

HOUSE COMMITTEE OF REFERENCE REPORT

Chairman of Committee

February 28, 2018
Date

Committee on Finance.

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

HB18-1011 be amended as follows, and as so amended, be referred to the Committee on Appropriations with favorable recommendation:

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

3 "SECTION 1. In Colorado Revised Statutes, 12-43.3-104, **amend**
4 (1), (1.3), (1.7), (7.5), and (13); **repeal** (12.4) and (14.3); and **add** (1.1),
5 (1.2), (1.4), (7.3), (12.1), (14.2), and (17) as follows:

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

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

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

21 (1.2) "CONTROL", INCLUDING THE TERMS "CONTROLS",
22 "CONTROLLED", "CONTROLLING", AND "CONTROLLED BY AND UNDER
23 COMMON CONTROL WITH", MEANS THE POSSESSION, DIRECT OR INDIRECT,
24 OF THE POWER TO DIRECT OR CAUSE THE DIRECTION OF THE MANAGEMENT

1 OR POLICIES OF A PERSON, WHETHER THROUGH THE OWNERSHIP OF VOTING
2 SECURITIES, BY CONTRACT, OR OTHERWISE.

3 (1.3) ~~"Good cause", for purposes of refusing or denying a license~~
4 ~~renewal, reinstatement, or initial license issuance, means "CONTROLLING~~
5 ~~BENEFICIAL OWNER" MEANS A PERSON THAT:~~

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

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

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

24 (1.4) "GOOD CAUSE", FOR PURPOSES OF REFUSING OR DENYING A
25 LICENSE RENEWAL, REINSTATEMENT, OR INITIAL LICENSE ISSUANCE,
26 MEANS:

27 (a) THE LICENSEE OR APPLICANT HAS VIOLATED, DOES NOT MEET,
28 OR HAS FAILED TO COMPLY WITH ANY OF THE TERMS, CONDITIONS, OR
29 PROVISIONS OF THIS ARTICLE 43.3; ANY RULES PROMULGATED PURSUANT
30 TO THIS ARTICLE 43.3; OR ANY SUPPLEMENTAL LOCAL LAW, RULES, OR
31 REGULATIONS;

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

36 (c) THE LICENSED PREMISES HAVE BEEN OPERATED IN A MANNER
37 THAT ADVERSELY AFFECTS THE PUBLIC HEALTH OR WELFARE OR THE
38 SAFETY OF THE IMMEDIATE NEIGHBORHOOD IN WHICH THE
39 ESTABLISHMENT IS LOCATED.

40 (1.7) ~~"Indirect beneficial interest owner" means a holder of a~~
41 ~~permitted economic interest, a recipient of a commercially reasonable~~

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

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

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

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

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

26 (7.3) "MEDICAL MARIJUANA BUSINESS" MEANS A MEDICAL
27 MARIJUANA CENTER, A MEDICAL MARIJUANA OPTIONAL PREMISES
28 CULTIVATION OPERATION, A MEDICAL MARIJUANA-INFUSED PRODUCTS
29 MANUFACTURER, A MEDICAL MARIJUANA TESTING FACILITY, A MEDICAL
30 MARIJUANA BUSINESS OPERATOR, OR A MEDICAL MARIJUANA
31 TRANSPORTER.

32 (7.5) "Medical marijuana business operator" means ~~an entity or a~~
33 ~~person who is not an owner and who~~ THAT is licensed to provide
34 professional operational services to a medical marijuana ~~establishment~~
35 BUSINESS for direct remuneration from the medical marijuana
36 ~~establishment~~ BUSINESS. A MEDICAL MARIJUANA BUSINESS OPERATOR IS
37 NOT A CONTROLLING BENEFICIAL OWNER, A PASSIVE BENEFICIAL OWNER,
38 OR AN INDIRECT FINANCIAL INTEREST HOLDER OF ANY MEDICAL
39 MARIJUANA BUSINESS IT OPERATES.

40 (12.1) "PASSIVE BENEFICIAL OWNER" MEANS A PERSON THAT IS
41 NOT AN AFFILIATE OF A MEDICAL MARIJUANA BUSINESS, IS NOT OTHERWISE

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

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

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

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

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

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

23 (II) ARE QUALIFIED AND LISTED FOR TRADING ON THE OTCQX
24 TIER OR OTCQB TIER OF THE OTC MARKETS, OR ANY LIKE TIER OF ANY
25 SUCCESSOR TO THE ENTITY, IF THE PERSON IS THEN REQUIRED TO FILE
26 REPORTS WITH THE FEDERAL SECURITIES AND EXCHANGE COMMISSION
27 UNDER THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS
28 AMENDED, AS IF THE LISTED SECURITIES CONSTITUTED "COVERED
29 SECURITIES" OR VOLUNTARILY DOES SO;

30 (b) IS A "FOREIGN PRIVATE ISSUER", AS DEFINED IN RULE 405
31 PROMULGATED UNDER THE FEDERAL "SECURITIES ACT OF 1933", WHOSE
32 SECURITIES ARE EXEMPT FROM REGISTRATION UNDER SECTION 12 OF THE
33 FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, PURSUANT
34 TO RULE 12g3-2(b) PROMULGATED UNDER THE FEDERAL "SECURITIES
35 EXCHANGE ACT OF 1934", AS AMENDED;

36 (c) IS A COMPANY TRADED ON A "DESIGNATED OFFSHORE
37 SECURITIES MARKET" AS DEFINED IN 17 CFR 230.902 (b); OR

38 (d) IS IDENTIFIED BY RULE BY THE STATE LICENSING AUTHORITY AS
39 A PUBLICLY TRADED CORPORATION.

40 (14.3) ~~"Qualified limited passive investor" means a natural person~~
41 ~~who is a United States citizen and is a passive investor who owns less~~

1 ~~than a five percent share or shares of stock in a licensed medical~~
2 ~~marijuana business.~~

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

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

26 **12-43.3-202. Powers and duties of state licensing authority -**
27 **rules.** (2) (a) Rules promulgated pursuant to subsection (1)(b) of this
28 section may include, but need not be limited to, the following subjects:

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

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

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

41 (XXIII) OWNERSHIP AND FINANCIAL INTEREST REQUIREMENTS,

1 INCLUDING BUT NOT LIMITED TO:

2 (A) PARAMETERS OF, QUALIFICATIONS OF, DISCLOSURE OF,
3 REQUIREMENTS FOR, AND SUITABILITY OF A CONTROLLING BENEFICIAL
4 OWNER, A PASSIVE BENEFICIAL OWNER, AND AN INDIRECT FINANCIAL
5 INTEREST HOLDER; AND

6 (B) PARAMETERS OF, QUALIFICATIONS OF, DISCLOSURE OF,
7 REQUIREMENTS FOR, AND SUITABILITY OF A PUBLICLY TRADED
8 CORPORATION THAT IS A MEDICAL MARIJUANA BUSINESS OR THAT IS A
9 CONTROLLING BENEFICIAL OWNER OR PASSIVE BENEFICIAL OWNER.

