



Illinois Department of Commerce & Economic Opportunity

JB Pritzker, Governor

CANNABIS DIRECT FORGIVABLE LOAN PROGRAM ADULT-USE DISPENSING ORGANIZATIONS FAQs

Eligibility

Q: Who is eligible for the direct forgivable loan?

A: The eligibility criteria for a social equity program loan are set forth in the Cannabis Regulation and Tax Act (410 ILCS 705). Only Qualified Social Equity Dispensaries (as certified by the Illinois Department of Finance and Professional Regulation (IDFPR)) are eligible to participate in the direct forgivable loan program. An applicant is a qualified Social Equity Applicant if it meets the following criteria:

- Has been issued a Conditional Adult-Use Dispensary License (284.XXXXXX-CL) or Adult-Use Dispensary License (284.XXXXXX-AUDO) from the Illinois Department of Financial and Professional Regulation (IDFPR) through the license application round that closed January 1, 2020 and its Qualified Applicant Lottery (held July 29, 2021), Social Equity Justice Involved Lottery (held August 5, 2021), and Tied Applicant Lottery (held August 19, 2021) (including any of their corrective lotteries), and meets one of the following criteria:
- Has at least 51% ownership and control by one or more individuals who:
 - **Disproportionately Impacted Area (DIA) Residency Eligibility.**
 - (i) have resided for at least 5 of the preceding 10 years in a DIA; or
 - (ii) at the time of the Licensee's application for licensure, had a minimum of 51% ownership and control of the Licensee and had resided for 5 of the preceding 10 years in a DIA (**visit <https://dceo.illinois.gov/cannabisequity/disproportionateimpactedareamap.html> for a map of Disproportionately Impacted Areas**); or
 - **Criminal History Eligibility.** 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; or
 - **Member of Impacted Family Eligibility.** 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.
 - **Workforce Social Equity Criteria Eligibility.** Has more than 10 full-time employees, and more than half of those employees:
 - Currently reside in a Disproportionately Impacted Area (**visit <https://dceo.illinois.gov/cannabisequity/disproportionateimpactedareamap.html> for a map of Disproportionately Impacted Areas**); or
 - 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; or
 - 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.

Q: Can social equity dispensary licensees who were awarded a license through the July 13, 2023 social equity lottery apply for funding?

A: No, licensees who received a dispensary license during this window are ineligible to apply for this round of loan funding. DCEO is prioritizing support for licensees based on license issuance date and entry to the market by targeting those social equity licenses that were awarded prior to the recent social equity lottery. DCEO anticipates that additional funding opportunities will become available for all social equity dispensary licensees at a later date.

Q: If an applicant's owner(s) has filed for bankruptcy, is it going to disqualify the application?

A: Personal bankruptcy will not disqualify an applicant.

Q: Is there an income threshold for applicant eligibility for the loan?

A: No. While there is no income threshold to preclude an applicant's eligibility for the loan, priority will be given to those applicants who do meet social equity status (DIA Residency Eligibility, Criminal History Eligibility, Member of Impacted Family Eligibility), met the fee waiver, demonstrated financial need, and progression towards becoming operational.

Q: Are credit scores checked for the loan?

A: The Direct Forgivable Loan program does not require a credit check. However, DCEO will evaluate the financial resources of the applicant and its owners in selecting recipients for funding.

Q: What if you have an LLC with 51% meeting social equity criteria and others total 49%? Can you apply for the direct forgivable loan together?

A: As long as the applicant meets the criteria for a qualified social equity applicant and received a license through one of the application rounds prior to the July 2023 social equity lottery, the applicant is eligible to apply for a direct forgivable loan. In this specific case, if the majority ownership of the entity that seeks and obtains the cannabis license meets the social equity criteria, they will be eligible to participate in the loan program.

Q: Must I have applied for an Adult-Use Dispense License with the Illinois Department of Financial & Professional Regulation (IDFPR) to be eligible for a Direct Forgivable Loan from DCEO?

A: Yes, you must have applied for and subsequently been issued a Conditional Adult-Use Dispensary License (284.XXXXXX-CL) or Adult-Use Dispensary License (284.XXXXXX-AUDO) from the IDFPR through the license application round that closed January 1, 2020 and its Qualified Applicant Lottery (held July 29, 2021), Social Equity Justice Involved Lottery (held August 5, 2021), and Tied Applicant Lottery (held August 19, 2021) (including any of their corrective lotteries) as a social equity applicant to be eligible for the dispensary loan program at this time; and you must continue to meet social equity criteria to be eligible for a loan. We ultimately cannot issue a loan unless you have received a license.

Q: My business group owns multiple dispensary licenses. Can we apply for a loan for each license?

