Illinois
Department of Commerce
& Economic Opportunity
OFFICE OF ECONOMIC EQUITY & EMPOWERMENT
JB Pritzker, Governor

CANNABIS SOCIAL EQUITY DIRECT FORGIVABLE LOAN (DFL) PROGRAM
ROUND 3 AWARD FAQS

ELIGIBILITY

Q: Who was eligible to apply for Round 3 of the DFL Program?

A: Eligibility for the Direct Forgivable Loan Program is established under the Cannabis Regulation and Tax Act (410 ILCS 705). To be eligible, applicants must have been certified as a Qualified Social Equity Applicant and awarded a cannabis license by either the Illinois Department of Agriculture (IDOA) or the Illinois Department of Financial and Professional Regulation (IDFPR).

Eligible applicants include:

- IDOA Licensees (Craft Growers, Infusers, and Transporters)
- IDFPR Licensees (Adult-Use Dispensing Organizations)

All applicants were required to meet Social Equity Applicant criteria, including:

- At least 51% ownership and control by one or more individuals who meet one of the following:
    - Disproportionately Impacted Area (DIA) Residency
        - Resided in a DIA for at least five of the preceding 10 years
    - Criminal History Eligibility
        - Arrest, conviction, or adjudication for cannabis-related offenses eligible for expungement
    - Impacted Family Eligibility
        - Immediate family member with a qualifying cannabis-related offense
- **OR** Workforce Criteria
    - More than 10 full-time employees, with at least 51% of employees meeting one of the above Social Equity criteria

Additional requirements:

- IDOA licensees must be certified by IDOA as a Qualified Social Equity Applicant
- IDFPR licensees must be certified by IDFPR and hold a Conditional or Active Adult-Use Dispensing Organization License

Q: What constitutes a Social Equity Applicant?

A: A Social Equity Applicant is an applicant that is an Illinois resident and meets one of the following criteria:

- an applicant with at least 51% ownership and control by one or more individuals who:
    - have resided for at least five of the preceding 10 years in a DIA;
    - have been arrested for, convicted of, or adjudicated delinquent for any offense that is eligible for expungement under the CI Act; or
    - are members of an impacted family; or

- for applicants with a minimum of 10 full-time employees, an applicant with at least 51% of current employees who:
    - currently reside in a Disproportionately Impacted Area; or
    - have been arrested for, convicted of, or adjudicated delinquent for any offense that is eligible for expungement under the CI Act or member of an impacted family (410 ILCS 705/1-10).

Q: How did the Department evaluate DFL Round 3 applicants?
A: Funding decisions were based on an established evaluation and prioritization criteria. Applicants were required to meet Social Equity Applicant eligibility criteria and fee waiver requirements under Section 7-20(a) of the Cannabis Regulation and Tax Act.

Q: What constitutes a Qualified Social Equity Applicant?
A: A Qualified Social Equity Applicant means a Social Equity Applicant who has been awarded a conditional license under the Act to operate a Cannabis Business Establishment (410 ILCS 705/1-10).

Q: Were second-time borrowers eligible for funding under Round 3?
A: Yes. Second-time borrowers were considered for funding

APPROVALS

Q: What happens after I receive an approval letter?
A: Approved applicants will receive access to required loan documents and instructions to proceed with the next steps, including submission of required documentation and completion of loan materials.

Q: When will I receive funding?
A: Disbursement of funds will occur after all required documentation has been submitted, reviewed, and approved, and all program requirements have been met.

Q: What documents are required to move forward?
A: Required documents include, but may not be limited to, a completed W-9 form, IRS EIN Assignment Letter, loan agreement and note, proposed loan budget, and Secretary Certificate & Corporate Resolution.

Q: Where can I find the documents to move forward with processing my DFL Round 3 loan?
A: All necessary loan documents and instructions can be found in the OE3 DFL Borrower Resource Center.

Q: Can I begin submitting loan documents immediately?
A: Applicants should follow all instructions provided by the Department. Certain documents may not be submitted until prerequisite steps, such as W-9 submission and processing, are completed.

DENIALS

Q: Why was my application not selected for funding?
A: Applications were evaluated in accordance with the Department's established evaluation and prioritization criteria. Applications not selected for funding under Round 3 of the Direct Forgivable Loan Program did not meet one or more of the following requirements:

- Applicant did not qualify as a Social Equity Applicant as defined by the Cannabis Regulation and Tax Act (410 ILCS 705).
- Applicant had not been awarded a license by the Illinois Department of Agriculture (IDOA) or the Illinois Department of Financial and Professional Regulation (IDFPR) at the time of application submission.

- Applicant did not respond to the Department's request for required documentation within the specified timeframe, resulting in an incomplete application.
- Applicant did not meet the Department's published prioritization criteria.
- Applicant did not meet the minimum financial, managerial, and operational criteria required for funding approval.

Q: Can I appeal the decision?
A: No, loan funding decisions are final and are not subject to appeal.

