has the ability to properly deliver the product and is permitted by the Department of Agriculture, on the same terms as other adult use cultivation centers, craft growers, infusers, or transporters with whom it is dealing;

(7) Operate drive-through windows;

(8) Allow for the dispensing of cannabis or cannabis-infused products in vending machines;

(9) Transport cannabis to residences or other locations where purchasers may be for delivery;

(10) Enter into agreements to allow persons who are not dispensing organization agents to deliver cannabis or to transport cannabis to purchasers.

(11) Operate a dispensary if its video surveillance equipment is inoperative;

(12) Operate a dispensary if the point-of-sale equipment is inoperative;

(13) Operate a dispensary if the State's cannabis electronic verification system is inoperative;

(14) Have fewer than 2 people working at the dispensary at any time while the dispensary is open;

(15) Be located within 1,500 feet of the property line of a pre-existing dispensing organization;

(16) Sell clones or any other live plant material;

(17) Sell cannabis, cannabis concentrate, or cannabis-infused products in combination or bundled with each other or any other items for one price, and each item of cannabis, concentrate, or cannabis-infused product must be separately identified by quantity and price on the receipt;

(18) Violate any other requirements or prohibitions set by Department rules.

(o) It is unlawful for any person having an Early Approval Adult Use Cannabis Dispensing Organization License, a Conditional Adult Use Cannabis Dispensing Organization, an Adult Use Dispensing Organization License, or a medical cannabis dispensing organization license issued under the Compassionate Use of Medical Cannabis Pilot Program or any officer, associate, member, representative, or agent of such licensee to accept, receive, or borrow money or anything else of value or accept or receive credit (other than merchandising credit in the ordinary course of business for a period not to exceed 30 days) directly or indirectly from any adult use cultivation center, craft grower, infuser, or transporting organization. This includes anything received or borrowed or from any stockholders, officers, agents, or persons connected with an adult use cultivation center, craft grower, infuser, or transporting organization. This also excludes any received or borrowed in exchange for preferential placement by the dispensing organization, including preferential placement on the dispensing organization's shelves, display cases, or website.

(p) It is unlawful for any person having an Early Approval Adult Use Cannabis Dispensing Organization License, a Conditional Adult Use Cannabis Dispensing Organization, an Adult Use Dispensing Organization License, or a medical cannabis dispensing organization license issued under the Compassionate Use of Medical Cannabis Pilot Program to enter into any contract with any person licensed to cultivate, process, or transport cannabis whereby such dispensary

organization agrees not to sell any cannabis cultivated, processed, transported, manufactured, or distributed by any other cultivator, transporter, or infuser, and any provision in any contract violate of this Section shall render the whole of such contract void and no action shall be brought thereon in any court.

Section 15-75. Inventory control system.

(a) A dispensing organization agent-in-charge shall have primary oversight of the dispensing organization's cannabis inventory verification system, and its point-of-sale system. The inventory point-of-sale system shall be real-time, web-based, and accessible by the Department at any time. The point-of-sale system shall track, at a minimum the date of sale, amount, price, and currency.

(b) A dispensing organization shall establish an account with the State's verification system that documents:

(1) Each sales transaction at the time of sale and each day's beginning inventory, acquisitions, sales, disposal, and ending inventory.

(2) Acquisition of cannabis and cannabis-infused products from a licensed adult use cultivation center, craft grower, infuser, or transporter, including:

(i) A description of the products, including the quantity, strain, variety, and batch number of each product received;

(ii) The name and registry identification number of the licensed adult use cultivation center, craft grower, or infuser providing the cannabis and cannabis-infused products;

(iii) The name and registry identification number of the licensed adult use cultivation center, craft grower, infuser, or transportation agent delivering the cannabis;

(iv) The name and registry identification number of the dispensing organization agent receiving the cannabis; and

(v) The date of acquisition.

(3) The disposal of cannabis, including:

(i) A description of the products, including the quantity, strain, variety, batch number, and reason for the cannabis being disposed;

(ii) The method of disposal; and

(iii) The date and time of disposal.

(c) Upon cannabis delivery, a dispensing organization shall confirm the product's name, strain name, weight, and identification number on the manifest matches the information on the cannabis product label and package. The product name listed and the weight listed in the State's verification system shall match the product packaging.

(d) The agent-in-charge shall conduct daily inventory reconciliation documenting and balancing cannabis inventory by confirming the State's verification system matches the dispensing organization's point-of-sale system and the amount of physical product at the dispensary.

(1) A dispensing organization must receive Department approval before completing an inventory adjustment. It shall provide a detailed reason for the adjustment. Inventory adjustment documentation shall be kept at the dispensary for 2 years from the date performed.

(2) If the dispensing organization identifies an imbalance in the amount of cannabis after the daily inventory reconciliation due to mistake, the dispensing organization shall determine how the imbalance occurred and immediately upon discovery take and

document corrective action. If the dispensing organization cannot identify the reason for the mistake within 2 calendar days after first discovery, it shall inform the Department immediately in writing of the imbalance and the corrective action taken to date. The dispensing organization shall work diligently to determine the reason for the mistake.

(3) If the dispensing organization identifies an imbalance in the amount of cannabis after the daily inventory reconciliation or through other means due to theft, criminal activity, or suspected criminal activity, the dispensing organization shall immediately determine how the reduction occurred and take and document corrective action. Within 24 hours after the first discovery of the reduction due to theft, criminal activity, or suspected criminal activity, the dispensing organization shall inform the Department and the Department of State Police in writing.

(4) The dispensing organization shall file an annual compilation report with the Department, including a financial statement that shall include, but not be limited to, an income statement, balance sheet, profit and loss statement, statement of cash flow, wholesale cost and sales, and any other documentation requested by the Department in writing. The financial statement shall include any other information the Department deems necessary in order to effectively administer this Act and all rules, orders, and final decisions promulgated under this Act. Statements required by this Section shall be filed with the Department within 60 days after the end of the calendar year. The compilation report shall include a letter authored by a licensed certified public accountant that it has been reviewed and is accurate based on the information provided. The dispensing organization, financial statement, and accompanying documents are not required to be audited unless specifically requested by the Department.

(e) A dispensing organization shall:

(1) Maintain the documentation required in this Section in a secure locked location at the dispensing organization for 5 years from the date on the document;

(2) Provide any documentation required to be maintained in this Section to the Department for review upon request; and

(3) If maintaining a bank account, retain for a period of 5 years a record of each deposit or withdrawal from the account.

(f) If a dispensing organization chooses to have a return policy for cannabis and cannabis products, the dispensing organization shall seek prior approval from the Department.

Section 15-80. Storage requirements.

(a) Authorized on-premises storage. A dispensing organization must store inventory on its premises. All inventory stored on the premises must be secured in a restricted access area and tracked consistently with the inventory tracking rules.

(b) A dispensary shall be of suitable size and construction to facilitate cleaning, maintenance, and proper operations.

(c) A dispensary shall maintain adequate lighting, ventilation, temperature, humidity control, and equipment.

(d) Containers storing cannabis that have been tampered with, damaged, or opened shall be labeled with the date opened and quarantined from other cannabis products in the vault until they are disposed.

(e) Cannabis that was tampered with, expired, or damaged shall not be stored at the premises for more than 7 calendar days.

(f) Cannabis samples shall be in a sealed container. Samples shall be maintained in the restricted access area.

(g) The dispensary storage areas shall be maintained in accordance with the security requirements in this Act and rules.

(h) Cannabis must be stored at appropriate temperatures and under appropriate conditions to help ensure that its packaging, strength, quality, and purity are not adversely affected.

Section 15-85. Dispensing cannabis.

(a) Before a dispensing organization agent dispenses cannabis to a purchaser, the agent shall:

(1) Verify the age of the purchaser by checking a government-issued identification card by use of an electronic reader or electronic scanning device to scan a purchaser's government-issued identification, if applicable, to determine the purchaser's age and the validity of the identification;

(2) Verify the validity of the government-issued identification card;

(3) Offer any appropriate purchaser education or support materials;

(4) Enter the following information into the State's cannabis electronic verification system:

(i) The dispensing organization agent's identification number;

(ii) The dispensing organization's identification number;

(iii) The amount, type (including strain, if applicable) of cannabis or cannabis-infused product dispensed;

(iv) The date and time the cannabis was dispensed.

(b) A dispensing organization shall refuse to sell cannabis or cannabis-infused products to any person unless the person produces a valid identification showing that the person is 21 years of age or older. A medical cannabis dispensing organization may sell cannabis or cannabis-infused products to a person who is under 21 years of age if the sale complies with the provisions of the Compassionate Use of Medical Cannabis Pilot Program Act and rules.

(c) For the purposes of this Section, valid identification must:

(1) Be valid and unexpired;

(2) Contain a photograph and the date of birth of the person.

Section 15-90. Destruction and disposal of cannabis.

(a) Cannabis and cannabis-infused products must be destroyed by rendering them unusable using methods approved by the Department that comply with this Act and rules.

(b) Cannabis waste rendered unusable must be promptly disposed according to this Act and rules. Disposal of the cannabis waste rendered unusable may be delivered to a permitted solid waste facility for final disposition. Acceptable permitted solid waste facilities include, but are not limited to:

(1) Compostable mixed waste: Compost, anaerobic digester, or other facility with approval of the jurisdictional health department.

(2) No compostable mixed waste: Landfill, incinerator, or other facility with approval of the jurisdictional health department.

(c) All waste and unusable product shall be weighed, recorded, and entered into the inventory system before rendering it unusable. All waste and unusable cannabis concentrates and cannabis-infused products shall be recorded and entered into the inventory system before rendering it unusable. Verification of this event shall be performed by an agent-in-charge and conducted in an area with video surveillance.

(d) Electronic documentation of destruction and disposal shall be maintained for a period of at least 5 years.

Section 15-95. Agent-in-charge.

(a) Every dispensing organization shall designate, at a minimum, one agent-in-charge for each licensed dispensary. The designated agent-in-charge must hold a dispensing organization agent identification card. Maintaining an agent-in-charge is a continuing requirement for the license, except as provided in subsection (f).

(b) The agent-in-charge shall be a principal officer or a full-time agent of the dispensing organization and shall manage the dispensary. Managing the dispensary includes, but is not limited to, responsibility for opening and closing the dispensary, delivery acceptance, oversight of sales and dispensing organization agents, recordkeeping, inventory, dispensing organization agent training, and compliance with this Act and rules. Participation in affairs also includes the responsibility for maintaining all files subject to audit or inspection by the Department at the dispensary.

(c) The agent-in-charge is responsible for promptly notifying the Department of any change of information required to be reported to the Department.

(d) In determining whether an agent-in-charge manages the dispensary, the Department may consider the responsibilities identified in this Section, the number of dispensing organization agents under the supervision of the agent-in-charge, and the employment relationship between the agent-in-charge and the dispensing organization, including the existence of a contract for employment and any other relevant fact or circumstance.

(e) The agent-in-charge is responsible for notifying the Department of a change in the employment status of all dispensing organization agents within 5 business days after the change, including notice to the Department if the termination of an agent was for diversion of product or theft of currency.

(f) In the event of the separation of an agent-in-charge due to death, incapacity, termination, or any other reason and if the dispensary does not have an active agent-in-charge, the dispensing organization shall immediately contact the Department and request a temporary certificate of authority allowing the continuing operation. The request shall include the name of an interim agent-in-charge until a replacement is identified, or shall include the name of the replacement. The Department shall issue the temporary certificate of authority promptly after it approves the request. If a dispensing organization fails to promptly request a temporary certificate of authority after the separation of the agent-in-charge, its registration shall cease until the Department approves the temporary certificate of authority or registers a new agent-in-charge. No temporary certificate of authority shall be valid for more than 90 days. The succeeding agent-in-charge shall register with the Department in compliance with this Article. Once the permanent succeeding agent-in-charge is registered with the Department, the temporary certificate of authority is void. No temporary certificate of authority shall be issued for the separation of an agent-in-charge due to disciplinary action by the Department related to his or her conduct on behalf of the dispensing organization.

(g) The dispensing organization agent-in-charge registration shall expire one year from the date it is issued. The agent-in-charge's registration shall be renewed annually. The Department shall review the dispensing organization's compliance history when determining whether to grant the request to renew.

(h) Upon termination of an agent-in-charge's employment, the dispensing organization shall immediately reclaim the dispensing agent identification card. The dispensing organization shall promptly return the identification card to the Department.

(i) The Department may deny an application or renewal or discipline or revoke an agent-in-charge identification card for any of the following reasons:

- (1) Submission of misleading, incorrect, false, or fraudulent information in the application or renewal application;
- (2) Violation of the requirements of this Act or rules;
- (3) Fraudulent use of the agent-in-charge identification card; (4) Selling, distributing, transferring in any manner, or giving cannabis to any unauthorized person;
- (5) Theft of cannabis, currency, or any other items from a dispensary.
- (6) Tampering with, falsifying, altering, modifying, or duplicating an agent-in-charge identification card;
- (7) Tampering with, falsifying, altering, or modifying the surveillance video footage, point-of-sale system, or the State's verification system;
- (8) Failure to notify the Department immediately upon discovery that the agent-in-charge identification card has been lost, stolen, or destroyed;
- (9) Failure to notify the Department within 5 business days after a change in the information provided in the application for an agent-in-charge identification card;
- (10) Conviction of a felony offense in accordance with Sections 2105-131, 2105-135, and 2105-205 of the Department of Professional Regulation Law of the Civil Administrative Code of Illinois or any incident listed in this Act or rules following the issuance of an agent-in-charge identification card;
- (11) Dispensing to purchasers in amounts above the limits provided in this Act; or
- (12) Delinquency in filing any required tax returns or paying any amounts owed to the State of Illinois

Section 15-100. Security.

(a) A dispensing organization shall implement security measures to deter and prevent entry into and theft of cannabis or currency.

(b) A dispensing organization shall submit any changes to the floor plan or security plan to the Department for pre-approval. All cannabis shall be maintained and stored in a restricted access area during construction.

