

Second Regular Session
Seventy-first General Assembly
STATE OF COLORADO

REREVISED

*This Version Includes All Amendments
Adopted in the Second House*

LLS NO. 18-0325.01 Michael Dohr x4347

HOUSE BILL 18-1011

HOUSE SPONSORSHIP

Pabon and Van Winkle,

SENATE SPONSORSHIP

Neville T. and Jahn,

House Committees

Finance
Appropriations

Senate Committees

Finance
Appropriations

A BILL FOR AN ACT

101 **CONCERNING MEASURES TO ALLOW GREATER INVESTMENT**
102 **FLEXIBILITY IN MARIJUANA BUSINESSES, AND, IN CONNECTION**
103 **THEREWITH, MAKING AN APPROPRIATION.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov>.)

The bill redefines the terms "direct beneficial interest" and "permitted economic interest" so that only those who own more than 5% of the shares of stock in a marijuana business have to go through the disclosure and background investigations. The bill repeals the provisions that require limited passive investors to go through an initial background

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

SENATE
3rd Reading Unamended
May 8, 2018

SENATE
Amended 2nd Reading
May 7, 2018

HOUSE
Amended 3rd Reading
May 1, 2018

HOUSE
Amended 2nd Reading
April 30, 2018

HOUSE
Amended 2nd Reading
April 19, 2018

check. The bill repeals the provisions that limit the number of out-of-state direct beneficial owners to 15 persons. The bill repeals the provision that prohibits publicly traded entities from holding a marijuana license.

The bill states that, when the marijuana state licensing authority adopts rules related to ownership by and licensing of publicly traded companies, the rules must be substantively identical to the gaming commission rules for ownership by and licensing of publicly traded companies.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** In Colorado Revised Statutes, 12-43.3-104, **amend**
3 (1), (1.3), (1.7), (7.5), and (13); **repeal** (12.4) and (14.3); and **add** (1.1),
4 (1.2), (1.4), (7.3), (12.1), (14.2), and (17) as follows:

5 **12-43.3-104. Definitions.** As used in this article 43.3, unless the
6 context otherwise requires:

7 (1) ~~"Direct beneficial interest owner" means a person or closely~~
8 ~~held business entity that owns a share or shares of stock in a licensed~~
9 ~~medical marijuana business, including the officers, directors, managing~~
10 ~~members, or partners of the licensed medical marijuana business or~~
11 ~~closely held business entity, or a qualified limited passive investor~~
12 "AFFILIATE" OF, OR PERSON "AFFILIATED WITH", A SPECIFIED PERSON
13 MEANS A PERSON THAT DIRECTLY, OR INDIRECTLY THROUGH ONE OR MORE
14 INTERMEDIARIES, CONTROLS OR IS CONTROLLED BY, OR IS UNDER COMMON
15 CONTROL WITH, THE PERSON SPECIFIED.

16 (1.1) "BENEFICIAL OWNER" OF A SECURITY SHALL BE DETERMINED
17 IN ACCORDANCE WITH SECTION 13 (d) OF THE FEDERAL "SECURITIES
18 EXCHANGE ACT OF 1934", AS AMENDED, AND RULE 13d-3 PROMULGATED
19 THEREUNDER.

20 (1.2) "CONTROL", INCLUDING THE TERMS "CONTROLS",
21 "CONTROLLED", "CONTROLLING", "CONTROLLED BY", AND "UNDER"

1 COMMON CONTROL WITH", MEANS THE POSSESSION, DIRECT OR INDIRECT,
2 OF THE POWER TO DIRECT OR CAUSE THE DIRECTION OF THE MANAGEMENT
3 OR POLICIES OF A PERSON, WHETHER THROUGH THE OWNERSHIP OF VOTING
4 SECURITIES, BY CONTRACT, OR OTHERWISE.

5 (1.3) "Good cause", for purposes of refusing or denying a license
6 renewal, reinstatement, or initial license issuance, means "CONTROLLING
7 BENEFICIAL OWNER" MEANS A PERSON THAT:

8 (a) ~~The licensee or applicant has violated, does not meet, or has~~
9 ~~failed to comply with any of the terms, conditions, or provisions of this~~
10 ~~article; any rules promulgated pursuant to this article; or any supplemental~~
11 ~~local law, rules, or regulations~~ IS THE BENEFICIAL OWNER OF FIVE
12 PERCENT OR MORE OF THE SECURITIES OF A MEDICAL MARIJUANA
13 BUSINESS;

14 (b) ~~The licensee or applicant has failed to comply with any special~~
15 ~~terms or conditions that were placed on its license pursuant to an order of~~
16 ~~the state or local licensing authority;~~ IS AN AFFILIATE, WHICH INCLUDES
17 WITHOUT LIMITATION ANY OFFICER, DIRECTOR, MANAGING MEMBER,
18 GENERAL PARTNER, OR TRUSTEE, OF A MEDICAL MARIJUANA BUSINESS OR
19 OF ANY OTHER CONTROLLING BENEFICIAL OWNER OF A MEDICAL
20 MARIJUANA BUSINESS; OR

21 (c) ~~The licensed premises have been operated in a manner that~~
22 ~~adversely affects the public health or welfare or the safety of the~~
23 ~~immediate neighborhood in which the establishment is located~~ IS
24 OTHERWISE IN A POSITION TO EXERCISE CONTROL OVER THE MEDICAL
25 MARIJUANA BUSINESS, EXCEPT AS AUTHORIZED BY SECTION 12-43.3-407.

26 (1.4) "GOOD CAUSE", FOR PURPOSES OF REFUSING OR DENYING A
27 LICENSE RENEWAL, REINSTATEMENT, OR INITIAL LICENSE ISSUANCE,

1 MEANS:

2 (a) THE LICENSEE OR APPLICANT HAS VIOLATED, DOES NOT MEET,
3 OR HAS FAILED TO COMPLY WITH ANY OF THE TERMS, CONDITIONS, OR
4 PROVISIONS OF THIS ARTICLE 43.3; ANY RULES PROMULGATED PURSUANT
5 TO THIS ARTICLE 43.3; OR ANY SUPPLEMENTAL LOCAL LAW, RULES, OR
6 REGULATIONS;

7 (b) THE LICENSEE OR APPLICANT HAS FAILED TO COMPLY WITH ANY
8 SPECIAL TERMS OR CONDITIONS THAT WERE PLACED ON ITS LICENSE
9 PURSUANT TO AN ORDER OF THE STATE OR LOCAL LICENSING AUTHORITY;
10 OR

11 (c) THE LICENSED PREMISES HAVE BEEN OPERATED IN A MANNER
12 THAT ADVERSELY AFFECTS THE PUBLIC HEALTH OR WELFARE OR THE
13 SAFETY OF THE IMMEDIATE NEIGHBORHOOD IN WHICH THE
14 ESTABLISHMENT IS LOCATED.

15 (1.7) ~~"Indirect beneficial interest owner" means a holder of a~~
16 ~~permitted economic interest, a recipient of a commercially reasonable~~
17 ~~royalty associated with the use of intellectual property by a licensee, a~~
18 ~~licensed employee who receives a share of the profits from an employee~~
19 ~~benefit plan, a qualified institutional investor, or another similarly~~
20 ~~situated person or entity as determined by the state licensing authority.~~

21 "INDIRECT FINANCIAL INTEREST HOLDER" MEANS A PERSON THAT IS NOT
22 AN AFFILIATE OF A MEDICAL MARIJUANA BUSINESS AND IS NOT OTHERWISE
23 IN A POSITION TO EXERCISE CONTROL OVER THE MEDICAL MARIJUANA
24 BUSINESS AND THAT:

25 (a) HOLDS A COMMERCIALY REASONABLE ROYALTY INTEREST IN
26 EXCHANGE FOR A MEDICAL MARIJUANA BUSINESS'S USE OF THE PERSON'S
27 INTELLECTUAL PROPERTY;

1 (b) HOLDS A PERMITTED ECONOMIC INTEREST THAT WAS ISSUED
2 PRIOR TO JANUARY 1, 2019, AND THAT HAS NOT BEEN CONVERTED INTO AN
3 OWNERSHIP INTEREST; OR

4 (c) IS A CONTRACT COUNTERPARTY WITH A MEDICAL MARIJUANA
5 BUSINESS THAT HAS A DIRECT NEXUS TO THE CULTIVATION,
6 MANUFACTURE, OR SALE OF MARIJUANA, INCLUDING, BUT NOT LIMITED TO,
7 A LEASE OF REAL PROPERTY ON WHICH THE MEDICAL MARIJUANA BUSINESS
8 OPERATES, A LEASE OF EQUIPMENT USED IN THE CULTIVATION OF MEDICAL
9 MARIJUANA, A SECURED OR UNSECURED FINANCING AGREEMENT WITH THE
10 MEDICAL MARIJUANA BUSINESS, A SECURITY CONTRACT WITH THE
11 MEDICAL MARIJUANA BUSINESS, OR A MANAGEMENT AGREEMENT WITH
12 THE MEDICAL MARIJUANA BUSINESS, PROVIDED THAT NO SUCH CONTRACT
13 COMPENSATES THE CONTRACT COUNTERPARTY WITH A PERCENTAGE OF
14 REVENUE OR PROFITS OF THE MEDICAL MARIJUANA BUSINESS.

15 (7.3) "MEDICAL MARIJUANA BUSINESS" MEANS ANY OF THE
16 FOLLOWING ENTITIES LICENSED PURSUANT TO THIS ARTICLE 43.3: A
17 MEDICAL MARIJUANA CENTER, A MEDICAL MARIJUANA OPTIONAL PREMISES
18 CULTIVATION OPERATION, A MEDICAL MARIJUANA-INFUSED PRODUCTS
19 MANUFACTURER, A MEDICAL MARIJUANA TESTING FACILITY, A MEDICAL
20 MARIJUANA BUSINESS OPERATOR, [REDACTED] A MEDICAL MARIJUANA
21 TRANSPORTER, A MARIJUANA RESEARCH AND DEVELOPMENT FACILITY, OR
22 A MARIJUANA RESEARCH AND DEVELOPMENT CULTIVATION FACILITY.

23 (7.5) "Medical marijuana business operator" means ~~an entity or a~~
24 ~~person who is not an owner and who~~ THAT is licensed to provide
25 professional operational services to a medical marijuana establishment
26 BUSINESS for direct remuneration from the medical marijuana
27 establishment BUSINESS. A MEDICAL MARIJUANA BUSINESS OPERATOR IS

1 NOT, BY VIRTUE OF ITS STATUS AS A MEDICAL MARIJUANA BUSINESS
2 OPERATOR, A CONTROLLING BENEFICIAL OWNER, A PASSIVE BENEFICIAL
3 OWNER, OR AN INDIRECT FINANCIAL INTEREST HOLDER OF ANY MEDICAL
4 MARIJUANA BUSINESS IT OPERATES.

5 (12.1) "PASSIVE BENEFICIAL OWNER" MEANS A PERSON THAT IS
6 NOT AN AFFILIATE OF A MEDICAL MARIJUANA BUSINESS, IS NOT OTHERWISE
7 IN A POSITION TO EXERCISE CONTROL OVER THE MEDICAL MARIJUANA
8 BUSINESS, AND IS THE BENEFICIAL OWNER OF LESS THAN FIVE PERCENT OF
9 THE SECURITIES OF THE MEDICAL MARIJUANA BUSINESS.

10 (12.4) ~~"Permitted economic interest" means any unsecured~~
11 ~~convertible debt instrument, option agreement, warrant, or any other right~~
12 ~~to obtain an ownership interest when the holder of such interest is a~~
13 ~~natural person who is a lawful United States resident and whose right to~~
14 ~~convert into an ownership interest is contingent on the holder qualifying~~
15 ~~and obtaining a license as an owner under this article; or such other~~
16 ~~agreements as may be permitted by rule of the state licensing authority.~~

17 (13) "Person" means ~~a natural person~~ AN INDIVIDUAL, A
18 partnership, association, JOINT-STOCK company, corporation, limited
19 liability company, or ANY OTHER UNINCORPORATED organization; ~~or a~~
20 ~~manager, agent, owner, director, servant, officer, or employee thereof~~
21 EXCEPT THAT "PERSON" DOES NOT INCLUDE ANY GOVERNMENTAL
22 ORGANIZATION.

23 (14.2) (a) "PUBLICLY TRADED CORPORATION" MEANS ANY PERSON
24 OTHER THAN AN INDIVIDUAL THAT:

25 (I) HAS A CLASS OF SECURITIES REGISTERED UNDER SECTION 12 OF
26 THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, THAT:

27 (A) CONSTITUTE "COVERED SECURITIES" UNDER SECTION 18

1 (b)(1)(A) OF THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED; OR
2 (B) ARE QUALIFIED AND QUOTED ON THE OTCQX TIER OF THE
3 OTC MARKETS, OR ANY LIKE TIER OF ANY SUCCESSOR TO THE ENTITY,
4 IF THE PERSON IS THEN REQUIRED TO FILE REPORTS AND IS FILING REPORTS
5 ON A CURRENT BASIS WITH THE FEDERAL SECURITIES AND EXCHANGE
6 COMMISSION UNDER THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934",
7 AS AMENDED, AS IF THE SECURITIES CONSTITUTED "COVERED
8 SECURITIES" AS DESCRIBED IN SUBSECTION (14.2)(a)(I)(A) OF THIS
9 SECTION;

10 (II) IS A "FOREIGN PRIVATE ISSUER", AS DEFINED IN RULE 405
11 PROMULGATED UNDER THE FEDERAL "SECURITIES ACT OF 1933", AS
12 AMENDED, WHOSE SECURITIES ARE EXEMPT FROM REGISTRATION UNDER
13 SECTION 12 OF THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS
14 AMENDED, PURSUANT TO RULE 12g3-2(b) PROMULGATED UNDER THE
15 FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED; OR

16
17 (III) IS IDENTIFIED BY RULE BY THE STATE LICENSING AUTHORITY
18 AS A PUBLICLY TRADED CORPORATION.

