

SENATE COMMITTEE OF REFERENCE REPORT

Chairman of Committee

April 15, 2016
Date

Committee on Appropriations.

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

SB16-040 be amended as follows, and as so amended, be referred to the Committee of the Whole with favorable recommendation:

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

3 "SECTION 1. In Colorado Revised Statutes, 12-43.3-104, **amend**
4 (1); **repeal** (12.3); and **add** (1.3), (1.7), and (14.3) as follows:

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

7 (1) ~~"Good cause", for purposes of refusing or denying a license~~
8 ~~renewal, reinstatement, or initial license issuance, means: "DIRECT~~
9 ~~BENEFICIAL INTEREST OWNER" MEANS A PERSON OR CLOSELY HELD~~
10 ~~BUSINESS ENTITY THAT OWNS A SHARE OR SHARES OF STOCK IN A~~
11 ~~LICENSED MEDICAL MARIJUANA BUSINESS, INCLUDING THE OFFICERS,~~
12 ~~DIRECTORS, MANAGING MEMBERS, OR PARTNERS OF THE LICENSED~~
13 ~~MEDICAL MARIJUANA BUSINESS OR CLOSELY HELD BUSINESS ENTITY, OR~~
14 ~~A QUALIFIED LIMITED PASSIVE INVESTOR.~~

15 ~~(a) The licensee or applicant has violated, does not meet, or has~~
16 ~~failed to comply with any of the terms, conditions, or provisions of this~~
17 ~~article, any rules promulgated pursuant to this article, or any supplemental~~
18 ~~local law, rules, or regulations;~~

19 ~~(b) The licensee or applicant has failed to comply with any special~~
20 ~~terms or conditions that were placed on its license pursuant to an order of~~
21 ~~the state or local licensing authority;~~

22 ~~(c) The licensed premises have been operated in a manner that~~

1 ~~adversely affects the public health or welfare or the safety of the~~
2 ~~immediate neighborhood in which the establishment is located.~~

3 (1.3) "GOOD CAUSE", FOR PURPOSES OF REFUSING OR DENYING A
4 LICENSE RENEWAL, REINSTATEMENT, OR INITIAL LICENSE ISSUANCE,
5 MEANS:

6 (a) THE LICENSEE OR APPLICANT HAS VIOLATED, DOES NOT MEET,
7 OR HAS FAILED TO COMPLY WITH ANY OF THE TERMS, CONDITIONS, OR
8 PROVISIONS OF THIS ARTICLE; ANY RULES PROMULGATED PURSUANT TO
9 THIS ARTICLE; OR ANY SUPPLEMENTAL LOCAL LAW, RULES, OR
10 REGULATIONS;

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

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

18 (1.7) "INDIRECT BENEFICIAL INTEREST OWNER" MEANS A HOLDER
19 OF A PERMITTED ECONOMIC INTEREST, A RECIPIENT OF A COMMERCIALY
20 REASONABLE ROYALTY ASSOCIATED WITH THE USE OF INTELLECTUAL
21 PROPERTY BY A LICENSEE, A LICENSED EMPLOYEE WHO RECEIVES A SHARE
22 OF THE PROFITS FROM AN EMPLOYEE BENEFIT PLAN, A QUALIFIED
23 INSTITUTIONAL INVESTOR, OR ANOTHER SIMILARLY SITUATED PERSON OR
24 ENTITY AS DETERMINED BY THE STATE LICENSING AUTHORITY.

25 (12.3) ~~"Owner" means any person having a beneficial interest, as~~
26 ~~defined by the state licensing authority, in a medical marijuana business~~
27 ~~other than a holder of a permitted economic interest.~~

28 (14.3) "QUALIFIED LIMITED PASSIVE INVESTOR" MEANS A NATURAL
29 PERSON WHO IS A UNITED STATES CITIZEN AND IS A PASSIVE INVESTOR
30 WHO OWNS LESS THAN A FIVE PERCENT SHARE OR SHARES OF STOCK IN A
31 LICENSED MEDICAL MARIJUANA BUSINESS.

