

HOUSE COMMITTEE OF REFERENCE REPORT

March 4, 2019

Chair of Committee

Date

Committee on Finance.

After consideration on the merits, the Committee recommends the following:

HB19-1090 be amended as follows, and as so amended, be referred to the Committee on Appropriations with favorable recommendation:

1 Amend printed bill, strike everything below the enacting clause and
2 substitute:

3 "SECTION 1. In Colorado Revised Statutes, 44-11-104, **amend**
4 (1), (4), (12), (21), and (23); **add** (1.1), (1.2), (1.3), (1.4), (1.5), (1.6),
5 (11.5), (19.2), (22.7), (23.5), (25.5), and (27); and **repeal** (20) as follows:

6 **44-11-104. Definitions.** As used in this article 11, unless the
7 context otherwise requires:

8 (1) ~~"Direct beneficial interest owner" means a person or closely~~
9 ~~held business entity that owns a share or shares of stock in a licensed~~
10 ~~medical marijuana business, including the officers, directors, managing~~
11 ~~members, or partners of the licensed medical marijuana business or~~
12 ~~closely held business entity, or a qualified limited passive investor~~
13 "ACQUIRE" WHEN USED IN CONNECTION WITH THE ACQUISITION OF A
14 SECURITY OF A MEDICAL MARIJUANA BUSINESS, MEANS OBTAINING
15 OWNERSHIP, CONTROL, POWER TO VOTE, OR SOLE POWER OF DISPOSITION
16 OF SECURITIES, DIRECTLY OR INDIRECTLY OR THROUGH ONE OR MORE
17 TRANSACTIONS OR SUBSIDIARIES, THROUGH PURCHASE, ASSIGNMENT,
18 TRANSFER, EXCHANGE, SUCCESSION, OR OTHER MEANS.

19 (1.1) "ACTING IN CONCERT" MEANS KNOWING PARTICIPATION IN
20 A JOINT ACTIVITY OR INTERDEPENDENT CONSCIOUS PARALLEL ACTION
21 TOWARD A COMMON GOAL, WHETHER OR NOT PURSUANT TO AN EXPRESS
22 AGREEMENT.

23 (1.2) "AFFILIATE" OF, OR PERSON "AFFILIATED WITH", A SPECIFIED
24 PERSON MEANS A PERSON THAT DIRECTLY OR INDIRECTLY THROUGH ONE

1 OR MORE INTERMEDIARIES, CONTROLS, OR IS CONTROLLED BY, OR IS
2 UNDER COMMON CONTROL WITH, THE PERSON SPECIFIED.

3 (1.3) BENEFICIAL OWNER OF", "BENEFICIAL OWNERSHIP OF", OR
4 "BENEFICIALLY OWNS A" SECURITY IS DETERMINED IN ACCORDANCE WITH
5 SECTION 13(D) OF THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS
6 AMENDED, AND RULE 13D-3 PROMULGATED THEREUNDER.

7 (1.4) "CONTROL", "CONTROLS", "CONTROLLED", "CONTROLLING",
8 "CONTROLLED BY", AND "UNDER COMMON CONTROL WITH", MEANS THE
9 POSSESSION, DIRECT OR INDIRECT, OF THE POWER TO DIRECT OR CAUSE THE
10 DIRECTION OF THE MANAGEMENT OR POLICIES OF A PERSON, WHETHER
11 THROUGH THE OWNERSHIP OF VOTING SECURITIES, BY CONTRACT, OR
12 OTHERWISE.

13 (1.5) "CONTROLLING BENEFICIAL OWNER" IS LIMITED TO A PERSON
14 THAT SATISFIES ONE OR MORE OF THE FOLLOWING CRITERIA:

15 (a) A NATURAL PERSON, AN ENTITY AS DEFINED IN SECTION
16 7-90-102 (20) THAT IS ORGANIZED UNDER THE LAWS OF AND FOR WHICH
17 ITS PRINCIPAL PLACE OF BUSINESS IS LOCATED IN ONE OF THE STATES OR
18 TERRITORIES OF THE UNITED STATES OR DISTRICT OF COLUMBIA, A
19 PUBLICLY TRADED CORPORATION, OR A QUALIFIED PRIVATE FUND THAT IS
20 NOT OTHERWISE LICENSED AS A QUALIFIED INSTITUTIONAL INVESTOR:

21 (I) ACTING ALONE OR ACTING IN CONCERT, THAT OWNS OR
22 ACQUIRES BENEFICIAL OWNERSHIP OF TEN PERCENT OR MORE OF THE
23 INTERESTS OF A MEDICAL MARIJUANA BUSINESS;

24 (II) THAT IS AN AFFILIATE THAT CONTROLS A MEDICAL MARIJUANA
25 BUSINESS AND INCLUDES, WITHOUT LIMITATION, ANY EXECUTIVE OFFICER,
26 MANAGER AS DEFINED IN SECTION 7-90-102 (35.7), TRUSTEE, OR SIMILAR
27 POSITION; OR

28 (III) THAT IS OTHERWISE IN A POSITION TO CONTROL THE MEDICAL
29 MARIJUANA BUSINESS EXCEPT AS AUTHORIZED IN SECTION 44-11-407; OR

30 (b) A QUALIFIED INSTITUTIONAL INVESTOR ACTING ALONE OR
31 ACTING IN CONCERT THAT OWNS OR ACQUIRES BENEFICIAL OWNERSHIP OF
32 THIRTY PERCENT OR MORE OF THE SECURITIES OF A MEDICAL MARIJUANA
33 BUSINESS.

34 (1.6) "EXECUTIVE OFFICER" MEANS THE PRESIDENT; ANY VICE
35 PRESIDENT IN CHARGE OF A PRINCIPAL BUSINESS UNIT, DIVISION, OR
36 FUNCTION; ANY OTHER OFFICER WHO PERFORMS A POLICY-MAKING
37 FUNCTION; OR ANY OTHER PERSON WHO PERFORMS SIMILAR
38 POLICY-MAKING FUNCTIONS.

39 (4) ~~"Indirect beneficial interest owner" means a holder of a~~
40 ~~permitted economic interest, a recipient of a commercially reasonable~~
41 ~~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, A CONTROLLING BENEFICIAL OWNER, OR A PASSIVE
6 BENEFICIAL OWNER OF A MEDICAL MARIJUANA BUSINESS AND THAT:
7 (a) HOLDS A COMMERCIALY REASONABLE ROYALTY INTEREST IN
8 EXCHANGE FOR A MEDICAL MARIJUANA BUSINESS'S USE OF THE PERSON'S
9 INTELLECTUAL PROPERTY;
10 (b) HOLDS A PERMITTED ECONOMIC INTEREST THAT WAS ISSUED
11 PRIOR TO JANUARY 1, 2020, AND THAT HAS NOT BEEN CONVERTED INTO AN
12 OWNERSHIP INTEREST;
13 (c) IS A CONTRACT COUNTERPARTY WITH A MEDICAL MARIJUANA
14 BUSINESS, OTHER THAN A CUSTOMARY EMPLOYMENT AGREEMENT , THAT
15 HAS A DIRECT NEXUS TO THE CULTIVATION, MANUFACTURE, OR SALE OF
16 MEDICAL MARIJUANA, INCLUDING, BUT NOT LIMITED TO, A LEASE OF REAL
17 PROPERTY ON WHICH THE MEDICAL MARIJUANA BUSINESS OPERATES, A
18 LEASE OF EQUIPMENT USED IN THE CULTIVATION OF MEDICAL MARIJUANA,
19 A SECURED OR UNSECURED FINANCING AGREEMENT WITH THE MEDICAL
20 MARIJUANA BUSINESS, A SECURITY CONTRACT WITH THE MEDICAL
21 MARIJUANA BUSINESS, OR A MANAGEMENT AGREEMENT WITH THE
22 MEDICAL MARIJUANA BUSINESS, PROVIDED THAT NO SUCH CONTRACT
23 COMPENSATES THE CONTRACT COUNTERPARTY WITH A PERCENTAGE OF
24 REVENUE FOR PROFITS OF THE MEDICAL MARIJUANA BUSINESS; OR
25 (d) IS IDENTIFIED BY RULE BY THE STATE LICENSING AUTHORITY AS
26 AN INDIRECT FINANCIAL INTEREST HOLDER.
27 (11.5) "MEDICAL MARIJUANA BUSINESS" MEANS ANY OF THE
28 FOLLOWING ENTITIES LICENSED PURSUANT TO THIS ARTICLE 11: A
29 MEDICAL MARIJUANA CENTER, A MEDICAL MARIJUANA OPTIONAL PREMISES
30 CULTIVATION OPERATION, A MEDICAL MARIJUANA-INFUSED PRODUCTS
31 MANUFACTURER, A MEDICAL MARIJUANA TESTING FACILITY, A MEDICAL
32 MARIJUANA BUSINESS OPERATOR, A MEDICAL MARIJUANA TRANSPORTER,
33 A MARIJUANA RESEARCH AND DEVELOPMENT FACILITY, OR A MARIJUANA
34 RESEARCH AND DEVELOPMENT CULTIVATION FACILITY.
35 (12) "Medical marijuana business operator" means ~~an entity or~~ A
36 ~~person who is not an owner and who~~ THAT is licensed to provide
37 professional operational services to a medical marijuana ~~establishment~~
38 BUSINESS for direct remuneration from the medical marijuana
39 ~~establishment~~ BUSINESS. A MEDICAL MARIJUANA BUSINESS OPERATOR IS
40 NOT, BY VIRTUE OF ITS STATUS AS A MEDICAL MARIJUANA BUSINESS
41 OPERATOR, A CONTROLLING BENEFICIAL OWNER, OR A PASSIVE BENEFICIAL

1 OWNER OF ANY MEDICAL MARIJUANA BUSINESS IT OPERATES.
2 (19.2) "PASSIVE BENEFICIAL OWNER" MEANS ANY PERSON
3 ACQUIRING ANY INTEREST IN A MEDICAL MARIJUANA BUSINESS THAT IS
4 NOT OTHERWISE A CONTROLLING BENEFICIAL OWNER OR IN CONTROL.
5 (20) ~~"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 11; or such other~~
11 ~~agreements as may be permitted by rule of the state licensing authority.~~
12 (21) "Person" means ~~a natural person~~ AN INDIVIDUAL, A
13 partnership, association, JOINT-STOCK company, corporation, limited
14 liability company, or ANY OTHER UNINCORPORATED organization; ~~or a~~
15 ~~manager, agent, owner, director, servant, officer, or employee thereof~~
16 EXCEPT THAT "PERSON" DOES NOT INCLUDE ANY GOVERNMENTAL
17 ORGANIZATION.
18 (22.7) "PUBLICLY TRADED CORPORATION" MEANS ANY PERSON
19 OTHER THAN AN INDIVIDUAL THAT IS ORGANIZED UNDER THE LAWS OF AND
20 FOR WHICH ITS PRINCIPAL PLACE OF BUSINESS IS LOCATED IN ONE OF THE
21 STATES OR TERRITORIES OF THE UNITED STATES OR DISTRICT OF
22 COLUMBIA OR ANOTHER COUNTRY THAT AUTHORIZES THE SALE OF
23 MARIJUANA AND THAT:
24 (a) HAS A CLASS OF SECURITIES REGISTERED PURSUANT TO
25 SECTION 12 OF THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS
26 AMENDED, THAT:
27 (I) CONSTITUTES "COVERED SECURITIES" PURSUANT TO SECTION
28 18 (b)(1)(A) OF THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED;
29 OR
30 (II) IS QUALIFIED AND QUOTED ON THE OTCQX OR OTCQB TIER
31 OF THE OTC MARKETS IF:
32 (A) THE PERSON IS THEN REQUIRED TO FILE REPORTS AND IS FILING
33 REPORTS ON A CURRENT BASIS WITH THE FEDERAL SECURITIES AND
34 EXCHANGE COMMISSION PURSUANT TO THE FEDERAL "SECURITIES
35 EXCHANGE ACT OF 1934", AS AMENDED, AS IF THE SECURITIES
36 CONSTITUTED "COVERED SECURITIES" AS DESCRIBED IN SUBSECTION
37 (22.7)(a)(I) OF THIS SECTION; OR
38 (B) THE PERSON IS QUALIFIED AND QUOTED ON THE OTCQB TIER
39 OF THE OTC MARKETS AND THE PERSON HAS ESTABLISHED AND IS IN
40 COMPLIANCE WITH CORPORATE GOVERNANCE MEASURES PURSUANT TO
41 CORPORATE GOVERNANCE OBLIGATIONS IMPOSED ON SECURITIES

1 QUALIFIED AND QUOTED ON THE OTCQB TIER OF THE OTC MARKETS.

2 (b) IS A CORPORATION THAT HAS A CLASS OF SECURITIES LISTED ON
3 THE CANADIAN SECURITIES EXCHANGE, TORONTO STOCK EXCHANGE, OR
4 OTHER EQUITY SECURITIES EXCHANGE RECOGNIZED BY THE STATE
5 LICENSING AUTHORITY, IF:

6 (I) THE CORPORATION CONSTITUTES A "FOREIGN PRIVATE ISSUER",
7 AS DEFINED IN RULE 405 PROMULGATED PURSUANT TO THE FEDERAL
8 "SECURITIES ACT OF 1933", AS AMENDED, WHOSE SECURITIES ARE EXEMPT
9 FROM REGISTRATION PURSUANT TO SECTION 12 OF THE FEDERAL
10 "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, PURSUANT TO RULE
11 12g 3-2 (b) PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES
12 EXCHANGE ACT OF 1934", AS AMENDED; AND

13 (II) THE CORPORATION HAS BEEN, FOR THE PRECEDING THREE
14 HUNDRED SIXTY-FIVE DAYS OR SINCE THE FORMATION OF THE ENTITY, IN
15 COMPLIANCE WITH ALL GOVERNANCE AND REPORTING OBLIGATIONS
16 IMPOSED BY THE RELEVANT EXCHANGE ON SUCH CORPORATION; OR

17 (c) IS REASONABLY IDENTIFIED AS A PUBLICLY TRADED
18 CORPORATION BY RULE BY THE STATE LICENSING AUTHORITY AS A
19 PUBLICLY TRADED CORPORATION;

20 (d) A "PUBLICLY TRADED CORPORATION" DESCRIBED IN
21 SUBSECTION (22.7)(a), (22.7)(b), OR (22.7)(c) OF THIS SECTION DOES NOT
22 INCLUDE:

23 (I) AN "INELIGIBLE ISSUER", AS DEFINED IN RULE 405
24 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933",
25 AS AMENDED, UNLESS SUCH PUBLICLY TRADED CORPORATION SATISFIES
26 THE DEFINITION OF INELIGIBLE ISSUER SOLELY BECAUSE IT IS ONE OR MORE
27 OF THE FOLLOWING AND THE PERSON IS REQUIRED TO FILE REPORTS AND
28 IS FILING REPORTS ON A CURRENT BASIS WITH THE FEDERAL SECURITIES
29 AND EXCHANGE COMMISSION PURSUANT TO THE FEDERAL "SECURITIES
30 EXCHANGE ACT OF 1934", AS AMENDED, AS IF THE SECURITIES
31 CONSTITUTED "COVERED SECURITIES" AS DESCRIBED IN SUBSECTION
32 (22.7)(a)(I) OF THIS SECTION:

33 (A) A "BLANK CHECK COMPANY", AS DEFINED IN RULE 419 (a)(2)
34 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933",
35 AS AMENDED;

36 (B) AN ISSUER IN AN OFFERING OF "PENNY STOCK", AS DEFINED IN
37 RULE 3a 51-1 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES
38 EXCHANGE ACT OF 1934"; OR

39 (C) A "SHELL COMPANY", AS DEFINED IN RULE 405 PROMULGATED
40 PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED;
41 AND

1 (II) A PERSON DISQUALIFIED AS A "BAD ACTOR" UNDER RULE 506
2 (d) PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF
3 1933", AS AMENDED.

