

**First Regular Session
Seventy-second General Assembly
STATE OF COLORADO**

REENGROSSED

*This Version Includes All Amendments
Adopted in the House of Introduction*

LLS NO. 19-0419.01 Michael Dohr x4347

HOUSE BILL 19-1090

HOUSE SPONSORSHIP

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A BILL FOR AN ACT

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

Bill Summary

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

The bill 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.

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

HOUSE
3rd Reading Unamended
March 29, 2019

HOUSE
Amended 2nd Reading
March 28, 2019

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.

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

2 **SECTION 1.** In Colorado Revised Statutes, 44-11-104, **amend**
3 (1), (4), (12), (21), and (23) and; **add** (1.1), (1.2), (1.3), (1.4), (1.5), (9.5),
4 (11.5), (19.1), (19.2), (22.7), (23.1), (23.5), and (25.5) as follows:

5 **44-11-104. Definitions.** As used in this article 11, unless the
6 context otherwise requires:

7 (1) ~~"Direct beneficial interest owner" means a person or closely~~
8 ~~held business entity that owns a share or shares of stock in a licensed~~
9 ~~medical marijuana business, including the officers, directors, managing~~

1 ~~members, or partners of the licensed medical marijuana business or~~
2 ~~closely held business entity, or a qualified limited passive investor~~
3 "ACQUIRE" WHEN USED IN CONNECTION WITH THE ACQUISITION OF AN
4 OWNER'S INTEREST OF A MEDICAL MARIJUANA BUSINESS, MEANS
5 OBTAINING OWNERSHIP, CONTROL, POWER TO VOTE, OR SOLE POWER OF
6 DISPOSITION OF THE OWNER'S INTEREST, DIRECTLY OR INDIRECTLY OR
7 THROUGH ONE OR MORE TRANSACTIONS OR SUBSIDIARIES, THROUGH
8 PURCHASE, ASSIGNMENT, TRANSFER, EXCHANGE, SUCCESSION, OR OTHER
9 MEANS.

10 (1.1) "ACTING IN CONCERT" MEANS KNOWING PARTICIPATION IN
11 A JOINT ACTIVITY OR INTERDEPENDENT CONSCIOUS PARALLEL ACTION
12 TOWARD A COMMON GOAL, WHETHER OR NOT PURSUANT TO AN EXPRESS
13 AGREEMENT.

14 (1.2) "AFFILIATE" OF, OR PERSON "AFFILIATED WITH", HAS THE
15 SAME MEANING AS DEFINED IN THE "SECURITIES ACT OF 1933", 17 CFR
16 230.405, AS AMENDED.

17 (1.3) "BENEFICIAL OWNER OF", "BENEFICIAL OWNERSHIP OF", OR
18 "BENEFICIALLY OWNS AN" OWNER'S INTEREST IS DETERMINED IN
19 ACCORDANCE WITH SECTION 13(d) OF THE FEDERAL "SECURITIES
20 EXCHANGE ACT OF 1934", AS AMENDED, AND RULE 13d-3 PROMULGATED
21 THEREUNDER.

22 (1.4) "CONTROL", "CONTROLS", "CONTROLLED", "CONTROLLING",
23 "CONTROLLED BY", AND "UNDER COMMON CONTROL WITH", MEANS THE
24 POSSESSION, DIRECT OR INDIRECT, OF THE POWER TO DIRECT OR CAUSE THE
25 DIRECTION OF THE MANAGEMENT OR POLICIES OF A PERSON, WHETHER
26 THROUGH THE OWNERSHIP OF VOTING SECURITIES, BY CONTRACT, OR
27 OTHERWISE.

1 (1.5) "CONTROLLING BENEFICIAL OWNER" IS LIMITED TO A PERSON
2 THAT SATISFIES ONE OR MORE OF THE FOLLOWING CRITERIA:

3 (a) A NATURAL PERSON, AN ENTITY AS DEFINED IN SECTION
4 7-90-102 (20) THAT IS ORGANIZED UNDER THE LAWS OF AND FOR WHICH
5 ITS PRINCIPAL PLACE OF BUSINESS IS LOCATED IN ONE OF THE STATES OR
6 TERRITORIES OF THE UNITED STATES OR DISTRICT OF COLUMBIA, A
7 PUBLICLY TRADED CORPORATION, OR A QUALIFIED PRIVATE FUND THAT IS
8 NOT A QUALIFIED INSTITUTIONAL INVESTOR:

9 (I) ACTING ALONE OR ACTING IN CONCERT, THAT OWNS OR
10 ACQUIRES BENEFICIAL OWNERSHIP OF TEN PERCENT OR MORE OF THE
11 OWNER'S INTEREST OF A MEDICAL MARIJUANA BUSINESS;

12 (II) THAT IS AN AFFILIATE THAT CONTROLS A MEDICAL MARIJUANA
13 BUSINESS AND INCLUDES, WITHOUT LIMITATION, ANY MANAGER; OR

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

16 (b) A QUALIFIED INSTITUTIONAL INVESTOR ACTING ALONE OR
17 ACTING IN CONCERT THAT OWNS OR ACQUIRES BENEFICIAL OWNERSHIP OF
18 MORE THAN THIRTY PERCENT OF THE OWNER'S INTEREST OF A MEDICAL
19 MARIJUANA BUSINESS.

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

26 "INDIRECT FINANCIAL INTEREST HOLDER" MEANS A PERSON THAT IS NOT
27 AN AFFILIATE, A CONTROLLING BENEFICIAL OWNER, OR A PASSIVE

1 BENEFICIAL OWNER OF A MEDICAL MARIJUANA BUSINESS AND THAT:

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

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

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

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

22 (9.5) "MANAGER" HAS THE SAME MEANING AS IN SECTION
23 7-90-102 (35.7).

24 (11.5) "MEDICAL MARIJUANA BUSINESS" MEANS ANY OF THE
25 FOLLOWING ENTITIES LICENSED PURSUANT TO THIS ARTICLE 11: A
26 MEDICAL MARIJUANA CENTER, A MEDICAL MARIJUANA OPTIONAL PREMISES
27 CULTIVATION OPERATION, A MEDICAL MARIJUANA-INFUSED PRODUCTS

1 MANUFACTURER, A MEDICAL MARIJUANA TESTING FACILITY, A MEDICAL
2 MARIJUANA BUSINESS OPERATOR, A MEDICAL MARIJUANA TRANSPORTER,
3 A MARIJUANA RESEARCH AND DEVELOPMENT FACILITY, OR A MARIJUANA
4 RESEARCH AND DEVELOPMENT CULTIVATION FACILITY.

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

13 (19.1) "OWNER'S INTEREST" HAS THE SAME MEANING AS IN
14 SECTION 7-90-102 (44).

15 (19.2) "PASSIVE BENEFICIAL OWNER" MEANS ANY PERSON
16 ACQUIRING ANY INTEREST IN A MEDICAL MARIJUANA BUSINESS THAT IS
17 NOT OTHERWISE A CONTROLLING BENEFICIAL OWNER OR IN CONTROL.

18 (21) "Person" ~~means a natural person, partnership, association,~~
19 ~~company, corporation, limited liability company, or organization, or a~~
20 ~~manager, agent, owner, director, servant, officer, or employee thereof~~ HAS
21 THE SAME MEANING AS DEFINED IN SECTION 7-90-102 (49).

22 (22.7) "PUBLICLY TRADED CORPORATION" MEANS ANY PERSON
23 OTHER THAN AN INDIVIDUAL THAT IS ORGANIZED UNDER THE LAWS OF AND
24 FOR WHICH ITS PRINCIPAL PLACE OF BUSINESS IS LOCATED IN ONE OF THE
25 STATES OR TERRITORIES OF THE UNITED STATES OR DISTRICT OF
26 COLUMBIA OR ANOTHER COUNTRY THAT AUTHORIZES THE SALE OF
27 MARIJUANA AND THAT:

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

4 (I) CONSTITUTES "COVERED SECURITIES" PURSUANT TO SECTION
5 18 (b)(1)(A) OF THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED;
6 OR

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

9 (A) THE PERSON IS THEN REQUIRED TO FILE REPORTS AND IS FILING
10 REPORTS ON A CURRENT BASIS WITH THE FEDERAL SECURITIES AND
11 EXCHANGE COMMISSION PURSUANT TO THE FEDERAL "SECURITIES
12 EXCHANGE ACT OF 1934", AS AMENDED, AS IF THE SECURITIES
13 CONSTITUTED "COVERED SECURITIES" AS DESCRIBED IN SUBSECTION
14 (22.7)(a)(I) OF THIS SECTION; AND

15 (B) THE PERSON HAS ESTABLISHED AND IS IN COMPLIANCE WITH
16 CORPORATE GOVERNANCE MEASURES PURSUANT TO CORPORATE
17 GOVERNANCE OBLIGATIONS IMPOSED ON SECURITIES QUALIFIED AND
18 QUOTED ON THE OTCQX TIER OF THE OTC MARKETS.

19 (b) IS AN ENTITY THAT HAS A CLASS OF SECURITIES LISTED ON THE
20 CANADIAN SECURITIES EXCHANGE, TORONTO STOCK EXCHANGE, TSX
21 VENTURE EXCHANGE, OR OTHER EQUITY SECURITIES EXCHANGE
22 RECOGNIZED BY THE STATE LICENSING AUTHORITY, IF:

23 (I) THE ENTITY CONSTITUTES A "FOREIGN PRIVATE ISSUER", AS
24 DEFINED IN RULE 405 PROMULGATED PURSUANT TO THE FEDERAL
25 "SECURITIES ACT OF 1933", AS AMENDED, WHOSE SECURITIES ARE EXEMPT
26 FROM REGISTRATION PURSUANT TO SECTION 12 OF THE FEDERAL
27 "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, PURSUANT TO RULE

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

3 (II) THE ENTITY HAS BEEN, FOR THE PRECEDING THREE HUNDRED
4 SIXTY-FIVE DAYS OR SINCE THE FORMATION OF THE ENTITY, IN
5 COMPLIANCE WITH ALL GOVERNANCE AND REPORTING OBLIGATIONS
6 IMPOSED BY THE RELEVANT EXCHANGE ON SUCH ENTITY; OR

7 (c) IS REASONABLY IDENTIFIED AS A PUBLICLY TRADED
8 CORPORATION BY RULE; OR

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

12 (I) AN "INELIGIBLE ISSUER", AS DEFINED IN RULE 405
13 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933",
14 AS AMENDED, UNLESS SUCH PUBLICLY TRADED CORPORATION SATISFIES
15 THE DEFINITION OF INELIGIBLE ISSUER SOLELY BECAUSE IT IS ONE OR MORE
16 OF THE FOLLOWING, AND THE PERSON IS FILING REPORTS ON A CURRENT
17 BASIS WITH THE FEDERAL SECURITIES AND EXCHANGE COMMISSION
18 PURSUANT TO THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS
19 AMENDED, AS IF THE SECURITIES CONSTITUTED "COVERED SECURITIES" AS
20 DESCRIBED IN SUBSECTION (22.7)(a)(I) OF THIS SECTION, AND PRIOR TO
21 BECOMING A PUBLICLY TRADED CORPORATION, THE PERSON FOR AT LEAST
22 TWO YEARS WAS LICENSED BY THE STATE LICENSING AUTHORITY AS A
23 MEDICAL MARIJUANA BUSINESS WITH A DEMONSTRATED HISTORY OF
24 OPERATIONS IN THE STATE OF COLORADO, AND DURING SUCH TIME WAS
25 NOT SUBJECT TO SUSPENSION OR REVOCATION OF THE LICENSE:

26 (A) A "BLANK CHECK COMPANY", AS DEFINED IN RULE 419 (a)(2)
27 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933",

1 AS AMENDED;

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

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

8 (II) A PERSON DISQUALIFIED AS A "BAD ACTOR" UNDER RULE 506
9 (d) PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF
10 1933", AS AMENDED.