(c) The dispensing organization shall implement security measures to protect the premises, purchasers, and dispensing organization agents including, but not limited to the following:

- (1) Establish a locked door or barrier between the facility's entrance and the limited access area;
- (2) Prevent individuals from remaining on the premises if they are not engaging in activity permitted by this Act or rules;
- (3) Develop a policy that addresses the maximum capacity and purchaser flow in the waiting rooms and limited access areas;
- (4) Dispose of cannabis in accordance with this Act and rules;
- (5) During hours of operation, store and dispense all cannabis from the restricted access area. During operational hours, cannabis shall be stored in an enclosed locked room or cabinet and accessible only to specifically authorized dispensing organization agents;

- (6) When the dispensary is closed, store all cannabis and currency in a reinforced vault room in the restricted access area and in a manner as to prevent diversion, theft, or loss;
 - (7) Keep the reinforced vault room and any other equipment or cannabis storage areas securely locked and protected from unauthorized entry;
 - (8) Keep an electronic daily log of dispensing organization agents with access to the reinforced vault room and knowledge of the access code or combination;
 - (9) Keep all locks and security equipment in good working order;
 - (10) Maintain an operational security and alarm system at all times;
 - (11) Prohibit keys, if applicable, from being left in the locks, or stored or placed in a location accessible to persons other than specifically authorized personnel;
 - (12) Prohibit accessibility of security measures, including combination numbers, passwords, or electronic or biometric security systems to persons other than specifically authorized dispensing organization agents;
 - (13) Ensure that the dispensary interior and exterior premises are sufficiently lit to facilitate surveillance;
 - (14) Ensure that trees, bushes, and other foliage outside of the dispensary premises do not allow for a person or persons to conceal themselves from sight;
 - (15) Develop emergency policies and procedures for securing all product and currency following any instance of diversion, theft, or loss of cannabis, and conduct an assessment to determine whether additional safeguards are necessary; and
 - (16) Develop sufficient additional safeguards in response to any special security concerns, or as required by the Department.
- (d) The Department may request or approve alternative security provisions that it determines are an adequate substitute for a security requirement specified in this Article. Any additional protections may be considered by the Department in evaluating overall security measures.
- (e) A dispensary organization may share premises with a craft grower or an infuser 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.
- (f) A dispensing organization shall provide additional security as needed and in a manner appropriate for the community where it operates.
- (g) Restricted access areas.
- (1) All restricted access areas must be identified by the posting of a sign that is a minimum of 12 inches by 12 inches and that states "Do Not Enter - Restricted Access Area - Authorized Personnel Only" in lettering no smaller than one inch in height.
 - (2) All restricted access areas shall be clearly described in the floor plan of the premises, in the form and manner determined by the Department, reflecting walls, partitions, counters, and all areas of entry and exit. The floor plan shall show all storage, disposal, and retail sales areas.
 - (3) All restricted access areas must be secure, with locking devices that prevent access from the limited access areas.
- (h) Security and alarm.
- (1) A dispensing organization shall have an adequate security plan and security system to prevent and detect diversion, theft, or loss of cannabis, currency, or unauthorized

intrusion using commercial grade equipment installed by an Illinois licensed private alarm contractor or private alarm contractor agency that shall, at a minimum, include:

- (i) A perimeter alarm on all entry points and glass break protection on perimeter windows;
 - (ii) Security shatterproof tinted film on exterior windows;
 - (iii) A failure notification system that provides an audible, text, or visual notification of any failure in the surveillance system, including, but not limited to, panic buttons, alarms, and video monitoring system. The failure notification system shall provide an alert to designated dispensing organization agents within 5 minutes after the failure, either by telephone or text message;
 - (iv) A duress alarm, panic button, and alarm, or holdup alarm and after-hours intrusion detection alarm that by design and purpose will directly or indirectly notify, by the most efficient means, the Public Safety Answering Point for the law enforcement agency having primary jurisdiction;
 - (v) Security equipment to deter and prevent unauthorized entrance into the dispensary, including electronic door locks on the limited and restricted access areas that include devices or a series of devices to detect unauthorized intrusion that may include a signal system interconnected with a radio frequency method, cellular, private radio signals or other mechanical or electronic device.
- (2) All security system equipment and recordings shall be maintained in good working order, in a secure location so as to prevent theft, loss, destruction, or alterations.
- (3) Access to surveillance monitoring recording equipment shall be limited to persons who are essential to surveillance operations, law enforcement authorities acting within their jurisdiction, security system service personnel, and the Department. A current list of authorized dispensing organization agents and service personnel that have access to the surveillance equipment must be available to the Department upon request.
- (4) All security equipment shall be inspected and tested at regular intervals, not to exceed one month from the previous inspection, and tested to ensure the systems remain functional.
- (5) The security system shall provide protection against theft and diversion that is facilitated or hidden by tampering with computers or electronic records.
- (6) The dispensary shall ensure all access doors are not solely controlled by an electronic access panel to ensure that locks are not released during a power outage.
- (i) To monitor the dispensary, the dispensing organization shall incorporate continuous electronic video monitoring including the following:
- (1) All monitors must be 19 inches or greater;
 - (2) Unobstructed video surveillance of all enclosed dispensary areas, unless prohibited by law, including all points of entry and exit that shall be appropriate for the normal lighting conditions of the area under surveillance. The cameras shall be directed so all areas are captured, including, but not limited to, safes, vaults, sales areas, and areas where cannabis is stored, handled, dispensed, or destroyed. Cameras shall be angled to allow for facial recognition, the capture of clear and certain identification of any person entering or exiting the dispensary area and in lighting sufficient during all times of night or day;
 - (3) Unobstructed video surveillance of outside areas, the storefront, and the parking lot, that shall be appropriate for the normal lighting conditions of the area under surveillance. Cameras shall be angled so as to allow for the capture of facial recognition, clear and

certain identification of any person entering or exiting the dispensary and the immediate surrounding area, and license plates of vehicles in the parking lot;

(4) 24-hour recordings from all video cameras available for immediate viewing by the Department upon request. Recordings shall not be destroyed or altered and shall be retained for at least 90 days. Recordings shall be retained as long as necessary if the dispensing organization is aware of the loss or theft of cannabis or a pending criminal, civil, or administrative investigation or legal proceeding for which the recording may contain relevant information;

(5) The ability to immediately produce a clear, color still photo from the surveillance video, either live or recorded;

(6) A date and time stamp embedded on all video surveillance recordings. The date and time shall be synchronized and set correctly and shall not significantly obscure the picture;

(7) The ability to remain operational during a power outage and ensure all access doors are not solely controlled by an electronic access panel to ensure that locks are not released during a power outage;

(8) All video surveillance equipment shall allow for the exporting of still images in an industry standard image format, including .jpg, .bmp, and .gif. Exported video shall have the ability to be archived in a proprietary format that ensures authentication of the video and guarantees that no alteration of the recorded image has taken place. Exported video shall also have the ability to be saved in an industry standard file format that can be played on a standard computer operating system. All recordings shall be erased or destroyed before disposal;

(9) The video surveillance system shall be operational during a power outage with a 4-hour minimum battery backup;

(10) A video camera or cameras recording at each point-of-sale location allowing for the identification of the dispensing organization agent distributing the cannabis and any purchaser. The camera or cameras shall capture the sale, the individuals and the computer monitors used for the sale;

(11) A failure notification system that provides an audible and visual notification of any failure in the electronic video monitoring system; and

(12) All electronic video surveillance monitoring must record at least the equivalent of 8 frames per second and be available as recordings to the Department and the Department of State Police 24 hours a day via a secure web-based portal with reverse functionality.

(j) The requirements contained in this Act are minimum requirements for operating a dispensing organization. The Department may establish additional requirements by rule.

Section 15-110. Recordkeeping.

(a) Dispensing organization records must be maintained electronically for 3 years and be available for inspection by the Department upon request. Required written records include, but are not limited to, the following:

(1) Operating procedures;

(2) Inventory records, policies, and procedures;

(3) Security records;

(4) Audit records;

(5) Staff training plans and completion documentation;

- (6) Staffing plan; and
- (7) Business records, including but not limited to:
 - (i) Assets and liabilities;
 - (ii) Monetary transactions;
 - (iii) Written or electronic accounts, including bank statements, journals, ledgers, and supporting documents, agreements, checks, invoices, receipts, and vouchers; and
 - (iv) Any other financial accounts reasonably related to the dispensary operations.
- (b) Storage and transfer of records. If a dispensary closes due to insolvency, revocation, bankruptcy, or for any other reason, all records must be preserved at the expense of the dispensing organization for at least 3 years in a form and location in Illinois acceptable to the Department. The dispensing organization shall keep the records longer if requested by the Department. The dispensing organization shall notify the Department of the location where the dispensary records are stored or transferred.

Section 15-120. Closure of a dispensary.

- (a) If a dispensing organization decides not to renew its license or decides to close its business, it shall promptly notify the Department not less than 3 months before the effective date of the closing date or as otherwise authorized by the Department.
- (b) The dispensing organization shall work with the Department to develop a closure plan that addresses, at a minimum, the transfer of business records, transfer of cannabis products, and anything else the Department finds necessary.

Section 15-125. Fees. After January 1, 2022, the Department may by rule modify any fee established under this Article.

Section 15-135. Investigations.

- (a) Dispensing organizations are subject to random and unannounced dispensary inspections and cannabis testing by the Department, the Department of State Police, and local law enforcement.
- (b) The Department and its authorized representatives may enter any place, including a vehicle, in which cannabis is held, stored, dispensed, sold, produced, delivered, transported, manufactured, or disposed of and inspect, in a reasonable manner, the place and all pertinent equipment, containers and labeling, and all things including records, files, financial data, sales data, shipping data, pricing data, personnel data, research, papers, processes, controls, and facility, and inventory any stock of cannabis and obtain samples of any cannabis or cannabis-infused product, any labels or containers for cannabis, or paraphernalia.
- (c) The Department may conduct an investigation of an applicant, application, dispensing organization, principal officer, dispensary agent, third party vendor, or any other party associated with a dispensing organization for an alleged violation of this Act or rules or to determine qualifications to be granted a registration by the Department.
- (d) The Department may require an applicant or holder of any license issued pursuant to this Article to produce documents, records, or any other material pertinent to the investigation of an application or alleged violations of this Act or rules. Failure to provide the required material may be grounds for denial or discipline.
- (e) Every person charged with preparation, obtaining, or keeping records, logs, reports, or other documents in connection with this Act and rules and every person in charge, or having custody,

of those documents shall, upon request by the Department, make the documents immediately available for inspection and copying by the Department, the Department's authorized representative, or others authorized by law to review the documents.

Section 15-140. Citations. The Department may issue no disciplinary citations for minor violations. Any such citation issued by the Department may be accompanied by a fee. The fee shall not exceed \$20,000 per violation. The citation shall be issued to the licensee and shall contain the licensee's name and address, the licensee's license number, a brief factual statement, the Sections of the law allegedly violated, and the fee, if any, imposed. The citation must clearly state that the licensee may choose, in lieu of accepting the citation, to request a hearing. If the licensee does not dispute the matter in the citation with the Department within 30 days after the citation is served, then the citation shall become final and not subject to appeal. The penalty shall be a fee or other conditions as established by rule.

Section 15-145. Grounds for discipline.

(a) The Department may deny issuance, refuse to renew or restore, or may reprimand, place on probation, suspend, revoke, or take other disciplinary or nondisciplinary action against any license or agent identification card or may impose a fine for any of the following:

- (1) Material misstatement in furnishing information to the Department;
- (2) Violations of this Act or rules;
- (3) Obtaining an authorization or license by fraud or misrepresentation;
- (4) A pattern of conduct that demonstrates incompetence or that the applicant has engaged in conduct or actions that would constitute grounds for discipline under the Act;
- (5) Aiding or assisting another person in violating any provision of this Act or rules;
- (6) Failing to respond to a written request for information by the Department within 30 days;
- (7) Engaging in unprofessional, dishonorable, or unethical conduct of a character likely to deceive, defraud, or harm the public;
- (8) Adverse action by another United States jurisdiction or foreign nation;
- (9) A finding by the Department that the licensee, after having his or her license placed on suspended or probationary status, has violated the terms of the suspension or probation;
- (10) Conviction, entry of a plea of guilty, nolo contendere, or the equivalent in a State or federal court of a principal officer or agent-in-charge of a felony offense in accordance with Sections 2105-131, 2105-135, and 2105-205 of the Department of Professional Regulation Law of the Civil Administrative Code of Illinois;
- (11) Excessive use or addiction to alcohol, narcotics, stimulants, or any other chemical agent or drug;
- (12) A finding by the Department of a discrepancy in a Department audit of cannabis;
- (13) A finding by the Department of a discrepancy in a Department audit of capital or funds;
- (14) A finding by the Department of acceptance of cannabis from a source other than an Adult Use Cultivation Center, craft grower, infuser, or transporting organization licensed by the Department of Agriculture, or a dispensing organization licensed by the Department;

- (15) An inability to operate using reasonable judgment, skill, or safety due to physical or mental illness or other impairment or disability, including, without limitation, deterioration through the aging process or loss of motor skills or mental incompetence;
 - (16) Failing to report to the Department within the time frames established, or if not identified, 14 days, of any adverse action taken against the dispensing organization or an agent by a licensing jurisdiction in any state or any territory of the United States or any foreign jurisdiction, any governmental agency, any law enforcement agency or any court defined in this Section;
 - (17) Any violation of the dispensing organization's policies and procedures submitted to the Department annually as a condition for licensure;
 - (18) Failure to inform the Department of any change of address within 10 business days;
 - (19) Disclosing customer names, personal information, or protected health information in violation of any State or federal law;
 - (20) Operating a dispensary before obtaining a license from the Department;
 - (21) Performing duties authorized by this Act prior to receiving a license to perform such duties;
 - (22) Dispensing cannabis when prohibited by this Act or rules;
 - (23) Any fact or condition that, if it had existed at the time of the original application for the license, would have warranted the denial of the license;
 - (24) Permitting a person without a valid agent identification card to perform licensed activities under this Act;
 - (25) Failure to assign an agent-in-charge as required by this Article;
 - (26) Failure to provide the training required by paragraph (3) of subsection (i) of Section 15-40 within the provided timeframe
 - (27) Personnel insufficient in number or unqualified in training or experience to properly operate the dispensary business;
 - (28) Any pattern of activity that causes a harmful impact on the community; and
 - (29) Failing to prevent diversion, theft, or loss of cannabis.
- (b) All fines and fees imposed under this Section shall be paid within 60 days after the effective date of the order imposing the fine or as otherwise specified in the order.
- (c) A circuit court order establishing that an agent-in-charge or principal officer holding an agent identification card is subject to involuntary admission as that term is defined in Section 1-119 or 1-119.1 of the Mental Health and Developmental Disabilities Code shall operate as suspension of that card.

Section 15-150. Temporary suspension.

- (a) The Secretary of Financial and Professional Regulation may temporarily suspend a dispensing organization license or an agent registration without a hearing if the Secretary finds that public safety or welfare requires emergency action. The Secretary shall cause the temporary suspension by issuing a suspension notice in connection with the institution of proceedings for a hearing.
- (b) If the Secretary temporarily suspends a license or agent registration without a hearing, the licensee or agent is entitled to a hearing within 45 days after the suspension notice has been issued. The hearing shall be limited to the issues cited in the suspension notice, unless all parties agree otherwise.

(c) If the Department does not hold a hearing with 45 days after the date the suspension notice was issued, then the suspended license or registration shall be automatically reinstated and the suspension vacated.

(d) The suspended licensee or agent may seek a continuance of the hearing date, during which time the suspension remains in effect and the license or registration shall not be automatically reinstated.

(e) Subsequently discovered causes of action by the Department after the issuance of the suspension notice may be filed as a separate notice of violation. The Department is not precluded from filing a separate action against the suspended licensee or agent.

Section 15-155. Consent to administrative supervision order. In appropriate cases, the Department may resolve a complaint against a licensee or agent through the issuance of a consent order for administrative supervision. A license or agent subject to a consent order shall be considered by the Department to hold a license or registration in good standing.

Section 15-160. Notice; hearing.

(a) The Department shall, before disciplining an applicant or licensee, at least 30 days before the date set for the hearing:

(i) notify the accused in writing of the charges made and the time and place for the hearing on the charges;

(ii) direct him or her to file a written answer to the charges under oath within 20 days after service; and

(iii) inform the applicant or licensee that failure to answer will result in a default being entered against the applicant or licensee.

(b) At the time and place fixed in the notice, the hearing officer appointed by the Secretary shall proceed to hear the charges, and the parties or their counsel shall be accorded ample opportunity to present any pertinent statements, testimony, evidence, and arguments. The hearing officer may continue the hearing from time to time. In case the person, after receiving the notice, fails to file an answer, his or her license may, in the discretion of the Secretary, having first received the recommendation of the hearing officer, be suspended, revoked, or placed on probationary status, or be subject to whatever disciplinary action the Secretary considers proper, including a fine, without hearing, if that act or acts charged constitute sufficient grounds for that action under this Act.

