



IDFPR

Illinois Department of Financial and Professional Regulation

Division of Professional Regulation

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Change of Ownership Guidance

This guidance clarifies the process for the holder of a current license for an adult use or medical dispensary to obtain Department approval for any proposed changes to its ownership structure. Please note, the Department may request additional documents beyond those identified below if necessary to review the change of ownership request. It is the responsibility of the applicants to provide any documents which may be relevant or necessary.

To begin the submission process, please email a completed [Change of Ownership / Management Service Agreement Authorization Form](#) to FPR.CannabisBusiness@illinois.gov. Once the Department confirms that the Form has been completed correctly, the Department will provide an upload link to the named Authorized Representative for the Buyer. In order to process requests in an efficient and timely manner, the Department requests that you submit the following information/documents in **PDF format, with each exhibit saved in a separate and easily-identifiable manner** (e.g., *Exhibit 1- Table of Contents; Exhibit 2- Transaction Narrative, Exhibit 3- Transaction Agreement, etc.*)

Relevant Documents

1. A completed [Change of Ownership / Management Service Agreement Authorization Form](#);
2. A Table of Contents identifying each of the submitted exhibits, including brief descriptions of the documents if necessary;
3. A written narrative of the proposed transaction, including all impacted adult use and medical dispensary license numbers, the current ownership structure of each the impacted license(s), the nature of the proposed transaction, and the proposed end result of the new ownership structure;
4. An example of the proposed transaction that demonstrates the pre-transaction structure, the transaction, and the post-change structure, see example [here](#);
5. Purchase/Transaction Agreement, which specifically identifies that it is contingent upon Department's approval, and includes the expected transaction date;
6. Copy of the Operating Agreement of the entity that will hold the license(s) if the transaction is approved;
7. Copy of the Articles of Incorporation;
8. A letter of good standing for the proposed new license or registration holder's non-Illinois licensed dispensaries and/or cultivators;
9. Post-transaction ownership structure, including a proposed Table of Organization, Ownership and Control identifying the ownership structure after completion of the transaction. [The Table of Organization, Ownership and Control](#) should identify all intended future principal officers and

Business Entities that through direct or indirect means, will manage, own or control the interests and assets of the license or registration holder. If the business entities have boards, include all board members on this chart. The Table of Organization, Ownership and Control should also identify the following information:

- a) The proposed new management structure including i) name of each Business Entity; ii) the office or position held by each individual; and iii) the percentage ownership interest of each individual and Business Entity. If the Business Entity has a parent company, the name of each parent company's principal officer(s) and the percentage ownership interest.
 - b) All Business Entities identified in the table must identify each individual's title and ownership share, regardless of whether they meet the definition of a "Principal Officer."
 - c) If a Business Entity identified in the table is a publicly traded company, the following information shall be provided in the Table of Organization, Ownership and Control:
 - i) The name and percentage of ownership interest of each individual or Business Entity with ownership of more than 5 percent of the voting shares of the entity, to the extent such information is known or contained in 13D or 13G Securities and Exchange Commission filings.
 - ii) To the extent known, the names and percentage of interest of ownership of persons who are relatives of one another and who together exercise control over or own more than 10 percent of the voting shares of the entity.
10. Principal officer applications, including required addenda, for each proposed principal officer to be added to the licensed adult use or medical dispensary. The application for an [adult use principal officer application is available here](#), and the application for a [medical principal officer application is available here](#). Additionally, all proposed principal officers must submit the [fingerprint consent form](#). **Note: Fingerprints taken in connection with these forms must be taken within 30 days of submitting the application.**
 11. Any other relevant financial disclosures, including any guarantor agreements;
 12. Updated dispensary registration materials if any, i.e. amended policies and procedures and operational requirements identified in [Section 15-65 and Section 15-70 of the CRTA](#);
 13. Document indicating a dispensary name change, if any. This may be demonstrated by a dispensary name (DBA) registration from the Illinois Secretary of State;
 14. Resignation letters from the current principal officers. Resignations can be effective as of the transaction date or end of transition date;
 15. Federal Tax ID issuance letter from the IRS for any entities holding ownership of the licenses after the transfer; and
 16. For each entity holding ownership of the licenses after the transfer, name, title address, email address and telephone number for the following:
 - a) Post-transaction dispensary's primary and alternate contacts.
 - b) Post-transaction dispensary's BioTrack THC contact.

Once the Department receives all of the required information, the Department will notify the license holder that the change of ownership request is under review. The Department may request additional documentation or clarification if necessary.

Relevant Guidance

1. One of the guiding principals of the Cannabis Regulation and Tax Act (CRTA) is that cannabis business entities are prohibited from shielding their ownership structures from the Department. “A dispensing organization shall not shield its ownership or control from the Department.” 410 ILCS 705/15-50(d). Because of the prohibition against shielding ownership structures, the Department may request licensees and applicants provide documents beyond those identified above in order to complete its review.

2. The CRTA defines principal officer as:

"Principal officer" includes a cannabis business establishment applicant or licensed cannabis business establishment's board member, 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, president, vice president, secretary, treasurer, partner, officer, member, manager member, or person with a profit sharing, financial interest, or revenue sharing arrangement. The definition includes a person with authority to control the cannabis business establishment, a person who assumes responsibility for the debts of the cannabis business establishment and who is further defined in this Act.

3. The Department has stated that the following must register as principal officers:

“Each proposed principal officer must submit an Application for Proposed Principal Officer of an Adult Use Dispensing Organization form and be fingerprinted. 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. 410 ILCS 710/1-10. However, all parties with any ownership, control, or financial interest in the applicant must be disclosed in Exhibit C, unless such financial interest is via ownership of stock in a publicly traded company that does not exceed 5% of the total shares of stock.”