19 (b) NOTWITHSTANDING ANY PROVISION TO THE CONTRARY, A
20 "PUBLICLY TRADED CORPORATION" DOES NOT INCLUDE:

21 (I) A PERSON THAT HAS LISTED OR QUOTED SECURITIES THAT NO
22 LONGER COMPLY WITH THE REQUIREMENTS OF SUBSECTION (14.2)(a)(I) OF
23 THIS SECTION OR A PERSON THAT HAS LISTED OR QUOTED SECURITIES
24 CONSTITUTING "PENNY STOCK", AS DEFINED BY 17 CFR 240.3a51-1; OR

25 (II) A PERSON THAT CONSTITUTES AN "INELIGIBLE ISSUER", AS
26 DEFINED IN 17 CFR 230.405.

27 (14.3) "Qualified limited passive investor" means a natural person

1 ~~who is a United States citizen and is a passive investor who owns less~~
2 ~~than a five percent share or shares of stock in a licensed medical~~
3 ~~marijuana business.~~

4 (17) "SECURITY" MEANS ANY NOTE; STOCK; TREASURY STOCK;
5 BOND; DEBENTURE; EVIDENCE OF INDEBTEDNESS; CERTIFICATE OF
6 INTEREST OR PARTICIPATION IN ANY PROFIT-SHARING AGREEMENT;
7 COLLATERAL-TRUST CERTIFICATE; PREORGANIZATION CERTIFICATE OF
8 SUBSCRIPTION; TRANSFERABLE SHARE; INVESTMENT CONTRACT; VIATICAL
9 SETTLEMENT INVESTMENT; VOTING-TRUST CERTIFICATE; CERTIFICATE OF
10 DEPOSIT FOR A SECURITY; CERTIFICATE OF INTEREST OR PARTICIPATION IN
11 AN OIL, GAS, OR MINING TITLE OR LEASE OR IN PAYMENTS OUT OF
12 PRODUCTION UNDER SUCH A TITLE OR LEASE; OR, IN GENERAL, ANY
13 INTEREST OR INSTRUMENT COMMONLY KNOWN AS A "SECURITY" OR ANY
14 CERTIFICATE OF INTEREST OR PARTICIPATION IN, TEMPORARY OR INTERIM
15 CERTIFICATE FOR, GUARANTEE OF, OR WARRANT OR RIGHT TO SUBSCRIBE
16 TO OR PURCHASE ANY OF THE FOREGOING. "SECURITY" DOES NOT INCLUDE
17 ANY INSURANCE OR ENDOWMENT POLICY OR ANNUITY CONTRACT UNDER
18 WHICH AN INSURANCE COMPANY PROMISES TO PAY A SUM OF MONEY
19 EITHER IN A LUMP SUM OR PERIODICALLY FOR LIFE OR SOME OTHER
20 SPECIFIED PERIOD. FOR PURPOSES OF THIS ARTICLE 43.3, AN "INVESTMENT
21 CONTRACT" NEED NOT INVOLVE MORE THAN ONE INVESTOR NOR BE
22 LIMITED TO THOSE CIRCUMSTANCES WHEREIN THERE ARE MULTIPLE
23 INVESTORS WHO ARE JOINT PARTICIPANTS IN THE SAME ENTERPRISE.

24 **SECTION 2.** In Colorado Revised Statutes, 12-43.3-202, **amend**
25 **(1)(d), (2)(a)(VIII), (2)(a)(XVIII.7); repeal (2)(a)(XXI); and add**
26 **(2)(a)(XXIII) as follows:**

27 **12-43.3-202. Powers and duties of state licensing authority -**

1 **rules.** (1) The state licensing authority shall:

2 (d) Maintain the confidentiality of reports or other information
3 obtained from a medical or retail licensee containing any individualized
4 data, information, or records related to the licensee or its operation,
5 including sales information, financial records, tax returns, credit reports,
6 cultivation information, testing results, and security information and
7 plans, or revealing any patient information, or any other records that are
8 exempt from public inspection pursuant to state law. Such reports or other
9 information may be used only for a purpose authorized by this ~~article~~
10 ~~ARTICLE 43.3 OR article 43.4 of this title~~ TITLE 12, FOR INVESTIGATION OR
11 ENFORCEMENT OF ANY INTERNATIONAL, FEDERAL, STATE, OR LOCAL
12 SECURITIES LAW OR REGULATIONS, or for any other state or local law
13 enforcement purpose. Any information released related to patients may
14 be used only for a purpose authorized by this article, article 43.4 of this
15 title, or to verify that a person who presented a registry identification card
16 to a state or local law enforcement official is lawfully in possession of
17 such card.

18 (2) (a) Rules promulgated pursuant to subsection (1)(b) of this
19 section may include, but need not be limited to, the following subjects:

20 (VIII) Development of individual identification cards for ~~owners,~~
21 ~~officers~~ CONTROLLING BENEFICIAL OWNERS, managers, contractors,
22 employees, and other support staff of entities licensed pursuant to this
23 ~~article~~ ARTICLE 43.3, including a fingerprint-based criminal history record
24 check as may be required by the state licensing authority prior to issuing
25 a card;

26 (XVIII.7) Medical marijuana business operator licensees,
27 including the form and structure of allowable agreements between

1 operators and owners THE MEDICAL MARIJUANA BUSINESS BEING
2 OPERATED;

3 (XXI) ~~The parameters and qualifications of an indirect beneficial~~
4 ~~interest owner and a qualified limited passive investor;~~

5 (XXIII) OWNERSHIP AND FINANCIAL INTEREST REQUIREMENTS,
6 INCLUDING BUT NOT LIMITED TO:

7 (A) PARAMETERS OF, QUALIFICATIONS OF, DISCLOSURE OF,
8 REQUIREMENTS FOR, AND SUITABILITY OF A CONTROLLING BENEFICIAL
9 OWNER, A PASSIVE BENEFICIAL OWNER, AND AN INDIRECT FINANCIAL
10 INTEREST HOLDER; AND

11 (B) PARAMETERS OF, QUALIFICATIONS OF, DISCLOSURE OF,
12 REQUIREMENTS FOR, AND SUITABILITY OF A PUBLICLY TRADED
13 CORPORATION THAT IS A MEDICAL MARIJUANA BUSINESS OR THAT IS A
14 CONTROLLING BENEFICIAL OWNER OR PASSIVE BENEFICIAL OWNER.

15 **SECTION 3.** In Colorado Revised Statutes, 12-43.3-307, **amend**
16 (1) introductory portion, (1)(c), and (1)(l); **repeal** (1)(n); and **add** (1)(o)
17 and (1)(p) as follows:

18 **12-43.3-307. Persons prohibited as licensees.** (1) A license
19 provided by this ~~article~~ ARTICLE 43.3 shall not be issued to or held by:

20 (c) ~~A corporation,~~ PERSON OTHER THAN AN INDIVIDUAL if the
21 criminal history of any of its ~~officers, directors, or stockholders~~
22 CONTROLLING BENEFICIAL OWNERS indicates that ~~the officer, director, or~~
23 ~~stockholder~~ A CONTROLLING BENEFICIAL OWNER is not of good moral
24 character AFTER CONSIDERING THE FACTORS IN SECTION 24-5-101 (2), OR
25 ANY PERSON THAT WOULD BE DISQUALIFIED AS A "BAD ACTOR" UNDER
26 RULE 506 (d) PROMULGATED UNDER THE FEDERAL "SECURITIES ACT OF
27 1933";

1 (l) A person APPLYING for a license for a location that is currently
2 licensed as a retail food establishment or wholesale food registrant; or

3 (n) ~~A publicly traded company.~~

4 (o) A PERSON WHOSE CONTROLLING BENEFICIAL OWNER OR
5 PASSIVE BENEFICIAL OWNER IS FOUND UNSUITABLE BY THE STATE
6 LICENSING AUTHORITY. TO DETERMINE WHETHER A PERSON IS SUITABLE,
7 THE STATE LICENSING AUTHORITY MAY CONSIDER, BUT IS NOT LIMITED TO,
8 A PERSON'S FINANCIAL CHARACTER OR RECORD, CRIMINAL CHARACTER OR
9 RECORD, OR LICENSING CHARACTER OR RECORD.

10 (p) A PERSON, OTHER THAN AN INDIVIDUAL, ORGANIZED OR
11 FORMED UNDER THE LAWS OF A COUNTRY DETERMINED BY THE UNITED
12 STATES SECRETARY OF STATE TO HAVE REPEATEDLY PROVIDED SUPPORT
13 FOR ACTS OF INTERNATIONAL TERRORISM OR INCLUDED AMONG THE LIST
14 OF "COVERED COUNTRIES" IN SECTION 1502 OF THE FEDERAL
15 "DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION
16 ACT".

17 **SECTION 4.** In Colorado Revised Statutes, 12-43.3-307.5,
18 **amend** (1), (3), and (5); **repeal** (2), (4), (6), and (7); and **add** (4.5), (5.5),
19 (5.7), and (6.5) as follows:

20 **12-43.3-307.5. Business and owner requirements - legislative**
21 **declaration.** (1) (a) The general assembly hereby finds and declares that:

22 (I) Medical marijuana businesses need to be able to access capital
23 in order to effectively grow their businesses and remain competitive in the
24 marketplace;

25 (II) The current regulatory structure for medical marijuana creates
26 a substantial barrier to investment from out-of-state interests AND
27 PUBLICLY TRADED CORPORATIONS;

1 (III) There is insufficient capital in the state to properly fund the
2 capital needs of Colorado medical marijuana businesses;

3 (IV) Colorado medical marijuana businesses need to have ready
4 access to capital from investors ~~in states~~ FROM outside of Colorado; and

5 (IV.5) UNDER CERTAIN CIRCUMSTANCES, PERMITTING PUBLICLY
6 TRADED CORPORATIONS TO HOLD AN INTEREST IN MEDICAL MARIJUANA
7 BUSINESSES WILL BENEFIT COLORADO'S MEDICAL MARIJUANA MARKET;

8 (V) Providing access to legitimate sources of capital helps prevent
9 the opportunity for those who engage in illegal activity to gain entry into
10 the state's regulated medical marijuana market;

11 (VI) ACCESS TO CAPITAL MUST BE BALANCED WITH PROMOTING
12 CONTROL OVER MEDICAL MARIJUANA BUSINESSES BY SUITABLE PERSONS
13 WHO ARE LEGITIMATE, TAXPAYING BUSINESSPEOPLE, AND NOT CRIMINAL
14 ACTORS; PREVENTING REVENUE FROM THE SALE OF MARIJUANA FROM
15 GOING TO CRIMINAL ENTERPRISES, GANGS, AND CARTELS; AND
16 PREVENTING STATE-AUTHORIZED MARIJUANA ACTIVITY FROM BEING USED
17 AS A COVER OR PRETEXT FOR THE TRAFFICKING OF OTHER ILLEGAL DRUGS
18 OR OTHER ILLEGAL ACTIVITY; ==

19 (VII) PUBLICLY TRADED CORPORATIONS OFFERING SECURITIES FOR
20 INVESTMENT IN MEDICAL MARIJUANA BUSINESSES MUST TELL THE PUBLIC
21 THE TRUTH ABOUT THEIR BUSINESS, THE SECURITIES THEY ARE SELLING,
22 AND THE RISKS INVOLVED WITH INVESTING IN MEDICAL MARIJUANA
23 BUSINESSES, AND PERSONS WHO SELL AND TRADE SECURITIES RELATED TO
24 MEDICAL MARIJUANA BUSINESSES ARE PROHIBITED FROM ENGAGING IN
25 DECEIT, MISREPRESENTATIONS, AND OTHER FRAUD IN THE SALE OF THE
26 SECURITIES.

27 (VIII) RECOGNIZING THAT PARTICIPATION BY PUBLICLY TRADED

1 CORPORATIONS IN COLORADO'S MEDICAL MARIJUANA INDUSTRY CREATES
2 AN INCREASED NEED TO ASSESS BARRIERS OF ENTRY FOR MINORITY- AND
3 WOMAN-OWNED BUSINESSES, WITH SUCH EFFORTS BEING MADE TO
4 IDENTIFY SOLUTIONS TO ARRIVE AT A GREATER BALANCE AND FOR
5 FURTHER EQUITY FOR MINORITY- AND WOMAN-OWNED BUSINESSES, AND
6 IN A MANNER THAT IS CONSISTENT WITH THE PUBLIC SAFETY AND
7 ENFORCEMENT GOALS AS STATED HEREIN, IT IS THEREFORE OF
8 SUBSTANTIVE IMPORTANCE TO ADDRESS THE LACK OF MINORITY- AND
9 WOMAN-OWNED BUSINESSES' INCLUSION IN COLORADO'S MEDICAL
10 MARIJUANA INDUSTRY, SOCIAL INJUSTICE ISSUES ASSOCIATED WITH
11 MARIJUANA PROHIBITION, SUITABILITY ISSUES RELATING TO PAST
12 CONVICTIONS FOR POTENTIAL LICENSEES, LICENSING FEES, AND ECONOMIC
13 CHALLENGES THAT ARISE WITH THE APPLICATION PROCESSES:

14 (IX) COORDINATION BETWEEN THE STATE LICENSING AUTHORITY
15 AND OTHER STATE AND LOCAL LAW ENFORCEMENT AGENCIES SUPPORTS
16 THESE GOALS; AND

17 (X) IN THE EVENT THAT PASSAGE OF HOUSE BILL 18-1011,
18 ENACTED IN 2018, LEADS TO AN INCREASE IN GRAY AND BLACK MARKET
19 INVESTIGATIONS, THE DEPARTMENT OF LOCAL AFFAIRS SHOULD CONSIDER
20 CONVENING A STAKEHOLDER PROCESS TO EXAMINE HOW TO IMPROVE LAW
21 ENFORCEMENT ACCESS TO GRANTS FROM THE GRAY AND BLACK MARKET
22 MARIJUANA ENFORCEMENT GRANT PROGRAM CREATED IN SECTION
23 24-32-119, INCLUDING:

24 (A) WHETHER THE ELIGIBILITY CRITERIA FOR THE AWARDING OF
25 GRANTS REFLECTS THE REALITY OF THE INVESTIGATIONS UNDERTAKEN;

26 (B) WHETHER THE GRANTS SHOULD BE AVAILABLE ON A
27 PROSPECTIVE BASIS AND WHETHER THE GRANT PROCESS IS ACCESSIBLE TO

1 LOCAL LAW ENFORCEMENT DEPARTMENTS WITH MINIMAL STAFF; AND
2 (C) WHETHER THE AMOUNT OF MONEY AVAILABLE IS SUFFICIENT.
3 (b) Therefore, the general assembly is providing a mechanism for
4 Colorado medical marijuana businesses to access capital from investors
5 in other states AND FROM CERTAIN PUBLICLY TRADED CORPORATIONS
6 PURSUANT TO THIS SECTION AND SECTION 12-43.3-307.6.
7 (2) A direct beneficial interest owner who is a natural person must
8 either:
9 (a) Have been a resident of Colorado for at least one year prior to
10 the date of the application; or
11 (b) Be a United States citizen prior to the date of the application.
12 (3) (a) A medical marijuana business may be comprised of an
13 unlimited number of direct beneficial interest owners that have been
14 residents of Colorado for at least one year prior to the date of the
15 application.
16 (b) On and after January 1, 2017, A medical marijuana business
17 that is comprised of one or more direct beneficial interest owners who
18 have not been Colorado residents for at least one year prior to application
19 shall have at least one officer who has been a Colorado resident for at
20 least one year prior to application, and all officers with day-to-day
21 operational control over the business must be Colorado residents for at
22 least one year prior to application. A medical marijuana business under
23 this paragraph (b) is limited to no more than fifteen direct beneficial
24 interest owners, including all parent and subsidiary entities, all of whom
25 are natural persons.
26 (c) Notwithstanding the requirements of paragraph (b) of this
27 subsection (3), the state licensing authority may review the limitation on

1 ~~the number of direct beneficial interest owners and may increase the~~
2 ~~number of allowable interests above fifteen based on reasonable~~
3 ~~considerations such as developments in state and federal financial~~
4 ~~regulations, market conditions, and the licensee's ability to access~~
5 ~~legitimate sources of capital.~~

6 (d) ~~A direct beneficial interest owner that is a closely held~~
7 ~~business entity must consist entirely of natural persons who are United~~
8 ~~States citizens prior to the date of the application, including all parent and~~
9 ~~subsidiary entities.~~

10 (4) ~~A medical marijuana business may include qualified~~
11 ~~institutional investors that own thirty percent or less of the medical~~
12 ~~marijuana business.~~

13 (4.5) PRIOR TO SUBMITTING AN INITIAL APPLICATION AND AT ANY
14 TIME THEREAFTER WHEN REQUESTED BY THE STATE LICENSING AUTHORITY
15 IN ITS REASONABLE DISCRETION, A PERSON THAT IS OR INTENDS TO
16 BECOME A MEDICAL MARIJUANA BUSINESS SHALL DISCLOSE TO THE STATE
17 LICENSING AUTHORITY A COMPLETE AND ACCURATE LIST OF THE
18 FOLLOWING:

19 (a) ALL OF THE MEDICAL MARIJUANA BUSINESS'S OFFICERS,
20 DIRECTORS, AND AFFILIATES;

21 (b) ALL OF THE MEDICAL MARIJUANA BUSINESS'S CONTROLLING
22 BENEFICIAL OWNERS, AND:

23 (I) IF THE CONTROLLING BENEFICIAL OWNER IS A PUBLICLY
24 TRADED CORPORATION, ALL OFFICERS, DIRECTORS, FIVE-PERCENT OR MORE
25 BENEFICIAL OWNERS, AND AFFILIATES OF THE CONTROLLING BENEFICIAL
26 OWNER; OR

27 (II) IF THE CONTROLLING BENEFICIAL OWNER IS NOT A PUBLICLY

1 TRADED CORPORATION AND IS NOT AN INDIVIDUAL, ALL OFFICERS,
2 DIRECTORS, BENEFICIAL OWNERS, AND AFFILIATES OF THE CONTROLLING
3 BENEFICIAL OWNER; AND

4 (c) IF THE MEDICAL MARIJUANA BUSINESS IS NOT A PUBLICLY
5 TRADED CORPORATION, ALL OF THE MEDICAL MARIJUANA BUSINESS'S
6 PASSIVE BENEFICIAL OWNERS.

7 (5) (a) A person ~~who~~ THAT intends to apply as a direct beneficial
8 interest owner and is not a Colorado resident for at least one year prior to
9 the date of application TO BECOME A CONTROLLING BENEFICIAL OWNER
10 shall first submit a request to the state licensing authority for a finding of
11 suitability. ~~as a direct beneficial interest owner. The person shall~~ FAILURE
12 TO PROVIDE ALL REQUESTED INFORMATION IN CONNECTION WITH A
13 REQUEST FOR A FINDING OF SUITABILITY IS GROUNDS FOR DENIAL OF THAT
14 FINDING OF SUITABILITY. EVERY PROPOSED CONTROLLING BENEFICIAL
15 OWNER MUST receive a finding of suitability OR AN EXEMPTION FROM A
16 FINDING OF SUITABILITY BY THE STATE LICENSING AUTHORITY prior to
17 submitting an A MEDICAL MARIJUANA BUSINESS application to the state
18 licensing authority. ~~to be a direct beneficial interest owner~~ Failure to
19 receive a ~~finding~~ ALL REQUIRED FINDINGS of suitability prior to
20 application is grounds for denial OF AN APPLICATION OR SUSPENSION,
21 REVOCATION, OR OTHER SANCTION AGAINST THE LICENSEE by the state
22 licensing authority.

23 (b) ~~The state licensing authority shall perform a limited initial~~
24 ~~background check on qualified limited passive investors. If the initial~~
25 ~~background check provides reasonable cause for additional investigation,~~
26 ~~the state licensing authority may require a full background check.~~

27 (c) THE STATE LICENSING AUTHORITY MAY REQUIRE ANY PERSON

1 THAT WAS DISCLOSED OR SHOULD HAVE BEEN DISCLOSED PURSUANT TO
2 SUBSECTION (4.5) OF THIS SECTION TO OBTAIN A FINDING OF SUITABILITY
3 PRIOR TO SUBMISSION OF A MEDICAL MARIJUANA BUSINESS APPLICATION.
4 FAILURE TO PROVIDE ANY INFORMATION REQUESTED IN CONNECTION WITH
5 A FINDING OF SUITABILITY IS GROUNDS FOR DENIAL OF THAT REQUEST FOR
6 A FINDING OF SUITABILITY. ALL INDIVIDUALS SHALL OBTAIN ANY
7 REQUIRED FINDING OF SUITABILITY PRIOR TO SUBMITTING A MEDICAL
8 MARIJUANA BUSINESS APPLICATION TO THE STATE LICENSING AUTHORITY.
9 FAILURE OF A PERSON TO OBTAIN ANY REQUIRED FINDING OF SUITABILITY
10 PRIOR TO APPLICATION IS GROUNDS FOR DENIAL OF AN APPLICATION OR
11 SUSPENSION, REVOCATION, OR OTHER SANCTION AGAINST THE LICENSEE
12 BY THE STATE LICENSING AUTHORITY.

13 (5.5) == IN ITS REASONABLE DISCRETION, AT ANY TIME, THE STATE
14 LICENSING AUTHORITY MAY REQUIRE ANY PERSON THAT WAS DISCLOSED
15 OR SHOULD HAVE BEEN DISCLOSED UNDER THIS SECTION OR SECTION
16 12-43.3-307.6 TO OBTAIN A FINDING OF SUITABILITY. FAILURE TO PROVIDE
17 ANY INFORMATION REQUESTED IN CONNECTION WITH A FINDING OF
18 SUITABILITY IS GROUNDS FOR DENIAL OF THAT REQUEST FOR A FINDING OF
19 SUITABILITY. FAILURE OF A PERSON TO OBTAIN ANY REQUIRED FINDING OF
20 SUITABILITY MAY BE GROUNDS FOR DENIAL OF AN APPLICATION OR
21 SUSPENSION, REVOCATION, OR OTHER SANCTION AGAINST THE LICENSEE BY
22 THE STATE LICENSING AUTHORITY.

23 ==
24 (5.7) IF A REQUIRED FINDING OF SUITABILITY IS NOT COMPLETED
25 WITHIN ONE YEAR FROM THE DATE THE FINDING OF SUITABILITY WAS
26 REQUESTED, THE STATE LICENSING AUTHORITY SHALL INFORM THE
27 APPLICANT OR LICENSEE.

1 ~~(6) The state licensing authority shall review the medical~~
2 ~~marijuana business's operating documents to ensure compliance with this~~
3 ~~section.~~

4 ~~(6.5) A PERSON, OTHER THAN AN INDIVIDUAL, THAT IS A~~
5 ~~CONTROLLING BENEFICIAL OWNER SHALL APPOINT AND CONTINUOUSLY~~
6 ~~MAINTAIN A REGISTERED AGENT WHO SATISFIES THE REQUIREMENTS OF~~
7 ~~SECTION 7-90-701. THE MEDICAL MARIJUANA BUSINESS SHALL INFORM~~
8 ~~THE STATE LICENSING AUTHORITY OF A CHANGE IN THE REGISTERED~~
9 ~~AGENT WITHIN TEN DAYS OF THE CHANGE.~~

10 ~~(7) For purposes of this section, unless the context otherwise~~
11 ~~requires, "institutional investor" means:~~

12 ~~(a) A bank as defined in section 3(a)(6) of the federal "Securities~~
13 ~~Exchange Act of 1934", as amended;~~

14 ~~(b) An insurance company as defined in section 2(a)(17) of the~~
15 ~~federal "Investment Company Act of 1940", as amended;~~

16 ~~(c) An investment company registered under section 8 of the~~
17 ~~federal "Investment Company Act of 1940", as amended;~~

18 ~~(d) An investment adviser registered under section 203 of the~~
19 ~~federal "Investment Advisers Act of 1940", as amended;~~

20 ~~(e) Collective trust funds as defined in section 3(c)(11) of the~~
21 ~~federal "Investment Company Act of 1940", as amended;~~

22 ~~(f) An employee benefit plan or pension fund that is subject to the~~
23 ~~federal "Employee Retirement Income Security Act of 1974", as~~
24 ~~amended, excluding an employee benefit plan or pension fund sponsored~~
25 ~~by a licensee or an intermediary or holding company licensee that directly~~
26 ~~or indirectly owns five percent or more of a licensee;~~

27 ~~(g) A state or federal government pension plan;~~

1 ~~(h) A group comprised entirely of persons specified in subsections~~
2 ~~(a) to (g) of this subsection (7); or~~

3 ~~(i) Any other entity identified through rule by the state licensing~~
4 ~~authority.~~

5 **SECTION 5.** In Colorado Revised Statutes, **add** 12-43.3-307.6
6 as follows:

7 **12-43.3-307.6. Licensure and investment requirements for**
8 **publicly traded corporations.** (1) IN ADDITION TO THE REQUIREMENTS
9 OF SECTION 12-43.3-307.5, ANY APPLICANT, LICENSEE, OR CONTROLLING
10 BENEFICIAL OWNER THAT IS A PUBLICLY TRADED CORPORATION SHALL
11 COMPLY WITH THIS SECTION.

12 (2) (a) A PUBLICLY TRADED CORPORATION THAT IS A MEDICAL
13 MARIJUANA BUSINESS OR A CONTROLLING BENEFICIAL OWNER SHALL
14 REPORT TO THE STATE LICENSING AUTHORITY WITHIN TEN DAYS AFTER THE
15 ELECTION OR APPOINTMENT, OR RESIGNATION OR REMOVAL, OF ANY
16 DIRECTOR OR OFFICER OF THE PUBLICLY TRADED CORPORATION.

17 (b) TO THE EXTENT REQUIRED BY THE STATE LICENSING
18 AUTHORITY, WHENEVER ANY REPORT, PROXY OR INFORMATION
19 STATEMENT, REGISTRATION STATEMENT, SCHEDULE, OR OTHER FILING IS
20 MADE WITH THE FEDERAL SECURITIES AND EXCHANGE COMMISSION OR
21 OTHER APPLICABLE SECURITIES EXCHANGE, OR, IN THE CASE OF A FOREIGN
22 PRIVATE ISSUER, ANY SIMILAR REGULATORY BODY, BY OR WITH RESPECT
23 TO A PUBLICLY TRADED CORPORATION THAT IS A MEDICAL MARIJUANA
24 BUSINESS OR A CONTROLLING BENEFICIAL OWNER, THE PUBLICLY TRADED
25 CORPORATION SHALL NOTIFY THE STATE LICENSING AUTHORITY THAT A
26 FILING HAS TAKEN PLACE AND DISCLOSE A COPY OF THE FILING WITHIN
27 FIVE DAYS AFTER THE FILING WITH THE FEDERAL SECURITIES AND

1 EXCHANGE COMMISSION OR OTHER APPLICABLE SECURITIES EXCHANGE,
2 OR, IN THE CASE OF A FOREIGN PRIVATE ISSUER, ANY SIMILAR
3 REGULATORY BODY.

4 (c) THE STATE LICENSING AUTHORITY MAY AT ANY TIME REQUIRE
5 ANY APPLICANT, LICENSEE, OR CONTROLLING BENEFICIAL OWNER TO
6 DISCLOSE A COMPLETE AND ACCURATE LIST OF ALL NONOBJECTING
7 BENEFICIAL OWNERS.

