A BILL FOR AN ACT

CONCERNING MEASURES TO ALLOW GREATER INVESTMENT FLEXIBILITY IN MARIJUANA BUSINESSES.

Bill Summary

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

The bill repeals the provisions that require limited passive investors to go through an initial background check. The bill repeals the provisions that limit the number of out-of-state direct beneficial owners to 15 persons. The bill repeals the provision that prohibits publicly traded corporations from holding a marijuana license.

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

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

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

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

SECTION 1. In Colorado Revised Statutes, 44-11-104, amend (1), (4), (12), (21), and (23); add (1.1), (1.2), (1.3), (1.4), (1.5), (1.6), (11.5), (19.2), (22.7), (23.5), (25.5), and (27); and repeal (20) as follows:

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

(1) "Direct beneficial interest owner" means a person or closely held business entity that owns a share or shares of stock in a licensed medical marijuana business, including the officers, directors, managing members, or partners of the licensed medical marijuana business or
closely held business entity, or a qualified limited passive investor

"ACQUIRE" when used in connection with the acquisition of a security of a medical marijuana business, means obtaining ownership, control, power to vote, or sole power of disposition of securities, directly or indirectly or through one or more transactions or subsidiaries, through purchase, assignment, transfer, exchange, succession, or other means.

(1.1) "Acting in concert" means knowing participation in a joint activity or interdependent conscious parallel action toward a common goal, whether or not pursuant to an express agreement.

(1.2) "Affiliate" of, or person "affiliated with", a specified person means a person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

(1.3) "Beneficial owner of", "beneficial ownership of", or "beneficially owns a" security is determined in accordance with section 13(d) of the Federal "Securities Exchange Act of 1934", as amended, and rule 13d-3 promulgated thereunder.

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

(1.5) "Controlling beneficial owner" is limited to a person that satisfies one or more of the following criteria:
(a) A natural person, an entity as defined in section 7-90-102 (20) that is organized under the laws of and for which its principal place of business is located in one of the states or territories of the United States or District of Columbia, a publicly traded corporation, or a qualified private fund that is not otherwise licensed as a qualified institutional investor;

(I) Acting alone or acting in concert, that owns or acquires beneficial ownership of ten percent or more of the interests of a medical marijuana business;

(II) That is an affiliate that controls a medical marijuana business and includes, without limitation, any executive officer, manager as defined in section 7-90-102 (35.7), trustee, or similar position; or

(III) That is otherwise in a position to control the medical marijuana business except as authorized in section 44-11-407; or

(b) A qualified institutional investor acting alone or acting in concert that owns or acquires beneficial ownership of thirty percent or more of the securities of a medical marijuana business.

(1.6) "Executive officer" means the president; any vice president in charge of a principal business unit, division, or function; any other officer who performs a policy-making function; or any other person who performs similar policy-making functions.

(4) "Indirect beneficial interest owner" means a holder of a permitted economic interest, a recipient of a commercially reasonable royalty associated with the use of intellectual property by a licensee, a
licensed employee who receives a share of the profits from an employee
benefit plan, a qualified institutional investor, or another similarly
situated person or entity as determined by the state licensing authority
"INDIRECT FINANCIAL INTEREST HOLDER" MEANS A PERSON THAT IS NOT
AN AFFILIATE, A CONTROLLING BENEFICIAL OWNER, OR A PASSIVE
BENEFICIAL OWNER OF A MEDICAL MARIJUANA BUSINESS AND THAT:

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

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

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

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

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

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

(19.2) "Passive beneficial owner" means any person
acquiring any interest in a medical marijuana business that is
not otherwise a controlling beneficial owner or in control.

