

2022 ANNUAL CANNABIS REPORT

Illinois Department of Commerce
and Economic Opportunity



| Office of Minority Economic Empowerment

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SUMMARY

“We are excited to understand that the DCEO has heard the voice of our company and other minority organizations in the cannabis space regarding their concerns for the need of more Equity, Diversity and Inclusion for cannabis funding in Illinois—”

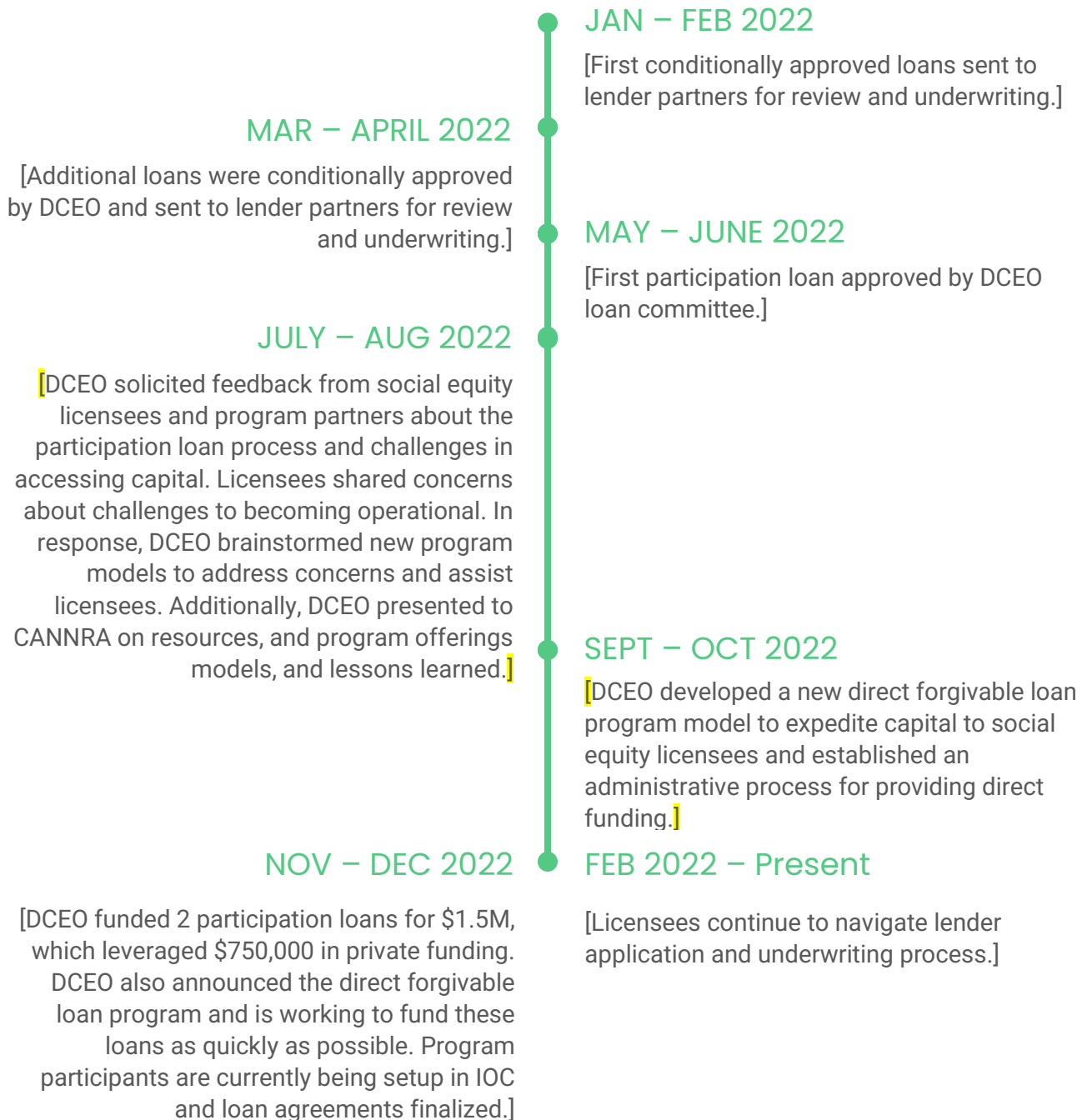
The Department of Commerce and Economic Opportunity (DCEO or the Department) is responsible for two main facets of the State of Illinois Cannabis Program: Technical Assistance and Social Equity Loan Programs.