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

13 **12-43.3-307. Persons prohibited as licensees.** (1) A license
14 provided by this ~~article~~ ARTICLE 43.3 shall not be issued to or held by:

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

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

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

26 (o) A PERSON WHOSE CONTROLLING BENEFICIAL OWNER OR
27 PASSIVE BENEFICIAL OWNER IS FOUND UNSUITABLE BY THE STATE
28 LICENSING AUTHORITY. TO DETERMINE WHETHER A PERSON IS SUITABLE,
29 THE STATE LICENSING AUTHORITY MAY CONSIDER, BUT IS NOT LIMITED TO,
30 A PERSON'S FINANCIAL CHARACTER OR RECORD, CRIMINAL CHARACTER OR
31 RECORD, OR LICENSING CHARACTER OR RECORD.

32 (p) A PERSON, OTHER THAN AN INDIVIDUAL, ORGANIZED OR
33 FORMED UNDER THE LAWS OF A COUNTRY DETERMINED BY THE UNITED
34 STATES SECRETARY OF STATE TO HAVE REPEATEDLY PROVIDED SUPPORT
35 FOR ACTS OF INTERNATIONAL TERRORISM OR INCLUDED AMONG THE LIST
36 OF "COVERED COUNTRIES" IN SECTION 1502 OF THE FEDERAL
37 "DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION
38 ACT".

39 **SECTION 4.** In Colorado Revised Statutes, 12-43.3-307.5,
40 **amend** (1) and (5); **repeal** (2), (3), (4), (6), and (7); and **add** (4.5), (5.5),
41 (5.7), and (6.5) as follows:

1 **12-43.3-307.5. Business and owner requirements - legislative**
2 **declaration.** (1) (a) The general assembly hereby finds and declares that:
3 (I) Medical marijuana businesses need to be able to access capital
4 in order to effectively grow their businesses and remain competitive in the
5 marketplace;
6 (II) The current regulatory structure for medical marijuana creates
7 a substantial barrier to investment from out-of-state interests AND
8 PUBLICLY TRADED CORPORATIONS;
9 (III) There is insufficient capital in the state to properly fund the
10 capital needs of Colorado medical marijuana businesses;
11 (IV) Colorado medical marijuana businesses need to have ready
12 access to capital from investors ~~in states~~ FROM outside of Colorado; ~~and~~
13 (IV.5) UNDER CERTAIN CIRCUMSTANCES, PERMITTING PUBLICLY
14 TRADED CORPORATIONS TO HOLD AN INTEREST IN MEDICAL MARIJUANA
15 BUSINESSES WILL BENEFIT COLORADO'S MEDICAL MARIJUANA MARKET;
16 (V) Providing access to legitimate sources of capital helps prevent
17 the opportunity for those who engage in illegal activity to gain entry into
18 the state's regulated medical marijuana market;
19 (VI) ACCESS TO CAPITAL MUST BE BALANCED WITH PROMOTING
20 CONTROL OVER MEDICAL MARIJUANA BUSINESSES BY SUITABLE PERSONS
21 WHO ARE LEGITIMATE, TAXPAYING BUSINESSPEOPLE, AND NOT CRIMINAL
22 ACTORS; PREVENTING REVENUE FROM THE SALE OF MARIJUANA FROM
23 GOING TO CRIMINAL ENTERPRISES, GANGS, AND CARTELS; AND
24 PREVENTING STATE-AUTHORIZED MARIJUANA ACTIVITY FROM BEING USED
25 AS A COVER OR PRETEXT FOR THE TRAFFICKING OF OTHER ILLEGAL DRUGS
26 OR OTHER ILLEGAL ACTIVITY; AND
27 (VII) PUBLICLY TRADED CORPORATIONS OFFERING SECURITIES FOR
28 INVESTMENT IN MEDICAL MARIJUANA BUSINESSES MUST TELL THE PUBLIC
29 THE TRUTH ABOUT THEIR BUSINESS, THE SECURITIES THEY ARE SELLING,
30 AND THE RISKS INVOLVED WITH INVESTING IN MEDICAL MARIJUANA
31 BUSINESSES, AND PEOPLE WHO SELL AND TRADE SECURITIES RELATED TO
32 MEDICAL MARIJUANA BUSINESSES ARE PROHIBITED FROM ENGAGING IN
33 DECEIT, MISREPRESENTATIONS, AND OTHER FRAUD IN THE SALE OF THE
34 SECURITIES.
35 (b) Therefore, the general assembly is providing a mechanism for
36 Colorado medical marijuana businesses to access capital from investors
37 in other states AND FROM CERTAIN PUBLICLY TRADED CORPORATIONS
38 PURSUANT TO THIS SECTION AND SECTION 12-43.3-307.6.
39 (2) ~~A direct beneficial interest owner who is a natural person must~~
40 ~~either:~~
41 (a) ~~Have been a resident of Colorado for at least one year prior to~~

1 ~~the date of the application, or~~
2 ~~(b) Be a United States citizen prior to the date of the application.~~
3 ~~(3) (a) A medical marijuana business may be comprised of an~~
4 ~~unlimited number of direct beneficial interest owners that have been~~
5 ~~residents of Colorado for at least one year prior to the date of the~~
6 ~~application.~~
7 ~~(b) On and after January 1, 2017, a medical marijuana business~~
8 ~~that is comprised of one or more direct beneficial interest owners who~~
9 ~~have not been Colorado residents for at least one year prior to application~~
10 ~~shall have at least one officer who has been a Colorado resident for at~~
11 ~~least one year prior to application and all officers with day-to-day~~
12 ~~operational control over the business must be Colorado residents for at~~
13 ~~least one year prior to application. A medical marijuana business under~~
14 ~~this paragraph (b) is limited to no more than fifteen direct beneficial~~
15 ~~interest owners, including all parent and subsidiary entities, all of whom~~
16 ~~are natural persons.~~
17 ~~(c) Notwithstanding the requirements of paragraph (b) of this~~
18 ~~subsection (3), the state licensing authority may review the limitation on~~
19 ~~the number of direct beneficial interest owners and may increase the~~
20 ~~number of allowable interests above fifteen based on reasonable~~
21 ~~considerations such as developments in state and federal financial~~
22 ~~regulations, market conditions, and the licensee's ability to access~~
23 ~~legitimate sources of capital.~~
24 ~~(d) A direct beneficial interest owner that is a closely held~~
25 ~~business entity must consist entirely of natural persons who are United~~
26 ~~States citizens prior to the date of the application, including all parent and~~
27 ~~subsidiary entities.~~
28 ~~(4) A medical marijuana business may include qualified~~
29 ~~institutional investors that own thirty percent or less of the medical~~
30 ~~marijuana business.~~
31 ~~(4.5) PRIOR TO SUBMITTING AN APPLICATION, A PERSON THAT~~
32 ~~INTENDS TO BECOME A MEDICAL MARIJUANA BUSINESS OR A CONTROLLING~~
33 ~~BENEFICIAL OWNER SHALL DISCLOSE TO THE STATE LICENSING AUTHORITY~~
34 ~~A COMPLETE AND ACCURATE LIST OF THE FOLLOWING:~~
35 ~~(a) ALL OF ITS BENEFICIAL OWNERS OF FIVE PERCENT OR MORE OF~~
36 ~~ITS SECURITIES;~~
37 ~~(b) ALL OF ITS OFFICERS, DIRECTORS, AND AFFILIATES; AND~~
38 ~~(c) ALL OFFICERS, DIRECTORS, AND GREATER-THAN-FIVE-PERCENT~~
39 ~~BENEFICIAL OWNERS OF ANY OF ITS AFFILIATES.~~
40 ~~(5) (a) A person who THAT intends to apply as a direct beneficial~~
41 ~~interest owner and is not a Colorado resident for at least one year prior to~~

