



How To Apply For an Adult Use Dispensing Organization License

By Juan Enrique Aguirre, BSN, RN
Co-Owner, Illinois Kindness LLC DBA The Yard Illinois

Overview

- Juan's Experience in Cannabis Education
- Brief History of Cannabis Legalization
- First Round of Cannabis Licensing
- Second Round of Cannabis Licensing
- Financial Considerations
- Facility Build Out

Juan Enrique Aguirre, BSN, RN

- National Diversity and Inclusion Cannabis Alliance (NDICA) Board Member, 2021-Present
- University of Michigan School of Nursing, 2019
- Illinois Kindness LLC Principal Officer, 2019-Present
- Green Wolverine, Director of Government Relations 2018-Present
- Michigan Medical Marihuana Program Caregiver, 2017-2019
- Patient Care Consultant (budtender) in Ann Arbor, 2017-2018





BINGHAMTON UNIVERSITY
STATE UNIVERSITY OF NEW YORK

Syracuse University

LEHIGH
UNIVERSITY



Green Wolverine is a national student organization focused on the cannabis industry. Our mission is to discover opportunities for success in cannabis or related fields through education, networking, and recruiting.

Green Wolverine (Ann Arbor Chapter)

Adam Rosenberg



Juan Aguirre

Green Wolverine's [First Mass Meeting](#) on April 5th, 2017 in the Ross School of Business



Cannabis Lobbying (Green Wolverine)



8TH ANNUAL CANNABIS INDUSTRY LOBBY DAYS
MAY 21-23, 2018 | WASHINGTON, D.C.

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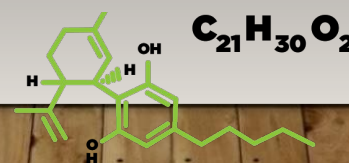
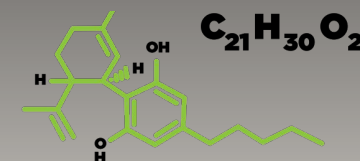
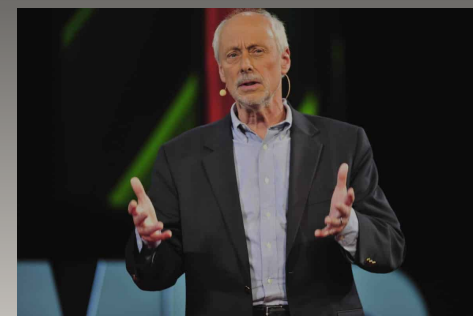
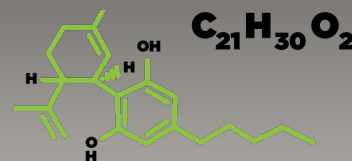
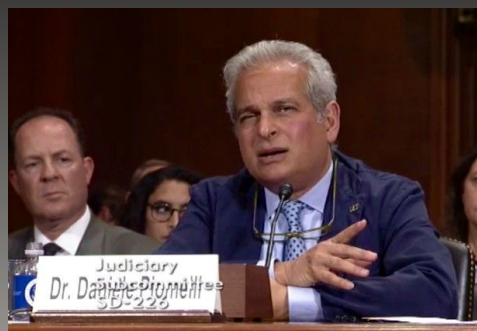
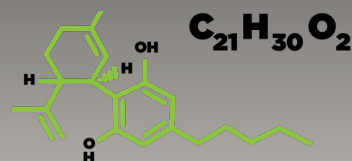
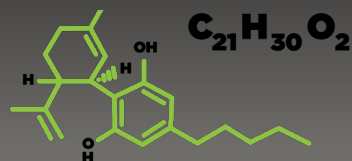
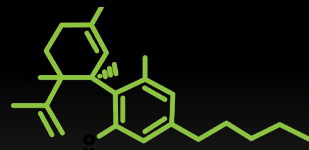
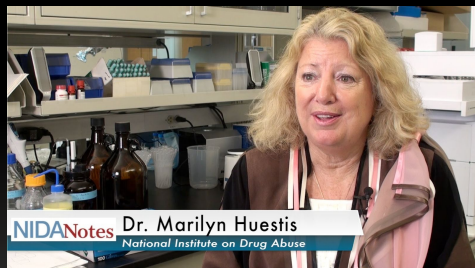
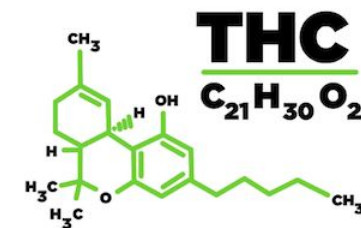
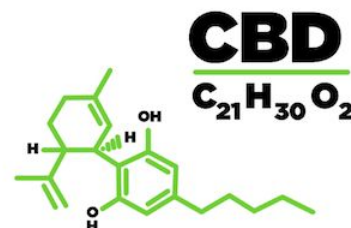
Cannabinoid Medicine

2018 Green Wolverine Science Symposium

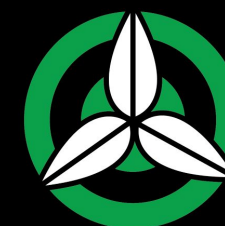


When: Saturday, **September 29, 2018** at **10:00 AM- 4:20 PM**

Where: **Robertson Auditorium**, Ross School of Business



Featuring 10
Expert Speakers



**GREEN
WOLVERINE**

EXPERT RESEARCHERS IN THE UNITED STATES



Dr. Marilyn Huestis, Ph.D. -- Former chief of chemistry and drug metabolism at NIDA's Intramural Research Program

Dr. Daniele Piomelli, Pharm.D., Ph.D. -- Director, UC-Irvine Institute for the Study of Cannabis; Professor, anatomy and neurobiology, UC-Irvine School of Medicine; Louise Turner Arnold Chair in Neuroscience

Dr. Sue Sisley, M.D. -- Site principal investigator for the only FDA-approved randomized controlled trial examining safety/efficacy of whole plant marijuana in combat veterans with treatment-resistant PTSD

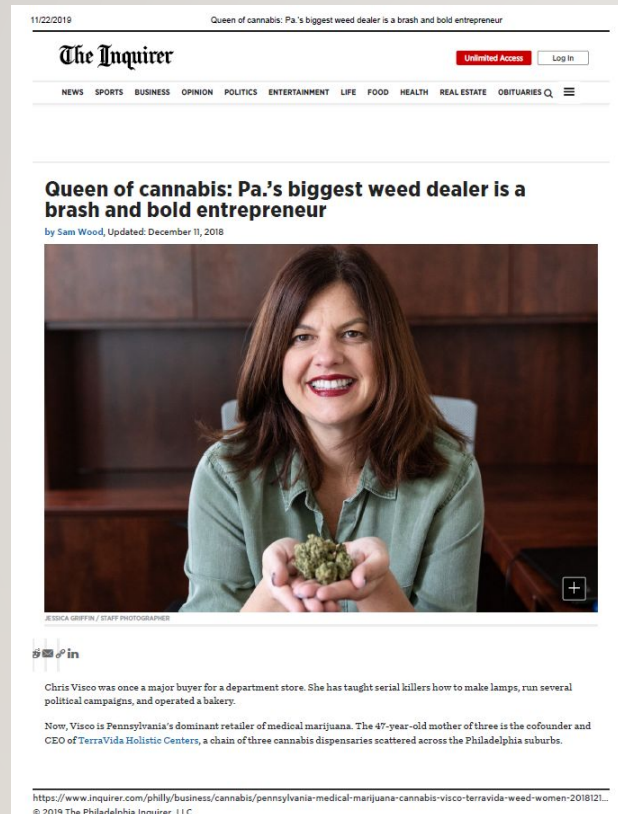
Events

2nd Annual Michigan Cannabis Leaders Summit

April 14th, 2019



JUAN'S INDUSTRY MENTOR/BUSINESS PARTNER



- Christina Visco
 - Former President/CEO of TerraVida Holistic Centers

About TerraVida

- 3 dispensary locations in Pennsylvania.
- TerraVida is responsible for 25% of all cannabis sales in the keystone state.
- TerraVida is the only certified women-operated business enterprise (WBE) in Pennsylvania's cannabis industry.

A BRIEF OVERVIEW OF CANNABIS HISTORY

- 1970 Controlled Substances Act - Cannabis is Schedule 1
- 1937 Marihuana Tax Act