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

15 (a) A BANK AS DEFINED IN SECTION 3 (a)(6) OF THE FEDERAL
16 "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, IF THE BANK IS
17 CURRENT IN ALL APPLICABLE REPORTING AND RECORD-KEEPING
18 REQUIREMENTS UNDER SUCH ACT AND RULES PROMULGATED
19 THEREUNDER;

20 (b) A BANK HOLDING COMPANY AS DEFINED IN THE FEDERAL
21 "BANK HOLDING COMPANY ACT OF 1956", AS AMENDED, IF THE BANK
22 HOLDING COMPANY IS REGISTERED AND CURRENT IN ALL APPLICABLE
23 REPORTING AND RECORD-KEEPING REQUIREMENTS UNDER SUCH ACT AND
24 RULES PROMULGATED THEREUNDER;

25 (c) AN INSURANCE COMPANY AS DEFINED IN SECTION 2 (a)(17) OF
26 THE FEDERAL "INVESTMENT COMPANY ACT OF 1940", AS AMENDED, IF
27 THE INSURANCE COMPANY IS CURRENT IN ALL APPLICABLE REPORTING AND

1 RECORD-KEEPING REQUIREMENTS UNDER SUCH ACT AND RULES
2 PROMULGATED THEREUNDER;

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

9 (e) AN EMPLOYEE BENEFIT PLAN OR PENSION FUND SUBJECT TO THE
10 FEDERAL "EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974",
11 EXCLUDING AN EMPLOYEE BENEFIT PLAN OR PENSION FUND SPONSORED BY
12 A LICENSEE OR AN INTERMEDIARY HOLDING COMPANY LICENSEE THAT
13 DIRECTLY OR INDIRECTLY OWNS TEN PERCENT OR MORE OF A LICENSEE;

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

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

17 (h) ANY OTHER ENTITY IDENTIFIED BY RULE BY THE STATE
18 LICENSING AUTHORITY.

19 (23.1) "QUALIFIED PRIVATE FUND" MEANS AN ISSUER THAT WOULD
20 BE AN INVESTMENT COMPANY, AS DEFINED IN SECTION (3) OF THE FEDERAL
21 "INVESTMENT COMPANY ACT OF 1940", BUT FOR THE EXCLUSIONS
22 PROVIDED UNDER SECTIONS 3(c)(1) OR 3(c)(7) OF THAT ACT, AND THAT:

23 (a) IS ADVISED OR MANAGED BY AN INVESTMENT ADVISER AS
24 DEFINED AND REGISTERED UNDER SECTIONS 80b-1-21, TITLE 15 OF THE
25 FEDERAL "INVESTMENT ADVISERS ACT OF 1940", AND FOR WHICH THE
26 REGISTERED INVESTMENT ADVISER IS CURRENT IN ALL APPLICABLE
27 REPORTING AND RECORD-KEEPING REQUIREMENTS UNDER SUCH ACT AND

1 RULES PROMULGATED THEREUNDER; AND

2 (b) SATISFIES ONE OR MORE OF THE FOLLOWING:

3 (I) IS ORGANIZED UNDER THE LAW OF A STATE OR THE UNITED

4 STATES;

5 (II) IS ORGANIZED, OPERATED, OR SPONSORED BY A U.S. PERSON,

6 AS DEFINED UNDER SUBSECTION 17 CFR 230.902(k), AS AMENDED; OR

7 (III) SELLS SECURITIES TO A U.S. PERSON, AS DEFINED UNDER

8 SUBSECTION 17 CFR 230.902(k), AS AMENDED.

9 (23.5) "REASONABLE CAUSE" MEANS JUST OR LEGITIMATE

10 GROUNDS BASED IN LAW AND IN FACT TO BELIEVE THAT THE PARTICULAR

11 REQUESTED ACTION FURTHERS THE PURPOSES OF THIS ARTICLE 11 OR

12 PROTECTS PUBLIC SAFETY.

13 (25.5) "SECURITY" MEANS THOSE TERMS AS DEFINED IN SECTION

14 (2)(I) OF THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED.

15 **SECTION 2.** In Colorado Revised Statutes, 44-11-202, **amend**

16 (1)(d) and (2)(a)(VIII); **repeal** (2)(a)(XXV); and **add** (5) and (6) as

17 follows:

18 **44-11-202. Powers and duties of state licensing authority -**

19 **rules.** (1) The state licensing authority shall:

20 (d) Maintain the confidentiality of reports or other information

21 obtained from a medical or retail licensee containing any individualized

22 data, information, or records related to the licensee or its operation,

23 including sales information, financial records, tax returns, credit reports,

24 cultivation information, testing results, and security information and

25 plans, or revealing any patient information, or any other records that are

26 exempt from public inspection pursuant to state law. Such reports or other

27 information may be used only for a purpose authorized by this article 11

1 or article 12 of this title 44, FOR INVESTIGATION OR ENFORCEMENT OF ANY
2 INTERNATIONAL, FEDERAL, STATE, OR LOCAL SECURITIES LAW OR
3 REGULATIONS, or for any other state or local law enforcement purpose.

4 Any information released related to patients may be used only for a
5 purpose authorized by this article 11 or article 12 of this title 44, or to
6 verify that a person who presented a registry identification card to a state
7 or local law enforcement official is lawfully in possession of such card.

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

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

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

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

22 (I) OWNERSHIP AND FINANCIAL DISCLOSURE PROCEDURES AND
23 REQUIREMENTS PURSUANT TO THIS ARTICLE 11;

24 (II) RECORDS A MEDICAL MARIJUANA BUSINESS IS REQUIRED TO
25 MAINTAIN REGARDING ITS CONTROLLING BENEFICIAL OWNERS, PASSIVE
26 BENEFICIAL OWNERS, AND INDIRECT FINANCIAL INTEREST HOLDERS THAT
27 MAY BE SUBJECT TO DISCLOSURE AT RENEWAL OR AS PART OF ANY OTHER

1 INVESTIGATION FOLLOWING INITIAL LICENSURE OF A MEDICAL MARIJUANA
2 BUSINESS;

3 (III) PROCEDURES AND REQUIREMENTS FOR FINDINGS OF
4 SUITABILITY PURSUANT TO THIS ARTICLE 11, INCLUDING FEES NECESSARY
5 TO COVER THE DIRECT AND INDIRECT COSTS OF ANY SUITABILITY
6 INVESTIGATION;

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

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

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

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

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

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

24 (b) RULES PROMULGATED PURSUANT TO THIS SUBSECTION (5)
25 MUST NOT BE ANY MORE RESTRICTIVE THAN THE REQUIREMENTS
26 EXPRESSLY ESTABLISHED UNDER THIS ARTICLE 11.

27 (6) THE STATE LICENSING AUTHORITY MAY DENY, SUSPEND,

1 REVOKE, FINE, OR IMPOSE OTHER SANCTIONS AGAINST A PERSON'S LICENSE
2 ISSUED PURSUANT TO THIS ARTICLE 11 IF THE STATE LICENSING
3 AUTHORITY FINDS THE PERSON OR THE PERSON'S CONTROLLING
4 BENEFICIAL OWNER, PASSIVE BENEFICIAL OWNER, OR INDIRECT FINANCIAL
5 INTEREST HOLDER FAILED TO TIMELY FILE ANY REPORT, DISCLOSURE,
6 REGISTRATION STATEMENT, OR OTHER SUBMISSION REQUIRED BY ANY
7 STATE OR FEDERAL REGULATORY AUTHORITY THAT IS RELATED TO THE
8 CONDUCT OF THEIR BUSINESS.

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

11 **44-11-304. State licensing authority - application and issuance**
12 **procedures.** (1) Applications for a state license under the provisions of
13 this article 11 ~~shall~~ MUST be made to the state licensing authority on
14 forms prepared and furnished by the state licensing authority and ~~shall~~
15 MUST set forth such information as the state licensing authority may
16 require to enable the state licensing authority to determine whether a state
17 license should be granted. The information ~~shall~~ MUST include the name
18 and address of the applicant, DISCLOSURES REQUIRED BY SECTION
19 44-11-307.5, ~~the names and addresses of the officers, directors, or~~
20 ~~managers~~, and all other information deemed necessary by the state
21 licensing authority. Each application ~~shall~~ MUST be verified by the oath
22 or affirmation of such person or persons as the state licensing authority
23 may prescribe.

24 (2) The state licensing authority shall issue a state license to a
25 ~~medical marijuana center, an optional premises cultivation operation, or~~
26 ~~a medical marijuana-infused products manufacturer~~ BUSINESS pursuant to
27 this section upon satisfactory completion of the applicable criminal

1 history background check associated with the application, and the state
2 license is conditioned upon local licensing authority approval. A license
3 applicant is prohibited from operating a licensed medical marijuana
4 business without both state and local licensing authority approval. The
5 denial of an application by the local licensing authority shall be
6 considered as a basis for the state licensing authority to revoke the
7 state-issued license.

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

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

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

18 (e) ~~A person employing, assisted by, or financed in whole or in~~
19 ~~part by any other person whose criminal history indicates he or she is not~~
20 ~~of good character and reputation satisfactory to the respective licensing~~
21 ~~authority;~~

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

24 (n) A publicly traded ~~company~~ ENTITY THAT DOES NOT
25 CONSTITUTE A PUBLICLY TRADED CORPORATION AS DEFINED IN THIS
26 ARTICLE 11;

27 (o) A PERSON THAT IS OR HAS A CONTROLLING BENEFICIAL OWNER,

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

8 (p) A PERSON THAT IS OR HAS A CONTROLLING BENEFICIAL OWNER
9 THAT IS AN "INELIGIBLE ISSUER" PURSUANT TO SECTION 44-11-104 (22.7)
10 (d)(1);

11 (q) A PERSON THAT IS OR HAS A CONTROLLING BENEFICIAL OWNER
12 THAT IS DISQUALIFIED AS A "BAD ACTOR" UNDER RULE 506 (d)
13 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933",
14 AS AMENDED, AND SUBJECT TO 17 CFR 230.506 (d)(1);

15 (r) A PERSON THAT IS NOT A PUBLICLY TRADED CORPORATION
16 THAT IS OR HAS A PASSIVE BENEFICIAL OWNER OR INDIRECT FINANCIAL
17 INTEREST HOLDER THAT IS DISQUALIFIED AS A "BAD ACTOR" UNDER RULE
18 506 (d) PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF
19 1933", AS AMENDED, AND SUBJECT TO 17 CFR 230.506 (d)(1);

20 (s) A PERSON THAT IS A PUBLICLY TRADED CORPORATION THAT IS
21 OR HAS A NONOBJECTING PASSIVE BENEFICIAL OWNER OR INDIRECT
22 FINANCIAL INTEREST HOLDER THAT IS DISQUALIFIED AS A "BAD ACTOR"
23 UNDER RULE 506 (d) PROMULGATED PURSUANT TO THE FEDERAL
24 "SECURITIES ACT OF 1933", AS AMENDED, AND SUBJECT TO 17 CFR
25 230.506 (d)(1); OR

26 (t) A PERSON THAT IS OR HAS A CONTROLLING BENEFICIAL OWNER,
27 PASSIVE BENEFICIAL OWNER, OR INDIRECT FINANCIAL INTEREST HOLDER

1 THAT IS PROHIBITED FROM ENGAGING IN TRANSACTIONS PURSUANT TO
2 THIS ARTICLE 11 DUE TO ITS DESIGNATION ON THE "SPECIALLY
3 DESIGNATED NATIONALS AND BLOCKED PERSONS" LIST MAINTAINED BY
4 THE FEDERAL OFFICE OF FOREIGN ASSETS CONTROL.