4 (23) ~~"Qualified limited passive investor" means a natural person~~
5 ~~who is a United States citizen and is a passive investor who owns less~~
6 ~~than a five percent share or shares of stock in a licensed medical~~
7 ~~marijuana business.~~ "QUALIFIED INSTITUTIONAL INVESTOR" MEANS:

8 (a) A BANK AS DEFINED IN SECTION 3 (a)(6) OF THE FEDERAL
9 "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, IF THE BANK IS
10 CURRENT IN ALL APPLICABLE REPORTING AND RECORD-KEEPING
11 REQUIREMENTS UNDER SUCH ACT AND RULES PROMULGATED
12 THEREUNDER;

13 (b) A BANK HOLDING COMPANY AS DEFINED IN THE FEDERAL
14 "BANK HOLDING COMPANY ACT OF 1956", AS AMENDED, IF THE BANK
15 HOLDING COMPANY IS REGISTERED AND CURRENT IN ALL APPLICABLE
16 REPORTING AND RECORD-KEEPING REQUIREMENTS UNDER SUCH ACT AND
17 RULES PROMULGATED THEREUNDER;

18 (c) AN INSURANCE COMPANY AS DEFINED IN SECTION 2 (a)(17) OF
19 THE FEDERAL "INVESTMENT COMPANY ACT OF 1940", AS AMENDED, IF
20 THE INSURANCE COMPANY IS CURRENT IN ALL APPLICABLE REPORTING AND
21 RECORD-KEEPING REQUIREMENTS UNDER SUCH ACT AND RULES
22 PROMULGATED THEREUNDER;

23 (d) AN INVESTMENT COMPANY REGISTERED UNDER SECTION 8 OF
24 THE FEDERAL "INVESTMENT COMPANY ACT OF 1940", AS AMENDED, AND
25 SUBJECT TO 15 U.S.C. SEC. 80a-1 TO 80a-64, IF THE INVESTMENT
26 COMPANY IS CURRENT IN ALL APPLICABLE REPORTING AND
27 RECORD-KEEPING REQUIREMENTS UNDER SUCH ACT AND RULES
28 PROMULGATED THEREUNDER;

29 (e) AN EMPLOYEE BENEFIT PLAN OR PENSION FUND SUBJECT TO THE
30 FEDERAL "EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974",
31 EXCLUDING AN EMPLOYEE BENEFIT PLAN OR PENSION FUND SPONSORED BY
32 A LICENSEE OR AN INTERMEDIARY HOLDING COMPANY LICENSEE THAT
33 DIRECTLY OR INDIRECTLY OWNS TEN PERCENT OR MORE OF A LICENSEE;

34 (f) A STATE OR FEDERAL GOVERNMENT PENSION PLAN;

35 (g) A GROUP COMPRISED ENTIRELY OF PERSONS SPECIFIED IN
36 SUBSECTIONS (23)(a) TO (23)(f) OF THIS SECTION; OR

37 (h) ANY OTHER ENTITY IDENTIFIED BY RULE BY THE STATE
38 LICENSING AUTHORITY.

39 (23.5) "REASONABLE CAUSE" MEANS JUST OR LEGITIMATE
40 GROUNDS TO BELIEVE THAT THE PARTICULAR REQUESTED ACTION IS
41 NECESSARY TO FULFILL THE PURPOSES OF THIS ARTICLE 11 OR TO PROTECT

1 PUBLIC SAFETY.

2 (25.5) "SECURITY" MEANS THOSE TERMS AS DEFINED IN SECTION
3 (2)(1) OF THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED.

4 (27) "SUBSTANTIAL JUSTIFICATION" MEANS A POSITION OR REASON
5 THAT HAS A REASONABLE BASIS BOTH IN LAW AND IN FACT.

6 **SECTION 2.** In Colorado Revised Statutes, 44-11-202, **amend**
7 (1)(d) and (2)(a)(VIII); **repeal** (2)(a)(XXV); and **add** (5) and (6) as
8 follows:

9 **44-11-202. Powers and duties of state licensing authority -**
10 **rules.** (1) The state licensing authority shall:

11 (d) Maintain the confidentiality of reports or other information
12 obtained from a medical or retail licensee containing any individualized
13 data, information, or records related to the licensee or its operation,
14 including sales information, financial records, tax returns, credit reports,
15 cultivation information, testing results, and security information and
16 plans, or revealing any patient information, or any other records that are
17 exempt from public inspection pursuant to state law. Such reports or other
18 information may be used only for a purpose authorized by this article 11
19 or article 12 of this title 44, 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 information released related to patients may be used only for a
23 purpose authorized by this article 11 or article 12 of this title 44, or to
24 verify that a person who presented a registry identification card to a state
25 or local law enforcement official is lawfully in possession of such card.

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

28 (VIII) Development of individual identification cards for ~~owners;~~
29 ~~officers~~ CONTROLLING BENEFICIAL OWNERS AND ANY PERSON EMPLOYED
30 BY, OPERATING, WORKING IN, OR HAVING UNESCORTED ACCESS TO THE
31 LIMITED ACCESS AREAS OF THE LICENSED PREMISES OF A MEDICAL
32 MARIJUANA BUSINESS, ~~managers, contractors, employees, and other~~
33 ~~support staff of entities licensed pursuant to this article 11;~~ including a
34 fingerprint-based criminal history record check as may be required by the
35 state licensing authority prior to issuing a card;

36 (XXV) ~~The parameters and qualifications of an indirect beneficial~~
37 ~~interest owner; and a qualified limited passive investor;~~

38 (5) (a) RULES PROMULGATED PURSUANT TO SUBSECTION (1)(b) OF
39 THIS SECTION MUST INCLUDE THE FOLLOWING SUBJECTS:

40 (I) OWNERSHIP AND FINANCIAL DISCLOSURE PROCEDURES AND
41 REQUIREMENTS PURSUANT TO THIS ARTICLE 11;

1 (II) RECORDS A MEDICAL MARIJUANA BUSINESS IS REQUIRED TO
2 MAINTAIN REGARDING ITS CONTROLLING BENEFICIAL OWNERS, PASSIVE
3 BENEFICIAL OWNERS, AND INDIRECT FINANCIAL INTEREST HOLDERS THAT
4 MAY BE SUBJECT TO DISCLOSURE AT RENEWAL OR AS PART OF ANY OTHER
5 INVESTIGATION FOLLOWING INITIAL LICENSURE OF A MEDICAL MARIJUANA
6 BUSINESS;

7 (III) PROCEDURES AND REQUIREMENTS FOR FINDINGS OF
8 SUITABILITY PURSUANT TO THIS ARTICLE 11, INCLUDING FEES NECESSARY
9 TO COVER THE DIRECT AND INDIRECT COSTS OF ANY SUITABILITY
10 INVESTIGATION;

11 (IV) PROCEDURES AND REQUIREMENTS CONCERNING THE
12 DIVESTITURE OF THE BENEFICIAL OWNERSHIP OF A PERSON FOUND
13 UNSUITABLE BY THE STATE LICENSING AUTHORITY;

14 (V) PROCEDURES, PROCESSES, AND REQUIREMENTS FOR
15 TRANSFERS OF OWNERSHIP INVOLVING A PUBLICLY TRADED CORPORATION,
16 INCLUDING BUT NOT LIMITED TO MERGERS WITH A PUBLICLY TRADED
17 CORPORATION, INVESTMENT BY A PUBLICLY TRADED CORPORATION, AND
18 PUBLIC OFFERINGS;

19 (VI) DESIGNATION OF PERSONS WHO BY VIRTUE OF COMMON
20 CONTROL CONSTITUTE CONTROLLING BENEFICIAL OWNERS;

21 (VII) MODIFICATION OF THE PERCENTAGE OF SECURITIES THAT
22 MAY BE HELD BY A CONTROLLING BENEFICIAL OWNER AND PASSIVE
23 BENEFICIAL OWNER;

24 (VIII) DESIGNATION OF PERSONS WHO QUALIFY FOR AN
25 EXEMPTION FROM AN OTHERWISE REQUIRED FINDING OF SUITABILITY; AND

26 (IX) DESIGNATION OF INDIRECT FINANCIAL INTEREST HOLDERS
27 AND QUALIFIED INSTITUTIONAL INVESTORS.

28 (b) RULES PROMULGATED PURSUANT TO THIS SUBSECTION (5)
29 MUST NOT BE ANY MORE RESTRICTIVE THAN THOSE EXPRESSLY
30 ESTABLISHED UNDER THIS ARTICLE 11.

31 (6) THE STATE LICENSING AUTHORITY MAY DENY, SUSPEND,
32 REVOKE, FINE, OR IMPOSE OTHER SANCTIONS AGAINST A PERSON'S LICENSE
33 ISSUED PURSUANT TO THIS ARTICLE 11 IF THE STATE LICENSING
34 AUTHORITY FINDS THE PERSON OR THE PERSON'S CONTROLLING
35 BENEFICIAL OWNER, PASSIVE BENEFICIAL OWNER, OR INDIRECT FINANCIAL
36 INTEREST HOLDER FAILED TO TIMELY FILE ANY REPORT, DISCLOSURE,
37 REGISTRATION STATEMENT, OR OTHER SUBMISSION REQUIRED BY ANY
38 STATE OR FEDERAL REGULATORY AUTHORITY THAT IS RELATED TO THE
39 CONDUCT OF THEIR BUSINESS.

40 **SECTION 3.** In Colorado Revised Statutes, 44-11-304, **amend**
41 (1) and (2) as follows:

1 **44-11-304. State licensing authority - application and issuance**
2 **procedures.** (1) Applications for a state license under the provisions of
3 this article 11 ~~shall~~ MUST be made to the state licensing authority on
4 forms prepared and furnished by the state licensing authority and ~~shall~~
5 MUST set forth such information as the state licensing authority may
6 require to enable the state licensing authority to determine whether a state
7 license should be granted. The information ~~shall~~ MUST include the name
8 and address of the applicant, DISCLOSURES REQUIRED BY SECTION
9 44-11-307.5, ~~the names and addresses of the officers, directors, or~~
10 ~~managers~~, and all other information deemed necessary by the state
11 licensing authority. Each application ~~shall~~ MUST be verified by the oath
12 or affirmation of such person or persons as the state licensing authority
13 may prescribe.

14 (2) The state licensing authority shall issue a state license to a
15 medical marijuana center, ~~an optional premises cultivation operation, or~~
16 ~~a medical marijuana-infused products manufacturer~~ BUSINESS pursuant to
17 this section upon satisfactory completion of the applicable criminal
18 history background check associated with the application, and the state
19 license is conditioned upon local licensing authority approval. A license
20 applicant is prohibited from operating a licensed medical marijuana
21 business without both state and local licensing authority approval. The
22 denial of an application by the local licensing authority shall be
23 considered as a basis for the state licensing authority to revoke the
24 state-issued license.

25 **SECTION 4.** In Colorado Revised Statutes, 44-11-306, **amend**
26 (1)(c), (1)(m), and (1)(n); **repeal** (1)(e); and **add** (1)(c.1), (1)(c.2), (1)(o),
27 (1)(p), (1)(q), (1)(r), (1)(s), and (1) (t) as follows:

28 **44-11-306. Persons prohibited as licensees - definition.** (1) A
29 license provided by this article 11 shall not be issued to or held by:

30 (c) A ~~corporation~~, PERSON OTHER THAN AN INDIVIDUAL if the
31 criminal history of any of its ~~officers, directors, or stockholders~~
32 CONTROLLING BENEFICIAL OWNERS indicates that ~~the officer, director, or~~
33 ~~stockholder~~ THE PERSON is not of good moral character AFTER
34 CONSIDERING THE FACTORS IN SECTION 24-5-101;

35 (c.1) A PERSON THAT IS NOT A PUBLICLY TRADED CORPORATION,
36 IF THE CRIMINAL HISTORY OF ANY OF ITS PASSIVE BENEFICIAL OWNERS
37 INDICATES THAT THE PERSON IS NOT OF GOOD MORAL CHARACTER AFTER
38 CONSIDERING THE FACTORS IN SECTION 24-5-101;

39 (c.2) A PERSON THAT IS A PUBLICLY TRADED CORPORATION, IF THE
40 CRIMINAL HISTORY OF ANY OF ITS KNOWN PASSIVE BENEFICIAL OWNERS
41 INDICATES THAT THE PERSON IS NOT OF GOOD MORAL CHARACTER AFTER

1 CONSIDERING THE FACTORS IN SECTION 24-5-101;
2 (e) ~~A person employing, assisted by, or financed in whole or in~~
3 ~~part by any other person whose criminal history indicates he or she is not~~
4 ~~of good character and reputation satisfactory to the respective licensing~~
5 ~~authority;~~
6 (m) A person for a license for a location that is currently licensed
7 as a retail food establishment or wholesale food registrant; ~~or~~
8 (n) A publicly traded ~~company~~ ENTITY THAT DOES NOT
9 CONSTITUTE A PUBLICLY TRADED CORPORATION AS DEFINED IN THIS
10 ARTICLE 11;
11 (o) A PERSON THAT IS OR HAS A CONTROLLING BENEFICIAL OWNER,
12 PASSIVE BENEFICIAL OWNER, OR INDIRECT FINANCIAL INTEREST HOLDER
13 THAT IS ORGANIZED OR FORMED UNDER THE LAWS OF A COUNTRY
14 DETERMINED BY THE UNITED STATES SECRETARY OF STATE TO HAVE
15 REPEATEDLY PROVIDED SUPPORT FOR ACTS OF INTERNATIONAL TERRORISM
16 OR IS INCLUDED AMONG THE LIST OF "COVERED COUNTRIES" IN SECTION
17 1502 OF THE FEDERAL "DODD-FRANK WALL STREET REFORM AND
18 CONSUMER PROTECTION ACT", PUB.L. 111-203;
19 (p) A PERSON THAT IS OR HAS A CONTROLLING BENEFICIAL OWNER
20 THAT IS AN "INELIGIBLE ISSUER" PURSUANT TO SECTION 44-11-104 (22.7)
21 (d)(1);
22 (q) A PERSON THAT IS OR HAS A CONTROLLING BENEFICIAL OWNER
23 THAT IS DISQUALIFIED AS A "BAD ACTOR" UNDER RULE 506 (d)
24 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933",
25 AS AMENDED, AND SUBJECT TO 17 CFR 230.406 (d)(1);
26 (r) A PERSON THAT IS NOT A PUBLICLY TRADED CORPORATION
27 THAT IS DISQUALIFIED AS A "BAD ACTOR" UNDER RULE 506 (d)
28 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933",
29 AS AMENDED, AND SUBJECT TO 17 CFR 230.406 (d)(1);
30 (s) A PERSON THAT IS A PUBLICLY TRADED CORPORATION THAT IS
31 OR HAS A KNOWN PASSIVE BENEFICIAL OWNER OR INDIRECT FINANCIAL
32 INTEREST HOLDER THAT IS DISQUALIFIED AS A "BAD ACTOR" UNDER RULE
33 506 (d) PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF
34 1933", AS AMENDED, AND SUBJECT TO 17 CFR 230.406 (d)(1); OR
35 (t) A PERSON THAT IS OR HAS A CONTROLLING BENEFICIAL OWNER,
36 PASSIVE BENEFICIAL OWNER, OR INDIRECT FINANCIAL INTEREST HOLDER
37 THAT IS PROHIBITED FROM ENGAGING IN TRANSACTIONS PURSUANT TO
38 THIS ARTICLE 11 DUE TO ITS DESIGNATION ON THE "SPECIALLY
39 DESIGNATED NATIONALS AND BLOCKED PERSONS" LIST MAINTAINED BY
40 THE FEDERAL OFFICE OF FOREIGN ASSETS CONTROL.