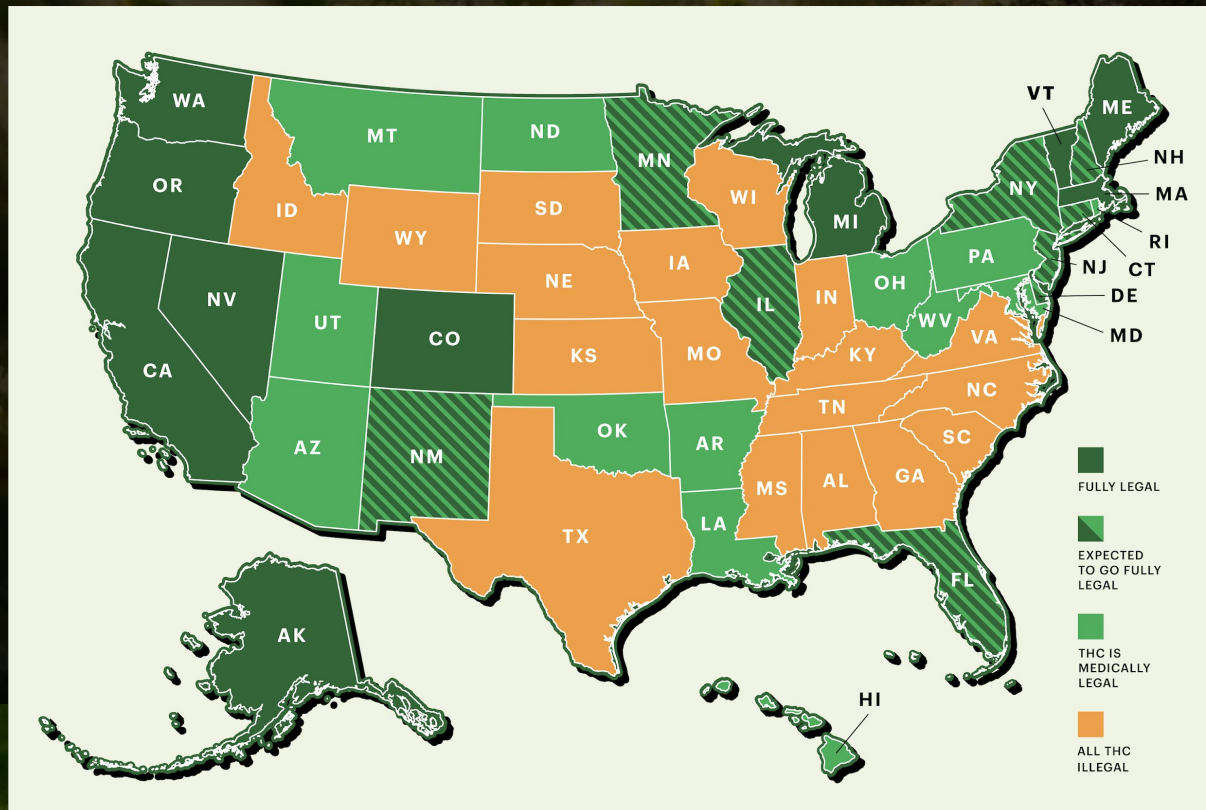


Drug Classifications in the United States

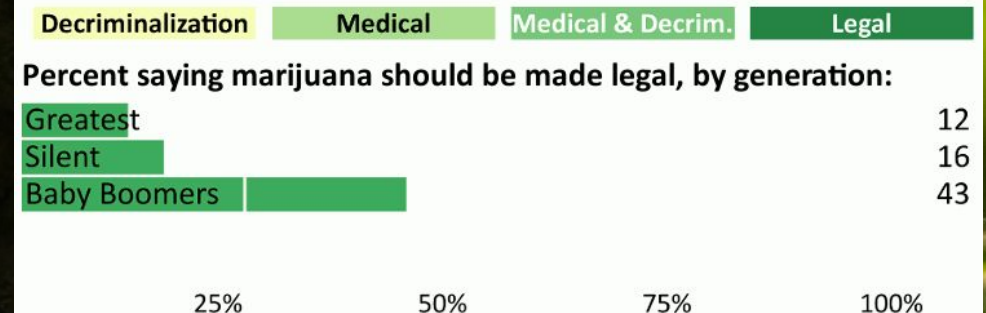
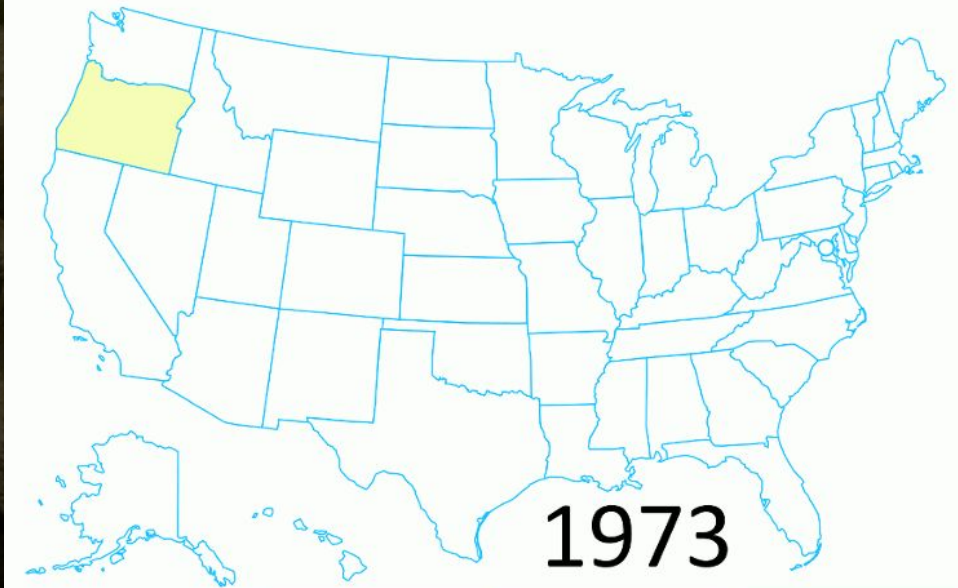
Schedule	Description	Examples
SCHEDULE 1	Drugs with no currently accepted medical use and high potential for abuse. They are the most dangerous drugs of all the drug schedules with potentially severe psychological or physical dependence.	<ul style="list-style-type: none">• Heroin• Lysergic Acid Diethylamide (LSD)• Cannabis• Peyote
SCHEDULE 2	Drugs with a high potential for abuse, with use potentially leading to severe psychological or physical dependence. These drugs are also considered dangerous.	<ul style="list-style-type: none">• Cocaine• Methamphetamine• Oxycodone (OxyContin)• Fentanyl• Adderal• Ritalin
SCHEDULE 3	Drugs with a moderate to low potential for physical and psychological dependence. Schedule 3 drugs abuse potential is less than schedule 1 and schedule 2 but more than schedule 4.	<ul style="list-style-type: none">• Ketamine• Anabolic Steroids• Testosterone
SCHEDULE 4	Drugs with a low potential for abuse and low risk of dependence.	<ul style="list-style-type: none">• Xanax• Ativan• Valium• Tramadol
SCHEDULE 5	Drugs with a lower potential for abuse than schedule 4 and consist of preparations containing limited quantities of certain narcotics. Schedule 5 drugs are generally used for antidiarrheal, antitussive and analgesic purposes.	<ul style="list-style-type: none">• Epidiolex (CBD) – FDA approved June 2018• Lyrica• Cough Preparation with <200mg codeine/ 100ml (Robitussin AC)

A BRIEF OVERVIEW OF CANNABIS HISTORY

- Cannabis Type 1 - High THC Cannabis - “Marijuana”
>0.3% THC - Schedule 1 Substance



The State of Marijuana Laws in America



Sources: NCSL, NORML, Pew Research Center

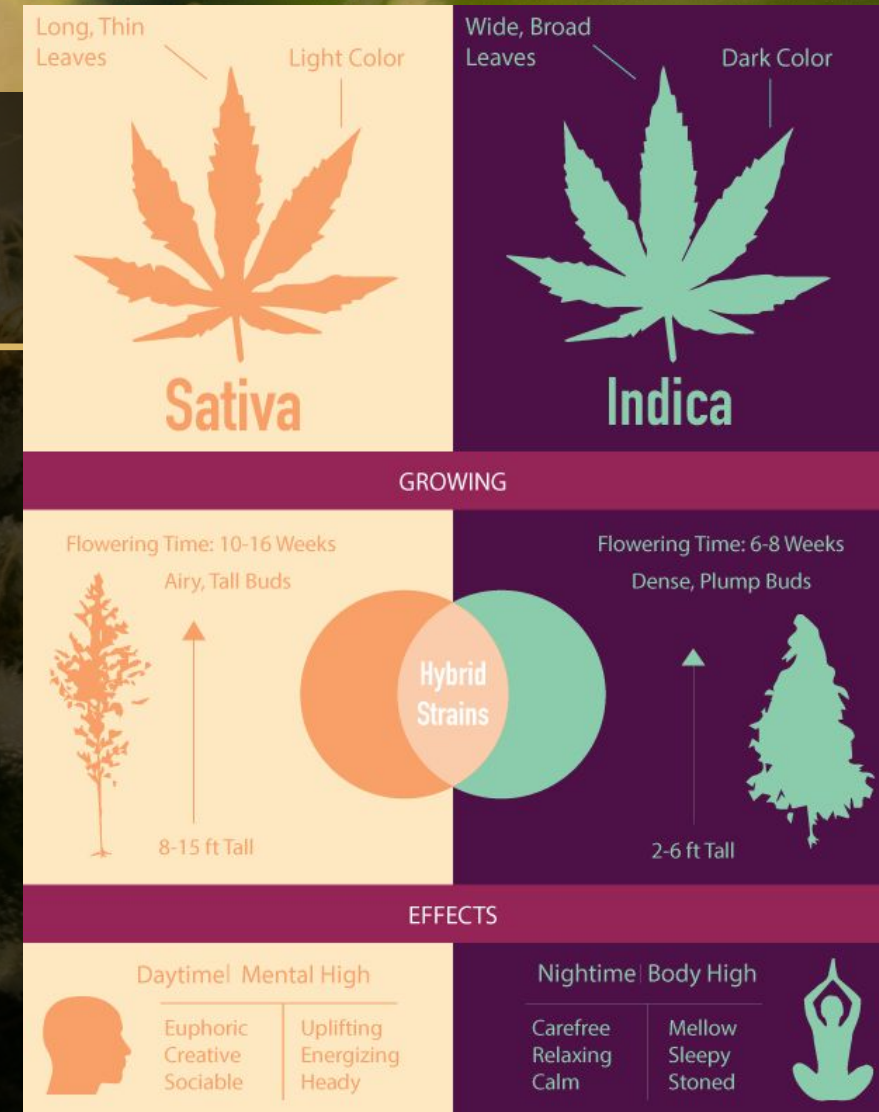
A close-up photograph of cannabis buds, showing the intricate structure of the trichomes and the serrated edges of the leaves. The image is partially obscured by a dark, semi-transparent rectangular overlay on the left side, which contains the title and a bullet point. The right side of the image shows the buds in more detail, with green leaves and yellowish trichomes visible.