5 **SECTION 5.** In Colorado Revised Statutes, 44-11-307, **amend**
6 **(1)(a)(II), (1)(a)(IV), (1)(b), and (3); repeal (2), (4), (5), (6), and (7); and**
7 **add (1)(a)(IV.5), (1)(a)(VI), and (1)(a)(VII) as follows:**

8 **44-11-307. Business and owner requirements - legislative**
9 **declaration.** (1) (a) The general assembly hereby finds and declares that:

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

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

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

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

27 (VII) RECOGNIZING THAT PARTICIPATION BY PUBLICLY TRADED

1 CORPORATIONS IN COLORADO'S MEDICAL MARIJUANA INDUSTRY CREATES
2 AN INCREASED NEED TO ASSESS BARRIERS OF ENTRY FOR MINORITY- AND
3 WOMAN-OWNED BUSINESSES, WITH SUCH EFFORTS BEING MADE TO
4 IDENTIFY SOLUTIONS TO ARRIVE AT A GREATER BALANCE AND FOR
5 FURTHER EQUITY FOR MINORITY- AND WOMAN-OWNED BUSINESSES, AND
6 IN A MANNER THAT IS CONSISTENT WITH THE PUBLIC SAFETY AND
7 ENFORCEMENT GOALS AS STATED HEREIN, IT IS THEREFORE OF
8 SUBSTANTIVE IMPORTANCE TO ADDRESS THE LACK OF MINORITY- AND
9 WOMAN-OWNED BUSINESSES' INCLUSION IN COLORADO'S MEDICAL
10 MARIJUANA INDUSTRY, SOCIAL JUSTICE ISSUES ASSOCIATED WITH
11 MARIJUANA PROHIBITION, SUITABILITY ISSUES RELATING TO PAST
12 CONVICTIONS FOR POTENTIAL LICENSEES, LICENSING FEES, AND ECONOMIC
13 CHALLENGES THAT ARISE WITH THE APPLICATION PROCESSES.

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

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

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

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

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

27 (b) On and after January 1, 2017, a medical marijuana business

1 ~~that is composed of one or more direct beneficial interest owners who~~
2 ~~have not been Colorado residents for at least one year prior to application~~
3 ~~shall have at least one officer who has been a Colorado resident for at~~
4 ~~least one year prior to application, and All officers~~ NATURAL PERSONS
5 ~~with day-to-day operational control over the~~ MEDICAL MARIJUANA
6 ~~business must be Colorado residents. for at least one year prior to~~
7 ~~application. A medical marijuana business under this subsection (3)(b) is~~
8 ~~limited to no more than fifteen direct beneficial interest owners, including~~
9 ~~all parent and subsidiary entities, all of whom are natural persons.~~

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

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

27 (4) ~~A medical marijuana business may include qualified~~

1 ~~institutional investors that own thirty percent or less of the medical~~
2 ~~marijuana business.~~

3 ~~(5) (a) A person who intends to apply as a direct beneficial~~
4 ~~interest owner and is not a Colorado resident for at least one year prior to~~
5 ~~the date of application shall first submit a request to the state licensing~~
6 ~~authority for a finding of suitability as a direct beneficial interest owner.~~
7 ~~The person shall receive a finding of suitability prior to submitting an~~
8 ~~application to the state licensing authority to be a direct beneficial interest~~
9 ~~owner. Failure to receive a finding of suitability prior to application is~~
10 ~~grounds for denial by the state licensing authority.~~

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

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

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

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

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

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

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

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

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

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

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

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

13 **SECTION 6.** In Colorado Revised Statutes, **add 44-11-307.5 and**
14 **44-11-307.6 as follows:**

15 **44-11-307.5. Business owner and financial interest disclosure**
16 **requirements.** (1) **APPLICANTS FOR THE ISSUANCE OF A STATE LICENSE**
17 **SHALL DISCLOSE TO THE STATE LICENSING AUTHORITY THE FOLLOWING:**

18 (a) **A COMPLETE AND ACCURATE ORGANIZATIONAL CHART OF THE**
19 **MEDICAL MARIJUANA BUSINESS REFLECTING THE IDENTITY AND**
20 **OWNERSHIP PERCENTAGES OF ITS CONTROLLING BENEFICIAL OWNERS;**

21 (b) **THE FOLLOWING INFORMATION REGARDING ALL CONTROLLING**
22 **BENEFICIAL OWNERS OF THE MEDICAL MARIJUANA BUSINESS:**

23 (I) **IF THE CONTROLLING BENEFICIAL OWNER IS A PUBLICLY**
24 **TRADED CORPORATION, THE APPLICANT SHALL DISCLOSE THE**
25 **CONTROLLING BENEFICIAL OWNERS' MANAGERS AND ANY BENEFICIAL**
26 **OWNERS THAT DIRECTLY OR INDIRECTLY BENEFICIALLY OWN TEN PERCENT**
27 **OR MORE OF THE SECURITIES IN THE CONTROLLING BENEFICIAL OWNER;**

1 (II) IF THE CONTROLLING BENEFICIAL OWNER IS NOT A PUBLICLY
2 TRADED CORPORATION AND IS NOT A QUALIFIED PRIVATE FUND, THE
3 APPLICANT SHALL DISCLOSE THE CONTROLLING BENEFICIAL OWNER'S
4 MANAGERS AND ANY BENEFICIAL OWNERS THAT DIRECTLY OR INDIRECTLY
5 BENEFICIALLY OWN TEN PERCENT OR MORE OF THE SECURITIES IN THE
6 CONTROLLING BENEFICIAL OWNER;

7 (III) IF THE CONTROLLING BENEFICIAL OWNER IS A QUALIFIED
8 PRIVATE FUND, THE APPLICANT SHALL DISCLOSE A COMPLETE AND
9 ACCURATE ORGANIZATIONAL CHART OF THE QUALIFIED PRIVATE FUND
10 REFLECTING THE IDENTITY AND OWNERSHIP PERCENTAGES OF THE
11 QUALIFIED PRIVATE FUND'S MANAGERS, INVESTMENT ADVISERS,
12 INVESTMENT ADVISER REPRESENTATIVES, ANY TRUSTEE OR EQUIVALENT,
13 AND ANY OTHER PERSON THAT CONTROLS THE INVESTMENT IN, OR
14 MANAGEMENT OR OPERATIONS OF, THE MEDICAL MARIJUANA BUSINESS;

15 (IV) IF THE CONTROLLING BENEFICIAL OWNER IS A NATURAL
16 PERSON, THE APPLICANT SHALL DISCLOSE THE NATURAL PERSON'S
17 IDENTIFYING INFORMATION;

18 (c) A PERSON THAT IS BOTH A PASSIVE BENEFICIAL OWNER AND AN
19 INDIRECT FINANCIAL INTEREST HOLDER IN THE MEDICAL MARIJUANA
20 BUSINESS; AND

21 (d) ANY INDIRECT FINANCIAL INTEREST HOLDER THAT HOLDS TWO
22 OR MORE INDIRECT FINANCIAL INTERESTS IN THE MEDICAL MARIJUANA
23 BUSINESS OR THAT IS CONTRIBUTING OVER FIFTY PERCENT OF THE
24 OPERATING CAPITAL OF THE MEDICAL MARIJUANA BUSINESS.

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

27 (a) EACH BENEFICIAL OWNER AND AFFILIATE OF AN APPLICANT,

1 MEDICAL MARIJUANA BUSINESS, OR CONTROLLING BENEFICIAL OWNER
2 THAT IS NOT A PUBLICLY TRADED CORPORATION OR A QUALIFIED PRIVATE
3 FUND; AND

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

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

8 (a) A COMPLETE AND ACCURATE LIST OF EACH NONOBJECTING
9 BENEFICIAL INTEREST OWNER OF AN APPLICANT, MEDICAL MARIJUANA
10 BUSINESS, OR CONTROLLING BENEFICIAL OWNER THAT IS A PUBLICLY
11 TRADED CORPORATION;

12 (b) PASSIVE BENEFICIAL OWNERS OF THE MEDICAL MARIJUANA
13 BUSINESS, AND FOR ANY PASSIVE BENEFICIAL INTEREST OWNER THAT IS
14 NOT A NATURAL PERSON, THE MEMBERS OF THE BOARD OF DIRECTORS,
15 GENERAL PARTNERS, MANAGING MEMBERS, OR MANAGERS OR EXECUTIVE
16 OFFICERS AND TEN PERCENT OR MORE OWNERS OF THE PASSIVE BENEFICIAL
17 OWNER;

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

20 (d) ALL INDIRECT FINANCIAL INTEREST HOLDERS OF THE MEDICAL
21 MARIJUANA BUSINESS, AND FOR ANY INDIRECT FINANCIAL INTEREST
22 HOLDER THAT IS NOT A NATURAL PERSON AND TEN PERCENT OR MORE
23 BENEFICIAL OWNERS OF THE INDIRECT FINANCIAL INTEREST HOLDER.

24 (4) AN APPLICANT OR MEDICAL MARIJUANA BUSINESS THAT IS NOT
25 A PUBLICLY TRADED CORPORATION SHALL AFFIRM UNDER PENALTY OF
26 PERJURY THAT IT EXERCISED REASONABLE CARE TO CONFIRM THAT ITS
27 PASSIVE BENEFICIAL OWNERS, INDIRECT FINANCIAL INTEREST HOLDERS,

1 AND QUALIFIED INSTITUTIONAL INVESTORS ARE NOT PERSONS PROHIBITED
2 PURSUANT TO SECTION 44-11-306, OR OTHERWISE RESTRICTED FROM
3 HOLDING AN INTEREST UNDER THIS ARTICLE 11. AN APPLICANT'S OR
4 MEDICAL MARIJUANA BUSINESS'S FAILURE TO EXERCISE REASONABLE CARE
5 IS A BASIS FOR DENIAL, FINE, SUSPENSION, REVOCATION, OR OTHER
6 SANCTION BY THE STATE LICENSING AUTHORITY.

7 (5) AN APPLICANT OR MEDICAL MARIJUANA BUSINESS THAT IS A
8 PUBLICLY TRADED CORPORATION SHALL AFFIRM UNDER PENALTY OF
9 PERJURY THAT IT EXERCISED REASONABLE CARE TO CONFIRM THAT ITS
10 NONOBJECTING PASSIVE BENEFICIAL OWNERS, INDIRECT FINANCIAL
11 INTEREST HOLDERS, AND QUALIFIED INSTITUTIONAL INVESTORS ARE NOT
12 PERSONS PROHIBITED PURSUANT TO SECTION 44-11-306, OR OTHERWISE
13 RESTRICTED FROM HOLDING AN INTEREST UNDER THIS ARTICLE 11. AN
14 APPLICANT'S OR MEDICAL MARIJUANA BUSINESS'S FAILURE TO EXERCISE
15 REASONABLE CARE IS A BASIS FOR DENIAL, FINE, SUSPENSION,
16 REVOCATION, OR OTHER SANCTION BY THE STATE LICENSING AUTHORITY.