32 **SECTION 2.** In Colorado Revised Statutes, 12-43.3-202, **amend**
33 (2) (a) (XIX) and (2) (a) (XX); and **add** (2) (a) (XXI) as follows:

34 **12-43.3-202. Powers and duties of state licensing authority -**
35 **rules.** (2) (a) Rules promulgated pursuant to paragraph (b) of subsection
36 (1) of this section may include, but need not be limited to, the following
37 subjects:

38 (XIX) Authorization for the department of revenue to issue
39 administrative citations and procedures for issuing, appealing, and
40 creating a citation violation list and schedule of penalties; ~~and~~

1 (XX) Such other matters as are necessary for the fair, impartial,
2 stringent, and comprehensive administration of this article; AND

3 (XXI) THE PARAMETERS AND QUALIFICATIONS OF AN INDIRECT
4 BENEFICIAL INTEREST OWNER AND A QUALIFIED LIMITED PASSIVE
5 INVESTOR.

6 **SECTION 3.** In Colorado Revised Statutes, 12-43.3-307, **amend**
7 (1) (a); **repeal** (1) (m); and **add** (1) (n) as follows:

8 **12-43.3-307. Persons prohibited as licensees.** (1) A license
9 provided by this article shall not be issued to or held by:

10 (a) A person until the ~~annual~~ fee therefore has been paid;

11 (m) ~~An owner, as defined by rule of the state licensing authority,~~
12 ~~who has not been a resident of Colorado for at least two years prior to the~~
13 ~~date of the owner's application.~~

14 (n) A PUBLICLY TRADED COMPANY.

15 **SECTION 4.** In Colorado Revised Statutes, **add** 12-43.3-307.5
16 as follows:

17 **12-43.3-307.5. Business and owner requirements - legislative**
18 **declaration - definitions.** (1) (a) THE GENERAL ASSEMBLY HEREBY FINDS
19 AND DECLARES THAT:

20 (I) MEDICAL MARIJUANA BUSINESSES NEED TO BE ABLE TO ACCESS
21 CAPITAL IN ORDER TO EFFECTIVELY GROW THEIR BUSINESSES AND REMAIN
22 COMPETITIVE IN THE MARKETPLACE;

23 (II) THE CURRENT REGULATORY STRUCTURE FOR MEDICAL
24 MARIJUANA CREATES A SUBSTANTIAL BARRIER TO INVESTMENT FROM
25 OUT-OF-STATE INTERESTS;

26 (III) THERE IS INSUFFICIENT CAPITAL IN THE STATE TO PROPERLY
27 FUND THE CAPITAL NEEDS OF COLORADO MEDICAL MARIJUANA
28 BUSINESSES;

29 (IV) COLORADO MEDICAL MARIJUANA BUSINESSES NEED TO HAVE
30 READY ACCESS TO CAPITAL FROM INVESTORS IN STATES OUTSIDE OF
31 COLORADO; AND

32 (V) PROVIDING ACCESS TO LEGITIMATE SOURCES OF CAPITAL
33 HELPS PREVENT THE OPPORTUNITY FOR THOSE WHO ENGAGE IN ILLEGAL
34 ACTIVITY TO GAIN ENTRY INTO THE STATE'S REGULATED MEDICAL
35 MARIJUANA MARKET.

36 (b) THEREFORE, THE GENERAL ASSEMBLY IS PROVIDING A
37 MECHANISM FOR COLORADO MEDICAL MARIJUANA BUSINESSES TO ACCESS
38 CAPITAL FROM INVESTORS IN OTHER STATES.