Cannabis Type 1 - High THC Cannabis “Marijuana”

- >0.3% THC - Schedule 1 Substance

Cannabis Type 1 - High THC Cannabis “Marijuana”

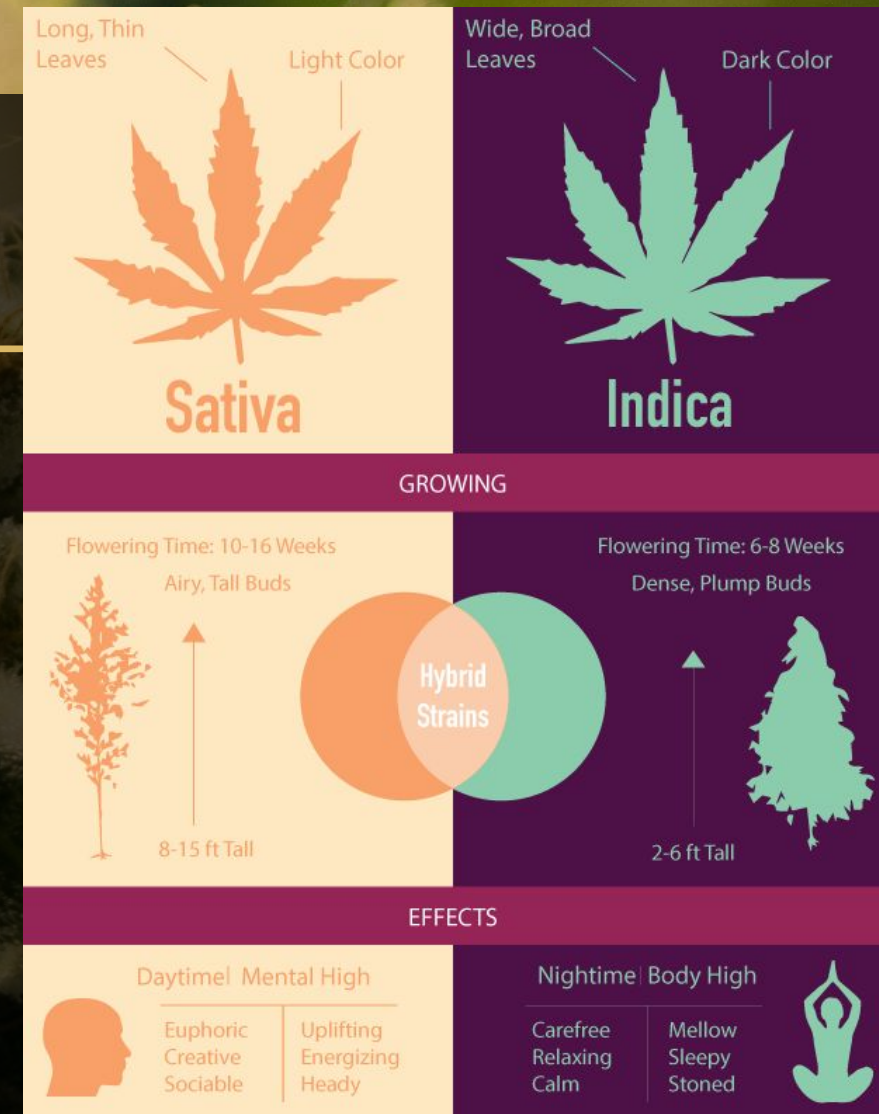
- >0.3% THC - Schedule 1 Substance
- Effects were initially thought to be binomial -
Cannabis Sativa best for stimulation, *Cannabis Indica* best for sedation



Cannabis Type 1 - High THC Cannabis

“Marijuana”

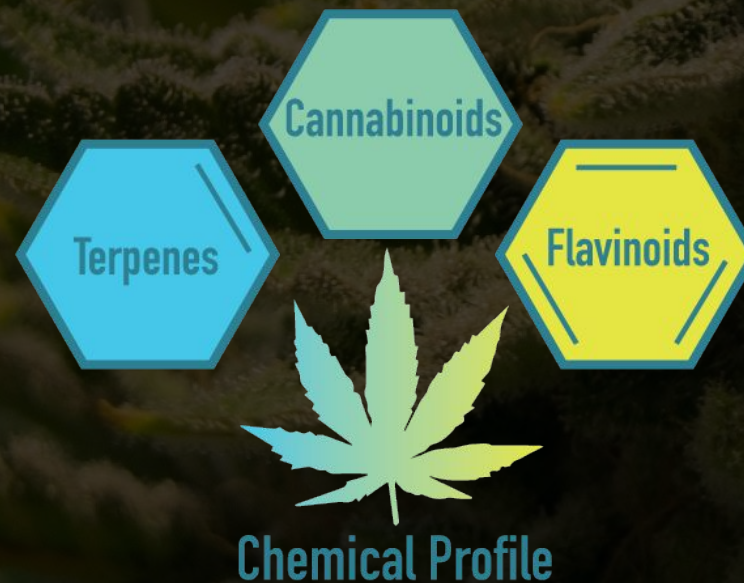
- >0.3% THC - Schedule 1 Substance
- Effects were initially thought to be binomial -
Cannabis Sativa best for stimulation, *Cannabis Indica* best for sedation
- In reality, cannabis' possible effects are infinite, and determined by 3 common variables



The Variables: X, Y, and Z

X: The Product's Chemical Profile

- Cannabis expresses 400+ chemicals, each with unique effects
- Each flower batch is unique in its chemical profile



- | | |
|----|---|
| 01 | molecules that produce aroma/smell |
| 02 | THC/CBD & 111 other active constituents |
| 03 | molecules that produce flavor/ taste |

The Variables: X, Y, and Z

Y: The Method of Administration

MOAs	Initial effects	Peak Effects	Duration	Bioavailability
Ingestion (i.e. capsules, gummies)	60 - 90 min	120 - 180 min	6- 12 hrs	20 - 30 %
Inhalation (i.e. smoking vaporization)	1 - 2 min	30 min - 60 min	2 - 4 hrs	20 - 30%
Sublingual (i.e. tinctures)	10 - 15 min	30 min - 60 min	2 - 4 hrs	10 - 15 %
Dermatologic (i.e. lotions, balms)	5 - 10 min	~ 30 min	Extremely Variable	> 10 %
Suppositories (i.e. rectal or vaginal)	15 - 30 min	30 min - 60 min	2 - 4 hrs	50 - 60 %

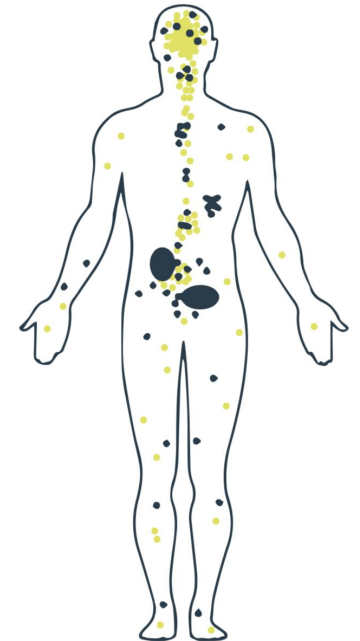
The Variables: X, Y, and Z

Z: The User's Genetic Makeup

- In the 1990s, cambridge researchers discovered the endocannabinoid system (ECS)
- Cannabinoids fit like a lock and key into cannabinoid receptors
- The cambridge researchers who discovered the ECS identified two kinds of receptors: CB1 and CB2
- CB1 receptors are primarily found in the central nervous system
- CB2 receptors are primarily found in the immune system and related peripheral organs

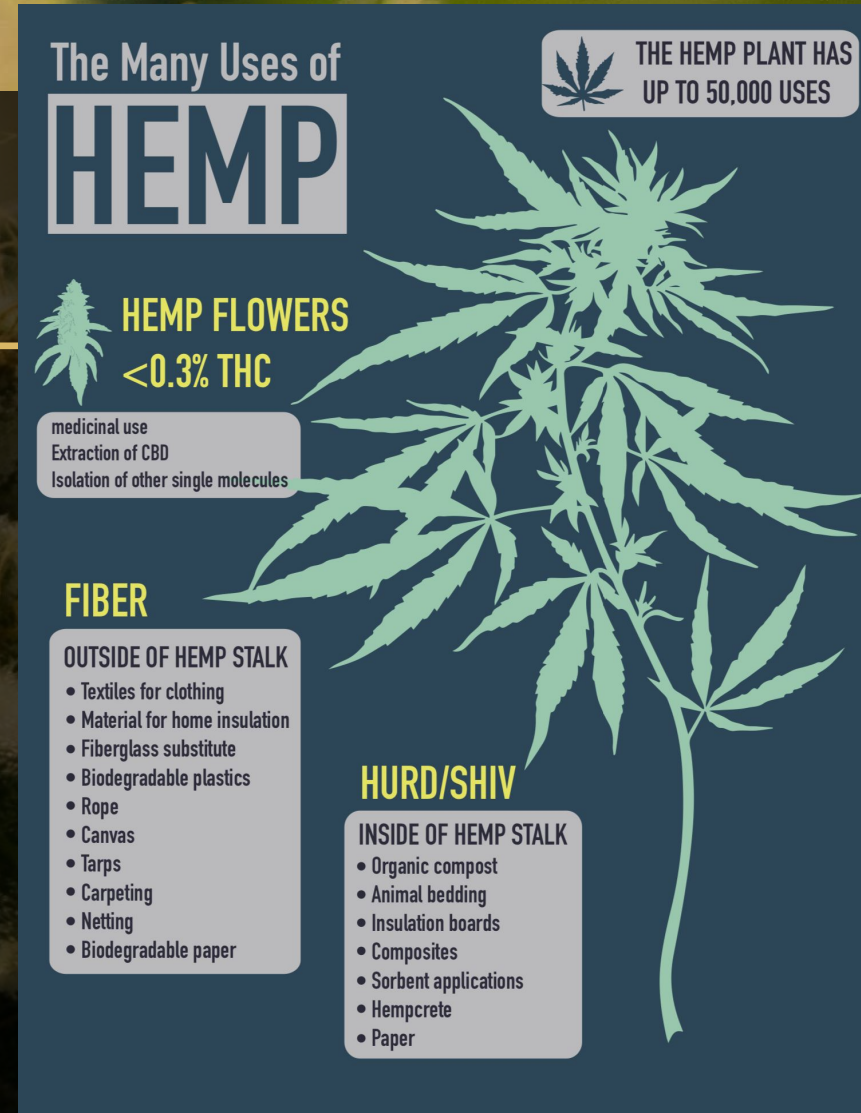


Receptors are found
on cell surfaces



Cannabis Type 2 - Low THC “Hemp”

- Made Federally Illegal by the 1937 Marihuana Tax Act, and the 1970 Controlled Substances Act (CSA)
(exception: WWII - Hemp For Victory)
- 2014 Farm Bill allowed for State-approved Hemp Pilot Programs
- 2018 Farm Bill removed hemp from the CSA
- State Departments of Agriculture regulate hemp farming



LEGAL COMPLIANCE

- Marijuana remains federally illegal
- The Cole Memorandum was a United States Department of Justice memorandum issued August 29, 2013, by United States Deputy Attorney General James M. Cole during the presidency of Barack Obama.
- The memorandum, sent to all United States Attorneys, stated that given its limited resources, the Justice Department would not enforce federal marijuana prohibition in states that "legalized marijuana in some form and ... implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale, and possession of marijuana."
- Exception: Federal enforcement would undermine federal priorities (such as preventing violence in marijuana cultivation and distribution, preventing cannabis impaired driving, and preventing marijuana revenues from going to gangs and cartels).