8 (d) TO THE EXTENT REQUIRED BY THE STATE LICENSING
9 AUTHORITY, A PUBLICLY TRADED CORPORATION THAT IS A MEDICAL
10 MARIJUANA BUSINESS OR A CONTROLLING BENEFICIAL OWNER SHALL,
11 WITHIN FIVE DAYS AFTER RECEIVING A COMMENT LETTER OR EXCHANGE
12 NOTICE FROM THE FEDERAL SECURITIES AND EXCHANGE COMMISSION OR
13 OTHER APPLICABLE SECURITIES EXCHANGE, OR, IN THE CASE OF A FOREIGN
14 PRIVATE ISSUER, ANY SIMILAR REGULATORY BODY, NOTIFY THE STATE
15 LICENSING AUTHORITY THAT THE COMMENT LETTER OR EXCHANGE NOTICE
16 WAS RECEIVED AND PROVIDE A COPY TO THE STATE LICENSING
17 AUTHORITY.

18 (3) AFTER COMMENCING ANY OFFERING OF A SECURITY, ANY
19 PUBLICLY TRADED CORPORATION THAT IS A MEDICAL MARIJUANA
20 BUSINESS, A CONTROLLING BENEFICIAL OWNER, OR A PASSIVE BENEFICIAL
21 OWNER SHALL NOTIFY THE STATE LICENSING AUTHORITY OF THE PROPOSED
22 OFFERING IN THE TIME AND MANNER REQUIRED BY THE STATE LICENSING
23 AUTHORITY. AT A MINIMUM, THE NOTIFICATION MUST OCCUR NOT LATER
24 THAN THREE BUSINESS DAYS AFTER THE EARLIER OF THE COMMENCEMENT
25 OF THE OFFERING OR THE INITIAL FILING COVERING THE OFFERING WITH
26 THE FEDERAL SECURITIES AND EXCHANGE COMMISSION OR OTHER
27 APPLICABLE SECURITIES EXCHANGE, OR, IN THE CASE OF A FOREIGN

1 PRIVATE ISSUER, ANY SIMILAR REGULATORY BODY.

2 (4) A PUBLICLY TRADED CORPORATION THAT IS A MEDICAL
3 MARIJUANA BUSINESS OR A CONTROLLING BENEFICIAL OWNER OF FIFTY
4 PERCENT OR MORE OF THE SECURITIES OF A MEDICAL MARIJUANA BUSINESS
5 SHALL INCLUDE AND MAINTAIN AT ALL TIMES IN ITS BYLAWS THE
6 FOLLOWING PROVISIONS:

7 (a) THE [NAME OF THE PUBLICLY TRADED CORPORATION] SHALL
8 NOT ISSUE ANY SECURITY EXCEPT IN ACCORDANCE WITH THE PROVISIONS
9 OF ARTICLE 43.3 OF TITLE 12, COLORADO REVISED STATUTES, AND THE
10 RULES PROMULGATED PURSUANT TO THAT ARTICLE 43.3. THE ISSUANCE
11 OF ANY SECURITY IN VIOLATION THEREOF SHALL BE VOID, AND THE
12 SECURITY SHALL BE DEEMED NOT TO BE ISSUED AND OUTSTANDING UNTIL
13 THE PUBLICLY TRADED CORPORATION CEASES TO BE SUBJECT TO THE
14 JURISDICTION OF THE STATE LICENSING AUTHORITY OR THE STATE
15 LICENSING AUTHORITY, BY AFFIRMATIVE ACTION, VALIDATES SAID
16 ISSUANCE OR WAIVES ANY DEFECT IN ISSUANCE.

17 (b) NO SECURITY ISSUED BY THE [NAME OF THE PUBLICLY TRADED
18 CORPORATION] AND NO INTEREST, CLAIM, OR CHARGE THEREIN OR
19 THERETO SHALL BE TRANSFERRED IN ANY MANNER WHATSOEVER EXCEPT
20 IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 43.3 OF TITLE 12,
21 COLORADO REVISED STATUTES, AND THE RULES PROMULGATED
22 PURSUANT TO THAT ARTICLE 43.3. ANY TRANSFER IN VIOLATION THEREOF
23 SHALL BE VOID UNTIL THE [NAME OF THE PUBLICLY TRADED
24 CORPORATION] CEASES TO BE SUBJECT TO THE JURISDICTION OF THE STATE
25 LICENSING AUTHORITY OR THE STATE LICENSING AUTHORITY, BY
26 AFFIRMATIVE ACTION, VALIDATES SAID TRANSFER OR WAIVES ANY DEFECT
27 IN SAID TRANSFER.

1 (c) IF THE STATE LICENSING AUTHORITY AT ANY TIME DETERMINES
2 THAT A HOLDER OF A SECURITY OF THE [NAME OF THE PUBLICLY TRADED
3 CORPORATION] IS UNSUITABLE TO HOLD THE SECURITY, THEN THE [NAME
4 OF THE PUBLICLY TRADED CORPORATION] MAY, WITHIN SIXTY DAYS AFTER
5 THE FINDING OF UNSUITABILITY, PURCHASE THE SECURITY OF THE
6 UNSUITABLE PERSON AT THE LESSER OF THE AMOUNT IN UNITED STATES
7 DOLLARS OF CASH OR OTHER CONSIDERATION PAID BY THE PERSON FOR
8 THE SECURITY OR THE CURRENT MARKET PRICE AS OF THE DATE OF THE
9 FINDING OF UNSUITABILITY, UNLESS THE SECURITY IS TRANSFERRED TO A
10 SUITABLE PERSON AS DETERMINED BY THE STATE LICENSING AUTHORITY
11 WITHIN SIXTY DAYS AFTER THE FINDING OF UNSUITABILITY. UNTIL THE
12 SECURITY IS OWNED BY PERSONS FOUND BY THE STATE LICENSING
13 AUTHORITY TO BE SUITABLE TO OWN IT, THE [NAME OF THE PUBLICLY
14 TRADED CORPORATION] SHALL NOT BE REQUIRED OR PERMITTED TO PAY
15 ANY DIVIDEND OR INTEREST WITH REGARD TO THE SECURITY; THE HOLDER
16 OF THE SECURITY SHALL NOT BE ENTITLED TO VOTE ON ANY MATTER AS
17 THE HOLDER OF THE SECURITY; AND THE SECURITY SHALL NOT FOR ANY
18 PURPOSES BE INCLUDED AMONG THE SECURITIES OF THE [NAME OF THE
19 PUBLICLY TRADED CORPORATION] ENTITLED TO VOTE, AND THE [NAME OF
20 THE PUBLICLY TRADED CORPORATION] SHALL NOT PAY ANY
21 REMUNERATION IN ANY FORM TO THE HOLDER OF THE SECURITY EXCEPT
22 IN EXCHANGE FOR THE SECURITY AS PROVIDED IN THIS SUBSECTION (4)(c).

23 (5) A PERSON THAT BECOMES A BENEFICIAL OWNER OF FIVE
24 PERCENT OR MORE OF ANY CLASS OF SECURITY IN A PUBLICLY TRADED
25 CORPORATION THAT IS A MEDICAL MARIJUANA BUSINESS OR A
26 CONTROLLING BENEFICIAL OWNER MUST APPLY TO THE STATE LICENSING
27 AUTHORITY FOR A FINDING OF SUITABILITY WITHIN FORTY-FIVE DAYS

1 AFTER BECOMING A BENEFICIAL OWNER OR CONTROLLING BENEFICIAL
2 OWNER. WHEN A PERSON IS OR BECOMES A BENEFICIAL OWNER OF FIVE
3 PERCENT OR MORE OF ANY CLASS OF SECURITY IN THE PUBLICLY TRADED
4 CORPORATION, THE STATE LICENSING AUTHORITY MAY REQUIRE A FINDING
5 OF SUITABILITY OF ANY OFFICER, DIRECTOR, MEMBER, AFFILIATE, OR
6 GREATER-THAN-FIVE-PERCENT BENEFICIAL OWNER IN THAT PERSON. A
7 LICENSEE SHALL NOTIFY EACH PERSON THAT IS SUBJECT TO THIS
8 SUBSECTION (5) OF ITS REQUIREMENTS AS SOON AS THE LICENSEE
9 BECOMES AWARE OF THE BENEFICIAL OWNERSHIP TRIGGERING THE
10 REQUIREMENT, PROVIDED THAT THE OBLIGATIONS OF THE PERSON SUBJECT
11 TO THIS SUBSECTION (5) ARE INDEPENDENT OF, AND UNAFFECTED BY, THE
12 LICENSEE'S FAILURE TO GIVE THE NOTICE.

13 (6) A PUBLICLY TRADED CORPORATION SHALL PROVIDE THE STATE
14 LICENSING AUTHORITY WITH A DEPOSIT TO COVER THE DIRECT AND
15 INDIRECT COSTS OF ANY INVESTIGATION NECESSARY TO DETERMINE
16 WHETHER OR NOT ANY REQUIRED FINDING OF SUITABILITY SHALL BE
17 ISSUED. THE STATE LICENSING AUTHORITY MAY MAKE FURTHER RULES
18 REGARDING THE DEPOSIT AND DIRECT AND INDIRECT COSTS THAT SHALL
19 BE BILLED AGAINST THE DEPOSIT.

20 (7) IT IS GROUNDS FOR DENIAL OF A LICENSE OR DISCIPLINARY
21 ACTION IF ANY PERSON, IN CONNECTION WITH THE PURCHASE OR SALE OF
22 ANY SECURITY ISSUED BY A MEDICAL MARIJUANA BUSINESS OR A
23 CONTROLLING BENEFICIAL OWNER, PLEADS OR IS FOUND GUILTY OF,
24 PLEADS NOLO CONTENDERE TO, IS SUBJECT TO A FINAL CEASE AND DESIST
25 ORDER WITH RESPECT TO AN ORDER OF PERMANENT INJUNCTION ISSUED ON
26 THE BASIS OF, OR IS THE SUBJECT OF A SIMILAR FINAL ACTION TAKEN ON
27 THE BASIS OF, A VIOLATION OF RULE 10b-5 PROMULGATED BY THE

1 FEDERAL SECURITIES AND EXCHANGE COMMISSION UNDER SECTION 10 (b)
2 OF THE "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, OR SECTION
3 11-51-501.

4 **SECTION 6.** In Colorado Revised Statutes, 12-43.3-309, **amend**
5 (2); and **add** (3) as follows:

6 **12-43.3-309. Transfer of ownership.** (2) For a transfer of
7 ownership, OTHER THAN REALES OR TRANSFERS OF SECURITY IN
8 ORDINARY BROKER TRANSACTIONS BY A BENEFICIAL OWNER OF
9 SECURITIES OF A PUBLICLY TRADED CORPORATION THROUGH AN
10 ESTABLISHED TRADING MARKET, a license holder shall apply to the state
11 and local licensing authorities on forms prepared and furnished by the
12 state licensing authority. In determining whether to permit a transfer of
13 ownership, the state and local licensing authorities shall consider only the
14 requirements of this ~~article~~ ARTICLE 43.3, any rules promulgated by the
15 state licensing authority, and any other local restrictions. The local
16 licensing authority may hold a hearing on the application for transfer of
17 ownership. The local licensing authority shall not hold a hearing pursuant
18 to this subsection (2) until the local licensing authority has posted a notice
19 of hearing in the manner described in section 12-43.3-302 (2) on the
20 licensed medical marijuana center premises for a period of ten days and
21 has provided notice of the hearing to the applicant at least ten days prior
22 to the hearing. Any transfer of ownership hearing by the state licensing
23 authority shall be held in compliance with the requirements specified in
24 section 12-43.3-302.

25 (3) ANY TRANSFER OF SECURITIES BY A BENEFICIAL OWNER OF A
26 PUBLICLY TRADED CORPORATION SHALL COMPLY WITH THE PROVISIONS OF
27 SECTIONS 12-43.3-307.5 AND 12-43.3-307.6.

1 **SECTION 7.** In Colorado Revised Statutes, 12-43.3-310, **amend**
2 (3) and (4) as follows:

3 **12-43.3-310. Licensing in general.** (3) A medical marijuana
4 ~~center, optional premises cultivation operation, or medical~~
5 ~~marijuana-infused products manufacturer~~ BUSINESS THAT IS NOT A
6 PUBLICLY TRADED CORPORATION shall notify the state licensing authority
7 in writing within ten days after ~~an~~ A CONTROLLING BENEFICIAL owner,
8 PASSIVE BENEFICIAL OWNER, officer, or manager ceases to work at,
9 manage, own, or otherwise be associated with the operation. The
10 CONTROLLING BENEFICIAL owner, PASSIVE BENEFICIAL OWNER, officer, or
11 manager shall surrender to the state licensing authority any identification
12 card that may have been issued by the state licensing authority on or
13 before the date of the notification.

14 (4) A medical marijuana ~~center, optional premises cultivation~~
15 ~~operation, or medical marijuana-infused products manufacturer~~ BUSINESS
16 THAT IS NOT A PUBLICLY TRADED CORPORATION shall notify the state
17 licensing authority in writing of the name, address, and date of birth of ~~an~~
18 A CONTROLLING BENEFICIAL owner, PASSIVE BENEFICIAL OWNER, officer,
19 or manager before the new CONTROLLING BENEFICIAL owner, officer, or
20 manager begins managing, owning, or associating with the operation.
21 Any CONTROLLING BENEFICIAL owner, PASSIVE BENEFICIAL OWNER,
22 officer, manager, or employee shall pass a fingerprint-based criminal
23 history record check as required by the state licensing authority and obtain
24 the required identification prior to being associated with, managing,
25 owning, or working at the operation.

