

Second Regular Session  
Seventy-first General Assembly  
STATE OF COLORADO

**PREAMENDED**

*This Unofficial Version Includes Committee  
Amendments Not Yet Adopted on Second Reading*

LLS NO. 18-0325.01 Michael Dohr x4347

**HOUSE BILL 18-1011**

**HOUSE SPONSORSHIP**

**Pabon and Van Winkle,**

**SENATE SPONSORSHIP**

**Neville T. and Jahn,**

**House Committees**

Finance  
Appropriations

**Senate Committees**

Finance  
Appropriations

**A BILL FOR AN ACT**

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

**Bill Summary**

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

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

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

HOUSE  
Amended 3rd Reading  
May 1, 2018

HOUSE  
Amended 2nd Reading  
April 30, 2018

HOUSE  
Amended 2nd Reading  
April 19, 2018

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 MEANS:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 (II) A PERSON THAT CONSTITUTES AN "INELIGIBLE ISSUER", AS  
26 DEFINED IN 17 CFR 230.405, UNLESS THE PUBLICLY TRADED  
27 CORPORATION CONSTITUTES AN INELIGIBLE ISSUER SOLELY AS A RESULT

1 OF EITHER:

2 (A) THE ACT OR ACTS THAT MAKE THE PERSON AN "INELIGIBLE  
3 ISSUER" OCCURRED MORE THAN ONE YEAR PRIOR TO APPLYING PURSUANT  
4 TO THIS SECTION; OR

5 (B) BEING A COMPANY DESCRIBED IN SUBSECTION (III) OF THE  
6 DEFINITION OF "INELIGIBLE ISSUER".

7 (14.3) ~~"Qualified limited passive investor" means a natural person  
8 who is a United States citizen and is a passive investor who owns less  
9 than a five percent share or shares of stock in a licensed medical  
10 marijuana business.~~

11 (17) "SECURITY" MEANS ANY NOTE; STOCK; TREASURY STOCK;  
12 BOND; DEBENTURE; EVIDENCE OF INDEBTEDNESS; CERTIFICATE OF  
13 INTEREST OR PARTICIPATION IN ANY PROFIT-SHARING AGREEMENT;  
14 COLLATERAL-TRUST CERTIFICATE; PREORGANIZATION CERTIFICATE OF  
15 SUBSCRIPTION; TRANSFERABLE SHARE; INVESTMENT CONTRACT; VIATICAL  
16 SETTLEMENT INVESTMENT; VOTING-TRUST CERTIFICATE; CERTIFICATE OF  
17 DEPOSIT FOR A SECURITY; CERTIFICATE OF INTEREST OR PARTICIPATION IN  
18 AN OIL, GAS, OR MINING TITLE OR LEASE OR IN PAYMENTS OUT OF  
19 PRODUCTION UNDER SUCH A TITLE OR LEASE; OR, IN GENERAL, ANY  
20 INTEREST OR INSTRUMENT COMMONLY KNOWN AS A "SECURITY" OR ANY  
21 CERTIFICATE OF INTEREST OR PARTICIPATION IN, TEMPORARY OR INTERIM  
22 CERTIFICATE FOR, GUARANTEE OF, OR WARRANT OR RIGHT TO SUBSCRIBE  
23 TO OR PURCHASE ANY OF THE FOREGOING. "SECURITY" DOES NOT INCLUDE  
24 ANY INSURANCE OR ENDOWMENT POLICY OR ANNUITY CONTRACT UNDER  
25 WHICH AN INSURANCE COMPANY PROMISES TO PAY A SUM OF MONEY  
26 EITHER IN A LUMP SUM OR PERIODICALLY FOR LIFE OR SOME OTHER  
27 SPECIFIED PERIOD. FOR PURPOSES OF THIS ARTICLE 43.3, AN "INVESTMENT



1 CONTRACT" NEED NOT INVOLVE MORE THAN ONE INVESTOR NOR BE  
2 LIMITED TO THOSE CIRCUMSTANCES WHEREIN THERE ARE MULTIPLE  
3 INVESTORS WHO ARE JOINT PARTICIPANTS IN THE SAME ENTERPRISE.

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

7 **12-43.3-202. Powers and duties of state licensing authority -**  
8 **rules.** (1) The state licensing authority shall:

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

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

26 (VIII) Development of individual identification cards for ~~owners,~~  
27 ~~officers~~ CONTROLLING BENEFICIAL OWNERS, managers, contractors,

1 employees, and other support staff of entities licensed pursuant to this  
2 ~~article~~ ARTICLE 43.3, including a fingerprint-based criminal history record  
3 check as may be required by the state licensing authority prior to issuing  
4 a card;

5 (XVIII.7) Medical marijuana business operator licensees,  
6 including the form and structure of allowable agreements between  
7 operators and ~~owners~~ THE MEDICAL MARIJUANA BUSINESS BEING  
8 OPERATED;

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

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

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

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

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

24 **12-43.3-307. Persons prohibited as licensees.** (1) A license  
25 provided by this ~~article~~ ARTICLE 43.3 shall not be issued to or held by:

26 (c) ~~A corporation,~~ PERSON OTHER THAN AN INDIVIDUAL if the  
27 criminal history of any of its ~~officers, directors, or stockholders~~

1 CONTROLLING BENEFICIAL OWNERS indicates that ~~the officer, director, or~~  
2 ~~stockholder~~ A CONTROLLING BENEFICIAL OWNER is not of good moral  
3 character AFTER CONSIDERING THE FACTORS IN SECTION 24-5-101 (2), OR  
4 ANY PERSON THAT WOULD BE DISQUALIFIED AS A "BAD ACTOR" UNDER  
5 RULE 506 (d) PROMULGATED UNDER THE FEDERAL "SECURITIES ACT OF  
6 1933";

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

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

10 (o) A PERSON WHOSE CONTROLLING BENEFICIAL OWNER OR  
11 PASSIVE BENEFICIAL OWNER IS FOUND UNSUITABLE BY THE STATE  
12 LICENSING AUTHORITY. TO DETERMINE WHETHER A PERSON IS SUITABLE,  
13 THE STATE LICENSING AUTHORITY MAY CONSIDER, BUT IS NOT LIMITED TO,  
14 A PERSON'S FINANCIAL CHARACTER OR RECORD, CRIMINAL CHARACTER OR  
15 RECORD, OR LICENSING CHARACTER OR RECORD.

