A BILL FOR AN ACT

CONCERNING MEASURES TO ALLOW GREATER INVESTMENT FLEXIBILITY IN MARIJUANA BUSINESSES.

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 repeals the provisions that require limited passive investors to go through an initial background 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 corporations from holding a marijuana license.

The bill creates 2 new ownership licenses, controlling beneficial
owners and passive beneficial owners. The bill gives the state licensing authority rule-making authority related to the parameters of, qualifications of, disclosure of, requirements for, and suitability for the new license types. A controlling beneficial owner is a person that is the beneficial owner of 10% or more of the securities of a marijuana business, is an affiliate, or is otherwise in a position to exercise control of the marijuana business. A passive beneficial owner is a person that is not an affiliate of a marijuana business, has no control over the marijuana business, and owns less than 10% of the securities of a marijuana business.

The bill requires a person intending to apply to become a controlling beneficial owner or passive beneficial owner to receive a finding of suitability or an exemption from the state licensing authority prior to submitting a marijuana business application. When applying for suitability, a person must disclose all of its officers, directors, and affiliates; all controlling beneficial owners; if a publicly traded corporation, all of its controlling beneficial owners of 10% or more; and, if not a publicly traded corporation, all of its officers, directors, beneficial owners, affiliates, and passive beneficial owners. The bill also requires a marijuana business or controlling beneficial owner that is a publicly traded corporation to comply with various notification, disclosure, notice, and suitability requirements. The bill limits the types of publicly traded corporations that can be marijuana businesses or controlling beneficial owners.

Current statutes list areas in which the state licensing authority may adopt rules but does not limit the rules to those areas. The bill limits the state licensing authority's power to adopt rules to those areas listed in statutes.

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

SECTION 1. In Colorado Revised Statutes, 44-11-104, amend (1), (12), and (21); and add (1.2), (1.4), (1.5), (1.6), (11.5), (19.2), (22.7), (25.5), and (27) as follows:

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

(1) “Direct beneficial interest owner” means a person or closely held business entity that owns a share or shares of stock in a licensed medical marijuana business, including the officers, directors, managing members, or partners of the licensed medical marijuana business or
closely held business entity, or a qualified limited passive investor
"AFFILIATE" OF, OR PERSON "AFFILIATED WITH", A SPECIFIED PERSON
MEANS A PERSON THAT CONTROLS, OR IS UNDER COMMON CONTROL WITH,
THE PERSON SPECIFIED.

(1.2) "BENEFICIAL OWNER" OF A SECURITY IS DETERMINED IN
ACCORDANCE WITH SECTION 13 (d) OF THE FEDERAL "SECURITIES
EXCHANGE ACT OF 1934", AS AMENDED, AND RULE 13d-3 PROMULGATED
THEREUNDER, OR THE APPLICABLE LAW IN THE DOMICILE OF THE
BENEFICIAL OWNER IF THE BENEFICIAL OWNER IS DOMICILED OUTSIDE OF
THE UNITED STATES.

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

(1.5) "CONTROLLING BENEFICIAL OWNER" MEANS A PERSON THAT:
(a) IS THE BENEFICIAL OWNER OF TEN PERCENT OR MORE OF THE
SECURITIES OF A MEDICAL MARIJUANA BUSINESS;
(b) IS AN AFFILIATE OF A MEDICAL MARIJUANA BUSINESS AND
INCLUDES WITHOUT LIMITATION ANY OFFICER, DIRECTOR, MANAGING
MEMBER, GENERAL PARTNER, OR TRUSTEE; OR
(c) IS OTHERWISE IN A POSITION TO CONTROL THE MEDICAL
MARIJUANA BUSINESS, EXCEPT AS AUTHORIZED BY SECTION 44-11-407.

(1.6) "DIRECT BENEFICIAL INTEREST OWNER" MEANS A PERSON OR
CLOSELY HELD BUSINESS ENTITY THAT OWNS A SHARE OR SHARES OF
STOCK IN A LICENSED MEDICAL MARIJUANA BUSINESS, INCLUDING THE
OFFICERS, DIRECTORS, MANAGING MEMBERS, OR PARTNERS OF THE
LICENSED MEDICAL MARIJUANA BUSINESS OR CLOSELY HELD BUSINESS ENTITY.

(11.5) "MEDICAL MARIJUANA BUSINESS" MEANS ANY OF THE FOLLOWING ENTITIES LICENSED PURSUANT TO THIS ARTICLE 11: A MEDICAL MARIJUANA CENTER, A MEDICAL MARIJUANA OPTIONAL PREMISES CULTIVATION OPERATION, A MEDICAL MARIJUANA-INFUSED PRODUCTS MANUFACTURER, A MEDICAL MARIJUANA TESTING FACILITY, A MEDICAL MARIJUANA BUSINESS OPERATOR, A MEDICAL MARIJUANA TRANSPORTER, A MARIJUANA RESEARCH AND DEVELOPMENT FACILITY, OR A MARIJUANA RESEARCH AND DEVELOPMENT CULTIVATION FACILITY.

(12) "Medical marijuana business operator" means an entity or a person who is not an owner and who is licensed to provide professional operational services to a medical marijuana establishment BUSINESS for direct remuneration from the medical marijuana establishment BUSINESS. A MEDICAL MARIJUANA BUSINESS OPERATOR IS NOT, BY VIRTUE OF ITS STATUS AS A MEDICAL MARIJUANA BUSINESS OPERATOR, A CONTROLLING BENEFICIAL OWNER, OR A PASSIVE BENEFICIAL OWNER OF ANY MEDICAL MARIJUANA BUSINESS IT OPERATES.