17 (6) THIS SECTION DOES NOT RESTRICT THE STATE LICENSING
18 AUTHORITY'S ABILITY TO REASONABLY REQUEST INFORMATION OR
19 RECORDS AT RENEWAL OR AS PART OF ANY OTHER INVESTIGATION
20 FOLLOWING INITIAL LICENSURE OF A MEDICAL MARIJUANA BUSINESS.

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

25 **44-11-307.6. Business owner and financial interest suitability**
26 **requirements.** (1) THIS SECTION APPLIES TO ALL PERSONS REQUIRED TO
27 SUBMIT A FINDING OF SUITABILITY.

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

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

12 (4) FAILURE TO PROVIDE ALL REQUESTED INFORMATION IN
13 CONNECTION WITH A REQUEST FOR A FINDING OF SUITABILITY IS GROUNDS
14 FOR DENIAL OF THAT FINDING OF SUITABILITY.

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

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

27 (7) A PERSON REQUESTING A FINDING OF SUITABILITY SHALL

1 PROVIDE THE STATE LICENSING AUTHORITY WITH A DEPOSIT TO COVER THE
2 DIRECT AND INDIRECT COSTS OF ANY INVESTIGATION NECESSARY TO
3 DETERMINE ANY REQUIRED FINDING OF SUITABILITY UNLESS OTHERWISE
4 ESTABLISHED BY RULE. THE STATE LICENSING AUTHORITY MAY MAKE
5 FURTHER RULES REGARDING THE DEPOSIT AND DIRECT AND INDIRECT
6 COSTS THAT MUST BE BILLED AGAINST THE DEPOSIT, UNLESS OTHERWISE
7 ESTABLISHED BY RULE.

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

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

15 (10) ABSENT REASONABLE CAUSE, THE STATE LICENSING
16 AUTHORITY SHALL APPROVE OR DENY A REQUEST FOR A FINDING OF
17 SUITABILITY WITHIN ONE HUNDRED TWENTY DAYS FROM THE DATE OF
18 SUBMISSION OF THE REQUEST FOR SUCH FINDING.

19 (11) THE STATE LICENSING AUTHORITY MAY DENY, SUSPEND,
20 REVOKE, FINE, OR IMPOSE OTHER SANCTIONS AGAINST A PERSON'S LICENSE
21 ISSUED PURSUANT TO THIS ARTICLE 11 IF THE STATE LICENSING
22 AUTHORITY FINDS THE PERSON OR THE PERSON'S CONTROLLING
23 BENEFICIAL OWNER, PASSIVE BENEFICIAL OWNER, OR INDIRECT FINANCIAL
24 INTEREST HOLDER TO BE UNSUITABLE PURSUANT TO THIS SECTION.

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

27 **44-11-309. Transfer of ownership. (2)** For a transfer of

1 ownership INVOLVING A CONTROLLING BENEFICIAL OWNER, a license
2 holder shall apply to the state and local licensing authorities on forms
3 prepared and furnished by the state licensing authority. In determining
4 whether to permit a transfer of ownership, the state and local licensing
5 authorities shall consider only the requirements of this article 11, any
6 rules promulgated by the state licensing authority, and any other local
7 restrictions. The local licensing authority may hold a hearing on the
8 application for transfer of ownership. The local licensing authority shall
9 not hold a hearing pursuant to this subsection (2) until the local licensing
10 authority has posted a notice of hearing in the manner described in section
11 44-11-302 (2) on the licensed medical marijuana center premises for a
12 period of ten days and has provided notice of the hearing to the applicant
13 at least ten days prior to the hearing. Any transfer of ownership hearing
14 by the state licensing authority shall MUST be held in compliance with the
15 requirements specified in section 44-11-302.

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

21 (4) A PERSON THAT BECOMES A CONTROLLING BENEFICIAL OWNER
22 OF A PUBLICLY TRADED CORPORATION THAT IS A MEDICAL MARIJUANA
23 BUSINESS OR THAT BECOMES A BENEFICIAL OWNER, THROUGH DIRECT OR
24 INDIRECT OWNERSHIP OF A CONTROLLING BENEFICIAL OWNER, OF TEN
25 PERCENT OR MORE OF A MEDICAL MARIJUANA BUSINESS THAT IS A
26 PUBLICLY TRADED CORPORATION MUST DISCLOSE THE INFORMATION
27 REQUIRED BY SECTION 44-11-307.5 AND APPLY TO THE STATE LICENSING

1 AUTHORITY FOR A FINDING OF SUITABILITY OR EXEMPTION FROM A
2 FINDING OF SUITABILITY PURSUANT TO SECTION 44-11-307.6 WITHIN
3 FORTY-FIVE DAYS AFTER BECOMING SUCH A CONTROLLING BENEFICIAL
4 OWNER. A MEDICAL MARIJUANA BUSINESS SHALL NOTIFY EACH PERSON
5 THAT IS SUBJECT TO THIS SUBSECTION (4) OF ITS REQUIREMENTS AS SOON
6 AS THE MEDICAL MARIJUANA BUSINESS BECOMES AWARE OF THE
7 BENEFICIAL OWNERSHIP TRIGGERING THE REQUIREMENT, PROVIDED THAT
8 THE OBLIGATIONS OF THE PERSON SUBJECT TO THIS SUBSECTION (4) ARE
9 INDEPENDENT OF, AND UNAFFECTED BY, THE MEDICAL MARIJUANA
10 BUSINESS'S FAILURE TO GIVE THE NOTICE.

11 **SECTION 8.** In Colorado Revised Statutes, 44-11-310, **amend**
12 (3), (4), (6), and (11) as follows:

13 **44-11-310. Licensing in general.** (3) A medical marijuana
14 ~~center, optional premises cultivation operation, or medical~~
15 ~~marijuana-infused products manufacturer~~ BUSINESS THAT IS NOT A
16 PUBLICLY TRADED CORPORATION shall notify the state licensing authority
17 in writing within ten days after an owner officer or manager ceases to
18 work at, manage, own, or otherwise be associated with the operation. The
19 owner, officer or manager shall surrender to the state licensing authority
20 any identification card that may have been issued by the state licensing
21 authority on or before the date of the notification.

22 (4) A medical marijuana ~~center, optional premises cultivation~~
23 ~~operation, or medical marijuana-infused products manufacturer~~ BUSINESS
24 THAT IS NOT A PUBLICLY TRADED CORPORATION shall notify the state
25 licensing authority in writing of the name, address, and date of birth of an
26 owner OR officer, or manager before the new owner, officer or manager
27 begins managing, owning, or associating with the operation. Any

1 CONTROLLING BENEFICIAL owner, officer, manager, or employee shall
2 pass a fingerprint-based criminal history record check as required by the
3 state licensing authority and obtain the required identification prior to
4 being associated with, managing, owning, or working at the operation.
5 THE STATE LICENSING AUTHORITY MAY FOR REASONABLE CAUSE REQUIRE
6 A PASSIVE BENEFICIAL OWNER TO PASS A FINGERPRINT-BASED CRIMINAL
7 HISTORY CHECK.

8 (6) All managers and employees WITH DAY-TO-DAY OPERATIONAL
9 CONTROL of a medical marijuana center, optional premises cultivation
10 operation, or medical marijuana-infused products manufacturer shall be
11 residents of Colorado upon the date of their license application. All
12 licenses granted pursuant to this article 11 shall be valid for a period not
13 to exceed two years after the date of issuance unless revoked or
14 suspended pursuant to this article 11 or the rules promulgated pursuant to
15 this article 11.

16 (11) EXCEPT FOR A PUBLICLY TRADED CORPORATION, a licensee
17 MEDICAL MARIJUANA BUSINESS shall report each transfer or change of
18 financial interest in the license to the state and local licensing authorities
19 thirty days prior to any transfer or change pursuant to section 44-11-309.
20 EXCEPT FOR A PUBLICLY TRADED CORPORATION, a report shall be required
21 for transfers of ~~capital stock of any corporation~~ OWNER'S INTEREST OF
22 ANY ENTITY regardless of size.

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

25 **44-11-313. Unlawful financial assistance.** (1) The state
26 licensing authority, by rule, shall require a complete disclosure ~~of all~~
27 ~~persons having a direct or indirect financial interest, and the extent of~~

1 ~~such interest, in~~ PURSUANT TO SECTION 44-11-307.5 IN CONNECTION WITH
2 each license issued under this article 11.

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

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

13 **44-11-407. Medical marijuana business operator license.** A
14 medical marijuana business operator license may be issued to ~~an entity or~~
15 ~~A person who~~ THAT operates a medical marijuana ~~establishment~~ BUSINESS
16 licensed pursuant to this article 11 for ~~an owner~~ ANOTHER MEDICAL
17 MARIJUANA BUSINESS licensed pursuant to this article 11 and ~~who~~ THAT
18 may receive a portion of the profits as compensation.

19 **SECTION 11.** In Colorado Revised Statutes, 44-11-901, **add**
20 (7.5) as follows:

21 **44-11-901. Unlawful acts - exceptions - repeal.** (7.5) (a) IT IS
22 UNLAWFUL FOR A PERSON TO ENGAGE IN ANY ACT OR OMISSION WITH THE
23 INTENT TO EVADE DISCLOSURE, REPORTING, RECORD KEEPING, OR
24 SUITABILITY REQUIREMENTS PURSUANT TO THIS ARTICLE 11, INCLUDING
25 BUT NOT LIMITED TO THE FOLLOWING:

26 (I) FAILING TO FILE A REPORT REQUIRED UNDER THIS ARTICLE 11
27 OR CAUSING OR ATTEMPTING TO CAUSE A PERSON TO FAIL TO FILE SUCH A

1 REPORT;

2 (II) FILING OR CAUSING OR ATTEMPTING TO CAUSE A PERSON TO

3 FILE A REPORT REQUIRED UNDER THIS ARTICLE 11 THAT CONTAINS A

4 MATERIAL OMISSION OR MISSTATEMENT OF FACT;

5 (III) MAKING FALSE OR MISLEADING STATEMENTS REGARDING THE

6 OFFERING OF INTERESTS OF A MEDICAL MARIJUANA BUSINESS; OR

7 (IV) STRUCTURING ANY TRANSACTION WITH THE INTENT TO EVADE

8 DISCLOSURE, REPORTING, RECORD KEEPING, OR SUITABILITY

9 REQUIREMENTS PURSUANT TO THIS ARTICLE 11.

10 (b) THE STATE LICENSING AUTHORITY MAY DENY, SUSPEND,

11 REVOKE, FINE, OR IMPOSE OTHER SANCTIONS AGAINST A PERSON'S LICENSE

12 ISSUED UNDER THIS ARTICLE 11 IF THE STATE LICENSING AUTHORITY FINDS

13 A VIOLATION OF THIS SUBSECTION (7.5) BY THE PERSON, THE PERSON'S

14 CONTROLLING BENEFICIAL OWNER, PASSIVE BENEFICIAL OWNER, INDIRECT

15 FINANCIAL INTEREST HOLDER OR ANY AGENT OR EMPLOYEE THEREOF.

16 **SECTION 12.** In Colorado Revised Statutes, 44-12-103, **amend**

17 (1), (5), (18), (20), (24), and (25); and **add** (1.1), (1.2), (1.3), (1.4), (1.5),

18 (11.5), (16.1), (16.5), (19.5), (20.3), (20.5), (32.5), and (34) as follows:

19 **44-12-103. Definitions.** As used in this article 12, unless the

20 context otherwise requires:

21 (1) ~~"Direct beneficial interest owner" means a person or closely~~

22 ~~held business entity that owns a share or shares of stock in a licensed~~

23 ~~retail marijuana business, including the officers, directors, managing~~

24 ~~members, or partners of the licensed retail marijuana business or closely~~

25 ~~held business entity, or a qualified limited passive investor "ACQUIRE"~~

26 ~~WHEN USED IN CONNECTION WITH THE ACQUISITION OF AN OWNER'S~~

27 ~~INTEREST OF A RETAIL MARIJUANA BUSINESS, MEANS OBTAINING~~

1 OWNERSHIP, CONTROL, POWER TO VOTE, OR SOLE POWER OF DISPOSITION
2 OF THE OWNER'S INTEREST, DIRECTLY OR INDIRECTLY OR THROUGH ONE OR
3 MORE TRANSACTIONS OR SUBSIDIARIES, THROUGH PURCHASE,
4 ASSIGNMENT, TRANSFER, EXCHANGE, SUCCESSION, OR OTHER MEANS.