41 **SECTION 5.** In Colorado Revised Statutes, 44-11-307, **amend**

1 (1)(a)(II), (1)(a)(IV), (1)(b), and (3); **repeal** (2), (4), (5), (6), and (7); and
2 **add** (1)(a)(IV.5), (1)(a)(VI), and (1)(a)(VII) as follows:

3 **44-11-307. Business and owner requirements - legislative**
4 **declaration.** (1) (a) The general assembly hereby finds and declares that:

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

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

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

14 (VI) PUBLICLY TRADED CORPORATIONS OFFERING SECURITIES FOR
15 INVESTMENT IN MEDICAL MARIJUANA BUSINESSES MUST TELL THE PUBLIC
16 THE TRUTH ABOUT THEIR BUSINESS, THE SECURITIES THEY ARE SELLING,
17 AND THE RISKS INVOLVED WITH INVESTING IN MEDICAL MARIJUANA
18 BUSINESSES, AND PERSONS THAT SELL AND TRADE SECURITIES RELATED TO
19 MEDICAL MARIJUANA BUSINESSES ARE PROHIBITED FROM ENGAGING IN
20 DECEIT, MISREPRESENTATIONS, AND OTHER FRAUD IN THE SALE OF THE
21 SECURITIES; AND

22 (VII) RECOGNIZING THAT PARTICIPATION BY PUBLICLY TRADED
23 CORPORATIONS IN COLORADO'S MEDICAL MARIJUANA INDUSTRY CREATES
24 AN INCREASED NEED TO ASSESS BARRIERS OF ENTRY FOR MINORITY- AND
25 WOMAN-OWNED BUSINESSES, WITH SUCH EFFORTS BEING MADE TO
26 IDENTIFY SOLUTIONS TO ARRIVE AT A GREATER BALANCE AND FOR
27 FURTHER EQUITY FOR MINORITY- AND WOMAN-OWNED BUSINESSES, AND
28 IN A MANNER THAT IS CONSISTENT WITH THE PUBLIC SAFETY AND
29 ENFORCEMENT GOALS AS STATED HEREIN, IT IS THEREFORE OF
30 SUBSTANTIVE IMPORTANCE TO ADDRESS THE LACK OF MINORITY- AND
31 WOMAN-OWNED BUSINESSES' INCLUSION IN COLORADO'S MEDICAL
32 MARIJUANA INDUSTRY, SOCIAL JUSTICE ISSUES ASSOCIATED WITH
33 MARIJUANA PROHIBITION, SUITABILITY ISSUES RELATING TO PAST
34 CONVICTIONS FOR POTENTIAL LICENSEES, LICENSING FEES, AND ECONOMIC
35 CHALLENGES THAT ARISE WITH THE APPLICATION PROCESSES.

36 (b) Therefore, the general assembly is providing a mechanism for
37 Colorado medical marijuana businesses to access capital from investors
38 in other states AND FROM CERTAIN PUBLICLY TRADED CORPORATIONS
39 PURSUANT TO THIS ARTICLE 11.

40 (2) ~~A direct beneficial interest owner who is a natural person must~~
41 ~~either:~~

1 (a) Have been a resident of Colorado for at least one year prior to
2 the date of the application; or
3 (b) Be a United States citizen prior to the date of the application.
4 (3) (a) ~~A medical marijuana business may be comprised of an~~
5 ~~unlimited number of direct beneficial interest owners that have been~~
6 ~~residents of Colorado for at least one year prior to the date of the~~
7 ~~application.~~
8 (b) ~~On and after January 1, 2017, A medical marijuana business~~
9 ~~that is composed of one or more direct beneficial interest owners who~~
10 ~~have not been Colorado residents for at least one year prior to application~~
11 ~~shall have at least one EXECUTIVE officer who has been IS a Colorado~~
12 ~~resident for at least one year prior to ON THE DATE OF application, and all~~
13 ~~officers NATURAL PERSONS with day-to-day operational control over the~~
14 ~~business must be Colorado residents. for at least one year prior to~~
15 ~~application. A medical marijuana business under this subsection (3)(b) is~~
16 ~~limited to no more than fifteen direct beneficial interest owners, including~~
17 ~~all parent and subsidiary entities, all of whom are natural persons.~~
18 (c) ~~Notwithstanding the requirements of subsection (3)(b) of this~~
19 ~~section, the state licensing authority may review the limitation on the~~
20 ~~number of direct beneficial interest owners and may increase the number~~
21 ~~of allowable interests above fifteen based on reasonable considerations~~
22 ~~such as developments in state and federal financial regulations, market~~
23 ~~conditions, and the licensee's ability to access legitimate sources of~~
24 ~~capital A PERSON, OTHER THAN AN INDIVIDUAL, THAT IS A MEDICAL~~
25 ~~MARIJUANA BUSINESS OR A CONTROLLING BENEFICIAL OWNER SHALL~~
26 ~~APPOINT AND CONTINUOUSLY MAINTAIN A REGISTERED AGENT THAT~~
27 ~~SATISFIES THE REQUIREMENTS OF SECTION 7-90-701. THE MEDICAL~~
28 ~~MARIJUANA BUSINESS SHALL INFORM THE STATE LICENSING AUTHORITY OF~~
29 ~~A CHANGE IN THE REGISTERED AGENT WITHIN TEN DAYS AFTER THE~~
30 ~~CHANGE.~~
31 (d) ~~A direct beneficial interest owner that is a closely held~~
32 ~~business entity must consist entirely of natural persons who are United~~
33 ~~States citizens prior to the date of the application, including all parent and~~
34 ~~subsidiary entities.~~
35 (4) ~~A medical marijuana business may include qualified~~
36 ~~institutional investors that own thirty percent or less of the medical~~
37 ~~marijuana business.~~
38 (5) (a) ~~A person who intends to apply as a direct beneficial~~
39 ~~interest owner and is not a Colorado resident for at least one year prior to~~
40 ~~the date of application shall first submit a request to the state licensing~~
41 ~~authority for a finding of suitability as a direct beneficial interest owner.~~

1 ~~The person shall receive a finding of suitability prior to submitting an~~
2 ~~application to the state licensing authority to be a direct beneficial interest~~
3 ~~owner. Failure to receive a finding of suitability prior to application is~~
4 ~~grounds for denial by the state licensing authority.~~

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

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

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

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

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

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

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

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

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

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

30 ~~(h) A group comprised entirely of persons specified in subsections~~
31 ~~(7)(a) to (7)(g) of this section; or~~

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

34 **SECTION 6.** In Colorado Revised Statutes, **add** 44-11-307.5 and
35 44-11-307.6 as follows:

36 **44-11-307.5. Business owner and financial interest disclosure**
37 **requirements.** (1) APPLICANTS FOR THE ISSUANCE OF A STATE LICENSE
38 SHALL DISCLOSE TO THE STATE LICENSING AUTHORITY THE FOLLOWING:

39 (a) A COMPLETE AND ACCURATE ORGANIZATIONAL CHART OF THE
40 MEDICAL MARIJUANA BUSINESS REFLECTING THE IDENTITY AND
41 OWNERSHIP PERCENTAGES OF ITS CONTROLLING BENEFICIAL OWNERS;

1 (b) THE FOLLOWING INFORMATION REGARDING ALL CONTROLLING
2 BENEFICIAL OWNERS OF THE MEDICAL MARIJUANA BUSINESS:

3 (I) IF THE CONTROLLING BENEFICIAL OWNER IS A PUBLICLY
4 TRADED CORPORATION, THE APPLICANT SHALL DISCLOSE THE
5 CONTROLLING BENEFICIAL OWNERS' EXECUTIVE OFFICERS, MEMBERS OF ITS
6 BOARD OF DIRECTORS, AND ANY BENEFICIAL OWNERS THAT DIRECTLY OR
7 INDIRECTLY BENEFICIALLY OWN TEN PERCENT OR MORE OF THE SECURITIES
8 IN A MEDICAL MARIJUANA BUSINESS;

9 (II) IF THE CONTROLLING BENEFICIAL OWNER IS NOT A PUBLICLY
10 TRADED CORPORATION AND IS NOT A QUALIFIED PRIVATE FUND, THE
11 APPLICANT SHALL DISCLOSE THE CONTROLLING BENEFICIAL OWNERS'
12 EXECUTIVE OFFICERS, MANAGERS AS DEFINED IN SECTION 7-90-102 (35.7),
13 AND ANY BENEFICIAL OWNERS THAT DIRECTLY OR INDIRECTLY
14 BENEFICIALLY OWN TEN PERCENT OR MORE OF THE SECURITIES IN A
15 MEDICAL MARIJUANA BUSINESS;

16 (III) IF THE CONTROLLING BENEFICIAL OWNER IS A QUALIFIED
17 PRIVATE FUND, THE APPLICANT SHALL DISCLOSE A COMPLETE AND
18 ACCURATE ORGANIZATIONAL CHART OF THE QUALIFIED PRIVATE FUND
19 REFLECTING THE IDENTITY AND OWNERSHIP PERCENTAGES OF THE
20 QUALIFIED PRIVATE FUNDS' EXECUTIVE OFFICERS, MANAGERS AS DEFINED
21 IN SECTION 7-90-102 (35.7), INVESTMENT ADVISERS, INVESTMENT ADVISER
22 REPRESENTATIVES, ANY TRUSTEE OR EQUIVALENT, AND ANY OTHER
23 PERSON THAT CONTROLS THE INVESTMENT IN, OR MANAGEMENT OR
24 OPERATIONS OF, THE MEDICAL MARIJUANA BUSINESS;

25 (IV) IF THE CONTROLLING BENEFICIAL OWNER IS A NATURAL
26 PERSON, THE APPLICANT SHALL DISCLOSE THE NATURAL PERSON'S
27 IDENTIFYING INFORMATION;

28 (c) ANY PASSIVE BENEFICIAL OWNER THAT IS ALSO AN INDIRECT
29 FINANCIAL INTEREST HOLDER IN THE MEDICAL MARIJUANA BUSINESS; AND

30 (d) ANY INDIRECT FINANCIAL INTEREST HOLDER THAT HOLDS TWO
31 OR MORE INDIRECT FINANCIAL INTERESTS IN THE MEDICAL MARIJUANA
32 BUSINESS.

33 (2) THE STATE LICENSING AUTHORITY MAY REQUEST THAT THE
34 MEDICAL MARIJUANA BUSINESS DISCLOSE THE FOLLOWING:

35 (a) EACH BENEFICIAL OWNER AND AFFILIATE OF AN APPLICANT,
36 MEDICAL MARIJUANA BUSINESS, OR CONTROLLING BENEFICIAL OWNER
37 THAT IS NOT A PUBLICLY TRADED CORPORATION OR A QUALIFIED PRIVATE
38 FUND; AND

39 (b) EACH AFFILIATE OF A CONTROLLING BENEFICIAL OWNER THAT
40 IS A QUALIFIED PRIVATE FUND.

41 (3) FOR REASONABLE CAUSE, THE STATE LICENSING AUTHORITY

1 MAY REQUIRE DISCLOSURE OF:
2 (a) A COMPLETE AND ACCURATE LIST OF EACH NONOBJECTING
3 BENEFICIAL INTEREST OWNER OF AN APPLICANT, LICENSEE, OR
4 CONTROLLING BENEFICIAL OWNER THAT IS A PUBLICLY TRADED
5 CORPORATION;
6 (b) PASSIVE BENEFICIAL OWNERS OF THE MEDICAL MARIJUANA
7 BUSINESS, AND FOR ANY PASSIVE BENEFICIAL INTEREST OWNER THAT IS
8 NOT A NATURAL PERSON, THE MEMBERS OF THE BOARD OF DIRECTORS,
9 GENERAL PARTNERS, MANAGING MEMBERS, OR MANAGERS OR EXECUTIVE
10 OFFICERS AND TEN PERCENT OR MORE OWNERS OF THE PASSIVE BENEFICIAL
11 OWNER;
12 (c) A LIST OF EACH BENEFICIAL OWNER IN A QUALIFIED PRIVATE
13 FUND THAT IS A CONTROLLING BENEFICIAL OWNER;
14 (d) ALL INDIRECT FINANCIAL INTEREST HOLDERS OF THE MEDICAL
15 MARIJUANA BUSINESS, AND FOR ANY INDIRECT FINANCIAL INTEREST
16 HOLDER THAT IS NOT A NATURAL PERSON, THE MEMBERS OF THE BOARD OF
17 DIRECTORS, GENERAL PARTNERS, MANAGING MEMBERS, OR MANAGERS OR
18 EXECUTIVE OFFICERS AND TEN PERCENT OR MORE BENEFICIAL OWNERS OF
19 THE INDIRECT FINANCIAL INTEREST HOLDER.
20 (4) AN APPLICANT OR MEDICAL MARIJUANA BUSINESS THAT IS NOT
21 A PUBLICLY TRADED CORPORATION SHALL AFFIRM UNDER PENALTY OF
22 PERJURY THAT IT EXERCISED REASONABLE CARE TO CONFIRM THAT ITS
23 PASSIVE BENEFICIAL OWNERS, INDIRECT FINANCIAL INTEREST HOLDERS,
24 AND QUALIFIED INSTITUTIONAL INVESTORS ARE NOT PERSONS PROHIBITED
25 PURSUANT TO SECTION 44-11-306, OR OTHERWISE RESTRICTED FROM
26 HOLDING AN INTEREST UNDER THIS ARTICLE 11. AN APPLICANT'S OR
27 LICENSEE'S FAILURE TO EXERCISE REASONABLE CARE IS A BASIS FOR
28 DENIAL, FINE, SUSPENSION, REVOCATION, OR OTHER SANCTION BY THE
29 STATE LICENSING AUTHORITY.
30 (5) AN APPLICANT OR MEDICAL MARIJUANA BUSINESS THAT IS A
31 PUBLICLY TRADED CORPORATION SHALL AFFIRM UNDER PENALTY OF
32 PERJURY THAT IT EXERCISED REASONABLE CARE TO CONFIRM THAT ITS
33 KNOWN PASSIVE BENEFICIAL OWNERS, KNOWN INDIRECT FINANCIAL
34 INTEREST HOLDERS, AND QUALIFIED INSTITUTIONAL INVESTORS ARE NOT
35 PERSONS PROHIBITED PURSUANT TO SECTION 44-11-306, OR OTHERWISE
36 RESTRICTED FROM HOLDING AN INTEREST UNDER THIS ARTICLE 11. AN
37 APPLICANT'S OR LICENSEE'S FAILURE TO EXERCISE REASONABLE CARE IS A
38 BASIS FOR DENIAL, FINE, SUSPENSION, REVOCATION, OR OTHER SANCTION
39 BY THE STATE LICENSING AUTHORITY.
40 (6) THIS SECTION DOES NOT RESTRICT THE STATE LICENSING
41 AUTHORITY'S ABILITY TO REASONABLY REQUEST INFORMATION OR

1 RECORDS AT RENEWAL OR AS PART OF ANY OTHER INVESTIGATION
2 FOLLOWING INITIAL LICENSURE OF A MEDICAL MARIJUANA BUSINESS.