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

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

18 (c) IN ADDITION TO THE REQUIREMENTS OF SUBSECTION (5)(a) OF
19 THIS SECTION, FOLLOWING THE DISCLOSURE REQUIRED BY SUBSECTION
20 (4.5) OF THIS SECTION, THE STATE LICENSING AUTHORITY SHALL
21 DETERMINE WHICH INDIVIDUAL CONTROLLING BENEFICIAL OWNERS AND
22 AFFILIATES OF EACH CONTROLLING BENEFICIAL OWNER ARE REQUIRED TO
23 OBTAIN A FINDING OF SUITABILITY PRIOR TO SUBMISSION OF A MEDICAL
24 MARIJUANA BUSINESS APPLICATION. FAILURE TO PROVIDE ANY
25 INFORMATION REQUESTED IN CONNECTION WITH A FINDING OF SUITABILITY
26 MAY ALSO BE GROUNDS FOR DENIAL OF THAT REQUEST FOR FINDING OF
27 SUITABILITY. ALL INDIVIDUALS SHALL OBTAIN ANY REQUIRED FINDING OF
28 SUITABILITY PRIOR TO SUBMITTING A MEDICAL MARIJUANA BUSINESS
29 APPLICATION TO THE STATE LICENSING AUTHORITY.

30 (5.5) IN ITS REASONABLE DISCRETION, AT ANY TIME, THE STATE
31 LICENSING AUTHORITY MAY REQUIRE ANY PERSON THAT WAS DISCLOSED
32 OR SHOULD HAVE BEEN DISCLOSED UNDER THIS SECTION OR SECTION
33 12-43.3-307.6 TO OBTAIN A FINDING OF SUITABILITY. FAILURE TO PROVIDE
34 ANY INFORMATION REQUESTED IN CONNECTION WITH A FINDING OF
35 SUITABILITY MAY ALSO BE GROUNDS FOR DENIAL OF THAT REQUEST FOR
36 FINDING OF SUITABILITY. FAILURE OF A PERSON TO OBTAIN ANY REQUIRED
37 FINDING OF SUITABILITY MAY BE GROUNDS FOR DENIAL OF AN
38 APPLICATION OR SUSPENSION, REVOCATION, OR OTHER SANCTION OF A
39 LICENSE.

40 (5.7) IF A REQUIRED FINDING OF SUITABILITY IS NOT COMPLETED
41 WITHIN ONE YEAR FROM THE DATE THE FINDING OF SUITABILITY WAS

1 REQUESTED, THE STATE LICENSING AUTHORITY SHALL INFORM THE
2 APPLICANT OR LICENSEE.

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

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

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

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

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

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

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

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

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

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

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

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

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

36 **12-43.3-307.6. Licensure and investment requirements for**
37 **publicly traded corporations.** (1) IN ADDITION TO THE REQUIREMENTS
38 OF SECTION 12-43.3-307.5, ANY LICENSEE OR CONTROLLING BENEFICIAL
39 OWNER THAT IS A PUBLICLY TRADED CORPORATION SHALL COMPLY WITH
40 THIS SECTION.

41 (2) (a) A PUBLICLY TRADED CORPORATION THAT IS A MEDICAL

1 MARIJUANA BUSINESS OR A CONTROLLING BENEFICIAL OWNER SHALL
2 REPORT TO THE STATE LICENSING AUTHORITY WITHIN TEN DAYS AFTER THE
3 ELECTION OR APPOINTMENT, OR RESIGNATION OR REMOVAL, OF ANY
4 DIRECTOR OR OFFICER OF THE PUBLICLY TRADED CORPORATION.

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

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

23 (d) TO THE EXTENT REQUIRED BY THE STATE LICENSING
24 AUTHORITY, A PUBLICLY TRADED CORPORATION THAT IS A MEDICAL
25 MARIJUANA BUSINESS OR A CONTROLLING BENEFICIAL OWNER SHALL,
26 WITHIN FIVE DAYS AFTER RECEIVING A COMMENT LETTER OR EXCHANGE
27 NOTICE FROM THE FEDERAL SECURITIES AND EXCHANGE COMMISSION OR
28 OTHER APPLICABLE SECURITIES EXCHANGE, OR, IN THE CASE OF A FOREIGN
29 PRIVATE ISSUER, ANY SIMILAR REGULATORY BODY, NOTIFY THE STATE
30 LICENSING AUTHORITY THAT THE COMMENT LETTER OR EXCHANGE NOTICE
31 WAS RECEIVED AND PROVIDE A COPY TO THE STATE LICENSING
32 AUTHORITY.

33 (3) AFTER COMMENCING ANY OFFERING OF A SECURITY, ANY
34 PUBLICLY TRADED CORPORATION THAT IS A MEDICAL MARIJUANA
35 BUSINESS, A CONTROLLING BENEFICIAL OWNER, OR A PASSIVE BENEFICIAL
36 OWNER SHALL NOTIFY THE STATE LICENSING AUTHORITY OF THE PROPOSED
37 OFFERING IN THE TIME AND MANNER REQUIRED BY THE STATE LICENSING
38 AUTHORITY. AT A MINIMUM, THE NOTIFICATION MUST OCCUR NOT LATER
39 THAN THREE BUSINESS DAYS AFTER THE EARLIER OF THE COMMENCEMENT
40 OF THE OFFERING OR THE INITIAL FILING COVERING THE OFFERING WITH
41 THE FEDERAL SECURITIES AND EXCHANGE COMMISSION OR OTHER