Q: Can I submit additional information for reconsideration?
A: No. Applications were reviewed based on materials submitted prior to the application deadline, during the cure period, and in response to any subsequent requests made during the legal and financial review process.

Q: Does this mean I am not eligible for future funding?
A: No. Applicants are eligible to apply for future funding opportunities and are encouraged to apply again if additional rounds become available.

Q: Will I receive feedback on my application?
A: Due to the volume of applications received, the Department is unable to provide individualized feedback. However, denial letters include the rationale for the Department's decision.

Conditional Approval

Q: What does conditional approval mean?
A: Conditional approval indicates that an application has been approved for funding; however, further processing is contingent upon the resolution of outstanding requirements identified by the Department.

Q: When can I move forward with my loan?
A: Processing will resume once all outstanding items have been resolved to the Department's satisfaction.

Q: What happens if I do not resolve the outstanding issues?
A: Failure to resolve outstanding items may impact eligibility to receive funding under the conditional approval.

Use of Loan Funds

Q: What expenses are eligible for loan forgiveness?
A: Eligible expenses are outlined in the table below. Full guidance is provided in the Use of Cannabis Loan Funds Guidelines, and all expenses must align with program requirements.

Use of Cannabis Loan Funds Table	
Examples of Allowable Uses	
▪ Facility Costs	▪ Regulatory & Compliance Expenses
▪ Utilities	▪ Professional Services (i.e., accountants)
▪ Payroll (Non-Owner Personnel)	▪ License Renewal Fees
▪ Equipment, Materials, & Labor	▪ Transporter Vehicles (Purchase/Lease) – (Licensed Transporter Only)
▪ Purchase of Inventory & Supplies	▪ Approved Debt Obligations (See 11. Conditions: Debt must not exceed 10% of the approved loan amount).

▪ Employee Training	▪ Other Eligible Operating Expenses
Examples of Non-Allowable Uses	
▪ Owner Payments, Salaries, Distributions, Return on Capital	▪ Fines, Penalties, or Legal Violations
▪ Food & Entertainment	▪ Personal Debt or Personal Expenses
▪ Travel	▪ Purchase/lease of vehicles by non-Transporters
▪ Expenses for facilities outside of Illinois	▪ Taxes/Interest Expenses & Payments
Conditionally Allowable Uses of Loan Funds (Subject to Prior Approval)	
▪ Construction, Build-Out, and Tenant Improvements	

TERMS OF THE LOAN

Q: What are the loan terms?

A: The forgivable loan has an initial 18-month grace period. During the grace period, no payments are required, and interest does not accrue. Once the grace period passes, interest begins to accrue at 4% and shall be repaid monthly over a 5-year term. The loan will mature five years after the end of the 18-month grace period (i.e., you have 6.5 years before you must repay the loan principal). All outstanding principal and all accrued and unpaid interest shall be due, if not paid sooner, on the Maturity Date.

Limited forgiveness is available for businesses that spend the funds on eligible business purposes. With proper documentation of spend, the borrower may apply for, and the Lender forgive up to the principal balance of the loan. The borrower may apply for forgiveness at any time.

Accrued interest and principal payments made prior to forgiveness are not eligible for forgiveness. Forgiveness is not allowed on or after the Maturity Date or in the event of default.

Licensees may apply for loan forgiveness by submitting a forgiveness application demonstrating loan funds were used for eligible expenses during the loan period. 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.

One feature of the loan is to provide support for qualified social equity applicants. In the event a borrower transfers, sells, change of ownership, *et al.* its cannabis business license to an entity that does not meet the definition of social equity applicant within one year of the receiving loan forgiveness, the borrower shall pay to the lender an amount equal to the amount forgiven.

Q: What was the maximum loan amount awarded under the Direct Forgivable Loan Program (DFL)?

A: Maximum loan amounts under the DFL Program were established by license type as follows:

- Craft Growers: up to $750,000
- Infusers: up to $245,000
- Adult-Use Dispensing Organizations: up to $245,000
- Transporters: up to $50,000

Disbursement

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

A: Disbursement of funds occurs after completion of required steps, including W-9 processing, borrower setup, and execution of the loan agreement. The Department will work with the borrower to finalize loan terms and complete all required documentation. Once these steps are completed, funds will be disbursed through the Illinois Office of the Comptroller.

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

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 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: The Department 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). The Department 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 the Department require from loan recipients?

A: The Department will require 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.

General Information

Q: Was this a competitive process?

A: Yes. The Direct Forgivable Loan Program is a competitive funding process, and submission of an application does not guarantee funding.

Q: Why were there delays in announcing loan determinations?

A: This was the largest funding round to date, with more than four times the volume of previous rounds. The timeline was adjusted to allow for thorough coordination and review, ensuring that all applications were evaluated consistently and in alignment with program requirements prior to making final determinations.

Q: Will there be future funding opportunities?

A: Subject to funding availability, the Department will continue to implement programs and initiatives under the Cannabis Social Equity Program.