DCEO manages its network of technical assistance partners to provide accessible support and guidance to interested social equity applicants and new licensees. Technical assistance has proved critical for ensuring equitable representation of small and diverse businesses and entrepreneurs in the emerging cannabis industry and in navigating the deficiency notice process. Our TA partners offered webinars (IDOA scoring exhibits, IDOA non-scoring exhibits, and even IDFPR deficiency notices) and prepared toolkits for each deficiency round to assist Social Equity Applicants (SEAs) in navigating the application and implementation process. As a result of the technical assistance offered by DCEO, hundreds of prospective business owners/entrepreneurs interested in owning a cannabis business, in addition to newly licensed Cannabis Business Establishments (CBEs), received much-needed support services this year.

Through our Social Equity Loan Programs, the Department currently operates a Participation Loan Program and a newly created Direct-Forgivable Loan Program. To support the Participation Loan Program, DCEO has two loan partnership agreements with private lenders to enhance the amount of funding available to licensees for flexible low-interest loans to social equity licensees. Round one of the Cannabis Social Equity Loan Program provided an application window from July 15, 2021 through September 30th, 2021. We are currently working with ten (10) Craft grow businesses, twelve (12) Infuser businesses, and fifteen (15) transporter businesses on loan funding. Program participants have encountered significant delays in receiving capital through financial institutions due to the complexities of navigating a new industry that remains illegal under federal law, as well as institutions' fiduciary responsibilities, regulatory requirements, and underwriting standards that are set independent of the program. To date, two loans totaling \$1.5 million in funding (of which \$1 million is Department funding) have been funded through the Participation Loan Program to one craft grower and one infuser. An additional \$3,050,000 is contractually committed to support loans totaling \$5,100,000; these loans are for licensees that are in the process of negotiating final terms with lenders.

In November 2022, the Department leveraged its limited financial resources to offer a direct forgivable loan program to provide immediate capital to social equity licensees. The original loan program's structure was modified after hearing from countless licensees about setbacks and delays to become operational. This program was created as a result of program participants sharing their inability to secure necessary financing (loans or investment) from other sources and that the only means to obtain financial support would require selling off large shares of their companies. These participants have also indicated that they have accumulated significant debt while waiting for financial assistance. As a result of this feedback, the Department created the direct forgivable loan program which will increase funding available for conditionally approved applicants in the pending participation loan round and be responsive to the immediate financial needs of licensees. This program will help borrowers dig out from some of the (often personal) debt they've incurred trying to become operational without external financial support. Since its release, the Department has received positive feedback from licensees regarding the program.

CY2022 ACCOMPLISHMENTS



FY2023 GOALS

Summary

- Deploy funding to craft grow, infuser, and transporter licensees through our participation and forgivable loan programs
- Amend rules to simplify application process
- Execute first round of Direct-Forgivable loans
- Launch loan application round two for dispensary social equity licensees
- Re-NOFO Technical Assistance program, pursue program changes to target legal and financial services
- Pursue reforms to CRTA to better support social equity licensees and ancillary social equity businesses

IDCEO FY2023 Goals

1. Deploy over \$30 million in financial support
2. Expand TA services to provide more support to post-license phase including legal support
3. Revamp loan program via legislative reforms, increase collaboration with private lenders

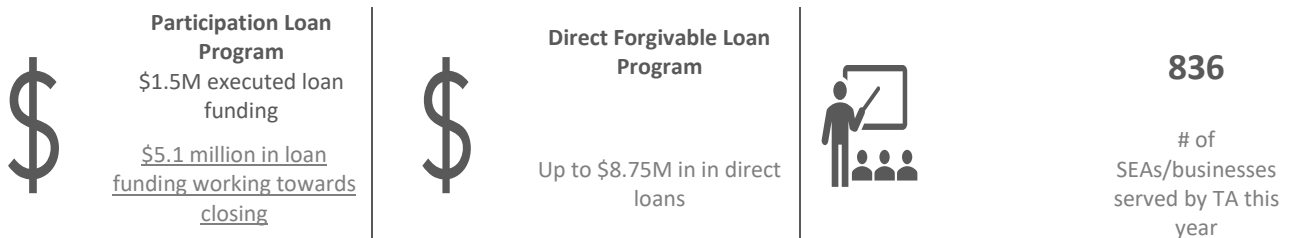
IDCEO FY2023 Essential Projects

1. Release another TA Program
2. Loan Programs: direct - forgivable and co-lending
3. Work with legislature to allow support for ancillary businesses
4. Develop legal assistance support network

IDCEO FY2023 Metrics

For the original loan program, of 37 social equity licensees, 2 loans have closed and funded for \$1.5M, 8 are approved and moving towards closing for \$5.1M, 20 continue lender application and underwriting process (expected to conclude by mid-February 2023); and 7 have not been responsive to lender requests for information.