(19.2) "PASSIVE BENEFICIAL OWNER" MEANS A PERSON THAT IS NOT AN AFFILIATE OF A MEDICAL MARIJUANA BUSINESS, IS NOT OTHERWISE IN A POSITION TO EXERCISE CONTROL OVER THE MEDICAL MARIJUANA BUSINESS, AND IS THE BENEFICIAL OWNER OF LESS THAN TEN PERCENT OF THE SECURITIES OF THE MEDICAL MARIJUANA BUSINESS.

(21) "Person" means a natural person--an individual, a partnership, association, joint-stock company, corporation, limited liability company, or any other unincorporated organization; or a manager, agent, owner, director, servant, officer, or employee thereof.
EXCEPT THAT "PERSON" DOES NOT INCLUDE ANY GOVERNMENTAL ORGANIZATION.

(22.7) "PUBLICLY TRADED CORPORATION" MEANS ANY PERSON OTHER THAN AN INDIVIDUAL THAT:

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

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

OR

(II) IS QUALIFIED AND QUOTED ON THE OTCQX OR OTCQB TIER OF THE OTC MARKETS, OR ANY LIKE TIER OF ANY SUCCESSOR TO THE ENTITY, IF THE PERSON IS THEN REQUIRED TO FILE REPORTS AND IS FILING REPORTS ON A CURRENT BASIS WITH THE FEDERAL SECURITIES AND EXCHANGE COMMISSION PURSUANT TO THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, AS IF THE SECURITIES CONSTITUTED "COVERED SECURITIES" AS DESCRIBED IN SUBSECTION (22.7)(a)(I) OF THIS SECTION;

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

(c) IS REASONABLY IDENTIFIED BY RULE BY THE STATE LICENSING AUTHORITY AS A PUBLICLY TRADED CORPORATION.
(25.5) "SECURITY" MEANS ANY NOTE; STOCK; TREASURY STOCK; BOND; DEBENTURE; EVIDENCE OF INDEBTEDNESS; CERTIFICATE OF INTEREST OR PARTICIPATION IN ANY PROFIT-SHARING AGREEMENT; COLLATERAL-TRUST CERTIFICATE; PREORGANIZATION CERTIFICATE OF SUBSCRIPTION; TRANSFERABLE SHARE; INVESTMENT CONTRACT; VIATICAL SETTLEMENT INVESTMENT; VOTING-TRUST CERTIFICATE; CERTIFICATE OF DEPOSIT FOR A SECURITY; CERTIFICATE OF INTEREST OR PARTICIPATION IN AN OIL, GAS, OR MINING TITLE OR LEASE OR IN PAYMENTS OUT OF PRODUCTION UNDER SUCH A TITLE OR LEASE; OR, IN GENERAL, ANY INTEREST OR INSTRUMENT COMMONLY KNOWN AS A "SECURITY" OR ANY CERTIFICATE OF INTEREST OR PARTICIPATION IN, TEMPORARY OR INTERIM CERTIFICATE FOR, GUARANTEE OF, OR WARRANT OR RIGHT TO SUBSCRIBE TO OR PURCHASE ANY OF THE FOREGOING. "SECURITY" DOES NOT INCLUDE ANY INSURANCE OR ENDOWMENT POLICY OR ANNUITY CONTRACT UNDER WHICH AN INSURANCE COMPANY PROMISES TO PAY A SUM OF MONEY EITHER IN A LUMP SUM OR PERIODICALLY FOR LIFE OR SOME OTHER SPECIFIED PERIOD. FOR PURPOSES OF THIS ARTICLE 11, AN INVESTMENT CONTRACT NEED NOT INVOLVE MORE THAN ONE INVESTOR NOR BE LIMITED TO THOSE CIRCUMSTANCES WHEREIN THERE ARE MULTIPLE INVESTORS THAT ARE JOINT PARTICIPANTS IN THE SAME ENTERPRISE.

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

SECTION 2. In Colorado Revised Statutes, 44-11-202, amend (1)(d), (2)(a) introductory portion, (2)(a)(VIII), and (2)(a)(XXII); and add (2)(a)(XXX) and (5) as follows:

44-11-202. Powers and duties of state licensing authority - rules. (1) The state licensing authority shall:
(d) Maintain the confidentiality of reports or other information obtained from a medical or retail licensee containing any individualized data, information, or records related to the licensee or its operation, including sales information, financial records, tax returns, credit reports, cultivation information, testing results, and security information and plans, or revealing any patient information, or any other records that are exempt from public inspection pursuant to state law. Such reports or other information may be used only for a purpose authorized by this article 11 or article 12 of this title 44, FOR INVESTIGATION OR ENFORCEMENT OF ANY INTERNATIONAL, FEDERAL, STATE, OR LOCAL SECURITIES LAW OR REGULATIONS, or for any other state or local law enforcement purpose. Any information released related to patients may be used only for a purpose authorized by this article 11 or article 12 of this title 44, or to verify that a person who presented a registry identification card to a state or local law enforcement official is lawfully in possession of such card.

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

(VIII) Development of individual identification cards for owners, officers CONTROLLING BENEFICIAL OWNERS, managers, OFFICERS, contractors, employees, and other support staff of entities licensed pursuant to this article 11, including a fingerprint-based criminal history record check as may be required by the state licensing authority prior to issuing a card;

(XXII) Medical marijuana business operator licensees, including the form and structure of allowable agreements between operators and owners THE MEDICAL MARIJUANA BUSINESS BEING OPERATED;
OWNERSHIP AND FINANCIAL INTEREST DISCLOSURE

REQUIREMENTS, BUT NOT TO ANY EXTENT GREATER THAN AS REQUIRED BY
THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR, IF
REGULATORY BODY OF A NON-UNITED STATES JURISDICTION IF THE PUBLIC
COMPANY IS DOMICILED OUTSIDE OF THE UNITED STATES.