5 (1.1) "ACTING IN CONCERT" MEANS KNOWING PARTICIPATION IN
6 A JOINT ACTIVITY OR INTERDEPENDENT CONSCIOUS PARALLEL ACTION
7 TOWARD A COMMON GOAL, WHETHER OR NOT PURSUANT TO AN EXPRESS
8 AGREEMENT.

9 (1.2) "AFFILIATE" OF, OR PERSON "AFFILIATED WITH", HAS THE
10 SAME MEANING AS DEFINED IN THE "SECURITIES ACT OF 1933", 17 CFR
11 230.405, AS AMENDED.

12 (1.3) "BENEFICIAL OWNER OF", "BENEFICIAL OWNERSHIP OF", OR
13 "BENEFICIALLY OWNS AN" OWNER'S INTEREST IS DETERMINED IN
14 ACCORDANCE WITH SECTION 13(d) OF THE FEDERAL "SECURITIES
15 EXCHANGE ACT OF 1934", AS AMENDED, AND RULE 13d-3 PROMULGATED
16 THEREUNDER.

17 (1.4) "CONTROL", "CONTROLS", "CONTROLLED", "CONTROLLING",
18 "CONTROLLED BY", AND "UNDER COMMON CONTROL WITH", MEANS THE
19 POSSESSION, DIRECT OR INDIRECT, OF THE POWER TO DIRECT OR CAUSE THE
20 DIRECTION OF THE MANAGEMENT OR POLICIES OF A PERSON, WHETHER
21 THROUGH THE OWNERSHIP OF VOTING SECURITIES, BY CONTRACT, OR
22 OTHERWISE.

23 (1.5) "CONTROLLING BENEFICIAL OWNER" IS LIMITED TO A PERSON
24 THAT SATISFIES ONE OR MORE OF THE FOLLOWING CRITERIA:

25 (a) A NATURAL PERSON, AN ENTITY AS DEFINED IN SECTION
26 7-90-102 (20) THAT IS ORGANIZED UNDER THE LAWS OF AND FOR WHICH
27 ITS PRINCIPAL PLACE OF BUSINESS IS LOCATED IN ONE OF THE STATES OR

1 TERRITORIES OF THE UNITED STATES OR DISTRICT OF COLUMBIA, A
2 PUBLICLY TRADED CORPORATION, OR A QUALIFIED PRIVATE FUND THAT IS
3 NOT A QUALIFIED INSTITUTIONAL INVESTOR:

4 (I) ACTING ALONE OR ACTING IN CONCERT, THAT OWNS OR
5 ACQUIRES BENEFICIAL OWNERSHIP OF TEN PERCENT OR MORE OF THE
6 OWNER'S INTEREST OF A RETAIL MARIJUANA BUSINESS;

7 (II) THAT IS AN AFFILIATE THAT CONTROLS A RETAIL MARIJUANA
8 BUSINESS AND INCLUDES, WITHOUT LIMITATION, ANY MANAGER; OR

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

11 (b) A QUALIFIED INSTITUTIONAL INVESTOR ACTING ALONE OR
12 ACTING IN CONCERT THAT OWNS OR ACQUIRES BENEFICIAL OWNERSHIP OF
13 MORE THAN THIRTY PERCENT OF THE OWNER'S INTEREST OF A RETAIL
14 MARIJUANA BUSINESS.

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

21 "INDIRECT FINANCIAL INTEREST HOLDER" MEANS A PERSON THAT IS NOT
22 AN AFFILIATE, A CONTROLLING BENEFICIAL OWNER, OR A PASSIVE
23 BENEFICIAL OWNER OF A RETAIL MARIJUANA BUSINESS AND THAT:

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

27 (b) HOLDS A PERMITTED ECONOMIC INTEREST THAT WAS ISSUED

1 PRIOR TO JANUARY 1, 2020, AND THAT HAS NOT BEEN CONVERTED INTO AN
2 OWNERSHIP INTEREST;

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

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

17 (11.5) "MANAGER" HAS THE SAME MEANING AS IN SECTION
18 7-90-102 (35.7).

19 (16.1) "OWNER'S INTEREST" HAS THE SAME MEANING AS IN
20 SECTION 7-90-102 (44).

21 (16.5) "PASSIVE BENEFICIAL OWNER" MEANS ANY PERSON
22 ACQUIRING ANY INTEREST IN A RETAIL MARIJUANA ESTABLISHMENT THAT
23 IS NOT OTHERWISE A CONTROLLING BENEFICIAL OWNER OR IN CONTROL.

24 (18) "Person" ~~means a natural person, partnership, association,~~
25 ~~company, corporation, limited liability company, or organization; except~~
26 ~~that "person" does not include any governmental organization.~~ HAS THE
27 SAME MEANING AS DEFINED IN SECTION 7-90-102 (49).

1 (19.5) "PUBLICLY TRADED CORPORATION" MEANS ANY PERSON
2 OTHER THAN AN INDIVIDUAL THAT HAS A CLASS OF SECURITIES
3 REGISTERED PURSUANT TO SECTION 12 OF THE FEDERAL "SECURITIES
4 EXCHANGE ACT OF 1934", AS AMENDED, THAT IS ORGANIZED UNDER THE
5 LAWS OF AND FOR WHICH ITS PRINCIPAL PLACE OF BUSINESS IS LOCATED IN
6 ONE OF THE STATES OR TERRITORIES OF THE UNITED STATES OR DISTRICT
7 OF COLUMBIA OR ANOTHER COUNTRY THAT AUTHORIZES THE SALE OF
8 MARIJUANA AND THAT:

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

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

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

17 (A) THE PERSON IS THEN REQUIRED TO FILE REPORTS AND IS FILING
18 REPORTS ON A CURRENT BASIS WITH THE FEDERAL SECURITIES AND
19 EXCHANGE COMMISSION PURSUANT TO THE FEDERAL "SECURITIES
20 EXCHANGE ACT OF 1934", AS AMENDED, AS IF THE SECURITIES
21 CONSTITUTED "COVERED SECURITIES" AS DESCRIBED IN SUBSECTION
22 (19.5)(a)(I) OF THIS SECTION; AND

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

27 (b) IS AN ENTITY THAT HAS A CLASS OF SECURITIES LISTED ON THE

1 CANADIAN SECURITIES EXCHANGE, TORONTO STOCK EXCHANGE, TSX
2 VENTURE EXCHANGE, OR OTHER EQUITY SECURITIES EXCHANGE
3 RECOGNIZED BY THE STATE LICENSING AUTHORITY, IF:

4 (I) THE ENTITY CONSTITUTES A "FOREIGN PRIVATE ISSUER", AS
5 DEFINED IN RULE 405 PROMULGATED PURSUANT TO THE FEDERAL
6 "SECURITIES ACT OF 1933", AS AMENDED, WHOSE SECURITIES ARE EXEMPT
7 FROM REGISTRATION PURSUANT TO SECTION 12 OF THE FEDERAL
8 "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, PURSUANT TO RULE
9 12g3-2 (b) PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES
10 EXCHANGE ACT OF 1934", AS AMENDED; AND

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

15 (c) IS REASONABLY IDENTIFIED AS A PUBLICLY TRADED
16 CORPORATION BY RULE; OR

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

20 (I) AN "INELIGIBLE ISSUER", AS DEFINED IN RULE 405
21 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933",
22 AS AMENDED, UNLESS SUCH PUBLICLY TRADED CORPORATION SATISFIES
23 THE DEFINITION OF INELIGIBLE ISSUER SOLELY BECAUSE IT IS ONE OR MORE
24 OF THE FOLLOWING, AND THE PERSON REPORTS AND IS FILING REPORTS ON
25 A CURRENT BASIS WITH THE FEDERAL SECURITIES AND EXCHANGE
26 COMMISSION PURSUANT TO THE FEDERAL "SECURITIES EXCHANGE ACT OF
27 1934", AS AMENDED, AS IF THE SECURITIES CONSTITUTED "COVERED

1 SECURITIES" AS DESCRIBED IN SUBSECTION (19.5)(a)(I) OF THIS SECTION,
2 AND PRIOR TO BECOMING A PUBLICLY TRADED CORPORATION, THE PERSON
3 FOR AT LEAST TWO YEARS WAS LICENSED BY THE STATE LICENSING
4 AUTHORITY AS A RETAIL MARIJUANA ESTABLISHMENT WITH A
5 DEMONSTRATED HISTORY OF OPERATIONS IN THE STATE OF COLORADO,
6 AND DURING SUCH TIME WAS NOT SUBJECT TO SUSPENSION OR
7 REVOCATION OF THE LICENSE:

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

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

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

17 (II) A PERSON DISQUALIFIED AS A "BAD ACTOR" UNDER RULE 506
18 (D) PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF
19 1933", AS AMENDED.

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

24 (a) A BANK AS DEFINED IN SECTION 3 (a)(6) OF THE FEDERAL
25 "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, PROVIDED THE
26 BANK IS CURRENT IN ALL APPLICABLE REPORTING AND RECORD-KEEPING
27 REQUIREMENTS UNDER SUCH ACT AND RULES PROMULGATED

1 THEREUNDER;

2 (b) A BANK HOLDING COMPANY AS DEFINED IN THE FEDERAL
3 "BANK HOLDING COMPANY ACT OF 1956", AS AMENDED, IF THE BANK
4 HOLDING COMPANY IS REGISTERED AND CURRENT IN ALL APPLICABLE
5 REPORTING AND RECORD-KEEPING REQUIREMENTS UNDER SUCH ACT AND
6 RULES PROMULGATED THEREUNDER;

7 (c) AN INSURANCE COMPANY AS DEFINED IN SECTION 2 (a)(17) OF
8 THE FEDERAL "INVESTMENT COMPANY ACT OF 1940", AS AMENDED,
9 PROVIDED THE INSURANCE COMPANY IS CURRENT IN ALL APPLICABLE
10 REPORTING AND RECORD-KEEPING REQUIREMENTS UNDER SUCH ACT AND
11 RULES PROMULGATED THEREUNDER;

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

18 (e) AN EMPLOYEE BENEFIT PLAN OR PENSION FUND SUBJECT TO THE
19 FEDERAL "EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974",
20 EXCLUDING AN EMPLOYEE BENEFIT PLAN OR PENSION FUND SPONSORED BY
21 A LICENSEE OR AN INTERMEDIARY HOLDING COMPANY LICENSEE THAT
22 DIRECTLY OR INDIRECTLY OWNS TEN PERCENT OR MORE OF A LICENSEE;

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

24 (g) A GROUP COMPRISED ENTIRELY OF PERSONS SPECIFIED IN
25 SUBSECTIONS (20)(a) TO (20)(f) OF THIS SECTION; OR

26 (h) ANY OTHER ENTITY IDENTIFIED BY RULE BY THE STATE
27 LICENSING AUTHORITY.