39 (2) A DIRECT BENEFICIAL INTEREST OWNER WHO IS A NATURAL
40 PERSON MUST EITHER:

1 (a) HAVE BEEN A RESIDENT OF COLORADO FOR AT LEAST ONE YEAR
2 PRIOR TO THE DATE OF THE APPLICATION; OR
3 (b) BE A UNITED STATES CITIZEN PRIOR TO THE DATE OF THE
4 APPLICATION.
5 (3) (a) A MEDICAL MARIJUANA BUSINESS MAY BE COMPRISED OF
6 AN UNLIMITED NUMBER OF DIRECT BENEFICIAL INTEREST OWNERS THAT
7 HAVE BEEN RESIDENTS OF COLORADO FOR AT LEAST ONE YEAR PRIOR TO
8 THE DATE OF THE APPLICATION.
9 (b) ON AND AFTER JANUARY 1, 2017, A MEDICAL MARIJUANA
10 BUSINESS THAT IS COMPRISED OF ONE OR MORE DIRECT BENEFICIAL
11 INTEREST OWNERS WHO HAVE NOT BEEN COLORADO RESIDENTS FOR AT
12 LEAST ONE YEAR PRIOR TO APPLICATION SHALL HAVE AT LEAST ONE
13 OFFICER WHO HAS BEEN A COLORADO RESIDENT FOR AT LEAST ONE YEAR
14 PRIOR TO APPLICATION AND ALL OFFICERS WITH DAY-TO-DAY
15 OPERATIONAL CONTROL OVER THE BUSINESS MUST BE COLORADO
16 RESIDENTS FOR AT LEAST ONE YEAR PRIOR TO APPLICATION. A MEDICAL
17 MARIJUANA BUSINESS UNDER THIS PARAGRAPH (b) IS LIMITED TO NO MORE
18 THAN FIFTEEN DIRECT BENEFICIAL INTEREST OWNERS, INCLUDING ALL
19 PARENT AND SUBSIDIARY ENTITIES, ALL OF WHOM ARE NATURAL PERSONS.
20 (c) NOTWITHSTANDING THE REQUIREMENTS OF PARAGRAPH (b) OF
21 THIS SUBSECTION (3), THE STATE LICENSING AUTHORITY MAY REVIEW THE
22 LIMITATION ON THE NUMBER OF DIRECT BENEFICIAL INTEREST OWNERS
23 AND MAY INCREASE THE NUMBER OF ALLOWABLE INTERESTS ABOVE
24 FIFTEEN BASED ON REASONABLE CONSIDERATIONS SUCH AS
25 DEVELOPMENTS IN STATE AND FEDERAL FINANCIAL REGULATIONS,
26 MARKET CONDITIONS, AND THE LICENSEE'S ABILITY TO ACCESS
27 LEGITIMATE SOURCES OF CAPITAL.
28 (d) A DIRECT BENEFICIAL INTEREST OWNER THAT IS A CLOSELY
29 HELD BUSINESS ENTITY MUST CONSIST ENTIRELY OF NATURAL PERSONS
30 WHO ARE UNITED STATES CITIZENS PRIOR TO THE DATE OF THE
31 APPLICATION, INCLUDING ALL PARENT AND SUBSIDIARY ENTITIES.
32 (4) A MEDICAL MARIJUANA BUSINESS MAY INCLUDE QUALIFIED
33 INSTITUTIONAL INVESTORS THAT OWN THIRTY PERCENT OR LESS OF THE
34 MEDICAL MARIJUANA BUSINESS.
35 (5) (a) A PERSON WHO INTENDS TO APPLY AS A DIRECT BENEFICIAL
36 INTEREST OWNER AND IS NOT A COLORADO RESIDENT FOR AT LEAST ONE
37 YEAR PRIOR TO THE DATE OF APPLICATION SHALL FIRST SUBMIT A REQUEST
38 TO THE STATE LICENSING AUTHORITY FOR A FINDING OF SUITABILITY AS A
39 DIRECT BENEFICIAL INTEREST OWNER. THE PERSON SHALL RECEIVE A
40 FINDING OF SUITABILITY PRIOR TO SUBMITTING AN APPLICATION TO THE

1 STATE LICENSING AUTHORITY TO BE A DIRECT BENEFICIAL INTEREST
2 OWNER. FAILURE TO RECEIVE A FINDING OF SUITABILITY PRIOR TO
3 APPLICATION IS GROUNDS FOR DENIAL BY THE STATE LICENSING
4 AUTHORITY.