(5) THE STATE LICENSING AUTHORITY SHALL PROMULGATE RULES
AND ASSOCIATED FORMS NECESSARY FOR THE ADMINISTRATION OF HOUSE
BILL 19-___, ENACTED IN 2019, WITHIN SIXTY DAYS OF THE EFFECTIVE
DATE OF THE BILL.

SECTION 3. In Colorado Revised Statutes, 44-11-306, amend
(1)(c) and (1)(m); repeal (1)(n); and add (1)(o) and (1)(p) as follows:

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

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

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

(n) A publicly traded company.

(o) A PERSON THAT HAS A CONTROLLING BENEFICIAL OWNER THAT
IS FOUND UNSUITABLE BY THE STATE LICENSING AUTHORITY. TO
DETERMINE WHETHER A PERSON IS SUITABLE, THE STATE LICENSING AUTHORITY MAY CONSIDER THE PERSON'S CRIMINAL CHARACTER OR RECORD OR LICENSING CHARACTER OR RECORD.

(p) A PERSON, OTHER THAN AN INDIVIDUAL, ORGANIZED OR FORMED UNDER THE LAWS OF A COUNTRY DETERMINED BY THE UNITED STATES SECRETARY OF STATE TO HAVE REPEATEDLY PROVIDED SUPPORT FOR ACTS OF INTERNATIONAL TERRORISM OR INCLUDED AMONG THE LIST OF "COVERED COUNTRIES" IN SECTION 1502 OF THE FEDERAL "DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT", PUB.L. 111-203.

SECTION 4. In Colorado Revised Statutes, 44-11-307, amend (1)(a)(II), (1)(a)(IV), (1)(b), (3), and (5); repeal (2), (4), and (6); and add (1)(a)(IV.5), (1)(a)(VI), (1)(a)(VII), (1)(a)(VIII), (4.5), (5.5), and (6.5) as follows:

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

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

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

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

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

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

(VIII) COORDINATION BETWEEN THE STATE LICENSING AUTHORITY
AND OTHER STATE AND LOCAL LAW ENFORCEMENT AGENCIES SUPPORTS
THESE GOALS.

(b) Therefore, the general assembly is providing a mechanism for
Colorado medical marijuana businesses to access capital from investors
in other states AND FROM CERTAIN PUBLICLY TRADED CORPORATIONS
PURSUANT TO THIS SECTION AND SECTION 44-11-307.5.

(2) A direct beneficial interest owner who is a natural person must
(a) Have been a resident of Colorado for at least one year prior to the date of the application; or
(b) Be a United States citizen prior to the date of the application.

(3) (a) A medical marijuana business may be comprised of an unlimited number of direct beneficial interest owners that have been residents of Colorado for at least one year prior to the date of the application.
(b) On and after January 1, 2017, a medical marijuana business that is composed of one or more direct beneficial interest owners who have not been Colorado residents for at least one year prior to application shall have at least one officer who has been a Colorado resident for at least one year prior to application, and all officers with day-to-day operational control over the business must be Colorado residents for at least one year prior to application. A medical marijuana business under this subsection (3)(b) is limited to no more than fifteen direct beneficial interest owners, including all parent and subsidiary entities, all of whom are natural persons.

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

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

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

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

(a) All of the medical marijuana business's officers,
directors, and affiliates;

(b) All of the medical marijuana business's controlling
beneficial owners, and:

(I) If the controlling beneficial owner is a publicly
traded corporation, all officers, directors, and ten-percent or
more beneficial owners; or

(II) If the controlling beneficial owner is not a publicly
traded corporation and is not an individual, all officers and
directors of the controlling beneficial owner.

(5) (a) A person who intends to apply as a direct beneficial
interest owner and is not a Colorado resident for at least one year prior to
the date of application TO BECOME A CONTROLLING BENEFICIAL OWNER
shall first submit a request to the state licensing authority for a finding of
suitability. The person shall FAILURE TO PROVIDE ALL REQUESTED INFORMATION IN CONNECTION WITH A
REQUEST FOR A FINDING OF SUITABILITY IS GROUNDS FOR DENIAL OF THAT
FINDING OF SUITABILITY. EVERY PROPOSED CONTROLLING BENEFICIAL
OWNER MUST RECEIVE A FINDING OF SUITABILITY OR AN EXEMPTION FROM A
FINDING OF SUITABILITY BY THE STATE LICENSING AUTHORITY PRIOR TO
SUBMITTING AN A MEDICAL MARIJUANA BUSINESS APPLICATION TO THE STATE
LICENSING AUTHORITY. Failure to receive a finding of suitability prior to
APPLICATION IS GROUNDS FOR DENIAL OF AN APPLICATION OR FOR SUSPENSION,
REVOCATION, OR OTHER SANCTION AGAINST THE LICENSEE BY THE STATE
LICENSING AUTHORITY.