See Department’s FAQs issued November 1, 2019, available [here](#).

4. The Department has issued guidance on the definition of financial interest:

“Financial interest” means any actual or future right to ownership, investment or compensation arrangement, either directly or indirectly, through business, investment, spouse, parent or child, in the dispensing organization. Financial interest does not include ownership of investment securities in a publicly- held corporation that is traded on a national securities exchange or over-the-counter market in the United States, provided the investment securities held by the person

and the person's spouse, parent or child, in the aggregate, do not exceed five percent ownership in the publicly traded entity.

See Department's FAQs issued November 1, 2019, available [here](#).

5. The CRTA provides the following parameters for changes to a dispensing organization:

Sec. 15-60. Changes to a dispensing organization.

(a) A license shall be issued to the specific dispensing organization identified on the application and for the specific location proposed. The license is valid only as designated on the license and for the location for which it is issued.

(b) A dispensing organization may only add principal officers after being approved by the Department.

(c) A dispensing organization shall provide written notice of the removal of a principal officer within 5 business days after removal. The notice shall include the written agreement of the principal officer being removed, unless otherwise approved by the Department, and allocation of ownership shares after removal in an updated ownership chart.

(d) A dispensing organization shall provide a written request to the Department for the addition of principal officers. A dispensing organization shall submit proposed principal officer applications on forms approved by the Department.

(e) All proposed new principal officers shall be subject to the requirements of this Act, this Article, and any rules that may be adopted pursuant to this Act.

(f) The Department may prohibit the addition of a principal officer to a dispensing organization for failure to comply with this Act, this Article, and any rules that may be adopted pursuant to this Act.

(g) A dispensing organization may not assign a license.

(h) A dispensing organization may not transfer a license without prior Department approval. Such approval may be withheld if the person to whom the license is being transferred does not commit to the same or a similar community engagement plan provided as part of the dispensing organization's application under paragraph (18) of subsection (d) of Section 15-25, and such transferee's license shall be conditional upon that commitment.

(i) With the addition or removal of principal officers, the Department will review the ownership structure to determine whether the change in ownership has had the effect of a transfer of the license. The dispensing organization shall supply all ownership documents requested by the Department.

(j) A dispensing organization may apply to the Department to approve a sale of the dispensing organization. A request to sell the dispensing organization must be on application forms provided by the Department. A request for an approval to sell a dispensing organization must comply with the following:

(1) New application materials shall comply with this Act and any rules that may be adopted pursuant to this Act;

(2) Application materials shall include a change of ownership fee of \$5,000 to be deposited into the Cannabis Regulation Fund;

(3) The application materials shall provide proof that the transfer of ownership will not have the effect of granting any of the owners or principal officers direct or indirect ownership or control of more than 10 adult use dispensing organization licenses;

(4) New principal officers shall each complete the proposed new principal officer application;

(5) If the Department approves the application materials and proposed new principal officer applications, it will perform an inspection before approving the sale and issuing the dispensing organization license;

(6) If a new license is approved, the Department will issue a new license number and certificate to the new dispensing organization.

(k) The dispensing organization shall provide the Department with the personal information for all new dispensing organizations agents as required in this Article and all new dispensing organization agents shall be subject to the requirements of this Article. A dispensing organization agent must obtain an agent identification card from the Department before beginning work at a dispensary.

(l) Before remodeling, expansion, reduction, or other physical, noncosmetic alteration of a dispensary, the dispensing organization must notify the Department and confirm the alterations are in compliance with this Act and any rules that may be adopted pursuant to this Act.

(Source: P.A. 101-27, eff. 6-25-19.)

FAQ (Updated December, 2021)

Q: What is a change of ownership?

A: The Department will determine whether a transaction is a change of ownership requiring the Department's approval depending on the specific circumstances of the transaction. Licensees seeking an organizational restructuring should contact the Department about whether prior approval is required.

Q: How long will the Department's review of the materials take?

A: The timeline of review varies based on the complexity of the transaction and how many other transactions are being reviewed ahead of your request.

Q: What are the fees involved for changes of ownership/transfers of licenses?

A: Pursuant to Section 15-60(j)(2), the fee for a change of ownership of an adult use license is \$5,000, to be deposited into the Cannabis Regulation Fund. There is no fee for the change or transfer of a medical registration. Each time an adult use license changes or transfers its ownership, the Department requires a fee of \$5,000. For example, if Holding Company A acquires Company B's adult use license and associated medical registration, and then Company A, Inc. acquires the adult use license and associated medical registration, the total fee required is \$10,000 (\$5,000 for Holding Company A's acquisition of the adult use license, \$0 for the associated medical registration, \$5,000 for Company A, Inc.'s acquisition of the adult use license, and \$0 for the associated medical registration). The Department will notify the parties involved of the fees required when it is ready to approve the transaction.

Q: Does this guidance apply to any Conditional Adult Use Dispensing Organization Licenses which may be issued as a result of the Qualifying Applicant Lottery, the Social Equity Justice Involved Lottery, or the Tied Applicant Lottery, conducted in July and August of 2021?

A: No. This guidance applies to Adult Use Dispensing Organization Licenses issued under Section 15-36 of the CRTA, Early Approval Adult Use Dispensing Organization Licenses issued under Section 15-15 of the CRTA (same sites) and Early Approval Adult Use Dispensing Organization Licenses issued under Section 15-20 of the CRTA (secondary sites), and all Medical Cannabis Registrations issued pursuant to the Compassionate Use of Medical Cannabis Program Act.