CANNABIS IN ILLINOIS

- Illinois's Governor J.B Pritzker signed the Cannabis Regulation and Tax Act (CRTA) on June 25th, 2019
 - Law will go into effect January 1st, 2020
 - individuals 21 and older may legally possess up to 30 grams of flower, 5 grams of THC concentrate and 5 grams of THC in a cannabis-infused product.



Chicago Sun-Times 
@Suntimes

JUST IN: Recreational marijuana will officially be legal Jan. 1 in Illinois after Gov. JB Pritzker signed the bill into law Tuesday morning.



Weed set to become legal Jan. 1 in Illinois

 chicago.suntimes.com

11:11 AM · Jun 25, 2019 · [Sprout Social](#)

ILLINOIS CANNABIS PROJECTIONS

- Projected Revenue (2023): \$1.5 - \$2.6 Billion
 - Product demand between 350,000lbs-537,000lbs
 - Existing cultivators capacity can only meet 35%-54% of this demand
- 11 million project consumers per year
 - Conservative estimate based on national averages
 - Legal status projected to increase adult use



A UNIQUE OPPORTUNITY

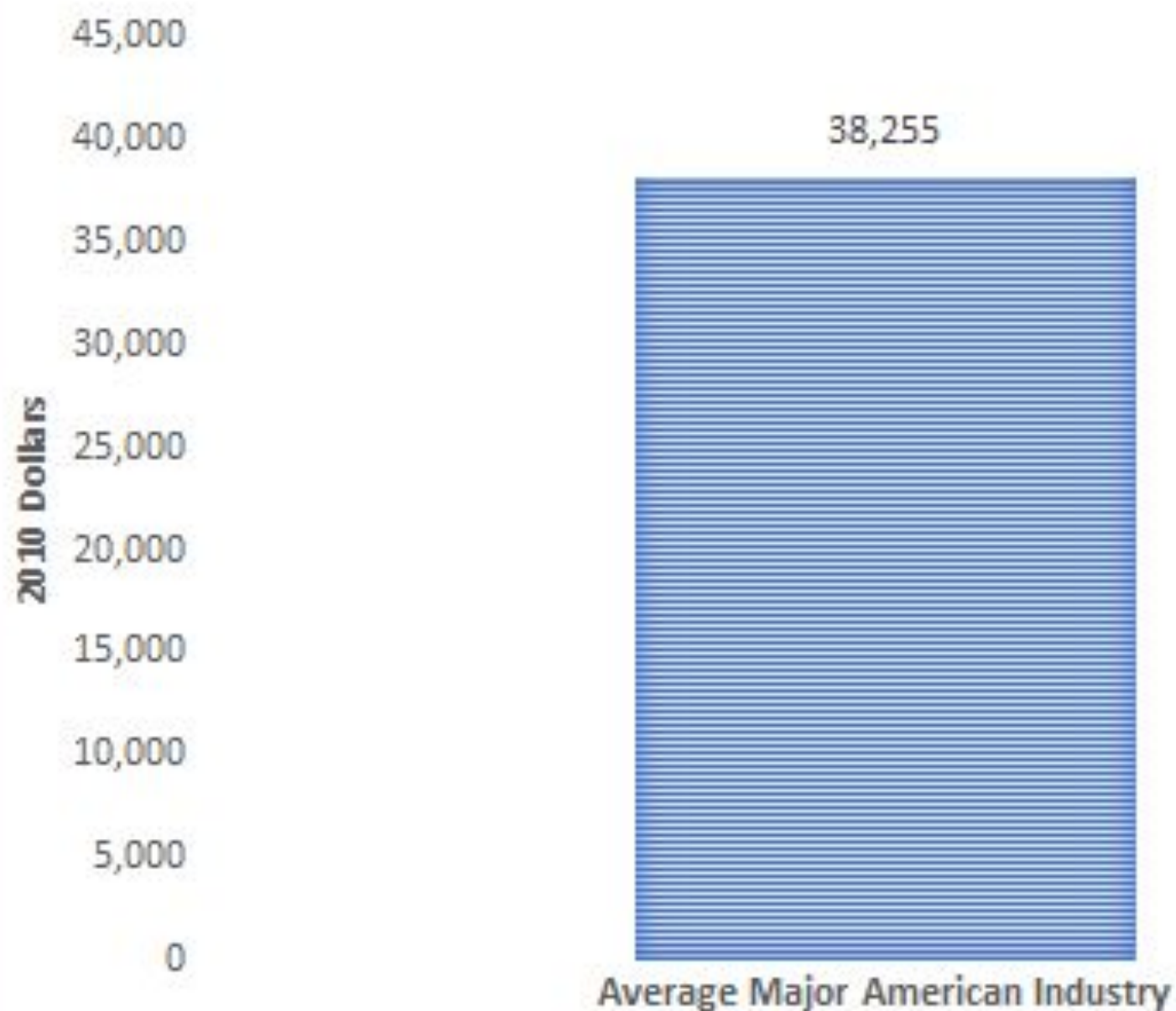
- Benefits specific to the Illinois market
 - License caps
 - Ensures high barriers to entry (barriers softened in 2nd round)
 - Inflates the value of each license
 - More comprehensive laws/regulations than other states
 - State conducted demand studies to prevent oversaturation
 - Dispensaries required to diversify product inventory
- Social Equity
 - Qualifying applicants may receive low-interest loans (\$100,000-\$1,00,000)
 - Lower barrier to entry for round 2



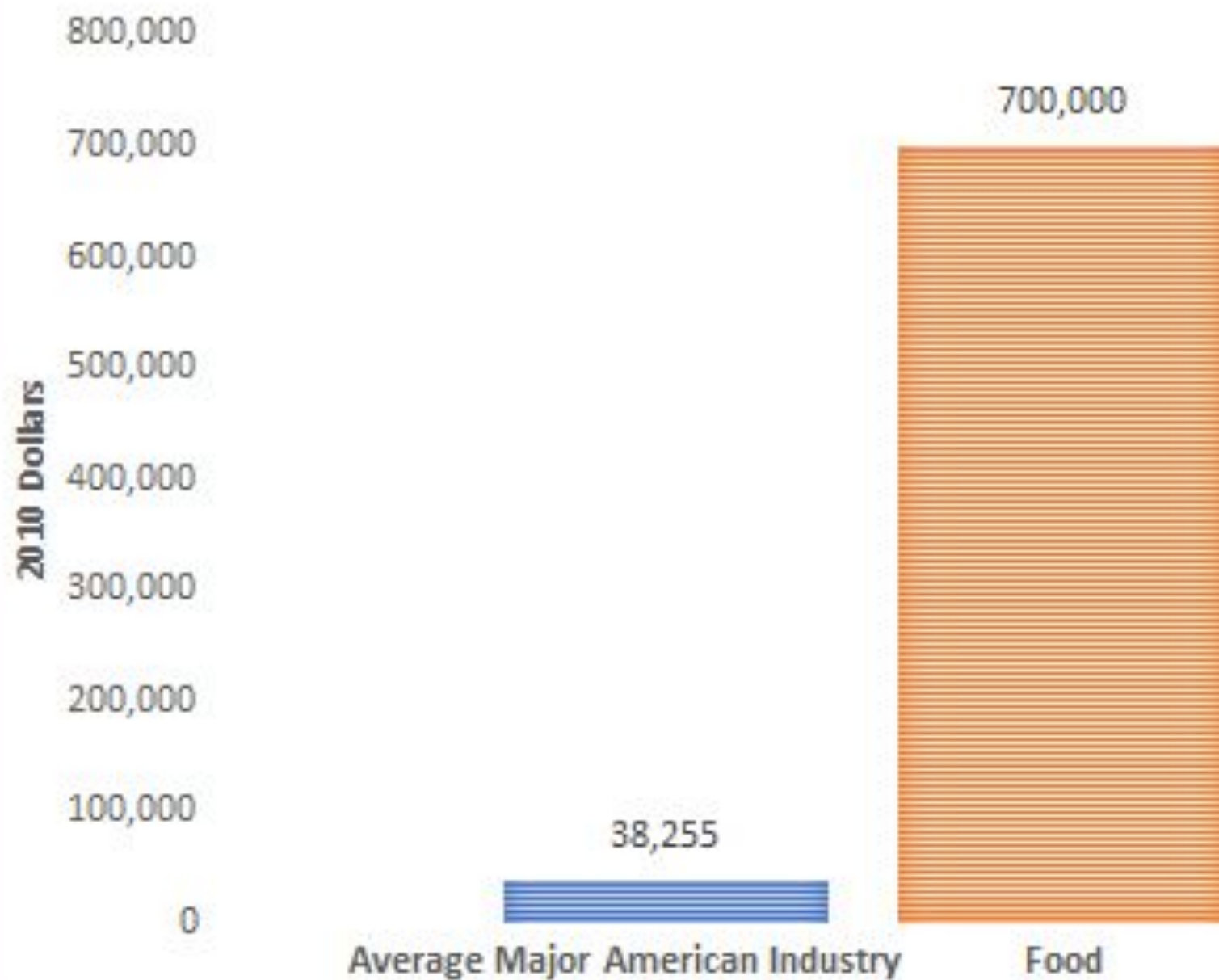
CANNABIS INDUSTRY IN THE U.S

- \$10.3 Billion in revenue in 2018
 - 2013-2018: 25% compound annualized growth rate (CAGR)
 - 18.6% projected CAGR over the next 5 years
 - \$24.1 Billion in revenue by 2023
- Cannabis growth in the United States closely models one of the most successful industries in modern history