(c) The written notice and any notice in the subsequent proceeding may be served by regular mail or email to the licensee's or applicant's address of record.

Section 15-165. Subpoenas; oaths. The Department shall have the power to subpoena and bring before it any person and to take testimony either orally or by deposition, or both, with the same fees and mileage and in the same manner as prescribed by law in judicial proceedings in civil cases in courts in this State. The Secretary or the hearing officer shall each have the power to administer oaths to witnesses at any hearings that the Department is authorized to conduct.

Section 15-170. Hearing; motion for rehearing.

(a) The hearing officer shall hear evidence in support of the formal charges and evidence produced by the licensee. At the conclusion of the hearing, the hearing officer shall present to the

Secretary a written report of his or her findings of fact, conclusions of law, and recommendations.

(b) At the conclusion of the hearing, a copy of the hearing officer's report shall be served upon the applicant or licensee by the Department, either personally or as provided in this Act for the service of a notice of hearing. Within 20 calendar days after service, the applicant or licensee may present to the Department a motion in writing for rehearing, which shall specify the particular grounds for rehearing. The Department may respond to the motion for rehearing within 20 calendar days after its service on the Department. If no motion for rehearing is filed, then, upon the expiration of the time specified for filing such motion or upon denial of a motion for rehearing, the Secretary may enter an order in accordance with the recommendation of the hearing officer. If the applicant or licensee orders from the reporting service and pays for a transcript of the record within the time for filing a motion for rehearing, the 20-day period within which a motion may be filed shall commence upon the delivery of the transcript to the applicant or licensee.

(c) If the Secretary disagrees in any regard with the report of the hearing officer, the Secretary may issue an order contrary to the report.

(d) Whenever the Secretary is not satisfied that substantial justice has been done, the Secretary may order a rehearing by the same or another hearing officer.

(e) At any point in any investigation or disciplinary proceeding under in this Article, both parties may agree to a negotiated consent order. The consent order shall be final upon signature of the Secretary.

Section 15-175. Review under the Administrative Review Law.

(a) All final administrative decisions of the Department hereunder shall be subject to judicial review under the provisions of the Administrative Review Law, and all amendment and modifications thereof. The term "administrative decision" is defined as in Section 3-101 of the Code of Civil Procedure.

(b) Proceedings for judicial review shall be commenced in the circuit court of the county in which the party applying for review resides, but if the party is not a resident of Illinois, the venue shall be in Sangamon County.

(c) The Department shall not be required to certify any record to the court, file any answer in court, or otherwise appear in any court in a judicial review proceeding, unless and until the Department has received from the plaintiff payment of the costs of furnishing and certifying the record, which costs shall be determined by the Department. Failure on the part of the plaintiff to file a receipt in court shall be grounds for dismissal of the action.

ARTICLE 20.
ADULT USE CULTIVATION CENTERS

Section 20-1. Definition. In this Article, "Department" means the Department of Agriculture.

Section 20-5. Issuance of licenses. On or after July 1, 2021, the Department of Agriculture by rule may:

(1) Modify or change the number of cultivation center licenses available, which shall at no time exceed 30 cultivation center licenses. In determining whether to exercise the authority granted by this subsection, the Department of Agriculture must consider the following factors:

(A) The percentage of cannabis sales occurring in Illinois not in the regulated market using data from the Substance Abuse and Mental Health Services Administration, National Survey on Drug Use and Health, Illinois Behavioral Risk Factor Surveillance System, and tourism data from the Illinois Office of Tourism to ascertain total cannabis consumption in Illinois compared to the amount of sales in licensed dispensing organizations;

(B) Whether there is an adequate supply of cannabis and cannabis-infused products to serve registered medical cannabis patients;

(C) Whether there is an adequate supply of cannabis and cannabis-infused products to serve purchasers;

(D) Whether there is an oversupply of cannabis in Illinois leading to trafficking of cannabis to any other state;

(E) Population increases or shifts;

(F) Changes to federal law;

(G) Perceived security risks of increasing the number or location of cultivation centers;

(H) The past security records of cultivation centers;

(I) The Department of Agriculture's capacity to appropriately regulate additional licensees;

(J) The findings and recommendations from the disparity and availability study commissioned by the Illinois Cannabis Regulation Oversight Officer referenced in subsection (e) of Section 5-45 to reduce or eliminate any identified barriers to entry in the cannabis industry; and

(K) Any other criteria the Department of Agriculture deems relevant.

(2) Modify or change the licensing application process to reduce or eliminate the barriers identified in the disparity and availability study commission by the Illinois Cannabis Regulation Oversight Officer and shall make modifications to remedy evidence of discrimination.

Section 20-10. Early Approval of Adult Use Cultivation Center License.

(a) Any medical cannabis cultivation center registered and in good standing under the Compassionate Use of Medical Cannabis Pilot Program Act as of the effective date of this Act may, within 60 days of the effective date of this Act but no later than 180 days from the effective date of this Act, apply to the Department of Agriculture for an Early Approval Adult Use Cultivation Center License to produce cannabis and cannabis-infused products at its existing facilities as of the effective date of this Act.

(b) A medical cannabis cultivation center seeking issuance of an Early Approval Adult Use Cultivation Center License shall submit an application on forms provided by the Department of Agriculture. The application must meet or include the following qualifications:

- (1) Payment of a nonrefundable application fee of \$100,000 to be deposited into the Cannabis Regulation Fund;
- (2) Proof of registration as a medical cannabis cultivation center that is in good standing;
- (3) Submission of the application by the same person or entity that holds the medical cannabis cultivation center registration;
- (4) Certification that the applicant will comply with the requirements of Section 20-30;
- (5) The legal name of the cultivation center;
- (6) The physical address of the cultivation center;
- (7) The name, address, social security number, and date of birth of each principal officer and board member of the cultivation center; each of those individuals shall be at least 21 years of age;
- (8) A nonrefundable Cannabis Business Development Fee equal to 5% of the cultivation center's total sales between June 1, 2018 to June 1, 2019 or \$750,000, whichever is less, but at not less than \$250,000, to be deposited into the Cannabis Business Development Fund; and
- (9) A commitment to completing one of the following Social Equity Inclusion Plans provided for in this subsection (b) before the expiration of the Early Approval Adult Use Cultivation Center License:
 - (A) A contribution of 5% of the cultivation center's total sales from June 1, 2018 to June 1, 2019, or \$100,000, whichever is less, to one of the following:
 - (i) the Cannabis Business Development Fund. This is in addition to the fee required by item (8) of this subsection (b);
 - (ii) a cannabis industry training or education program at an Illinois community college as defined in the Public Community College Act; (iii) a program that provides job training services to persons recently incarcerated or that operates in a Disproportionately Impacted Area.
 - (B) Participate as a host in a cannabis business incubator program for at least one year approved by the Department of Commerce and Economic Opportunity, and in which an Early Approval Adult Use Cultivation Center License holder agrees to provide a loan of at least \$100,000 and mentorship to incubate a licensee that qualifies as a Social Equity Applicant. As used in this Section, "incubate" means providing direct financial assistance and training necessary to engage in licensed cannabis industry activity similar to that of the host licensee. The Early Approval Adult Use Cultivation Center License holder or the same entity holding any other licenses issued pursuant to this Act shall not take an ownership stake of greater than 10% in any business receiving incubation services to comply with this subsection. If an Early Approval Adult Use Cultivation Center License holder fails to find a business to incubate to comply with this subsection before its Early Approval Adult Use Cultivation Center License expires, it may opt to meet the requirement of this subsection by completing another item from this subsection prior to the expiration of its Early Approval Adult Use Cultivation Center License to avoid a penalty.

(c) An Early Approval Adult Use Cultivation Center License is valid until March 31, 2021. A cultivation center that obtains an Early Approval Adult Use Cultivation Center License shall

receive written or electronic notice 90 days before the expiration of the license that the license will expire, and inform the license holder that it may renew its Early Approval Adult Use Cultivation Center License. The Department of Agriculture shall grant a renewal of an Early Approval Adult Use Cultivation Center License within 60 days of submission of an application if:

- (1) the cultivation center submits an application and the required renewal fee of \$100,000 for an Early Approval Adult Use Cultivation Center License;
 - (2) the Department of Agriculture has not suspended the license of the cultivation center or suspended or revoked the license for violating this Act or rules adopted under this Act; and
 - (3) the cultivation center has completed a Social Equity Inclusion Plan as required by item (9) of subsection (b) of this Section.
- (c-5) The Early Approval Adult Use Cultivation Center License renewed pursuant to subsection (c) of this Section shall expire March 31, 2022. The Early Approval Adult Use Cultivation Center Licensee shall receive written or electronic notice 90 days before the expiration of the license that the license will expire, and inform the license holder that it may apply for an Adult Use Cultivation Center License. The Department of Agriculture shall grant an Adult Use Dispensing Organization License within 60 days of an application being deemed complete if the applicant meets all of the criteria in Section 20-21.
- (d) The license fee required by paragraph (1) of subsection (c) of this Section shall be in addition to any license fee required for the renewal of a registered medical cannabis cultivation center license that expires during the effective period of the Early Approval Adult Use Cultivation Center License.
- (e) Applicants must submit all required information, including the requirements in subsection (b) of this Section, to the Department of Agriculture. Failure by an applicant to submit all required information may result in the application being disqualified.
- (f) If the Department of Agriculture receives an application with missing information, the Department may issue a deficiency notice to the applicant. The applicant shall have 10 calendar days from the date of the deficiency notice to submit complete information. Applications that are still incomplete after this opportunity to cure may be disqualified.
- (g) If an applicant meets all the requirements of subsection (b) of this Section, the Department of Agriculture shall issue the Early Approval Adult Use Cultivation Center License within 14 days of receiving the application unless:
- (1) The licensee; principal officer, board member, or person having a financial or voting interest of 5% or greater in the licensee; or agent is delinquent in filing any required tax returns or paying any amounts owed to the State of Illinois;
 - (2) The Director of Agriculture determines there is reason, based on an inordinate number of documented compliance violations, the licensee is not entitled to an Early Approval Adult Use Cultivation Center License; or
 - (3) The licensee fails to commit to the Social Equity Inclusion Plan.
- (h) A cultivation center may begin producing cannabis and cannabis-infused products once the Early Approval Adult Use Cultivation Center License is approved. A cultivation center that obtains an Early Approval Adult Use Cultivation Center License may begin selling cannabis and cannabis-infused products on December 1, 2019.
- (i) An Early Approval Adult Use Cultivation Center License holder must continue to produce and provide an adequate supply of cannabis and cannabis-infused

products for purchase by qualifying patients and caregivers. For the purposes of this subsection, "adequate supply" means a monthly production level that is comparable in type and quantity to those medical cannabis products produced for patients and caregivers on an average monthly basis for the 6 months before the effective date of this Act.

(j) If there is a shortage of cannabis or cannabis-infused products, a license holder shall prioritize patients registered under the Compassionate Use of Medical Cannabis Pilot Program Act over adult use purchasers.

(k) If an Early Approval Adult Use Cultivation Center licensee fails to submit an application for an Adult Use Cultivation Center License before the expiration of the Early Approval Adult Use Cultivation Center License pursuant to subsection (c-5) of this Section, the cultivation center shall cease adult use cultivation until it receives an Adult Use Cultivation Center License.

(l) A cultivation center agent who holds a valid cultivation center agent identification card issued under the Compassionate Use of Medical Cannabis Pilot Program Act and is an officer, director, manager, or employee of the cultivation center licensed under this Section may engage in all activities authorized by this Article to be performed by a cultivation center agent.

(m) If the Department of Agriculture suspends or revokes the Early Approval Adult Use Cultivation Center License of a cultivation center that also holds a medical cannabis cultivation center license issued under the Compassionate Use of Medical Cannabis Pilot Program Act, the Department of Agriculture may suspend or revoke the medical cannabis cultivation center license concurrently with the Early Approval Adult Use Cultivation Center License.

(n) All fees or fines collected from an Early Approval Adult Use Cultivation Center License holder as a result of a disciplinary action in the enforcement of this Act shall be deposited into the Cannabis Regulation Fund.

Section 20-15. Conditional Adult Use Cultivation Center application.

(a) If the Department of Agriculture makes available additional cultivation center licenses pursuant to Section 20-5, applicants for a Conditional Adult Use Cultivation Center License shall electronically submit the following in such form as the Department of Agriculture may direct:

- (1) the nonrefundable application fee set by rule by the Department of Agriculture, to be deposited into the Cannabis Regulation Fund;
- (2) the legal name of the cultivation center;
- (3) the proposed physical address of the cultivation center;
- (4) the name, address, social security number, and date of birth of each principal officer and board member of the cultivation center; each principal officer and board member shall be at least 21 years of age;
- (5) the details of any administrative or judicial proceeding in which any of the principal officers or board members of the cultivation center (i) pled guilty, were convicted, fined, or had a registration or license suspended or revoked, or (ii) managed or served on the board of a business or non-profit organization that pled guilty, was convicted, fined, or had a registration or license suspended or revoked;
- (6) proposed operating bylaws that include procedures for the oversight of the cultivation center, including the development and implementation of a plant monitoring system, accurate recordkeeping, staffing plan, and security plan approved by the Department of State Police that are in accordance with the rules issued by the Department of Agriculture

- under this Act. A physical inventory shall be performed of all plants and cannabis on a weekly basis by the cultivation center;
- (7) verification from the Department of State Police that all background checks of the prospective principal officers, board members, and agents of the cannabis business establishment have been conducted;
 - (8) a copy of the current local zoning ordinance or permit and verification that the proposed cultivation center is in compliance with the local zoning rules and distance limitations established by the local jurisdiction;
 - (9) proposed employment practices, in which the applicant must demonstrate a plan of action to inform, hire, and educate minorities, women, veterans, and persons with disabilities, engage in fair labor practices, and provide worker protections;
 - (10) whether an applicant can demonstrate experience in or business practices that promote economic empowerment in Disproportionately Impacted Areas;
 - (11) experience with the cultivation of agricultural or horticultural products, operating an agriculturally related business, or operating a horticultural business;
 - (12) a description of the enclosed, locked facility where cannabis will be grown, harvested, manufactured, processed, packaged, or otherwise prepared for distribution to a dispensing organization;
 - (13) a survey of the enclosed, locked facility, including the space used for cultivation;
 - (14) cultivation, processing, inventory, and packaging plans;
 - (15) a description of the applicant's experience with agricultural cultivation techniques and industry standards;
 - (16) a list of any academic degrees, certifications, or relevant experience of all prospective principal officers, board members, and agents of the related business;
 - (17) the identity of every person having a financial or voting interest of 5% or greater in the cultivation center operation with respect to which the license is sought, whether a trust, corporation, partnership, limited liability company, or sole proprietorship, including the name and address of each person;
 - (18) a plan describing how the cultivation center will address each of the following:
 - (i) energy needs, including estimates of monthly electricity and gas usage, to what extent it will procure energy from a local utility or from on-site generation, and if it has or will adopt a sustainable energy use and energy conservation policy;
 - (ii) water needs, including estimated water draw and if it has or will adopt a sustainable water use and water conservation policy; and
 - (iii) waste management, including if it has or will adopt a waste reduction policy;
 - (19) a diversity plan that includes a narrative of not more than 2,500 words that establishes a goal of diversity in ownership, management, employment, and contracting to ensure that diverse participants and groups are afforded equality of opportunity;
 - (20) any other information required by rule;
 - (21) a recycling plan:
 - (A) Purchaser packaging, including cartridges, shall be accepted by the applicant and recycled.
 - (B) Any recyclable waste generated by the cannabis cultivation facility shall be recycled per applicable State and local laws, ordinances, and rules.