5 (b) THE STATE LICENSING AUTHORITY SHALL PERFORM A LIMITED
6 INITIAL BACKGROUND CHECK ON QUALIFIED LIMITED PASSIVE INVESTORS.
7 IF THE INITIAL BACKGROUND CHECK PROVIDES REASONABLE CAUSE FOR
8 ADDITIONAL INVESTIGATION, THE STATE LICENSING AUTHORITY MAY
9 REQUIRE A FULL BACKGROUND CHECK.

10 (6) THE STATE LICENSING AUTHORITY SHALL REVIEW THE MEDICAL
11 MARIJUANA BUSINESS'S OPERATING DOCUMENTS TO ENSURE COMPLIANCE
12 WITH THIS SECTION.

13 (7) FOR PURPOSES OF THIS SECTION, UNLESS THE CONTEXT
14 OTHERWISE REQUIRES, "INSTITUTIONAL INVESTOR" MEANS:

15 (a) A BANK AS DEFINED IN SECTION 3(a)(6) OF THE FEDERAL
16 "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED;

17 (b) AN INSURANCE COMPANY AS DEFINED IN SECTION 2(a)(17) OF
18 THE FEDERAL "INVESTMENT COMPANY ACT OF 1940", AS AMENDED;

19 (c) AN INVESTMENT COMPANY REGISTERED UNDER SECTION 8 OF
20 THE FEDERAL "INVESTMENT COMPANY ACT OF 1940", AS AMENDED;

21 (d) AN INVESTMENT ADVISER REGISTERED UNDER SECTION 203 OF
22 THE FEDERAL "INVESTMENT ADVISERS ACT OF 1940", AS AMENDED;

23 (e) COLLECTIVE TRUST FUNDS AS DEFINED IN SECTION 3(c)(11) OF
24 THE FEDERAL "INVESTMENT COMPANY ACT OF 1940", AS AMENDED;

25 (f) AN EMPLOYEE BENEFIT PLAN OR PENSION FUND THAT IS
26 SUBJECT TO THE FEDERAL "EMPLOYEE RETIREMENT INCOME SECURITY
27 ACT OF 1974", AS AMENDED, EXCLUDING AN EMPLOYEE BENEFIT PLAN OR
28 PENSION FUND SPONSORED BY A LICENSEE OR AN INTERMEDIARY OR
29 HOLDING COMPANY LICENSEE THAT DIRECTLY OR INDIRECTLY OWNS FIVE
30 PERCENT OR MORE OF A LICENSEE;

31 (g) A STATE OR FEDERAL GOVERNMENT PENSION PLAN;

32 (h) A GROUP COMPRISED ENTIRELY OF PERSONS SPECIFIED IN
33 SUBSECTIONS (a) TO (g) OF THIS SUBSECTION (7); OR

34 (i) ANY OTHER ENTITY IDENTIFIED THROUGH RULE BY THE STATE
35 LICENSING AUTHORITY.

36 **SECTION 5.** In Colorado Revised Statutes, 12-43.3-310, **amend**
37 (6) as follows:

38 **12-43.3-310. Licensing in general.** (6) All ~~officers and~~ managers
39 and employees of a medical marijuana center, optional premises
40 cultivation operation, or medical marijuana-infused products

1 manufacturer shall be residents of Colorado upon the date of their license
2 application. ~~An owner shall meet the residency requirements in section~~
3 ~~12-43.3-307(1)(m)~~. All licenses granted pursuant to this article shall be
4 valid for a period not to exceed two years after the date of issuance unless
5 revoked or suspended pursuant to this article or the rules promulgated
6 pursuant to this article.

7 **SECTION 6.** In Colorado Revised Statutes, 12-43.3-311, **add**
8 (1.5) as follows:

9 **12-43.3-311. License renewal.** (1.5) THE STATE LICENSING
10 AUTHORITY MAY REQUIRE AN ADDITIONAL FINGERPRINT REQUEST WHEN
11 THERE IS A DEMONSTRATED INVESTIGATIVE NEED.