1 (20.3) "QUALIFIED PRIVATE FUND" MEANS AN ISSUER THAT WOULD
2 BE AN INVESTMENT COMPANY, AS DEFINED IN SECTION (3) OF THE FEDERAL
3 "INVESTMENT COMPANY ACT OF 1940", BUT FOR THE EXCLUSIONS
4 PROVIDED UNDER SECTIONS 3(c)(1) OR 3(c)(7) OF THAT ACT, AND THAT:

5 (a) IS ADVISED OR MANAGED BY AN INVESTMENT ADVISER AS
6 DEFINED AND REGISTERED UNDER SECTIONS 80b-1-21, TITLE 15 OF THE
7 FEDERAL "INVESTMENT ADVISERS ACT OF 1940", AND FOR WHICH THE
8 REGISTERED INVESTMENT ADVISER IS CURRENT IN ALL APPLICABLE
9 REPORTING AND RECORD-KEEPING REQUIREMENTS UNDER SUCH ACT AND
10 RULES PROMULGATED THEREUNDER; AND

11 (b) SATISFIES ONE OR MORE OF THE FOLLOWING:

12 (I) IS ORGANIZED UNDER THE LAW OF A STATE OR THE UNITED
13 STATES;

14 (II) IS ORGANIZED, OPERATED, OR SPONSORED BY A U.S. PERSON,
15 AS DEFINED UNDER SUBSECTION 17 CFR 230.902(k), AS AMENDED; OR

16 (III) SELLS SECURITIES TO A U.S. PERSON, AS DEFINED UNDER
17 SUBSECTION 17 CFR 230.902(k), AS AMENDED.

18 (20.5) "REASONABLE CAUSE" MEANS JUST OR LEGITIMATE
19 GROUNDS BASED IN LAW AND IN FACT TO BELIEVE THAT THE PARTICULAR
20 REQUESTED ACTION FURTHERS THE PURPOSES OF THIS ARTICLE 12 OR
21 PROTECTS PUBLIC SAFETY.

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

1 (25) "Retail marijuana establishment operator" means ~~an entity or~~
2 ~~A person who is not an owner and who~~ THAT is licensed to provide
3 professional operational services to a retail marijuana establishment for
4 direct remuneration from the retail marijuana establishment. A RETAIL
5 MARIJUANA ESTABLISHMENT OPERATOR IS NOT, BY VIRTUE OF ITS STATUS
6 AS RETAIL MARIJUANA ESTABLISHMENT OPERATOR, A CONTROLLING
7 BENEFICIAL OWNER, OR A PASSIVE BENEFICIAL OWNER OF ANY RETAIL
8 MARIJUANA ESTABLISHMENT IT OPERATES.

9 (32.5) "SECURITY" MEANS THOSE TERMS AS DEFINED IN SECTION
10 (2)(1) OF THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED.

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

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

15 **44-12-202. Powers and duties of state licensing authority -**
16 **rules.** (2) The state licensing authority has the authority to:

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

1 only for a purpose authorized by this article 12.

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

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

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

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

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

18 (I) OWNERSHIP AND FINANCIAL DISCLOSURE PROCEDURES AND
19 REQUIREMENTS PURSUANT TO THIS ARTICLE 12;

20 (II) RECORDS A RETAIL MARIJUANA ESTABLISHMENT IS REQUIRED
21 TO MAINTAIN REGARDING ITS CONTROLLING BENEFICIAL OWNERS, PASSIVE
22 BENEFICIAL OWNERS, AND INDIRECT FINANCIAL INTEREST HOLDERS THAT
23 MAY BE SUBJECT TO DISCLOSURE AT RENEWAL OR AS PART OF ANY OTHER
24 INVESTIGATION FOLLOWING INITIAL LICENSURE OF A RETAIL MARIJUANA
25 ESTABLISHMENT;

26 (III) PROCEDURES AND REQUIREMENTS FOR FINDINGS OF
27 SUITABILITY PURSUANT TO THIS ARTICLE 12, INCLUDING FEES NECESSARY

1 TO COVER THE DIRECT AND INDIRECT COSTS OF ANY SUITABILITY
2 INVESTIGATION;

3 (IV) PROCEDURES AND REQUIREMENTS CONCERNING THE
4 DIVESTITURE OF THE BENEFICIAL OWNERSHIP OF A PERSON FOUND
5 UNSUITABLE BY THE STATE LICENSING AUTHORITY;

6 (V) PROCEDURES, PROCESSES, AND REQUIREMENTS FOR
7 TRANSFERS OF OWNERSHIP INVOLVING A PUBLICLY TRADED CORPORATION,
8 INCLUDING BUT NOT LIMITED TO MERGERS WITH A PUBLICLY TRADED
9 CORPORATION, INVESTMENT BY A PUBLICLY TRADED CORPORATION, AND
10 PUBLIC OFFERINGS;

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

13 (VII) MODIFICATION OF THE PERCENTAGE OF SECURITIES THAT
14 MAY BE HELD BY A CONTROLLING BENEFICIAL OWNER AND PASSIVE
15 BENEFICIAL OWNER;

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

18 (IX) DESIGNATION OF INDIRECT FINANCIAL INTEREST HOLDERS
19 AND QUALIFIED INSTITUTIONAL INVESTORS.

20 (b) RULES PROMULGATED PURSUANT TO THIS SUBSECTION (6)
21 SHALL NOT BE ANY MORE RESTRICTIVE THAN THE REQUIREMENTS
22 EXPRESSLY ESTABLISHED UNDER THIS ARTICLE 12.

23 (7) THE STATE LICENSING AUTHORITY MAY DENY, SUSPEND,
24 REVOKE, FINE, OR IMPOSE OTHER SANCTIONS AGAINST A PERSON'S LICENSE
25 ISSUED PURSUANT TO THIS ARTICLE 12 IF THE STATE LICENSING
26 AUTHORITY FINDS THE PERSON OR THE PERSON'S CONTROLLING
27 BENEFICIAL OWNER, PASSIVE BENEFICIAL OWNER, OR INDIRECT FINANCIAL

1 INTEREST HOLDER FAILED TO TIMELY FILE ANY REPORT, DISCLOSURE,
2 REGISTRATION STATEMENT, OR OTHER SUBMISSION REQUIRED BY ANY
3 STATE OR FEDERAL REGULATORY AUTHORITY THAT IS RELATED TO THE
4 CONDUCT OF THEIR ESTABLISHMENT.

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

7 **44-12-303. State licensing authority - application and issuance**
8 **procedures.** (1) Applications for a state license under the provisions of
9 this article 12 must be made to the state licensing authority on forms
10 prepared and furnished by the state licensing authority and must set forth
11 such information as the state licensing authority may require to enable the
12 state licensing authority to determine whether a state license should be
13 granted. The information must include the name and address of the
14 applicant and ~~the names and addresses of the officers, directors, or~~
15 ~~managers~~ DISCLOSURES REQUIRED BY SECTION 44-11-307.5. Each
16 application must be verified by the oath or affirmation of such person or
17 persons as the state licensing authority may prescribe. The state licensing
18 authority may issue a state license to an applicant pursuant to this section
19 upon completion of the applicable criminal history background check
20 associated with the application, and the state license is conditioned upon
21 local jurisdiction approval. A license applicant is prohibited from
22 operating a licensed retail marijuana business without state and local
23 jurisdiction approval. If the applicant does not receive local jurisdiction
24 approval within one year from the date of state licensing authority
25 approval, the state license shall expire and may not be renewed. If an
26 application is denied by the local licensing authority, the state licensing
27 authority shall revoke the state-issued license.

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

4 **44-12-305. Persons prohibited as licensees - definition.** (1) A
5 license provided by this article 12 shall not be issued to or held by:

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

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

15 (l) A PERSON THAT IS OR HAS A CONTROLLING BENEFICIAL OWNER,
16 PASSIVE BENEFICIAL OWNER, OR INDIRECT FINANCIAL INTEREST HOLDER
17 THAT IS ORGANIZED OR FORMED UNDER THE LAWS OF A COUNTRY
18 DETERMINED BY THE UNITED STATES SECRETARY OF STATE TO HAVE
19 REPEATEDLY PROVIDED SUPPORT FOR ACTS OF INTERNATIONAL TERRORISM
20 OR INCLUDED AMONG THE LIST OF "COVERED COUNTRIES" IN SECTION 1502
21 OF THE FEDERAL "DODD-FRANK WALL STREET REFORM AND CONSUMER
22 PROTECTION ACT", PUB.L. 111-203;

23 (m) A PERSON THAT IS OR HAS A CONTROLLING BENEFICIAL
24 OWNER, THAT IS AN "INELIGIBLE ISSUER" PURSUANT TO SECTION 44-12-104
25 (19.5)(d)(1);

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

1 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933",
2 AS AMENDED, AND SUBJECT TO 17 CFR 230.506 (d)(1);

3 (o) A PERSON THAT IS NOT A PUBLICLY TRADED CORPORATION
4 THAT IS DISQUALIFIED AS A "BAD ACTOR" UNDER RULE 506 (d)
5 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933",
6 AS AMENDED, AND SUBJECT TO 17 CFR 230.506 (d)(1);

7 (p) A PERSON THAT IS A PUBLICLY TRADED CORPORATION THAT IS
8 OR HAS A PASSIVE BENEFICIAL OWNER OR INDIRECT FINANCIAL INTEREST
9 HOLDER THAT IS OR HAS A KNOWN PASSIVE BENEFICIAL OWNER OR
10 INDIRECT FINANCIAL INTEREST HOLDER THAT IS DISQUALIFIED AS A "BAD
11 ACTOR" UNDER RULE 506 (d) PROMULGATED PURSUANT TO THE FEDERAL
12 "SECURITIES ACT OF 1933", AS AMENDED, AND SUBJECT TO 17 CFR
13 230.506 (d)(1); OR

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

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

23 **44-12-306. Business and owner requirements - legislative**
24 **declaration - definition.** (1) (a) The general assembly hereby finds and
25 declares that:

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

1 TRADED CORPORATIONS;

2 (IV) Colorado retail marijuana ~~businesses~~ ESTABLISHMENTS need

3 to have ready access to capital from investors ~~in states~~ FROM outside of

4 Colorado; and

5 (IV.5) UNDER CERTAIN CIRCUMSTANCES, PERMITTING PUBLICLY

6 TRADED CORPORATIONS TO HOLD AN INTEREST IN RETAIL MARIJUANA

7 ESTABLISHMENTS WILL BENEFIT COLORADO'S RETAIL MARIJUANA MARKET;

8 (VI) PUBLICLY TRADED CORPORATIONS OFFERING SECURITIES FOR

9 INVESTMENT IN RETAIL MARIJUANA ESTABLISHMENTS MUST TELL THE

10 PUBLIC THE TRUTH ABOUT THEIR BUSINESS, THE SECURITIES THEY ARE

11 SELLING, AND THE RISKS INVOLVED WITH INVESTING IN RETAIL MARIJUANA

12 ESTABLISHMENTS, AND PEOPLE THAT SELL AND TRADE SECURITIES

13 RELATED TO RETAIL MARIJUANA ESTABLISHMENTS ARE PROHIBITED FROM

14 ENGAGING IN DECEIT, MISREPRESENTATIONS, AND OTHER FRAUD IN THE

15 SALE OF THE SECURITIES; AND

16 (VII) RECOGNIZING THAT PARTICIPATION BY PUBLICLY TRADED

17 CORPORATIONS IN COLORADO'S RETAIL MARIJUANA INDUSTRY CREATES AN

18 INCREASED NEED TO ASSESS BARRIERS OF ENTRY FOR MINORITY- AND

19 WOMAN-OWNED BUSINESSES, WITH SUCH EFFORTS BEING MADE TO

20 IDENTIFY SOLUTIONS TO ARRIVE AT A GREATER BALANCE AND FOR

21 FURTHER EQUITY FOR MINORITY- AND WOMAN-OWNED BUSINESSES, AND

22 IN A MANNER THAT IS CONSISTENT WITH THE PUBLIC SAFETY AND

23 ENFORCEMENT GOALS AS STATED HEREIN, IT IS THEREFORE OF

24 SUBSTANTIVE IMPORTANCE TO ADDRESS THE LACK OF MINORITY- AND

25 WOMAN-OWNED BUSINESSES' INCLUSION IN COLORADO'S RETAIL

26 MARIJUANA INDUSTRY, SOCIAL JUSTICE ISSUES ASSOCIATED WITH

27 MARIJUANA PROHIBITION, SUITABILITY ISSUES RELATING TO PAST

1 CONVICTIONS FOR POTENTIAL LICENSEES, LICENSING FEES, AND ECONOMIC
2 CHALLENGES THAT ARISE WITH THE APPLICATION PROCESSES.