(C) Any cannabis waste, liquid waste, or hazardous waste shall be disposed of in accordance with 8 Ill. Adm. Code 1000.460, except, to the greatest extent feasible, all cannabis plant waste will be rendered unusable by grinding and incorporating the cannabis plant waste with compostable mixed waste to be disposed of in accordance with 8 Ill Adm. Code 1000.460(g)(1);

(22) commitment to comply with local waste provisions: a cultivation facility must remain in compliance with applicable State and federal environmental requirements, including, but not limited to:

(A) storing, securing, and managing all recyclables and waste, including organic waste composed of or containing finished cannabis and cannabis products, in accordance with applicable State and local laws, ordinances, and rules; and

(B) Disposing liquid waste containing cannabis or byproducts of cannabis processing in compliance with all applicable State and federal requirements, including, but not limited to, the cannabis cultivation facility's permits under Title X of the Environmental Protection Act; and

(23) a commitment to a technology standard for resource efficiency of the cultivation center facility.

(A) A cannabis cultivation facility commits to use resources efficiently, including energy and water. For the following, a cannabis cultivation facility commits to meet or exceed the technology standard identified in items (i), (ii), (iii), and (iv), which may be modified by rule:

(i) lighting systems, including light bulbs;

(ii) HVAC system;

(iii) water application system to the crop; and

(iv) filtration system for removing contaminants from wastewater.

(B) Lighting. The Lighting Power Densities (LPD) for cultivation space commits to not exceed an average of 36 watts per gross square foot of active and growing space canopy, or all installed lighting technology shall meet a photosynthetic photon efficacy (PPE) of no less than 2.2 micromoles per joule fixture and shall be featured on the DesignLights Consortium (DLC) Horticultural Specification Qualified Products List (QPL). In the event that DLC requirement for minimum efficacy exceeds 2.2 micromoles per joule fixture, that PPE shall become the new standard.

(C) HVAC.

(i) For cannabis grow operations with less than 6,000 square feet of canopy, the licensee

commits that all HVAC units will be high-efficiency ductless split HVAC units, or other more energy efficient equipment.

(ii) For cannabis grow operations with 6,000 square feet of canopy or more, the licensee commits that all HVAC units will be variable refrigerant flow HVAC units, or other more energy efficient equipment.

(D) Water application.

- (i) The cannabis cultivation facility commits to use automated watering systems, including, but not limited to, drip irrigation and flood tables, to irrigate cannabis crop.
- (ii) The cannabis cultivation facility commits to measure runoff from watering events and report this volume in its water usage plan, and that on average, watering events shall have no more than 20% of runoff of water.
- (E) Filtration. The cultivator commits that HVAC condensate, dehumidification water, excess runoff, and other wastewater produced by the cannabis cultivation facility shall be captured and filtered to the best of the facility's ability to achieve the quality needed to be reused in subsequent watering rounds.
- (F) Reporting energy use and efficiency as required by rule.
- (b) Applicants must submit all required information, including the information required in Section 20-10, to the Department of Agriculture. Failure by an applicant to submit all required information may result in the application being disqualified.
- (c) If the Department of Agriculture receives an application with missing information, the Department of Agriculture may issue a deficiency notice to the applicant. The applicant shall have 10 calendar days from the date of the deficiency notice to resubmit the incomplete information. Applications that are still incomplete after this opportunity to cure will not be scored and will be disqualified.
- (e) A cultivation center that is awarded a Conditional Adult Use Cultivation Center License pursuant to the criteria in Section 20-20 shall not grow, purchase, possess, or sell cannabis or cannabis-infused products until the person has received an Adult Use Cultivation Center License issued by the Department of Agriculture pursuant to Section 20-21 of this Act.

Section 20-20. Conditional Adult Use License scoring applications.

- (a) The Department of Agriculture shall by rule develop a system to score cultivation center applications to administratively rank applications based on the clarity, organization, and quality of the applicant's responses to required information. Applicants shall be awarded points based on the following categories:
 - (1) Suitability of the proposed facility;
 - (2) Suitability of employee training plan;
 - (3) Security and recordkeeping;
 - (4) Cultivation plan;
 - (5) Product safety and labeling plan;
 - (6) Business plan;
 - (7) The applicant's status as a Social Equity Applicant, which shall constitute no less than 20% of total available points;
 - (8) Labor and employment practices, which shall constitute no less than 2% of total available points;
 - (9) Environmental plan as described in paragraphs (18), (21), (22), and (23) of subsection (a) of Section 20-15;
 - (10) The applicant is 51% or more owned and controlled by an individual or individuals who have been an Illinois resident for the past 5 years as proved by tax records;
 - (11) The applicant is 51% or more controlled and owned by an individual or individuals who meet the qualifications of a veteran as defined by Section 45-57 of the Illinois Procurement Code;

- (12) a diversity plan that includes a narrative of not more than 2,500 words that establishes a goal of diversity in ownership, management, employment, and contracting to ensure that diverse participants and groups are afforded equality of opportunity; and
- (13) Any other criteria the Department of Agriculture may set by rule for points. (b) The Department may also award bonus points for the applicant's plan to engage with the community. Bonus points will only be awarded if the Department receives applications that receive an equal score for a particular region. (c) Should the applicant be awarded a cultivation center license, the information and plans that an applicant provided in its application, including any plans submitted for the acquiring of bonus points, becomes a mandatory condition of the permit. Any variation from or failure to perform such plans may result in discipline, including the revocation or nonrenewal of a license.
- (d) Should the applicant be awarded a cultivation center license, it shall pay a fee of \$100,000 prior to receiving the license, to be deposited into the Cannabis Regulation Fund. The Department of Agriculture may by rule adjust the fee in this Section after January 1, 2021.

Section 20-21. Adult Use Cultivation Center License.

- (a) A person or entity is only eligible to receive an Adult Use Cultivation Center License if the person or entity has first been awarded a Conditional Adult Use Cultivation Center License pursuant to this Act or the person or entity has renewed its Early Approval Cultivation Center License pursuant to subsection (c) of Section 20-10.
- (b) The Department of Agriculture shall not issue an Adult Use Cultivation Center License until:
- (1) the Department of Agriculture has inspected the cultivation center site and proposed operations and verified that they are in compliance with this Act and local zoning laws;
 - (2) the Conditional Adult Use Cultivation Center License holder has paid a registration fee of \$100,000 or a prorated amount accounting for the difference of time between when the Adult Use Cultivation Center License is issued and March 31 of the next even-numbered year; and
 - (3) The Conditional Adult Use Cultivation Center License holder has met all the requirements in the Act and rules.

Section 20-25. Denial of application. An application for a cultivation center license must be denied if any of the following conditions are met:

- (1) the applicant failed to submit the materials required by this Article;
- (2) the applicant would not be in compliance with local zoning rules;
- (3) one or more of the prospective principal officers or board members causes a violation of Section 20-30;
- (4) one or more of the principal officers or board members is under 21 years of age;
- (5) the person has submitted an application for a permit under this Act that contains false information; or
- (6) the licensee, principal officer, board member, or person having a financial or voting interest of 5% or greater in the licensee, or the agent is delinquent in filing any required tax returns or paying any amounts owed to the State of Illinois.

Section 20-30. Cultivation center requirements; prohibitions.

(a) The operating documents of a cultivation center shall include procedures for the oversight of the cultivation center a cannabis plant monitoring system including a physical inventory recorded weekly, accurate recordkeeping, and a staffing plan.

(b) A cultivation center shall implement a security plan reviewed by the Department of State Police that includes, but is not limited to: facility access controls, perimeter intrusion detection systems, personnel identification systems, 24-hour surveillance system to monitor the interior and exterior of the cultivation center facility and accessibility to authorized law enforcement, the Department of Public Health where processing takes place, and the Department of Agriculture in real time.

(c) All cultivation of cannabis by a cultivation center must take place in an enclosed, locked facility at the physical address provided to the Department of Agriculture during the licensing process. The cultivation center location shall only be accessed by the agents working for the cultivation center, the Department of Agriculture staff performing inspections, the Department of Public Health staff performing inspections, local and State law enforcement or other emergency personnel, contractors working on jobs unrelated to cannabis, such as installing or maintaining security devices or performing electrical wiring, transporting organization agents as provided in this Act, individuals in a mentoring or educational program approved by the State, or other individuals as provided by rule.

(d) A cultivation center may not sell or distribute any cannabis or cannabis-infused products to any person other than a dispensing organization, craft grower, infusing organization, transporter, or as otherwise authorized by rule.

(e) A cultivation center may not either directly or indirectly discriminate in price between different dispensing organizations, craft growers, or infuser organizations that are purchasing a like grade, strain, brand, and quality of cannabis or cannabis-infused product. Nothing in this subsection (e) prevents a cultivation centers from pricing cannabis differently based on differences in the cost of manufacturing or processing, the quantities sold, such as volume discounts, or the way the products are delivered.

(f) All cannabis harvested by a cultivation center and intended for distribution to a dispensing organization must be entered into a data collection system, packaged and labeled under Section 55-21, and placed into a cannabis container for transport. All cannabis harvested by a cultivation center and intended for distribution to a craft grower or infuser organization must be packaged in a labeled cannabis container and entered into a data collection system before transport.

(g) Cultivation centers are subject to random inspections by the Department of Agriculture, the Department of Public Health, local safety or health inspectors, and the Department of State Police.

(h) A cultivation center agent shall notify local law enforcement, the Department of State Police, and the Department of Agriculture within 24 hours of the discovery of any loss or theft.

Notification shall be made by phone or in person, or by written or electronic communication.

(i) A cultivation center shall comply with all State and any applicable federal rules and regulations regarding the use of pesticides on cannabis plants.

(j) No person or entity shall hold any legal, equitable, ownership, or beneficial interest, directly or indirectly, of more than 3 cultivation centers licensed under this Article. Further, no person or entity that is employed by, an agent of, has a contract to receive payment in any form from a cultivation center, is a principal officer of a cultivation center, or entity controlled by or affiliated with a principal officer of a cultivation shall hold any legal, equitable, ownership, or beneficial

interest, directly or indirectly, in a cultivation that would result in the person or entity owning or controlling in combination with any cultivation center, principal officer of a cultivation center, or entity controlled or affiliated with a principal officer of a cultivation center by which he, she, or it is employed, is an agent of, or participates in the management of, more than 3 cultivation center licenses.

(k) A cultivation center may not contain more than 210,000 square feet of canopy space for plants in the flowering stage for cultivation of adult use cannabis as provided in this Act.

(l) A cultivation center may process cannabis, cannabis concentrates, and cannabis-infused products.

(m) Beginning July 1, 2020, a cultivation center shall not transport cannabis to a craft grower, dispensing organization, infuser organization, or laboratory licensed under this Act, unless it has obtained a transporting organization license.

(n) It is unlawful for any person having a cultivation center license or any officer, associate, member, representative, or agent of such licensee to offer or deliver money, or anything else of value, directly or indirectly to any person having an Early Approval Adult Use Dispensing Organization License, a Conditional Adult Use Dispensing Organization License, an Adult Use Dispensing Organization License, or a medical cannabis dispensing organization license issued under the Compassionate Use of Medical Cannabis Pilot Program Act, or to any person connected with or in any way representing, or to any member of the family of, such person holding an Early Approval Adult Use Dispensing Organization License, a Conditional Adult Use Dispensing Organization License, an Adult Use Dispensing Organization License, or a medical cannabis dispensing organization license issued under the Compassionate Use of Medical Cannabis Pilot Program Act, or to any stockholders in any corporation engaged in the retail sale of cannabis, or to any officer, manager, agent, or representative of the Early Approval Adult Use Dispensing Organization License, a Conditional Adult Use Dispensing Organization License, an Adult Use Dispensing Organization License, or a medical cannabis dispensing organization license issued under the Compassionate Use of Medical Cannabis Pilot Program Act to obtain preferential placement within the dispensing organization, including, without limitation, on shelves and in display cases where purchasers can view products, or on the dispensing organization's website.

(o) A cultivation center must comply with any other requirements or prohibitions set by administrative rule of the Department of Agriculture.

Section 20-35. Cultivation center agent identification card.

(a) The Department of Agriculture shall:

- (1) establish by rule the information required in an initial application or renewal application for an agent identification card submitted under this Act and the nonrefundable fee to accompany the initial application or renewal application;
- (2) verify the information contained in an initial application or renewal application for an agent identification card submitted under this Act, and approve or deny an application within 30 days of receiving a completed initial application or renewal application and all supporting documentation required by rule;
- (3) issue an agent identification card to a qualifying agent within 15 business days of approving the initial application or renewal application;
- (4) enter the license number of the cultivation center where the agent works; and

- (5) allow for an electronic initial application and renewal application process, and provide a confirmation by electronic or other methods that an application has been submitted. The Department of Agriculture may by rule require prospective agents to file their applications by electronic means and provide notices to the agents by electronic means.
- (b) An agent must keep his or her identification card visible at all times when on the property of the cultivation center at which the agent is employed.
- (c) The agent identification cards shall contain the following:
 - (1) the name of the cardholder;
 - (2) the date of issuance and expiration date of the identification card;
 - (3) a random 10-digit alphanumeric identification number containing at least 4 numbers and at least 4 letters that is unique to the holder;
 - (4) a photograph of the cardholder; and
 - (5) the legal name of the cultivation center employing the agent.
- (d) An agent identification card shall be immediately returned to the cultivation center of the agent upon termination of his or her employment.
- (e) Any agent identification card lost by a cultivation center agent shall be reported to the Department of State Police and the Department of Agriculture immediately upon discovery of the loss.
- (f) The Department of Agriculture shall not issue an agent identification card if the applicant is delinquent in filing any required tax returns or paying any amounts owed to the State of Illinois.

Section 20-40. Cultivation center background checks.

- (a) Through the Department of State Police, the Department of Agriculture shall conduct a background check of the prospective principal officers, board members, and agents of a cultivation center applying for a license or identification card under this Act. The Department of State Police shall charge a fee set by rule for conducting the criminal history record check, which shall be deposited into the State Police Services Fund and shall not exceed the actual cost of the record check. In order to carry out this provision, each cultivation center prospective principal officer, board member, or agent shall submit a full set of fingerprints to the Department of State Police for the purpose of obtaining a State and federal criminal records check. These fingerprints shall be checked against the fingerprint records now and hereafter, to the extent allowed by law, filed in the Department of State Police and Federal Bureau of Investigation criminal history records databases. The Department of State Police shall furnish, following positive identification, all conviction information to the Department of Agriculture.
- (b) When applying for the initial license or identification card, the background checks for all prospective principal officers, board members, and agents shall be completed before submitting the application to the licensing or issuing agency.

Section 20-45. Renewal of cultivation center licenses and agent identification cards.