26 **SECTION 8.** In Colorado Revised Statutes, **amend** 12-43.3-407
27 as follows:

1 **12-43.3-407. Medical marijuana business operator license.** A
2 medical marijuana business operator license may be issued to ~~an entity or~~
3 A person ~~who~~ THAT operates a medical marijuana ~~establishment~~ BUSINESS
4 licensed pursuant to this article 43.3, for ~~an owner~~ ANOTHER MEDICAL
5 MARIJUANA BUSINESS licensed pursuant to this article 43.3, and ~~who~~ THAT
6 may receive a portion of the profits as compensation.

7 **SECTION 9.** In Colorado Revised Statutes, 12-43.4-103, **amend**
8 (1), (1.3), (2.5), (13), (17), and (17.5); **repeal** (12.4) and (14.3); and **add**
9 (1.1), (1.2), (1.4), (12.1), (14.2), and (22.5) as follows:

10 **12-43.4-103. Definitions.** As used in this article 43.4, unless the
11 context otherwise requires:

12 (1) ~~"Direct beneficial interest owner" means a person or closely~~
13 ~~held business entity that owns a share or shares of stock in a licensed~~
14 ~~retail marijuana business, including the officers, directors, managing~~
15 ~~members, or partners of the licensed retail marijuana business or closely~~
16 ~~held business entity, or a qualified limited passive investor "AFFILIATE"~~
17 ~~OF, OR PERSON "AFFILIATED WITH", A SPECIFIED PERSON MEANS A PERSON~~
18 ~~THAT DIRECTLY, OR INDIRECTLY THROUGH ONE OR MORE INTERMEDIARIES,~~
19 ~~CONTROLS OR IS CONTROLLED BY, OR IS UNDER COMMON CONTROL WITH,~~
20 ~~THE PERSON SPECIFIED.~~

21 (1.1) "BENEFICIAL OWNER" OF A SECURITY SHALL BE DETERMINED
22 IN ACCORDANCE WITH SECTION 13 (d) OF THE FEDERAL "SECURITIES
23 EXCHANGE ACT OF 1934", AS AMENDED, AND RULE 13d-3 PROMULGATED
24 THEREUNDER.

25 (1.2) "CONTROL", INCLUDING THE TERMS "CONTROLS",
26 "CONTROLLED", "CONTROLLING", "CONTROLLED BY", AND "UNDER
27 COMMON CONTROL WITH", MEANS THE POSSESSION, DIRECT OR INDIRECT,

1 OF THE POWER TO DIRECT OR CAUSE THE DIRECTION OF THE MANAGEMENT
2 OR POLICIES OF A PERSON, WHETHER THROUGH THE OWNERSHIP OF VOTING
3 SECURITIES, BY CONTRACT, OR OTHERWISE.

4 (1.3) ~~"Escorted" means appropriately checked into the limited
5 access area and accompanied by a person licensed by the state licensing
6 authority, except that trade craftspeople not normally engaged in the
7 business of cultivating, processing, or selling retail marijuana need not be
8 accompanied on a full-time basis, but only reasonably monitored.~~

9 "CONTROLLING BENEFICIAL OWNER" MEANS A PERSON THAT:

10 (a) IS THE BENEFICIAL OWNER OF FIVE PERCENT OR MORE OF THE
11 SECURITIES OF A RETAIL MARIJUANA ESTABLISHMENT;

12 (b) IS AN AFFILIATE, WHICH INCLUDES WITHOUT LIMITATION ANY
13 OFFICER, DIRECTOR, MANAGING MEMBER, GENERAL PARTNER, OR TRUSTEE,
14 OF A RETAIL MARIJUANA ESTABLISHMENT OR OF ANY OTHER CONTROLLING
15 BENEFICIAL OWNER OF A RETAIL MARIJUANA ESTABLISHMENT; OR

16 (c) IS OTHERWISE IN A POSITION TO EXERCISE CONTROL OVER THE
17 RETAIL MARIJUANA ESTABLISHMENT, EXCEPT AS AUTHORIZED BY SECTION
18 12-43.4-407.

19 (1.4) "ESCORTED" MEANS APPROPRIATELY CHECKED INTO THE
20 LIMITED ACCESS AREA AND ACCOMPANIED BY A PERSON LICENSED BY THE
21 STATE LICENSING AUTHORITY; EXCEPT THAT TRADE CRAFTSPEOPLE NOT
22 NORMALLY ENGAGED IN THE BUSINESS OF CULTIVATING, PROCESSING, OR
23 SELLING RETAIL MARIJUANA NEED NOT BE ACCOMPANIED ON A FULL-TIME
24 BASIS, BUT ONLY REASONABLY MONITORED.

25 (2.5) ~~"Indirect beneficial interest owner" means a holder of a
26 permitted economic interest, a recipient of a commercially reasonable
27 royalty associated with the use of intellectual property by a licensee, a~~

1 ~~licensed employee who receives a share of the profits from an employee~~
2 ~~benefit plan, a qualified institutional investor, or another similarly~~
3 ~~situated person or entity as determined by the state licensing authority.~~

4 "INDIRECT FINANCIAL INTEREST HOLDER" MEANS A PERSON THAT IS NOT
5 AN AFFILIATE OF A RETAIL MARIJUANA ESTABLISHMENT AND IS NOT
6 OTHERWISE IN A POSITION TO EXERCISE CONTROL OVER THE RETAIL
7 MARIJUANA ESTABLISHMENT AND THAT:

8 (a) HOLDS A COMMERCIALY REASONABLE ROYALTY INTEREST IN
9 EXCHANGE FOR A RETAIL MARIJUANA ESTABLISHMENT'S USE OF THE
10 PERSON'S INTELLECTUAL PROPERTY;

11 (b) HOLDS A PERMITTED ECONOMIC INTEREST THAT WAS ISSUED
12 PRIOR TO JANUARY 1, 2019, AND THAT HAS NOT BEEN CONVERTED INTO AN
13 OWNERSHIP INTEREST; OR

14 (c) IS A CONTRACT COUNTERPARTY WITH A RETAIL MARIJUANA
15 ESTABLISHMENT THAT HAS A DIRECT NEXUS TO THE CULTIVATION,
16 MANUFACTURE, OR SALE OF MARIJUANA, INCLUDING, BUT NOT LIMITED TO,
17 A LEASE OF REAL PROPERTY ON WHICH THE RETAIL MARIJUANA
18 ESTABLISHMENT OPERATES, A LEASE OF EQUIPMENT USED IN THE
19 CULTIVATION OF RETAIL MARIJUANA, A SECURED OR UNSECURED
20 FINANCING AGREEMENT WITH THE RETAIL MARIJUANA ESTABLISHMENT, A
21 SECURITY CONTRACT WITH THE RETAIL MARIJUANA ESTABLISHMENT, OR
22 A MANAGEMENT AGREEMENT WITH THE RETAIL MARIJUANA
23 ESTABLISHMENT, PROVIDED THAT NO SUCH CONTRACT COMPENSATES THE
24 CONTRACT COUNTERPARTY WITH A PERCENTAGE OF REVENUE OR PROFITS
25 OF THE RETAIL MARIJUANA ESTABLISHMENT.

26 (12.1) "PASSIVE BENEFICIAL OWNER" MEANS A PERSON THAT IS
27 NOT AN AFFILIATE OF A RETAIL MARIJUANA ESTABLISHMENT, IS NOT

1 OTHERWISE IN A POSITION TO EXERCISE CONTROL OVER THE RETAIL
2 MARIJUANA ESTABLISHMENT, AND IS THE BENEFICIAL OWNER OF LESS
3 THAN FIVE PERCENT OF THE SECURITIES OF THE RETAIL MARIJUANA
4 ESTABLISHMENT.

5 (12.4) ~~"Permitted economic interest" means any unsecured~~
6 ~~convertible debt instrument, option agreement, warrant, or any other right~~
7 ~~to obtain an ownership interest when the holder of such interest is a~~
8 ~~natural person who is a lawful United States resident and whose right to~~
9 ~~convert into an ownership interest is contingent on the holder qualifying~~
10 ~~and obtaining a license as an owner under this article or such other~~
11 ~~agreements as may be permitted by rule by the state licensing authority.~~

12 (13) "Person" means ~~a natural person~~ AN INDIVIDUAL, A
13 partnership, association, JOINT-STOCK company, corporation, limited
14 liability company, or ANY OTHER UNINCORPORATED organization; except
15 that "person" does not include any governmental organization.

16 (14.2) (a) "PUBLICLY TRADED CORPORATION" MEANS ANY PERSON
17 OTHER THAN AN INDIVIDUAL THAT:

18 (I) HAS A CLASS OF SECURITIES REGISTERED UNDER SECTION 12 OF
19 THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, THAT:

20 (A) CONSTITUTE "COVERED SECURITIES" UNDER SECTION 18
21 (b)(1)(A) OF THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED; OR

22 (B) ARE QUALIFIED AND QUOTED ON THE OTCQX TIER OF THE
23 OTC MARKETS, OR ANY LIKE TIER OF ANY SUCCESSOR TO THE
24 ENTITY, IF THE PERSON IS THEN REQUIRED TO FILE REPORTS AND IS FILING
25 REPORTS ON A CURRENT BASIS WITH THE FEDERAL SECURITIES AND
26 EXCHANGE COMMISSION UNDER THE FEDERAL "SECURITIES EXCHANGE
27 ACT OF 1934", AS AMENDED, AS IF THE SECURITIES CONSTITUTED

1 "COVERED SECURITIES" AS DESCRIBED IN SUBSECTION (14.2)(a)(I)(A) OF
2 THIS SECTION;

3 (II) IS A "FOREIGN PRIVATE ISSUER", AS DEFINED IN RULE 405
4 PROMULGATED UNDER THE FEDERAL "SECURITIES ACT OF 1933", AS
5 AMENDED WHOSE SECURITIES ARE EXEMPT FROM REGISTRATION UNDER
6 SECTION 12 OF THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS
7 AMENDED, PURSUANT TO RULE 12g3-2(b) PROMULGATED UNDER THE
8 FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED; OR

9
10 (III) IS IDENTIFIED BY RULE BY THE STATE LICENSING AUTHORITY
11 AS A PUBLICLY TRADED CORPORATION.

12 (b) NOTWITHSTANDING ANY PROVISION TO THE CONTRARY, A
13 "PUBLICLY TRADED CORPORATION" DOES NOT INCLUDE:

14 (I) A PERSON THAT HAS LISTED OR QUOTED SECURITIES THAT NO
15 LONGER COMPLY WITH THE REQUIREMENTS OF SUBSECTION (14.2)(a)(I) OF
16 THIS SECTION OR A PERSON THAT HAS LISTED OR QUOTED SECURITIES
17 CONSTITUTING "PENNY STOCK", AS DEFINED BY 17 CFR 240.3a51-1; OR

18 (II) A PERSON THAT CONSTITUTES AN "INELIGIBLE ISSUER", AS
19 DEFINED IN 17 CFR 230.405.

20 (14.3) ~~"Qualified limited passive investor" means a natural person~~
21 ~~who is a United States citizen and is a passive investor who owns less~~
22 ~~than a five percent share or shares of stock in a licensed retail marijuana~~
23 ~~business.~~

24 (17) "Retail marijuana establishment" means ANY OF THE
25 FOLLOWING ENTITIES LICENSED PURSUANT TO THIS ARTICLE 43.4: A retail
26 marijuana store, a retail marijuana cultivation facility, a retail marijuana
27 products manufacturer, or a retail marijuana testing facility, A RETAIL

1 MARIJUANA ESTABLISHMENT OPERATOR, OR A RETAIL MARIJUANA
2 TRANSPORTER.

3 (17.5) "Retail marijuana establishment operator" means ~~an entity~~
4 ~~or~~ A person ~~that is not an owner and~~ that is licensed to provide
5 professional operational services to a retail marijuana establishment for
6 direct remuneration from the retail marijuana establishment. A RETAIL
7 MARIJUANA ESTABLISHMENT OPERATOR IS NOT, BY VIRTUE OF ITS STATUS
8 AS A MEDICAL MARIJUANA BUSINESS OPERATOR, A CONTROLLING
9 BENEFICIAL OWNER, A PASSIVE BENEFICIAL OWNER, OR AN INDIRECT
10 FINANCIAL INTEREST HOLDER OF ANY RETAIL MARIJUANA ESTABLISHMENT
11 IT OPERATES.

12 (22.5) "SECURITY" MEANS ANY NOTE; STOCK; TREASURY STOCK;
13 BOND; DEBENTURE; EVIDENCE OF INDEBTEDNESS; CERTIFICATE OF
14 INTEREST OR PARTICIPATION IN ANY PROFIT-SHARING AGREEMENT;
15 COLLATERAL-TRUST CERTIFICATE; PREORGANIZATION CERTIFICATE OF
16 SUBSCRIPTION; TRANSFERABLE SHARE; INVESTMENT CONTRACT; VIATICAL
17 SETTLEMENT INVESTMENT; VOTING-TRUST CERTIFICATE; CERTIFICATE OF
18 DEPOSIT FOR A SECURITY; CERTIFICATE OF INTEREST OR PARTICIPATION IN
19 AN OIL, GAS, OR MINING TITLE OR LEASE OR IN PAYMENTS OUT OF
20 PRODUCTION UNDER SUCH A TITLE OR LEASE; OR, IN GENERAL, ANY
21 INTEREST OR INSTRUMENT COMMONLY KNOWN AS A "SECURITY" OR ANY
22 CERTIFICATE OF INTEREST OR PARTICIPATION IN, TEMPORARY OR INTERIM
23 CERTIFICATE FOR, GUARANTEE OF, OR WARRANT OR RIGHT TO SUBSCRIBE
24 TO OR PURCHASE ANY OF THE FOREGOING. "SECURITY" DOES NOT INCLUDE
25 ANY INSURANCE OR ENDOWMENT POLICY OR ANNUITY CONTRACT UNDER
26 WHICH AN INSURANCE COMPANY PROMISES TO PAY A SUM OF MONEY
27 EITHER IN A LUMP SUM OR PERIODICALLY FOR LIFE OR SOME OTHER

1 SPECIFIED PERIOD. FOR PURPOSES OF THIS ARTICLE 43.4, AN "INVESTMENT
2 CONTRACT" NEED NOT INVOLVE MORE THAN ONE INVESTOR NOR BE
3 LIMITED TO THOSE CIRCUMSTANCES WHEREIN THERE ARE MULTIPLE
4 INVESTORS WHO ARE JOINT PARTICIPANTS IN THE SAME ENTERPRISE.