12 **SECTION 7.** In Colorado Revised Statutes, 12-43.4-103, **amend**
13 (1); **repeal** (12); and **add** (1.5), (2.5), and (14.3) as follows:

14 **12-43.4-103. Definitions.** As used in this article, unless the
15 context otherwise requires:

16 (1) ~~"Executive director" means the executive director of the~~
17 ~~department of revenue~~ "DIRECT BENEFICIAL INTEREST OWNER" MEANS A
18 PERSON OR CLOSELY HELD BUSINESS ENTITY THAT OWNS A SHARE OR
19 SHARES OF STOCK IN A LICENSED RETAIL MARIJUANA BUSINESS, INCLUDING
20 THE OFFICERS, DIRECTORS, MANAGING MEMBERS, OR PARTNERS OF THE
21 LICENSED RETAIL MARIJUANA BUSINESS OR CLOSELY HELD BUSINESS
22 ENTITY, OR A QUALIFIED LIMITED PASSIVE INVESTOR.

23 (1.5) "EXECUTIVE DIRECTOR" MEANS THE EXECUTIVE DIRECTOR OF
24 THE DEPARTMENT OF REVENUE.

25 (2.5) "INDIRECT BENEFICIAL INTEREST OWNER" MEANS A HOLDER
26 OF A PERMITTED ECONOMIC INTEREST, A RECIPIENT OF A COMMERCIALY
27 REASONABLE ROYALTY ASSOCIATED WITH THE USE OF INTELLECTUAL
28 PROPERTY BY A LICENSEE, A LICENSED EMPLOYEE WHO RECEIVES A SHARE
29 OF THE PROFITS FROM AN EMPLOYEE BENEFIT PLAN, A QUALIFIED
30 INSTITUTIONAL INVESTOR, OR ANOTHER SIMILARLY SITUATED PERSON OR
31 ENTITY AS DETERMINED BY THE STATE LICENSING AUTHORITY.

32 (12) ~~"Owner" means any person having a beneficial interest, as~~
33 ~~defined by the state licensing authority, in a retail marijuana~~
34 ~~establishment other than a holder of a permitted economic interest.~~

35 (14.3) "QUALIFIED LIMITED PASSIVE INVESTOR" MEANS A NATURAL
36 PERSON WHO IS A UNITED STATES CITIZEN AND IS A PASSIVE INVESTOR
37 WHO OWNS LESS THAN A FIVE PERCENT SHARE OR SHARES OF STOCK IN A
38 LICENSED RETAIL MARIJUANA BUSINESS.

39 **SECTION 8.** In Colorado Revised Statutes, 12-43.4-202, **amend**
40 (3) (a) (XV) and (3) (a) (XVI); and **add** (3) (a) (XVII) as follows:

1 **12-43.4-202. Powers and duties of state licensing authority -**
2 **rules.** (3) (a) Rules promulgated pursuant to paragraph (b) of subsection
3 (2) of this section must include, but need not be limited to, the following
4 subjects:

5 (XV) Compliance with, enforcement of, or violation of any
6 provision of this article, section 18-18-406.3 (7), C.R.S., or any rule
7 issued pursuant to this article, including procedures and grounds for
8 denying, suspending, fining, restricting, or revoking a state license issued
9 pursuant to this article; ~~and~~

10 (XVI) Establishing a schedule of penalties and procedures for
11 issuing and appealing citations for violation of statutes and rules and
12 issuing administrative citations; AND

13 (XVII) THE PARAMETERS AND QUALIFICATIONS OF AN INDIRECT
14 BENEFICIAL INTEREST OWNER AND A QUALIFIED LIMITED PASSIVE
15 INVESTOR.

16 **SECTION 9.** In Colorado Revised Statutes, 12-43.4-306, **amend**
17 (1) (a); **repeal** (1) (k); and **add** (1) (l) as follows:

18 **12-43.4-306. Persons prohibited as licensees - definitions.**

19 (1) A license provided by this article shall not be issued to or held by:

20 (a) A person until the ~~annual~~ fee therefor has been paid;

21 (k) ~~An owner who has not been a resident of Colorado for at least~~
22 ~~two years prior to the date of the owner's application.~~

23 (l) A PUBLICLY TRADED COMPANY.