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

(c) The state licensing authority may require any person
that was disclosed or should have been disclosed pursuant to
SUBSECTION (4.5) OF THIS SECTION TO OBTAIN A FINDING OF SUITABILITY
PRIOR TO SUBMISSION OF A MEDICAL MARIJUANA BUSINESS APPLICATION.
FAILURE TO PROVIDE ANY INFORMATION REQUESTED IN CONNECTION WITH
A FINDING OF SUITABILITY IS GROUNDS FOR DENIAL OF THAT REQUEST FOR
A FINDING OF SUITABILITY. ALL INDIVIDUALS SHALL OBTAIN ANY
REQUIRED FINDING OF SUITABILITY PRIOR TO SUBMITTING A MEDICAL
MARIJUANA BUSINESS APPLICATION TO THE STATE LICENSING AUTHORITY.
FAILURE OF A PERSON TO OBTAIN ANY REQUIRED FINDING OF SUITABILITY
PRIOR TO APPLICATION IS GROUNDS FOR DENIAL OF AN APPLICATION OR
FOR SUSPENSION, REVOCATION, OR OTHER SANCTION AGAINST THE
LICENSEE BY THE STATE LICENSING AUTHORITY.
(d) **ABSENT SUBSTANTIAL JUSTIFICATION, THE STATE LICENSING AUTHORITY SHALL ISSUE A FINDING OF SUITABILITY WITHIN SIXTY DAYS AFTER THE DATE OF THE APPLICATION.**

(5.5) **IN ITS REASONABLE DISCRETION, AT ANY TIME, THE STATE LICENSING AUTHORITY MAY REQUIRE ANY PERSON THAT WAS DISCLOSED OR SHOULD HAVE BEEN DISCLOSED PURSUANT TO THIS SECTION OR SECTION 44-11-307.5 TO OBTAIN A FINDING OF SUITABILITY. FAILURE TO PROVIDE ANY INFORMATION REQUESTED IN CONNECTION WITH A FINDING OF SUITABILITY IS GROUNDS FOR DENIAL OF THAT REQUEST FOR A FINDING OF SUITABILITY. FAILURE OF A PERSON TO OBTAIN ANY REQUIRED FINDING OF SUITABILITY MAY BE GROUNDS FOR DENIAL OF AN APPLICATION OR FOR SUSPENSION, REVOCATION, OR OTHER SANCTION AGAINST THE LICENSE BY THE STATE LICENSING AUTHORITY.**

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

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

**SECTION 5.** In Colorado Revised Statutes, add 44-11-307.5 as follows:

**44-11-307.5. Licensure and investment requirements for publicly traded corporations.** (1) **IN ADDITION TO THE REQUIREMENTS OF SECTION 44-11-307, ANY LICENSE APPLICANT, LICENSEE, OR**
CONTROLLING BENEFICIAL OWNER THAT IS A PUBLICLY TRADED CORPORATION SHALL COMPLY WITH THIS SECTION.

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

(b) To the extent required by the state licensing authority, whenever any report, proxy or information statement, registration statement, schedule, or other public filing is made with the federal securities and exchange commission or other applicable securities exchange, or, in the case of a foreign private issuer, any similar regulatory body, by or with respect to a publicly traded corporation that is a medical marijuana business or a controlling beneficial owner, the publicly traded corporation shall notify the state licensing authority that a filing has taken place and disclose a copy of the filing within five days after the filing with the federal securities and exchange commission or other applicable securities exchange, or, in the case of a foreign private issuer, any similar regulatory body.

(c) The state licensing authority may at any time require any license applicant, licensee, or controlling beneficial owner to disclose a complete and accurate list of all known nonobjecting beneficial owners.

(d) To the extent required by the state licensing authority, within five days after receiving a comment letter or
EXCHANGE NOTICE FROM THE FEDERAL SECURITIES AND EXCHANGE
COMMISSION OR OTHER APPLICABLE SECURITIES EXCHANGE, OR, IN THE
CASE OF A FOREIGN PRIVATE ISSUER, ANY SIMILAR REGULATORY BODY, A
PUBLICLY TRADED CORPORATION THAT IS A MEDICAL MARIJUANA
BUSINESS OR A CONTROLLING BENEFICIAL OWNER SHALL NOTIFY THE
STATE LICENSING AUTHORITY THAT THE COMMENT LETTER OR EXCHANGE
NOTICE WAS RECEIVED AND PROVIDE A COPY TO THE STATE LICENSING
AUTHORITY.

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

(4) A PERSON THAT BECOMES A BENEFICIAL OWNER OF TEN
PERCENT OR MORE OF ANY CLASS OF SECURITY IN A PUBLICLY TRADED
CORPORATION THAT IS A MEDICAL MARIJUANA BUSINESS OR A
CONTROLLING BENEFICIAL OWNER OF FIFTY PERCENT OR MORE OF A
MEDICAL MARIJUANA BUSINESS MUST APPLY TO THE STATE LICENSING
AUTHORITY FOR A FINDING OF SUITABILITY WITHIN FORTY-FIVE DAYS
AFTER BECOMING SUCH A BENEFICIAL OWNER OR CONTROLLING
BENEFICIAL OWNER, WHEN A PERSON IS OR BECOMES A BENEFICIAL OWNER
OF TEN PERCENT OR MORE OF ANY VOTING CLASS OF SECURITY IN THE
PUBLICLY TRADED CORPORATION, THE STATE LICENSING AUTHORITY MAY
REQUIRE A FINDING OF SUITABILITY OF ANY OFFICER, DIRECTOR, MEMBER,
OR AFFILIATE OF THAT PERSON. A LICENSEE SHALL NOTIFY EACH PERSON
THAT IS SUBJECT TO THIS SUBSECTION (4) OF ITS REQUIREMENTS AS SOON
AS THE LICENSEE BECOMES AWARE OF THE BENEFICIAL OWNERSHIP
TRIGGERING THE REQUIREMENT, PROVIDED THAT THE OBLIGATIONS OF THE
PERSON SUBJECT TO THIS SUBSECTION (4) ARE INDEPENDENT OF, AND
UNAFFECTED BY, THE LICENSEE'S FAILURE TO GIVE THE NOTICE.