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

23 **SECTION 4.** In Colorado Revised Statutes, 12-43.3-307.5,  
24 **amend** (1), (3), and (5); **repeal** (2), (4), (6), and (7); and **add** (4.5), (5.5),  
25 (5.7), and (6.5) as follows:

26 **12-43.3-307.5. Business and owner requirements - legislative**  
27 **declaration.** (1) (a) The general assembly hereby finds and declares that:

1 (I) Medical marijuana businesses need to be able to access capital  
2 in order to effectively grow their businesses and remain competitive in the  
3 marketplace;

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

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

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

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

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

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

25 (VII) PUBLICLY TRADED CORPORATIONS OFFERING SECURITIES FOR  
26 INVESTMENT IN MEDICAL MARIJUANA BUSINESSES MUST TELL THE PUBLIC  
27 THE TRUTH ABOUT THEIR BUSINESS, THE SECURITIES THEY ARE SELLING,

1 AND THE RISKS INVOLVED WITH INVESTING IN MEDICAL MARIJUANA  
2 BUSINESSES, AND PERSONS WHO SELL AND TRADE SECURITIES RELATED TO  
3 MEDICAL MARIJUANA BUSINESSES ARE PROHIBITED FROM ENGAGING IN  
4 DECEIT, MISREPRESENTATIONS, AND OTHER FRAUD IN THE SALE OF THE  
5 SECURITIES.

6 (VIII) COORDINATION BETWEEN THE STATE LICENSING AUTHORITY  
7 AND OTHER STATE AND LOCAL LAW ENFORCEMENT AGENCIES SUPPORTS  
8 THESE GOALS;

9 (IX) IN THE EVENT THAT PASSAGE OF HOUSE BILL 18-1011,  
10 ENACTED IN 2018, LEADS TO AN INCREASE IN GRAY AND BLACK MARKET  
11 INVESTIGATIONS, THE DEPARTMENT OF LOCAL AFFAIRS SHOULD CONSIDER  
12 CONVENING A STAKEHOLDER PROCESS TO EXAMINE HOW TO IMPROVE LAW  
13 ENFORCEMENT ACCESS TO GRANTS FROM THE GRAY AND BLACK MARKET  
14 MARIJUANA ENFORCEMENT GRANT PROGRAM CREATED IN SECTION  
15 24-32-119, INCLUDING:

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

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

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

22 (b) Therefore, the general assembly is providing a mechanism for  
23 Colorado medical marijuana businesses to access capital from investors  
24 in other states AND FROM CERTAIN PUBLICLY TRADED CORPORATIONS  
25 PURSUANT TO THIS SECTION AND SECTION 12-43.3-307.6.

26 (2) A direct beneficial interest owner who is a natural person must  
27 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 comprised 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 officer who has been a Colorado resident for at  
12 least one year prior to application, and all officers with day-to-day  
13 operational control over the business must be Colorado residents for at  
14 least one year prior to application. A medical marijuana business under  
15 this paragraph (b) is limited to no more than fifteen direct beneficial  
16 interest owners, including all parent and subsidiary entities, all of whom  
17 are natural persons.

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

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

1 ~~subsidiary entities.~~

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

5 (4.5) PRIOR TO SUBMITTING AN APPLICATION, A PERSON THAT  
6 INTENDS TO BECOME A MEDICAL MARIJUANA BUSINESS, A CONTROLLING  
7 BENEFICIAL OWNER, OR A PASSIVE BENEFICIAL OWNER SHALL DISCLOSE TO  
8 THE STATE LICENSING AUTHORITY A COMPLETE AND ACCURATE LIST OF  
9 THE FOLLOWING:

10 (a) ALL OF ITS OFFICERS, DIRECTORS, AND AFFILIATES;

11 (b) ALL OFFICERS, DIRECTORS, AND GREATER-THAN-FIVE-PERCENT  
12 BENEFICIAL OWNERS OF ANY OF ITS AFFILIATES;

13 (c) IF IT IS A PUBLICLY TRADED CORPORATION, ALL OF ITS  
14 BENEFICIAL OWNERS OF FIVE PERCENT OR MORE OF ITS SECURITIES; AND

15 (d) IF IT IS NOT A PUBLICLY TRADED CORPORATION, ALL OF ITS  
16 BENEFICIAL OWNERS.

17 (5) (a) A person ~~who~~ THAT intends to apply as a direct beneficial  
18 ~~interest owner and is not a Colorado resident for at least one year prior to~~  
19 ~~the date of application~~ TO BECOME A CONTROLLING BENEFICIAL OWNER  
20 shall first submit a request to the state licensing authority for a finding of  
21 suitability. ~~as a direct beneficial interest owner. The person shall~~ FAILURE  
22 TO PROVIDE ALL REQUESTED INFORMATION IN CONNECTION WITH A  
23 REQUEST FOR A FINDING OF SUITABILITY IS GROUNDS FOR DENIAL OF THAT  
24 FINDING OF SUITABILITY. EVERY PROPOSED CONTROLLING BENEFICIAL  
25 OWNER MUST receive a finding of suitability OR AN EXEMPTION FROM A  
26 FINDING OF SUITABILITY BY THE STATE LICENSING AUTHORITY prior to  
27 submitting an A MEDICAL MARIJUANA BUSINESS application to the state

1 licensing authority. ~~to be a direct beneficial interest owner~~ Failure to  
2 receive a ~~finding~~ ALL REQUIRED FINDINGS of suitability prior to  
3 application is grounds for denial OF AN APPLICATION OR SUSPENSION,  
4 REVOCATION, OR OTHER SANCTION AGAINST THE LICENSEE by the state  
5 licensing authority.

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

10 (c) THE STATE LICENSING AUTHORITY MAY REQUIRE ANY PERSON  
11 THAT WAS DISCLOSED OR SHOULD HAVE BEEN DISCLOSED PURSUANT TO  
12 SUBSECTION (4.5) OF THIS SECTION TO OBTAIN A FINDING OF SUITABILITY  
13 PRIOR TO SUBMISSION OF A MEDICAL MARIJUANA BUSINESS APPLICATION.  
14 FAILURE TO PROVIDE ANY INFORMATION REQUESTED IN CONNECTION WITH  
15 A FINDING OF SUITABILITY IS GROUNDS FOR DENIAL OF THAT REQUEST FOR  
16 A FINDING OF SUITABILITY. ALL INDIVIDUALS SHALL OBTAIN ANY  
17 REQUIRED FINDING OF SUITABILITY PRIOR TO SUBMITTING A MEDICAL  
18 MARIJUANA BUSINESS APPLICATION TO THE STATE LICENSING AUTHORITY.  
19 FAILURE OF A PERSON TO OBTAIN ANY REQUIRED FINDING OF SUITABILITY  
20 PRIOR TO APPLICATION IS GROUNDS FOR DENIAL OF AN APPLICATION OR  
21 SUSPENSION, REVOCATION, OR OTHER SANCTION AGAINST THE LICENSEE  
22 BY THE STATE LICENSING AUTHORITY.