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

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

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

(a) Has a class of securities registered pursuant to
section 12 of the federal "SECURITIES EXCHANGE ACT OF 1934", as
AMENDED, THAT:

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

(II) Is Qualified and quoted on the OTCQX or OTCQB Tier
OF THE OTC MARKETS IF:

(A) The person is then required to file reports and is filing
REPORTS ON A CURRENT BASIS WITH THE FEDERAL SECURITIES AND
EXCHANGE COMMISSION PURSUANT TO THE FEDERAL "SECURITIES
EXCHANGE ACT OF 1934", AS AMENDED, AS IF THE SECURITIES
CONSTITUTED "COVERED SECURITIES" AS DESCRIBED IN SUBSECTION
(22.7)(a)(I) OF THIS SECTION; OR

(B) The person is qualified and quoted on the OTCQB Tier
OF THE OTC MARKETS AND THE PERSON HAS ESTABLISHED AND IS IN
COMPLIANCE WITH CORPORATE GOVERNANCE MEASURES PURSUANT TO
CORPORATE GOVERNANCE OBLIGATIONS IMPOSED ON SECURITIES QUALIFIED AND QUOTED ON THE OTCQB TIER OF THE OTC MARKETS.

(b) Is a corporation that has a class of securities listed on the Canadian securities exchange, Toronto stock exchange, or other equity securities exchange recognized by the state licensing authority, if:

(I) The corporation constitutes a "foreign private issuer", as defined in rule 405 promulgated pursuant to the Federal "Securities Act of 1933", as amended, whose securities are exempt from registration pursuant to section 12 of the Federal "Securities Exchange Act of 1934", as amended, pursuant to rule 12g 3-2 (b) promulgated pursuant to the federal "Securities Exchange Act of 1934", as amended; and

(II) The corporation has been, for the preceding three hundred sixty-five days or since the formation of the entity, in compliance with all governance and reporting obligations imposed by the relevant exchange on such corporation; or

(c) Is reasonably identified as a publicly traded corporation by rule by the state licensing authority as a publicly traded corporation;

(d) A "publicly traded corporation" described in subsection (22.7)(a), (22.7)(b), or (22.7)(c) of this section does not include:

(I) An "ineligible issuer", as defined in rule 405 promulgated pursuant to the federal "Securities Act of 1933", as amended, unless such publicly traded corporation satisfies the definition of ineligible issuer solely because it is one or more
OF THE FOLLOWING AND THE PERSON IS REQUIRED TO FILE REPORTS AND
IS FILING REPORTS ON A CURRENT BASIS WITH THE FEDERAL SECURITIES
AND EXCHANGE COMMISSION PURSUANT TO THE FEDERAL "SECURITIES
EXCHANGE ACT OF 1934", AS AMENDED, AS IF THE SECURITIES
CONSTITUTED "COVERED SECURITIES" AS DEScribed IN SUBSECTION
(22.7)(a)(I) OF THIS SECTION;

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

(B) AN ISSUER IN AN OFFERING OF "PENNY STOCK", AS DEFINED IN
RULE 3a 51-1 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES
EXCHANGE ACT OF 1934"; OR

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

AND

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

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

(a) A BANK AS DEFINED IN SECTION 3 (a)(6) OF THE FEDERAL
"SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, IF THE BANK IS
CURRENT IN ALL APPLICABLE REPORTING AND RECORD-KEEPING
REQUIREMENTS UNDER SUCH ACT AND RULES PROMULGATED
THEREUNDER;
(b) A bank holding company as defined in the Federal "Bank Holding Company Act of 1956", as amended, if the bank holding company is registered and current in all applicable reporting and record-keeping requirements under such act and rules promulgated thereunder;

(c) An insurance company as defined in section 2 (a)(17) of the Federal "Investment Company Act of 1940", as amended, if the insurance company is current in all applicable reporting and record-keeping requirements under such act and rules promulgated thereunder;

(d) An investment company registered under section 8 of the Federal "Investment Company Act of 1940", as amended, and subject to 15 U.S.C. sec. 80a-1 to 80a-64, if the investment company is current in all applicable reporting and record-keeping requirements under such act and rules promulgated thereunder;

(e) An employee benefit plan or pension fund subject to the federal "Employee Retirement Income Security Act of 1974", excluding an employee benefit plan or pension fund sponsored by a licensee or an intermediary holding company licensee that directly or indirectly owns ten percent or more of a licensee;

(f) A state or federal government pension plan;

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

(h) Any other entity identified by rule by the state licensing authority.