For direct forgivable loan program, 34 of 37 eligible licensees have expressed an interest in participating for a total of \$7.85M. Through DCEO's technical assistance network, 836 social equity applicants and/or businesses received services.



KEY DATA POINTS

Technical Assistance Providers

DCEO manages a support network made up of community-based organizations and education institutions that develop and implement technical assistance programs including virtual events, videos, e-books and workshops to assist social equity applicants in their quest to procure and retain a cannabis business license in Illinois. This technical assistance is critical for ensuring equitable representation of small and diverse businesses and entrepreneurs in the emerging cannabis industry.

DCEO is currently assessing strengths and gaps in the existing technical assistance network to launch the next NOFO that will focus on ensuring targeted support to high need communities.

- Areas of service will include legal services, tax planning and compliance training, as well as continued pre- and post-license services.
- TA will be targeted to ensure providers work in high need communities.

| Technical Assistance Provider | Description of Services Provided | Contact Information or Website |
|---|---|---|
| UIC Law School (IGA ended September 20, 2022) | Legal Services, Advising | https://law.uic.edu/experiential-education/clinics/community-enterprise/special-projects/illinois-social-equity-cannabis-initiative/ |
| WBDC (Grant services concluded August 30, 2022) | Supplemental on-line education | https://wbdc.org/about-us/wbdc-information/ |
| The Trep School (ongoing) | Legal Education and Consulting | CannaTrep – Advancing Social Equity in the Cannabis Industry |
| Oakton Community College (ongoing) | Credit courses and Certificate programs | https://catalog.oakton.edu/career-programs-pathways/cannabis-studies/ |

PARTICIPATION LOAN PROGRAM

10
craft growers qualified to receive a loan in FY2022

12
infusers qualified to receive a loan in FY2022

15
transporters qualified to receive a loan in FY2022

Loans provided by DCEO are offered exclusively to Social Equity Applicants. Under the CRTA, a Social Equity Applicant is an applicant that is an Illinois resident that meets at least one of the following criteria:

- 1. Historical DIA Resident:** An 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;
- 2. Justice-Involved:** An 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.
- 3. Employment:** 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 this Act or member of an impacted family.

12 businesses who have applied for the loan program are located in the city of Chicago. Other cities include those in Central Illinois such as Peoria, Champaign, and Springfield. 22 separate cities are the principal places of these businesses. 31 separate zip codes are represented.

Participation Loans Issued to Social Equity Applicants

\$1,500,000.00
in loans issued in CY2022

2
cannabis businesses awarded loans in CY2022

To date, two loans totaling \$1.5 million in funding (of which \$1 million is Department funding) have been funded through the Participation Loan Program to one craft grower and one infuser. Eight additional loans (three craft growers, four infusers, and one transporter), totaling \$5.1 million, are in the approval pipeline and working towards close.

Direct Forgivable Loan Issued to Social Equity Applicants

For direct forgivable loan program, 34 of 37 eligible licensees have expressed an interest in participating for a total of \$7.85M.

***\$7,850,000.00**
expected loans issued in CY23

***34**
Eligible social equity licensees expected loans in
CY2023
*this number can fluctuate based upon licensee participation

FUNDING USAGE

Summary

Administrative Funds

\$220,452.65

0912 - appropriation balance as of December 31, 2022

Cannabis Business Development Fund (Loans & Grants)

\$35,108,038.53

0898 - appropriation balance as of December 31, 2022

CY2022 Expenditures

CY22 Fund 0912 DCEO Expenditures



- 1120 REGULAR POSITIONS
- 1161 STATE EMPLOYEE RETIREMENT
- 1170 SOC SEC/MEDICARE CONTRIBUTIONS
- 1180 EMPLOYER CONTRB GRP INSURANCE

CY22 Fund 0898 DCEO Expenditures



- 1245 PROFESSIONAL/ARTISTIC SERV NEC
- 4476 EDUCATION GRANTS, HIGHER ED.
- 4480 GRANTS TO NON-PROFIT ORGS
- 4489 NONTAXABLE GRANTS/AWARDS NEC