23 (5.5) (a) IN ITS REASONABLE DISCRETION, AT ANY TIME, THE STATE  
24 LICENSING AUTHORITY MAY REQUIRE ANY PERSON THAT WAS DISCLOSED  
25 OR SHOULD HAVE BEEN DISCLOSED UNDER THIS SECTION OR SECTION  
26 12-43.3-307.6 TO OBTAIN A FINDING OF SUITABILITY. FAILURE TO PROVIDE  
27 ANY INFORMATION REQUESTED IN CONNECTION WITH A FINDING OF



1 SUITABILITY IS GROUNDS FOR DENIAL OF THAT REQUEST FOR A FINDING OF  
2 SUITABILITY. FAILURE OF A PERSON TO OBTAIN ANY REQUIRED FINDING OF  
3 SUITABILITY MAY BE GROUNDS FOR DENIAL OF AN APPLICATION OR  
4 SUSPENSION, REVOCATION, OR OTHER SANCTION AGAINST THE LICENSE BY  
5 THE STATE LICENSING AUTHORITY.

6 (b) IN ITS REASONABLE DISCRETION, AT ANY TIME, THE STATE  
7 LICENSING AUTHORITY MAY DETERMINE, UPON ITS OWN ACCORD OR ON  
8 THE RECOMMENDATION OF THE MARIJUANA ENFORCEMENT DIVISION, THAT  
9 THE PUBLIC INTEREST AND THE PURPOSES OF THIS SECTION REQUIRE THAT  
10 ANY PERSON WHO HAS A MATERIAL RELATIONSHIP TO, OR MATERIAL  
11 INVOLVEMENT WITH, A LICENSEE OR AFFILIATED COMPANY THEREOF MUST  
12 APPLY FOR A FINDING OF SUITABILITY BY THE STATE LICENSING  
13 AUTHORITY AND REQUIRE A PERSON, OTHER THAN AN INDIVIDUAL, THAT  
14 IS PASSIVE BENEFICIAL OWNER TO APPOINT AND MAINTAIN A REGISTERED  
15 AGENT AS PROVIDED FOR IN SUBSECTION (6.5) OF THIS SECTION. THE  
16 PROVISIONS OF THIS SUBSECTION (5.5)(b) ARE NOT LIMITED TO PERSONS  
17 HAVING A DIRECT FINANCIAL INTEREST IN NOR A DIRECT MANAGEMENT  
18 ROLE WITH A LICENSEE, NOR TO PERSONS WHO ARE BENEFICIAL OWNERS  
19 OF ANY STATED PERCENTAGE OF THE SECURITIES OF A PUBLICLY TRADED  
20 CORPORATION.

21 (5.7) IF A REQUIRED FINDING OF SUITABILITY IS NOT COMPLETED  
22 WITHIN ONE YEAR FROM THE DATE THE FINDING OF SUITABILITY WAS  
23 REQUESTED, THE STATE LICENSING AUTHORITY SHALL INFORM THE  
24 APPLICANT OR LICENSEE.

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

1           (6.5) A PERSON, OTHER THAN AN INDIVIDUAL, THAT IS A  
2 CONTROLLING BENEFICIAL OWNER SHALL APPOINT AND CONTINUOUSLY  
3 MAINTAIN A REGISTERED AGENT WHO SATISFIES THE REQUIREMENTS OF  
4 SECTION 7-90-701. THE MEDICAL MARIJUANA BUSINESS SHALL INFORM  
5 THE STATE LICENSING AUTHORITY OF A CHANGE IN THE REGISTERED  
6 AGENT WITHIN TEN DAYS OF THE CHANGE.

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

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

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

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

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

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

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

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

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

27           ~~(i) Any other entity identified through rule by the state licensing~~

1 authority.

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

4 12-43.3-307.6. Licensure and investment requirements for  
5 publicly traded corporations. (1) IN ADDITION TO THE REQUIREMENTS  
6 OF SECTION 12-43.3-307.5, ANY APPLICANT, LICENSEE, OR CONTROLLING  
7 BENEFICIAL OWNER THAT IS A PUBLICLY TRADED CORPORATION SHALL  
8 COMPLY WITH THIS SECTION.

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

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

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

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

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

26 (4) A PUBLICLY TRADED CORPORATION THAT IS A MEDICAL  
27 MARIJUANA BUSINESS OR A CONTROLLING BENEFICIAL OWNER OF FIFTY

1 PERCENT OR MORE OF THE SECURITIES OF A MEDICAL MARIJUANA BUSINESS  
2 SHALL INCLUDE AND MAINTAIN AT ALL TIMES IN ITS BYLAWS THE  
3 FOLLOWING PROVISIONS:

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

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

25 (c) IF THE STATE LICENSING AUTHORITY AT ANY TIME DETERMINES  
26 THAT A HOLDER OF A SECURITY OF THE [NAME OF THE PUBLICLY TRADED  
27 CORPORATION] IS UNSUITABLE TO HOLD THE SECURITY, THEN THE [NAME

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

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

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

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

17 (7) IT IS GROUNDS FOR DENIAL OF A LICENSE OR DISCIPLINARY  
18 ACTION IF ANY PERSON, IN CONNECTION WITH THE PURCHASE OR SALE OF  
19 ANY SECURITY ISSUED BY A MEDICAL MARIJUANA BUSINESS OR A  
20 CONTROLLING BENEFICIAL OWNER, PLEADS OR IS FOUND GUILTY OF,  
21 PLEADS NOLO CONTENDERE TO, IS SUBJECT TO A FINAL CEASE AND DESIST  
22 ORDER WITH RESPECT TO AN ORDER OF PERMANENT INJUNCTION ISSUED ON  
23 THE BASIS OF, OR IS THE SUBJECT OF A SIMILAR FINAL ACTION TAKEN ON  
24 THE BASIS OF, A VIOLATION OF RULE 10b-5 PROMULGATED BY THE  
25 FEDERAL SECURITIES AND EXCHANGE COMMISSION UNDER SECTION 10 (b)  
26 OF THE "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, OR SECTION  
27 11-51-501.

