**Section 1291.214 Consultant and Conditional Management Service Agreements Exception**

a) Pursuant to this Section, a dispensing organization or conditional licensee and a management services contractor may contract for a consultant or Conditional Management Service Agreement ("CMSA") that does not qualify as a change of ownership or sale or transfer of a license under Section 1291.210 such that any contractors are required to register as a principal officer of the underlying licenses.

b) Services provided under a CMSA may include, but are not limited to, management or supervision, operations, technical assistance, consulting, hiring employees, accounting, recordkeeping, leasing of equipment or real or intellectual property, and provision of goods or materials.

c) A CMSA is prohibited from being sold, assigned, or otherwise transferred to a third-party.

d) Prior to the execution of any CMSA submitted pursuant to this Section, a dispensing organization or conditional licensee shall submit to the Department:

1) A third-party authorization form;

2) A copy of the CMSA and any related agreements between the parties; and

3) The operating agreement of the management services contractor.

e) Dispensing organizations and conditional licensees must get approval from the Department prior to execution of a CMSA.

f) Dispensing organizations and conditional licensees must obtain approval from the Department prior to making any material changes to a CMSA. Prior to any material change to a CMSA, the dispensing organization or conditional licensee must submit to the Department, a copy of any proposed material changes to the Management Services Agreement and any related agreements between the parties, any proposed material changes to information detailing any renumeration paid, or to be paid, to the management services contractor by the dispensing organization; and any proposed material changes to any previously required submissions.

g) A CMSA must clearly identify the licenses it applies to and contain the following provisions to be approved by the Department in order to qualify for this exception:

1) The terms of the CMSA shall include a single, fixed fee and are prohibited from including percentage-based commissions, profit-sharing, or interest rates;

2) A CMSA shall acknowledge that the management services contractor and its owners, principals, and staff who are engaged, directly or indirectly, in operating the cannabis business, are supervised in those operations by the dispensing organization and its principal officers;

3) A CMSA shall acknowledge that the management services contractor and its owners, principals, and staff do not have a security interest in the conditional license;

4) A CMSA shall acknowledge that the management services contractor and its owners, principals, and staff do not have an ownership interest or any right, including a future or contingent right, to obtain any ownership interest in the dispensing organization or conditional license; and

5) A CMSA for a Conditional Licensee shall automatically terminate upon the Conditional Licensee being issued its 15-36 License. The term of the CMSA for a 15-36 Licensee shall not exceed five years.

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