(5) A PUBLICLY TRADED CORPORATION SHALL PROVIDE THE STATE
LICENSING AUTHORITY WITH A DEPOSIT TO COVER THE DIRECT AND
INDIRECT COSTS OF ANY INVESTIGATION NECESSARY TO DETERMINE ANY
REQUIRED FINDING OF SUITABILITY. THE STATE LICENSING AUTHORITY
MAY MAKE FURTHER RULES REGARDING THE DEPOSIT AND DIRECT AND
INDIRECT COSTS THAT SHALL BE BILLED AGAINST THE DEPOSIT.

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

SECTION 6. In Colorado Revised Statutes, 44-11-309, amend
(2); and add (3) as follows:

44-11-309. Transfer of ownership. (2) For a transfer of ownership, OTHER THAN RESALES OR TRANSFERS OF SECURITY IN ORDINARY BROKER TRANSACTIONS BY A BENEFICIAL OWNER OF SECURITIES OF A PUBLICLY TRADED CORPORATION THROUGH AN ESTABLISHED TRADING MARKET, a license holder shall apply to the state and local licensing authorities on forms prepared and furnished by the state licensing authority. In determining whether to permit a transfer of ownership, the state and local licensing authorities shall consider only the requirements of this article 11, any rules promulgated by the state licensing authority, and any other local restrictions. The local licensing authority may hold a hearing on the application for transfer of ownership. The local licensing authority shall not hold a hearing pursuant to this subsection (2) until the local licensing authority has posted a notice of hearing in the manner described in section 44-11-302 (2) on the licensed medical marijuana center premises for a period of ten days and has provided notice of the hearing to the applicant at least ten days prior to the hearing. Any transfer of ownership hearing by the state licensing authority shall be held in compliance with the requirements specified in section 44-11-302.

(3) ANY TRANSFER OF SECURITIES BY A BENEFICIAL OWNER OF A PUBLICLY TRADED CORPORATION SHALL COMPLY WITH THE PROVISIONS OF SECTIONS 44-11-307 AND 44-11-307.5.

SECTION 7. In Colorado Revised Statutes, 44-11-310, amend (3) and (4) as follows:

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

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

SECTION 8. In Colorado Revised Statutes, amend 44-11-407 as follows:

44-11-407. Medical marijuana business operator license. A medical marijuana business operator license may be issued to an entity or a person who THAT operates a medical marijuana establishment BUSINESS licensed pursuant to this article 11 for an owner ANOTHER MEDICAL MARIJUANA BUSINESS licensed pursuant to this article 11 and who THAT may receive a portion of the profits as compensation.
SECTION 9. In Colorado Revised Statutes, 44-12-103, amend (1), (18), and (24); and add (1.1), (1.2), (1.3), (1.4), (16.5), (19.5), (32.5), and (34) as follows:

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

(1) "Direct beneficial interest owner" means a person or closely held business entity that owns a share or shares of stock in a licensed retail marijuana business, including the officers, directors, managing members, or partners of the licensed retail marijuana business or closely held business entity, or a qualified limited passive investor "AFFILIATE" of, or person "AFFILIATED WITH", a specified person means a person that controls, or is under common control with, the person specified.

(1.1) "Beneficial owner" of a security is determined in accordance with section 13 (d) of the federal "Securities Exchange Act of 1934", as amended, and rule 13d-3 promulgated thereunder, or the applicable law in the domicile of the beneficial owner if the beneficial owner is domiciled outside of the United States.

(1.2) "Control", "controls", "controlled", "controlling", "controlled by", and "under common control with", means the possession of the power to direct or cause the direction of the management or policies of a person, whether through the ownership of voting securities, by contract, or otherwise.

(1.3) "Controlling beneficial owner" means a person that:

(a) Is the beneficial owner of ten percent or more of the securities of a retail marijuana establishment;
(b) Is an affiliate of a retail marijuana establishment and includes without limitation any officer, director, managing member, general partner, or trustee; or

c) is otherwise in a position to control the retail marijuana establishment, except as authorized by section 44-12-407.

(1.4) "Direct beneficial interest owner" means a person or closely held business entity that owns a share or shares of stock in a licensed retail marijuana establishment, including the officers, directors, managing members, or partners of the licensed retail marijuana establishment or closely held business entity.

(16.5) "Passive beneficial owner" means a person that is not an affiliate of a retail marijuana establishment, is not otherwise in a position to exercise control over the retail marijuana establishment, and is the beneficial owner of less than ten percent of the securities of the retail marijuana establishment.

(18) "Person" means an individual, a partnership, association, joint-stock company, corporation, limited liability company, or any other unincorporated organization; except that "person" does not include any governmental organization.

(19.5) "Publicly traded corporation" means any person other than an individual that:

(a) Has a class of securities registered pursuant to section 12 of the federal "Securities Exchange Act of 1934", as amended, that:
(I) CONSTITUTES "COVERED SECURITIES" PURSUANT TO SECTION 18 (b)(1)(A) OF THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED; OR

(II) IS QUALIFIED AND QUOTED ON THE OTCQX OR OTCQB TIER OF THE OTC MARKETS, OR ANY LIKE TIER OF ANY SUCCESSOR TO THE ENTITY, IF THE PERSON IS THEN REQUIRED TO FILE REPORTS AND IS FILING REPORTS ON A CURRENT BASIS WITH THE FEDERAL SECURITIES AND EXCHANGE COMMISSION PURSUANT TO THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, AS IF THE SECURITIES CONSTITUTED "COVERED SECURITIES" AS DESCRIBED IN SUBSECTION (19.5)(a)(I) OF THIS SECTION;

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

(c) IS REASONABLY IDENTIFIED BY RULE BY THE STATE LICENSING AUTHORITY AS A PUBLICLY TRADED CORPORATION.