3 (7) THE SECURITIES COMMISSIONER MAY, BY RULE OR ORDER,
4 REQUIRE ADDITIONAL DISCLOSURES IF SUCH INFORMATION IS FULL AND
5 FAIR WITH RESPECT TO THE INVESTMENT OR IN THE INTEREST OF INVESTOR
6 PROTECTION.

7 **44-11-307.6. Business owner and financial interest suitability**
8 **requirements.** (1) THIS SECTION APPLIES TO ALL PERSONS REQUIRED TO
9 SUBMIT A FINDING OF SUITABILITY.

10 (2) ANY PERSON INTENDING TO BECOME A CONTROLLING
11 BENEFICIAL OWNER OF ANY MEDICAL MARIJUANA BUSINESS, EXCEPT AS
12 OTHERWISE PROVIDED IN SECTION 44-11-309 (4), SHALL FIRST SUBMIT A
13 REQUEST TO THE STATE LICENSING AUTHORITY FOR A FINDING OF
14 SUITABILITY OR AN EXEMPTION FROM AN OTHERWISE REQUIRED FINDING
15 OF SUITABILITY.

16 (3) FOR REASONABLE CAUSE, ANY OTHER PERSON THAT WAS
17 DISCLOSED OR THAT SHOULD HAVE BEEN DISCLOSED PURSUANT TO
18 SECTION 44-11-307.5, INCLUDING BUT NOT LIMITED TO A PASSIVE
19 BENEFICIAL OWNER, SHALL SUBMIT A REQUEST FOR A FINDING OF
20 SUITABILITY.

21 (4) FAILURE TO PROVIDE ALL REQUESTED INFORMATION IN
22 CONNECTION WITH A REQUEST FOR A FINDING OF SUITABILITY IS GROUNDS
23 FOR DENIAL OF THAT FINDING OF SUITABILITY.

24 (5) FAILURE TO RECEIVE ALL REQUIRED FINDINGS OF SUITABILITY
25 IS GROUNDS FOR DENIAL OF AN APPLICATION OR FOR SUSPENSION,
26 REVOCATION, OR OTHER SANCTION AGAINST THE LICENSE BY THE STATE
27 LICENSING AUTHORITY. FOR INITIAL APPLICATIONS, THE FINDING OF
28 SUITABILITY SHALL BE REQUIRED PRIOR TO SUBMITTING THE APPLICATION
29 FOR LICENSURE.

30 (6) ANY PERSON REQUIRED TO OBTAIN A FINDING OF SUITABILITY
31 SHALL DO SO ON FORMS PROVIDED BY THE STATE LICENSING AUTHORITY
32 AND THE FORMS MUST CONTAIN SUCH INFORMATION AS THE STATE
33 LICENSING AUTHORITY MAY REQUIRE. EACH SUITABILITY APPLICATION
34 MUST BE VERIFIED BY THE OATH OR AFFIRMATION OF THE PERSONS
35 PRESCRIBED BY THE STATE LICENSING AUTHORITY.

36 (7) A PERSON REQUESTING A FINDING OF SUITABILITY SHALL
37 PROVIDE THE STATE LICENSING AUTHORITY WITH A DEPOSIT TO COVER THE
38 DIRECT AND INDIRECT COSTS OF ANY INVESTIGATION NECESSARY TO
39 DETERMINE ANY REQUIRED FINDING OF SUITABILITY. THE STATE
40 LICENSING AUTHORITY MAY MAKE FURTHER RULES REGARDING THE
41 DEPOSIT AND DIRECT AND INDIRECT COSTS THAT MUST BE BILLED AGAINST

1 THE DEPOSIT.

2 (8) WHEN DETERMINING WHETHER A PERSON IS SUITABLE OR
3 UNSUITABLE FOR LICENSURE, THE STATE LICENSING AUTHORITY MAY
4 CONSIDER THE PERSON'S CRIMINAL CHARACTER OR RECORD, LICENSING
5 CHARACTER OR RECORD, OR FINANCIAL CHARACTER OR RECORD.

6 (9) A PERSON WHO WOULD OTHERWISE BE REQUIRED TO OBTAIN A
7 FINDING OF SUITABILITY MAY REQUEST AN EXEMPTION FROM THE STATE
8 LICENSING AUTHORITY AS DETERMINED BY RULE.

9 (10) ABSENT SUBSTANTIAL JUSTIFICATION, THE STATE LICENSING
10 AUTHORITY SHALL APPROVE OR DENY A REQUEST FOR A FINDING OF
11 SUITABILITY WITHIN ONE HUNDRED TWENTY DAYS FROM THE DATE OF
12 SUBMISSION OF THE REQUEST FOR SUCH FINDING.

13 (11) THE STATE LICENSING AUTHORITY MAY DENY, SUSPEND,
14 REVOKE, FINE, OR IMPOSE OTHER SANCTIONS AGAINST A PERSON'S LICENSE
15 ISSUED PURSUANT TO THIS ARTICLE 11 IF THE STATE LICENSING
16 AUTHORITY FINDS THE PERSON OR THE PERSON'S CONTROLLING
17 BENEFICIAL OWNER, PASSIVE BENEFICIAL OWNER, OR INDIRECT FINANCIAL
18 INTEREST HOLDER TO BE UNSUITABLE PURSUANT TO THIS SECTION.

19 **SECTION 7.** In Colorado Revised Statutes, 44-11-309, **amend**
20 **(2); and add (3) and (4) as follows:**

21 **44-11-309. Transfer of ownership.** (2) For a transfer of
22 ownership INVOLVING A CONTROLLING BENEFICIAL OWNER, a license
23 holder shall apply to the state and local licensing authorities on forms
24 prepared and furnished by the state licensing authority. In determining
25 whether to permit a transfer of ownership, the state and local licensing
26 authorities shall consider only the requirements of this article 11, any
27 rules promulgated by the state licensing authority, and any other local
28 restrictions. The local licensing authority may hold a hearing on the
29 application for transfer of ownership. The local licensing authority shall
30 not hold a hearing pursuant to this subsection (2) until the local licensing
31 authority has posted a notice of hearing in the manner described in section
32 44-11-302 (2) on the licensed medical marijuana center premises for a
33 period of ten days and has provided notice of the hearing to the applicant
34 at least ten days prior to the hearing. Any transfer of ownership hearing
35 by the state licensing authority ~~shall~~ **MUST** be held in compliance with the
36 requirements specified in section 44-11-302.

37 (3) FOR A TRANSFER OF OWNERSHIP INVOLVING A PASSIVE
38 BENEFICIAL OWNER, THE LICENSE HOLDER SHALL NOTIFY THE STATE
39 LICENSING AUTHORITY ON FORMS PREPARED AND FURNISHED BY THE
40 STATE LICENSING AUTHORITY WITHIN FORTY-FIVE DAYS TO THE EXTENT
41 DISCLOSURE IS REQUIRED BY SECTION 44-11-307.5.

1 (4) A PERSON THAT BECOMES A CONTROLLING BENEFICIAL OWNER
2 OF A PUBLICLY TRADED CORPORATION THAT IS A MEDICAL MARIJUANA
3 BUSINESS OR THAT BECOMES A BENEFICIAL OWNER, THROUGH DIRECT OR
4 INDIRECT OWNERSHIP OF A CONTROLLING BENEFICIAL OWNER, OF TEN
5 PERCENT OR MORE OF A MEDICAL MARIJUANA BUSINESS THAT IS A
6 PUBLICLY TRADED CORPORATION MUST DISCLOSE THE INFORMATION
7 REQUIRED BY SECTION 44-11-307.5 AND APPLY TO THE STATE LICENSING
8 AUTHORITY FOR A FINDING OF SUITABILITY OR EXEMPTION FROM A
9 FINDING OF SUITABILITY PURSUANT TO SECTION 44-11-307.6 WITHIN
10 FORTY-FIVE DAYS AFTER BECOMING SUCH A CONTROLLING BENEFICIAL
11 OWNER. A LICENSEE SHALL NOTIFY EACH PERSON THAT IS SUBJECT TO THIS
12 SUBSECTION (4) OF ITS REQUIREMENTS AS SOON AS THE LICENSEE
13 BECOMES AWARE OF THE BENEFICIAL OWNERSHIP TRIGGERING THE
14 REQUIREMENT, PROVIDED THAT THE OBLIGATIONS OF THE PERSON SUBJECT
15 TO THIS SUBSECTION (4) ARE INDEPENDENT OF, AND UNAFFECTED BY, THE
16 LICENSEE'S FAILURE TO GIVE THE NOTICE.

17 **SECTION 8.** In Colorado Revised Statutes, 44-11-310, **amend**
18 (3), (4), (6), and (11) as follows:

19 **44-11-310. Licensing in general.** (3) A medical marijuana
20 ~~center, optional premises cultivation operation, or medical~~
21 ~~marijuana-infused products manufacturer~~ BUSINESS THAT IS NOT A
22 PUBLICLY TRADED CORPORATION shall notify the state licensing authority
23 in writing within ten days after an owner officer or manager ceases to
24 work at, manage, own, or otherwise be associated with the operation. The
25 owner, officer or manager shall surrender to the state licensing authority
26 any identification card that may have been issued by the state licensing
27 authority on or before the date of the notification.

28 (4) A medical marijuana ~~center, optional premises cultivation~~
29 ~~operation, or medical marijuana-infused products manufacturer~~ BUSINESS
30 THAT IS NOT A PUBLICLY TRADED CORPORATION shall notify the state
31 licensing authority in writing of the name, address, and date of birth of an
32 owner OR officer, or manager before the new owner, officer or manager
33 begins managing, owning, or associating with the operation. Any
34 CONTROLLING BENEFICIAL owner, officer, manager, or employee shall
35 pass a fingerprint-based criminal history record check as required by the
36 state licensing authority and obtain the required identification prior to
37 being associated with, managing, owning, or working at the operation.
38 THE STATE LICENSING AUTHORITY MAY FOR REASONABLE CAUSE REQUIRE
39 A PASSIVE BENEFICIAL OWNER TO PASS A FINGERPRINT-BASED CRIMINAL
40 HISTORY CHECK.

41 (6) All managers and employees WITH DAY-TO-DAY OPERATIONAL

1 CONTROL of a medical marijuana center, optional premises cultivation
2 operation, or medical marijuana-infused products manufacturer shall be
3 residents of Colorado upon the date of their license application. All
4 licenses granted pursuant to this article 11 shall be valid for a period not
5 to exceed two years after the date of issuance unless revoked or
6 suspended pursuant to this article 11 or the rules promulgated pursuant to
7 this article 11.

8 (11) EXCEPT FOR A PUBLICLY TRADED CORPORATION, a licensee
9 shall report each transfer or change of financial interest in the license to
10 the state and local licensing authorities thirty days prior to any transfer or
11 change pursuant to section 44-11-309. EXCEPT FOR A PUBLICLY TRADED
12 CORPORATION, a report shall be required for transfers of ~~capital stock of~~
13 ~~any corporation~~ OWNER'S INTEREST OF ANY ENTITY regardless of size.

14 **SECTION 9.** In Colorado Revised Statutes, 44-11-313, **amend**
15 (1); and **repeal** (2) as follows:

16 **44-11-313. Unlawful financial assistance.** (1) The state
17 licensing authority, by rule, shall require a complete disclosure ~~of all~~
18 ~~persons having a direct or indirect financial interest, and the extent of~~
19 ~~such interest,~~ in PURSUANT TO SECTION 44-11-307.5 IN CONNECTION WITH
20 each license issued under this article 11.

21 (2) ~~A person shall not have an unreported financial interest in a~~
22 ~~license pursuant to this article 11 unless that person has undergone a~~
23 ~~fingerprint-based criminal history record check as provided for by the~~
24 ~~state licensing authority in its rules; except that this subsection (2) does~~
25 ~~not apply to banks or savings and loan associations supervised and~~
26 ~~regulated by an agency of the state or federal government, or to~~
27 ~~FHA-approved mortgagees, or to stockholders, directors, or officers~~
28 ~~thereof.~~

29 **SECTION 10.** In Colorado Revised Statutes, **amend** 44-11-407
30 as follows:

31 **44-11-407. Medical marijuana business operator license.** A
32 medical marijuana business operator license may be issued to ~~an entity or~~
33 A person ~~who~~ THAT operates a medical marijuana ~~establishment~~ BUSINESS
34 licensed pursuant to this article 11 for ~~an owner~~ ANOTHER MEDICAL
35 MARIJUANA BUSINESS licensed pursuant to this article 11 and ~~who~~ THAT
36 may receive a portion of the profits as compensation.