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

3           **12-43.3-309. Transfer of ownership.** (2) For a transfer of  
4 ownership, OTHER THAN RESALES OR TRANSFERS OF SECURITY IN  
5 ORDINARY BROKER TRANSACTIONS BY A BENEFICIAL OWNER OF  
6 SECURITIES OF A PUBLICLY TRADED CORPORATION THROUGH AN  
7 ESTABLISHED TRADING MARKET, a license holder shall apply to the state  
8 and local licensing authorities on forms prepared and furnished by the  
9 state licensing authority. In determining whether to permit a transfer of  
10 ownership, the state and local licensing authorities shall consider only the  
11 requirements of this ~~article~~ ARTICLE 43.3, any rules promulgated by the  
12 state licensing authority, and any other local restrictions. The local  
13 licensing authority may hold a hearing on the application for transfer of  
14 ownership. The local licensing authority shall not hold a hearing pursuant  
15 to this subsection (2) until the local licensing authority has posted a notice  
16 of hearing in the manner described in section 12-43.3-302 (2) on the  
17 licensed medical marijuana center premises for a period of ten days and  
18 has provided notice of the hearing to the applicant at least ten days prior  
19 to the hearing. Any transfer of ownership hearing by the state licensing  
20 authority shall be held in compliance with the requirements specified in  
21 section 12-43.3-302.

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

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

27           **12-43.3-310. Licensing in general.** (3) A medical marijuana



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

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

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

25 **12-43.3-407. Medical marijuana business operator license.** A  
26 medical marijuana business operator license may be issued to ~~an entity or~~  
27 A person ~~who~~ THAT operates a medical marijuana ~~establishment~~ BUSINESS

1 licensed pursuant to this article 43.3, for ~~an owner~~ ANOTHER MEDICAL  
2 MARIJUANA BUSINESS licensed pursuant to this article 43.3, and ~~who~~ THAT  
3 may receive a portion of the profits as compensation.

4 **SECTION 9.** In Colorado Revised Statutes, 12-43.4-103, **amend**  
5 (1), (1.3), (2.5), (13), (17), and (17.5); **repeal** (12.4) and (14.3); and **add**  
6 (1.1), (1.2), (1.4), (12.1), (14.2), and (22.5) as follows:

7 **12-43.4-103. Definitions.** As used in this article 43.4, unless the  
8 context otherwise requires:

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

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

22 (1.2) "CONTROL", INCLUDING THE TERMS "CONTROLS",  
23 "CONTROLLED", "CONTROLLING", "CONTROLLED BY", AND "UNDER  
24 COMMON CONTROL WITH", MEANS THE POSSESSION, DIRECT OR INDIRECT,  
25 OF THE POWER TO DIRECT OR CAUSE THE DIRECTION OF THE MANAGEMENT  
26 OR POLICIES OF A PERSON, WHETHER THROUGH THE OWNERSHIP OF VOTING  
27 SECURITIES, BY CONTRACT, OR OTHERWISE.

1 (1.3) "Escorted" means appropriately checked into the limited  
2 access area and accompanied by a person licensed by the state licensing  
3 authority, except that trade craftspeople not normally engaged in the  
4 business of cultivating, processing, or selling retail marijuana need not be  
5 accompanied on a full-time basis, but only reasonably monitored.

6 "CONTROLLING BENEFICIAL OWNER" MEANS A PERSON THAT:

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

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

13 (c) IS OTHERWISE IN A POSITION TO EXERCISE CONTROL OVER THE  
14 RETAIL MARIJUANA ESTABLISHMENT, EXCEPT AS AUTHORIZED BY SECTION  
15 12-43.4-407.

16 (1.4) "ESCORTED" MEANS APPROPRIATELY CHECKED INTO THE  
17 LIMITED ACCESS AREA AND ACCOMPANIED BY A PERSON LICENSED BY THE  
18 STATE LICENSING AUTHORITY; EXCEPT THAT TRADE CRAFTSPEOPLE NOT  
19 NORMALLY ENGAGED IN THE BUSINESS OF CULTIVATING, PROCESSING, OR  
20 SELLING RETAIL MARIJUANA NEED NOT BE ACCOMPANIED ON A FULL-TIME  
21 BASIS, BUT ONLY REASONABLY MONITORED.

22 (2.5) "Indirect beneficial interest owner" means a holder of a  
23 permitted economic interest, a recipient of a commercially reasonable  
24 royalty associated with the use of intellectual property by a licensee, a  
25 licensed employee who receives a share of the profits from an employee  
26 benefit plan, a qualified institutional investor, or another similarly  
27 situated person or entity as determined by the state licensing authority.

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

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

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

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

23 (12.1) "PASSIVE BENEFICIAL OWNER" MEANS A PERSON THAT IS  
24 NOT AN AFFILIATE OF A RETAIL MARIJUANA ESTABLISHMENT, IS NOT  
25 OTHERWISE IN A POSITION TO EXERCISE CONTROL OVER THE RETAIL  
26 MARIJUANA ESTABLISHMENT, AND IS THE BENEFICIAL OWNER OF LESS  
27 THAN FIVE PERCENT OF THE SECURITIES OF THE RETAIL MARIJUANA

1 ESTABLISHMENT.

2 (12.4) ~~"Permitted economic interest" means any unsecured~~  
3 ~~convertible debt instrument, option agreement, warrant, or any other right~~  
4 ~~to obtain an ownership interest when the holder of such interest is a~~  
5 ~~natural person who is a lawful United States resident and whose right to~~  
6 ~~convert into an ownership interest is contingent on the holder qualifying~~  
7 ~~and obtaining a license as an owner under this article or such other~~  
8 ~~agreements as may be permitted by rule by the state licensing authority.~~

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

13 (14.2) (a) "PUBLICLY TRADED CORPORATION" MEANS ANY PERSON  
14 OTHER THAN AN INDIVIDUAL THAT:

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

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

19 (B) ARE QUALIFIED AND QUOTED ON THE OTCQX TIER OF THE  
20 OTC MARKETS, OR ANY LIKE TIER OF ANY SUCCESSOR TO THE  
21 ENTITY, IF THE PERSON IS THEN REQUIRED TO FILE REPORTS AND IS FILING  
22 REPORTS ON A CURRENT BASIS WITH THE FEDERAL SECURITIES AND  
23 EXCHANGE COMMISSION UNDER THE FEDERAL "SECURITIES EXCHANGE  
24 ACT OF 1934", AS AMENDED, AS IF THE SECURITIES CONSTITUTED  
25 "COVERED SECURITIES" AS DESCRIBED IN SUBSECTION (14.2)(a)(I)(A) OF  
26 THIS SECTION;

27 (II) IS A "FOREIGN PRIVATE ISSUER", AS DEFINED IN RULE 405

1 PROMULGATED UNDER THE FEDERAL "SECURITIES ACT OF 1933", AS  
2 AMENDED WHOSE SECURITIES ARE EXEMPT FROM REGISTRATION UNDER  
3 SECTION 12 OF THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS  
4 AMENDED, PURSUANT TO RULE 12g3-2(b) PROMULGATED UNDER THE  
5 FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED; OR

6

7 (III) IS IDENTIFIED BY RULE BY THE STATE LICENSING AUTHORITY  
8 AS A PUBLICLY TRADED CORPORATION.

