



## **SOCIAL EQUITY CANNABIS LOAN PROGRAM**

### **Q & A**

#### **Eligibility**

*Q: Who is eligible for the social equity loan?*

A: The eligibility criteria for a social equity program loan are set forth in the Cannabis Regulation and Tax Act (410 ILCS 705). A licensee is a Qualified Social Equity Applicant if it meets one of the following criteria:

- 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 ; or
  - Have been arrested for, convicted of, or adjudicated delinquent for cannabis-related offenses eligible for expungement by Public Act 101--0027, 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.
- Has more than 10 full-time employees, and at least 51% of employees:
  - Currently reside in a [Disproportionately Impacted Area](#); or
  - Have been arrested for, convicted of, or adjudicated delinquent for cannabis-related offenses eligible for expungement by [Public Act 101--0027](#), 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 by [Public Act 101-0027](#).

Although all Qualified Social Equity Applicants may be eligible to participate in the loan program, funding will be prioritized to those businesses that best demonstrate a need for funding and social equity status among a majority of its ownership.

*Q: If the applicant has filed for bankruptcy is it going to disqualify the application?*

A: Personal bankruptcy will not disqualify an applicant.

*Q: Do you need good credit to qualify for a loan?*

A: The Social Equity Cannabis loan program provides access to capital for those less likely to receive funds from traditional lenders.

*Q: Can I co-sign a social equity loan if I don't live in a Disproportionately Impacted Area, but my brother does and he is applying for a 51% ownership and I have 49% ownership?*

A: As long as the licensee meets the criteria for a qualified [social equity applicant](#), it is eligible to apply for a social equity loan.

*Q: What if you have a LLC with 51% social equity and others total 49%? Can you all together apply for the social equity loan?*

A: As long as the licensee meets the criteria for a [social equity applicant](#), it is eligible to apply for a social equity loan. In this specific case, if the majority ownership of the entity that seeks and obtains the cannabis license meets the social equity criteria then it will also be eligible to participate in the loan program.

*Q: Must I have received a license for Adult Use Dispensary License with the Illinois Department of Financial & Professional Regulation (IDFPR) or a Craft Grower, Infuser, or Transporter license with the Illinois Department of Agriculture (IDOA) to be eligible for a Cannabis Loan from DCEO?*

A: Yes, you must have received a **dispensary, craft grower, infuser, or transporter license as an SEA** to be eligible for the loan program at this time.

## Documentation Requested

*Q: Part of the documentation requested includes the past three years tax returns for the Licensee and each individual invested in the business. Does this apply to Principal Officers who have no percentage of ownership in the entity seeking a license? For example, if I'm part of an entity seeking a license that includes ten principal officers but only five of these officers have ownership, will all ten of us have to provide five years of tax returns or just the five with percentage of ownership?*

A: DCEO requests the tax returns of the Licensee and each individual with a financial interest in the cannabis business, including principal officers. This information would have been included in your license application. A principal officer is defined as: (1) a cannabis business establishment applicant or licensed cannabis business establishment's board members; (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 (see definition of "principal officer" at 410 ILCS 705/1-10).

*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 due to little to no income?*

A: If a principal officer does not have tax returns due to unemployment or limited income earned any of the 3 tax reporting years the principal officer 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 other state returns.

## Uses of Loan Funds

*Q: What can DCEO social equity loan funds 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 construction, but only after DCEO ensures the borrower understands any obligation to comply with the Prevailing Wage Act and similar state laws. 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 the Illinois Department of Labor.

*Q: If granted a license can we use loan money to pay the required licensing fee?*

A: License fees are not an eligible use of loan funds unless approved by DCEO. If your license is not issued until you pay the entire fee, you cannot use loan funds to pay that fee because we can only lend once you have your license.

*Q: Can equity loan be used for first inventory purchase?*

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

## Terms of the Loan

*Q: What will the loan terms be?*

A: The loan agreement will have a variety of terms required by law or to ensure stewardship of public funds. While we anticipate that most loans will have 5-year repayment terms with no initial payments immediately due, DCEO and its loan partners will negotiate the funding terms based on borrower need, market conditions, and the availability of funding, among other criteria.

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

A: There is no limit on the loan size that an applicant can request. DCEO anticipates that the typical loan for cannabis dispensaries and infusers will not exceed \$250,000-\$500,000, loans to transporters will not exceed \$50,000-\$100,000, and loans to craft growers will not exceed \$500,000-\$1,000,000. However, DCEO will make final loan amount decisions on a case by case basis.

*Q: What is the interest rate on the loans DCEO will offer?*

A: DCEO and its lender partners will offer interest rates below 10%, which is well below the market rate for cannabis industry loans.

## Loan Timeline

*Q: What is the deadline for applying for a social equity loan?*

A: The Social Equity Cannabis Loan Intake form (<https://app.smartsheet.com/b/form/3fceed72e9ce489fb244d81a695fe8d9>) is now available for licensees who received a dispensary license, craft grower, infuser, and/or transporter license. Application deadlines will be posted on our website.

- If you received a conditional approval letter, DCEO will reach out to you in the coming days to discuss whether any additional information is required at this time before referring you to one of the lender partners.

## Disbursement

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

A: Successful applicants will receive a program approval notification as soon as a decision is made. Once a cannabis license is awarded, DCEO and its lender partners will negotiate terms and finalize a loan agreement with the applicant.

## 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 and its partners are committed to working with Qualified Social Equity Applicants to become successful participants in the cannabis industry and will review events of default to determine whether forbearance would be likely to assist the borrower in becoming successful. As stewards of public funds, DCEO may require the loan to be by personal guarantees of the borrower's principal officers, or other commercially reasonable terms that will help mitigate losses and recover funds for future borrowers. Specific collateral and default terms will be determined on a borrower basis.

*Q: What sort of reporting will be required by DCEO for 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 information necessary to assess the condition of the borrower and compliance with the loan agreement.