- (a) Licenses and identification cards issued under this Act shall be renewed annually. A cultivation center shall receive written or electronic notice 90 days before the expiration of its current license that the license will expire. The Department of Agriculture shall grant a renewal within 45 days of submission of a renewal application if:

- (1) the cultivation center submits a renewal application and the required nonrefundable renewal fee of \$100,000, or another amount as the Department of Agriculture may set by rule after January 1, 2021, to be deposited into the Cannabis Regulation Fund.
 - (2) the Department of Agriculture has not suspended the license of the cultivation center or suspended or revoked the license for violating this Act or rules adopted under this Act;
 - (3) the cultivation center has continued to operate in accordance with all plans submitted as part of its application and approved by the Department of Agriculture or any amendments thereto that have been approved by the Department of Agriculture;
 - (4) the cultivation center has submitted an agent, employee, contracting, and subcontracting diversity report as required by the Department; and
 - (5) the cultivation center has submitted an environmental impact report.
- (b) If a cultivation center fails to renew its license before expiration, it shall cease operations until its license is renewed.
- (c) If a cultivation center agent fails to renew his or her identification card before its expiration, he or she shall cease to work as an agent of the cultivation center until his or her identification card is renewed.
- (d) Any cultivation center that continues to operate, or any cultivation center agent who continues to work as an agent, after the applicable license or identification card has expired without renewal is subject to the penalties provided under Section 45-5.

Section 20-50. Cultivator taxes; returns.

- (a) A tax is imposed upon the privilege of cultivating and processing adult use cannabis at the rate of 7% of the gross receipts from the sale of cannabis by a cultivator to a dispensing organization. The sale of any adult use product that contains any amount of cannabis or any derivative thereof is subject to the tax under this Section on the full selling price of the product. The proceeds from this tax shall be deposited into the Cannabis Regulation Fund. This tax shall be paid by the cultivator who makes the first sale and is not the responsibility of a dispensing organization, qualifying patient, or purchaser.
- (b) In the administration of and compliance with this Section, the Department of Revenue and persons who are subject to this Section: (i) have the same rights, remedies, privileges, immunities, powers, and duties, (ii) are subject to the same conditions, restrictions, limitations, penalties, and definitions of terms, and (iii) shall employ the same modes of procedure as are set forth in the Cannabis Cultivation Privilege Tax Law and the Uniform Penalty and Interest Act as if those provisions were set forth in this Section.
- (c) The tax imposed under this Act shall be in addition to all other occupation or privilege taxes imposed by the State of Illinois or by any municipal corporation or political

ARTICLE 30. CRAFT GROWERS

Section 30-3. Definition. In this Article, "Department" means the Department of Agriculture.

Section 30-5. Issuance of licenses.

(a) The Department of Agriculture shall issue up to 40 craft grower licenses by July 1, 2020. Any person or entity awarded a license pursuant to this subsection shall only hold one craft grower license and may not sell that license until after December 21, 2021.

(b) By December 21, 2021, the Department of Agriculture shall issue up to 60 additional craft grower licenses. Any person or entity awarded a license pursuant to this subsection shall not hold more than 2 craft grower licenses. The person or entity awarded a license pursuant to this subsection or subsection (a) of this Section may sell its craft grower license subject to the restrictions of this Act or as determined by administrative rule. Prior to issuing such licenses, the Department may adopt rules through emergency rulemaking in accordance with subsection (gg) of Section 5-45 of the Illinois Administrative Procedure Act, to modify or raise the number of craft grower licenses assigned to each region and modify or change the licensing application process to reduce or eliminate barriers. The General Assembly finds that the adoption of rules to regulate cannabis use is deemed an emergency and necessary for the public interest, safety, and welfare. In determining whether to exercise the authority granted by this subsection, the Department of Agriculture must consider the following factors:

- (1) The percentage of cannabis sales occurring in Illinois not in the regulated market using data from the Substance Abuse and Mental Health Services Administration, National Survey on Drug Use and Health, Illinois Behavioral Risk Factor Surveillance System, and tourism data from the Illinois Office of Tourism to ascertain total cannabis consumption in Illinois compared to the amount of sales in licensed dispensing organizations;
 - (2) Whether there is an adequate supply of cannabis and cannabis-infused products to serve registered medical cannabis patients;
 - (3) Whether there is an adequate supply of cannabis and cannabis-infused products to serve purchasers;
 - (4) Whether there is an oversupply of cannabis in Illinois leading to trafficking of cannabis to states where the sale of cannabis is not permitted by law;
 - (5) Population increases or shifts;
 - (6) The density of craft growers in any area of the State;
 - (7) Perceived security risks of increasing the number or location of craft growers;
 - (8) The past safety record of craft growers;
 - (9) The Department of Agriculture's capacity to appropriately regulate additional licensees;
 - (10) The findings and recommendations from the disparity and availability study commissioned by the Illinois Cannabis Regulation Oversight Officer to reduce or eliminate any identified barriers to entry in the cannabis industry; and 1) Any other criteria the Department of Agriculture deems relevant.
- (c) After January 1, 2022, the Department of Agriculture may by rule modify or raise the number of craft grower licenses assigned to each region, and modify or change the licensing application process to reduce or eliminate barriers based on the criteria in subsection (b). At no time may the

number of craft grower licenses exceed 150. Any person or entity awarded a license pursuant to this subsection shall not hold more than 3 craft grower licenses. A person or entity awarded a license pursuant to this subsection or subsection (a) or subsection (b) of this Section may sell its craft grower license or licenses subject to the restrictions of this Act or as determined by administrative rule.

Section 30-10. Application.

(a) When applying for a license, the applicant shall electronically submit the following in such form as the Department of Agriculture may direct:

- (1) the nonrefundable application fee of \$5,000 to be deposited into the Cannabis Regulation Fund, or another amount as the Department of Agriculture may set by rule after January 1, 2021;
- (2) the legal name of the craft grower;
- (3) the proposed physical address of the craft grower;
- (4) the name, address, social security number, and date of birth of each principal officer and board member of the craft grower; each principal officer and board member shall be at least 21 years of age;
- (5) the details of any administrative or judicial proceeding in which any of the principal officers or board members of the craft grower (i) pled guilty, were convicted, fined, or had a registration or license suspended or revoked or (ii) managed or served on the board of a business or non-profit organization that pled guilty, was convicted, fined, or had a registration or license suspended or revoked;
- (6) proposed operating bylaws that include procedures or the oversight of the craft grower, including the development and implementation of a plant monitoring system, accurate recordkeeping, staffing plan, and security plan approved by the Department of State Police that are in accordance with the rules issued by the Department of Agriculture under this Act; a physical inventory shall be performed of all plants and on a weekly basis by the craft grower;
- (7) verification from the Department of State Police that all background checks of the prospective principal officers, board members, and agents of the cannabis business establishment have been conducted;
- (8) a copy of the current local zoning ordinance or permit and verification that the proposed craft grower is in compliance with the local zoning rules and distance limitations established by the local jurisdiction;
- (9) proposed employment practices, in which the applicant must demonstrate a plan of action to inform, hire, and educate minorities, women, veterans, and persons with disabilities, engage in fair labor practices, and provide worker protections;
- (10) whether an applicant can demonstrate experience in or business practices that promote economic empowerment in Disproportionately Impacted Areas;
- (11) experience with the cultivation of agricultural or horticultural products, operating an agriculturally related business, or operating a horticultural business;
- (12) a description of the enclosed, locked facility where cannabis will be grown, harvested, manufactured, packaged, or otherwise prepared for distribution to a dispensing organization or other cannabis business establishment;
- (13) a survey of the enclosed, locked facility, including the space used for cultivation;
- (14) cultivation, processing, inventory, and packaging plans;

- (15) a description of the applicant's experience with agricultural cultivation techniques and industry standards;
- (16) a list of any academic degrees, certifications, or relevant experience of all prospective principal officers, board members, and agents of the related business;
- (17) the identity of every person having a financial or voting interest of 5% or greater in the craft grower operation, whether a trust, corporation, partnership, limited liability company, or sole proprietorship, including the name and address of each person;
- (18) a plan describing how the craft grower will address each of the following:
 - (i) energy needs, including estimates of monthly electricity and gas usage, to what extent it will procure energy from a local utility or from on-site generation, and if it has or will adopt a sustainable energy use and energy conservation policy;
 - (ii) water needs, including estimated water draw and if it has or will adopt a sustainable water use and water conservation policy; and
 - (iii) waste management, including if it has or will adopt a waste reduction policy;
- (19) a recycling plan:
 - (A) Purchaser packaging, including cartridges, shall be accepted by the applicant and recycled.
 - (B) Any recyclable waste generated by the craft grower facility shall be recycled per applicable State and local laws, ordinances, and rules.
 - (C) Any cannabis waste, liquid waste, or hazardous waste shall be disposed of in accordance with 8 Ill. Adm. Code 1000.460, except, to the greatest extent feasible, all cannabis plant waste will be rendered unusable by grinding and incorporating the cannabis plant waste with compostable mixed waste to be disposed of in accordance with 8 Ill Adm. Code 1000.460(g)(1).
- (20) a commitment to comply with local waste provisions: a craft grower facility must remain in compliance with applicable State and federal environmental requirements, including, but not limited to:
 - (A) storing, securing, and managing all recyclables and waste, including organic waste composed of or containing finished cannabis and cannabis products, in accordance with applicable State and local laws, ordinances, and rules; and
 - (B) Disposing liquid waste containing cannabis or byproducts of cannabis processing in compliance with all applicable State and federal requirements, including, but not limited to, the cannabis cultivation facility's permits under Title X of the Environmental Protection Act.
- (21) a commitment to a technology standard for resource efficiency of the craft grower facility.
 - (A) A craft grower facility commits to use resources efficiently, including energy and water. For the following, a cannabis cultivation facility commits to meet or exceed the technology standard identified in paragraphs (i), (ii), (iii), and (iv), which may be modified by rule:
 - (i) lighting systems, including light bulbs;
 - (ii) HVAC system;
 - (iii) water application system to the crop; and
 - (iv) filtration system for removing contaminants from wastewater.
 - (B) Lighting. The Lighting Power Densities (LPD) for cultivation space commits to not exceed an average of 36 watts per gross square foot of active and growing

space canopy, or all installed lighting technology shall meet a photosynthetic photon efficacy (PPE) of no less than 2.2 micromoles per joule fixture and shall be featured on the DesignLights Consortium (DLC) Horticultural Specification Qualified Products List (QPL). In the event that DLC requirement for minimum efficacy exceeds 2.2 micromoles per joule fixture, that PPE shall become the new standard.

(C) HVAC.

(i) For cannabis grow operations with less than 6,000 square feet of canopy, the licensee commits that all HVAC units will be high-efficiency ductless split HVAC units, or other more energy efficient equipment.

(ii) For cannabis grow operations with 6,000 square feet of canopy or more, the licensee commits that all HVAC units will be variable refrigerant flow HVAC units, or other more energy efficient equipment.

(D) Water application.

(i) The craft grower facility commits to use automated watering systems, including, but not limited to, drip irrigation and flood tables, to irrigate cannabis crop.

(ii) The craft grower facility commits to measure runoff from watering events and report this volume in its water usage plan, and that on average, watering events shall have no more than 20% of runoff of water.

(E) Filtration. The craft grower commits that HVAC condensate, dehumidification water, excess runoff, and other wastewater produced by the craft grower facility shall be captured and filtered to the best of the facility's ability to achieve the quality needed to be reused in subsequent watering rounds.

(F) Reporting energy use and efficiency as required by rule; and

(22) any other information required by rule.

(b) Applicants must submit all required information, including the information required in Section 30-15, to the Department of Agriculture. Failure by an applicant to submit all required information may result in the application being disqualified.

(c) If the Department of Agriculture receives an application with missing information, the Department of Agriculture may issue a deficiency notice to the applicant. The applicant shall have 10 calendar days from the date of the deficiency notice to resubmit the incomplete information. Applications that are still incomplete after this opportunity to cure will not be scored and will be disqualified.

Section 30-15. Scoring applications.

(a) The Department of Agriculture shall by rule develop a system to score craft grower applications to administratively rank applications based on the clarity, organization, and quality of the applicant's responses to required information. Applicants shall be awarded points based on the following categories:

- (1) Suitability of the proposed facility;
- (2) Suitability of the employee training plan;
- (3) Security and recordkeeping;
- (4) Cultivation plan;
- (5) Product safety and labeling plan;
- (6) Business plan;

- (7) The applicant's status as a Social Equity Applicant, which shall constitute no less than 20% of total available points;
 - (8) Labor and employment practices, which shall constitute no less than 2% of total available points;
 - (9) Environmental plan as described in paragraphs (18), (19), (20), and (21) of subsection (a) of Section 30-10;
 - (10) The applicant is 51% or more owned and controlled by an individual or individuals who have been an Illinois resident for the past 5 years as proved by tax records;
 - (11) The applicant is 51% or more controlled and owned by an individual or individuals who meet the qualifications of a veteran as defined in Section 45-57 of the Illinois Procurement Code;
 - (12) A diversity plan that includes a narrative of not more than 2,500 words that establishes a goal of diversity in ownership, management, employment, and contracting to ensure that diverse participants and groups are afforded equality of opportunity; and
 - (13) Any other criteria the Department of Agriculture may set by rule for points.
- (b) The Department may also award up to 2 bonus points for the applicant's plan to engage with the community. The applicant may demonstrate a desire to engage with its community by participating in one or more of, but not limited to, the following actions:
- (i) establishment of an incubator program designed to increase participation in the cannabis industry by persons who would qualify as Social Equity Applicants;
 - (ii) providing financial assistance to substance abuse treatment centers;
 - (iii) educating children and teens about the potential harms of cannabis use; or
 - (iv) other measures demonstrating a commitment to the applicant's community. Bonus points will only be awarded if the Department receives applications that receive an equal score for a particular region.
- (c) Should the applicant be awarded a craft grower license, the information and plans that an applicant provided in its application, including any plans submitted for the acquiring of bonus points, shall be a mandatory condition of the license. Any variation from or failure to perform such plans may result in discipline, including the revocation or nonrenewal of a license.
- (d) Should the applicant be awarded a craft grower license, the applicant shall pay a prorated fee of \$40,000 prior to receiving the license, to be deposited into the Cannabis Regulation Fund. The Department of Agriculture may by rule adjust the fee in this Section after January 1, 2021.

Section 30-20. Issuance of license to certain persons prohibited.

- (a) No craft grower license issued by the Department of Agriculture shall be issued to a person who is licensed by any licensing authority as a cultivation center, or to any partnership, corporation, limited liability company, or trust or any subsidiary, affiliate, or any other form of business enterprise having more than 10% legal, equitable, or beneficial interest, directly or indirectly, in a person licensed in this State as a cultivation center, or to any principal officer, agent, employee, or human being with any form of ownership or control over a cultivation center except for a person who owns no more than 5% of the outstanding shares of a cultivation center whose shares are publicly traded on an exchange within the meaning of the Securities Exchange Act of 1934.
- (b) A person who is licensed in this State as a craft grower, or any partnership, corporation, limited liability company, or trust or any subsidiary, affiliate, or agent thereof, or any other form of business enterprise licensed in this State as a craft grower shall not have more than 10% legal,

equitable, or beneficial interest, directly or indirectly, in a person licensed as a cultivation center, nor shall any partnership, corporation, limited liability company, or trust or any subsidiary, affiliate, or any other form of business enterprise having any legal, equitable, or beneficial interest, directly or indirectly, in a person licensed in this State as a craft grower or a craft grower agent be a principal officer, agent, employee, or human being with any form of ownership or control over a cultivation center except for a person who owns no more than 5% of the outstanding shares of a cultivation center whose shares are publicly traded on an exchange within the meaning of the Securities Exchange Act of 1934.