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

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

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

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

28 (c) IF THE STATE LICENSING AUTHORITY AT ANY TIME DETERMINES
29 THAT A HOLDER OF A SECURITY OF THE [NAME OF THE PUBLICLY TRADED
30 CORPORATION] IS UNSUITABLE TO HOLD THE SECURITY, THEN THE [NAME
31 OF THE PUBLICLY TRADED CORPORATION] MAY, WITHIN SIXTY DAYS AFTER
32 THE FINDING OF UNSUITABILITY, PURCHASE THE SECURITY OF THE
33 UNSUITABLE PERSON AT THE LESSER OF THE AMOUNT IN UNITED STATES
34 DOLLARS OF CASH OR OTHER CONSIDERATION PAID BY THE PERSON FOR
35 THE SECURITY OR THE CURRENT MARKET PRICE AS OF THE DATE OF THE
36 FINDING OF UNSUITABILITY, UNLESS THE SECURITY IS TRANSFERRED TO A
37 SUITABLE PERSON AS DETERMINED BY THE STATE LICENSING AUTHORITY
38 WITHIN SIXTY DAYS AFTER THE FINDING OF UNSUITABILITY. UNTIL THE
39 SECURITY IS OWNED BY PERSONS FOUND BY THE STATE LICENSING
40 AUTHORITY TO BE SUITABLE TO OWN IT, THE [NAME OF THE PUBLICLY
41 TRADED CORPORATION] SHALL NOT BE REQUIRED OR PERMITTED TO PAY

1 ANY DIVIDEND OR INTEREST WITH REGARD TO THE SECURITY; THE HOLDER
2 OF THE SECURITY SHALL NOT BE ENTITLED TO VOTE ON ANY MATTER AS
3 THE HOLDER OF THE SECURITY; AND THE SECURITY SHALL NOT FOR ANY
4 PURPOSES BE INCLUDED AMONG THE SECURITIES OF THE [NAME OF THE
5 PUBLICLY TRADED CORPORATION] ENTITLED TO VOTE, AND THE [NAME OF
6 THE PUBLICLY TRADED CORPORATION] SHALL NOT PAY ANY
7 REMUNERATION IN ANY FORM TO THE HOLDER OF THE SECURITY EXCEPT
8 IN EXCHANGE FOR THE SECURITY AS PROVIDED IN THIS SUBSECTION (4)(c).

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

26 (6) A PUBLICLY TRADED CORPORATION SHALL PROVIDE THE STATE
27 LICENSING AUTHORITY WITH A DEPOSIT TO COVER THE DIRECT AND
28 INDIRECT COSTS OF ANY INVESTIGATION NECESSARY TO DETERMINE
29 WHETHER OR NOT ANY REQUIRED FINDING OF SUITABILITY SHALL BE
30 ISSUED. THE STATE LICENSING AUTHORITY MAY MAKE FURTHER RULES
31 REGARDING THE DEPOSIT AND DIRECT AND INDIRECT COSTS THAT SHALL
32 BE BILLED AGAINST THE DEPOSIT.

33 (7) IT IS GROUNDS FOR DENIAL OF A LICENSE OR DISCIPLINARY
34 ACTION IF ANY PERSON, IN CONNECTION WITH THE PURCHASE OR SALE OF
35 ANY SECURITY ISSUED BY A MEDICAL MARIJUANA BUSINESS OR A
36 CONTROLLING BENEFICIAL OWNER, IS FOUND GUILTY OF, PLEADS NOLO
37 CONTENDERE TO, IS SUBJECT TO A FINAL CEASE AND DESIST ORDER WITH
38 RESPECT TO A PERMANENT INJUNCTION OR ORDER OF PERMANENT
39 INJUNCTION ISSUED ON THE BASIS OF, OR IS THE SUBJECT OF A SIMILAR
40 FINAL ACTION TAKEN ON THE BASIS OF, A VIOLATION OF RULE 10b-5
41 PROMULGATED BY THE FEDERAL SECURITIES AND EXCHANGE COMMISSION

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

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

5 **12-43.3-309. Transfer of ownership.** (2) For a transfer of
6 ownership, OTHER THAN TRANSFERS OF SECURITIES BY A BENEFICIAL
7 OWNER OF SECURITIES OF A PUBLICLY TRADED CORPORATION, a license
8 holder shall apply to the state and local licensing authorities on forms
9 prepared and furnished by the state licensing authority. In determining
10 whether to permit a transfer of ownership, the state and local licensing
11 authorities shall consider only the requirements of this ~~article~~ ARTICLE
12 43.3, any rules promulgated by the state licensing authority, and any other
13 local restrictions. The local licensing authority may hold a hearing on the
14 application for transfer of ownership. The local licensing authority shall
15 not hold a hearing pursuant to this subsection (2) until the local licensing
16 authority has posted a notice of hearing in the manner described in section
17 12-43.3-302 (2) on the licensed medical marijuana center premises for a
18 period of ten days and has provided notice of the hearing to the applicant
19 at least ten days prior to the hearing. Any transfer of ownership hearing
20 by the state licensing authority shall be held in compliance with the
21 requirements specified in 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
28 center, ~~optional premises cultivation operation, or medical~~
29 ~~marijuana-infused products manufacturer~~ BUSINESS THAT IS NOT A
30 PUBLICLY TRADED CORPORATION shall notify the state licensing authority
31 in writing within ten days after ~~an~~ A CONTROLLING BENEFICIAL owner,
32 PASSIVE BENEFICIAL OWNER, officer, or manager ceases to work at,
33 manage, own, or otherwise be associated with the operation. The
34 CONTROLLING BENEFICIAL owner, PASSIVE BENEFICIAL OWNER, officer, or
35 manager shall surrender to the state licensing authority any identification
36 card that may have been issued by the state licensing authority on or
37 before the date of the notification.

38 (4) A medical marijuana center, ~~optional premises cultivation~~
39 ~~operation, or medical marijuana-infused products manufacturer~~ BUSINESS
40 THAT IS NOT A PUBLICLY TRADED CORPORATION shall notify the state
41 licensing authority in writing of the name, address, and date of birth of ~~an~~

1 A CONTROLLING BENEFICIAL owner, PASSIVE BENEFICIAL OWNER, officer,
2 or manager before the new CONTROLLING BENEFICIAL owner, officer, or
3 manager begins managing, owning, or associating with the operation.
4 Any CONTROLLING BENEFICIAL owner, PASSIVE BENEFICIAL OWNER,
5 officer, manager, or employee shall pass a fingerprint-based criminal
6 history record check as required by the state licensing authority and obtain
7 the required identification prior to being associated with, managing,
8 owning, or working at the operation.

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

11 **12-43.3-407. Medical marijuana business operator license.** A
12 medical marijuana business operator license may be issued to ~~an entity or~~
13 A person ~~who~~ THAT operates a medical marijuana ~~establishment~~ BUSINESS
14 licensed pursuant to this article 43.3, for ~~an owner~~ ANOTHER MEDICAL
15 MARIJUANA BUSINESS licensed pursuant to this article 43.3, and ~~who~~ THAT
16 may receive a portion of the profits as compensation.

17 **SECTION 9.** In Colorado Revised Statutes, 12-43.4-103, **amend**
18 (1), (1.3), (2.5), (13), (17), and (17.5); **repeal** (12.4) and (14.3); and **add**
19 (1.1), (1.2), (1.4), (12.1), (14.2), and (22.5) as follows:

20 **12-43.4-103. Definitions.** As used in this article 43.4, unless the
21 context otherwise requires:

22 (1) ~~"Direct beneficial interest owner" means a person or closely~~
23 ~~held business entity that owns a share or shares of stock in a licensed~~
24 ~~retail marijuana business, including the officers, directors, managing~~
25 ~~members, or partners of the licensed retail marijuana business or closely~~
26 ~~held business entity, or a qualified limited passive investor~~ "AFFILIATE"
27 OF, OR PERSON "AFFILIATED WITH", A SPECIFIED PERSON MEANS A PERSON
28 THAT DIRECTLY, OR INDIRECTLY THROUGH ONE OR MORE INTERMEDIARIES,
29 CONTROLS OR IS CONTROLLED BY, OR IS UNDER COMMON CONTROL WITH,
30 THE PERSON SPECIFIED.