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

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

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

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

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

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

26 (c) Notwithstanding the requirements of subsection (3)(b) of this
27 section, the state licensing authority may review the limitation on the

1 number of direct beneficial interest owners and may increase the number
2 of allowable interests above fifteen based on reasonable considerations
3 such as developments in state and federal financial regulations, market
4 conditions, and the licensee's ability to access legitimate sources of
5 capital. A PERSON, OTHER THAN AN INDIVIDUAL, THAT IS A RETAIL
6 MARIJUANA ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER
7 SHALL APPOINT AND CONTINUOUSLY MAINTAIN A REGISTERED AGENT
8 THAT SATISFIES THE REQUIREMENTS OF SECTION 7-90-701. THE RETAIL
9 MARIJUANA ESTABLISHMENT SHALL INFORM THE STATE LICENSING
10 AUTHORITY OF A CHANGE IN THE REGISTERED AGENT WITHIN TEN DAYS
11 AFTER THE CHANGE.

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

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

18 (5) (a) A person who intends to apply as a direct beneficial interest
19 owner and is not a Colorado resident for at least one year prior to the date
20 of application shall first submit a request to the state licensing authority
21 for a finding of suitability as a direct beneficial interest owner. The
22 person shall receive a finding of suitability prior to submitting an
23 application to the state licensing authority to be a direct beneficial interest
24 owner. Failure to receive a finding of suitability prior to application is
25 grounds for denial by the state licensing authority.

26 (b) The state licensing authority shall perform a limited initial
27 background check on qualified limited passive investors. If the initial

1 background check provides reasonable cause for additional investigation,
2 the state licensing authority may require a full background check.

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

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

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

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

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

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

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

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

22 (g) A state or federal government pension plan;

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

25 (i) Any other entity identified through rule by the state licensing
26 authority.

27 **SECTION 17.** In Colorado Revised Statutes, **add** 44-12-306.5

1 and 44-12-306.6 as follows:

2 **44-12-306.5. Business owner and financial interest disclosure**

3 **requirements.** (1) APPLICANTS FOR THE ISSUANCE OF A STATE LICENSE
4 SHALL DISCLOSE TO THE STATE LICENSING AUTHORITY THE FOLLOWING:

5 (a) A COMPLETE AND ACCURATE ORGANIZATIONAL CHART OF THE
6 RETAIL MARIJUANA ESTABLISHMENT REFLECTING THE IDENTITY AND
7 OWNERSHIP PERCENTAGES OF ITS CONTROLLING BENEFICIAL OWNERS;

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

10 (I) IF THE CONTROLLING BENEFICIAL OWNER IS A PUBLICLY
11 TRADED CORPORATION, THE APPLICANT SHALL DISCLOSE THE
12 CONTROLLING BENEFICIAL OWNERS' MANAGERS, AND ANY BENEFICIAL
13 OWNERS THAT DIRECTLY OR INDIRECTLY BENEFICIALLY OWN TEN PERCENT
14 OR MORE OF THE SECURITIES IN THE CONTROLLING BENEFICIAL OWNER;

15 (II) IF THE CONTROLLING BENEFICIAL OWNER IS NOT A PUBLICLY
16 TRADED CORPORATION AND IS NOT A QUALIFIED PRIVATE FUND, THE
17 APPLICANT SHALL DISCLOSE THE CONTROLLING BENEFICIAL OWNER'S
18 MANAGERS AND ANY BENEFICIAL OWNERS THAT DIRECTLY OR INDIRECTLY
19 BENEFICIALLY OWN TEN PERCENT OR MORE OF THE SECURITIES IN THE
20 CONTROLLING BENEFICIAL OWNER;

21 (III) IF THE CONTROLLING BENEFICIAL OWNER IS A QUALIFIED
22 PRIVATE FUND, THE APPLICANT SHALL DISCLOSE A COMPLETE AND
23 ACCURATE ORGANIZATIONAL CHART OF THE QUALIFIED PRIVATE FUND
24 REFLECTING THE IDENTITY AND OWNERSHIP PERCENTAGES OF THE
25 QUALIFIED PRIVATE FUND'S MANAGERS, INVESTMENT ADVISERS,
26 INVESTMENT ADVISER REPRESENTATIVES, ANY TRUSTEE OR EQUIVALENT,
27 AND ANY OTHER PERSON THAT CONTROLS THE INVESTMENT IN, OR

1 MANAGEMENT OR OPERATIONS OF, THE RETAIL MARIJUANA
2 ESTABLISHMENT;

3 (IV) IF THE CONTROLLING BENEFICIAL OWNER IS A NATURAL
4 PERSON, THE APPLICANT SHALL DISCLOSE THE NATURAL PERSON'S
5 IDENTIFYING INFORMATION;

6 (c) A PERSON THAT IS BOTH A PASSIVE BENEFICIAL OWNER AND AN
7 INDIRECT FINANCIAL INTEREST HOLDER IN THE RETAIL MARIJUANA
8 ESTABLISHMENT; AND

9 (d) ANY INDIRECT FINANCIAL INTEREST HOLDER THAT HOLDS TWO
10 OR MORE INDIRECT FINANCIAL INTERESTS IN THE RETAIL MARIJUANA
11 ESTABLISHMENT OR THAT IS CONTRIBUTING OVER FIFTY PERCENT OF THE
12 OPERATING CAPITAL OF THE RETAIL MARIJUANA ESTABLISHMENT.

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

15 (a) EACH BENEFICIAL OWNER AND AFFILIATE OF AN APPLICANT,
16 RETAIL MARIJUANA ESTABLISHMENT, OR CONTROLLING BENEFICIAL
17 OWNER THAT IS NOT A PUBLICLY TRADED CORPORATION OR A QUALIFIED
18 PRIVATE FUND; AND

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

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

23 (a) A COMPLETE AND ACCURATE LIST OF EACH NONOBJECTING
24 BENEFICIAL INTEREST OWNER OF AN APPLICANT, RETAIL MARIJUANA
25 ESTABLISHMENT, OR CONTROLLING BENEFICIAL OWNER THAT IS A
26 PUBLICLY TRADED CORPORATION;

27 (b) PASSIVE BENEFICIAL OWNERS OF THE RETAIL MARIJUANA

1 ESTABLISHMENT, AND FOR ANY PASSIVE BENEFICIAL INTEREST OWNER
2 THAT IS NOT A NATURAL PERSON, THE MEMBERS OF THE BOARD OF
3 DIRECTORS, GENERAL PARTNERS, MANAGING MEMBERS, MANAGERS OR
4 EXECUTIVE OFFICERS AND TEN PERCENT OR MORE OWNERS OF THE PASSIVE
5 BENEFICIAL OWNER;

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

8 (d) ALL INDIRECT FINANCIAL INTEREST HOLDERS OF THE RETAIL
9 MARIJUANA ESTABLISHMENT, AND FOR ANY INDIRECT FINANCIAL INTEREST
10 HOLDER THAT IS NOT A NATURAL PERSON AND TEN PERCENT OR MORE
11 BENEFICIAL OWNERS OF THE INDIRECT FINANCIAL INTEREST HOLDER.

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

22 (5) AN APPLICANT OR RETAIL MARIJUANA ESTABLISHMENT THAT
23 IS A PUBLICLY TRADED CORPORATION SHALL AFFIRM UNDER PENALTY OF
24 PERJURY THAT IT EXERCISED REASONABLE CARE TO CONFIRM THAT ITS
25 NONOBJECTING PASSIVE BENEFICIAL OWNERS, INDIRECT FINANCIAL
26 INTEREST HOLDERS, AND QUALIFIED INSTITUTIONAL INVESTORS ARE NOT
27 PERSONS PROHIBITED PURSUANT TO SECTION 44-12-305, OR OTHERWISE

1 RESTRICTED FROM HOLDING AN INTEREST UNDER THIS ARTICLE 12. AN
2 APPLICANT'S OR RETAIL MARIJUANA ESTABLISHMENT'S FAILURE TO
3 EXERCISE REASONABLE CARE IS A BASIS FOR DENIAL, FINE, SUSPENSION,
4 REVOCATION, OR OTHER SANCTION BY THE STATE LICENSING AUTHORITY.

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

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

13 **44-12-306.6. Business owner and financial interest suitability**
14 **requirements.** (1) THIS SECTION APPLIES TO ALL PERSONS REQUIRED TO
15 SUBMIT A FINDING OF SUITABILITY.

16 (2) ANY PERSON INTENDING TO BECOME A CONTROLLING
17 BENEFICIAL OWNER OF ANY RETAIL MARIJUANA ESTABLISHMENT, EXCEPT
18 AS OTHERWISE PROVIDED IN SECTION 44-12-308 (4), SHALL FIRST SUBMIT
19 A REQUEST TO THE STATE LICENSING AUTHORITY FOR A FINDING OF
20 SUITABILITY OR AN EXEMPTION FROM AN OTHERWISE REQUIRED FINDING
21 OF SUITABILITY.

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

27 (4) FAILURE TO PROVIDE ALL REQUESTED INFORMATION IN

1 CONNECTION WITH A REQUEST FOR A FINDING OF SUITABILITY IS GROUNDS
2 FOR DENIAL OF THAT FINDING OF SUITABILITY.

3 (5) FAILURE TO RECEIVE ALL REQUIRED FINDINGS OF SUITABILITY
4 IS GROUNDS FOR DENIAL OF AN APPLICATION OR FOR SUSPENSION,
5 REVOCATION, OR OTHER SANCTION AGAINST THE LICENSE BY THE STATE
6 LICENSING AUTHORITY. FOR INITIAL APPLICATIONS, THE FINDING OF
7 SUITABILITY SHALL BE REQUIRED PRIOR TO SUBMITTING THE APPLICATION
8 FOR LICENSURE.