A: All licensed entities meeting the eligibility criteria may apply for a loan. If the number of eligible applications exceeds the number of loans available, DCEO will limit funding to one loan per affiliated business group. For the purposes of this application round, DCEO will consider two licensees to be affiliated if they have a common principal officer or if the business entities are otherwise connected through common ownership or control.

Selection for Funding

Q: How much funding is available?

A: DCEO is allocating approximately \$12 million to this round of the program. The size and number of loans to be issued depends on the number of eligible applications, but we anticipate providing approximately 40-50 loans with a principal amount of up to \$240,000.

Q: Will every applicant receive a loan, and how large will the loan be?

A: DCEO anticipates that the demand for loans will exceed the amount available, and funding will be prioritized for licensees that are nearing operational status and have demonstrated some financial need. Other prioritization criteria are explained below.

Q: How will DCEO select recipients of loans?

A: Funding will be prioritized for Qualified Social Equity Applicants that (1) continue to meet social equity criteria as described above, with a priority for those meeting the social equity justice-involved criteria, (2) met the fee waiver criteria as defined in [Section 7-20\(a\) of the Cannabis Regulation and Tax Act](#), (3) demonstrated financial need, and (4) progression towards becoming operational. Below is a table outlining how Round 2 loan funding will be prioritized based upon project stage. Priority will be given to applicants which meet prioritization levels 1 through 4:

AUDO Progress Towards Becoming Operational		
Social Equity Criteria	Project Stage	Prioritization
Ownership with DIA residency, arrest/conviction/adjudicated, or impacted family	Executed lease/purchase for dispensary location (with a right to occupy premises/title change prior to loan application date) and secured zoning approval, has initiated construction	1
	Executed lease/purchase for dispensary location (with a right to occupy premises/title change prior to loan application date) and secured zoning approval, has not initiated construction	2
	Submitted 15-36 application to IDFPR (request for final inspection)	3
	Issued AUDO License	4
Workforce Criteria	Executed lease/purchase for dispensary location (right to occupy premises/title change prior to loan application date) and secured zoning approval, has initiated construction	5
	Executed lease/purchase for dispensary location (right to occupy premises/title change prior to loan application date) and secured zoning approval, has not initiated construction	6
	Submitted 15-36 application to IDFPR (request for final inspection)	7
	Issued AUDO License (ready to open)	8

Within each prioritization category, DCEO will evaluate the financial resources of the applicant.

Q: If I haven't selected a location for my dispensary yet, or I haven't obtained zoning approval, can I apply for this round?

A: No, funding is limited to those licensees that have secured a physical location for their dispensary and have obtained zoning approval. You may be able to apply for a loan in a future funding round.

Q: I received a loan for one of my licensed cannabis business establishments (craft grower, infuser, or transporter) via Round 1 of the loan program. Am I eligible to receive a loan for my dispensary license via Round 2?

A: No. In the interest of being as equitable as possible, a parent, subsidiary, or affiliate of a business that received funding through the first round of the loan program is ineligible to receive a loan through this round of funding.

Supporting Documentation for Financial Review

Q: What documents must be submitted to be considered for Round 2 funding?

A: The application for funding will include the following components:

- (1) Loan Application Questionnaire and applicable supporting documentation
- (2) Employee Table
- (3) Ownership Table
- (4) Proposed Use of Funds Budget worksheet
- (5) Optional Demographic Disclosure Survey
- (6) Applicant Consent for Disclosure Between Agencies

Please note, the application also requires the submission of supporting documentation within the components listed above.

Q: I'm a principal officer with no ownership interest in the licensee. Am I required to submit three years of tax returns as part of the financial review?

A: DCEO requests the submission of tax returns by any Principal Officer with a financial interest in the cannabis business. A Principal Officer is defined as: (1) a cannabis business establishment applicant or licensed cannabis business establishment's board member; (2) an owner with more than 1% interest of the total cannabis business establishment or more than 5% interest of the total cannabis business establishment of a publicly traded company; (3) a president, vice president, secretary, treasurer, partner, officer, member, and manager member; (4) a person with a profit sharing, financial interest, or revenue sharing arrangement; (5) a person with authority to control the cannabis business establishment; or (6) a person who assumes responsibility for the debts of the cannabis business establishment.

If the Principal Officer meets one or more elements of this definition and has a financial interest in the business the Principal Officer must submit tax returns for the past three years.

Q: I was not required to file my taxes because I made less than \$5,000. My business partner did not file taxes because he was not employed. We qualify as social equity applicants. What can I submit if we do not have tax returns because of little to no income?

A: If an individual owner does not have tax returns due to unemployment or limited income earned for any of the 3 tax reporting years, the individual owner can submit a Zero Income affidavit. Keep in mind that applications will be denied if the social equity Principal Officer is delinquent in filing any required tax returns or in paying any amounts owed to the State of Illinois. Nonresidents who filed with the IRS and/or their state of residence may be requested to provide their federal or out-of-state returns.