37 **SECTION 11.** In Colorado Revised Statutes, 44-11-901, **add**
38 (7.5) as follows:

39 **44-11-901. Unlawful acts - exceptions - repeal.** (7.5) (a) IT IS
40 UNLAWFUL FOR A PERSON TO ENGAGE IN ANY ACT OR OMISSION WITH THE
41 INTENT TO EVADE DISCLOSURE, REPORTING, RECORD KEEPING, OR

1 SUITABILITY REQUIREMENTS PURSUANT TO THIS ARTICLE 11, INCLUDING
2 BUT NOT LIMITED TO THE FOLLOWING:

3 (I) FAILING TO FILE A REPORT REQUIRED UNDER THIS ARTICLE 11
4 OR CAUSING OR ATTEMPTING TO CAUSE A PERSON TO FAIL TO FILE SUCH A
5 REPORT;

6 (II) FILING OR CAUSING OR ATTEMPTING TO CAUSE A PERSON TO
7 FILE A REPORT REQUIRED UNDER THIS ARTICLE 11 THAT CONTAINS A
8 MATERIAL OMISSION OR MISSTATEMENT OF FACT;

9 (III) MAKING FALSE OR MISLEADING STATEMENTS REGARDING THE
10 OFFERING OF INTERESTS OF A MEDICAL MARIJUANA BUSINESS; OR

11 (IV) STRUCTURING ANY TRANSACTION WITH THE INTENT TO EVADE
12 DISCLOSURE, REPORTING, RECORD KEEPING, OR SUITABILITY
13 REQUIREMENTS PURSUANT TO THIS ARTICLE 11.

14 (b) THE STATE LICENSING AUTHORITY MAY DENY, SUSPEND,
15 REVOKE, FINE, OR IMPOSE OTHER SANCTIONS AGAINST A PERSON'S LICENSE
16 ISSUED UNDER THIS ARTICLE 11 IF THE STATE LICENSING AUTHORITY FINDS
17 A VIOLATION OF THIS SUBSECTION (7.5) BY THE PERSON, THE PERSON'S
18 CONTROLLING BENEFICIAL OWNER, PASSIVE BENEFICIAL OWNER, INDIRECT
19 FINANCIAL INTEREST HOLDER OR ANY AGENT OR EMPLOYEE THEREOF.

20 **SECTION 12.** In Colorado Revised Statutes, 44-12-103, **amend**
21 (1), (5), (18), (20), (24), and (25); **repeal** (17); and **add** (1.1), (1.2), (1.3),
22 (1.4), (1.5), (3.2), (5.5), (16.5), (19.5), (20.5), (32.5), and (34) as follows:

23 **44-12-103. Definitions.** As used in this article 12, unless the
24 context otherwise requires:

25 (1) ~~"Direct beneficial interest owner" means a person or closely~~
26 ~~held business entity that owns a share or shares of stock in a licensed~~
27 ~~retail marijuana business, including the officers, directors, managing~~
28 ~~members, or partners of the licensed retail marijuana business or closely~~
29 ~~held business entity, or a qualified limited passive investor "ACQUIRE"~~
30 WHEN USED IN CONNECTION WITH THE ACQUISITION OF A SECURITY OF A
31 RETAIL MARIJUANA BUSINESS, MEANS OBTAINING OWNERSHIP, CONTROL,
32 POWER TO VOTE, OR SOLE POWER OF DISPOSITION OF SECURITIES, DIRECTLY
33 OR INDIRECTLY OR THROUGH ONE OR MORE TRANSACTIONS OR
34 SUBSIDIARIES, THROUGH PURCHASE, ASSIGNMENT, TRANSFER, EXCHANGE,
35 SUCCESSION, OR OTHER MEANS.

36 (1.1) "ACTING IN CONCERT" MEANS KNOWING PARTICIPATION IN
37 A JOINT ACTIVITY OR INTERDEPENDENT CONSCIOUS PARALLEL ACTION
38 TOWARD A COMMON GOAL, WHETHER OR NOT PURSUANT TO AN EXPRESS
39 AGREEMENT.

40 (1.2) "AFFILIATE" OF, OR PERSON "AFFILIATED WITH", A SPECIFIED
41 PERSON MEANS A PERSON THAT DIRECTLY OR INDIRECTLY THROUGH ONE

1 OR MORE INTERMEDIARIES, CONTROLS, OR IS CONTROLLED BY, OR IS
2 UNDER COMMON CONTROL WITH, THE PERSON SPECIFIED.

3 (1.3) BENEFICIAL OWNER OF", "BENEFICIAL OWNERSHIP OF", OR
4 "BENEFICIALLY OWNS A" SECURITY IS DETERMINED IN ACCORDANCE WITH
5 SECTION 13(D) OF THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS
6 AMENDED, AND RULE 13D-3 PROMULGATED THEREUNDER.

7 (1.4) "CONTROL", "CONTROLS", "CONTROLLED", "CONTROLLING",
8 "CONTROLLED BY", AND "UNDER COMMON CONTROL WITH", MEANS THE
9 POSSESSION, DIRECT OR INDIRECT, OF THE POWER TO DIRECT OR CAUSE THE
10 DIRECTION OF THE MANAGEMENT OR POLICIES OF A PERSON, WHETHER
11 THROUGH THE OWNERSHIP OF VOTING SECURITIES, BY CONTRACT, OR
12 OTHERWISE.

13 (1.5) "CONTROLLING BENEFICIAL OWNER" IS LIMITED TO A PERSON
14 THAT SATISFIES ONE OR MORE OF THE FOLLOWING CRITERIA:

15 (a) A NATURAL PERSON, AN ENTITY AS DEFINED IN SECTION
16 7-90-102 (20) THAT IS ORGANIZED UNDER THE LAWS OF AND FOR WHICH
17 ITS PRINCIPAL PLACE OF BUSINESS IS LOCATED IN ONE OF THE STATES OR
18 TERRITORIES OF THE UNITED STATES OR DISTRICT OF COLUMBIA, A
19 PUBLICLY TRADED CORPORATION, OR A QUALIFIED PRIVATE FUND THAT IS
20 NOT OTHERWISE LICENSED AS A QUALIFIED INSTITUTIONAL INVESTOR:

21 (I) ACTING ALONE OR ACTING IN CONCERT, THAT OWNS OR
22 ACQUIRES BENEFICIAL OWNERSHIP OF TEN PERCENT OR MORE OF THE
23 INTERESTS OF A RETAIL MARIJUANA BUSINESS;

24 (II) THAT IS AN AFFILIATE THAT CONTROLS A RETAIL MARIJUANA
25 BUSINESS AND INCLUDES, WITHOUT LIMITATION, ANY EXECUTIVE OFFICER,
26 MANAGER AS DEFINED IN SECTION 7-90-102 (35.7), TRUSTEE, OR SIMILAR
27 POSITION; OR

28 (III) THAT IS OTHERWISE IN A POSITION TO CONTROL THE RETAIL
29 MARIJUANA BUSINESS EXCEPT AS AUTHORIZED IN SECTION 44-12-407; OR

30 (b) A QUALIFIED INSTITUTIONAL INVESTOR ACTING ALONE OR
31 ACTING IN CONCERT THAT OWNS OR ACQUIRES BENEFICIAL OWNERSHIP OF
32 THIRTY PERCENT OR MORE OF THE SECURITIES OF A RETAIL MARIJUANA
33 BUSINESS.

34 (3.2) "EXECUTIVE OFFICER" MEANS THE PRESIDENT; ANY VICE
35 PRESIDENT IN CHARGE OF A PRINCIPAL BUSINESS UNIT, DIVISION, OR
36 FUNCTION; ANY OTHER OFFICER WHO PERFORMS A POLICY-MAKING
37 FUNCTION; OR ANY OTHER PERSON WHO PERFORMS SIMILAR
38 POLICY-MAKING FUNCTIONS.

39 (5) ~~"Indirect beneficial interest owner" means a holder of a~~
40 ~~permitted economic interest, a recipient of a commercially reasonable~~
41 ~~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, A CONTROLLING BENEFICIAL OWNER, OR A PASSIVE
6 BENEFICIAL OWNER OF A RETAIL MARIJUANA BUSINESS AND THAT:

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

10 (b) HOLDS A PERMITTED ECONOMIC INTEREST THAT WAS ISSUED
11 PRIOR TO JANUARY 1, 2020, AND THAT HAS NOT BEEN CONVERTED INTO AN
12 OWNERSHIP INTEREST;

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

25 (d) IS IDENTIFIED BY RULE BY THE STATE LICENSING AUTHORITY AS
26 AN INDIRECT FINANCIAL INTEREST HOLDER.

27 (16.5) "PASSIVE BENEFICIAL OWNER" MEANS ANY PERSON
28 ACQUIRING ANY INTEREST IN A RETAIL MARIJUANA ESTABLISHMENT THAT
29 IS NOT OTHERWISE A CONTROLLING BENEFICIAL OWNER OR IN CONTROL.

30 ~~(17) "Permitted economic interest" means any unsecured~~
31 ~~convertible debt instrument, option agreement, warrant, or any other right~~
32 ~~to obtain an ownership interest when the holder of such interest is a~~
33 ~~natural person who is a lawful United States resident and whose right to~~
34 ~~convert into an ownership interest is contingent on the holder qualifying~~
35 ~~and obtaining a license as an owner under this article 12 or such other~~
36 ~~agreements as may be permitted by rule by the state licensing authority.~~

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

41 (19.5) "PUBLICLY TRADED CORPORATION" MEANS ANY PERSON

1 OTHER THAN AN INDIVIDUAL THAT HAS A CLASS OF SECURITIES
2 REGISTERED PURSUANT TO SECTION 12 OF THE FEDERAL "SECURITIES
3 EXCHANGE ACT OF 1934", AS AMENDED, THAT IS ORGANIZED UNDER THE
4 LAWS OF AND FOR WHICH ITS PRINCIPAL PLACE OF BUSINESS IS LOCATED IN
5 ONE OF THE STATES OR TERRITORIES OF THE UNITED STATES OR DISTRICT
6 OF COLUMBIA OR ANOTHER COUNTRY THAT AUTHORIZES THE SALE OF
7 MARIJUANA AND THAT:

8 (a) HAS A CLASS OF SECURITIES REGISTERED PURSUANT TO
9 SECTION 12 OF THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS
10 AMENDED, THAT:

11 (I) CONSTITUTES "COVERED SECURITIES" PURSUANT TO SECTION
12 18 (b)(1)(A) OF THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED;
13 OR

14 (II) IS QUALIFIED AND QUOTED ON THE OTCQX OR OTCQB TIER
15 OF THE OTC MARKETS IF:

16 (A) THE PERSON IS THEN REQUIRED TO FILE REPORTS AND IS FILING
17 REPORTS ON A CURRENT BASIS WITH THE FEDERAL SECURITIES AND
18 EXCHANGE COMMISSION PURSUANT TO THE FEDERAL "SECURITIES
19 EXCHANGE ACT OF 1934", AS AMENDED, AS IF THE SECURITIES
20 CONSTITUTED "COVERED SECURITIES" AS DESCRIBED IN SUBSECTION
21 (19.5)(a)(I) OF THIS SECTION; OR

22 (B) THE PERSON IS QUALIFIED AND QUOTED ON THE OTCQX TIER
23 OF THE OTC MARKETS AND THE PERSON HAS ESTABLISHED AND IS IN
24 COMPLIANCE WITH CORPORATE GOVERNANCE MEASURES PURSUANT TO
25 CORPORATE GOVERNANCE OBLIGATIONS IMPOSED ON SECURITIES
26 QUALIFIED AND QUOTED ON THE OTCQX TIER OF THE OTC MARKETS;

27 (b) IS A CORPORATION THAT HAS A CLASS OF SECURITIES LISTED ON
28 THE CANADIAN SECURITIES EXCHANGE, TORONTO STOCK EXCHANGE, OR
29 OTHER EQUITY SECURITIES EXCHANGE RECOGNIZED BY THE STATE
30 LICENSING AUTHORITY, IF:

31 (I) THE CORPORATION CONSTITUTES A "FOREIGN PRIVATE ISSUER",
32 AS DEFINED IN RULE 405 PROMULGATED PURSUANT TO THE FEDERAL
33 "SECURITIES ACT OF 1933", AS AMENDED, WHOSE SECURITIES ARE EXEMPT
34 FROM REGISTRATION PURSUANT TO SECTION 12 OF THE FEDERAL
35 "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, PURSUANT TO RULE
36 12g 3-2 (b) PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES
37 EXCHANGE ACT OF 1934", AS AMENDED; AND

38 (II) THE CORPORATION HAS BEEN, FOR THE PRECEDING THREE
39 HUNDRED SIXTY-FIVE DAYS OR SINCE THE FORMATION OF THE ENTITY, IN
40 COMPLIANCE WITH ALL GOVERNANCE AND REPORTING OBLIGATIONS
41 IMPOSED BY THE RELEVANT EXCHANGE ON SUCH CORPORATION;

1 (c) IS REASONABLY IDENTIFIED AS A PUBLICLY TRADED
2 CORPORATION BY RULE BY THE STATE LICENSING AUTHORITY AS A
3 PUBLICLY TRADED CORPORATION; OR

4 (d) A "PUBLICLY TRADED CORPORATION" DESCRIBED IN
5 SUBSECTION (19.5)(a), (19.5)(b), OR (19.5)(c) OF THIS SECTION DOES NOT
6 INCLUDE:

7 (I) AN "INELIGIBLE ISSUER", AS DEFINED IN RULE 405
8 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933",
9 AS AMENDED, UNLESS SUCH PUBLICLY TRADED CORPORATION SATISFIES
10 THE DEFINITION OF INELIGIBLE ISSUER SOLELY BECAUSE IT IS ONE OR MORE
11 OF THE FOLLOWING AND SO LONG AS THE PERSON IS REQUIRED TO FILE
12 REPORTS AND IS FILING REPORTS ON A CURRENT BASIS WITH THE FEDERAL
13 SECURITIES AND EXCHANGE COMMISSION PURSUANT TO THE FEDERAL
14 "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, AS IF THE
15 SECURITIES CONSTITUTED "COVERED SECURITIES" AS DESCRIBED IN
16 SUBSECTION (19.5)(a)(I) OF THIS SECTION:

17 (A) A "BLANK CHECK COMPANY", AS DEFINED IN RULE 419 (a)(2)
18 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933",
19 AS AMENDED;

20 (B) AN ISSUER IN AN OFFERING OF "PENNY STOCK", AS DEFINED IN
21 RULE 3 a51-1 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES
22 EXCHANGE ACT OF 1934"; OR

23 (C) A "SHELL COMPANY", AS DEFINED IN RULE 405 PROMULGATED
24 PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED;
25 AND

26 (II) A PERSON DISQUALIFIED AS A "BAD ACTOR" UNDER RULE 506
27 (D) PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF
28 1933", AS AMENDED.