5 **SECTION 10.** In Colorado Revised Statutes, 12-43.4-202,
6 **amend** (2)(d), (3)(a)(III), (3)(a)(XVIII), (3)(a)(XIX), (3)(b) introductory
7 portion, and (3)(b)(V); **repeal** (3)(a)(XX); and **add** (3)(a)(XXI) as
8 follows:

9 **12-43.4-202. Powers and duties of state licensing authority -**
10 **rules.** (2) The state licensing authority has the authority to:

11 (d) Maintain the confidentiality of reports or other information
12 obtained from a licensee containing any individualized data, information,
13 or records related to the licensee or its operation, including sales
14 information, financial records, tax returns, credit reports, cultivation
15 information, testing results, and security information and plans, or
16 revealing any customer information, or any other records that are exempt
17 from public inspection pursuant to state law. Such reports or other
18 information may be used only for a purpose authorized by this ~~article~~
19 ARTICLE 43.4, FOR INVESTIGATION OR ENFORCEMENT OF ANY
20 INTERNATIONAL, FEDERAL, STATE, OR LOCAL SECURITIES LAW OR
21 REGULATIONS, or for any other state or local law enforcement purpose.
22 Any customer information may be used only for a purpose authorized by
23 this ~~article~~ ARTICLE 43.4.

24 (3) (a) Rules promulgated pursuant to subsection (2)(b) of this
25 section must include, but need not be limited to, the following subjects:

26 (III) Qualifications for licensure under this ~~article~~ ARTICLE 43.4,
27 including but not limited to the requirement for a fingerprint-based

1 criminal history record check for ~~all owners, officers~~ CONTROLLING
2 BENEFICIAL OWNERS, managers, contractors, employees, and other support
3 staff of entities licensed pursuant to this ~~article~~ ARTICLE 43.4;

4 (XVIII) Retail marijuana establishment operator licensees,
5 including the form and structure of allowable agreements between
6 operators and ~~owners~~ THE RETAIL MARIJUANA ESTABLISHMENT BEING
7 OPERATED;

8 (XIX) Nonescorted visitors in limited access areas; ~~and~~

9 (XX) ~~The parameters and qualifications of an indirect beneficial~~
10 ~~interest owner and a qualified limited passive investor.~~

11 (XXI) OWNERSHIP AND FINANCIAL INTEREST REQUIREMENTS,
12 INCLUDING BUT NOT LIMITED TO:

13 (A) PARAMETERS OF, QUALIFICATIONS OF, DISCLOSURE OF,
14 REQUIREMENTS FOR, AND SUITABILITY OF A CONTROLLING BENEFICIAL
15 OWNER, A PASSIVE BENEFICIAL OWNER, AND AN INDIRECT FINANCIAL
16 INTEREST HOLDER; AND

17 (B) PARAMETERS OF, QUALIFICATIONS OF, DISCLOSURE OF,
18 REQUIREMENTS FOR, AND SUITABILITY OF A PUBLICLY TRADED
19 CORPORATION THAT IS A RETAIL MARIJUANA ESTABLISHMENT OR THAT IS
20 A CONTROLLING BENEFICIAL OWNER OR PASSIVE BENEFICIAL OWNER.

21 (b) Rules promulgated pursuant to ~~paragraph (b) of subsection (2)~~
22 ~~SUBSECTION (2)(b)~~ of this section must also include the following
23 subjects:

24 (V) Development of individual identification cards for ~~owners,~~
25 ~~officers~~ CONTROLLING BENEFICIAL OWNERS, managers, contractors,
26 employees, and other support staff of entities licensed pursuant to this
27 ~~article~~ ARTICLE 43.4, including a fingerprint-based criminal history record

1 check as may be required by the state licensing authority prior to issuing
2 a card;

3 **SECTION 11.** In Colorado Revised Statutes, 12-43.4-306,
4 **amend** (1) introductory portion, (1)(c), and (1)(j); **repeal** (1)(l); and **add**
5 (1)(m) and (1)(n) as follows:

6 **12-43.4-306. Persons prohibited as licensees - definitions.**

7 (1) A license provided by this ~~article~~ ARTICLE 43.4 shall not be issued to
8 or held by:

9 (c) A person other than an individual if the criminal history of any
10 of its ~~officers, directors, stockholders, or owners~~ CONTROLLING
11 BENEFICIAL OWNERS indicates that ~~the officer, director, stockholder, or~~
12 ~~owner~~ A CONTROLLING BENEFICIAL OWNER is not of good moral character
13 after considering the factors in section 24-5-101 (2), ~~C.R.S.~~, OR ANY
14 PERSON THAT WOULD BE DISQUALIFIED AS A "BAD ACTOR" UNDER RULE
15 506 (d) PROMULGATED UNDER THE FEDERAL "SECURITIES ACT OF 1933";

16 (j) A person applying for a license for a location that is currently
17 licensed as a retail food establishment or wholesale food registrant; ~~or~~

18 (l) ~~A publicly traded company.~~

19 (m) A PERSON WHOSE CONTROLLING BENEFICIAL OWNER OR
20 PASSIVE BENEFICIAL OWNER IS FOUND UNSUITABLE BY THE STATE
21 LICENSING AUTHORITY. TO DETERMINE WHETHER A PERSON IS SUITABLE,
22 THE STATE LICENSING AUTHORITY MAY CONSIDER, BUT IS NOT LIMITED TO,
23 A PERSON'S FINANCIAL CHARACTER OR RECORD, CRIMINAL CHARACTER OR
24 RECORD, OR LICENSING CHARACTER OR RECORD.

25 (n) A PERSON, OTHER THAN AN INDIVIDUAL, ORGANIZED OR
26 FORMED UNDER THE LAWS OF A COUNTRY DETERMINED BY THE UNITED
27 STATES SECRETARY OF STATE TO HAVE REPEATEDLY PROVIDED SUPPORT

1 FOR ACTS OF INTERNATIONAL TERRORISM OR INCLUDED AMONG THE LIST
2 OF "COVERED COUNTRIES" IN SECTION 1502 OF THE FEDERAL
3 "DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION
4 ACT".

5 **SECTION 12.** In Colorado Revised Statutes, 12-43.4-306.5,
6 **amend** (1), (3), and (5); **repeal** (2), (4), (6), and (7); and **add** (4.5), (5.5),
7 (5.7), and (6.5) as follows:

8 **12-43.4-306.5. Business and owner requirements - legislative**
9 **declaration.** (1) (a) The general assembly hereby finds and declares that:

10 (I) Retail marijuana ~~businesses~~ ESTABLISHMENTS need to be able
11 to access capital in order to effectively grow their businesses and remain
12 competitive in the marketplace;

13 (II) The current regulatory structure for retail marijuana creates a
14 substantial barrier to investment from out-of-state interests AND PUBLICLY
15 TRADED CORPORATIONS;

16 (III) There is insufficient capital in Colorado to properly fund the
17 capital needs of Colorado retail marijuana ~~businesses~~ ESTABLISHMENTS;

18 (IV) Colorado retail marijuana ~~businesses~~ ESTABLISHMENTS need
19 to have ready access to capital from investors ~~in states~~ FROM outside of
20 Colorado; ~~and~~

21 (IV.5) UNDER CERTAIN CIRCUMSTANCES, PERMITTING PUBLICLY
22 TRADED CORPORATIONS TO HOLD AN INTEREST IN RETAIL MARIJUANA
23 ESTABLISHMENTS WILL BENEFIT COLORADO'S RETAIL MARIJUANA MARKET;

24 (V) Providing access to legitimate sources of capital helps prevent
25 the opportunity for those who engage in illegal activity to gain entry into
26 Colorado's regulated retail marijuana market;

27 (VI) ACCESS TO CAPITAL MUST BE BALANCED WITH PROMOTING

1 CONTROL OVER RETAIL MARIJUANA ESTABLISHMENTS BY SUITABLE
2 PERSONS WHO ARE LEGITIMATE, TAXPAYING BUSINESSPERSONS, AND NOT
3 CRIMINAL ACTORS; PREVENTING REVENUE FROM THE SALE OF MARIJUANA
4 FROM GOING TO CRIMINAL ENTERPRISES, GANGS, AND CARTELS; AND
5 PREVENTING STATE-AUTHORIZED MARIJUANA ACTIVITY FROM BEING USED
6 AS A COVER OR PRETEXT FOR THE TRAFFICKING OF OTHER ILLEGAL DRUGS
7 OR OTHER ILLEGAL ACTIVITY; ==

8 (VII) PUBLICLY TRADED CORPORATIONS OFFERING SECURITIES FOR
9 INVESTMENT IN RETAIL MARIJUANA ESTABLISHMENTS MUST TELL THE
10 PUBLIC THE TRUTH ABOUT THEIR BUSINESS, THE SECURITIES THEY ARE
11 SELLING, AND THE RISKS INVOLVED WITH INVESTING IN RETAIL MARIJUANA
12 ESTABLISHMENTS, AND PEOPLE WHO SELL AND TRADE SECURITIES
13 RELATED TO RETAIL MARIJUANA ESTABLISHMENTS ARE PROHIBITED FROM
14 ENGAGING IN DECEIT, MISREPRESENTATIONS, AND OTHER FRAUD IN THE
15 SALE OF THE SECURITIES.

16 (VIII) RECOGNIZING THAT PARTICIPATION BY PUBLICLY TRADED
17 CORPORATIONS IN COLORADO'S RETAIL MARIJUANA INDUSTRY CREATES AN
18 INCREASED NEED TO ASSESS BARRIERS OF ENTRY FOR MINORITY- AND
19 WOMAN-OWNED BUSINESSES, WITH SUCH EFFORTS BEING MADE TO
20 IDENTIFY SOLUTIONS TO ARRIVE AT A GREATER BALANCE AND FOR
21 FURTHER EQUITY FOR MINORITY- AND WOMAN-OWNED BUSINESSES, AND
22 IN A MANNER THAT IS CONSISTENT WITH THE PUBLIC SAFETY AND
23 ENFORCEMENT GOALS AS STATED HEREIN, IT IS THEREFORE OF
24 SUBSTANTIVE IMPORTANCE TO ADDRESS THE LACK OF MINORITY- AND
25 WOMAN-OWNED BUSINESSES' INCLUSION IN COLORADO'S RETAIL
26 MARIJUANA INDUSTRY, SOCIAL INJUSTICE ISSUES ASSOCIATED WITH
27 MARIJUANA PROHIBITION, SUITABILITY ISSUES RELATING TO PAST

1 CONVICTIONS FOR POTENTIAL LICENSEES, LICENSING FEES, AND ECONOMIC
2 CHALLENGES THAT ARISE WITH THE APPLICATION PROCESSES:

3 (IX) COORDINATION BETWEEN THE STATE LICENSING AUTHORITY
4 AND OTHER STATE AND LOCAL LAW ENFORCEMENT AGENCIES SUPPORTS
5 THESE GOALS; AND

6 (X) IN THE EVENT THAT PASSAGE OF HOUSE BILL 18-1011,
7 ENACTED IN 2018, LEADS TO AN INCREASE IN GRAY AND BLACK MARKET
8 INVESTIGATIONS, THE DEPARTMENT OF LOCAL AFFAIRS SHOULD CONSIDER
9 CONVENING A STAKEHOLDER PROCESS TO EXAMINE HOW TO IMPROVE LAW
10 ENFORCEMENT ACCESS TO GRANTS FROM THE GRAY AND BLACK MARKET
11 MARIJUANA ENFORCEMENT GRANT PROGRAM CREATED IN SECTION
12 24-32-119, INCLUDING:

13 (A) WHETHER THE ELIGIBILITY CRITERIA FOR THE AWARDING OF
14 GRANTS REFLECTS THE REALITY OF THE INVESTIGATIONS UNDERTAKEN;

15 (B) WHETHER THE GRANTS SHOULD BE AVAILABLE ON A
16 PROSPECTIVE BASIS AND WHETHER THE GRANT PROCESS IS ACCESSIBLE TO
17 LOCAL LAW ENFORCEMENT DEPARTMENTS WITH MINIMAL STAFF; AND

18 (C) WHETHER THE AMOUNT OF MONEY AVAILABLE IS SUFFICIENT.

19
20 (b) Therefore, the general assembly is providing a mechanism for
21 Colorado retail marijuana ~~businesses~~ ESTABLISHMENTS to access capital
22 from investors in other states AND FROM CERTAIN PUBLICLY TRADED
23 CORPORATIONS PURSUANT TO THIS SECTION AND SECTION 12-43.4-306.6.