Q: How do I write or find resources on how to write business plan?

A: The Department has found this resource site ([Write your business plan | U.S. Small Business Administration \(sba.gov\)](#)) from the SBA which contains info on how to successfully write a business plan.

Uses of Loan Funds

Q: What can DCEO direct forgivable loan dollars be used for?

A: Loan funds can be used to support the “ordinary and necessary expenses” of running a cannabis business, such as those expenses incurred in day-to-day operations that are appropriate and helpful to the success of the business. For example, loan funds can be used to pay for inventory, wages, rent, and other operational expenses customary for a cannabis business establishment. Loan funds may not be used on capital expenditures such as build-out of business space or license fees unless approved by DCEO. Borrowers may receive approval to use funds for build-out, but only after DCEO ensures the borrower understands any obligation to comply with the Prevailing Wage Act. The Prevailing Wage Act, if it applies to a borrower’s project, may require a borrower to pay above specific wage levels for certain contractors and subcontractors and submit additional records to DCEO or the Department of Labor.

Q: Can we use loan dollars to pay the required \$30,000 license renewal fee?

A: Yes, license renewal fees are an eligible use of loan funds.

Q: Can loan dollars be used for first inventory purchase?

A: Yes. Eligible expenditures include day-to-day operations of the cannabis business, which would include inventory purchases.

Q: I have multiple dispensary locations – can I apply for all locations?

A: Yes, you may apply for multiple locations, however you must submit a separate application for each dispensary location. You cannot submit one (1) single application for multiple locations.

Terms of the Loan

Q: What are the loan terms?

A: The forgivable loan has an initial 18-month grace period. During that period, no payments will become due, and interest will accrue or be payable. After the 18-month grace period, interest will accrue at 4%, and must be paid monthly over a 5-year term. The loan will mature 5 years after the end of the 18-month grace period (i.e., you have 6.5 years before you have to repay the loan principal).

Licenses may apply for loan forgiveness by submitting a forgiveness application demonstrating loan funds were used for eligible expenses during the loan period. Those expenses may include rent, payroll, utilities, inventory, debt, regulatory expenses, legal fees, equipment and much more. Up to two requests for forgiveness (e.g. document submission periods) may be submitted per calendar year. This includes seeking forgiveness prior to interest accrual. Other terms and conditions will be contained in a loan agreement to be provided upon approval for a loan.

Q: Is there a limit to how much funding I can request?

A: DCEO anticipates that the typical loan for cannabis dispensaries will be \$240,000 or less.

Loan Timeline

Q: What is the deadline for applying for a direct forgivable loan?

A: Qualified Social Equity Applicants who have a Conditional Adult-Use Dispensary License (284.XXXXX-CL) or Adult-Use Dispensary License (284.XXXXX-AUDO) from IDFPR will have until **Wednesday, April 17, 2024, at 5:00PM** to apply for loan funds. DCEO will review applications for completeness as they are received and will provide applicants an opportunity to correct any deficiencies.

Q: When will Round 3 be released?

A: While we do not have an exact release date, our goal is to announce the Round 3 application later this calendar year.

Disbursement

Q: If I am approved for a loan, when can I access the funds?

A: In order to access funds, a couple things must happen first. Successful applicants will be notified via email as soon as a loan determination is made. DCEO will then discuss terms and finalize a loan agreement with the applicant. Funds will be disbursed through the Comptroller's Office after the agreed closing date.

Q: Do I need to have a Cannabis bank account to receive a direct forgivable loan?

A: Yes, the Department recommends that a borrower have a bank account with a financial institution that has authorized that account to be used for your cannabis business. If a borrower has registered a non-cannabis banking account (i.e. an account with a financial institution that has not expressly consented to using that account for cannabis-related activities) with the Illinois Comptroller, the borrower will be solely responsible for any impairment or loss of the loan proceeds resulting from that financial institution freezing the loan account or taking other legal compliance-related action, and the opportunity for forgiveness of the loan may be lost if the loan proceeds are not recovered by the borrower.

Post-Disbursement

Q: What happens if I default on my loan?

A: DCEO understands that this is a high-risk industry and that there may be marketplace obstacles to near-term success (such as difficulties in obtaining zoning permits or supply shortfalls). DCEO is committed to working with Qualified Social Equity Applicants to become successful participants in the cannabis industry and will review events of default to determine what action is warranted. These remedies vary in severity based on what triggered the default. Terms relating to loan default will be set forth in the loan agreement.

Q: What sort of reporting will DCEO require from loan recipients?

A: DCEO will require regular (at least quarterly) reporting on the use of the loan proceeds, financial condition of the business, project implementation, hiring levels, economic output, and other necessary information to assess the condition of the borrower and compliance with the loan agreement.