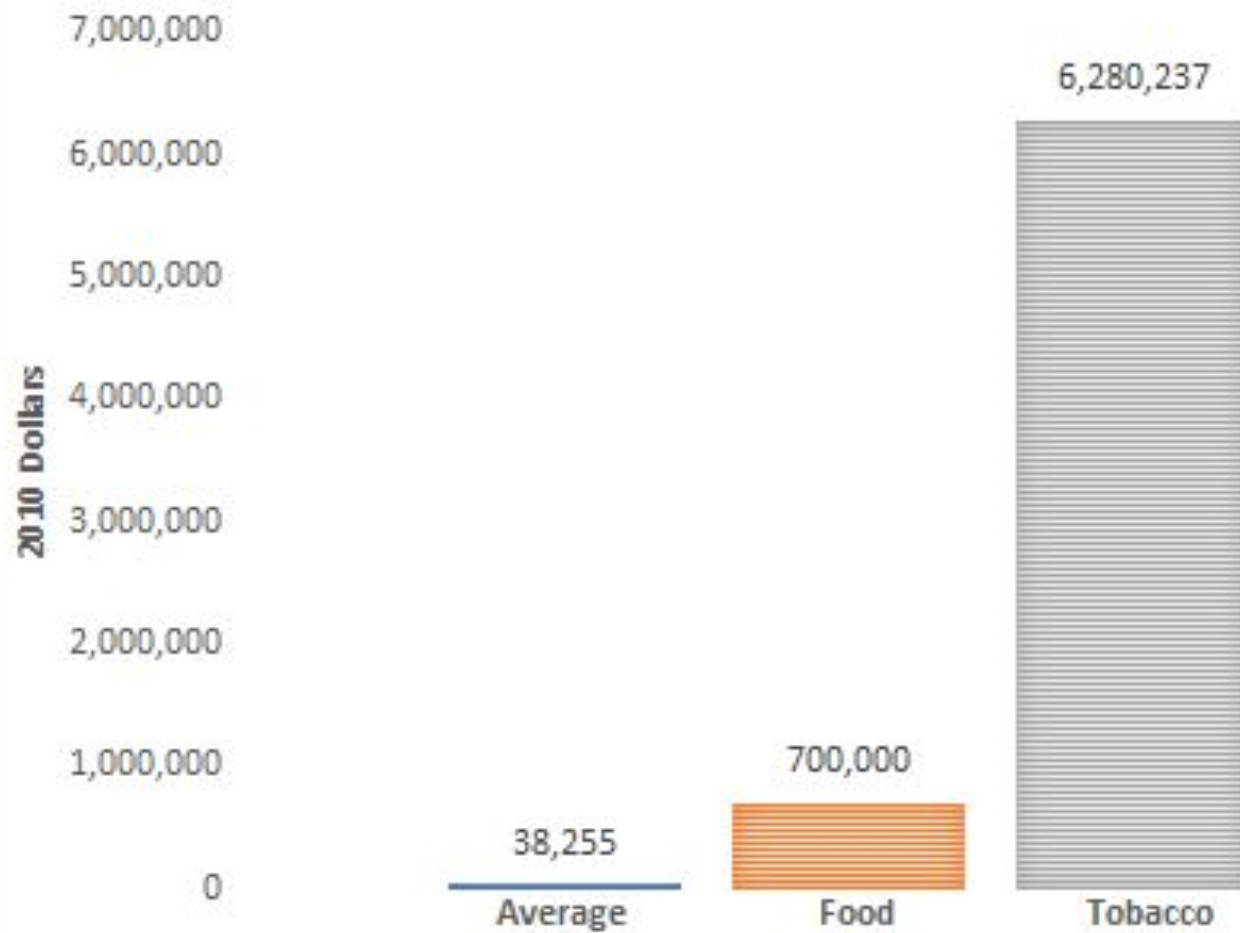
2010 VALUE OF \$1 INVESTED IN 1900



2010 VALUE OF \$1 INVESTED IN 1900



2010 VALUE OF \$1 INVESTED IN 1900



50 years

30 years

\$1 Invested in 1968



The wages of sin

January 1st 1986=100



Source: Bloomberg

THE INDUSTRY: TOBACCO COMPARISONS

Sustainable Natural product

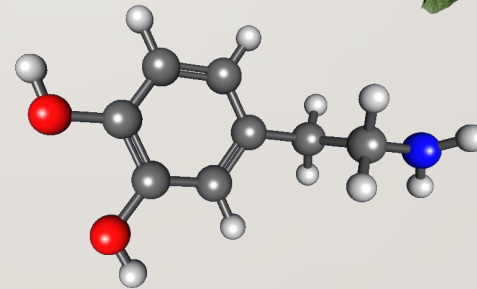
- ▶ Exist without human interference
- ▶ **Minimal need to innovate**

Universal Intrinsic value

- ▶ Dopamine release
- ▶ **All demographics**

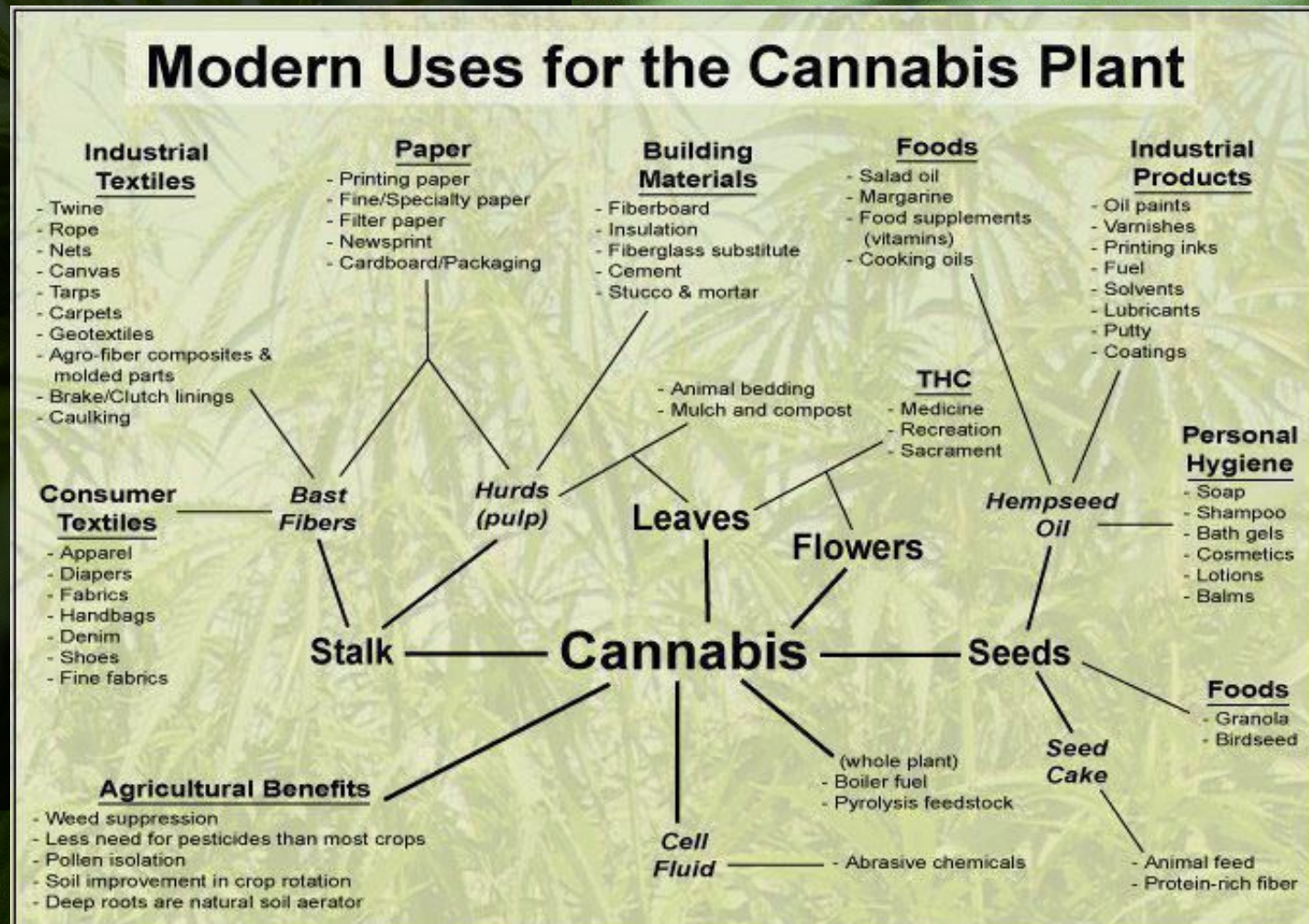
Overlooked Stigmatized

- ▶ Undervalued due to investment limitations
- ▶ **Disliked industries yield higher returns**



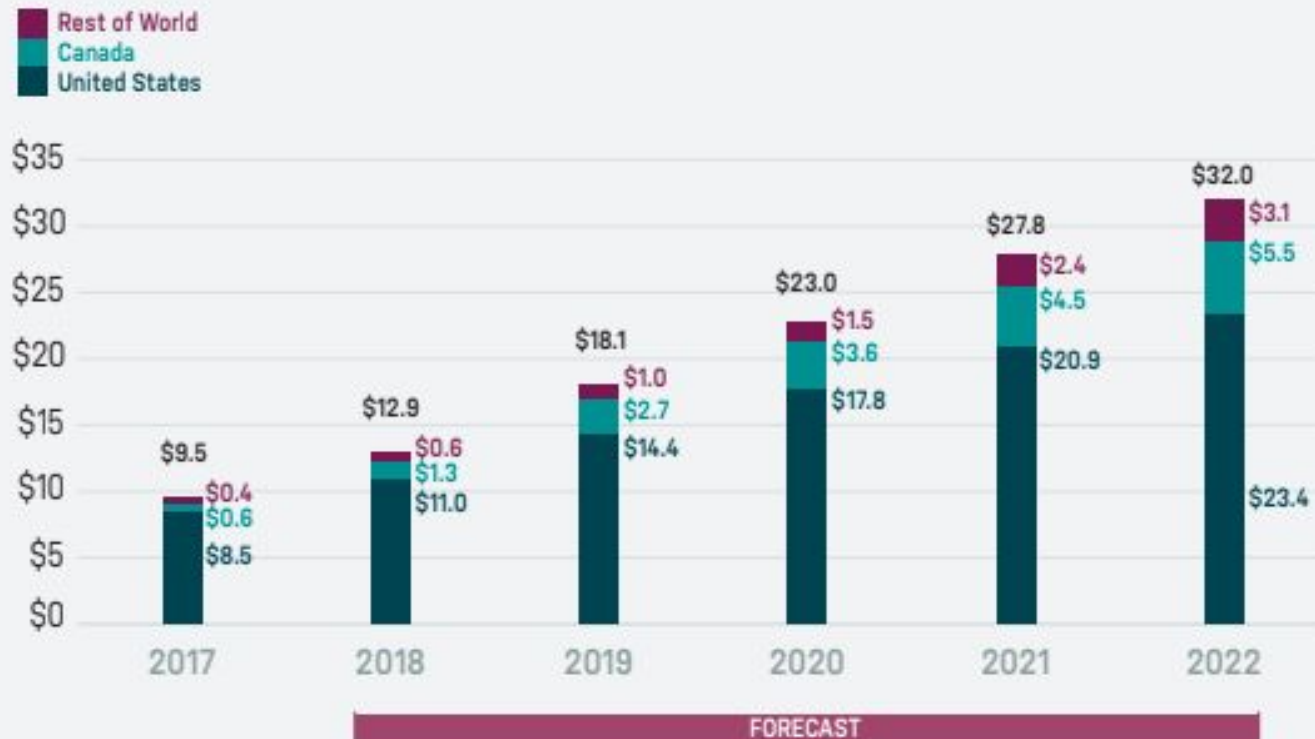
IMPORTANT TOBACCO DIFFERENCES

- Tobacco
 - 6 million annual deaths
 - Applications are limited beyond recreational use