24 (2) A direct beneficial interest owner who is a natural person must
25 either:

26 (a) Have been a resident of Colorado for at least one year prior to
27 the date of the application; or

1 ~~(b) Be a United States citizen prior to the date of the application.~~

2 ~~(3) (a) A retail marijuana business may be comprised of an~~
3 ~~unlimited number of direct beneficial interest owners that have been~~
4 ~~residents of Colorado for at least one year prior to the date of the~~
5 ~~application.~~

6 ~~(b) On and after January 1, 2017, A retail marijuana business that~~
7 ~~is comprised of one or more direct beneficial interest owners who have~~
8 ~~not been Colorado residents for at least one year prior to application shall~~
9 ~~have at least one officer who has been a Colorado resident for at least one~~
10 ~~year prior to application, and all officers with day-to-day operational~~
11 ~~control over the business must be Colorado residents for at least one year~~
12 ~~prior to application. A retail marijuana business under this paragraph (b)~~
13 ~~is limited to no more than fifteen direct beneficial interest owners,~~
14 ~~including all parent and subsidiary entities, all of whom are natural~~
15 ~~persons.~~

16 ~~(c) Notwithstanding the requirements of paragraph (b) of this~~
17 ~~subsection (3), the state licensing authority may review the limitation on~~
18 ~~the number of direct beneficial interest owners and may increase the~~
19 ~~number of allowable interests above fifteen based on reasonable~~
20 ~~considerations such as developments in state and federal financial~~
21 ~~regulations, market conditions, and the licensee's ability to access~~
22 ~~legitimate sources of capital.~~

23 ~~(d) A direct beneficial interest owner that is a closely held~~
24 ~~business entity must consist entirely of natural persons who are United~~
25 ~~States citizens prior to the date of the application, including all parent and~~
26 ~~subsidiary entities.~~

27 ~~(4) A retail marijuana business may include qualified institutional~~

1 ~~investors that own thirty percent or less of the retail marijuana business.~~

2 (4.5) PRIOR TO SUBMITTING AN INITIAL APPLICATION AND AT ANY
3 TIME THEREAFTER WHEN REQUESTED BY THE STATE LICENSING AUTHORITY
4 IN ITS REASONABLE DISCRETION, A PERSON THAT IS OR INTENDS TO
5 BECOME A RETAIL MARIJUANA ESTABLISHMENT SHALL DISCLOSE TO THE
6 STATE LICENSING AUTHORITY A COMPLETE AND ACCURATE LIST OF THE
7 FOLLOWING:

8 (a) ALL OF THE RETAIL MARIJUANA ESTABLISHMENT'S OFFICERS,
9 DIRECTORS, AND AFFILIATES;

10 (b) ALL OF THE RETAIL MARIJUANA ESTABLISHMENT'S
11 CONTROLLING BENEFICIAL OWNERS, AND:

12 (I) IF THE CONTROLLING BENEFICIAL OWNER IS A PUBLICLY
13 TRADED CORPORATION, ALL OFFICERS, DIRECTORS, FIVE-PERCENT OR MORE
14 BENEFICIAL OWNERS, AND AFFILIATES OF THE CONTROLLING BENEFICIAL
15 OWNER; OR

16 (II) IF THE CONTROLLING BENEFICIAL OWNER IS NOT A PUBLICLY
17 TRADED CORPORATION AND IS NOT AN INDIVIDUAL, ALL OFFICERS,
18 DIRECTORS, BENEFICIAL OWNERS, AND AFFILIATES OF THE CONTROLLING
19 BENEFICIAL OWNER; AND

20 (c) IF THE RETAIL MARIJUANA ESTABLISHMENT IS NOT A PUBLICLY
21 TRADED CORPORATION, ALL OF THE RETAIL MARIJUANA ESTABLISHMENT'S
22 PASSIVE BENEFICIAL OWNERS.

23 ==

24 (5) (a) A person ~~who~~ THAT intends to apply as a direct beneficial
25 interest owner and is not a Colorado resident for at least one year prior to
26 the date of application TO BECOME A CONTROLLING BENEFICIAL OWNER
27 shall first submit a request to the state licensing authority for a finding of

1 ~~suitability. as a direct beneficial interest owner. The person shall~~ FAILURE
2 ~~TO PROVIDE ALL REQUESTED INFORMATION IN CONNECTION WITH A~~
3 ~~REQUEST FOR A FINDING OF SUITABILITY IS GROUNDS FOR DENIAL OF THAT~~
4 ~~FINDING OF SUITABILITY. EVERY PROPOSED CONTROLLING BENEFICIAL~~
5 ~~OWNER MUST receive a finding of suitability OR AN EXEMPTION FROM A~~
6 ~~FINDING OF SUITABILITY BY THE STATE LICENSING AUTHORITY~~ prior to
7 ~~submitting an~~ A RETAIL MARIJUANA ESTABLISHMENT application to the
8 state licensing authority. ~~to be a direct beneficial interest owner.~~ Failure
9 ~~to receive a finding~~ ALL REQUIRED FINDINGS of suitability prior to
10 application is grounds for denial of AN APPLICATION OR SUSPENSION,
11 REVOCATION, OR OTHER SANCTION AGAINST THE LICENSEE by the state
12 licensing authority.

13 (b) ~~The state licensing authority shall perform a limited initial~~
14 ~~background check on qualified limited passive investors. If the initial~~
15 ~~background check provides reasonable cause for additional investigation,~~
16 ~~the state licensing authority may require a full background check.~~

17 (c) THE STATE LICENSING AUTHORITY MAY REQUIRE ANY PERSON
18 THAT WAS DISCLOSED OR SHOULD HAVE BEEN DISCLOSED PURSUANT TO
19 SUBSECTION (4.5) OF THIS SECTION TO OBTAIN A FINDING OF
20 SUITABILITY PRIOR TO SUBMISSION OF A RETAIL MARIJUANA
21 ESTABLISHMENT APPLICATION. FAILURE TO PROVIDE ANY INFORMATION
22 REQUESTED IN CONNECTION WITH A FINDING OF SUITABILITY IS GROUNDS
23 FOR DENIAL OF THAT REQUEST FOR A FINDING OF SUITABILITY. ALL
24 INDIVIDUALS MUST OBTAIN ANY REQUIRED FINDING OF SUITABILITY PRIOR
25 TO SUBMITTING A RETAIL MARIJUANA ESTABLISHMENT APPLICATION TO
26 THE STATE LICENSING AUTHORITY. FAILURE OF A PERSON TO OBTAIN ANY
27 REQUIRED FINDING OF SUITABILITY PRIOR TO APPLICATION IS GROUNDS FOR

1 DENIAL OF AN APPLICATION OR SUSPENSION, REVOCATION, OR OTHER
2 SANCTION AGAINST THE LICENSEE BY THE STATE LICENSING AUTHORITY.

3 (5.5) == IN ITS REASONABLE DISCRETION, AT ANY TIME, THE STATE
4 LICENSING AUTHORITY MAY REQUIRE ANY PERSON THAT WAS DISCLOSED
5 OR SHOULD HAVE BEEN DISCLOSED UNDER THIS SECTION OR SECTION
6 12-43.4-306.6 TO OBTAIN A FINDING OF SUITABILITY. FAILURE TO PROVIDE
7 ANY INFORMATION REQUESTED IN CONNECTION WITH A FINDING OF
8 SUITABILITY IS GROUNDS FOR DENIAL OF THAT REQUEST FOR A FINDING OF
9 SUITABILITY. FAILURE OF A PERSON TO OBTAIN ANY REQUIRED FINDING OF
10 SUITABILITY MAY BE GROUNDS FOR DENIAL OF AN APPLICATION OR
11 SUSPENSION, REVOCATION, OR OTHER SANCTION OF A AGAINST THE
12 LICENSE BY THE STATE LICENSING AUTHORITY.

13 == ==

14 (5.7) IF A REQUIRED FINDING OF SUITABILITY IS NOT COMPLETED
15 WITHIN ONE YEAR FROM THE DATE THE FINDING OF SUITABILITY WAS
16 REQUESTED, THE STATE LICENSING AUTHORITY SHALL INFORM THE
17 APPLICANT OR LICENSEE. █

18 ~~(6) The state licensing authority shall review the retail marijuana~~
19 ~~business's operating documents to ensure compliance with this section.~~

20 (6.5) A PERSON, OTHER THAN AN INDIVIDUAL, THAT IS A
21 CONTROLLING BENEFICIAL OWNER SHALL APPOINT AND CONTINUOUSLY
22 MAINTAIN A REGISTERED AGENT WHO SATISFIES THE REQUIREMENTS OF
23 SECTION 7-90-701. THE RETAIL MARIJUANA ESTABLISHMENT SHALL
24 INFORM THE STATE LICENSING AUTHORITY OF A CHANGE IN THE
25 REGISTERED AGENT WITHIN TEN DAYS OF THE CHANGE.

26 ~~(7) For purposes of this section, unless the context otherwise~~
27 ~~requires, "institutional investor" means:~~

1 ~~(a) A bank as defined in section 3(a)(6) of the federal "Securities~~
2 ~~Exchange Act of 1934", as amended;~~

3 ~~(b) An insurance company as defined in section 2(a)(17) of the~~
4 ~~federal "Investment Company Act of 1940", as amended;~~

5 ~~(c) An investment company registered under section 8 of the~~
6 ~~federal "Investment Company Act of 1940", as amended;~~

7 ~~(d) An investment adviser registered under section 203 of the~~
8 ~~federal "Investment Advisers Act of 1940", as amended;~~

9 ~~(e) Collective trust funds as defined in section 3(c)(11) of the~~
10 ~~federal "Investment Company Act of 1940", as amended;~~

11 ~~(f) An employee benefit plan or pension fund that is subject to the~~
12 ~~federal "Employee Retirement Income Security Act of 1974", as~~
13 ~~amended, excluding an employee benefit plan or pension fund sponsored~~
14 ~~by a licensee or an intermediary or holding company licensee that directly~~
15 ~~or indirectly owns five percent or more of a licensee;~~

16 ~~(g) A state or federal government pension plan;~~

17 ~~(h) A group comprised entirely of persons specified in subsections~~
18 ~~(a) to (g) of this subsection (7); or~~

19 ~~(i) Any other entity identified through rule by the state licensing~~
20 ~~authority.~~

21 **SECTION 13.** In Colorado Revised Statutes, **add 12-43.4-306.6**
22 **as follows:**

23 **12-43.4-306.6. Licensure and investment requirements for**
24 **publicly traded corporations.** (1) IN ADDITION TO THE REQUIREMENTS
25 OF SECTION 12-43.4-306.5, ANY APPLICANT, LICENSEE, OR CONTROLLING
26 BENEFICIAL OWNER THAT IS A PUBLICLY TRADED CORPORATION SHALL
27 COMPLY WITH THIS SECTION.

1 (2) (a) A PUBLICLY TRADED CORPORATION THAT IS A RETAIL
2 MARIJUANA ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER
3 SHALL REPORT TO THE STATE LICENSING AUTHORITY WITHIN TEN DAYS
4 AFTER THE ELECTION OR APPOINTMENT, OR RESIGNATION OR REMOVAL, OF
5 ANY DIRECTOR OR OFFICER OF THE PUBLICLY TRADED CORPORATION.

6 (b) TO THE EXTENT REQUIRED BY THE STATE LICENSING
7 AUTHORITY, WHENEVER ANY REPORT, PROXY OR INFORMATION
8 STATEMENT, REGISTRATION STATEMENT, SCHEDULE, OR OTHER FILING IS
9 MADE WITH THE FEDERAL SECURITIES AND EXCHANGE COMMISSION OR
10 OTHER APPLICABLE SECURITIES EXCHANGE, OR, IN THE CASE OF A FOREIGN
11 PRIVATE ISSUER, ANY SIMILAR REGULATORY BODY, BY OR WITH RESPECT
12 TO A PUBLICLY TRADED CORPORATION THAT IS A RETAIL MARIJUANA
13 ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER, THE PUBLICLY
14 TRADED CORPORATION SHALL NOTIFY THE STATE LICENSING AUTHORITY
15 THAT A FILING HAS TAKEN PLACE AND DISCLOSE A COPY OF THE FILING
16 WITHIN FIVE DAYS AFTER THE FILING WITH THE FEDERAL SECURITIES AND
17 EXCHANGE COMMISSION OR OTHER APPLICABLE SECURITIES EXCHANGE,
18 OR, IN THE CASE OF A FOREIGN PRIVATE ISSUER, ANY SIMILAR
19 REGULATORY BODY.

20 (c) THE STATE LICENSING AUTHORITY MAY AT ANY TIME REQUIRE
21 ANY APPLICANT, LICENSEE, OR CONTROLLING BENEFICIAL OWNER TO
22 DISCLOSE A COMPLETE AND ACCURATE LIST OF ALL NONOBJECTING
23 BENEFICIAL OWNERS.

24 (d) TO THE EXTENT REQUIRED BY THE STATE LICENSING
25 AUTHORITY, A PUBLICLY TRADED CORPORATION THAT IS A RETAIL
26 MARIJUANA ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER
27 SHALL, WITHIN FIVE DAYS AFTER RECEIVING A COMMENT LETTER OR

1 EXCHANGE NOTICE FROM THE FEDERAL SECURITIES AND EXCHANGE
2 COMMISSION OR OTHER APPLICABLE SECURITIES EXCHANGE, OR, IN THE
3 CASE OF A FOREIGN PRIVATE ISSUER, ANY SIMILAR REGULATORY BODY,
4 NOTIFY THE STATE LICENSING AUTHORITY THAT THE COMMENT LETTER OR
5 EXCHANGE NOTICE WAS RECEIVED AND PROVIDE A COPY TO THE STATE
6 LICENSING AUTHORITY.

7 (3) AFTER COMMENCING ANY OFFERING OF A SECURITY, ANY
8 PUBLICLY TRADED CORPORATION THAT IS A RETAIL MARIJUANA
9 ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER OR PASSIVE
10 BENEFICIAL OWNER SHALL NOTIFY THE STATE LICENSING AUTHORITY OF
11 THE PROPOSED OFFERING IN THE TIME AND MANNER REQUIRED BY THE
12 STATE LICENSING AUTHORITY. AT A MINIMUM, THE NOTIFICATION MUST
13 OCCUR NOT LATER THAN THREE BUSINESS DAYS AFTER THE EARLIER OF
14 THE COMMENCEMENT OF THE OFFERING OR THE INITIAL FILING COVERING
15 THE OFFERING WITH THE FEDERAL SECURITIES AND EXCHANGE
16 COMMISSION OR OTHER APPLICABLE SECURITIES EXCHANGE, OR, IN THE
17 CASE OF A FOREIGN PRIVATE ISSUER, ANY SIMILAR REGULATORY BODY.