(23.5) "Reasonable cause" means just or legitimate
GROUNDS TO BELIEVE THAT THE PARTICULAR REQUESTED ACTION IS NECESSARY TO FULFILL THE PURPOSES OF THIS ARTICLE 11 OR TO PROTECT PUBLIC SAFETY.

(25.5) "SECURITY" means those terms as defined in section (2)(1) of the federal "SECURITIES ACT OF 1933", as amended.

(27) "SUBSTANTIAL JUSTIFICATION" means a position or reason that has a reasonable basis both in law and in fact.

SECTION 2. In Colorado Revised Statutes, 44-11-202, amend (1)(d) and (2)(a)(VIII); repeal (2)(a)(XXV); and add (5) and (6) as follows:

44-11-202. Powers and duties of state licensing authority - rules. (1) The state licensing authority shall:

(d) Maintain the confidentiality of reports or other information obtained from a medical or retail licensee containing any individualized data, information, or records related to the licensee or its operation, including sales information, financial records, tax returns, credit reports, cultivation information, testing results, and security information and plans, or revealing any patient information, or any other records that are exempt from public inspection pursuant to state law. Such reports or other information may be used only for a purpose authorized by this article 11 or article 12 of this title 44, FOR INVESTIGATION OR ENFORCEMENT OF ANY INTERNATIONAL, FEDERAL, STATE, OR LOCAL SECURITIES LAW OR REGULATIONS, or for any other state or local law enforcement purpose.

Any information released related to patients may be used only for a purpose authorized by this article 11 or article 12 of this title 44, or to verify that a person who presented a registry identification card to a state or local law enforcement official is lawfully in possession of such card.
(2) (a) Rules promulgated pursuant to subsection (1)(b) of this section may include but need not be limited to the following subjects:

   (VIII) Development of individual identification cards for owners, officers, controlling beneficial owners and any person employed by, operating, working in, or having unescorted access to the limited access areas of the licensed premises of a medical marijuana business, managers, contractors, employees, and other support staff of entities licensed pursuant to this article 11, including a fingerprint-based criminal history record check as may be required by the state licensing authority prior to issuing a card;

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

(5)(a) Rules promulgated pursuant to subsection (1)(b) of this section must include the following subjects:

   (I) Ownership and financial disclosure procedures and requirements pursuant to this article 11;

   (II) Records a medical marijuana business is required to maintain regarding its controlling beneficial owners, passive beneficial owners, and indirect financial interest holders that may be subject to disclosure at renewal or as part of any other investigation following initial licensure of a medical marijuana business;

   (III) Procedures and requirements for findings of suitability pursuant to this article 11, including fees necessary to cover the direct and indirect costs of any suitability investigation;

   (IV) Procedures and requirements concerning the
DIVESTITURE OF THE BENEFICIAL OWNERSHIP OF A PERSON FOUND
UNSUITABLE BY THE STATE LICENSING AUTHORITY;

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

(VI) DESIGNATION OF PERSONS WHO BY VIRTUE OF COMMON
CONTROL CONSTITUTE CONTROLLING BENEFICIAL OWNERS;

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

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

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

(b) RULES PROMULGATED PURSUANT TO THIS SUBSECTION (5)
MUST NOT BE ANY MORE RESTRICTIVE THAN THOSE EXPRESSLY
ESTABLISHED UNDER THIS ARTICLE 11.