(24) "Retail marijuana establishment" means ANY OF THE FOLLOWING ENTITIES LICENSED PURSUANT TO THIS ARTICLE 12: A retail marijuana store, a retail marijuana cultivation facility, a retail marijuana products manufacturer, or a retail marijuana testing facility, A RETAIL MARIJUANA ESTABLISHMENT OPERATOR, OR A RETAIL MARIJUANA TRANSPORTER.

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

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

SECTION 10. In Colorado Revised Statutes, 44-12-202, amend
(3)(a) introductory portion, (3)(a)(III), (3)(a)(XIX), (3)(a)(XXIII),
(3)(a)(XXIV), and (3)(c)(IV); and add (3)(a)(XXV) and (6) as follows:

44-12-202. Powers and duties of state licensing authority -
rules. (3) (a) Rules promulgated pursuant to subsection (2)(b) of this
section must ONLY include: but need not be limited to, the following

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subjects:

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

(XIX) Retail marijuana establishment operator licensees, including the form and structure of allowable agreements between operators and owners THE RETAIL MARIJUANA ESTABLISHMENT BEING OPERATED;

(XXIII) Requirements for a centralized distribution permit for retail marijuana cultivation facilities issued pursuant to section 44-12-403 (7), including but not limited to permit application requirements and privileges and restrictions of a centralized distribution permit; and

(XXIV) Requirements for issuance of colocation permits to a marijuana research and development licensee or a marijuana research and development cultivation licensee authorizing colocation with a retail marijuana products manufacturing licensed premises, including application requirements, eligibility, restrictions to prevent cross-contamination and to ensure physical separation of inventory and research activities, and other privileges and restrictions of permits; AND

(XXV) OWNERSHIP AND FINANCIAL INTEREST DISCLOSURE REQUIREMENTS, BUT NOT TO ANY EXTENT GREATER THAN AS REQUIRED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR, IF APPLICABLE, THE SECURITY LAWS AND THE RULES OF THE EQUIVALENT REGULATORY BODY OF A NON-UNITED STATES JURISDICTION IF THE PUBLIC COMPANY IS DOMICILED OUTSIDE OF THE UNITED STATES.
(c) Rules promulgated pursuant to subsection (2)(b) of this section must also include the following subjects:

(IV) Development of individual identification cards for owners, officers CONTROLLING BENEFICIAL OWNERS, managers, contractors, employees, and other support staff of entities licensed pursuant to this article 12, including a fingerprint-based criminal history record check as may be required by the state licensing authority prior to issuing a card;

(6) The state licensing authority shall promulgate rules and associated forms necessary for the administration of House Bill 19-___, enacted in 2019. Within sixty days of the effective date of the bill.

SECTION 11. In Colorado Revised Statutes, 44-12-305, amend (1)(c) and (1)(j); repeal (1)(k); and add (1)(l) and (1)(m) as follows:

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

(c) A person other than an individual if the criminal history of any of its officers, directors, stockholders, or owners CONTROLLING BENEFICIAL OWNERS indicates that the officer, director, stockholder, or owner a CONTROLLING BENEFICIAL OWNER is not of good moral character after considering the factors in section 24-5-101 (2), C.R.S; or any person that would be disqualified as a "bad actor" pursuant to rule 506 (d) promulgated pursuant to the federal "Securities Act of 1933", as amended;

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

(k) A publicly traded company;

(l) A person that has a controlling beneficial owner that
IS FOUND UNSUITABLE BY THE STATE LICENSING AUTHORITY. TO
determine whether a person is suitable, the state licensing
authority may consider a person's criminal character or record
or licensing character or record.

(m) A person, other than an individual, organized or
formed under the laws of a country determined by the United
States secretary of state to have repeatedly provided support
for acts of international terrorism or included among the list
of "covered countries" in section 1502 of the federal
"DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION

SECTION 12. In Colorado Revised Statutes, 44-12-306, amend
(1)(a)(II), (1)(a)(IV), (1)(b), (3), and (5); repeal (2), (4), and (6); and add
(1)(a)(IV.5), (1)(a)(VI), (1)(a)(VII), (1)(a)(VIII), (1)(a)(VIII), (4.5), (5.5), and (6.5) as
follows:

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

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

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

(IV.5) UNDER CERTAIN CIRCUMSTANCES, PERMITTING PUBLICLY
TRADED CORPORATIONS TO HOLD AN INTEREST IN RETAIL MARIJUANA
ESTABLISHMENTS WILL BENEFIT COLORADO'S RETAIL MARIJUANA MARKET;
(VI) Publicly traded corporations offering securities for investment in retail marijuana establishments must tell the public the truth about their business, the securities they are selling, and the risks involved with investing in retail marijuana establishments, and people that sell and trade securities related to retail marijuana establishments are prohibited from engaging in deceit, misrepresentations, and other fraud in the sale of the securities;

(VII) Recognizing that participation by publicly traded corporations in Colorado's retail marijuana industry creates an increased need to assess barriers of entry for minority- and woman-owned businesses, with such efforts being made to identify solutions to arrive at a greater balance and for further equity for minority- and woman-owned businesses, and in a manner that is consistent with the public safety and enforcement goals as stated herein, it is therefore of substantive importance to address the lack of minority- and woman-owned businesses' inclusion in Colorado's retail marijuana industry, social justice issues associated with marijuana prohibition, suitability issues relating to past convictions for potential licensees, licensing fees, and economic challenges that arise with the application processes; and

(VIII) Coordination between the state licensing authority and other state and local law enforcement agencies supports these goals.