31 (1.1) "BENEFICIAL OWNER" IS A HOLDER OF A SECURITY IN
32 ACCORDANCE WITH SECTION 13 (d) OF THE FEDERAL "SECURITIES
33 EXCHANGE ACT OF 1934", AS AMENDED, AND RULE 13d-3 PROMULGATED
34 THEREUNDER.

35 (1.2) "CONTROL", INCLUDING THE TERMS "CONTROLS",
36 "CONTROLLED", "CONTROLLING", AND "CONTROLLED BY AND UNDER
37 COMMON CONTROL WITH", MEANS THE POSSESSION, DIRECT OR INDIRECT,
38 OF THE POWER TO DIRECT OR CAUSE THE DIRECTION OF THE MANAGEMENT
39 OR POLICIES OF A PERSON, WHETHER THROUGH THE OWNERSHIP OF VOTING
40 SECURITIES, BY CONTRACT, OR OTHERWISE.

41 (1.3) ~~"Escorted" means appropriately checked into the limited~~

1 ~~access area and accompanied by a person licensed by the state licensing~~
2 ~~authority, except that trade craftspeople not normally engaged in the~~
3 ~~business of cultivating, processing, or selling retail marijuana need not be~~
4 ~~accompanied on a full-time basis, but only reasonably monitored.~~

5 "CONTROLLING BENEFICIAL OWNER" MEANS A PERSON THAT:

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

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

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

15 (1.4) "ESCORTED" MEANS APPROPRIATELY CHECKED INTO THE
16 LIMITED ACCESS AREA AND ACCOMPANIED BY A PERSON LICENSED BY THE
17 STATE LICENSING AUTHORITY; EXCEPT THAT TRADE CRAFTSPEOPLE NOT
18 NORMALLY ENGAGED IN THE BUSINESS OF CULTIVATING, PROCESSING, OR
19 SELLING RETAIL MARIJUANA NEED NOT BE ACCOMPANIED ON A FULL-TIME
20 BASIS, BUT ONLY REASONABLY MONITORED.

21 ~~(2.5) "Indirect beneficial interest owner" means a holder of a~~
22 ~~permitted economic interest, a recipient of a commercially reasonable~~
23 ~~royalty associated with the use of intellectual property by a licensee, a~~
24 ~~licensed employee who receives a share of the profits from an employee~~
25 ~~benefit plan, a qualified institutional investor, or another similarly~~
26 ~~situated person or entity as determined by the state licensing authority.~~

27 "INDIRECT FINANCIAL INTEREST HOLDER" MEANS A PERSON THAT IS NOT
28 AN AFFILIATE OF A RETAIL MARIJUANA ESTABLISHMENT AND IS NOT
29 OTHERWISE IN A POSITION TO EXERCISE CONTROL OVER THE RETAIL
30 MARIJUANA ESTABLISHMENT AND THAT:

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

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

37 (c) IS A CONTRACT COUNTERPARTY WITH A RETAIL MARIJUANA
38 ESTABLISHMENT THAT HAS A DIRECT NEXUS TO THE CULTIVATION,
39 MANUFACTURE, OR SALE OF MARIJUANA, INCLUDING, BUT NOT LIMITED TO,
40 A LEASE OF REAL PROPERTY ON WHICH THE RETAIL MARIJUANA
41 ESTABLISHMENT OPERATES, A LEASE OF EQUIPMENT USED IN THE

1 CULTIVATION OF RETAIL MARIJUANA, A SECURED OR UNSECURED
2 FINANCING AGREEMENT WITH THE RETAIL MARIJUANA ESTABLISHMENT, A
3 SECURITY CONTRACT WITH THE RETAIL MARIJUANA ESTABLISHMENT, OR
4 A MANAGEMENT AGREEMENT WITH THE RETAIL MARIJUANA
5 ESTABLISHMENT, PROVIDED THAT NO SUCH CONTRACT COMPENSATES THE
6 CONTRACT COUNTERPARTY WITH A PERCENTAGE OF REVENUE OR PROFITS
7 OF THE RETAIL MARIJUANA ESTABLISHMENT.

8 (12.1) "PASSIVE BENEFICIAL OWNER" MEANS A PERSON THAT IS
9 NOT AN AFFILIATE OF A RETAIL MARIJUANA ESTABLISHMENT, IS NOT
10 OTHERWISE IN A POSITION TO EXERCISE CONTROL OVER THE RETAIL
11 MARIJUANA ESTABLISHMENT, AND IS THE BENEFICIAL OWNER OF LESS
12 THAN FIVE PERCENT OF THE SECURITIES OF THE RETAIL MARIJUANA
13 ESTABLISHMENT.

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

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

25 (14.2) "PUBLICLY TRADED CORPORATION" MEANS ANY PERSON
26 OTHER THAN AN INDIVIDUAL THAT:

27 (a) HAS A CLASS OF SECURITIES REGISTERED UNDER SECTION 12 OF
28 THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, THAT:

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

31 (II) ARE QUALIFIED AND LISTED FOR TRADING ON THE OTCQX
32 TIER OR OTCQB TIER OF THE OTC MARKETS, OR ANY LIKE TIER OF ANY
33 SUCCESSOR TO THE ENTITY, IF THE PERSON IS THEN REQUIRED TO FILE
34 REPORTS WITH THE FEDERAL SECURITIES AND EXCHANGE COMMISSION
35 UNDER THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS
36 AMENDED, AS IF THE LISTED SECURITIES CONSTITUTED "COVERED
37 SECURITIES" OR VOLUNTARILY DOES SO;

38 (b) IS A "FOREIGN PRIVATE ISSUER", AS DEFINED IN RULE 405
39 PROMULGATED UNDER THE FEDERAL "SECURITIES ACT OF 1933", WHOSE
40 SECURITIES ARE EXEMPT FROM REGISTRATION UNDER SECTION 12 OF THE
41 FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, PURSUANT

1 TO RULE 12g3-2(b) PROMULGATED UNDER THE FEDERAL "SECURITIES
2 EXCHANGE ACT OF 1934", AS AMENDED;

3 (c) IS A COMPANY TRADED ON A "DESIGNATED OFFSHORE
4 SECURITIES MARKET" AS DEFINED IN 17 CFR 230.902 (b); OR

5 (d) IS IDENTIFIED BY RULE BY THE STATE LICENSING AUTHORITY AS
6 A PUBLICLY TRADED CORPORATION.