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

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

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

(2) The state licensing authority shall issue a state license to a medical marijuana center, an optional premises cultivation operation, or a medical marijuana-infused products manufacturer BUSINESS pursuant to this section upon satisfactory completion of the applicable criminal history background check associated with the application, and the state license is conditioned upon local licensing authority approval. A license applicant is prohibited from operating a licensed medical marijuana business without both state and local licensing authority approval. The denial of an application by the local licensing authority shall be considered as a basis for the state licensing authority to revoke the state-issued license.
SECTION 4. In Colorado Revised Statutes, 44-11-306, amend (1)(c), (1)(m), and (1)(n); repeal (1)(e); and add (1)(c.1), (1)(c.2), (1)(o), (1)(p), (1)(q), (1)(r), (1)(s), and (1)(t) as follows:

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

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

(c.1) A PERSON THAT IS NOT A PUBLICLY TRADED CORPORATION, IF THE CRIMINAL HISTORY OF ANY OF ITS PASSIVE BENEFICIAL OWNERS INDICATES THAT THE PERSON IS NOT OF GOOD MORAL CHARACTER AFTER CONSIDERING THE FACTORS IN SECTION 24-5-101;

(c.2) A PERSON THAT IS A PUBLICLY TRADED CORPORATION, IF THE CRIMINAL HISTORY OF ANY OF ITS KNOWN PASSIVE BENEFICIAL OWNERS INDICATES THAT THE PERSON IS NOT OF GOOD MORAL CHARACTER AFTER CONSIDERING THE FACTORS IN SECTION 24-5-101;

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

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

(n) A publicly traded company ENTITY THAT DOES NOT CONSTITUTE A PUBLICLY TRADED CORPORATION AS DEFINED IN THIS ARTICLE 11;
(o) A person that is or has a controlling beneficial owner, passive beneficial owner, or indirect financial interest holder that is organized or formed under the laws of a country determined by the United States secretary of state to have repeatedly provided support for acts of international terrorism or is included among the list of "covered countries" in section 1502 of the federal "Dodd-Frank Wall Street Reform and Consumer Protection Act", Pub.L. 111-203;

(p) A person that is or has a controlling beneficial owner that is an "ineligible issuer" pursuant to section 44-11-104 (22.7)(d)(1);

(q) A person that is or has a controlling beneficial owner that is disqualified as a "bad actor" under rule 506 (d) promulgated pursuant to the federal "Securities Act of 1933", as amended, and subject to 17 CFR 230.406 (d)(1);

(r) A person that is not a publicly traded corporation that is disqualified as a "bad actor" under rule 506 (d) promulgated pursuant to the federal "Securities Act of 1933", as amended, and subject to 17 CFR 230.406 (d)(1);

(s) A person that is a publicly traded corporation that is or has a known passive beneficial owner or indirect financial interest holder that is disqualified as a "bad actor" under rule 506 (d) promulgated pursuant to the federal "Securities Act of 1933", as amended, and subject to 17 CFR 230.406 (d)(1); or

(t) A person that is or has a controlling beneficial owner, passive beneficial owner, or indirect financial interest holder that is prohibited from engaging in transactions pursuant to
THIS ARTICLE 11 DUE TO ITS DESIGNATION ON THE "SPECIALLY DESIGNATED NATIONALS AND BLOCKED PERSONS" LIST MAINTAINED BY THE FEDERAL OFFICE OF FOREIGN ASSETS CONTROL.

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

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

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

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

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

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

(VII) RECOGNIZING THAT PARTICIPATION BY PUBLICLY TRADED CORPORATIONS IN COLORADO'S MEDICAL MARIJUANA INDUSTRY CREATES

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

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

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

(e) Notwithstanding the requirements of subsection (3)(b) of this section, the state licensing authority may review the limitation on the number of direct beneficial interest owners and may increase the number of allowable interests above fifteen based on reasonable considerations such as developments in state and federal financial regulations, market conditions, and the licensee's ability to access legitimate sources of capital. A person, other than an individual, that is a medical marijuana business or a controlling beneficial owner shall appoint and continuously maintain a registered agent that satisfies the requirements of section 7-90-701. The medical marijuana business shall inform the state licensing authority of a change in the registered agent within ten days after the change.