9 (6) ANY PERSON REQUIRED TO OBTAIN A FINDING OF SUITABILITY
10 SHALL DO SO ON FORMS PROVIDED BY THE STATE LICENSING AUTHORITY
11 AND MUST CONTAIN SUCH INFORMATION AS THE STATE LICENSING
12 AUTHORITY MAY REQUIRE. EACH SUITABILITY APPLICATION MUST BE
13 VERIFIED BY THE OATH OR AFFIRMATION OF THE PERSONS PRESCRIBED BY
14 THE STATE LICENSING AUTHORITY.

15 (7) A PERSON REQUESTING A FINDING OF SUITABILITY SHALL
16 PROVIDE THE STATE LICENSING AUTHORITY WITH A DEPOSIT TO COVER THE
17 DIRECT AND INDIRECT COSTS OF ANY INVESTIGATION NECESSARY TO
18 DETERMINE ANY REQUIRED FINDING OF SUITABILITY UNLESS OTHERWISE
19 ESTABLISHED BY RULE. THE STATE LICENSING AUTHORITY MAY MAKE
20 FURTHER RULES REGARDING THE DEPOSIT AND DIRECT AND INDIRECT
21 COSTS THAT SHALL BE BILLED AGAINST THE DEPOSIT, UNLESS OTHERWISE
22 ESTABLISHED BY RULE.

23 (8) WHEN DETERMINING WHETHER A PERSON IS SUITABLE OR
24 UNSUITABLE FOR LICENSURE, THE STATE LICENSING AUTHORITY MAY
25 CONSIDER THE PERSON'S CRIMINAL CHARACTER OR RECORD, LICENSING
26 CHARACTER OR RECORD OR FINANCIAL CHARACTER OR RECORD.

27 (9) A PERSON THAT WOULD OTHERWISE BE REQUIRED TO OBTAIN

1 A FINDING OF SUITABILITY MAY REQUEST AN EXEMPTION FROM THE STATE
2 LICENSING AUTHORITY AS DETERMINED BY RULE.

3 (10) ABSENT REASONABLE CAUSE, THE STATE LICENSING
4 AUTHORITY SHALL APPROVE OR DENY A REQUEST FOR A FINDING OF
5 SUITABILITY WITHIN ONE HUNDRED TWENTY DAYS FROM THE DATE OF
6 SUBMISSION OF THE REQUEST FOR SUCH FINDING.

7 (11) THE STATE LICENSING AUTHORITY MAY DENY, SUSPEND,
8 REVOKE, FINE, OR IMPOSE OTHER SANCTIONS AGAINST A PERSON'S LICENSE
9 ISSUED PURSUANT TO THIS ARTICLE 12 IF THE STATE LICENSING
10 AUTHORITY FINDS THE PERSON OR THE PERSON'S CONTROLLING
11 BENEFICIAL OWNER, PASSIVE BENEFICIAL OWNER, OR INDIRECT FINANCIAL
12 INTEREST HOLDER TO BE UNSUITABLE PURSUANT TO THIS SECTION.

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

15 **44-12-308. Transfer of ownership.** (2) For a transfer of
16 ownership INVOLVING A CONTROLLING BENEFICIAL OWNER, a license
17 holder shall apply to the state licensing authority on forms prepared and
18 furnished by the state licensing authority. Upon receipt of an application
19 for transfer of ownership, the state licensing authority shall submit, within
20 seven days, a copy of the application to the local jurisdiction to determine
21 whether the transfer complies with local restrictions on transfer of
22 ownership. In determining whether to permit a transfer of ownership, the
23 state licensing authority shall consider only the requirements of this
24 article 12, any rules promulgated by the state licensing authority, and any
25 other local restrictions. The local jurisdiction may hold a hearing on the
26 application for transfer of ownership. The local jurisdiction shall not hold
27 a hearing pursuant to this subsection (2) until the local jurisdiction has

1 posted a notice of hearing in the manner described in section 44-12-302
2 (1) on the licensed premises for a period of ten days and has provided
3 notice of the hearing to the applicant at least ten days prior to the hearing.
4 Any transfer of ownership hearing by the state licensing authority shall
5 MUST be held in compliance with the requirements specified in section
6 44-12-303.

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

12 (4) A PERSON THAT BECOMES A CONTROLLING BENEFICIAL OWNER
13 OF A PUBLICLY TRADED CORPORATION THAT IS A RETAIL MARIJUANA
14 ESTABLISHMENT OR THAT BECOMES A BENEFICIAL OWNER, THROUGH
15 DIRECT OR INDIRECT OWNERSHIP OF A CONTROLLING BENEFICIAL OWNER,
16 OF TEN PERCENT OR MORE OF A RETAIL MARIJUANA ESTABLISHMENT THAT
17 IS A PUBLICLY TRADED CORPORATION MUST DISCLOSE THE INFORMATION
18 REQUIRED BY SECTION 44-12-306.5 AND APPLY TO THE STATE LICENSING
19 AUTHORITY FOR A FINDING OF SUITABILITY OR EXEMPTION FROM A
20 FINDING OF SUITABILITY PURSUANT TO SECTION 44-12-306.6 WITHIN
21 FORTY-FIVE DAYS AFTER BECOMING SUCH A CONTROLLING BENEFICIAL
22 OWNER. A RETAIL MARIJUANA ESTABLISHMENT SHALL NOTIFY EACH
23 PERSON THAT IS SUBJECT TO THIS SUBSECTION (4) OF ITS REQUIREMENTS
24 AS SOON AS THE RETAIL MARIJUANA ESTABLISHMENT BECOMES AWARE OF
25 THE BENEFICIAL OWNERSHIP TRIGGERING THE REQUIREMENT, PROVIDED
26 THAT THE OBLIGATIONS OF THE PERSON SUBJECT TO THIS SUBSECTION (4)
27 ARE INDEPENDENT OF, AND UNAFFECTED BY, THE RETAIL MARIJUANA

1 ESTABLISHMENT'S FAILURE TO GIVE THE NOTICE.

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

4 **44-12-309. Licensing in general.** (3) A retail marijuana
5 establishment THAT IS NOT A PUBLICLY TRADED CORPORATION shall notify
6 the state licensing authority in writing of the name, address, and date of
7 birth of ~~an~~ A CONTROLLING BENEFICIAL owner OR officer ~~or manager~~
8 before the new CONTROLLING BENEFICIAL owner or officer ~~or manager~~
9 begins managing, owning, or associating with the operation. The
10 CONTROLLING BENEFICIAL owner, officer, ~~manager~~, or employee must
11 pass a fingerprint-based criminal history record check as required by the
12 state licensing authority and obtain the required identification prior to
13 being associated with, managing, owning, or working at the operation.
14 THE STATE LICENSING AUTHORITY MAY FOR REASONABLE CAUSE REQUIRE
15 A PASSIVE BENEFICIAL OWNER TO PASS A FINGERPRINT-BASED CRIMINAL
16 HISTORY CHECK.

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

23 (10) EXCEPT FOR A PUBLICLY TRADED CORPORATION, a licensee
24 RETAIL MARIJUANA ESTABLISHMENT shall report each transfer or change
25 of financial interest in the license to the state and local licensing
26 authorities and receive approval prior to any transfer or change pursuant
27 to section 44-12-308. EXCEPT FOR A PUBLICLY TRADED CORPORATION, a

1 report is required for transfers of ~~capital stock of any corporation~~
2 OWNER'S INTEREST OF ANY ENTITY regardless of size.

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

5 **44-12-312. Unlawful financial assistance.** (1) The state
6 licensing authority shall require a complete disclosure ~~of all persons~~
7 ~~having a direct or indirect financial interest, and the extent of such~~
8 ~~interest, in~~ PURSUANT TO SECTION 44-12-306.5 WITH each license issued
9 under this article 12.

10 **SECTION 21.** In Colorado Revised Statutes, **amend** 44-12-407
11 as follows:

12 **44-12-407. Retail marijuana business operator license.** A retail
13 marijuana business operator license may be issued to a person ~~who~~ THAT
14 operates a retail marijuana establishment licensed pursuant to this article
15 12, for ~~an owner~~ ANOTHER RETAIL MARIJUANA ESTABLISHMENT licensed
16 pursuant to this article 12, and who may receive a portion of the profits
17 as compensation.

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

20 **44-12-901. Unlawful acts - exceptions.** (6) (a) IT IS UNLAWFUL
21 FOR A PERSON TO ENGAGE IN ANY ACT OR OMISSION WITH THE INTENT TO
22 EVADE DISCLOSURE, REPORTING, RECORD KEEPING, OR SUITABILITY
23 REQUIREMENTS PURSUANT TO THIS ARTICLE 12, INCLUDING BUT NOT
24 LIMITED TO THE FOLLOWING:

25 (I) FAILING TO FILE A REPORT REQUIRED UNDER THIS ARTICLE 12
26 OR CAUSING OR ATTEMPTING TO CAUSE A PERSON TO FAIL TO FILE SUCH A
27 REPORT;

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

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

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

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

15 **SECTION 23. Appropriation.** (1) For the 2018-19 state fiscal
16 year, \$54,766 is appropriated to the department of revenue. This
17 appropriation is from the marijuana cash fund created in section
18 44-11-501 (1)(a), C.R.S. To implement this act, the department may use
19 this appropriation as follows:

20 (a) \$23,677 for marijuana enforcement, which amount is based on
21 an assumption that the department will require an additional 0.2 FTE;

22 (b) \$31,089 for the purchase of legal services.

23 (2) For the 2018-19 state fiscal year, \$31,089 is appropriated to
24 the department of law. This appropriation is from reappropriated funds
25 received from the department of revenue under subsection (1)(b) of this
26 section and is based on an assumption that the department of law will
27 require an additional 0.2 FTE. To implement this act, the department of

1 law may use this appropriation to provide legal services for the
2 department of revenue.

3 **SECTION 24. Appropriation.** (1) For the 2019-20 state fiscal
4 year, \$2,728,795 is appropriated to the department of revenue. This
5 appropriation is from the marijuana cash fund created in section
6 44-11-501 (1)(a), C.R.S. To implement this act, the department may use
7 this appropriation as follows:

8 (a) \$2,440,779 for marijuana enforcement, which amount is based
9 on an assumption that the department will require an additional 15.5 FTE;

10 (b) \$2,000 for tax administration IT system (GenTax) support;

11 (c) \$242,494 for the purchase of legal services;

12 (d) \$18,772 for the purchase of criminal history record checks;

13 and

14 (e) \$24,750 for vehicle lease payments.

15 (2) For the 2019-20 state fiscal year, \$242,494 is appropriated to
16 the department of law. This appropriation is from reappropriated funds
17 received from the department of revenue under subsection (1)(c) of this
18 section and is based on an assumption that the department of law will
19 require an additional 1.3 FTE. To implement this act, the department of
20 law may use this appropriation to provide legal services for the
21 department of revenue.

22 (3) For the 2019-20 state fiscal year, \$18,772 is appropriated to
23 the department of public safety for use by the biometric identification and
24 records unit. This appropriation is from reappropriated funds received
25 from the department of revenue under subsection (1)(d) of this section.
26 To implement this act, the unit may use this appropriation to provide
27 criminal history record checks for the department of revenue.

1 (4) For the 2019-20 state fiscal year, \$24,750 is appropriated to
2 the department of personnel. This appropriation is from reappropriated
3 funds received from the department of revenue under subsection (1)(e) of
4 this section. To implement this act, the department of personnel may use
5 this appropriation to provide vehicles for the department of revenue.

6 **SECTION 25. Applicability.** This act applies to applications
7 made on or after November 1, 2019.

8 **SECTION 26. Safety clause.** The general assembly hereby finds,
9 determines, and declares that this act is necessary for the immediate
10 preservation of the public peace, health, and safety.