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

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

15 (II) A PERSON THAT CONSTITUTES AN "INELIGIBLE ISSUER", AS  
16 DEFINED IN 17 CFR 230.405, UNLESS THE PUBLICLY TRADED  
17 CORPORATION CONSTITUTES AN INELIGIBLE ISSUER SOLELY AS A RESULT  
18 OF EITHER:

19 (A) THE ACT OR ACTS THAT MAKE THE PERSON AN "INELIGIBLE  
20 ISSUER" OCCURRED MORE THAN ONE YEAR PRIOR TO APPLYING PURSUANT  
21 TO THIS SECTION; OR

22 (B) BEING A COMPANY DESCRIBED IN SUBSECTION (III) OF THE  
23 DEFINITION OF "INELIGIBLE ISSUER."

24 (14.3) ~~"Qualified limited passive investor" means a natural person~~  
25 ~~who is a United States citizen and is a passive investor who owns less~~  
26 ~~than a five percent share or shares of stock in a licensed retail marijuana~~  
27 ~~business.~~

1 (17) "Retail marijuana establishment" means ANY OF THE  
2 FOLLOWING ENTITIES LICENSED PURSUANT TO THIS ARTICLE 43.4: A retail  
3 marijuana store, a retail marijuana cultivation facility, a retail marijuana  
4 products manufacturer, ~~or~~ a retail marijuana testing facility, A RETAIL  
5 MARIJUANA ESTABLISHMENT OPERATOR, OR A RETAIL MARIJUANA  
6 TRANSPORTER.

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

16 (22.5) "SECURITY" MEANS ANY NOTE; STOCK; TREASURY STOCK;  
17 BOND; DEBENTURE; EVIDENCE OF INDEBTEDNESS; CERTIFICATE OF  
18 INTEREST OR PARTICIPATION IN ANY PROFIT-SHARING AGREEMENT;  
19 COLLATERAL-TRUST CERTIFICATE; PREORGANIZATION CERTIFICATE OF  
20 SUBSCRIPTION; TRANSFERABLE SHARE; INVESTMENT CONTRACT; VIATICAL  
21 SETTLEMENT INVESTMENT; VOTING-TRUST CERTIFICATE; CERTIFICATE OF  
22 DEPOSIT FOR A SECURITY; CERTIFICATE OF INTEREST OR PARTICIPATION IN  
23 AN OIL, GAS, OR MINING TITLE OR LEASE OR IN PAYMENTS OUT OF  
24 PRODUCTION UNDER SUCH A TITLE OR LEASE; OR, IN GENERAL, ANY  
25 INTEREST OR INSTRUMENT COMMONLY KNOWN AS A "SECURITY" OR ANY  
26 CERTIFICATE OF INTEREST OR PARTICIPATION IN, TEMPORARY OR INTERIM  
27 CERTIFICATE FOR, GUARANTEE OF, OR WARRANT OR RIGHT TO SUBSCRIBE

1 TO OR PURCHASE ANY OF THE FOREGOING. "SECURITY" DOES NOT INCLUDE  
2 ANY INSURANCE OR ENDOWMENT POLICY OR ANNUITY CONTRACT UNDER  
3 WHICH AN INSURANCE COMPANY PROMISES TO PAY A SUM OF MONEY  
4 EITHER IN A LUMP SUM OR PERIODICALLY FOR LIFE OR SOME OTHER  
5 SPECIFIED PERIOD. FOR PURPOSES OF THIS ARTICLE 43.4, AN "INVESTMENT  
6 CONTRACT" NEED NOT INVOLVE MORE THAN ONE INVESTOR NOR BE  
7 LIMITED TO THOSE CIRCUMSTANCES WHEREIN THERE ARE MULTIPLE  
8 INVESTORS WHO ARE JOINT PARTICIPANTS IN THE SAME ENTERPRISE.

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

13 **12-43.4-202. Powers and duties of state licensing authority -**  
14 **rules.** (2) The state licensing authority has the authority to:

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

27 (3) (a) Rules promulgated pursuant to subsection (2)(b) of this



1 section must include, but need not be limited to, the following subjects:

2 (III) Qualifications for licensure under this ~~article~~ ARTICLE 43.4,  
3 including but not limited to the requirement for a fingerprint-based  
4 criminal history record check for ~~all owners, officers~~ CONTROLLING  
5 BENEFICIAL OWNERS, managers, contractors, employees, and other support  
6 staff of entities licensed pursuant to this ~~article~~ ARTICLE 43.4;

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

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

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

14 (XXI) OWNERSHIP AND FINANCIAL INTEREST REQUIREMENTS,  
15 INCLUDING BUT NOT LIMITED TO:

16 (A) PARAMETERS OF, QUALIFICATIONS OF, DISCLOSURE OF,  
17 REQUIREMENTS FOR, AND SUITABILITY OF A CONTROLLING BENEFICIAL  
18 OWNER, A PASSIVE BENEFICIAL OWNER, AND AN INDIRECT FINANCIAL  
19 INTEREST HOLDER; AND

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

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

27 (V) Development of individual identification cards for ~~owners~~,

1 ~~officers~~ CONTROLLING BENEFICIAL OWNERS, managers, contractors,  
2 employees, and other support staff of entities licensed pursuant to this  
3 ~~article~~ ARTICLE 43.4, including a fingerprint-based criminal history record  
4 check as may be required by the state licensing authority prior to issuing  
5 a card;

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

9 **12-43.4-306. Persons prohibited as licensees - definitions.**

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

12 (c) A person other than an individual if the criminal history of any  
13 of its ~~officers, directors, stockholders, or owners~~ CONTROLLING  
14 BENEFICIAL OWNERS indicates that ~~the officer, director, stockholder, or~~  
15 ~~owner~~ A CONTROLLING BENEFICIAL OWNER is not of good moral character  
16 after considering the factors in section 24-5-101 (2), ~~C.R.S.~~, OR ANY  
17 PERSON THAT WOULD BE DISQUALIFIED AS A "BAD ACTOR" UNDER RULE  
18 506 (d) PROMULGATED UNDER THE FEDERAL "SECURITIES ACT OF 1933";

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

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

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

1 (n) A PERSON, OTHER THAN AN INDIVIDUAL, ORGANIZED OR  
2 FORMED UNDER THE LAWS OF A COUNTRY DETERMINED BY THE UNITED  
3 STATES SECRETARY OF STATE TO HAVE REPEATEDLY PROVIDED SUPPORT  
4 FOR ACTS OF INTERNATIONAL TERRORISM OR INCLUDED AMONG THE LIST  
5 OF "COVERED COUNTRIES" IN SECTION 1502 OF THE FEDERAL  
6 "DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION  
7 ACT".