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

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

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

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

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

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

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

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

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

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

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

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

(g) A state or federal government pension plan;

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

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

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

44-11-307.5. Business owner and financial interest disclosure requirements. (1) Applicants for the issuance of a state license shall disclose to the state licensing authority the following:

(a) A complete and accurate organizational chart of the medical marijuana business reflecting the identity and ownership percentages of its controlling beneficial owners;

(b) The following information regarding all controlling beneficial owners of the medical marijuana business:

(I) If the controlling beneficial owner is a publicly traded corporation, the applicant shall disclose the controlling beneficial owners' executive officers, members of its board of directors, and any beneficial owners that directly or indirectly beneficially own ten percent or more of the securities in a medical marijuana business;
(II) IF THE CONTROLLING BENEFICIAL OWNER IS NOT A PUBLICLY TRADED CORPORATION AND IS NOT A QUALIFIED PRIVATE FUND, THE APPLICANT SHALL DISCLOSE THE CONTROLLING BENEFICIAL OWNERS' EXECUTIVE OFFICERS, MANAGERS AS DEFINED IN SECTION 7-90-102 (35.7), AND ANY BENEFICIAL OWNERS THAT DIRECTLY OR INDIRECTLY BENEFICIALLY OWN TEN PERCENT OR MORE OF THE SECURITIES IN A MEDICAL MARIJUANA BUSINESS;

(III) IF THE CONTROLLING BENEFICIAL OWNER IS A QUALIFIED PRIVATE FUND, THE APPLICANT SHALL DISCLOSE A COMPLETE AND ACCURATE ORGANIZATIONAL CHART OF THE QUALIFIED PRIVATE FUND REFLECTING THE IDENTITY AND OWNERSHIP PERCENTAGES OF THE QUALIFIED PRIVATE FUNDS' EXECUTIVE OFFICERS, MANAGERS AS DEFINED IN SECTION 7-90-102 (35.7), INVESTMENT ADVISERS, INVESTMENT ADVISER REPRESENTATIVES, ANY TRUSTEE OR EQUIVALENT, AND ANY OTHER PERSON THAT CONTROLS THE INVESTMENT IN, OR MANAGEMENT OR OPERATIONS OF, THE MEDICAL MARIJUANA BUSINESS;

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

(c) ANY PASSIVE BENEFICIAL OWNER THAT IS ALSO AN INDIRECT FINANCIAL INTEREST HOLDER IN THE MEDICAL MARIJUANA BUSINESS; AND

(d) ANY INDIRECT FINANCIAL INTEREST HOLDER THAT HOLDS TWO OR MORE INDIRECT FINANCIAL INTERESTS IN THE MEDICAL MARIJUANA BUSINESS.

(2) THE STATE LICENSING AUTHORITY MAY REQUEST THAT THE MEDICAL MARIJUANA BUSINESS DISCLOSE THE FOLLOWING;