Industry Financial Outlook

Legal Cannabis Spending (In Billions)



Source: Arcview Market Research/BDS Analytics

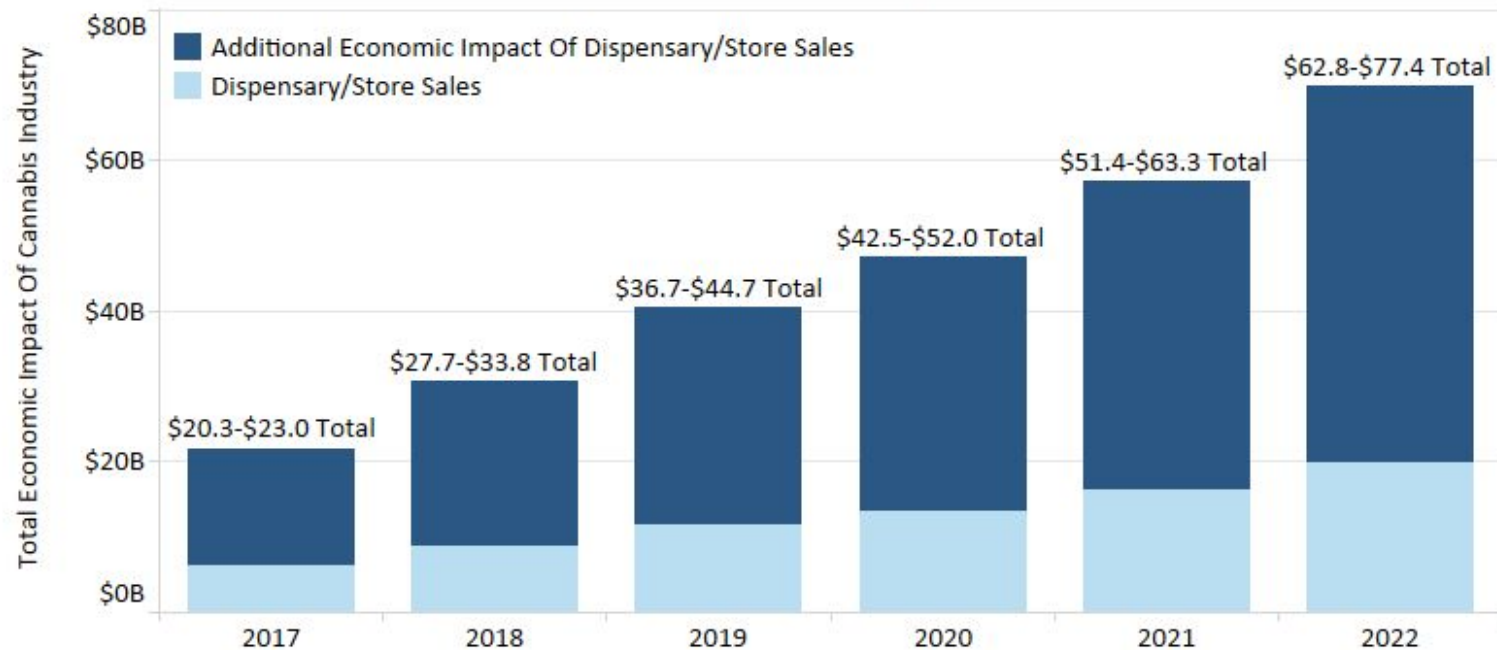
Industry Financial Outlook



Chart of the Week

Marijuana Business Daily®

U.S. Cannabis Industry Total Economic Impact: 2017 - 2022
(In Billions Of U.S. Dollars)



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STRUCTURE OF THE ILLINOIS CANNABIS MARKET

- Dispensing Licenses in Illinois
 - 110 dual medical-adult use dispensaries currently operate. Initial medical licenses were awarded in 2014, but the state has will someday award “social equity” medical dispensary licenses
 - Up to 75 new recreational licenses by 5/1/2020
 - Lawsuits pushed legislatures to increase the number of first rounded licenses from 75 to 185
 - 185 licenses by 07/22/22 due to delays related to COVID-19 and lawsuits
 - Cap subject to change pending demand study by 12/21/2021 (maximum number of licensed allowed in state is 500)
 - 10 license maximum per entity & 10 license max per principal officer

STRUCTURE OF THE ILLINOIS CANNABIS MARKET

- Craft Grow Licenses in Illinois
 - Up to 40 licenses by 7/1/2020 → 60 additional by 12/21/2021
 - Cap per entity increases to 2 after 12/21/2021
- 5,000 sq. ft of canopy space
 - Can be increased by Dept. of Agriculture in 3,000 sq. ft increments
 - 14,000 sq. ft maximum per facility

A close-up photograph of green cannabis leaves with serrated edges, filling the background of the slide. The leaves are in sharp focus in the foreground and become increasingly blurred as they recede into the background, creating a sense of depth. The lighting is soft, highlighting the texture of the leaves.

STRUCTURE OF THE ILLINOIS CANNABIS MARKET

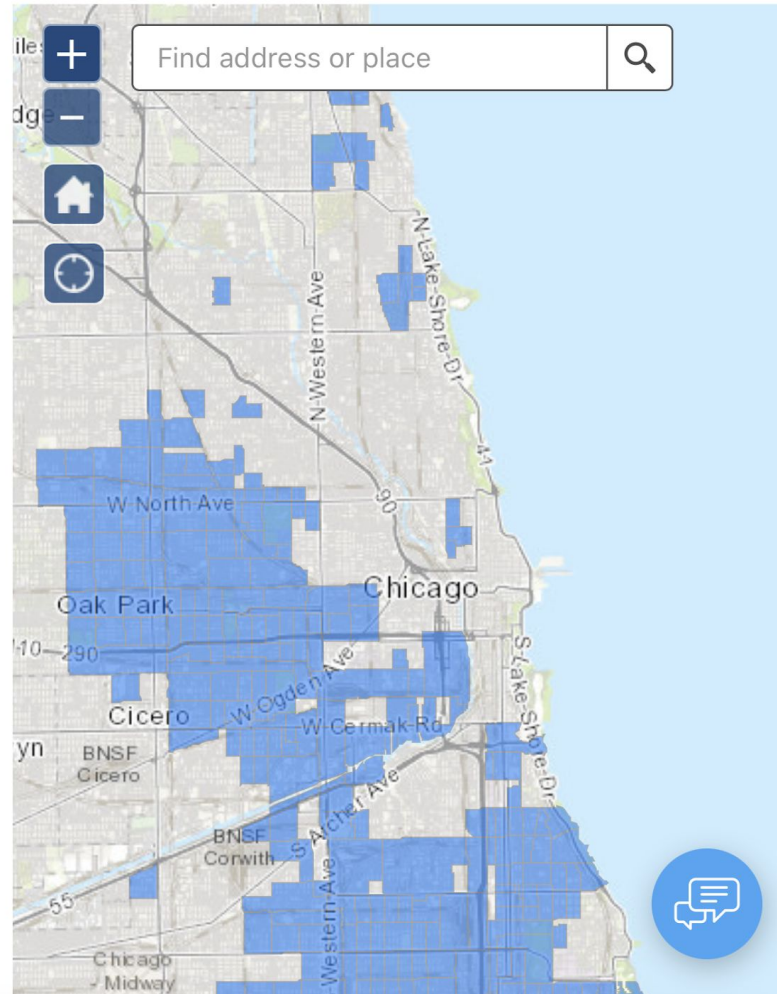
- Commercial Medical Cultivation Licenses in Illinois
 - 30 license hard cap
 - Only available to existing medical cultivators until 12/21/2021 (estimated)
 - Up to 210,000 sq. ft of canopy space
- Infuser Recreational License in Illinois
 - Up to 40 licenses issued by 7/1/2020 → 60 additional by 12/21/2021
 - Prohibited from extracting THC from cannabis flower
- Transporter Recreational License in Illinois
 - Sole right to transport cannabis between licensed facilities
 - No license cap
 - Awarded on or before 7/1/2020

FIRST ROUND OF LICENSING

- The Cannabis Regulation & Tax Act (CRTA) 410 ILCS 705 establishes criteria for Social Equity Applicants as follows:
- Has at least 51% ownership and control by one or more individuals who:
- Have lived in a Disproportionately Impacted Area in 5 of the past 10 years (see map of Disproportionately Impacted Areas)
- **This criteria qualifies a company as a “social equity applicant” in the 2nd round of licensing**

Disproportionate Impacted Area Map

This is a map of Disproportionately Impacted Areas (DIAs) eligible for participation in the Illinois Adult-Use Social Equity Program.