8 **SECTION 12.** In Colorado Revised Statutes, 12-43.4-306.5,  
9 **amend** (1), (3), and (5); **repeal** (2), (4), (6), and (7); and **add** (4.5), (5.5),  
10 (5.7), and (6.5) as follows:

11 **12-43.4-306.5. Business and owner requirements - legislative**  
12 **declaration.** (1) (a) The general assembly hereby finds and declares that:

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

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

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

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

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

27 (V) Providing access to legitimate sources of capital helps prevent

1 the opportunity for those who engage in illegal activity to gain entry into  
2 Colorado's regulated retail marijuana market;

3 (VI) ACCESS TO CAPITAL MUST BE BALANCED WITH PROMOTING  
4 CONTROL OVER RETAIL MARIJUANA ESTABLISHMENTS BY SUITABLE  
5 PERSONS WHO ARE LEGITIMATE, TAXPAYING BUSINESSPERSONS, AND NOT  
6 CRIMINAL ACTORS; PREVENTING REVENUE FROM THE SALE OF MARIJUANA  
7 FROM GOING TO CRIMINAL ENTERPRISES, GANGS, AND CARTELS; AND  
8 PREVENTING STATE-AUTHORIZED MARIJUANA ACTIVITY FROM BEING USED  
9 AS A COVER OR PRETEXT FOR THE TRAFFICKING OF OTHER ILLEGAL DRUGS  
10 OR OTHER ILLEGAL ACTIVITY; AND

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

19 (VIII) COORDINATION BETWEEN THE STATE LICENSING AUTHORITY  
20 AND OTHER STATE AND LOCAL LAW ENFORCEMENT AGENCIES SUPPORTS  
21 THESE GOALS;

22 (IX) IN THE EVENT THAT PASSAGE OF HOUSE BILL 18-1011,  
23 ENACTED IN 2018, LEADS TO AN INCREASE IN GRAY AND BLACK MARKET  
24 INVESTIGATIONS, THE DEPARTMENT OF LOCAL AFFAIRS SHOULD CONSIDER  
25 CONVENING A STAKEHOLDER PROCESS TO EXAMINE HOW TO IMPROVE LAW  
26 ENFORCEMENT ACCESS TO GRANTS FROM THE GRAY AND BLACK MARKET  
27 MARIJUANA ENFORCEMENT GRANT PROGRAM CREATED IN SECTION

1 24-32-119, INCLUDING:

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

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

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

8

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

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

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

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

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

22 (b) ~~On and after January 1, 2017, A retail marijuana business that~~  
23 ~~is comprised of one or more direct beneficial interest owners who have~~  
24 ~~not been Colorado residents for at least one year prior to application shall~~  
25 ~~have at least one officer who has been a Colorado resident for at least one~~  
26 ~~year prior to application, and all officers with day-to-day operational~~  
27 ~~control over the business must be Colorado residents for at least one year~~

1 prior to application. A retail marijuana business under this paragraph (b)  
2 is limited to no more than fifteen direct beneficial interest owners,  
3 including all parent and subsidiary entities, all of whom are natural  
4 persons.

5 (c) Notwithstanding the requirements of paragraph (b) of this  
6 subsection (3), the state licensing authority may review the limitation on  
7 the number of direct beneficial interest owners and may increase the  
8 number of allowable interests above fifteen based on reasonable  
9 considerations such as developments in state and federal financial  
10 regulations, market conditions, and the licensee's ability to access  
11 legitimate sources of capital.

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

16 (4) A retail marijuana business may include qualified institutional  
17 investors that own thirty percent or less of the retail marijuana business.

18 (4.5) PRIOR TO SUBMITTING AN APPLICATION, A PERSON THAT  
19 INTENDS TO BECOME A RETAIL MARIJUANA ESTABLISHMENT, A  
20 CONTROLLING BENEFICIAL OWNER, OR A PASSIVE BENEFICIAL OWNER  
21 SHALL DISCLOSE TO THE STATE LICENSING AUTHORITY A COMPLETE  
22 AND ACCURATE LIST OF THE FOLLOWING:

23 (a) ALL OF ITS OFFICERS, DIRECTORS, AND AFFILIATES;

24 (b) ALL OFFICERS, DIRECTORS, AND GREATER-THAN-FIVE-PERCENT  
25 BENEFICIAL OWNERS OF ANY OF ITS AFFILIATES;

26 (c) IF IT IS A PUBLICLY TRADED CORPORATION, ALL OF ITS  
27 BENEFICIAL OWNERS OF FIVE PERCENT OR MORE OF ITS SECURITIES; AND

1 (d) IF IT IS NOT A PUBLICLY TRADED CORPORATION, ALL OF ITS  
2 BENEFICIAL OWNERS.

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

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

23 (c) THE STATE LICENSING AUTHORITY MAY REQUIRE ANY PERSON  
24 THAT WAS DISCLOSED OR SHOULD HAVE BEEN DISCLOSED PURSUANT TO  
25 SUBSECTION (4.5) OF THIS SECTION TO OBTAIN A FINDING OF  
26 SUITABILITY PRIOR TO SUBMISSION OF A RETAIL MARIJUANA  
27 ESTABLISHMENT APPLICATION. FAILURE TO PROVIDE ANY INFORMATION

1 REQUESTED IN CONNECTION WITH A FINDING OF SUITABILITY IS GROUNDS  
2 FOR DENIAL OF THAT REQUEST FOR A FINDING OF SUITABILITY. ALL  
3 INDIVIDUALS MUST OBTAIN ANY REQUIRED FINDING OF SUITABILITY PRIOR  
4 TO SUBMITTING A RETAIL MARIJUANA ESTABLISHMENT APPLICATION TO  
5 THE STATE LICENSING AUTHORITY. FAILURE OF A PERSON TO OBTAIN ANY  
6 REQUIRED FINDING OF SUITABILITY PRIOR TO APPLICATION IS GROUNDS FOR  
7 DENIAL OF AN APPLICATION OR SUSPENSION, REVOCATION, OR OTHER  
8 SANCTION AGAINST THE LICENSEE BY THE STATE LICENSING AUTHORITY.