(a) EACH BENEFICIAL OWNER AND AFFILIATE OF AN APPLICANT,
MEDICAL MARIJUANA BUSINESS, OR CONTROLLING BENEFICIAL OWNER
THAT IS NOT A PUBLICLY TRADED CORPORATION OR A QUALIFIED PRIVATE
FUND; AND
(b) EACH AFFILIATE OF A CONTROLLING BENEFICIAL OWNER THAT
IS A QUALIFIED PRIVATE FUND.
(3) FOR REASONABLE CAUSE, THE STATE LICENSING AUTHORITY
MAY REQUIRE DISCLOSURE OF:
(a) A COMPLETE AND ACCURATE LIST OF EACH NONOBJECTING
BENEFICIAL INTEREST OWNER OF AN APPLICANT, LICENSEE, OR
CONTROLLING BENEFICIAL OWNER THAT IS A PUBLICLY TRADED
CORPORATION;
(b) PASSIVE BENEFICIAL OWNERS OF THE MEDICAL MARIJUANA
BUSINESS, AND FOR ANY PASSIVE BENEFICIAL INTEREST OWNER THAT IS
NOT A NATURAL PERSON, THE MEMBERS OF THE BOARD OF DIRECTORS,
GENERAL PARTNERS, MANAGING MEMBERS, OR MANAGERS OR EXECUTIVE
OFFICERS AND TEN PERCENT OR MORE OWNERS OF THE PASSIVE BENEFICIAL
OWNER;
(c) A LIST OF EACH BENEFICIAL OWNER IN A QUALIFIED PRIVATE
FUND THAT IS A CONTROLLING BENEFICIAL OWNER;
(d) ALL INDIRECT FINANCIAL INTEREST HOLDERS OF THE MEDICAL
MARIJUANA BUSINESS, AND FOR ANY INDIRECT FINANCIAL INTEREST
HOLDER THAT IS NOT A NATURAL PERSON, THE MEMBERS OF THE BOARD OF
DIRECTORS, GENERAL PARTNERS, MANAGING MEMBERS, OR MANAGERS OR
EXECUTIVE OFFICERS AND TEN PERCENT OR MORE BENEFICIAL OWNERS OF
THE INDIRECT FINANCIAL INTEREST HOLDER.
(4) AN APPLICANT OR MEDICAL MARIJUANA BUSINESS THAT IS NOT
A PUBLICLY TRADED CORPORATION SHALL AFFIRM UNDER PENALTY OF
PERJURY THAT IT EXERCISED REASONABLE CARE TO CONFIRM THAT ITS
PASSIVE BENEFICIAL OWNERS, INDIRECT FINANCIAL INTEREST HOLDERS,
AND QUALIFIED INSTITUTIONAL INVESTORS ARE NOT PERSONS PROHIBITED
PURSUANT TO SECTION 44-11-306, OR OTHERWISE RESTRICTED FROM
HOLDING AN INTEREST UNDER THIS ARTICLE 11. AN APPLICANT'S OR
LICENSEEE'S FAILURE TO EXERCISE REASONABLE CARE IS A BASIS FOR
denial, fine, suspension, revocation, or other sanction by the
state licensing authority.

(5) An applicant or medical marijuana business that is a
publicly traded corporation shall affirm under penalty of
perjury that it exercised reasonable care to confirm that its
known passive beneficial owners, known indirect financial
interest holders, and qualified institutional investors are not
persons prohibited pursuant to section 44-11-306, or otherwise
restricted from holding an interest under this article 11. An
applicant's or licensee's failure to exercise reasonable care is a
basis for denial, fine, suspension, revocation, or other sanction
by the state licensing authority.

(6) This section does not restrict the state licensing
authority's ability to reasonably request information or
records at renewal or as part of any other investigation
following initial licensure of a medical marijuana business.

(7) The securities commissioner may, by rule or order,
require additional disclosures if such information is full and
fair with respect to the investment or in the interest of investor
protection.

44-11-307.6. Business owner and financial interest suitability
requirements. (1) This section applies to all persons required to
submit a finding of suitability.

(2) Any person intending to become a controlling
beneficial owner of any medical marijuana business, except as
otherwise provided in section 44-11-309 (4), shall first submit a
request to the state licensing authority for a finding of
suitability or an exemption from an otherwise required finding
of suitability.

(3) For reasonable cause, any other person that was
disclosed or that should have been disclosed pursuant to
section 44-11-307.5, including but not limited to a passive
beneficial owner, shall submit a request for a finding of
suitability.

(4) Failure to provide all requested information in
connection with a request for a finding of suitability is grounds
for denial of that finding of suitability.

(5) Failure to receive all required findings of suitability
is grounds for denial of an application or for suspension,
revocation, or other sanction against the license by the state
licensing authority. For initial applications, the finding of
suitability shall be required prior to submitting the application
for licensure.

(6) Any person required to obtain a finding of suitability
shall do so on forms provided by the state licensing authority
and the forms must contain such information as the state
licensing authority may require. Each suitability application
must be verified by the oath or affirmation of the persons
PRESCRIBED BY THE STATE LICENSING AUTHORITY.

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

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

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

(10) ABSENT SUBSTANTIAL JUSTIFICATION, THE STATE LICENSING AUTHORITY SHALL APPROVE OR DENY A REQUEST FOR A FINDING OF SUITABILITY WITHIN ONE HUNDRED TWENTY DAYS FROM THE DATE OF SUBMISSION OF THE REQUEST FOR SUCH FINDING.