18 (4) A PUBLICLY TRADED CORPORATION THAT IS A RETAIL
19 MARIJUANA ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER OF
20 FIFTY PERCENT OR MORE OF THE SECURITIES OF A RETAIL MARIJUANA
21 ESTABLISHMENT SHALL INCLUDE AND MAINTAIN AT ALL TIMES IN ITS
22 BYLAWS THE FOLLOWING PROVISIONS:

23 (a) THE [NAME OF THE PUBLICLY TRADED CORPORATION] SHALL
24 NOT ISSUE ANY SECURITY EXCEPT IN ACCORDANCE WITH THE PROVISIONS
25 OF ARTICLE 43.4 OF TITLE 12, COLORADO REVISED STATUTES, AND THE
26 RULES PROMULGATED PURSUANT TO THAT ARTICLE 43.3. THE ISSUANCE
27 OF ANY SECURITY IN VIOLATION THEREOF SHALL BE VOID, AND THE

1 SECURITY SHALL BE DEEMED NOT TO BE ISSUED AND OUTSTANDING UNTIL
2 THE PUBLICLY TRADED CORPORATION CEASES TO BE SUBJECT TO THE
3 JURISDICTION OF THE STATE LICENSING AUTHORITY OR THE STATE
4 LICENSING AUTHORITY, BY AFFIRMATIVE ACTION, VALIDATES SAID
5 ISSUANCE OR WAIVES ANY DEFECT IN ISSUANCE.

6 (b) NO SECURITY ISSUED BY THE [NAME OF THE PUBLICLY TRADED
7 CORPORATION] AND NO INTEREST, CLAIM, OR CHARGE THEREIN OR
8 THERETO SHALL BE TRANSFERRED IN ANY MANNER WHATSOEVER EXCEPT
9 IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 43.4 OF TITLE 12,
10 COLORADO REVISED STATUTES, AND THE RULES PROMULGATED
11 PURSUANT TO THAT ARTICLE 43.3. ANY TRANSFER IN VIOLATION THEREOF
12 SHALL BE VOID UNTIL THE [NAME OF THE PUBLICLY TRADED
13 CORPORATION] CEASES TO BE SUBJECT TO THE JURISDICTION OF THE STATE
14 LICENSING AUTHORITY OR THE STATE LICENSING AUTHORITY, BY
15 AFFIRMATIVE ACTION, VALIDATES SAID TRANSFER OR WAIVES ANY DEFECT
16 IN SAID TRANSFER.

17 (c) IF THE STATE LICENSING AUTHORITY AT ANY TIME DETERMINES
18 THAT A HOLDER OF A SECURITY OF THE [NAME OF THE PUBLICLY TRADED
19 CORPORATION] IS UNSUITABLE TO HOLD THE SECURITY, THEN THE [NAME
20 OF THE PUBLICLY TRADED CORPORATION] MAY, WITHIN SIXTY DAYS AFTER
21 THE FINDING OF UNSUITABILITY, PURCHASE THE SECURITY OF THE
22 UNSUITABLE PERSON AT THE LESSER OF THE AMOUNT IN UNITED STATES
23 DOLLARS OF CASH OR OTHER CONSIDERATION PAID BY THE PERSON FOR
24 THE SECURITY OR THE CURRENT MARKET PRICE AS OF THE DATE OF THE
25 FINDING OF UNSUITABILITY, UNLESS THE SECURITY IS TRANSFERRED TO A
26 SUITABLE PERSON AS DETERMINED BY THE STATE LICENSING AUTHORITY
27 WITHIN SIXTY DAYS AFTER THE FINDING OF UNSUITABILITY. UNTIL THE

1 SECURITY IS OWNED BY PERSONS FOUND BY THE STATE LICENSING
2 AUTHORITY TO BE SUITABLE TO OWN IT, THE [NAME OF THE PUBLICLY
3 TRADED CORPORATION] SHALL NOT BE REQUIRED OR PERMITTED TO PAY
4 ANY DIVIDEND OR INTEREST WITH REGARD TO THE SECURITY; THE HOLDER
5 OF THE SECURITY SHALL NOT BE ENTITLED TO VOTE ON ANY MATTER AS
6 THE HOLDER OF THE SECURITY; AND THE SECURITY SHALL NOT FOR ANY
7 PURPOSES BE INCLUDED AMONG THE SECURITIES OF THE [NAME OF THE
8 PUBLICLY TRADED CORPORATION] ENTITLED TO VOTE, AND THE [NAME OF
9 THE PUBLICLY TRADED CORPORATION] SHALL NOT PAY ANY
10 REMUNERATION IN ANY FORM TO THE HOLDER OF THE SECURITY EXCEPT
11 IN EXCHANGE FOR THE SECURITY AS PROVIDED IN THIS SUBSECTION (4)(c).

12 (5) A PERSON THAT BECOMES A BENEFICIAL OWNER OF FIVE
13 PERCENT OR MORE OF ANY CLASS OF SECURITY IN A PUBLICLY TRADED
14 CORPORATION THAT IS A RETAIL MARIJUANA ESTABLISHMENT OR A
15 CONTROLLING BENEFICIAL OWNER MUST APPLY TO THE STATE LICENSING
16 AUTHORITY FOR A FINDING OF SUITABILITY WITHIN FORTY-FIVE DAYS
17 AFTER BECOMING A BENEFICIAL OWNER OR CONTROLLING BENEFICIAL
18 OWNER. WHEN A PERSON IS OR BECOMES A BENEFICIAL OWNER OF FIVE
19 PERCENT OR MORE OF ANY CLASS OF SECURITY IN THE PUBLICLY TRADED
20 CORPORATION, THE STATE LICENSING AUTHORITY MAY REQUIRE A FINDING
21 OF SUITABILITY OF ANY OFFICER, DIRECTOR, MEMBER, AFFILIATE, OR
22 GREATER-THAN-FIVE-PERCENT BENEFICIAL OWNER IN THAT PERSON. A
23 LICENSEE SHALL NOTIFY EACH PERSON THAT IS SUBJECT TO THIS
24 SUBSECTION (5) OF ITS REQUIREMENTS AS SOON AS THE LICENSEE
25 BECOMES AWARE OF THE BENEFICIAL OWNERSHIP TRIGGERING THE
26 REQUIREMENT, PROVIDED THAT THE OBLIGATIONS OF THE PERSON SUBJECT
27 TO THIS SUBSECTION (5) ARE INDEPENDENT OF, AND UNAFFECTED BY, THE

1 LICENSEE'S FAILURE TO GIVE THE NOTICE.

2 (6) A PUBLICLY TRADED CORPORATION SHALL PROVIDE THE STATE
3 LICENSING AUTHORITY WITH A DEPOSIT TO COVER THE DIRECT AND
4 INDIRECT COSTS OF ANY INVESTIGATION NECESSARY TO DETERMINE
5 WHETHER OR NOT ANY REQUIRED FINDING OF SUITABILITY SHALL BE
6 ISSUED. THE STATE LICENSING AUTHORITY MAY MAKE FURTHER RULES
7 REGARDING THE DEPOSIT AND DIRECT AND INDIRECT COSTS THAT SHALL
8 BE BILLED AGAINST THE DEPOSIT.

9 (7) IT IS GROUNDS FOR DENIAL OF A LICENSE OR DISCIPLINARY
10 ACTION IF ANY PERSON, IN CONNECTION WITH THE PURCHASE OR SALE OF
11 ANY SECURITY ISSUED BY A RETAIL MARIJUANA ESTABLISHMENT OR A
12 CONTROLLING BENEFICIAL OWNER, PLEADS OR IS FOUND GUILTY OF,
13 PLEADS NOLO CONTENDERE TO, IS SUBJECT TO A FINAL CEASE AND DESIST
14 ORDER WITH RESPECT TO AN ORDER OF PERMANENT INJUNCTION ISSUED ON
15 THE BASIS OF, OR IS THE SUBJECT OF A SIMILAR FINAL ACTION TAKEN ON
16 THE BASIS OF, A VIOLATION OF RULE 10b-5 PROMULGATED BY THE
17 FEDERAL SECURITIES AND EXCHANGE COMMISSION UNDER SECTION 10 (b)
18 OF THE "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, OR SECTION
19 11-51-501.

20 **SECTION 14.** In Colorado Revised Statutes, 12-43.4-308,
21 **amend** (2); and **add** (3) as follows:

22 **12-43.4-308. Transfer of ownership.** (2) For a transfer of
23 ownership, OTHER THAN REALES OR TRANSFERS OF SECURITY IN
24 ORDINARY BROKER TRANSACTIONS BY A BENEFICIAL OWNER OF
25 SECURITIES OF A PUBLICLY TRADED CORPORATION THROUGH AN
26 ESTABLISHED TRADING MARKET, a license holder shall apply to the state
27 licensing authority on forms prepared and furnished by the state licensing

1 authority. Upon receipt of an application for transfer of ownership, the
2 state licensing authority shall submit, within seven days, a copy of the
3 application to the local jurisdiction to determine whether the transfer
4 complies with local restrictions on transfer of ownership. In determining
5 whether to permit a transfer of ownership, the state licensing authority
6 shall consider only the requirements of this ~~article~~ ARTICLE 43.4, any rules
7 promulgated by the state licensing authority, and any other local
8 restrictions. The local jurisdiction may hold a hearing on the application
9 for transfer of ownership. The local jurisdiction shall not hold a hearing
10 pursuant to this subsection (2) until the local jurisdiction has posted a
11 notice of hearing in the manner described in section 12-43.4-302 (1) on
12 the licensed premises for a period of ten days and has provided notice of
13 the hearing to the applicant at least ten days prior to the hearing. Any
14 transfer of ownership hearing by the state licensing authority shall be held
15 in compliance with the requirements specified in section 12-43.4-304.

16 (3) ANY TRANSFER OF SECURITIES BY A BENEFICIAL OWNER OF A
17 PUBLICLY TRADED CORPORATION SHALL COMPLY WITH THE PROVISIONS OF
18 SECTIONS 12-43.4-306.5 AND 12-43.4-306.6.

19 **SECTION 15.** In Colorado Revised Statutes, 12-43.4-309,
20 **amend** (3) as follows:

21 **12-43.4-309. Licensing in general.** (3) A retail marijuana
22 establishment THAT IS NOT A PUBLICLY TRADED CORPORATION shall notify
23 the state licensing authority in writing of the name, address, and date of
24 birth of ~~an~~ A CONTROLLING BENEFICIAL owner, PASSIVE BENEFICIAL
25 OWNER, officer, or manager before the new CONTROLLING BENEFICIAL
26 owner, PASSIVE BENEFICIAL OWNER, officer, or manager begins managing,
27 owning, or associating with the operation. The CONTROLLING BENEFICIAL

1 owner, PASSIVE BENEFICIAL OWNER, officer, manager, or employee must
2 pass a fingerprint-based criminal history record check as required by the
3 state licensing authority and obtain the required identification prior to
4 being associated with, managing, owning, or working at the operation.

5 **SECTION 16.** In Colorado Revised Statutes, **amend** 12-43.4-407
6 as follows:

7 **12-43.4-407. Retail marijuana business operator license.** A
8 retail marijuana business operator license may be issued to a person ~~who~~
9 ~~THAT~~ operates a retail marijuana establishment licensed pursuant to this
10 ~~article~~ ARTICLE 43.4, for ~~an owner~~ ANOTHER RETAIL MARIJUANA
11 ESTABLISHMENT licensed pursuant to this ~~article~~ ARTICLE 43.4, and who
12 may receive a portion of the profits as compensation.

13 **SECTION 17.** In Colorado Revised Statutes, 12-43.3-306,
14 **amend** (1) as follows:

15 **12-43.3-306. Denial of application.** (1) The state licensing
16 authority shall deny a state license if the premises on which the applicant
17 proposes to conduct its business does not meet the requirements of this
18 article or for reasons set forth in section 12-43.3-104 ~~(1.3)(e)~~ (1.4)(c) or
19 12-43.3-305, and the state licensing authority may deny a license for good
20 cause as defined by section 12-43.3-104 ~~(1.3)(a) or (1.3)(b)~~ (1.4)(a) OR
21 (1.4)(b).

22 **SECTION 18. Appropriation.** (1) For the 2018-19 state fiscal
23 year, \$1,037,452 is appropriated to the department of revenue. This
24 appropriation is from the marijuana cash fund created in section
25 12-43.3-501 (1)(a), C.R.S. To implement this act, the department may use
26 this appropriation as follows:

27 (a) \$867,780 for marijuana enforcement, which amount is based

1 on an assumption that the department will require an additional 7.0 FTE;

2 (b) \$24,750 for vehicle lease payments; and

3 (c) \$144,922 for the purchase of legal services.

4 (2) For the 2018-19 state fiscal year, \$24,750 is appropriated to
5 the department of personnel. This appropriation is from reappropriated
6 funds received from the department of revenue under subsection (1)(b)
7 of this section. To implement this act, the department of personnel may
8 use this appropriation for vehicle replacement lease/purchase in fleet
9 management program and motor pool services.

10 (3) For the 2018-19 state fiscal year, \$14,600 is appropriated to
11 the department of public safety for use by the biometric identification and
12 records unit. This appropriation is from reappropriated funds received
13 from the department of revenue under subsection (1)(a) of this section. To
14 implement this act, the unit may use this appropriation to provide criminal
15 history record checks for the department of revenue.

16 (4) For the 2018-19 state fiscal year, \$144,922 is appropriated to
17 the department of law. This appropriation is from reappropriated funds
18 received from the department of revenue under subsection (1)(c) of this
19 section and is based on an assumption that the department of law will
20 require an additional 0.8 FTE. To implement this act, the department of
21 law may use this appropriation to provide legal services for the
22 department of revenue.

23 **SECTION 19. Applicability.** This act applies to applications
24 made on or after January 1, 2019.

25 **SECTION 20. Safety clause.** The general assembly hereby finds,
26 determines, and declares that this act is necessary for the immediate
27 preservation of the public peace, health, and safety.