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

19 (b) IN ITS REASONABLE DISCRETION, AT ANY TIME, THE STATE  
20 LICENSING AUTHORITY MAY DETERMINE, UPON ITS OWN ACCORD OR ON  
21 THE RECOMMENDATION OF THE MARIJUANA ENFORCEMENT DIVISION, THAT  
22 THE PUBLIC INTEREST AND THE PURPOSES OF THIS SECTION REQUIRE THAT  
23 ANY PERSON WHO HAS A MATERIAL RELATIONSHIP TO, OR MATERIAL  
24 INVOLVEMENT WITH, A LICENSEE OR AFFILIATED COMPANY THEREOF MUST  
25 APPLY FOR A FINDING OF SUITABILITY BY THE STATE LICENSING  
26 AUTHORITY AND REQUIRE A PERSON, OTHER THAN AN INDIVIDUAL, THAT  
27 IS PASSIVE BENEFICIAL OWNER TO APPOINT AND MAINTAIN A REGISTERED



1 AGENT AS PROVIDED FOR IN SUBSECTION (6.5) OF THIS SECTION. THE  
2 PROVISIONS OF THIS SUBSECTION (5.5)(b) ARE NOT LIMITED TO PERSONS  
3 HAVING A DIRECT FINANCIAL INTEREST IN NOR A DIRECT MANAGEMENT  
4 ROLE WITH A LICENSEE, NOR TO PERSONS WHO ARE BENEFICIAL OWNERS  
5 OF ANY STATED PERCENTAGE OF THE SECURITIES OF A PUBLICLY TRADED  
6 CORPORATION.

7 (5.7) IF A REQUIRED FINDING OF SUITABILITY IS NOT COMPLETED  
8 WITHIN ONE YEAR FROM THE DATE THE FINDING OF SUITABILITY WAS  
9 REQUESTED, THE STATE LICENSING AUTHORITY SHALL INFORM THE  
10 APPLICANT OR LICENSEE.

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

13 (6.5) A PERSON, OTHER THAN AN INDIVIDUAL, THAT IS A  
14 CONTROLLING BENEFICIAL OWNER SHALL APPOINT AND CONTINUOUSLY  
15 MAINTAIN A REGISTERED AGENT WHO SATISFIES THE REQUIREMENTS OF  
16 SECTION 7-90-701. THE RETAIL MARIJUANA ESTABLISHMENT SHALL  
17 INFORM THE STATE LICENSING AUTHORITY OF A CHANGE IN THE  
18 REGISTERED AGENT WITHIN TEN DAYS OF THE CHANGE.

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

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

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

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

27 (d) ~~An investment adviser registered under section 203 of the~~

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

14 **SECTION 13.** In Colorado Revised Statutes, add 12-43.4-306.6

15 as follows:

16 **12-43.4-306.6. Licensure and investment requirements for**

17 **publicly traded corporations.** (1) IN ADDITION TO THE REQUIREMENTS

18 OF SECTION 12-43.4-306.5, ANY APPLICANT, LICENSEE, OR CONTROLLING

19 BENEFICIAL OWNER THAT IS A PUBLICLY TRADED CORPORATION SHALL

20 COMPLY WITH THIS SECTION.

21 (2) (a) A PUBLICLY TRADED CORPORATION THAT IS A RETAIL

22 MARIJUANA ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER

23 SHALL REPORT TO THE STATE LICENSING AUTHORITY WITHIN TEN DAYS

24 AFTER THE ELECTION OR APPOINTMENT, OR RESIGNATION OR REMOVAL, OF

25 ANY DIRECTOR OR OFFICER OF THE PUBLICLY TRADED CORPORATION.

26 (b) TO THE EXTENT REQUIRED BY THE STATE LICENSING

27 AUTHORITY, WHENEVER ANY REPORT, PROXY OR INFORMATION

1 STATEMENT, REGISTRATION STATEMENT, SCHEDULE, OR OTHER FILING IS  
2 MADE WITH THE FEDERAL SECURITIES AND EXCHANGE COMMISSION OR  
3 OTHER APPLICABLE SECURITIES EXCHANGE, OR, IN THE CASE OF A FOREIGN  
4 PRIVATE ISSUER, ANY SIMILAR REGULATORY BODY, BY OR WITH RESPECT  
5 TO A PUBLICLY TRADED CORPORATION THAT IS A RETAIL MARIJUANA  
6 ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER, THE PUBLICLY  
7 TRADED CORPORATION SHALL NOTIFY THE STATE LICENSING AUTHORITY  
8 THAT A FILING HAS TAKEN PLACE AND DISCLOSE A COPY OF THE FILING  
9 WITHIN FIVE DAYS AFTER THE FILING WITH THE FEDERAL SECURITIES AND  
10 EXCHANGE COMMISSION OR OTHER APPLICABLE SECURITIES EXCHANGE,  
11 OR, IN THE CASE OF A FOREIGN PRIVATE ISSUER, ANY SIMILAR  
12 REGULATORY BODY.

13 (c) THE STATE LICENSING AUTHORITY MAY AT ANY TIME REQUIRE  
14 ANY APPLICANT, LICENSEE, OR CONTROLLING BENEFICIAL OWNER TO  
15 DISCLOSE A COMPLETE AND ACCURATE LIST OF ALL NONOBJECTING  
16 BENEFICIAL OWNERS TO THE EXTENT KNOWN.

17 (d) TO THE EXTENT REQUIRED BY THE STATE LICENSING  
18 AUTHORITY, A PUBLICLY TRADED CORPORATION THAT IS A RETAIL  
19 MARIJUANA ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER  
20 SHALL, WITHIN FIVE DAYS AFTER RECEIVING A COMMENT LETTER OR  
21 EXCHANGE NOTICE FROM THE FEDERAL SECURITIES AND EXCHANGE  
22 COMMISSION OR OTHER APPLICABLE SECURITIES EXCHANGE, OR, IN THE  
23 CASE OF A FOREIGN PRIVATE ISSUER, ANY SIMILAR REGULATORY BODY,  
24 NOTIFY THE STATE LICENSING AUTHORITY THAT THE COMMENT LETTER OR  
25 EXCHANGE NOTICE WAS RECEIVED AND PROVIDE A COPY TO THE STATE  
26 LICENSING AUTHORITY.

27 (3) AFTER COMMENCING ANY OFFERING OF A SECURITY, ANY

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

11 (4) A PUBLICLY TRADED CORPORATION THAT IS A RETAIL  
12 MARIJUANA ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER OF  
13 FIFTY PERCENT OR MORE OF THE SECURITIES OF A RETAIL MARIJUANA  
14 ESTABLISHMENT SHALL INCLUDE AND MAINTAIN AT ALL TIMES IN ITS  
15 BYLAWS THE FOLLOWING PROVISIONS:

16 (a) THE [NAME OF THE PUBLICLY TRADED CORPORATION] SHALL  
17 NOT ISSUE ANY SECURITY EXCEPT IN ACCORDANCE WITH THE PROVISIONS  
18 OF ARTICLE 43.4 OF TITLE 12, COLORADO REVISED STATUTES, AND THE  
19 RULES PROMULGATED PURSUANT TO THAT ARTICLE 43.3. THE ISSUANCE  
20 OF ANY SECURITY IN VIOLATION THEREOF SHALL BE VOID, AND THE  
21 SECURITY SHALL BE DEEMED NOT TO BE ISSUED AND OUTSTANDING UNTIL  
22 THE PUBLICLY TRADED CORPORATION CEASES TO BE SUBJECT TO THE  
23 JURISDICTION OF THE STATE LICENSING AUTHORITY OR THE STATE  
24 LICENSING AUTHORITY, BY AFFIRMATIVE ACTION, VALIDATES SAID  
25 ISSUANCE OR WAIVES ANY DEFECT IN ISSUANCE.