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

SECTION 7. In Colorado Revised Statutes, 44-11-309, amend (2); and add (3) and (4) as follows:
44-11-309. Transfer of ownership. (2) For a transfer of ownership INVOLVING A CONTROLLING BENEFICIAL OWNER, a license holder shall apply to the state and local licensing authorities on forms prepared and furnished by the state licensing authority. In determining whether to permit a transfer of ownership, the state and local licensing authorities shall consider only the requirements of this article 11, any rules promulgated by the state licensing authority, and any other local restrictions. The local licensing authority may hold a hearing on the application for transfer of ownership. The local licensing authority shall not hold a hearing pursuant to this subsection (2) until the local licensing authority has posted a notice of hearing in the manner described in section 44-11-302 (2) on the licensed medical marijuana center premises for a period of ten days and has provided notice of the hearing to the applicant at least ten days prior to the hearing. Any transfer of ownership hearing by the state licensing authority shall MUST be held in compliance with the requirements specified in section 44-11-302.

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

(4) A PERSON THAT BECOMES A CONTROLLING BENEFICIAL OWNER OF A PUBLICLY TRADED CORPORATION THAT IS A MEDICAL MARIJUANA BUSINESS OR THAT BECOMES A BENEFICIAL OWNER, THROUGH DIRECT OR INDIRECT OWNERSHIP OF A CONTROLLING BENEFICIAL OWNER, OF TEN PERCENT OR MORE OF A MEDICAL MARIJUANA BUSINESS THAT IS A PUBLICLY TRADED CORPORATION MUST DISCLOSE THE INFORMATION
REQUIRED BY SECTION 44-11-307.5 AND APPLY TO THE STATE LICENSING
AUTHORITY FOR A FINDING OF SUITABILITY OR EXEMPTION FROM A
FINDING OF SUITABILITY PURSUANT TO SECTION 44-11-307.6 WITHIN
FORTY-FIVE DAYS AFTER BECOMING SUCH A CONTROLLING BENEFICIAL
OWNER. A LICENSEE SHALL NOTIFY EACH PERSON THAT IS SUBJECT TO THIS
SUBSECTION (4) OF ITS REQUIREMENTS AS SOON AS THE LICENSEE
BECOMES AWARE OF THE BENEFICIAL OWNERSHIP TRIGGERING THE
REQUIREMENT, PROVIDED THAT THE OBLIGATIONS OF THE PERSON SUBJECT
TO THIS SUBSECTION (4) ARE INDEPENDENT OF, AND UNAFFECTED BY, THE
LICENSEE'S FAILURE TO GIVE THE NOTICE.

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

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

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

THE STATE LICENSING AUTHORITY MAY FOR REASONABLE CAUSE REQUIRE A PASSIVE BENEFICIAL OWNER TO PASS A FINGERPRINT-BASED CRIMINAL HISTORY CHECK.

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

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

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

44-11-313. Unlawful financial assistance. (1) The state licensing authority, by rule, shall require a complete disclosure of all persons having a direct or indirect financial interest, and the extent of such interest, in PURSUANT TO SECTION 44-11-307.5 IN CONNECTION WITH
each license issued under this article 11.

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

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

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

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

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

(I) FAILING TO FILE A REPORT REQUIRED UNDER THIS ARTICLE 11 OR CAUSING OR ATTEMPTING TO CAUSE A PERSON TO FAIL TO FILE SUCH A REPORT;
(II) Filing or causing or attempting to cause a person to file a report required under this Article 11 that contains a material omission or misstatement of fact;

(III) Making false or misleading statements regarding the offering of interests of a medical marijuana business; or

(IV) Structuring any transaction with the intent to evade disclosure, reporting, record keeping, or suitability requirements pursuant to this Article 11.

(b) The state licensing authority may deny, suspend, revoke, fine, or impose other sanctions against a person's license issued under this Article 11 if the state licensing authority finds a violation of this subsection (7.5) by the person, the person's controlling beneficial owner, passive beneficial owner, indirect financial interest holder or any agent or employee thereof.