29 (20) ~~"Qualified limited passive investor" means a natural person
30 who is a United States citizen and is a passive investor who owns less
31 than a five percent share or shares of stock in a licensed retail marijuana
32 business.~~ "QUALIFIED INSTITUTIONAL INVESTOR" MEANS:

33 (a) A BANK AS DEFINED IN SECTION 3 (a)(6) OF THE FEDERAL
34 "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, PROVIDED THE
35 BANK IS CURRENT IN ALL APPLICABLE REPORTING AND RECORD-KEEPING
36 REQUIREMENTS UNDER SUCH ACT AND RULES PROMULGATED
37 THEREUNDER;

38 (b) A BANK HOLDING COMPANY AS DEFINED IN THE FEDERAL
39 "BANK HOLDING COMPANY ACT OF 1956", AS AMENDED, IF THE BANK
40 HOLDING COMPANY IS REGISTERED AND CURRENT IN ALL APPLICABLE
41 REPORTING AND RECORD-KEEPING REQUIREMENTS UNDER SUCH ACT AND

1 RULES PROMULGATED THEREUNDER;
2 (c) AN INSURANCE COMPANY AS DEFINED IN SECTION 2 (a)(17) OF
3 THE FEDERAL "INVESTMENT COMPANY ACT OF 1940", AS AMENDED,
4 PROVIDED THE INSURANCE COMPANY IS CURRENT IN ALL APPLICABLE
5 REPORTING AND RECORD-KEEPING REQUIREMENTS UNDER SUCH ACT AND
6 RULES PROMULGATED THEREUNDER;
7 (d) AN INVESTMENT COMPANY REGISTERED UNDER SECTION 8 OF
8 THE FEDERAL "INVESTMENT COMPANY ACT OF 1940", AS AMENDED, AND
9 SUBJECT TO 15 U.S.C. SEC. 80a-1 TO 80a-64, IF THE INVESTMENT
10 COMPANY IS CURRENT IN ALL APPLICABLE REPORTING AND
11 RECORD-KEEPING REQUIREMENTS UNDER SUCH ACT AND RULES
12 PROMULGATED THEREUNDER;
13 (e) AN EMPLOYEE BENEFIT PLAN OR PENSION FUND SUBJECT TO THE
14 FEDERAL "EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974",
15 EXCLUDING AN EMPLOYEE BENEFIT PLAN OR PENSION FUND SPONSORED BY
16 A LICENSEE OR AN INTERMEDIARY HOLDING COMPANY LICENSEE THAT
17 DIRECTLY OR INDIRECTLY OWNS TEN PERCENT OR MORE OF A LICENSEE;
18 (f) A STATE OR FEDERAL GOVERNMENT PENSION PLAN;
19 (g) A GROUP COMPRISED ENTIRELY OF PERSONS SPECIFIED IN
20 SUBSECTIONS (20)(a) TO (20)(f) OF THIS SECTION; OR
21 (h) ANY OTHER ENTITY IDENTIFIED BY RULE BY THE STATE
22 LICENSING AUTHORITY.
23 (20.5) "REASONABLE CAUSE" MEANS JUST OR LEGITIMATE
24 GROUNDS TO BELIEVE THAT THE PARTICULAR REQUESTED ACTION IS
25 NECESSARY TO FULFILL THE PURPOSES OF THIS ARTICLE 12 OR TO PROTECT
26 PUBLIC SAFETY.
27 (24) "Retail marijuana establishment" means ANY OF THE
28 FOLLOWING ENTITIES LICENSED PURSUANT TO THIS ARTICLE 12: A retail
29 marijuana store, a retail marijuana cultivation facility, a retail marijuana
30 products manufacturer, ~~or~~ a retail marijuana testing facility, A RETAIL
31 MARIJUANA ESTABLISHMENT OPERATOR, OR A RETAIL MARIJUANA
32 TRANSPORTER.
33 (25) "Retail marijuana establishment operator" means ~~an entity or~~
34 A person ~~who is not an owner and who~~ THAT is licensed to provide
35 professional operational services to a retail marijuana establishment for
36 direct remuneration from the retail marijuana establishment. A RETAIL
37 MARIJUANA ESTABLISHMENT OPERATOR IS NOT, BY VIRTUE OF ITS STATUS
38 AS RETAIL MARIJUANA ESTABLISHMENT OPERATOR, A CONTROLLING
39 BENEFICIAL OWNER, OR A PASSIVE BENEFICIAL OWNER OF ANY RETAIL
40 MARIJUANA ESTABLISHMENT IT OPERATES.
41 (32.5) "SECURITY" MEANS THOSE TERMS AS DEFINED IN SECTION

1 (2)(1) OF THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED.
2 (34) "SUBSTANTIAL JUSTIFICATION" MEANS A POSITION OR REASON
3 THAT HAS A REASONABLE BASIS BOTH IN LAW AND IN FACT.

4 **SECTION 13.** In Colorado Revised Statutes, 44-12-202, **amend**
5 (2)(d) and (3)(c)(IV); **repeal** (3)(a)(XXI); and **add** (6) and (7) as follows:

6 **44-12-202. Powers and duties of state licensing authority -**
7 **rules.** (2) The state licensing authority has the authority to:

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

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

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

24 (c) Rules promulgated pursuant to subsection (2)(b) of this section
25 must also include the following subjects:

26 (IV) Development of individual identification cards for ~~owners;~~
27 ~~officers~~ CONTROLLING BENEFICIAL OWNERS AND ANY PERSON EMPLOYED
28 BY, OPERATING, WORKING IN, OR HAVING UNESCORTED ACCESS TO THE
29 LIMITED ACCESS AREAS OF THE LICENSED PREMISES OF A RETAIL
30 MARIJUANA ESTABLISHMENT, ~~managers, contractors, employees, and other~~
31 ~~support staff of entities licensed pursuant to this article 12;~~ including a
32 fingerprint-based criminal history record check as may be required by the
33 state licensing authority prior to issuing a card;

34 (6) (a) RULES PROMULGATED PURSUANT TO SUBSECTION (2)(b) OF
35 THIS SECTION MUST INCLUDE THE FOLLOWING SUBJECTS:

36 (I) OWNERSHIP AND FINANCIAL DISCLOSURE PROCEDURES AND
37 REQUIREMENTS PURSUANT TO THIS ARTICLE 12;

38 (II) RECORDS A RETAIL MARIJUANA ESTABLISHMENT IS REQUIRED
39 TO MAINTAIN REGARDING ITS CONTROLLING BENEFICIAL OWNERS, PASSIVE
40 BENEFICIAL OWNERS, AND INDIRECT FINANCIAL INTEREST HOLDERS THAT
41 MAY BE SUBJECT TO DISCLOSURE AT RENEWAL OR AS PART OF ANY OTHER

1 INVESTIGATION FOLLOWING INITIAL LICENSURE OF A RETAIL MARIJUANA
2 ESTABLISHMENT;

3 (III) PROCEDURES AND REQUIREMENTS FOR FINDINGS OF
4 SUITABILITY PURSUANT TO THIS ARTICLE 12, INCLUDING FEES NECESSARY
5 TO COVER THE DIRECT AND INDIRECT COSTS OF ANY SUITABILITY
6 INVESTIGATION;

7 (IV) PROCEDURES AND REQUIREMENTS CONCERNING THE
8 DIVESTITURE OF THE BENEFICIAL OWNERSHIP OF A PERSON FOUND
9 UNSUITABLE BY THE STATE LICENSING AUTHORITY;

10 (V) PROCEDURES, PROCESSES, AND REQUIREMENTS FOR
11 TRANSFERS OF OWNERSHIP INVOLVING A PUBLICLY TRADED CORPORATION,
12 INCLUDING BUT NOT LIMITED TO MERGERS WITH A PUBLICLY TRADED
13 CORPORATION, INVESTMENT BY A PUBLICLY TRADED CORPORATION, AND
14 PUBLIC OFFERINGS;

15 (VI) DESIGNATION OF PERSONS THAT BY VIRTUE OF COMMON
16 CONTROL CONSTITUTE CONTROLLING BENEFICIAL OWNERS;

17 (VII) MODIFICATION OF THE PERCENTAGE OF SECURITIES THAT
18 MAY BE HELD BY A CONTROLLING BENEFICIAL OWNER AND PASSIVE
19 BENEFICIAL OWNER;

20 (VIII) DESIGNATION OF PERSONS THAT QUALIFY FOR AN
21 EXEMPTION FROM AN OTHERWISE REQUIRED FINDING OF SUITABILITY; AND

22 (IX) DESIGNATION OF INDIRECT FINANCIAL INTEREST HOLDERS
23 AND QUALIFIED INSTITUTIONAL INVESTORS.

24 (b) RULES PROMULGATED PURSUANT TO THIS SUBSECTION (6)
25 SHALL NOT BE ANY MORE RESTRICTIVE THAN THOSE EXPRESSLY
26 ESTABLISHED UNDER THIS ARTICLE 12.

27 (7) THE STATE LICENSING AUTHORITY MAY DENY, SUSPEND,
28 REVOKE, FINE, OR IMPOSE OTHER SANCTIONS AGAINST A PERSON'S LICENSE
29 ISSUED PURSUANT TO THIS ARTICLE 12 IF THE STATE LICENSING
30 AUTHORITY FINDS THE PERSON OR THE PERSON'S CONTROLLING
31 BENEFICIAL OWNER, PASSIVE BENEFICIAL OWNER, OR INDIRECT FINANCIAL
32 INTEREST HOLDER FAILED TO TIMELY FILE ANY REPORT, DISCLOSURE,
33 REGISTRATION STATEMENT, OR OTHER SUBMISSION REQUIRED BY ANY
34 STATE OR FEDERAL REGULATORY AUTHORITY THAT IS RELATED TO THE
35 CONDUCT OF THEIR ESTABLISHMENT.

36 **SECTION 14.** In Colorado Revised Statutes, 44-12-303, **amend**
37 (1) as follows:

38 **44-12-303. State licensing authority - application and issuance**
39 **procedures.** (1) Applications for a state license under the provisions of
40 this article 12 must be made to the state licensing authority on forms
41 prepared and furnished by the state licensing authority and must set forth

1 such information as the state licensing authority may require to enable the
2 state licensing authority to determine whether a state license should be
3 granted. The information must include the name and address of the
4 applicant and ~~the names and addresses of the officers, directors, or~~
5 ~~managers~~ DISCLOSURES REQUIRED BY SECTION 44-11-307.5. Each
6 application must be verified by the oath or affirmation of such person or
7 persons as the state licensing authority may prescribe. The state licensing
8 authority may issue a state license to an applicant pursuant to this section
9 upon completion of the applicable criminal history background check
10 associated with the application, and the state license is conditioned upon
11 local jurisdiction approval. A license applicant is prohibited from
12 operating a licensed retail marijuana business without state and local
13 jurisdiction approval. If the applicant does not receive local jurisdiction
14 approval within one year from the date of state licensing authority
15 approval, the state license shall expire and may not be renewed. If an
16 application is denied by the local licensing authority, the state licensing
17 authority shall revoke the state-issued license.

18 **SECTION 15.** In Colorado Revised Statutes, 44-12-305, **amend**
19 (1)(c), (1)(j), and (1)(k); and **add** (1)(c.1), (1)(c.2), (1)(l), (1)(m), (1)(n),
20 (1)(o), (1)(p), and (1)(q) and as follows:

21 **44-12-305. Persons prohibited as licensees - definition.** (1) A
22 license provided by this article 12 shall not be issued to or held by:

23 (c) A person other than an individual if the criminal history of any
24 of its ~~officers, directors, stockholders, or owners~~ CONTROLLING
25 BENEFICIAL OWNERS indicates that ~~the officer, director, stockholder, or~~
26 ~~owner~~ A CONTROLLING BENEFICIAL OWNER is not of good moral character
27 after considering the factors in section 24-5-101 (2); ~~C.R.S.~~

28 (c.1) A PERSON THAT IS NOT A PUBLICLY TRADED CORPORATION,
29 IF THE CRIMINAL HISTORY OF ANY OF ITS PASSIVE BENEFICIAL OWNERS
30 INDICATES THAT THE PERSON IS NOT OF GOOD MORAL CHARACTER AFTER
31 CONSIDERING THE FACTORS IN SECTION 24-5-101;

32 (c.2) A PERSON THAT IS A PUBLICLY TRADED CORPORATION, IF THE
33 CRIMINAL HISTORY OF ANY OF ITS KNOWN PASSIVE BENEFICIAL OWNERS
34 INDICATES THAT THE PERSON IS NOT OF GOOD MORAL CHARACTER AFTER
35 CONSIDERING THE FACTORS IN SECTION 24-5-101;

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

38 (k) A publicly traded ~~company~~ ENTITY THAT DOES NOT
39 CONSTITUTE A PUBLICLY TRADED CORPORATION;

40 (l) A PERSON THAT IS OR HAS A CONTROLLING BENEFICIAL OWNER,
41 PASSIVE BENEFICIAL OWNER, OR INDIRECT FINANCIAL INTEREST HOLDER

1 THAT IS ORGANIZED OR FORMED UNDER THE LAWS OF A COUNTRY
2 DETERMINED BY THE UNITED STATES SECRETARY OF STATE TO HAVE
3 REPEATEDLY PROVIDED SUPPORT FOR ACTS OF INTERNATIONAL TERRORISM
4 OR INCLUDED AMONG THE LIST OF "COVERED COUNTRIES" IN SECTION 1502
5 OF THE FEDERAL "DODD-FRANK WALL STREET REFORM AND CONSUMER
6 PROTECTION ACT", PUB.L. 111-203;

7 (m) A PERSON THAT IS OR HAS A CONTROLLING BENEFICIAL
8 OWNER, THAT IS AN "INELIGIBLE ISSUER" PURSUANT TO SECTION 44-12-104
9 (19.5)(d)(1);

10 (n) A PERSON THAT IS OR HAS A CONTROLLING BENEFICIAL OWNER
11 THAT IS DISQUALIFIED AS A "BAD ACTOR" UNDER RULE 506 (d)(1);

12 (o) A PERSON THAT IS NOT A PUBLICLY TRADED CORPORATION
13 THAT IS DISQUALIFIED AS A "BAD ACTOR" UNDER RULE 506 (d)
14 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933",
15 AS AMENDED, AND SUBJECT TO 17 CFR 230.406 (d)(1);

16 (p) A PERSON THAT IS A PUBLICLY TRADED CORPORATION THAT IS
17 OR HAS A KNOWN PASSIVE BENEFICIAL OWNER OR INDIRECT FINANCIAL
18 INTEREST HOLDER THAT IS DISQUALIFIED AS A "BAD ACTOR" UNDER RULE
19 506 (d) PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF
20 1933", AS AMENDED, AND SUBJECT TO 17 CFR 230.406 (d)(1); OR

21 (q) A PERSON THAT IS OR HAS A CONTROLLING BENEFICIAL OWNER,
22 PASSIVE BENEFICIAL OWNER, OR INDIRECT FINANCIAL INTEREST HOLDER
23 THAT IS PROHIBITED FROM ENGAGING IN TRANSACTIONS PURSUANT TO
24 THIS ARTICLE 12 DUE TO ITS DESIGNATION ON THE "SPECIALLY
25 DESIGNATED NATIONALS AND BLOCKED PERSONS" LIST MAINTAINED BY
26 THE FEDERAL OFFICE OF FOREIGN ASSETS CONTROL.