26 (b) NO SECURITY ISSUED BY THE [NAME OF THE PUBLICLY TRADED  
27 CORPORATION] AND NO INTEREST, CLAIM, OR CHARGE THEREIN OR

1     THERETO SHALL BE TRANSFERRED IN ANY MANNER WHATSOEVER EXCEPT  
2     IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 43.4 OF TITLE 12,  
3     COLORADO REVISED STATUTES, AND THE RULES PROMULGATED  
4     PURSUANT TO THAT ARTICLE 43.3. ANY TRANSFER IN VIOLATION THEREOF  
5     SHALL BE VOID UNTIL THE [NAME OF THE PUBLICLY TRADED  
6     CORPORATION] CEASES TO BE SUBJECT TO THE JURISDICTION OF THE STATE  
7     LICENSING AUTHORITY OR THE STATE LICENSING AUTHORITY, BY  
8     AFFIRMATIVE ACTION, VALIDATES SAID TRANSFER OR WAIVES ANY DEFECT  
9     IN SAID TRANSFER.

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

1 PUBLICLY TRADED CORPORATION] ENTITLED TO VOTE, AND THE [NAME OF  
2 THE PUBLICLY TRADED CORPORATION] SHALL NOT PAY ANY  
3 REMUNERATION IN ANY FORM TO THE HOLDER OF THE SECURITY EXCEPT  
4 IN EXCHANGE FOR THE SECURITY AS PROVIDED IN THIS SUBSECTION (4)(c).

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

22 (6) A PUBLICLY TRADED CORPORATION SHALL PROVIDE THE STATE  
23 LICENSING AUTHORITY WITH A DEPOSIT TO COVER THE DIRECT AND  
24 INDIRECT COSTS OF ANY INVESTIGATION NECESSARY TO DETERMINE  
25 WHETHER OR NOT ANY REQUIRED FINDING OF SUITABILITY SHALL BE  
26 ISSUED. THE STATE LICENSING AUTHORITY MAY MAKE FURTHER RULES  
27 REGARDING THE DEPOSIT AND DIRECT AND INDIRECT COSTS THAT SHALL

1 BE BILLED AGAINST THE DEPOSIT.

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

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

15 **12-43.4-308. Transfer of ownership.** (2) For a transfer of  
16 ownership, OTHER THAN REALES OR TRANSFERS OF SECURITY IN  
17 ORDINARY BROKER TRANSACTIONS BY A BENEFICIAL OWNER OF  
18 SECURITIES OF A PUBLICLY TRADED CORPORATION THROUGH AN  
19 ESTABLISHED TRADING MARKET, a license holder shall apply to the state  
20 licensing authority on forms prepared and furnished by the state licensing  
21 authority. Upon receipt of an application for transfer of ownership, the  
22 state licensing authority shall submit, within seven days, a copy of the  
23 application to the local jurisdiction to determine whether the transfer  
24 complies with local restrictions on transfer of ownership. In determining  
25 whether to permit a transfer of ownership, the state licensing authority  
26 shall consider only the requirements of this ~~article~~ ARTICLE 43.4, any rules  
27 promulgated by the state licensing authority, and any other local

1 restrictions. The local jurisdiction may hold a hearing on the application  
2 for transfer of ownership. The local jurisdiction shall not hold a hearing  
3 pursuant to this subsection (2) until the local jurisdiction has posted a  
4 notice of hearing in the manner described in section 12-43.4-302 (1) on  
5 the licensed premises for a period of ten days and has provided notice of  
6 the hearing to the applicant at least ten days prior to the hearing. Any  
7 transfer of ownership hearing by the state licensing authority shall be held  
8 in compliance with the requirements specified in section 12-43.4-304.

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

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

14 **12-43.4-309. Licensing in general.** (3) A retail marijuana  
15 establishment THAT IS NOT A PUBLICLY TRADED CORPORATION shall notify  
16 the state licensing authority in writing of the name, address, and date of  
17 birth of ~~an~~ A CONTROLLING BENEFICIAL owner, PASSIVE BENEFICIAL  
18 OWNER, officer, or manager before the new CONTROLLING BENEFICIAL  
19 owner, PASSIVE BENEFICIAL OWNER, officer, or manager begins managing,  
20 owning, or associating with the operation. The CONTROLLING BENEFICIAL  
21 owner, PASSIVE BENEFICIAL OWNER, officer, manager, or employee must  
22 pass a fingerprint-based criminal history record check as required by the  
23 state licensing authority and obtain the required identification prior to  
24 being associated with, managing, owning, or working at the operation.

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

27 **12-43.4-407. Retail marijuana business operator license.** A



1 retail marijuana business operator license may be issued to a person who  
2 THAT operates a retail marijuana establishment licensed pursuant to this  
3 article ARTICLE 43.4, for an owner ANOTHER RETAIL MARIJUANA  
4 ESTABLISHMENT licensed pursuant to this article ARTICLE 43.4, and who  
5 may receive a portion of the profits as compensation.

6 SECTION 17. In Colorado Revised Statutes, 12-43.3-306,  
7 amend (1) as follows:

8 12-43.3-306. Denial of application. (1) The state licensing  
9 authority shall deny a state license if the premises on which the applicant  
10 proposes to conduct its business does not meet the requirements of this  
11 article or for reasons set forth in section 12-43.3-104 ~~(1.3)(e)~~ (1.4)(c) or  
12 12-43.3-305, and the state licensing authority may deny a license for good  
13 cause as defined by section 12-43.3-104 ~~(1.3)(a) or (1.3)(b)~~ (1.4)(a) OR  
14 (1.4)(b).

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

20 (a) \$867,780 for marijuana enforcement, which amount is based  
21 on an assumption that the department will require an additional 7.0 FTE;

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

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

24 (2) For the 2018-19 state fiscal year, \$24,750 is appropriated to  
25 the department of personnel. This appropriation is from reappropriated  
26 funds received from the department of revenue under subsection (1)(b)  
27 of this section. To implement this act, the department of personnel may

1 use this appropriation for vehicle replacement lease/purchase in fleet  
2 management program and motor pool services.

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

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

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

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