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 retail marijuana
10 business.~~

11 (17) "Retail marijuana establishment" means a retail marijuana
12 store, a retail marijuana cultivation facility, a retail marijuana products
13 manufacturer, ~~or~~ a retail marijuana testing facility, A RETAIL MARIJUANA
14 ESTABLISHMENT OPERATOR, OR A RETAIL MARIJUANA TRANSPORTER.

15 (17.5) "Retail marijuana establishment operator" means ~~an entity
16 or~~ A person ~~that is not an owner and~~ that is licensed to provide
17 professional operational services to a retail marijuana establishment for
18 direct remuneration from the retail marijuana establishment. A RETAIL
19 MARIJUANA ESTABLISHMENT OPERATOR IS NOT A CONTROLLING
20 BENEFICIAL OWNER, A PASSIVE BENEFICIAL OWNER, OR AN INDIRECT
21 FINANCIAL INTEREST HOLDER OF ANY RETAIL MARIJUANA ESTABLISHMENT
22 IT OPERATES.

23 (22.5) "SECURITY" MEANS ANY NOTE; STOCK; TREASURY STOCK;
24 BOND; DEBENTURE; EVIDENCE OF INDEBTEDNESS; CERTIFICATE OF
25 INTEREST OR PARTICIPATION IN ANY PROFIT-SHARING AGREEMENT;
26 COLLATERAL-TRUST CERTIFICATE; PREORGANIZATION CERTIFICATE OF
27 SUBSCRIPTION; TRANSFERABLE SHARE; INVESTMENT CONTRACT; VIATICAL
28 SETTLEMENT INVESTMENT; VOTING-TRUST CERTIFICATE; CERTIFICATE OF
29 DEPOSIT FOR A SECURITY; CERTIFICATE OF INTEREST OR PARTICIPATION IN
30 AN OIL, GAS, OR MINING TITLE OR LEASE OR IN PAYMENTS OUT OF
31 PRODUCTION UNDER SUCH A TITLE OR LEASE; OR, IN GENERAL, ANY
32 INTEREST OR INSTRUMENT COMMONLY KNOWN AS A "SECURITY" OR ANY
33 CERTIFICATE OF INTEREST OR PARTICIPATION IN, TEMPORARY OR INTERIM
34 CERTIFICATE FOR, GUARANTEE OF, OR WARRANT OR RIGHT TO SUBSCRIBE
35 TO OR PURCHASE ANY OF THE FOREGOING. "SECURITY" DOES NOT INCLUDE
36 ANY INSURANCE OR ENDOWMENT POLICY OR ANNUITY CONTRACT UNDER
37 WHICH AN INSURANCE COMPANY PROMISES TO PAY A SUM OF MONEY
38 EITHER IN A LUMP SUM OR PERIODICALLY FOR LIFE OR SOME OTHER
39 SPECIFIED PERIOD. FOR PURPOSES OF THIS ARTICLE 43.4, AN "INVESTMENT
40 CONTRACT" NEED NOT INVOLVE MORE THAN ONE INVESTOR NOR BE
41 LIMITED TO THOSE CIRCUMSTANCES WHEREIN THERE ARE MULTIPLE

1 INVESTORS WHO ARE JOINT PARTICIPANTS IN THE SAME ENTERPRISE.

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

5 **12-43.4-202. Powers and duties of state licensing authority -**
6 **rules.** (3) (a) Rules promulgated pursuant to subsection (2)(b) of this
7 section must include, but need not be limited to, the following subjects:

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

13 (XVIII) Retail marijuana establishment operator licensees,
14 including the form and structure of allowable agreements between
15 operators and ~~owners~~ THE RETAIL MARIJUANA ESTABLISHMENT BEING
16 OPERATED;

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

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

20 (XXI) OWNERSHIP AND FINANCIAL INTEREST REQUIREMENTS,
21 INCLUDING BUT NOT LIMITED TO:

22 (A) PARAMETERS OF, QUALIFICATIONS OF, DISCLOSURE OF,
23 REQUIREMENTS FOR, AND SUITABILITY OF A CONTROLLING BENEFICIAL
24 OWNER, A PASSIVE BENEFICIAL OWNER, AND AN INDIRECT FINANCIAL
25 INTEREST HOLDER; AND

26 (B) PARAMETERS OF, QUALIFICATIONS OF, DISCLOSURE OF,
27 REQUIREMENTS FOR, AND SUITABILITY OF A PUBLICLY TRADED
28 CORPORATION THAT IS A RETAIL MARIJUANA ESTABLISHMENT OR THAT IS
29 A CONTROLLING BENEFICIAL OWNER OR PASSIVE BENEFICIAL OWNER.

30 (b) Rules promulgated pursuant to ~~paragraph (b) of subsection (2)~~
31 SUBSECTION (2)(b) of this section must also include the following
32 subjects:

33 (V) Development of individual identification cards for ~~owners;~~
34 ~~officers~~ CONTROLLING BENEFICIAL OWNERS, managers, contractors,
35 employees, and other support staff of entities licensed pursuant to this
36 ~~article~~ ARTICLE 43.4, including a fingerprint-based criminal history record
37 check as may be required by the state licensing authority prior to issuing
38 a card;

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

1 **12-43.4-306. Persons prohibited as licensees - definitions.**

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

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

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

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

14 (m) A PERSON WHOSE CONTROLLING BENEFICIAL OWNER OR
15 PASSIVE BENEFICIAL OWNER IS FOUND UNSUITABLE BY THE STATE
16 LICENSING AUTHORITY. TO DETERMINE WHETHER A PERSON IS SUITABLE,
17 THE STATE LICENSING AUTHORITY MAY CONSIDER, BUT IS NOT LIMITED TO,
18 A PERSON'S FINANCIAL CHARACTER OR RECORD, CRIMINAL CHARACTER OR
19 RECORD, OR LICENSING CHARACTER OR RECORD.

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

27 **SECTION 12.** In Colorado Revised Statutes, 12-43.4-306.5,
28 **amend** (1) and (5); **repeal** (2), (3), (4), (6), and (7); and **add** (4.5), (5.5),
29 (5.7), and (6.5) as follows:

30 **12-43.4-306.5. Business and owner requirements - legislative**
31 **declaration.** (1) (a) The general assembly hereby finds and declares that:

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

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

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

40 (IV) Colorado retail marijuana ~~businesses~~ ESTABLISHMENTS need
41 to have ready access to capital from investors ~~in states~~ FROM outside of