27 **SECTION 16.** In Colorado Revised Statutes, 44-12-306, **amend**
28 (1)(a)(II), (1)(a)(IV), (1)(b), and (3); **repeal** (2), (4), (5), (6), and (7); and
29 **add** (1)(a)(IV.5), (1)(a)(VI), and (1)(a)(VII) as follows:

30 **44-12-306. Business and owner requirements - legislative**
31 **declaration - definition.** (1) (a) The general assembly hereby finds and
32 declares that:

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

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

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

1 (VI) PUBLICLY TRADED CORPORATIONS OFFERING SECURITIES FOR
2 INVESTMENT IN RETAIL MARIJUANA ESTABLISHMENTS MUST TELL THE
3 PUBLIC THE TRUTH ABOUT THEIR BUSINESS, THE SECURITIES THEY ARE
4 SELLING, AND THE RISKS INVOLVED WITH INVESTING IN RETAIL MARIJUANA
5 ESTABLISHMENTS, AND PEOPLE THAT SELL AND TRADE SECURITIES
6 RELATED TO RETAIL MARIJUANA ESTABLISHMENTS ARE PROHIBITED FROM
7 ENGAGING IN DECEIT, MISREPRESENTATIONS, AND OTHER FRAUD IN THE
8 SALE OF THE SECURITIES; AND

9 (VII) RECOGNIZING THAT PARTICIPATION BY PUBLICLY TRADED
10 CORPORATIONS IN COLORADO'S RETAIL MARIJUANA INDUSTRY CREATES AN
11 INCREASED NEED TO ASSESS BARRIERS OF ENTRY FOR MINORITY- AND
12 WOMAN-OWNED BUSINESSES, WITH SUCH EFFORTS BEING MADE TO
13 IDENTIFY SOLUTIONS TO ARRIVE AT A GREATER BALANCE AND FOR
14 FURTHER EQUITY FOR MINORITY- AND WOMAN-OWNED BUSINESSES, AND
15 IN A MANNER THAT IS CONSISTENT WITH THE PUBLIC SAFETY AND
16 ENFORCEMENT GOALS AS STATED HEREIN, IT IS THEREFORE OF
17 SUBSTANTIVE IMPORTANCE TO ADDRESS THE LACK OF MINORITY- AND
18 WOMAN-OWNED BUSINESSES' INCLUSION IN COLORADO'S RETAIL
19 MARIJUANA INDUSTRY, SOCIAL JUSTICE ISSUES ASSOCIATED WITH
20 MARIJUANA PROHIBITION, SUITABILITY ISSUES RELATING TO PAST
21 CONVICTIONS FOR POTENTIAL LICENSEES, LICENSING FEES, AND ECONOMIC
22 CHALLENGES THAT ARISE WITH THE APPLICATION PROCESSES.

23 (b) Therefore, the general assembly is providing a mechanism for
24 Colorado retail marijuana ~~businesses~~ ESTABLISHMENTS to access capital
25 from investors in other states AND FROM CERTAIN PUBLICLY TRADED
26 CORPORATIONS PURSUANT TO THIS SECTION AND SECTION 44-12-306.5.

27 (2) ~~A direct beneficial interest owner who is a natural person must~~
28 ~~either:~~

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

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

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

36 (b) ~~On and after January 1, 2017, A retail marijuana business that~~
37 ~~is composed of one or more direct beneficial interest owners who have~~
38 ~~not been Colorado residents for at least one year prior to application~~
39 ~~ESTABLISHMENT shall have at least one EXECUTIVE officer who has been~~
40 ~~IS a Colorado resident for at least one year prior to~~ ON THE DATE OF
41 application, and all ~~officers~~ NATURAL PERSONS with day-to-day

1 operational control over the business must be Colorado residents. for at
2 least one year prior to application. A retail marijuana business under this
3 subsection (3)(b) is limited to no more than fifteen direct beneficial
4 interest owners, including all parent and subsidiary entities, all of whom
5 are natural persons:

6 (e) Notwithstanding the requirements of subsection (3)(b) of this
7 section, the state licensing authority may review the limitation on the
8 number of direct beneficial interest owners and may increase the number
9 of allowable interests above fifteen based on reasonable considerations
10 such as developments in state and federal financial regulations, market
11 conditions, and the licensee's ability to access legitimate sources of
12 capital. A PERSON, OTHER THAN AN INDIVIDUAL, THAT IS A RETAIL
13 MARIJUANA ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER
14 SHALL APPOINT AND CONTINUOUSLY MAINTAIN A REGISTERED AGENT
15 THAT SATISFIES THE REQUIREMENTS OF SECTION 7-90-701. THE RETAIL
16 MARIJUANA ESTABLISHMENT SHALL INFORM THE STATE LICENSING
17 AUTHORITY OF A CHANGE IN THE REGISTERED AGENT WITHIN TEN DAYS
18 AFTER THE CHANGE.

19 (d) A direct beneficial interest owner that is a closely held
20 business entity must consist entirely of natural persons who are United
21 States citizens prior to the date of the application, including all parent and
22 subsidiary entities:

23 (4) A retail marijuana business may include qualified institutional
24 investors that own thirty percent or less of the retail marijuana business:

25 (5) (a) A person who intends to apply as a direct beneficial interest
26 owner and is not a Colorado resident for at least one year prior to the date
27 of application shall first submit a request to the state licensing authority
28 for a finding of suitability as a direct beneficial interest owner. The
29 person shall receive a finding of suitability prior to submitting an
30 application to the state licensing authority to be a direct beneficial interest
31 owner. Failure to receive a finding of suitability prior to application is
32 grounds for denial by the state licensing authority:

33 (b) The state licensing authority shall perform a limited initial
34 background check on qualified limited passive investors. If the initial
35 background check provides reasonable cause for additional investigation,
36 the state licensing authority may require a full background check:

37 (6) The state licensing authority shall review the retail marijuana
38 business's operating documents to ensure compliance with this section:

39 (7) For purposes of this section, unless the context otherwise
40 requires, "institutional investor" means:

41 (a) A bank as defined in section 3 (a)(6) of the federal "Securities

- 1 ~~Exchange Act of 1934", as amended;~~
- 2 ~~(b) An insurance company as defined in section 2 (a)(17) of the~~
- 3 ~~federal "Investment Company Act of 1940", as amended;~~
- 4 ~~(c) An investment company registered under section 8 of the~~
- 5 ~~federal "Investment Company Act of 1940", as amended;~~
- 6 ~~(d) An investment adviser registered under section 203 of the~~
- 7 ~~federal "Investment Advisers Act of 1940", as amended;~~
- 8 ~~(e) Collective trust funds as defined in section 3 (c)(11) of the~~
- 9 ~~federal "Investment Company Act of 1940", as amended;~~
- 10 ~~(f) An employee benefit plan or pension fund that is subject to the~~
- 11 ~~federal "Employee Retirement Income Security Act of 1974", as~~
- 12 ~~amended, excluding an employee benefit plan or pension fund sponsored~~
- 13 ~~by a licensee or an intermediary or holding company licensee that directly~~
- 14 ~~or indirectly owns five percent or more of a licensee;~~
- 15 ~~(g) A state or federal government pension plan;~~
- 16 ~~(h) A group comprised entirely of persons specified in subsections~~
- 17 ~~(7)(a) to (7)(g) of this section; or~~
- 18 ~~(i) Any other entity identified through rule by the state licensing~~
- 19 ~~authority.~~

20 **SECTION 17.** In Colorado Revised Statutes, **add** 44-12-306.5
21 and 44-12-306.6 as follows:

22 **44-12-306.5. Business owner and financial interest disclosure**
23 **requirements.** (1) APPLICANTS FOR THE ISSUANCE OF A STATE LICENSE
24 SHALL DISCLOSE TO THE STATE LICENSING AUTHORITY THE FOLLOWING:

25 (a) A COMPLETE AND ACCURATE ORGANIZATIONAL CHART OF THE
26 RETAIL MARIJUANA ESTABLISHMENT REFLECTING THE IDENTITY AND
27 OWNERSHIP PERCENTAGES OF ITS CONTROLLING BENEFICIAL OWNERS;

28 (b) THE FOLLOWING INFORMATION REGARDING ALL CONTROLLING
29 BENEFICIAL OWNERS OF THE RETAIL MARIJUANA ESTABLISHMENT:

30 (I) IF THE CONTROLLING BENEFICIAL OWNER IS A PUBLICLY
31 TRADED CORPORATION, THE APPLICANT SHALL DISCLOSE THE
32 CONTROLLING BENEFICIAL OWNERS' EXECUTIVE OFFICERS, MEMBERS OF ITS
33 BOARD OF DIRECTORS, AND ANY BENEFICIAL OWNERS THAT DIRECTLY OR
34 INDIRECTLY BENEFICIALLY OWN TEN PERCENT OR MORE OF THE SECURITIES
35 IN A RETAIL MARIJUANA ESTABLISHMENT;

36 (II) IF THE CONTROLLING BENEFICIAL OWNER IS NOT A PUBLICLY
37 TRADED CORPORATION AND IS NOT A QUALIFIED PRIVATE FUND, THE
38 APPLICANT SHALL DISCLOSE THE CONTROLLING BENEFICIAL OWNERS'
39 EXECUTIVE OFFICERS, MANAGERS AS DEFINED IN SECTION 7-90-102 (35.7),
40 AND ANY BENEFICIAL OWNERS THAT DIRECTLY OR INDIRECTLY
41 BENEFICIALLY OWN TEN PERCENT OR MORE OF THE SECURITIES IN A RETAIL

1 MARIJUANA ESTABLISHMENT;

2 (III) IF THE CONTROLLING BENEFICIAL OWNER IS A QUALIFIED
3 PRIVATE FUND, THE APPLICANT SHALL DISCLOSE A COMPLETE AND
4 ACCURATE ORGANIZATIONAL CHART OF THE QUALIFIED PRIVATE FUND
5 REFLECTING THE IDENTITY AND OWNERSHIP PERCENTAGES OF THE
6 QUALIFIED PRIVATE FUNDS' EXECUTIVE OFFICERS, MANAGERS AS DEFINED
7 IN SECTION 7-90-102 (35.7), INVESTMENT ADVISERS, INVESTMENT ADVISER
8 REPRESENTATIVES, ANY TRUSTEE OR EQUIVALENT, AND ANY OTHER
9 PERSON THAT CONTROLS THE INVESTMENT IN, OR MANAGEMENT OR
10 OPERATIONS OF, THE RETAIL MARIJUANA ESTABLISHMENT;

11 (IV) IF THE CONTROLLING BENEFICIAL OWNER IS A NATURAL
12 PERSON, THE APPLICANT SHALL DISCLOSE THE NATURAL PERSON'S
13 IDENTIFYING INFORMATION;

14 (c) ANY PASSIVE BENEFICIAL OWNER THAT IS ALSO AN INDIRECT
15 FINANCIAL INTEREST HOLDER IN THE RETAIL MARIJUANA ESTABLISHMENT;
16 AND

17 (d) ANY INDIRECT FINANCIAL INTEREST HOLDER THAT HOLDS TWO
18 OR MORE INDIRECT FINANCIAL INTERESTS IN THE RETAIL MARIJUANA
19 ESTABLISHMENT.

20 (2) THE STATE LICENSING AUTHORITY MAY REQUEST THAT THE
21 RETAIL MARIJUANA ESTABLISHMENT DISCLOSE THE FOLLOWING:

22 (a) EACH BENEFICIAL OWNER AND AFFILIATE OF AN APPLICANT,
23 RETAIL MARIJUANA ESTABLISHMENT, OR CONTROLLING BENEFICIAL
24 OWNER THAT IS NOT A PUBLICLY TRADED CORPORATION OR A QUALIFIED
25 PRIVATE FUND; AND

26 (b) EACH AFFILIATE OF A CONTROLLING BENEFICIAL OWNER THAT
27 IS A QUALIFIED PRIVATE FUND.

28 (3) FOR REASONABLE CAUSE, THE STATE LICENSING AUTHORITY
29 MAY REQUIRE DISCLOSURE OF:

30 (a) A COMPLETE AND ACCURATE LIST OF EACH NONOBJECTING
31 BENEFICIAL INTEREST OWNER OF AN APPLICANT, LICENSEE, OR
32 CONTROLLING BENEFICIAL OWNER THAT IS A PUBLICLY TRADED
33 CORPORATION;

34 (b) PASSIVE BENEFICIAL OWNERS OF THE RETAIL MARIJUANA
35 ESTABLISHMENT, AND FOR ANY PASSIVE BENEFICIAL INTEREST OWNER
36 THAT IS NOT A NATURAL PERSON, THE MEMBERS OF THE BOARD OF
37 DIRECTORS, GENERAL PARTNERS, MANAGING MEMBERS, MANAGERS OR
38 EXECUTIVE OFFICERS AND TEN PERCENT OR MORE OWNERS OF THE PASSIVE
39 BENEFICIAL OWNER;

40 (c) A LIST OF EACH BENEFICIAL OWNER IN A QUALIFIED PRIVATE
41 FUND THAT IS A CONTROLLING BENEFICIAL OWNER;

1 (d) ALL INDIRECT FINANCIAL INTEREST HOLDERS OF THE RETAIL
2 MARIJUANA ESTABLISHMENT, AND FOR ANY INDIRECT FINANCIAL INTEREST
3 HOLDER THAT IS NOT A NATURAL PERSON, THE MEMBERS OF THE BOARD OF
4 DIRECTORS, GENERAL PARTNERS, MANAGING MEMBERS, MANAGERS OR
5 EXECUTIVE OFFICERS AND TEN PERCENT OR MORE BENEFICIAL OWNERS OF
6 THE INDIRECT FINANCIAL INTEREST HOLDER.

7 (4) AN APPLICANT OR RETAIL MARIJUANA ESTABLISHMENT THAT
8 IS NOT A PUBLICLY TRADED CORPORATION SHALL AFFIRM UNDER PENALTY
9 OF PERJURY THAT IT EXERCISED REASONABLE CARE TO CONFIRM THAT ITS
10 PASSIVE BENEFICIAL OWNERS, INDIRECT FINANCIAL INTEREST HOLDERS,
11 AND QUALIFIED INSTITUTIONAL INVESTORS ARE NOT PERSONS PROHIBITED
12 PURSUANT TO SECTION 44-12-305, OR OTHERWISE RESTRICTED FROM
13 HOLDING AN INTEREST UNDER THIS ARTICLE 12. AN APPLICANT'S OR
14 LICENSEE'S FAILURE TO EXERCISE REASONABLE CARE IS A BASIS FOR
15 DENIAL, FINE, SUSPENSION, REVOCATION, OR OTHER SANCTION BY THE
16 STATE LICENSING AUTHORITY.