Section 30-25. Denial of application. An application for a craft grower license must be denied if any of the following conditions are met:

- (1) the applicant failed to submit the materials required by this Article;
- (2) the applicant would not be in compliance with local zoning rules;
- (3) one or more of the prospective principal officers or board members causes a violation of Section 30-20 of this Article;
- (4) one or more of the principal officers or board members is under 21 years of age;
- (5) the person has submitted an application for a license under this Act that contains false information; or
- (6) the licensee; principal officer, board member, or person having a financial or voting interest of 5% or greater in the licensee; or agent is delinquent in filing any required tax returns or paying any amounts owed to the State of Illinois.

Section 30-30. Craft grower requirements; prohibitions.

- (a) The operating documents of a craft grower shall include procedures for the oversight of the craft grower, a cannabis plant monitoring system including a physical inventory recorded weekly, accurate recordkeeping, and a staffing plan.
- (b) A craft grower shall implement a security plan reviewed by the Department of State Police that includes, but is not limited to: facility access controls, perimeter intrusion detection systems, personnel identification systems, and a 24-hour surveillance system to monitor the interior and exterior of the craft grower facility and that is accessible to authorized law enforcement and the Department of Agriculture in real time.
- (c) All cultivation of cannabis by a craft grower must take place in an enclosed, locked facility at the physical address provided to the Department of Agriculture during the licensing process. The craft grower location shall only be accessed by the agents working for the craft grower, the Department of Agriculture staff performing inspections, the Department of Public Health staff performing inspections, State and local law enforcement or other emergency personnel, contractors working on jobs unrelated to cannabis, such as installing or maintaining security devices or performing electrical wiring, transporting organization agents as provided in this Act, or participants in the incubator program, individuals in a mentoring or educational program approved by the State, or other individuals as provided by rule. However, if a craft grower shares a premises with an infuser or dispensing organization, agents from those other licensees may access the craft grower portion of the premises if that is the location of common bathrooms, lunchrooms, locker rooms, or other areas of the building where work or cultivation of cannabis is not performed. At no time may an infuser or dispensing organization agent perform work at a craft grower without being a registered agent of the craft grower.

- (d) A craft grower may not sell or distribute any cannabis to any person other than a cultivation center, a craft grower, an infuser organization, a dispensing organization, or as otherwise authorized by rule.
- (e) A craft grower may not be located in an area zoned for residential use.
- (f) A craft grower may not either directly or indirectly discriminate in price between different cannabis business establishments that are purchasing a like grade, strain, brand, and quality of cannabis or cannabis-infused product. Nothing in this subsection (f) prevents a craft grower from pricing cannabis differently based on differences in the cost of manufacturing or processing, the quantities sold, such as volume discounts, or the way the products are delivered.
- (g) All cannabis harvested by a craft grower and intended for distribution to a dispensing organization must be entered into a data collection system, packaged and labeled under Section 55-21, and, if distribution is to a dispensing organization that does not share a premises with the dispensing organization receiving the cannabis, placed into a cannabis container for transport. All cannabis harvested by a craft grower and intended for distribution to a cultivation center, to an infuser organization, or to a craft grower with which it does not share a premises, must be packaged in a labeled cannabis container and entered into a data collection system before transport.
- (h) Craft growers are subject to random inspections by the Department of Agriculture, local safety or health inspectors, and the Department of State Police. (i) A craft grower agent shall notify local law enforcement, the Department of State Police, and the Department of Agriculture within 24 hours of the discovery of any loss or theft. Notification shall be made by phone, in person, or written or electronic communication.
- (j) A craft grower shall comply with all State and any applicable federal rules and regulations regarding the use of pesticides.
- (k) A craft grower or craft grower agent shall not transport cannabis or cannabis-infused products to any other cannabis business establishment without a transport organization license unless:
- (i) If the craft grower is located in a county with a population of 3,000,000 or more, the cannabis business establishment receiving the cannabis is within 2,000 feet of the property line of the craft grower; (ii) If the craft grower is located in a county with a population of more than 700,000 but fewer than 3,000,000, the cannabis business establishment receiving the cannabis is within 2 miles of the craft grower; or (iii) If the craft grower is located in a county with a population of fewer than 700,000, the cannabis business establishment receiving the cannabis is within 15 miles of the craft grower.
- (l) A craft grower may enter into a contract with a transporting organization to transport cannabis to a cultivation center, a craft grower, an infuser organization, a dispensing organization, or a laboratory.
- (m) No person or entity shall hold any legal, equitable, ownership, or beneficial interest, directly or indirectly, of more than 3 craft grower licenses. Further, no person or entity that is employed by, an agent of, or has a contract to receive payment from or participate in the management of a craft grower, is a principal officer of a craft grower, or entity controlled by or affiliated with a principal officer of a craft grower shall hold any legal, equitable, ownership, or beneficial interest, directly or indirectly, in a craft grower license that would result in the person or entity owning or controlling in combination with any craft grower, principal officer of a craft grower, or entity controlled or affiliated with a principal officer of a craft grower by which he, she, or it is employed, is an agent of, or participates in the management of more than 3 craft grower licenses.

(n) It is unlawful for any person having a craft grower license or any officer, associate, member, representative, or agent of the licensee to offer or deliver money, or anything else of value, directly or indirectly, to any person having an Early Approval Adult Use Dispensing Organization License, a Conditional Adult Use Dispensing Organization License, an Adult Use Dispensing Organization License, or a medical cannabis dispensing organization license issued under the Compassionate Use of Medical Cannabis Pilot Program Act, or to any person connected with or in any way representing, or to any member of the family of, the person holding an Early Approval Adult Use Dispensing Organization License, a Conditional Adult Use Dispensing Organization License, an Adult Use Dispensing Organization License, or a medical cannabis dispensing organization license issued under the Compassionate Use of Medical Cannabis Pilot Program Act, or to any stockholders in any corporation engaged in the retail sale of cannabis, or to any officer, manager, agent, or representative of the Early Approval Adult Use Dispensing Organization License, a Conditional Adult Use Dispensing Organization License, an Adult Use Dispensing Organization License, or a medical cannabis dispensing organization license issued under the Compassionate Use of Medical Cannabis Pilot Program Act to obtain preferential placement within the dispensing organization, including, without limitation, on shelves and in display cases where purchasers can view products, or on the dispensing organization's website.

(o) A craft grower shall not be located within 1,500 feet of another craft grower or a cultivation center.

(p) A craft grower may process cannabis, cannabis concentrates, and cannabis-infused products.

(q) A craft grower must comply with any other requirements or prohibitions set by administrative rule of the Department of Agriculture.

Section 30-35. Craft grower agent identification card.

(a) The Department of Agriculture shall:

- (1) establish by rule the information required in an initial application or renewal application for an agent identification card submitted under this Act and the nonrefundable fee to accompany the initial application or renewal application;
- (2) verify the information contained in an initial application or renewal application for an agent identification card submitted under this Act and approve or deny an application within 30 days of receiving a completed initial application or renewal application and all supporting documentation required by rule;
- (3) issue an agent identification card to a qualifying agent within 15 business days of approving the initial application or renewal application;
- (4) enter the license number of the craft grower where the agent works; and
- (5) allow for an electronic initial application and renewal application process, and provide a confirmation by electronic or other methods that an application has been submitted. The Department of Agriculture may by rule require prospective agents to file their applications by electronic means and provide notices to the agents by electronic means.

(b) An agent must keep his or her identification card visible at all times when on the property of a cannabis business establishment, including the craft grower organization for which he or she is an agent.

(c) The agent identification cards shall contain the following:

- (1) the name of the cardholder;

- (2) the date of issuance and expiration date of the identification card;
 - (3) a random 10-digit alphanumeric identification number containing at least 4 numbers and at least 4 letters that is unique to the holder;
 - (4) a photograph of the cardholder; and
 - (5) the legal name of the craft grower organization employing the agent.
- (d) An agent identification card shall be immediately returned to the cannabis business establishment of the agent upon termination of his or her employment.
- (e) Any agent identification card lost by a craft grower agent shall be reported to the Department of State Police and the Department of Agriculture immediately upon discovery of the loss.

Section 30-40. Craft grower background checks.

- (a) Through the Department of State Police, the Department of Agriculture shall conduct a background check of the prospective principal officers, board members, and agents of a craft grower applying for a license or identification card under this Act. The Department of State Police shall charge a fee set by rule for conducting the criminal history record check, which shall be deposited into the State Police Services Fund and shall not exceed the actual cost of the record check. In order to carry out this Section, each craft grower organization's prospective principal officer, board member, or agent shall submit a full set of fingerprints to the Department of State Police for the purpose of obtaining a State and federal criminal records check. These fingerprints shall be checked against the fingerprint records now and hereafter, to the extent allowed by law, filed in the Department of State Police and Federal Bureau of Investigation criminal history records databases. The Department of State Police shall furnish, following positive identification, all conviction information to the Department of Agriculture.
- (b) When applying for the initial license or identification card, the background checks for all prospective principal officers, board members, and agents shall be completed before submitting the application to the licensing or issuing agency.

Section 30-45. Renewal of craft grower licenses and agent identification cards.

- (a) Licenses and identification cards issued under this Act shall be renewed annually. A craft grower shall receive written or electronic notice 90 days before the expiration of its current license that the license will expire. The Department of Agriculture shall grant a renewal within 45 days of submission of a renewal application if:
- (1) the craft grower submits a renewal application and the required nonrefundable renewal fee of \$40,000, or another amount as the Department of Agriculture may set by rule after January 1, 2021;
 - (2) the Department of Agriculture has not suspended the license of the craft grower or suspended or revoked the license for violating this Act or rules adopted under this Act;
 - (3) the craft grower has continued to operate in accordance with all plans submitted as part of its application and approved by the Department of Agriculture or any amendments thereto that have been approved by the Department of Agriculture;
 - (4) the craft grower has submitted an agent, employee, contracting, and subcontracting diversity report as required by the Department; and
 - (5) the craft grower has submitted an environmental impact report.
- (b) If a craft grower fails to renew its license before expiration, it shall cease operations until its license is renewed.

- (c) If a craft grower agent fails to renew his or her identification card before its expiration, he or she shall cease to work as an agent of the craft grower organization until his or her identification card is renewed.
- (d) Any craft grower that continues to operate, or any craft grower agent who continues to work as an agent, after the applicable license or identification card has expired without renewal is subject to the penalties provided under Section 45-5.
- (e) All fees or fines collected from the renewal of a craft grower license shall be deposited into the Cannabis Regulation Fund.

Section 30-50. Craft grower taxes; returns.

(a) A tax is imposed upon the privilege of cultivating and processing adult use cannabis at the rate of 7% of the gross receipts from the sale of cannabis by a craft grower to a dispensing organization. The sale of any adult use product that contains any amount of cannabis or any derivative thereof is subject to the tax under this Section on the full selling price of the product. The proceeds from this tax shall be deposited into the Cannabis Regulation Fund. This tax shall be paid by the craft grower who makes the first sale and is not the responsibility of a dispensing organization, qualifying patient, or purchaser.

(b) In the administration of and compliance with this Section, the Department of Revenue and persons who are subject to this Section: (i) have the same rights, remedies, privileges, immunities, powers, and duties, (ii) are subject to the same conditions, restrictions, limitations, penalties, and definitions of terms, and (iii) shall employ the same modes of procedure as are set forth in the Cannabis Cultivation Privilege Tax Law and the Uniform Penalty and Interest Act as if those provisions were set forth in this Section.

(c) The tax imposed under this Act shall be in addition to all other occupation or privilege taxes imposed by the State of Illinois or by any municipal corporation or political

ARTICLE 35.
INFUSER ORGANIZATIONS

Section 35-3. Definitions.

In this Article: "Department" means the Department of Agriculture.

Section 35-5. Issuance of licenses.

(a) The Department of Agriculture shall issue up to 40 infuser licenses through a process provided for in this Article no later than July 1, 2020.

(b) The Department of Agriculture shall make the application for infuser licenses available on January 7, 2020, or if that date falls on a weekend or holiday, the business day immediately succeeding the weekend or holiday and every January 7 or succeeding business day thereafter, and shall receive such applications no later than March 15, 2020, or, if that date falls on a weekend or holiday, the business day immediately succeeding the weekend or holiday and every March 15 or succeeding business day thereafter.

(c) By December 21, 2021, the Department of Agriculture may issue up to 60 additional infuser licenses. Prior to issuing such licenses, the Department may adopt rules through emergency rulemaking in accordance with subsection (gg) of Section 5-45 of the Illinois Administrative Procedure Act, to modify or raise the number of infuser licenses and modify or change the licensing application process to reduce or eliminate barriers. The General Assembly finds that the adoption of rules to regulate cannabis use is deemed an emergency and necessary for the public interest, safety, and welfare. In determining whether to exercise the authority granted by this subsection, the Department of Agriculture must consider the following factors:

- (1) the percentage of cannabis sales occurring in Illinois not in the regulated market using data from the Substance Abuse and Mental Health Services Administration, National Survey on Drug Use and Health, Illinois Behavioral Risk Factor Surveillance System, and tourism data from the Illinois Office of Tourism to ascertain total cannabis consumption in Illinois compared to the amount of sales in licensed dispensing organizations;
- (2) whether there is an adequate supply of cannabis and cannabis-infused products to serve registered medical cannabis patients;
- (3) whether there is an adequate supply of cannabis and cannabis-infused products to serve purchasers;
- (4) whether there is an oversupply of cannabis in Illinois leading to trafficking of cannabis to any other state;
- (5) population increases or shifts;
- (6) changes to federal law;
- (7) perceived security risks of increasing the number or location of infuser organizations;
- (8) the past security records of infuser organizations;
- (9) the Department of Agriculture's capacity to appropriately regulate additional licenses;
- (10) the findings and recommendations from the disparity and availability study commissioned by the Illinois Cannabis Regulation Oversight Officer to reduce or eliminate any identified barriers to entry in the cannabis industry; and
- (11) any other criteria the Department of Agriculture deems relevant.

(d) After January 1, 2022, the Department of Agriculture may by rule modify or raise the number of infuser licenses, and modify or change the licensing application process to reduce or eliminate barriers based on the criteria in subsection (c).

Section 35-10. Application.