1 Colorado; and
2 (IV.5) UNDER CERTAIN CIRCUMSTANCES, PERMITTING PUBLICLY
3 TRADED CORPORATIONS TO HOLD AN INTEREST IN RETAIL MARIJUANA
4 ESTABLISHMENTS WILL BENEFIT COLORADO'S RETAIL MARIJUANA MARKET;
5 (V) Providing access to legitimate sources of capital helps prevent
6 the opportunity for those who engage in illegal activity to gain entry into
7 Colorado's regulated retail marijuana market;
8 (VI) ACCESS TO CAPITAL MUST BE BALANCED WITH PROMOTING
9 CONTROL OVER RETAIL MARIJUANA ESTABLISHMENTS BY SUITABLE
10 PERSONS WHO ARE LEGITIMATE, TAXPAYING BUSINESSPEOPLE, AND NOT
11 CRIMINAL ACTORS; PREVENTING REVENUE FROM THE SALE OF MARIJUANA
12 FROM GOING TO CRIMINAL ENTERPRISES, GANGS, AND CARTELS; AND
13 PREVENTING STATE-AUTHORIZED MARIJUANA ACTIVITY FROM BEING USED
14 AS A COVER OR PRETEXT FOR THE TRAFFICKING OF OTHER ILLEGAL DRUGS
15 OR OTHER ILLEGAL ACTIVITY; AND
16 (VII) PUBLICLY TRADED CORPORATIONS OFFERING SECURITIES FOR
17 INVESTMENT IN RETAIL MARIJUANA ESTABLISHMENTS MUST TELL THE
18 PUBLIC THE TRUTH ABOUT THEIR BUSINESS, THE SECURITIES THEY ARE
19 SELLING, AND THE RISKS INVOLVED WITH INVESTING IN RETAIL MARIJUANA
20 ESTABLISHMENTS, AND PEOPLE WHO SELL AND TRADE SECURITIES
21 RELATED TO RETAIL MARIJUANA ESTABLISHMENTS ARE PROHIBITED FROM
22 ENGAGING IN DECEIT, MISREPRESENTATIONS, AND OTHER FRAUD IN THE
23 SALE OF THE SECURITIES.
24 (b) Therefore, the general assembly is providing a mechanism for
25 Colorado retail marijuana ~~businesses~~ ESTABLISHMENTS to access capital
26 from investors in other states AND FROM CERTAIN PUBLICLY TRADED
27 CORPORATIONS PURSUANT TO THIS SECTION AND SECTION 12-43.4-306.6.
28 (2) ~~A direct beneficial interest owner who is a natural person must~~
29 ~~either:~~
30 ~~(a) Have been a resident of Colorado for at least one year prior to~~
31 ~~the date of the application; or~~
32 ~~(b) Be a United States citizen prior to the date of the application.~~
33 (3) ~~(a) A retail marijuana business may be comprised of an~~
34 ~~unlimited number of direct beneficial interest owners that have been~~
35 ~~residents of Colorado for at least one year prior to the date of the~~
36 ~~application.~~
37 ~~(b) On and after January 1, 2017, a retail marijuana business that~~
38 ~~is comprised of one or more direct beneficial interest owners who have~~
39 ~~not been Colorado residents for at least one year prior to application shall~~
40 ~~have at least one officer who has been a Colorado resident for at least one~~
41 ~~year prior to application and all officers with day-to-day operational~~

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

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

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

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

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

24 (a) ALL OF ITS BENEFICIAL OWNERS OF FIVE PERCENT OR MORE OF
25 ITS SECURITIES;

26 (b) ALL OF ITS OFFICERS, DIRECTORS, AND AFFILIATES; AND

27 (c) ALL OFFICERS, DIRECTORS, AND GREATER-THAN-FIVE-PERCENT
28 BENEFICIAL OWNERS OF ANY OF ITS AFFILIATES.

29 (5) (a) ~~A person who THAT intends to apply as a direct beneficial~~
30 ~~interest owner and is not a Colorado resident for at least one year prior to~~
31 ~~the date of application~~ TO BECOME A CONTROLLING BENEFICIAL OWNER
32 shall first submit a request to the state licensing authority for a finding of
33 suitability. ~~as a direct beneficial interest owner. The person shall~~ FAILURE
34 TO PROVIDE ALL REQUESTED INFORMATION IN CONNECTION WITH A
35 REQUEST FOR A FINDING OF SUITABILITY IS GROUNDS FOR DENIAL OF THAT
36 FINDING OF SUITABILITY. EVERY PROPOSED CONTROLLING BENEFICIAL
37 OWNER MUST receive a finding of suitability OR AN EXEMPTION FROM A
38 FINDING OF SUITABILITY prior to submitting ~~an~~ A RETAIL MARIJUANA
39 ESTABLISHMENT application to the state licensing authority. ~~to be a direct~~
40 ~~beneficial interest owner.~~ Failure to receive a ~~finding~~ ALL REQUIRED
41 FINDINGS of suitability prior to application is grounds for denial of AN

1 APPLICATION OR SUSPENSION, REVOCATION, OR OTHER SANCTION AGAINST
2 THE LICENSEE by the state licensing authority.

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

7 (c) IN ADDITION TO THE REQUIREMENTS OF SUBSECTION (5)(a) OF
8 THIS SECTION, FOLLOWING THE DISCLOSURE REQUIRED BY SUBSECTION
9 (4.5) OF THIS SECTION, THE STATE LICENSING AUTHORITY SHALL
10 DETERMINE WHICH INDIVIDUAL CONTROLLING BENEFICIAL OWNERS AND
11 AFFILIATES OF EACH CONTROLLING BENEFICIAL OWNER ARE REQUIRED TO
12 OBTAIN A FINDING OF SUITABILITY PRIOR TO SUBMISSION OF A RETAIL
13 MARIJUANA ESTABLISHMENT APPLICATION. FAILURE TO PROVIDE ANY
14 INFORMATION REQUESTED IN CONNECTION WITH A FINDING OF SUITABILITY
15 MAY ALSO BE GROUNDS FOR DENIAL OF THAT REQUEST FOR FINDING OF
16 SUITABILITY. ALL INDIVIDUALS MUST OBTAIN ANY REQUIRED FINDING OF
17 SUITABILITY PRIOR TO SUBMITTING A RETAIL MARIJUANA ESTABLISHMENT
18 APPLICATION TO THE STATE LICENSING AUTHORITY.

19 (5.5) IN ITS REASONABLE DISCRETION, AT ANY TIME, THE STATE
20 LICENSING AUTHORITY MAY REQUIRE ANY PERSON THAT WAS DISCLOSED
21 OR SHOULD HAVE BEEN DISCLOSED UNDER THIS SECTION OR SECTION
22 12-43.4-306.6 TO OBTAIN A FINDING OF SUITABILITY. FAILURE TO PROVIDE
23 ANY INFORMATION REQUESTED IN CONNECTION WITH A FINDING OF
24 SUITABILITY MAY ALSO BE GROUNDS FOR DENIAL OF THAT REQUEST FOR
25 FINDING OF SUITABILITY. FAILURE OF A PERSON TO OBTAIN ANY REQUIRED
26 FINDING OF SUITABILITY MAY BE GROUNDS FOR DENIAL OF AN
27 APPLICATION OR SUSPENSION, REVOCATION, OR OTHER SANCTION OF A
28 LICENSE.

29 (5.7) IF A REQUIRED FINDING OF SUITABILITY IS NOT COMPLETED
30 WITHIN ONE YEAR FROM THE DATE THE FINDING OF SUITABILITY WAS
31 REQUESTED, THE STATE LICENSING AUTHORITY SHALL INFORM THE
32 APPLICANT OR LICENSEE.