[Link for full map:](https://www2.illinois.gov/dceo/CannabisEquity/Pages/Disp.aspx)

<https://www2.illinois.gov/dceo/CannabisEquity/Pages/Disp.aspx>

FIRST ROUND OF LICENSING

- The Cannabis Regulation & Tax Act (CRTA) 410 ILCS 705 establishes criteria for Social Equity Applicants as follows:
- Has at least 51% ownership and control by one or more individuals who:
- Have been arrested for, convicted of, or adjudicated delinquent for cannabis-related offenses eligible for expungement, including cannabis possession up to 500 grams or intent to deliver up to 30 grams.
- **This criteria qualifies a company as a “social equity applicant” in the 2nd round of licensing**

FIRST ROUND OF LICENSING

- The Cannabis Regulation & Tax Act (CRTA) 410 ILCS 705 establishes criteria for Social Equity Applicants as follows:
- Has at least 51% ownership and control by one or more individuals who:
- Have a parent, child, or spouse that has been arrested for, convicted of, or adjudicated delinquent for cannabis-related offenses eligible for expungement, including possession up to 500 grams or intent to deliver up to 30 grams
- **This criteria qualifies a company as a “social equity applicant” in the 2nd round of licensing**

FIRST ROUND OF LICENSING

- The Cannabis Regulation & Tax Act (CRTA) 410 ILCS 705 establishes criteria for Social Equity Applicants as follows:
- Company Has more than 10 full-time employees, and more than half of those employees:
 - 1. Currently reside in a Disproportionately Impacted Area
 - 2. Have been arrested for, convicted of, or adjudicated delinquent for cannabis-related offenses eligible for expungement
 - 3. Have a parent, child, or spouse that has been arrested for, convicted of, or adjudicated delinquent for cannabis-related offenses eligible for expungement

A close-up photograph of a cannabis plant with green serrated leaves and a developing bud with visible trichomes. The image is used as a background for the text overlay.

ADULT USE DISPENSING ORGANIZATION LICENSE

- Application Financial Requirements in Round 1
 - \$5,000 application fee (\$2,500 for social equity applicants (SEA))
 - \$60,000 license fee upon award of license (\$30,000 for SEA)
 - \$50,000-\$250,000 to pay consultants to write application exhibits
 - \$500,000 payroll (if hiring employees to qualify as SEA)
 - **The Yard Illinois' cost to apply: ~ \$750,000**

NEXT STEPS FOR AWARDEES

STAY ENJOINING IDFPR FROM ISSUING LICENSES IS LIFTED

IDFPR REVIEWS APPLICANTS' OWNERSHIP STRUCTURES

ONGOING

By **July 1**, applicants must submit a [Principal Officer Affirmation](#) along with an updated Table of Organization, Ownership and Control.

Upon receipt of this form, IDFPR will review all applicants' principal officers to ensure they do not have a direct or indirect financial interest in more than 10 adult use dispensing licenses.

Failure to meet this compliance check will result in denial or forfeiture of an applicant's licenses.

180-DAY CONDITIONAL LICENSING PERIOD BEGINS

FIRST LICENSE ISSUED, ONWARD

Conditional Licensees must complete the following steps within **180 days** of receiving a Conditional License to obtain a license to operate (*i.e.*, the Adult Use License).

- Select a physical location
- Update Principal Officer application forms with current fingerprints
- Complete the Request for Inspection Form
- Submit floor plans for review
- Obtain a Notice of Proper Zoning Form from the local zoning jurisdiction
- Pay applicable fees
- Submit an escrow or surety bond

IDFPR REVIEWS ALL PRINCIPAL OFFICERS FOR TAX COMPLIANCE

PRESENT

IDFPR will notify applicants if any of their principal officers are delinquent in filing required tax returns or paying amounts owed to the State.

Applicants have **60 days** to come into compliance (*e.g.*, by paying due taxes). After this period has elapsed, the Department will offer that license to the next eligible applicant.

IDFPR ISSUES CONDITIONAL LICENSES IN THREE WAVES

JULY 22, 2022, ONWARD

IDFPR will process Principal Officer Affirmation forms and begin issuing Conditional Licenses to eligible applicants by BLS Region. Licenses will be issued in the following order:

- **July 22 or earlier:** Naperville-Chicago-Elgin BLS Region
- **August 5 or earlier:** BLS Regions with multiple licenses available
- **August 19 or earlier:** BLS Regions with a single license available

A complete schedule of licensing by BLS Region will be updated on the IDFPR website.

IDFPR ISSUES ADULT USE LICENSES AND SALES BEGIN

2ND ROUND DISPENSING ORGANIZATION TIMELINE

- Application window, “IDFPR anticipates opening the conditional license application window during the late summer or early fall of 2022, depending on when the rules become permanent,”
 - Up to 55 “conditional adult use dispensing organization”
 - License awardees have a 60 day window from the lottery date to prove they qualify as social equity



SECOND ROUND OF LICENSING

Licenses per BLS Region

- To ensure the geographic dispersion of conditional license holders, the following number of licenses issued as a result of any lottery conducted pursuant to Section 1291.400 of this Part shall be awarded in the following BLS regions and amounts:
- 9) Kankakee: 1
- 10) Peoria: 2
- 11) Rockford: 1
- 12) St. Louis: 3
- 13) Springfield: 1
- 14) Northwest Illinois nonmetropolitan: 1
- 15) West Central Illinois nonmetropolitan: 1
- 16) East Central Illinois nonmetropolitan: 1
- 17) South Illinois nonmetropolitan: 1

SECOND ROUND OF LICENSING

Licenses per BLS Region

- To ensure the geographic dispersion of conditional license holders, the following number of licenses issued as a result of any lottery conducted pursuant to Section 1291.400 of this Part shall be awarded in the following BLS regions and amounts:
- 1) Bloomington: 1
- 2) Cape Girardeau: 1
- 3) Carbondale-Marion: 1
- 4) Champaign-Urbana: 1
- 5) Chicago-Naperville-Elgin: 36
- 6) Danville: 1
- 7) Davenport-Moline-Rock Island: 1
- 8) Decatur: 1

A close-up photograph of a cannabis plant with green serrated leaves and developing buds, serving as the background for the slide.

ADULT USE DISPENSING ORGANIZATION LICENSE

- a) The Department shall publish an online application for applicants. Paper applications will not be accepted.
- b) After publishing the online application, the application window shall remain open for submissions for a minimum of 10 business days following the day the application was published. Applications must be submitted by 5:00 P.M. Central Time on the last day of the application window and no applications will be accepted after the application window closes.



ADULT USE DISPENSING ORGANIZATION LICENSE

- c) A principal officer cannot be included on more than one application. The Department shall require that all applicants provide each of its principal officers' Social Security Numbers, and any other unique, identifying information, required in the application to ensure that an individual principal officer is not listed as a principal officer on more than one application.
- d) All applicants shall pay a non-refundable application fee of \$250, to be deposited into the Cannabis Regulation Fund.
- e) An application shall be accepted only if it is complete. All incomplete applications shall be denied.



ADULT USE DISPENSING ORGANIZATION LICENSE

- A completed application shall include the nonrefundable fee and, at a minimum, the following information:
- 1) the applicant's proposed entity name;
- 2) the name of the person(s) filling out the application;
- 3) the BLS Region in which the applicant is applying;
- 4) the names, Social Security Numbers, home addresses, birthdates, phone numbers, and email addresses, for all proposed principal officers of the proposed entity;
- 5) the identification of and contact information, including phone number and email address, for a primary and alternate contact of the proposed entity, at least one of whom must also be a principal officer

SECOND ROUND OF LICENSING

Federal lawsuit filed in Spring 2022 ([Toigo and Finch V IDFPR](#))

- The Department of Financial and Professional Regulation (“DFPR”) published proposed rules, which provide for the release of the next 55 Conditional Adult Use Dispensing Organization Licenses, were published on first notice in the Illinois Register on March 25, 2022.
- Federal lawsuit was filed alleging the proposed rules are unconstitutional.
- Federal judge opined the Illinois Cannabis and Regulation Tax Act (CRTA) of 2019 most likely violates the U.S. constitution’s interstate commerce clause
- In response, the state amended the qualifying criteria for “qualifying social equity applicant,” and proposed new rules on June 21st, 2022
- Qualifying criteria is no longer tied to State of Illinois residency, such as the qualifying criteria for living in a disproportionately impacted area (DIA) or a state of Illinois specific cannabis specific arrest or conviction

A close-up photograph of cannabis plants, showing green serrated leaves and dark, trichome-covered buds. The lighting is soft and natural, highlighting the textures of the plant.

SECOND ROUND OF LICENSING

- On July 12th, 2022, IDFPR published a notice stating, “The Department of Financial and Professional Regulation (“DFPR”) has agreed to a 45-day extension for the hearing of its 2022 dispensary licensing rules by the Joint Committee on Administrative Rules (“JCAR”) in order to resolve some procedural matters related to the proposed rules.
- **This marks August 26th, 2022, as the earliest date the proposed rules can be finalized.**
- The latest version of the proposed rules [here](#).

SECOND ROUND OF LICENSING

2. In line 212, insert "'Firearm Injury' means a gunshot wound or penetrating injury from a weapon that uses a powder charge to fire a projectile. Weapons that use a power charge include handguns, rifles, and shotguns. Injuries from air- and gas-powered guns, BB guns, and pellet guns are not considered firearm injuries as these types of guns do not use a powder charge to fire a projectile."
3. In line 293, insert "'Victim' means (1) a person killed or injured as a result of a firearm injury perpetrated or attempted against him or her, (2) the spouse, parent, or child of a person killed or injured as a result of a firearm injury perpetrated or attempted against the person, or anyone living in the household of a person killed or injured in a relationship that is substantially similar to that of a parent, spouse, or child, (3) a person killed or injured while attempting to assist a person against whom a firearm injury is being perpetrated or attempted, if that attempt of assistance would be expected of a reasonable person under the circumstances, (4) a person killed or injured while assisting a law enforcement official apprehend a person who has perpetrated a firearm injury or prevent the perpetration of any such crime if that assistance was in response to the express request of the law enforcement official, or a (5) a person who personally witnessed a firearm injury. The victim must not be the offender in the criminal act and must not have provoked or incited the crime."