24 **SECTION 10.** In Colorado Revised Statutes, **add** 12-43.4-306.5
25 as follows:

26 **12-43.4-306.5. Business and owner requirements - legislative**
27 **declaration - definitions.** (1) (a) THE GENERAL ASSEMBLY HEREBY FINDS
28 AND DECLARES THAT:

29 (I) RETAIL MARIJUANA BUSINESSES NEED TO BE ABLE TO ACCESS
30 CAPITAL IN ORDER TO EFFECTIVELY GROW THEIR BUSINESSES AND REMAIN
31 COMPETITIVE IN THE MARKETPLACE;

32 (II) THE CURRENT REGULATORY STRUCTURE FOR RETAIL
33 MARIJUANA CREATES A SUBSTANTIAL BARRIER TO INVESTMENT FROM
34 OUT-OF-STATE INTERESTS;

35 (III) THERE IS INSUFFICIENT CAPITAL IN COLORADO TO PROPERLY
36 FUND THE CAPITAL NEEDS OF COLORADO RETAIL MARIJUANA BUSINESSES;

37 (IV) COLORADO RETAIL MARIJUANA BUSINESSES NEED TO HAVE
38 READY ACCESS TO CAPITAL FROM INVESTORS IN STATES OUTSIDE OF
39 COLORADO; AND

40 (V) PROVIDING ACCESS TO LEGITIMATE SOURCES OF CAPITAL

1 HELPS PREVENT THE OPPORTUNITY FOR THOSE WHO ENGAGE IN ILLEGAL
2 ACTIVITY TO GAIN ENTRY INTO COLORADO'S REGULATED RETAIL
3 MARIJUANA MARKET.

4 (b) THEREFORE, THE GENERAL ASSEMBLY IS PROVIDING A
5 MECHANISM FOR COLORADO RETAIL MARIJUANA BUSINESSES TO ACCESS
6 CAPITAL FROM INVESTORS IN OTHER STATES.

7 (2) A DIRECT BENEFICIAL INTEREST OWNER WHO IS A NATURAL
8 PERSON MUST EITHER:

9 (a) HAVE BEEN A RESIDENT OF COLORADO FOR AT LEAST ONE YEAR
10 PRIOR TO THE DATE OF THE APPLICATION; OR

11 (b) BE A UNITED STATES CITIZEN PRIOR TO THE DATE OF THE
12 APPLICATION.

13 (3) (a) A RETAIL MARIJUANA BUSINESS MAY BE COMPRISED OF AN
14 UNLIMITED NUMBER OF DIRECT BENEFICIAL INTEREST OWNERS THAT HAVE
15 BEEN RESIDENTS OF COLORADO FOR AT LEAST ONE YEAR PRIOR TO THE
16 DATE OF THE APPLICATION.

17 (b) ON AND AFTER JANUARY 1, 2017, A RETAIL MARIJUANA
18 BUSINESS THAT IS COMPRISED OF ONE OR MORE DIRECT BENEFICIAL
19 INTEREST OWNERS WHO HAVE NOT BEEN COLORADO RESIDENTS FOR AT
20 LEAST ONE YEAR PRIOR TO APPLICATION SHALL HAVE AT LEAST ONE
21 OFFICER WHO HAS BEEN A COLORADO RESIDENT FOR AT LEAST ONE YEAR
22 PRIOR TO APPLICATION AND ALL OFFICERS WITH DAY-TO-DAY
23 OPERATIONAL CONTROL OVER THE BUSINESS MUST BE COLORADO
24 RESIDENTS FOR AT LEAST ONE YEAR PRIOR TO APPLICATION. A RETAIL
25 MARIJUANA BUSINESS UNDER THIS PARAGRAPH (b) IS LIMITED TO NO MORE
26 THAN FIFTEEN DIRECT BENEFICIAL INTEREST OWNERS, INCLUDING ALL
27 PARENT AND SUBSIDIARY ENTITIES, ALL OF WHOM ARE NATURAL PERSONS.

