**Section 1291.213 Exceptions to the Change of Ownership Request Requirement**

The Department will consider the following to not be a change of ownership or sale or transfer of a dispensing organization license:

a) Death, Incapacity, and Receivership of a Principal Officer. The death, incapacity, or receivership of a principal officer may not result in the change of ownership or sale or transfer of the licenses for fee purposes, however; the dispensing organization shall notify the Department of the affected principal officer within 10 business days of that principal officer's triggering event. The dispensing organization shall provide the Department any updated necessary policies and procedures, Tables of Organization, Ownership, and Control, and any other documents the Department may require related to the change of ownership event.

b) Conversion. A dispensing organization may combine with or convert, including, but not limited to, under the Entity Omnibus Act [805 ILCS 415], for the exclusive purpose of changing its entity jurisdiction to one of the states or territories of the United States or the District of Columbia, its entity type or change the legal name of an entity without filing a change of ownership or sale or transfer of a license request. This exception applies only if the principal officers' interests will remain the same after the combination, conversion, or change of legal name, and there will not be any new principal officers (individuals or entities). Within 14 calendar days of the combination, conversion, or change of legal name the dispensing organization must submit the following to the Department:

1) A copy of the transaction documents;

2) A copy of any documents submitted to the Illinois Secretary of State;

3) A copy of any document submitted to the Secretary of State or similar regulator of another state if the entity is organized under the laws of a state of the United States other than Illinois, a territory of the United States, or the District of Columbia;

4) Identification of the dispensing organization's or principal owners' registered agents; and

5) Identification of any principal officer for which disclosure is required by Section 1-10 of Act and 68 Ill. Adm. Code 1291.10.

c) Reallocation of Owner's Interests Among Remaining Principal Officers. A dispensing organization may reallocate the ownership interests among existing principal officers if it provides notification of the reallocation to the Department and there are no new principal officers, or the reallocation does not otherwise result in a change of ownership or sale or transfer of the license pursuant to Section 1291.210. A reallocation must meet the following requirements:

1) The interests being reallocated results in a change of less than 51% of the ownership structure of the dispensing organization;

2) All interests are reallocated to other existing principal officers;

3) Only consensual reallocations where all principal officers whose ownership percentages will change agree to the reallocation. Proof that the transfer was consensual may include that it was done in accordance with any bylaws, membership agreement, or other similar business entity documents agreed to by the owners or per affirmation.

4) If any principal officer will not hold any interest or remain a principal officer in a dispensing organization following the reallocation, that principal officer shall return their dispensing organization agent ID card to the Department in accordance with Section 15-40(d) of the Act; and

5) All principal officers remain responsible for all actions of the dispensing organization while they were a principal officer and are subject to administrative action based on the same regardless of the reallocation.

d) Dissolution of Intermediary Companies. The dissolution of any intermediary companies of a licensee shall not be considered a change of ownership or sale or transfer of a license so long as the ultimate parent company of the license holding entity or entities remains the same, the ownership percentages of the existing principal officers remain the same, and no new intermediary companies or principal officers are added to the existing ownership structure. If any holding companies of a dispensing organization are dissolved, the licensee shall submit an updated Table of Organization, Ownership, and Control to the Department for the Department's approval prior to any change taking effect.

e) Addition of Intermediary Companies. The addition of any intermediary companies of a licensee shall not be considered a change of ownership or sale or transfer of a license so long as the ultimate parent company of the license holding entity or entities remains the same, the ownership percentages of the existing principal officers remain the same, and no new principal officers are added to the existing ownership structure. If any holding companies are added to the ownership structure of a dispensing organization, the licensee shall submit an updated Table of Organization, Ownership, and Control to the Department for the Department's approval prior to any change taking affect.

f) Change of Executive Officer or Member of the Board of Directors. A change of ownership or sale or transfer of a license application is not required for the removal or addition of an executive officer or member of the board of directors of a dispensing organization so long as the change does not otherwise qualify as a change of ownership or sale or transfer of a license as outline in Section 1291.210. However, the addition of an executive officer or member of the board of directors must be approved by the Department as a principal officer in accordance with Section 15-60(b) of the Act prior to any change taking effect.

g) A Consultant or Conditional Management Service Agreement ("CMSA") or Other Similar Agreement That Is Executed Pursuant to Section 1291.214. If a CMSA or similar agreement is submitted for review with terms that are not substantially similar to those outlined in Section 1291.214, the agreement or contract will be considered a change of ownership or sale or transfer of a license pursuant to Section 1291.210 and must proceed through the process outlined in Section 1291.211.

(Source: Added at 48 Ill. Reg. 13377, effective August 20, 2024)