(a) When applying for a license, the applicant shall electronically submit the following in such form as the Department of Agriculture may direct:

- (1) the nonrefundable application fee of \$5,000 or, after January 1, 2021, another amount as set by rule by the Department of Agriculture, to be deposited into the Cannabis Regulation Fund;
- (2) the legal name of the infuser;
- (3) the proposed physical address of the infuser;
- (4) the name, address, social security number, and date of birth of each principal officer and board member of the infuser; each principal officer and board member shall be at least 21 years of age;
- (5) the details of any administrative or judicial proceeding in which any of the principal officers or board members of the infuser (i) pled guilty, were convicted, fined, or had a registration or license suspended or revoked, or (ii) managed or served on the board of a business or non-profit organization that pled guilty, was convicted, fined, or had a registration or license suspended or revoked;
- (6) proposed operating bylaws that include procedures for the oversight of the infuser, including the development and implementation of a plant monitoring system, accurate recordkeeping, staffing plan, and security plan approved by the Department of State Police that are in accordance with the rules issued by the Department of Agriculture under this Act; a physical inventory of all cannabis shall be performed on a weekly basis by the infuser;
- (7) verification from the Department of State Police that all background checks of the prospective principal officers, board members, and agents of the infuser organization have been conducted;
- (8) a copy of the current local zoning ordinance and verification that the proposed infuser is in compliance with the local zoning rules and distance limitations established by the local jurisdiction;
- (9) proposed employment practices, in which the applicant must demonstrate a plan of action to inform, hire, and educate minorities, women, veterans, and persons with disabilities, engage in fair labor practices, and provide worker protections;
- (10) whether an applicant can demonstrate experience in or business practices that promote economic empowerment in Disproportionately Impacted Areas;
- (11) experience with infusing products with cannabis concentrate;
- (12) a description of the enclosed, locked facility where cannabis will be infused, packaged, or otherwise prepared for distribution to a dispensing organization or other infuser;
- (13) processing, inventory, and packaging plans;
- (14) a description of the applicant's experience with operating a commercial kitchen or laboratory preparing products for human consumption;
- (15) a list of any academic degrees, certifications, or relevant experience of all prospective principal officers, board members, and agents of the related business;

(16) the identity of every person having a financial or voting interest of 5% or greater in the infuser operation with respect to which the license is sought, whether a trust, corporation, partnership, limited liability company, or sole proprietorship, including the name and address of each person;

(17) a plan describing how the infuser will address each of the following:

- (i) energy needs, including estimates of monthly electricity and gas usage, to what extent it will procure energy from a local utility or from on-site generation, and if it has or will adopt a sustainable energy use and energy conservation policy;
- (ii) water needs, including estimated water draw, and if it has or will adopt a sustainable water use and water conservation policy; and
- (iii) waste management, including if it has or will adopt a waste reduction policy;

(18) a recycling plan:

- (A) a commitment that any recyclable waste generated by the infuser shall be recycled per applicable State and local laws, ordinances, and rules; and
- (B) a commitment to comply with local waste provisions. An infuser commits to remain in compliance with applicable State and federal environmental requirements, including, but not limited to, storing, securing, and managing all recyclables and waste, including organic waste composed of or containing finished cannabis and cannabis products, in accordance with applicable State and local laws, ordinances, and rules; and

(19) any other information required by rule. (b) Applicants must submit all required information, including the information required in Section 35-15, to the Department of Agriculture. Failure by an applicant to submit all required information may result in the application being disqualified.

(c) If the Department of Agriculture receives an application with missing information, the Department of Agriculture may issue a deficiency notice to the applicant. The applicant shall have 10 calendar days from the date of the deficiency notice to resubmit the incomplete information. Applications that are still incomplete after this opportunity to cure will not be scored and will be disqualified.

Section 35-15. Issuing licenses.

(a) The Department of Agriculture shall by rule develop a system to score infuser applications to administratively rank applications based on the clarity, organization, and quality of the applicant's responses to required information. Applicants shall be awarded points based on the following categories:

- (1) Suitability of the proposed facility;
- (2) Suitability of the employee training plan;
- (3) Security and recordkeeping plan;
- (4) Infusing plan;
- (5) Product safety and labeling plan;
- (6) Business plan;
- (7) The applicant's status as a Social Equity Applicant, which shall constitute no less than 20% of total available points;
- (8) Labor and employment practices, which shall constitute no less than 2% of total available points;

- (9) Environmental plan as described in paragraphs (17) and (18) of subsection (a) of Section 35-10;
 - (10) The applicant is 51% or more owned and controlled by an individual or individuals who have been an Illinois resident for the past 5 years as proved by tax records;
 - (11) The applicant is 51% or more controlled and owned by an individual or individuals who meet the qualifications of a veteran as defined by Section 45-57 of the Illinois Procurement Code; and
 - (12) A diversity plan that includes a narrative of not more than 2,500 words that establishes a goal of diversity in ownership, management, employment, and contracting to ensure that diverse participants and groups are afforded equality of opportunity; and
 - (13) Any other criteria the Department of Agriculture may set by rule for points.
- (b) The Department may also award up to 2 bonus points for the applicant's plan to engage with the community. The applicant may demonstrate a desire to engage with its community by participating in one or more of, but not limited to, the following actions: (i) establishment of an incubator program designed to increase participation in the cannabis industry by persons who would qualify as Social Equity Applicants; (ii) providing financial assistance to substance abuse treatment centers; (iii) educating children and teens about the potential harms of cannabis use; or (iv) other measures demonstrating a commitment to the applicant's community. Bonus points will only be awarded if the Department receives applications that receive an equal score for a particular region.
- (c) Should the applicant be awarded an infuser license, the information and plans that an applicant provided in its application, including any plans submitted for the acquiring of bonus points, becomes a mandatory condition of the permit. Any variation from or failure to perform such plans may result in discipline, including the revocation or nonrenewal of a license.
- (d) Should the applicant be awarded an infuser organization license, it shall pay a fee of \$5,000 prior to receiving the license, to be deposited into the Cannabis Regulation Fund. The Department of Agriculture may by rule adjust the fee in this Section after January 1, 2021.

Section 35-20. Denial of application. An application for an infuser license shall be denied if any of the following conditions are met:

- (1) the applicant failed to submit the materials required by this Article;
- (2) the applicant would not be in compliance with local zoning rules or permit requirements;
- (3) one or more of the prospective principal officers or board members causes a violation of Section 35-25.
- (4) one or more of the principal officers or board members is under 21 years of age;
- (5) the person has submitted an application for a license under this Act or this Article that contains false information; or
- (6) if the licensee; principal officer, board member, or person having a financial or voting interest of 5% or greater in the licensee; or agent is delinquent in filing any required tax returns or paying any amounts owed to the State of Illinois.

Section 35-25. Infuser organization requirements; prohibitions.

- (a) The operating documents of an infuser shall include procedures for the oversight of the infuser, an inventory monitoring system including a physical inventory recorded weekly, accurate recordkeeping, and a staffing plan.

(b) An infuser shall implement a security plan reviewed by the Department of State Police that includes, but is not limited to: facility access controls, perimeter intrusion detection systems, personnel identification systems, and a 24-hour surveillance system to monitor the interior and exterior of the infuser facility and that is accessible to authorized law enforcement, the Department of Public Health, and the Department of Agriculture in real time.

(c) All processing of cannabis by an infuser must take place in an enclosed, locked facility at the physical address provided to the Department of Agriculture during the licensing process. The infuser location shall only be accessed by the agents working for the infuser, the Department of Agriculture staff performing inspections, the Department of Public Health staff performing inspections, State and local law enforcement or other emergency personnel, contractors working on jobs unrelated to cannabis, such as installing or maintaining security devices or performing electrical wiring, transporting organization agents as provided in this Act, participants in the incubator program, individuals in a mentoring or educational program approved by the State, local safety or health inspectors, or other individuals as provided by rule. However, if an infuser shares a premises with a craft grower or dispensing organization, agents from these other licensees may access the infuser portion of the premises if that is the location of common bathrooms, lunchrooms, locker rooms, or other areas of the building where processing of cannabis is not performed. At no time may a craft grower or dispensing organization agent perform work at an infuser without being a registered agent of the infuser.

(d) An infuser may not sell or distribute any cannabis to any person other than a dispensing organization, or as otherwise authorized by rule.

(e) An infuser may not either directly or indirectly discriminate in price between different cannabis business establishments that are purchasing a like grade, strain, brand, and quality of cannabis or cannabis-infused product. Nothing in this subsection (e) prevents an infuser from pricing cannabis differently based on differences in the cost of manufacturing or processing, the quantities sold, such volume discounts, or the way the products are delivered.

(f) All cannabis infused by an infuser and intended for distribution to a dispensing organization must be entered into a data collection system, packaged and labeled under Section 55-21, and, if distribution is to a dispensing organization that does not share a premises with the infuser, placed into a cannabis container for transport. All cannabis produced by an infuser and intended for distribution to a cultivation center, infuser organization, or craft grower with which it does not share a premises, must be packaged in a labeled cannabis container and entered into a data collection system before transport.

(g) Infusers are subject to random inspections by the Department of Agriculture, the Department of Public Health, the Department of State Police, and local law enforcement.

(h) An infuser agent shall notify local law enforcement, the Department of State Police, and the Department of Agriculture within 24 hours of the discovery of any loss or theft. Notification shall be made by phone, in person, or by written or electronic communication.

(i) An infuser organization may not be located in an area zoned for residential use.

(j) An infuser or infuser agent shall not transport cannabis or cannabis-infused products to any other cannabis business establishment without a transport organization license unless:

(i) If the infuser is located in a county with a population of 3,000,000 or more, the cannabis business establishment receiving the cannabis or cannabis-infused product is within 2,000 feet of the property line of the infuser;

- (ii) If the infuser is located in a county with a population of more than 700,000 but fewer than 3,000,000, the cannabis business establishment receiving the cannabis or cannabis-infused product is within 2 miles of the infuser; or
 - (iii) If the infuser is located in a county with a population of fewer than 700,000, the cannabis business establishment receiving the cannabis or cannabis-infused product is within 15 miles of the infuser.
- (k) An infuser may enter into a contract with a transporting organization to transport cannabis to a dispensing organization or a laboratory.
- (l) An infuser organization may share premises with a craft grower 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.
- (m) It is unlawful for any person or entity having an infuser organization license or any officer, associate, member, representative or agent of such licensee to offer or deliver money, or anything else of value, directly or indirectly to any person having an Early Approval Adult Use Dispensing Organization License, a Conditional Adult Use Dispensing Organization License, an Adult Use Dispensing Organization License, or a medical cannabis dispensing organization license issued under the Compassionate Use of Medical Cannabis Pilot Program Act, or to any person connected with or in any way representing, or to any member of the family of, such person holding an Early Approval Adult Use Dispensing Organization License, a Conditional Adult Use Dispensing Organization License, an Adult Use Dispensing Organization License, or a medical cannabis dispensing organization license issued under the Compassionate Use of Medical Cannabis Pilot Program Act, or to any stockholders in any corporation engaged the retail sales of cannabis, or to any officer, manager, agent, or representative of the Early Approval Adult Use Dispensing Organization License, a Conditional Adult Use Dispensing Organization License, an Adult Use Dispensing Organization License, or a medical cannabis dispensing organization license issued under the Compassionate Use of Medical Cannabis Pilot Program Act to obtain preferential placement within the dispensing organization, including, without limitation, on shelves and in display cases where purchasers can view products, or on the dispensing organization's website.
- (n) At no time shall an infuser organization or an infuser agent perform the extraction of cannabis concentrate from cannabis flower.

Section 35-30. Infuser agent identification card.

(a) The Department of Agriculture shall:

- (1) establish by rule the information required in an initial application or renewal application for an agent identification card submitted under this Act and the nonrefundable fee to accompany the initial application or renewal application;
- (2) verify the information contained in an initial application or renewal application for an agent identification card submitted under this Act, and approve or deny an application within 30 days of receiving a completed initial application or renewal application and all supporting documentation required by rule;
- (3) issue an agent identification card to a qualifying agent within 15 business days of approving the initial application or renewal application;
- (4) enter the license number of the infuser where the agent works; and (5) allow for an electronic initial application and renewal application process, and provide a confirmation

by electronic or other methods that an application has been submitted. The Department of Agriculture may by rule require prospective agents to file their applications by electronic means and provide notices to the agents by electronic means.

(b) An agent must keep his or her identification card visible at all times when on the property of a cannabis business establishment including the cannabis business establishment for which he or she is an agent.

(c) The agent identification cards shall contain the following:

(1) the name of the cardholder;

(2) the date of issuance and expiration date of the identification card;

(3) a random 10-digit alphanumeric identification number containing at least 4 numbers and at least 4 letters that is unique to the holder;

(4) a photograph of the cardholder; and

(5) the legal name of the infuser organization employing the agent.

(d) An agent identification card shall be immediately returned to the infuser organization of the agent upon termination of his or her employment.

(e) Any agent identification card lost by a transporting agent shall be reported to the Department of State Police and the Department of Agriculture immediately upon discovery of the loss.

Section 35-31. Ensuring an adequate supply of raw materials to serve infusers.

(a) As used in this Section, "raw materials" includes, but is not limited to, CO2 hash oil, "crude", "distillate", or any other cannabis concentrate extracted from cannabis flower by use of a solvent or a mechanical process.

(b) The Department of Agriculture may by rule design a method for assessing whether licensed infusers have access to an adequate supply of reasonably affordable raw materials, which may include but not be limited to: (i) a survey of infusers; (ii) a market study on the sales trends of cannabis-infused products manufactured by infusers; and (iii) the costs cultivation centers and craft growers assume for the raw materials they use in any cannabis-infused products they manufacture.

(c) The Department of Agriculture shall perform an assessment of whether infusers have access to an adequate supply of reasonably affordable raw materials that shall start no sooner than January 1, 2022 and shall conclude no later than April 1, 2022. The Department of Agriculture may rely on data from the Illinois Cannabis Regulation Oversight Officer as part of this assessment.

(d) The Department of Agriculture shall perform an assessment of whether infusers have access to an adequate supply of reasonably affordable raw materials that shall start no sooner than January 1, 2023 and shall conclude no later than April 1, 2023. The Department of Agriculture may rely on data from the Cannabis Regulation Oversight Officer as part of this assessment.

(e) The Department of Agriculture 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 products. Such measures may include, but not be limited to (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 a processor license to extract raw materials from cannabis flower.

(f) If the Department of Agriculture determines processor licenses may be available to infusing organizations based upon findings made pursuant to subsection (e), infuser organizations may

submit to the Department of Agriculture on forms provided by the Department of Agriculture the following information as part of an application to receive a processor license:

- (1) experience with the extraction, processing, or infusing of oils similar to those derived from cannabis, or other business practices to be performed by the infuser;
- (2) a description of the applicant's experience with manufacturing equipment and chemicals to be used in processing;
- (3) expertise in relevant scientific fields;
- (4) a commitment that any cannabis waste, liquid waste, or hazardous waste shall be disposed of in accordance with 8 Ill. Adm. Code 1000.460, except, to the greatest extent feasible, all cannabis plant waste will be rendered unusable by grinding and incorporating the cannabis plant waste with compostable mixed waste to be disposed of in accordance with Ill. Adm. Code 1000.460(g)(1); and
- (5) any other information the Department of Agriculture deems relevant.

(g) The Department of Agriculture may only issue an infusing organization a processor license if, based on the information pursuant to subsection (f) and any other criteria set by the Department of Agriculture, which may include but not be limited an inspection of the site where processing would occur, the Department of Agriculture is reasonably certain the infusing organization will process cannabis in a safe and compliant manner.

Section 35-35. Infuser organization background checks.

(a) Through the Department of State Police, the Department of Agriculture shall conduct a background check of the prospective principal officers, board members, and agents of an infuser applying for a license or identification card under this Act. The Department of State Police shall charge a fee set by rule for conducting the criminal history record check, which shall be deposited into the State Police Services Fund and shall not exceed the actual cost of the record check. In order to carry out this provision, each infuser organization's prospective principal officer, board member, or agent shall submit a full set of fingerprints to the Department of State Police for the purpose of obtaining a State and federal criminal records check. These fingerprints shall be checked against the fingerprint records now and hereafter, to the extent allowed by law, filed in the Department of State Police and Federal Bureau of Investigation criminal history records databases. The Department of State Police shall furnish, following positive identification, all conviction information to the Department of Agriculture.

(b) When applying for the initial license or identification card, the background checks for all prospective principal officers, board members, and agents shall be completed before submitting the application to the licensing or issuing agency.