28 (c) NOTWITHSTANDING THE REQUIREMENTS OF PARAGRAPH (b) OF
29 THIS SUBSECTION (3), THE STATE LICENSING AUTHORITY MAY REVIEW THE
30 LIMITATION ON THE NUMBER OF DIRECT BENEFICIAL INTEREST OWNERS
31 AND MAY INCREASE THE NUMBER OF ALLOWABLE INTERESTS ABOVE
32 FIFTEEN BASED ON REASONABLE CONSIDERATIONS SUCH AS
33 DEVELOPMENTS IN STATE AND FEDERAL FINANCIAL REGULATIONS,
34 MARKET CONDITIONS, AND THE LICENSEE'S ABILITY TO ACCESS
35 LEGITIMATE SOURCES OF CAPITAL.

36 (d) A DIRECT BENEFICIAL INTEREST OWNER THAT IS A CLOSELY
37 HELD BUSINESS ENTITY MUST CONSIST ENTIRELY OF NATURAL PERSONS
38 WHO ARE UNITED STATES CITIZENS PRIOR TO THE DATE OF THE
39 APPLICATION, INCLUDING ALL PARENT AND SUBSIDIARY ENTITIES.

40 (4) A RETAIL MARIJUANA BUSINESS MAY INCLUDE QUALIFIED

1 INSTITUTIONAL INVESTORS THAT OWN THIRTY PERCENT OR LESS OF THE
2 RETAIL MARIJUANA BUSINESS.

3 (5) (a) A PERSON WHO INTENDS TO APPLY AS A DIRECT BENEFICIAL
4 INTEREST OWNER AND IS NOT A COLORADO RESIDENT FOR AT LEAST ONE
5 YEAR PRIOR TO THE DATE OF APPLICATION SHALL FIRST SUBMIT A REQUEST
6 TO THE STATE LICENSING AUTHORITY FOR A FINDING OF SUITABILITY AS A
7 DIRECT BENEFICIAL INTEREST OWNER. THE PERSON SHALL RECEIVE A
8 FINDING OF SUITABILITY PRIOR TO SUBMITTING AN APPLICATION TO THE
9 STATE LICENSING AUTHORITY TO BE A DIRECT BENEFICIAL INTEREST
10 OWNER. FAILURE TO RECEIVE A FINDING OF SUITABILITY PRIOR TO
11 APPLICATION IS GROUNDS FOR DENIAL BY THE STATE LICENSING
12 AUTHORITY.

13 (b) THE STATE LICENSING AUTHORITY SHALL PERFORM A LIMITED
14 INITIAL BACKGROUND CHECK ON QUALIFIED LIMITED PASSIVE INVESTORS.
15 IF THE INITIAL BACKGROUND CHECK PROVIDES REASONABLE CAUSE FOR
16 ADDITIONAL INVESTIGATION, THE STATE LICENSING AUTHORITY MAY
17 REQUIRE A FULL BACKGROUND CHECK.

18 (6) THE STATE LICENSING AUTHORITY SHALL REVIEW THE RETAIL
19 MARIJUANA BUSINESS'S OPERATING DOCUMENTS TO ENSURE COMPLIANCE
20 WITH THIS SECTION.

21 (7) FOR PURPOSES OF THIS SECTION, UNLESS THE CONTEXT
22 OTHERWISE REQUIRES, "INSTITUTIONAL INVESTOR" MEANS:

23 (a) A BANK AS DEFINED IN SECTION 3(a)(6) OF THE FEDERAL
24 "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED;

25 (b) AN INSURANCE COMPANY AS DEFINED IN SECTION 2(a)(17) OF
26 THE FEDERAL "INVESTMENT COMPANY ACT OF 1940", AS AMENDED;

27 (c) AN INVESTMENT COMPANY REGISTERED UNDER SECTION 8 OF
28 THE FEDERAL "INVESTMENT COMPANY ACT OF 1940", AS AMENDED;

29 (d) AN INVESTMENT ADVISER REGISTERED UNDER SECTION 203 OF
30 THE FEDERAL "INVESTMENT ADVISERS ACT OF 1940", AS AMENDED;