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

35 (6.5) A PERSON, OTHER THAN AN INDIVIDUAL, THAT IS A
36 CONTROLLING BENEFICIAL OWNER SHALL APPOINT AND CONTINUOUSLY
37 MAINTAIN A REGISTERED AGENT WHO SATISFIES THE REQUIREMENTS OF
38 SECTION 7-90-701. THE RETAIL MARIJUANA ESTABLISHMENT SHALL
39 INFORM THE STATE LICENSING AUTHORITY OF A CHANGE IN THE
40 REGISTERED AGENT WITHIN TEN DAYS OF THE CHANGE.

41 ~~(7) For purposes of this section, unless the context otherwise~~

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

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

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

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

34 (b) TO THE EXTENT REQUIRED BY THE STATE LICENSING
35 AUTHORITY, WHENEVER ANY REPORT, PROXY OR INFORMATION
36 STATEMENT, REGISTRATION STATEMENT, SCHEDULE, OR OTHER FILING IS
37 MADE WITH THE FEDERAL SECURITIES AND EXCHANGE COMMISSION OR
38 OTHER APPLICABLE SECURITIES EXCHANGE, OR, IN THE CASE OF A FOREIGN
39 PRIVATE ISSUER, ANY SIMILAR REGULATORY BODY, BY OR WITH RESPECT
40 TO A PUBLICLY TRADED CORPORATION THAT IS A RETAIL MARIJUANA
41 ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER, THE PUBLICLY

1 TRADED CORPORATION SHALL NOTIFY THE STATE LICENSING AUTHORITY
2 THAT A FILING HAS TAKEN PLACE AND DISCLOSE A COPY OF THE FILING
3 WITHIN FIVE DAYS AFTER THE FILING WITH THE FEDERAL SECURITIES AND
4 EXCHANGE COMMISSION OR OTHER APPLICABLE SECURITIES EXCHANGE,
5 OR, IN THE CASE OF A FOREIGN PRIVATE ISSUER, ANY SIMILAR
6 REGULATORY BODY.

7 (c) THE STATE LICENSING AUTHORITY MAY AT ANY TIME REQUIRE
8 ANY APPLICANT, LICENSEE, OR CONTROLLING BENEFICIAL OWNER TO
9 DISCLOSE A COMPLETE AND ACCURATE LIST OF ALL BENEFICIAL OWNERS
10 TO THE EXTENT KNOWN.

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

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

32 (4) A PUBLICLY TRADED CORPORATION THAT IS A RETAIL
33 MARIJUANA ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER OF
34 FIFTY PERCENT OR MORE OF THE SECURITIES OF A RETAIL MARIJUANA
35 ESTABLISHMENT SHALL INCLUDE IN ITS BYLAWS THE FOLLOWING
36 PROVISIONS:

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

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

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

17 (c) IF THE STATE LICENSING AUTHORITY AT ANY TIME DETERMINES
18 THAT A HOLDER OF A SECURITY OF THE [NAME OF THE PUBLICLY TRADED
19 CORPORATION] IS UNSUITABLE TO HOLD THE SECURITY, THEN THE [NAME
20 OF THE PUBLICLY TRADED CORPORATION] MAY, WITHIN SIXTY DAYS AFTER
21 THE FINDING OF UNSUITABILITY, PURCHASE THE SECURITY OF THE
22 UNSUITABLE PERSON AT THE LESSER OF THE AMOUNT IN UNITED STATES
23 DOLLARS OF CASH OR OTHER CONSIDERATION PAID BY THE PERSON FOR
24 THE SECURITY OR THE CURRENT MARKET PRICE AS OF THE DATE OF THE
25 FINDING OF UNSUITABILITY, UNLESS THE SECURITY IS TRANSFERRED TO A
26 SUITABLE PERSON AS DETERMINED BY THE STATE LICENSING AUTHORITY
27 WITHIN SIXTY DAYS AFTER THE FINDING OF UNSUITABILITY. UNTIL THE
28 SECURITY IS OWNED BY PERSONS FOUND BY THE STATE LICENSING
29 AUTHORITY TO BE SUITABLE TO OWN IT, THE [NAME OF THE PUBLICLY
30 TRADED CORPORATION] SHALL NOT BE REQUIRED OR PERMITTED TO PAY
31 ANY DIVIDEND OR INTEREST WITH REGARD TO THE SECURITY; THE HOLDER
32 OF THE SECURITY SHALL NOT BE ENTITLED TO VOTE ON ANY MATTER AS
33 THE HOLDER OF THE SECURITY; AND THE SECURITY SHALL NOT FOR ANY
34 PURPOSES BE INCLUDED AMONG THE SECURITIES OF THE [NAME OF THE
35 PUBLICLY TRADED CORPORATION] ENTITLED TO VOTE, AND THE [NAME OF
36 THE PUBLICLY TRADED CORPORATION] SHALL NOT PAY ANY
37 REMUNERATION IN ANY FORM TO THE HOLDER OF THE SECURITY EXCEPT
38 IN EXCHANGE FOR THE SECURITY AS PROVIDED IN THIS SUBSECTION (4)(c).

39 (5) A PERSON THAT BECOMES A BENEFICIAL OWNER OF FIVE
40 PERCENT OR MORE OF ANY CLASS OF SECURITY IN A PUBLICLY TRADED
41 CORPORATION THAT IS A RETAIL MARIJUANA ESTABLISHMENT OR A

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

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

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

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

35 **12-43.4-308. Transfer of ownership.** (2) For a transfer of
36 ownership, OTHER THAN TRANSFERS OF SECURITIES BY A BENEFICIAL
37 OWNER OF SECURITIES OF A PUBLICLY TRADED CORPORATION, a license
38 holder shall apply to the state licensing authority on forms prepared and
39 furnished by the state licensing authority. Upon receipt of an application
40 for transfer of ownership, the state licensing authority shall submit, within
41 seven days, a copy of the application to the local jurisdiction to determine

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

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

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

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

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

32 **12-43.4-407. Retail marijuana business operator license.** A
33 retail marijuana business operator license may be issued to a person ~~who~~
34 THAT operates a retail marijuana establishment licensed pursuant to this
35 ~~article~~ ARTICLE 43.4, for ~~an owner~~ ANOTHER RETAIL MARIJUANA
36 ESTABLISHMENT licensed pursuant to this ~~article~~ ARTICLE 43.4, and who
37 may receive a portion of the profits as compensation.

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

40 **12-43.3-306. Denial of application.** (1) The state licensing
41 authority shall deny a state license if the premises on which the applicant

1 proposes to conduct its business does not meet the requirements of this
2 article or for reasons set forth in section 12-43.3-104 ~~(1.3)(c)~~ (1.4)(c) or
3 12-43.3-305, and the state licensing authority may deny a license for good
4 cause as defined by section 12-43.3-104 ~~(1.3)(a) or (1.3)(b)~~ (1.4)(a) OR
5 (1.4)(b).

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

** ** ** ** **