Section 35-40. Renewal of infuser organization licenses and agent identification cards.

(a) Licenses and identification cards issued under this Act shall be renewed annually. An infuser organization shall receive written or electronic notice 90 days before the expiration of its current license that the license will expire. The Department of Agriculture shall grant a renewal within 45 days of submission of a renewal application if:

- (1) the infuser organization submits a renewal application and the required nonrefundable renewal fee of \$20,000, or, after January 1, 2021, another amount set by rule by the Department of Agriculture, to be deposited into the Cannabis Regulation Fund;
- (2) the Department of Agriculture has not suspended or revoked the license of the infuser organization for violating this Act or rules adopted under this Act;

- (3) the infuser organization has continued to operate in accordance with all plans submitted as part of its application and approved by the Department of Agriculture or any amendments thereto that have been approved by the Department of Agriculture;
 - (4) The infuser has submitted an agent, employee, contracting, and subcontracting diversity report as required by the Department; and
 - (5) The infuser has submitted an environmental impact report.
- (b) If an infuser organization fails to renew its license before expiration, it shall cease operations until its license is renewed.
 - (c) If an infuser organization agent fails to renew his or her identification card before its expiration, he or she shall cease to work as an agent of the infuser organization until his or her identification card is renewed.
 - (d) Any infuser organization that continues to operate, or any infuser organization agent who continues to work as an agent, after the applicable license or identification card has expired without renewal is subject to the penalties provided under Section 35-25.
 - (e) The Department shall not renew a license or an agent identification card if the applicant is delinquent in filing any required tax returns or paying any amounts owed to the State of Illinois.

ARTICLE 40.
TRANSPORTING ORGANIZATIONS

Section 40-1. Definition. In this Article, "Department" means the Department of Agriculture.

Section 40-5. Issuance of licenses.

(a) The Department shall issue transporting licenses through a process provided for in this Article no later than July 1, 2020.

(b) The Department shall make the application for transporting organization licenses available on January 7, 2020 and shall receive such applications no later than March 15, 2020. Thereafter, the Department of Agriculture shall make available such applications on every January 7 thereafter or if that date falls on a weekend or holiday, the business day immediately succeeding the weekend or holiday and shall receive such applications no later than March 15 or the succeeding business day thereafter.

Section 40-10. Application.

(a) When applying for a transporting organization license, the applicant shall electronically submit the following in such form as the Department of Agriculture may direct:

- (1) the nonrefundable application fee of \$5,000 or, after January 1, 2021, another amount as set by rule by the Department of Agriculture, to be deposited into the Cannabis Regulation Fund;
- (2) the legal name of the transporting organization;
- (3) the proposed physical address of the transporting organization, if one is proposed;
- (4) the name, address, social security number, and date of birth of each principal officer and board member of the transporting organization; each principal officer and board member shall be at least 21 years of age;
- (5) the details of any administrative or judicial proceeding in which any of the principal officers or board members of the transporting organization (i) pled guilty, were convicted, fined, or had a registration or license suspended or revoked, or (ii) managed or served on the board of a business or non-profit organization that pled guilty, was convicted, fined, or had a registration or license suspended or revoked;
- (6) proposed operating bylaws that include procedures for the oversight of the transporting organization, including the development and implementation of an accurate recordkeeping plan, staffing plan, and security plan approved by the Department of State Police that are in accordance with the rules issued by the Department of Agriculture under this Act; a physical inventory shall be performed of all cannabis on a weekly basis by the transporting organization;
- (7) verification from the Department of State Police that all background checks of the prospective principal officers, board members, and agents of the transporting organization have been conducted;
- (8) a copy of the current local zoning ordinance or permit and verification that the proposed transporting organization is in compliance with the local zoning rules and distance limitations established by the local jurisdiction, if the transporting organization has a business address;

- (9) proposed employment practices, in which the applicant must demonstrate a plan of action to inform, hire, and educate minorities, women, veterans, and persons with disabilities, engage in fair labor practices, and provide worker protections;
- (10) whether an applicant can demonstrate experience in or business practices that promote economic empowerment in Disproportionately Impacted Areas;
- (11) the number and type of equipment the transporting organization will use to transport cannabis and cannabis-infused products;
- (12) loading, transporting, and unloading plans;
- (13) a description of the applicant's experience in the distribution or security business;
- (14) the identity of every person having a financial or voting interest of 5% or more in the transporting organization with respect to which the license is sought, whether a trust, corporation, partnership, limited liability company, or sole proprietorship, including the name and address of each person; and
- (15) any other information required by rule. (b) Applicants must submit all required information, including the information required in Section 40-35 to the Department. Failure by an applicant to submit all required information may result in the application being disqualified.

(c) If the Department receives an application with missing information, the Department of Agriculture may issue a deficiency notice to the applicant. The applicant shall have 10 calendar days from the date of the deficiency notice to resubmit the incomplete information. Applications that are still incomplete after this opportunity to cure will not be scored and will be disqualified.

Section 40-15. Issuing licenses.

(a) The Department of Agriculture shall by rule develop a system to score transporter applications to administratively rank applications based on the clarity, organization, and quality of the applicant's responses to required information. Applicants shall be awarded points based on the following categories:

- (1) Suitability of employee training plan;
- (2) Security and recordkeeping plan;
- (3) Business plan;
- (4) The applicant's status as a Social Equity Applicant, which shall constitute no less than 20% of total available points;
- (5) Labor and employment practices, which shall constitute no less than 2% of total available points;
- (6) Environmental plan that demonstrates an environmental plan of action to minimize the carbon footprint, environmental impact, and resource needs for the transporter, which may include, without limitation, recycling cannabis product packaging;
- (7) the applicant is 51% or more owned and controlled by an individual or individuals who have been an Illinois resident for the past 5 years as proved by tax records;
- (8) The applicant is 51% or more controlled and owned by an individual or individuals who meet the qualifications of a veteran as defined by Section 45-57 of the Illinois Procurement Code;
- (9) a diversity plan that includes a narrative of not more than 2,500 words that establishes a goal of diversity in ownership, management, employment, and contracting to ensure that diverse participants and groups are afforded equality of opportunity; and
- (10) Any other criteria the Department of Agriculture may set by rule for points.

(b) The Department may also award up to 2 bonus points for the applicant's plan to engage with the community. The applicant may demonstrate a desire to engage with its community by participating in one or more of, but not limited to, the following actions: (i) establishment of an incubator program designed to increase participation in the cannabis industry by persons who would qualify as Social Equity Applicants; (ii) providing financial assistance to substance abuse treatment centers; (iii) educating children and teens about the potential harms of cannabis use; or (iv) other measures demonstrating a commitment to the applicant's community. Bonus points will only be awarded if the Department receives applications that receive an equal score for a particular region.

(c) Applicants for transportation organization licenses that score at least 85% of available points according to the system developed by rule and meet all other requirements for a transporter license shall be issued a license by the Department of Agriculture within 60 days of receiving the application. Applicants that were registered as medical cannabis cultivation centers prior to January 1, 2020 and who meet all other requirements for a transporter license shall be issued a license by the Department of Agriculture within 60 days of receiving the application.

(d) Should the applicant be awarded a transportation organization license, the information and plans that an applicant provided in its application, including any plans submitted for the acquiring of bonus points, shall be a mandatory condition of the permit. Any variation from or failure to perform such plans may result in discipline, including the revocation or nonrenewal of a license.

(e) Should the applicant be awarded a transporting organization license, the applicant shall pay a prorated fee of \$10,000 prior to receiving the license, to be deposited into the Cannabis Regulation Fund. The Department of Agriculture may by rule adjust the fee in this Section after January 1, 2021.

Section 40-20. Denial of application. An application for a transportation organization license shall be denied if any of the following conditions are met:

- (1) the applicant failed to submit the materials required by this Article;
- (2) the applicant would not be in compliance with local zoning rules or permit requirements;
- (3) one or more of the prospective principal officers or board members causes a violation of Section 40-25;
- (4) one or more of the principal officers or board members is under 21 years of age;
- (5) the person has submitted an application for a license under this Act that contains false information; or
- (6) the licensee, principal officer, board member, or person having a financial or voting interest of 5% or greater in the licensee is delinquent in filing any required tax returns or paying any amounts owed to the State of Illinois.

Section 40-25. Transporting organization requirements; prohibitions.

(a) The operating documents of a transporting organization shall include procedures for the oversight of the transporter, an inventory monitoring system including a physical inventory recorded weekly, accurate recordkeeping, and a staffing plan.

(b) A transporting organization may not transport cannabis or cannabis-infused products to any person other than a cultivation center, a craft grower, an infuser organization, a dispensing organization, a testing facility, or as otherwise authorized by rule.

(c) All cannabis transported by a transporting organization must be entered into a data collection system and placed into a cannabis container for transport.

- (d) Transporters are subject to random inspections by the Department of Agriculture, the Department of Public Health, and the Department of State Police.
- (e) A transporting organization agent shall notify local law enforcement, the Department of State Police, and the Department of Agriculture within 24 hours of the discovery of any loss or theft. Notification shall be made by phone, in person, or by written or electronic communication.
- (f) No person under the age of 21 years shall be in a commercial vehicle or trailer transporting cannabis goods.
- (g) No person or individual who is not a transporting organization agent shall be in a vehicle while transporting cannabis goods.
- (h) Transporters may not use commercial motor vehicles with a weight rating of over 10,001 pounds.
- (i) It is unlawful for any person to offer or deliver money, or anything else of value, directly or indirectly, to any of the following persons to obtain preferential placement within the dispensing organization, including, without limitation, on shelves and in display cases where purchasers can view products, or on the dispensing organization's website:
 - (1) a person having a transporting organization license, or any officer, associate, member, representative, or agent of the licensee;
 - (2) a person having an Early Applicant Adult Use Dispensing Organization License, an Adult Use Dispensing Organization License, or a medical cannabis dispensing organization license issued under the Compassionate Use of Medical Cannabis Pilot Program Act;
 - (3) a person connected with or in any way representing, or a member of the family of, a person holding an Early Applicant Adult Use Dispensing Organization License, an Adult Use Dispensing Organization License, or a medical cannabis dispensing organization license issued under the Compassionate Use of Medical Cannabis Pilot Program Act; or
 - (4) a stockholder, officer, manager, agent, or representative of a corporation engaged in the retail sale of cannabis, an Early Applicant Adult Use Dispensing Organization License, an Adult Use Dispensing Organization License, or a medical cannabis dispensing organization license issued under the Compassionate Use of Medical Cannabis Pilot Program Act.
- (j) A transportation organization agent must keep his or her identification card visible at all times when on the property of a cannabis business establishment and during the transportation of cannabis when acting under his or her duties as a transportation organization agent. During these times, the transporter organization agent must also provide the identification card upon request of any law enforcement officer engaged in his or her official duties.
- (k) A copy of the transporting organization's registration and a manifest for the delivery shall be present in any vehicle transporting cannabis.
- (l) Cannabis shall be transported so it is not visible or recognizable from outside the vehicle.
- (m) A vehicle transporting cannabis must not bear any markings to indicate the vehicle contains cannabis or bear the name or logo of the cannabis business establishment.
- (n) Cannabis must be transported in an enclosed, locked storage compartment that is secured or affixed to the vehicle.
- (o) The Department of Agriculture may, by rule, impose any other requirements or prohibitions on the transportation of cannabis.

Section 40-30. Transporting agent identification card.

(a) The Department of Agriculture shall:

- (1) establish by rule the information required in an initial application or renewal application for an agent identification card submitted under this Act and the nonrefundable fee to accompany the initial application or renewal application;
- (2) verify the information contained in an initial application or renewal application for an agent identification card submitted under this Act and approve or deny an application within 30 days of receiving a completed initial application or renewal application and all supporting documentation required by rule;
- (3) issue an agent identification card to a qualifying agent within 15 business days of approving the initial application or renewal application;
- (4) enter the license number of the transporting organization where the agent works; and
- (5) allow for an electronic initial application and renewal application process, and provide a confirmation by electronic or other methods that an application has been submitted. The Department of Agriculture may by rule require prospective agents to file their applications by electronic means and provide notices to the agents by electronic means.

(b) An agent must keep his or her identification card visible at all times when on the property of a cannabis business establishment, including the cannabis business establishment for which he or she is an agent.

(c) The agent identification cards shall contain the following:

- (1) the name of the cardholder;
- (2) the date of issuance and expiration date of the identification card;
- (3) a random 10-digit alphanumeric identification number containing at least 4 numbers and at least 4 letters that is unique to the holder;
- (4) a photograph of the cardholder; and
- (5) the legal name of the transporter organization employing the agent.

(d) An agent identification card shall be immediately returned to the transporter organization of the agent upon termination of his or her employment.

(e) Any agent identification card lost by a transporting agent shall be reported to the Department of State Police and the Department of Agriculture immediately upon discovery of the loss.

(f) An application for an agent identification card shall be denied if the applicant is delinquent in filing any required tax returns or paying any amounts owed to the State of Illinois.

Section 40-35. Transporting organization background checks.

(a) Through the Department of State Police, the Department of Agriculture shall conduct a background check of the prospective principal officers, board members, and agents of a transporter applying for a license or identification card under this Act. The Department of State Police shall charge a fee set by rule for conducting the criminal history record check, which shall be deposited into the State Police Services Fund and shall not exceed the actual cost of the record check. In order to carry out this provision, each transporter organization's prospective principal officer, board member, or agent shall submit a full set of fingerprints to the Department of State Police for the purpose of obtaining a State and federal criminal records check. These fingerprints shall be checked against the fingerprint records now and hereafter, to the extent allowed by law, filed in the Department of State Police and Federal Bureau of Investigation criminal history records databases. The Department of State Police shall furnish, following positive identification, all conviction information to the Department of Agriculture.

(b) When applying for the initial license or identification card, the background checks for all prospective principal officers, board members, and agents shall be completed before submitting the application to the Department of Agriculture.

Section 40-40. Renewal of transporting organization licenses and agent identification cards.

(a) Licenses and identification cards issued under this Act shall be renewed annually. A transporting organization shall receive written or electronic notice 90 days before the expiration of its current license that the license will expire. The Department of Agriculture shall grant a renewal within 45 days of submission of a renewal application if:

- (1) the transporting organization submits a renewal application and the required nonrefundable renewal fee of \$10,000, or after January 1, 2021, another amount set by rule by the Department of Agriculture, to be deposited into the Cannabis Regulation Fund;
- (2) the Department of Agriculture has not suspended or revoked the license of the transporting organization for violating this Act or rules adopted under this Act;
- (3) the transporting organization has continued to operate in accordance with all plans submitted as part of its application and approved by the Department of Agriculture or any amendments thereto that have been approved by the Department of Agriculture; and
- (4) the transporter has submitted an agent, employee, contracting, and subcontracting diversity report as required by the Department.

(b) If a transporting organization fails to renew its license before expiration, it shall cease operations until its license is renewed.

(c) If a transporting organization agent fails to renew his or her identification card before its expiration, he or she shall cease to work as an agent of the transporter organization until his or her identification card is renewed.

(d) Any transporting organization that continues to operate, or any transporting organization agent who continues to work as an agent, after the applicable license or identification card has expired without renewal is subject to the penalties provided under Section 45-5.

(e) The Department shall not renew a license or an agent identification card if the applicant is delinquent in filing any required tax returns or paying any amounts owed to the State of Illinois.