17 (5) AN APPLICANT OR RETAIL MARIJUANA ESTABLISHMENT THAT
18 IS A PUBLICLY TRADED CORPORATION SHALL AFFIRM UNDER PENALTY OF
19 PERJURY THAT IT EXERCISED REASONABLE CARE TO CONFIRM THAT ITS
20 KNOWN PASSIVE BENEFICIAL OWNERS, KNOWN INDIRECT FINANCIAL
21 INTEREST HOLDERS, AND QUALIFIED INSTITUTIONAL INVESTORS ARE NOT
22 PERSONS PROHIBITED PURSUANT TO SECTION 44-12-305, OR OTHERWISE
23 RESTRICTED FROM HOLDING AN INTEREST UNDER THIS ARTICLE 12. AN
24 APPLICANT'S OR LICENSEE'S FAILURE TO EXERCISE REASONABLE CARE IS A
25 BASIS FOR DENIAL, FINE, SUSPENSION, REVOCATION, OR OTHER SANCTION
26 BY THE STATE LICENSING AUTHORITY.

27 (6) THIS SECTION DOES NOT RESTRICT THE STATE LICENSING
28 AUTHORITY'S ABILITY TO REASONABLY REQUEST INFORMATION OR
29 RECORDS AT RENEWAL OR AS PART OF ANY OTHER INVESTIGATION
30 FOLLOWING INITIAL LICENSURE OF A RETAIL MARIJUANA ESTABLISHMENT.

31 (7) THE SECURITIES COMMISSIONER MAY, BY RULE OR ORDER,
32 REQUIRE ADDITIONAL DISCLOSURES IF SUCH INFORMATION IS FULL AND
33 FAIR WITH RESPECT TO THE INVESTMENT OR IN THE INTEREST OF INVESTOR
34 PROTECTION.

35 **44-12-306.6. Business owner and financial interest suitability**
36 **requirements.** (1) THIS SECTION APPLIES TO ALL PERSONS REQUIRED TO
37 SUBMIT A FINDING OF SUITABILITY.

38 (2) ANY PERSON INTENDING TO BECOME A CONTROLLING
39 BENEFICIAL OWNER OF ANY RETAIL MARIJUANA ESTABLISHMENT, EXCEPT
40 AS OTHERWISE PROVIDED IN SECTION 44-12-308 (4), SHALL FIRST SUBMIT
41 A REQUEST TO THE STATE LICENSING AUTHORITY FOR A FINDING OF

1 SUITABILITY OR AN EXEMPTION FROM AN OTHERWISE REQUIRED FINDING
2 OF SUITABILITY.

3 (3) FOR REASONABLE CAUSE, ANY OTHER PERSON THAT WAS
4 DISCLOSED OR THAT SHOULD HAVE BEEN DISCLOSED PURSUANT TO
5 SECTION 44-12-306.5, INCLUDING BUT NOT LIMITED TO A PASSIVE
6 BENEFICIAL OWNER, SHALL SUBMIT A REQUEST FOR A FINDING OF
7 SUITABILITY.

8 (4) FAILURE TO PROVIDE ALL REQUESTED INFORMATION IN
9 CONNECTION WITH A REQUEST FOR A FINDING OF SUITABILITY IS GROUNDS
10 FOR DENIAL OF THAT FINDING OF SUITABILITY.

11 (5) FAILURE TO RECEIVE ALL REQUIRED FINDINGS OF SUITABILITY
12 IS GROUNDS FOR DENIAL OF AN APPLICATION OR FOR SUSPENSION,
13 REVOCATION, OR OTHER SANCTION AGAINST THE LICENSE BY THE STATE
14 LICENSING AUTHORITY. FOR INITIAL APPLICATIONS, THE FINDING OF
15 SUITABILITY SHALL BE REQUIRED PRIOR TO SUBMITTING THE APPLICATION
16 FOR LICENSURE.

17 (6) ANY PERSON REQUIRED TO OBTAIN A FINDING OF SUITABILITY
18 SHALL DO SO ON FORMS PROVIDED BY THE STATE LICENSING AUTHORITY
19 AND MUST CONTAIN SUCH INFORMATION AS THE STATE LICENSING
20 AUTHORITY MAY REQUIRE. EACH SUITABILITY APPLICATION MUST BE
21 VERIFIED BY THE OATH OR AFFIRMATION OF THE PERSONS PRESCRIBED BY
22 THE STATE LICENSING AUTHORITY.

23 (7) A PERSON REQUESTING A FINDING OF SUITABILITY SHALL
24 PROVIDE THE STATE LICENSING AUTHORITY WITH A DEPOSIT TO COVER THE
25 DIRECT AND INDIRECT COSTS OF ANY INVESTIGATION NECESSARY TO
26 DETERMINE ANY REQUIRED FINDING OF SUITABILITY. THE STATE
27 LICENSING AUTHORITY MAY MAKE FURTHER RULES REGARDING THE
28 DEPOSIT AND DIRECT AND INDIRECT COSTS THAT SHALL BE BILLED
29 AGAINST THE DEPOSIT.

30 (8) WHEN DETERMINING WHETHER A PERSON IS SUITABLE OR
31 UNSUITABLE FOR LICENSURE, THE STATE LICENSING AUTHORITY MAY
32 CONSIDER THE PERSON'S CRIMINAL CHARACTER OR RECORD, LICENSING
33 CHARACTER OR RECORD. OR FINANCIAL CHARACTER OR RECORD.

34 (9) A PERSON THAT WOULD OTHERWISE BE REQUIRED TO OBTAIN
35 A FINDING OF SUITABILITY MAY REQUEST AN EXEMPTION FROM THE STATE
36 LICENSING AUTHORITY AS DETERMINED BY RULE.

37 (10) ABSENT SUBSTANTIAL JUSTIFICATION, THE STATE LICENSING
38 AUTHORITY SHALL APPROVE OR DENY A REQUEST FOR A FINDING OF
39 SUITABILITY WITHIN ONE HUNDRED TWENTY DAYS FROM THE DATE OF
40 SUBMISSION OF THE REQUEST FOR SUCH FINDING.

41 (11) THE STATE LICENSING AUTHORITY MAY DENY, SUSPEND,

1 REVOKE, FINE, OR IMPOSE OTHER SANCTIONS AGAINST A PERSON'S LICENSE
2 ISSUED PURSUANT TO THIS ARTICLE 12 IF THE STATE LICENSING
3 AUTHORITY FINDS THE PERSON OR THE PERSON'S CONTROLLING
4 BENEFICIAL OWNER, PASSIVE BENEFICIAL OWNER, OR INDIRECT FINANCIAL
5 INTEREST HOLDER TO BE UNSUITABLE PURSUANT TO THIS SECTION.

6 **SECTION 18.** In Colorado Revised Statutes, 44-12-308, **amend**
7 (2); and **add** (3) and (4) as follows:

8 **44-12-308. Transfer of ownership.** (2) For a transfer of
9 ownership INVOLVING A CONTROLLING BENEFICIAL OWNER, a license
10 holder shall apply to the state licensing authority on forms prepared and
11 furnished by the state licensing authority. Upon receipt of an application
12 for transfer of ownership, the state licensing authority shall submit, within
13 seven days, a copy of the application to the local jurisdiction to determine
14 whether the transfer complies with local restrictions on transfer of
15 ownership. In determining whether to permit a transfer of ownership, the
16 state licensing authority shall consider only the requirements of this
17 article 12, any rules promulgated by the state licensing authority, and any
18 other local restrictions. The local jurisdiction may hold a hearing on the
19 application for transfer of ownership. The local jurisdiction shall not hold
20 a hearing pursuant to this subsection (2) until the local jurisdiction has
21 posted a notice of hearing in the manner described in section 44-12-302
22 (1) on the licensed premises for a period of ten days and has provided
23 notice of the hearing to the applicant at least ten days prior to the hearing.
24 Any transfer of ownership hearing by the state licensing authority ~~shall~~
25 MUST be held in compliance with the requirements specified in section
26 44-12-303.

27 (3) FOR A TRANSFER OF OWNERSHIP INVOLVING A PASSIVE
28 BENEFICIAL OWNER, THE LICENSE HOLDER SHALL NOTIFY THE STATE
29 LICENSING AUTHORITY ON FORMS PREPARED AND FURNISHED BY THE
30 STATE LICENSING AUTHORITY WITHIN FORTY-FIVE DAYS TO THE EXTENT
31 DISCLOSURE IS REQUIRED BY SECTION 44-12-306.5.

32 (4) A PERSON THAT BECOMES A CONTROLLING BENEFICIAL OWNER
33 OF A PUBLICLY TRADED CORPORATION THAT IS A RETAIL MARIJUANA
34 ESTABLISHMENT OR THAT BECOMES A BENEFICIAL OWNER, THROUGH
35 DIRECT OR INDIRECT OWNERSHIP OF A CONTROLLING BENEFICIAL OWNER,
36 OF TEN PERCENT OR MORE OF A RETAIL MARIJUANA ESTABLISHMENT THAT
37 IS A PUBLICLY TRADED CORPORATION MUST DISCLOSE THE INFORMATION
38 REQUIRED BY SECTION 44-12-306.5 AND APPLY TO THE STATE LICENSING
39 AUTHORITY FOR A FINDING OF SUITABILITY OR EXEMPTION FROM A
40 FINDING OF SUITABILITY PURSUANT TO SECTION 44-12-306.6 WITHIN
41 FORTY-FIVE DAYS AFTER BECOMING SUCH A CONTROLLING BENEFICIAL

1 OWNER. A LICENSEE SHALL NOTIFY EACH PERSON THAT IS SUBJECT TO THIS
2 SUBSECTION (4) OF ITS REQUIREMENTS AS SOON AS THE LICENSEE
3 BECOMES AWARE OF THE BENEFICIAL OWNERSHIP TRIGGERING THE
4 REQUIREMENT, PROVIDED THAT THE OBLIGATIONS OF THE PERSON SUBJECT
5 TO THIS SUBSECTION (4) ARE INDEPENDENT OF, AND UNAFFECTED BY, THE
6 LICENSEE'S FAILURE TO GIVE THE NOTICE.

7 **SECTION 19.** In Colorado Revised Statutes, 44-12-309, **amend**
8 (3), (5), and (10) as follows:

9 **44-12-309. Licensing in general.** (3) A retail marijuana
10 establishment THAT IS NOT A PUBLICLY TRADED CORPORATION shall notify
11 the state licensing authority in writing of the name, address, and date of
12 birth of ~~an~~ A CONTROLLING BENEFICIAL owner OR officer ~~or manager~~
13 before the new CONTROLLING BENEFICIAL owner or officer ~~or manager~~
14 begins managing, owning, or associating with the operation. The
15 CONTROLLING BENEFICIAL owner, officer, ~~manager~~, or employee must
16 pass a fingerprint-based criminal history record check as required by the
17 state licensing authority and obtain the required identification prior to
18 being associated with, managing, owning, or working at the operation.
19 THE STATE LICENSING AUTHORITY MAY FOR REASONABLE CAUSE REQUIRE
20 A PASSIVE BENEFICIAL OWNER TO PASS A FINGERPRINT-BASED CRIMINAL
21 HISTORY CHECK.

22 (5) All managers and employees WITH DAY-TO-DAY OPERATIONAL
23 CONTROL of a retail marijuana establishment shall be residents of
24 Colorado upon the date of their license application. All licenses granted
25 pursuant to this article 12 are valid for a period of one year after the date
26 of issuance unless revoked or suspended pursuant to this article 12 or the
27 rules promulgated pursuant to this article 12.

28 (10) EXCEPT FOR A PUBLICLY TRADED CORPORATION, a licensee
29 shall report each transfer or change of financial interest in the license to
30 the state and local licensing authorities and receive approval prior to any
31 transfer or change pursuant to section 44-12-308. EXCEPT FOR A PUBLICLY
32 TRADED CORPORATION, a report is required for transfers of ~~capital stock~~
33 ~~of any corporation~~ OWNER'S INTEREST OF ANY ENTITY regardless of size.

34 **SECTION 20.** In Colorado Revised Statutes, 44-12-312, **amend**
35 (1) as follows:

36 **44-12-312. Unlawful financial assistance.** (1) The state
37 licensing authority shall require a complete disclosure ~~of all persons~~
38 ~~having a direct or indirect financial interest, and the extent of such~~
39 ~~interest, in~~ PURSUANT TO SECTION 44-12-306.5 WITH each license issued
40 under this article 12.

41 **SECTION 21.** In Colorado Revised Statutes, **amend** 44-12-407

1 as follows:

2 **44-12-407. Retail marijuana business operator license.** A retail
3 marijuana business operator license may be issued to a person ~~who~~ THAT
4 operates a retail marijuana establishment licensed pursuant to this article
5 12, for ~~an owner~~ ANOTHER RETAIL MARIJUANA ESTABLISHMENT licensed
6 pursuant to this article 12, and who may receive a portion of the profits
7 as compensation.

8 **SECTION 22.** In Colorado Revised Statutes, 44-12-901, **add** (6)
9 as follows:

10 **44-12-901. Unlawful acts - exceptions.** (6) (a) IT IS UNLAWFUL
11 FOR A PERSON TO ENGAGE IN ANY ACT OR OMISSION WITH THE INTENT TO
12 EVADE DISCLOSURE, REPORTING, RECORD KEEPING, OR SUITABILITY
13 REQUIREMENTS PURSUANT TO THIS ARTICLE 12, INCLUDING BUT NOT
14 LIMITED TO THE FOLLOWING:

15 (I) FAILING TO FILE A REPORT REQUIRED UNDER THIS ARTICLE 12
16 OR CAUSING OR ATTEMPTING TO CAUSE A PERSON TO FAIL TO FILE SUCH A
17 REPORT;

18 (II) FILING OR CAUSING OR ATTEMPTING TO CAUSE A PERSON TO
19 FILE A REPORT REQUIRED UNDER THIS ARTICLE 12 THAT CONTAINS A
20 MATERIAL OMISSION OR MISSTATEMENT OF FACT;

21 (III) MAKING FALSE OR MISLEADING STATEMENTS REGARDING THE
22 OFFERING OF INTERESTS OF A RETAIL MARIJUANA ESTABLISHMENT; OR

23 (IV) STRUCTURING ANY TRANSACTION WITH THE INTENT TO EVADE
24 DISCLOSURE, REPORTING, RECORD KEEPING, OR SUITABILITY
25 REQUIREMENTS PURSUANT TO THIS ARTICLE 12.

26 (b) THE STATE LICENSING AUTHORITY MAY DENY, SUSPEND,
27 REVOKE, FINE, OR IMPOSE OTHER SANCTION AGAINST A PERSON'S LICENSE
28 ISSUED UNDER THIS ARTICLE 12 IF THE STATE LICENSING AUTHORITY FINDS
29 A VIOLATION OF THIS SUBSECTION (6) BY THE PERSON, THE PERSON'S
30 CONTROLLING BENEFICIAL OWNER, PASSIVE BENEFICIAL OWNER, INDIRECT
31 FINANCIAL INTEREST HOLDER, OR ANY AGENT OR EMPLOYEE THEREOF.

32 **SECTION 23. Applicability.** This act applies to applications
33 made on or after November 1, 2019.

34 **SECTION 24. Safety clause.** The general assembly hereby finds,
35 determines, and declares that this act is necessary for the immediate
36 preservation of the public peace, health, and safety."

** *** ** *** **