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

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

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

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

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

(b) On and after January 1, 2017, a retail marijuana business that is composed of one or more direct beneficial interest owners who have not been Colorado residents for at least one year prior to application ESTABLISHMENT shall have at least one officer who has been a Colorado resident for at least one year prior to application, and all officers with day-to-day operational control over the business must be Colorado residents for at least one year prior to application. A retail marijuana business under this subsection (3)(b) is limited to no more than fifteen direct beneficial interest owners, including all parent and subsidiary entities, all of whom are natural persons.

(c) Notwithstanding the requirements of subsection (3)(b) of this section, the state licensing authority may review the limitation on the number of direct beneficial interest owners and may increase the number of allowable interests above fifteen based on reasonable considerations such as developments in state and federal financial regulations, market conditions, and the licensee's ability to access legitimate sources of
(d) A direct beneficial interest owner that is a closely held business entity must consist entirely of natural persons who are United States citizens prior to the date of the application, including all parent and subsidiary entities.

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

(4.5) Prior to submitting an initial application and at any time thereafter when reasonably requested by the state licensing authority in its reasonable discretion, a person that is or intends to become a retail marijuana establishment shall disclose to the state licensing authority a complete and accurate list of the following:

(a) All of the retail marijuana establishment’s officers, directors, and affiliates;

(b) All of the retail marijuana establishment’s controlling beneficial owners, and:

(I) If the controlling beneficial owner is a publicly traded corporation, all officers, directors, ten-percent or more beneficial owners; or

(II) If the controlling beneficial owner is not a publicly traded corporation and is not an individual, all officers and directors of the controlling beneficial owner.

(5) (a) A person that intends to apply as a direct beneficial interest owner and is not a Colorado resident for at least one year prior to the date of application to become a controlling beneficial owner shall first submit a request to the state licensing authority for a finding of
suitability as a direct beneficial interest owner. The person shall failure to provide all requested information in connection with a request for a finding of suitability is grounds for denial of that finding of suitability. Every proposed controlling beneficial owner must receive a finding of suitability or an exemption from a finding of suitability by the state licensing authority prior to submitting an a retail marijuana establishment application to the state licensing authority. to be a direct beneficial interest owner. Failure to receive a finding all required findings of suitability prior to application is grounds for denial of an application or for suspension, revocation, or other sanction against the licensee by the state licensing authority.

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

(c) The state licensing authority may require any person that was disclosed or should have been disclosed pursuant to subsection (4.5) of this section to obtain a finding of suitability prior to submission of a retail marijuana establishment application. Failure to provide any information requested in connection with a finding of suitability is grounds for denial of that request for a finding of suitability. All individuals must obtain any required finding of suitability prior to submitting a retail marijuana establishment application to the state licensing authority. Failure of a person to obtain any required finding of suitability prior to application is grounds for denial
OF AN APPLICATION OR FOR SUSPENSION, REVOCATION, OR OTHER SANCTION AGAINST THE LICENSEE BY THE STATE LICENSING AUTHORITY.

(d) Absent substantial justification, the state licensing authority shall issue a finding of suitability within sixty days after the date of the application.

(5.5) In its reasonable discretion, at any time, the state licensing authority may require any person that was disclosed or should have been disclosed pursuant to this section or section 44-12-306.5 to obtain a finding of suitability. Failure to provide any information requested in connection with a finding of suitability is grounds for denial of that request for a finding of suitability. Failure of a person to obtain any required finding of suitability may be grounds for denial of an application or for suspension, revocation, or other sanction against the license by the state licensing authority.

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

(6.5) A person, other than an individual, that is a controlling beneficial owner shall appoint and continuously maintain a registered agent that satisfies the requirements of section 7-90-701. The retail marijuana establishment shall inform the state licensing authority of a change in the registered agent within ten days after the change.

SECTION 13. In Colorado Revised Statutes, add 44-12-306.5 as follows:

44-12-306.5. Licensure and investment requirements for publicly traded corporations. (1) In addition to the requirements
OF SECTION 44-12-306, ANY LICENSE APPLICANT, LICENSEE, OR
CONTROLLING BENEFICIAL OWNER THAT IS A PUBLICLY TRADED
CORPORATION SHALL COMPLY WITH THIS SECTION.

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

(b) TO THE EXTENT REQUIRED BY THE STATE LICENSING
AUTHORITY, WHenever ANY REPORT, PROXY OR INFORMATION
STATEMENT, REGISTRATION STATEMENT, SCHEDULE, OR OTHER PUBLIC
FILING IS MADE WITH THE FEDERAL SECURITIES AND EXCHANGE
COMMISSION OR OTHER APPLICABLE SECURITIES EXCHANGE, OR, IN THE
CASE OF A FOREIGN PRIVATE ISSUER, ANY SIMILAR REGULATORY BODY, BY
OR WITH RESPECT TO A PUBLICLY TRADED CORPORATION THAT IS A RETAIL
MARIJUANA ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER, THE
PUBLICLY TRADED CORPORATION SHALL NOTIFY THE STATE LICENSING
AUTHORITY THAT A FILING HAS TAKEN PLACE AND DISCLOSE A COPY OF
THE FILING WITHIN FIVE DAYS AFTER THE FILING WITH THE FEDERAL
SECURITIES AND EXCHANGE COMMISSION OR OTHER APPLICABLE
SECURITIES EXCHANGE, OR, IN THE CASE OF A FOREIGN PRIVATE ISSUER,
ANY SIMILAR REGULATORY BODY.