SECOND ROUND OF LICENSING

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SECOND ROUND OF LICENSING

6. In lines 423 through 428 replace “the applicant (1) will meet and prove at least one of the criteria of paragraph (A) of this section for Option 1 Applicants; or (2) will meet and prove at least 4 of the criteria of paragraph (B) of this section for Option 2 Applicants. The acknowledgment will also include a statement or indication that the applicant understands the timeframes to do so as required in these rules.” with “The business entity is 51% or more owned or controlled by one or more individuals who each meet the combination of at least one of the criteria under Criteria 1 and one of the criteria under Criteria 2. This does not mean multiple individuals need to meet identical criteria, but each individual must meet at least one criteria from Criteria 1 and one criteria from Criteria 2.”

SECOND ROUND OF LICENSING

- Criteria 1 (only 1 required)

- i) An individual who has resided for at least 5 of the preceding 10 years in a census tract that has a poverty rate of at least 20% according to the latest American Community Survey available at <https://data.census.gov/cedsci/table?q=poverty%20rate&q=0100000US%241400000&tid=ACSST5Y2020.S1701>;
- ii) An individual who has resided for at least 5 of the preceding 10 years in a census tract where at least 20% of the households receive assistance under the Supplemental Nutrition Assistance Program, available at <https://data.census.gov/cedsci/table?q=snap%20participation&q=0100000US%241400000&tid=ACSST5Y2020.S2201>;

SECOND ROUND OF LICENSING

- Criteria 1 (only 1 required)

iii) An individual who has resided for at least 5 of the preceding 10 years in a census tract area classified as “low income and low access” where at least 100 households are more than one-half mile from the nearest supermarket and have no access to a vehicle or a significant number (at least 500 people) or share (at least 33%) of the population is greater than 1 mile from the nearest supermarket, supercenter, or large grocery store for an urban area or greater than 20 miles for a rural area, as classified by the latest data set that is publicly available at the start of the application window for any lottery conducted under this Part. Such data set, the United States Department of Agriculture Economic Research Service’s Food Access Research Atlas, is available at <https://www.ers.usda.gov/data-products/food-access-research-atlas/go-to-the-atlas>;

SECOND ROUND OF LICENSING

- Criteria 1 (only 1 required)

- iv) An individual who has received Medicaid, Supplemental Security Income, Social Security Disability, and/or subsidized housing for at least 5 of the preceding 10 years; and/or,
- v) An individual who has resided for at least 5 of the preceding 10 years in a census tract in the top 15th percentile for the percent of residents in the census tract failing to graduate from High School in that state, as classified by the latest data set that is publicly available at the start of the application window for any lottery conducted under this Part. Such data set, the by the United States Census Bureau is available at <https://www.census.gov/topics/education/educational-attainment/data/data-tools.html>.

SECOND ROUND OF LICENSING

- Criteria 2 (only 1 required)

- i) An individual who has been arrested for, convicted of, or adjudicated delinquent for any offense, or substantially similar offense, of Illinois, federal, or other state law for (1) possession of not more than 500 grams of cannabis or (2) manufacture, delivery, or possession with intent to deliver, or manufacture of cannabis up to 30 grams;
- ii) An individual who has a family member who has been arrested for, convicted of, or adjudicated delinquent for any offense, or substantially similar offense, of Illinois, federal, or other state law for (1) possession of not more than 500 grams of cannabis or (2) manufacture, delivery, or possession with intent to deliver, or manufacture of cannabis up to 30 grams;

SECOND ROUND OF LICENSING

- Criteria 2 (only 1 required)

- iii) An individual who has been a victim of firearm injury, as those terms are defined in these Rules. This must be evidenced by either a police report or medical record.
- iv) As soon as reasonably possible, but no later than 5 business days prior to the acceptance of applications, the Department shall make publicly available the documents applicants may use to establish eligibility under both Criteria 1 and Criteria 2."

A close-up photograph of a cannabis plant with green serrated leaves and developing flower buds. The plant is the background for the entire slide. A dark semi-transparent rectangle is overlaid on the right side of the image, containing the title and list.

ADULT USE DISPENSING ORGANIZATION LICENSE

- Applicant financial requirements in Round 2
 - \$100 LLC filing fee
 - \$250 application fee
 - **Your cost to apply: \$350**

A close-up photograph of a cannabis plant with green serrated leaves and a developing flower bud with yellowish trichomes. The image is used as a background for the text overlay.

CONDITIONAL ADULT USE DISPENSING ORGANIZATION LICENSE

- If you are chosen in the lottery, you have 60 days to prove to the State that your organization is a “qualifying social equity applicant,” as defined in the Illinois Department of Financial and Professional Regulation’s latest guidelines
- Failure to prove social equity qualifying status will result in forfeiture of the right to one of the 55 licenses
- After proving social equity status, IDFPR will award the organization a “conditional adult use dispensing organization license”

A close-up photograph of a cannabis plant with green serrated leaves and developing buds, serving as the background for the slide.

CONDITIONAL ADULT USE DISPENSING ORGANIZATION LICENSE

- “Section 1291.440 Post Issuance Licensing Requirements
- a) A conditional license cannot be sold, transferred, or assigned and the conditional license holder cannot in any way change its ownership structure, including by removing or adding any principal officers, except for in the event of the death of a principal officer.”
- Implications: Companies are restricted from raising funds by selling shares (transferring equity) to anyone outside of the initial applicant group.
- This is a barrier to raising money to build out your facility if awarded a conditional license.

A close-up photograph of a cannabis plant with green serrated leaves and developing buds, serving as the background for the slide.

ADULT USE DISPENSING ORGANIZATION LICENSE

- Conditional adult use dispensing organization license awardees have 180 days to build out their facility for final state approval
- Once facility build out is approved, the organization's conditional adult use dispensing organization license will be converted into an "adult use dispensing organization license.
- At this point, you are able to purchase inventory and sell adult-use cannabis!

NEXT STEPS FOR AWARDEES

STAY ENJOINING IDFPR FROM ISSUING LICENSES IS LIFTED

IDFPR REVIEWS APPLICANTS' OWNERSHIP STRUCTURES

ONGOING

By **July 1**, applicants must submit a [Principal Officer Affirmation](#) along with an updated Table of Organization, Ownership and Control.

Upon receipt of this form, IDFPR will review all applicants' principal officers to ensure they do not have a direct or indirect financial interest in more than 10 adult use dispensing licenses.

Failure to meet this compliance check will result in denial or forfeiture of an applicant's licenses.

180-DAY CONDITIONAL LICENSING PERIOD BEGINS

FIRST LICENSE ISSUED, ONWARD

Conditional Licensees must complete the following steps within **180 days** of receiving a Conditional License to obtain a license to operate (*i.e.*, the Adult Use License).

- | | |
|--|--|
| • Select a physical location | • Submit floor plans for review |
| • Update Principal Officer application forms with current fingerprints | • Obtain a Notice of Proper Zoning Form from the local zoning jurisdiction |
| • Complete the Request for Inspection Form | • Pay applicable fees |
| | • Submit an escrow or surety bond |

IDFPR REVIEWS ALL PRINCIPAL OFFICERS FOR TAX COMPLIANCE

PRESENT

IDFPR will notify applicants if any of their principal officers are delinquent in filing required tax returns or paying amounts owed to the State.

Applicants have **60 days** to come into compliance (*e.g.*, by paying due taxes). After this period has elapsed, the Department will offer that license to the next eligible applicant.

IDFPR ISSUES CONDITIONAL LICENSES IN THREE WAVES

JULY 22, 2022, ONWARD

IDFPR will process Principal Officer Affirmation forms and begin issuing Conditional Licenses to eligible applicants by BLS Region. Licenses will be issued in the following order:

- **July 22 or earlier:** Naperville-Chicago-Elgin BLS Region
- **August 5 or earlier:** BLS Regions with multiple licenses available
- **August 19 or earlier:** BLS Regions with a single license available

A complete schedule of licensing by BLS Region will be updated on the IDFPR website.

IDFPR ISSUES ADULT USE LICENSES AND SALES BEGIN

A background image of green cannabis leaves, with some leaves in sharp focus and others blurred in the background.

FINANCIAL RESTRICTIONS

- Historically, (most) transactions were in cash
 - Illinois solution: Credit union services
- Federally insured banks are unwilling to maintain accounts for cannabis businesses
 - Federal Safe Banking Act
 - Federal legislation that would allow banks to do business with cannabis companies - no appetite to pass this legislation in the Senate despite bipartisan passage of the act multiple times in the House of Representatives
 - **In the United States, companies cannot take out traditional loans for cannabis operations. This is a recipe for failure when taking into account IRS Tax Code Section 280E.**

A background image of green cannabis leaves, with some leaves in sharp focus and others blurred, creating a textured, natural backdrop.

IRS SECTION 280E - Controlled Substances Tax Code

- Section 280E originated from a 1981 court case in which a convicted cocaine trafficker asserted his right under federal tax law to deduct ordinary business expenses.
- In 1982, Congress created 280E to prevent other drug dealers from following suit. It states that no deductions should be allowed on any amount “in carrying on any trade or business if such trade or business consists of trafficking in controlled substances.”
- Section 280E of the Internal Revenue Code forbids businesses from deducting otherwise ordinary business expenses from gross income associated with the “trafficking” of Schedule I or II substances, as defined by the Controlled Substances Act.
- **Section 280E is the sole reason why cannabis businesses are taxed at 70% effective rate or more**

IRS SECTION 280E - Controlled Substances Tax Code

Below is a simplified model that illustrates the tax structure for cannabis businesses compared to a normal businesses. In this scenario, the normal business's taxable income is \$150,000, while the cannabis business is taxed on \$350,000, despite having the same costs and expenses.

	Non-Cannabis Business	Cannabis Business
Gross Revenue	\$1,000,000	\$1,000,000
Cost of Goods Sold	\$650,000	\$650,000
Gross Income	\$350,000	\$350,000
Deductible Business Expenses	\$200,000	\$0
Taxable Income	\$150,000	\$350,000
Tax (30%)	\$45,000	\$105,000
Effective Tax Rate	30%	70%

A close-up photograph of a cannabis plant with green serrated leaves and a developing flower bud covered in trichomes. The image is slightly blurred and has a dark, moody tone.

CAPITALIZING ON THE ILLINOIS MARKET

- Penetrate the market through vertically-integrated craft grow operation
 - Combine dispensing and craft grow licenses
 - Capitalize on benefits from each license
 - Step 1: Utilize retail operation(s) to establish brand loyalty
 - Step 2: Acquire lucrative craft grow license(s)

QUESTIONS?

- E-MAIL

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