31 (e) COLLECTIVE TRUST FUNDS AS DEFINED IN SECTION 3(c)(11) OF
32 THE FEDERAL "INVESTMENT COMPANY ACT OF 1940", AS AMENDED;

33 (f) AN EMPLOYEE BENEFIT PLAN OR PENSION FUND THAT IS
34 SUBJECT TO THE FEDERAL "EMPLOYEE RETIREMENT INCOME SECURITY
35 ACT OF 1974", AS AMENDED, EXCLUDING AN EMPLOYEE BENEFIT PLAN OR
36 PENSION FUND SPONSORED BY A LICENSEE OR AN INTERMEDIARY OR
37 HOLDING COMPANY LICENSEE THAT DIRECTLY OR INDIRECTLY OWNS FIVE
38 PERCENT OR MORE OF A LICENSEE;

39 (g) A STATE OR FEDERAL GOVERNMENT PENSION PLAN;

40 (h) A GROUP COMPRISED ENTIRELY OF PERSONS SPECIFIED IN

1 SUBSECTIONS (a) TO (g) OF THIS SUBSECTION (7); OR
2 (i) ANY OTHER ENTITY IDENTIFIED THROUGH RULE BY THE STATE
3 LICENSING AUTHORITY.

4 **SECTION 11.** In Colorado Revised Statutes, 12-43.4-309,
5 **amend** (5) as follows:

6 **12-43.4-309. Licensing in general.** (5) All ~~officers~~, managers
7 and employees of a retail marijuana establishment shall be residents of
8 Colorado upon the date of their license application. ~~An owner shall meet~~
9 ~~the residency requirements in section 12-43.4-306 (1) (k).~~ All licenses
10 granted pursuant to this article are valid for a period of one year after the
11 date of issuance unless revoked or suspended pursuant to this article or
12 the rules promulgated pursuant to this article.

13 **SECTION 12.** In Colorado Revised Statutes, 12-43.4-310, **add**
14 (1.5) as follows:

15 **12-43.4-310. License renewal.** (1.5) THE STATE LICENSING
16 AUTHORITY MAY REQUIRE AN ADDITIONAL FINGERPRINT REQUEST WHEN
17 THERE IS A DEMONSTRATED INVESTIGATIVE NEED.

18 **SECTION 13. Appropriation.** (1) For the 2016-17 state fiscal
19 year, \$1,186,237 is appropriated to the department of revenue. This
20 appropriation is from the marijuana cash fund created in section 12-43.3-
21 501 (1) (a), C.R.S. To implement this act, the department may use this
22 appropriation as follows:

23 (a) \$1,108,777 for marijuana enforcement, which amount is based
24 on an assumption that the department will require an additional 12.0 FTE;

25 (b) \$71,258 for the purchase of legal services; and

26 (c) \$6,202 for the purchase of identification services from the
27 Colorado bureau of investigation.

28 (2) For the 2016-17 state fiscal year, \$71,258 is appropriated to
29 the department of law. This appropriation is from reappropriated funds
30 received from the department of revenue under paragraph (b) of
31 subsection (1) of this section and is based on an assumption that the
32 department of law will require an additional 0.4 FTE. To implement this
33 act, the department of law may use this appropriation to provide legal
34 services for the department of revenue.

35 (3) For the 2016-17 state fiscal year, \$6,202 is appropriated to the
36 department of public safety for use by the Colorado bureau of
37 investigation. This appropriation is from reappropriated funds received
38 from the department of revenue under paragraph (c) of subsection (1). To
39 implement this act, the bureau may use this appropriation for personal
40 services and operating expenses related to identification."

1 **SECTION 14. Applicability.** This act applies to applications
2 made on or after January 1, 2017.

3 **SECTION 15. Safety clause.** The general assembly hereby finds,
4 determines, and declares that this act is necessary for the immediate
5 preservation of the public peace, health, and safety."

6 Page 1, line 102, strike "**BUSINESS.**" and substitute "**BUSINESS, AND, IN**
7 **CONNECTION THEREWITH, MAKING AN APPROPRIATION.**".

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