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

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


(4) A PERSON THAT BECOMES A BENEFICIAL OWNER OF TEN PERCENT OR MORE OF ANY CLASS OF SECURITY IN A PUBLICLY TRADED CORPORATION THAT IS A RETAIL MARIJUANA ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER OF FIFTY PERCENT OR MORE OF A RETAIL MARIJUANA ESTABLISHMENT MUST APPLY TO THE STATE LICENSING AUTHORITY FOR A FINDING OF SUITABILITY WITHIN FORTY-FIVE DAYS AFTER BECOMING SUCH A BENEFICIAL OWNER OR CONTROLLING
BENEFICIAL OWNER. WHEN A PERSON IS OR BECOMES A BENEFICIAL OWNER OF TEN PERCENT OR MORE OF ANY VOTING CLASS OF SECURITY IN THE PUBLICLY TRADED CORPORATION, THE STATE LICENSING AUTHORITY MAY REQUIRE A FINDING OF SUITABILITY OF ANY OFFICER, DIRECTOR, MEMBER, OR AFFILIATE OF THAT PERSON. A LICENSEE SHALL NOTIFY EACH PERSON THAT IS SUBJECT TO THIS SUBSECTION (4) OF ITS REQUIREMENTS AS SOON AS THE LICENSEE BECOMES AWARE OF THE BENEFICIAL OWNERSHIP TRIGGERING THE REQUIREMENT, PROVIDED THAT THE OBLIGATIONS OF THE PERSON SUBJECT TO THIS SUBSECTION (4) ARE INDEPENDENT OF, AND UNAFFECTED BY, THE LICENSEE’S FAILURE TO GIVE THE NOTICE.

(5) A PUBLICLY TRADED CORPORATION SHALL PROVIDE THE STATE LICENSING AUTHORITY WITH A DEPOSIT TO COVER THE DIRECT AND INDIRECT COSTS OF ANY INVESTIGATION NECESSARY TO DETERMINE ANY REQUIRED FINDING OF SUITABILITY. THE STATE LICENSING AUTHORITY MAY MAKE FURTHER RULES REGARDING THE DEPOSIT AND DIRECT AND INDIRECT COSTS THAT SHALL BE BILLED AGAINST THE DEPOSIT.

(6) IT IS GROUNDS FOR DENIAL OF A LICENSE OR FOR DISCIPLINARY ACTION IF ANY PERSON, IN CONNECTION WITH THE PURCHASE OR SALE OF ANY SECURITY ISSUED BY A RETAIL MARIJUANA ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER, PLEADS OR IS FOUND GUILTY OF, PLEADS NOLO CONTENDERE TO, IS SUBJECT TO A FINAL CEASE AND DESIST ORDER WITH RESPECT TO AN ORDER OF PERMANENT INJUNCTION ISSUED ON THE BASIS OF, OR IS THE SUBJECT OF A SIMILAR FINAL ACTION TAKEN ON THE BASIS OF, A VIOLATION OF RULE 10b-5 PROMULGATED BY THE FEDERAL SECURITIES AND EXCHANGE COMMISSION PURSUANT TO SECTION 10 (b) OF THE "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, OR SECTION 11-51-501.
SECTION 14. In Colorado Revised Statutes, 44-12-308, amend (2); and add (3) as follows:

44-12-308. Transfer of ownership. (2) For a transfer of ownership, OTHER THAN RESALES OR TRANSFERS OF SECURITY IN ORDINARY BROKER TRANSACTIONS BY A BENEFICIAL OWNER OF SECURITIES OF A PUBLICLY TRADED CORPORATION THROUGH AN ESTABLISHED TRADING MARKET, a license holder shall apply to the state licensing authority on forms prepared and furnished by the state licensing authority. Upon receipt of an application for transfer of ownership, the state licensing authority shall submit, within seven days, a copy of the application to the local jurisdiction to determine whether the transfer complies with local restrictions on transfer of ownership. In determining whether to permit a transfer of ownership, the state licensing authority shall consider only the requirements of this article 12, any rules promulgated by the state licensing authority, and any other local restrictions. The local jurisdiction may hold a hearing on the application for transfer of ownership. The local jurisdiction shall not hold a hearing pursuant to this subsection (2) until the local jurisdiction has posted a notice of hearing in the manner described in section 44-12-302 (1) on the licensed premises for a period of ten days and has provided notice of the hearing to the applicant at least ten days prior to the hearing. Any transfer of ownership hearing by the state licensing authority shall be held in compliance with the requirements specified in section 44-12-303.

(3) ANY TRANSFER OF SECURITIES BY A BENEFICIAL OWNER OF A PUBLICLY TRADED CORPORATION SHALL COMPLY WITH THE PROVISIONS OF SECTIONS 44-12-306 AND 44-12-306.5.

SECTION 15. In Colorado Revised Statutes, 44-12-309, amend...
(3) as follows:

44-12-309. Licensing in general. (3) A retail marijuana establishment that is not a publicly traded corporation shall notify the state licensing authority in writing of the name, address, and date of birth of an A CONTROLLING BENEFICIAL owner or officer or manager before the new CONTROLLING BENEFICIAL owner or officer or manager begins managing, owning, or associating with the operation. The CONTROLLING BENEFICIAL owner, officer, manager, or employee must pass a fingerprint-based criminal history record check as required by the state licensing authority and obtain the required identification prior to being associated with, managing, owning, or working at the operation.

SECTION 16. In Colorado Revised Statutes, amend 44-12-407 as follows:

44-12-407. Retail marijuana business operator license. A retail marijuana business operator license may be issued to a person who operates a retail marijuana establishment licensed pursuant to this article, for an owner another retail marijuana establishment licensed pursuant to this article, and who may receive a portion of the profits as compensation.

SECTION 17. Applicability. This act applies to applications made on or after July 1, 2019.

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