SECTION 12. In Colorado Revised Statutes, 44-12-103, amend (1), (5), (18), (20), (24), and (25); repeal (17); and add (1.1), (1.2), (1.3), (1.4), (1.5), (3.2), (5.5), (16.5), (19.5), (20.5), (32.5), and (34) as follows:

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

(1) "Direct beneficial interest owner" means a person or closely held business entity that owns a share or shares of stock in a licensed retail marijuana business, including the officers, directors, managing members, or partners of the licensed retail marijuana business or closely held business entity, or a qualified limited passive investor "ACQUIRE" when used in connection with the acquisition of a security of a retail marijuana business, means obtaining ownership, control, power to vote, or sole power of disposition of securities, directly
OR INDIRECTLY OR THROUGH ONE OR MORE TRANSACTIONS OR
SUBSIDIARIES, THROUGH PURCHASE, ASSIGNMENT, TRANSFER, EXCHANGE,
SUCCSSION, OR OTHER MEANS.

(1.1) "Acting in concert" means knowing participation in
a joint activity or interdependent conscious parallel action
toward a common goal, whether or not pursuant to an express
agreement.

(1.2) "Affiliate" of, or person "affiliated with", a specified
person means a person that directly or indirectly through one
or more intermediaries, controls, or is controlled by, or is
under common control with, the person specified.

(1.3) "Beneficial owner of", "beneficial ownership of", or
"beneficially owns a" security is determined in accordance with
section 13(d) of the federal "Securities Exchange Act of 1934", as
amended, and rule 13d-3 promulgated thereunder.

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

(1.5) "Controlling beneficial owner" is limited to a person
that satisfies one or more of the following criteria:

(a) A natural person, an entity as defined in section
7-90-102 (20) that is organized under the laws of and for which
its principal place of business is located in one of the states or
territories of the United States or District of Columbia, a
PUBLICLY TRADED CORPORATION, OR A QUALIFIED PRIVATE FUND THAT IS
NOT OTHERWISE LICENSED AS A QUALIFIED INSTITUTIONAL INVESTOR;

(I) Acting alone or acting in concert, that owns or
acquires beneficial ownership of ten percent or more of the
interests of a retail marijuana business;

(II) That is an affiliate that controls a retail marijuana
business and includes, without limitation, any executive officer,
manager as defined in section 7-90-102 (35.7), trustee, or similar
position; or

(III) That is otherwise in a position to control the retail
marijuana business except as authorized in section 44-12-407; or

(b) A qualified institutional investor acting alone or
acting in concert that owns or acquires beneficial ownership of
thirty percent or more of the securities of a retail marijuana
business.

(3.2) "Executive officer" means the president; any vice
president in charge of a principal business unit, division, or
function; any other officer who performs a policy-making
function; or any other person who performs similar
policy-making functions.

(5) "Indirect beneficial interest owner" means a holder of a
permitted economic interest, a recipient of a commercially reasonable
royalty associated with the use of intellectual property by a licensee, a
licensed employee who receives a share of the profits from an employee
benefit plan, a qualified institutional investor, or another similarly
situated person or entity as determined by the state licensing authority
"Indirect financial interest holder" means a person that is not
AN AFFILIATE, A CONTROLLING BENEFICIAL OWNER, OR A PASSIVE
BENEFICIAL OWNER OF A RETAIL MARIJUANA BUSINESS AND THAT:

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

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

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

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

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

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

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

(19.5) "Publicly traded corporation" means any person other than an individual that has a class of securities registered pursuant to section 12 of the federal "Securities Exchange Act of 1934", as amended, that is organized under the laws of and for which its principal place of business is located in one of the states or territories of the United States or District of Columbia or another country that authorizes the sale of marijuana and that:

(a) Has a class of securities registered pursuant to section 12 of the federal "Securities Exchange Act of 1934", as amended, that:

(I) Constitutes "covered securities" pursuant to section 18 (b)(1)(A) of the federal "Securities Act of 1933", as amended; or

(II) Is qualified and quoted on the OTCQX or OTCQB tier of the OTC markets if:

(A) The person is then required to file reports and is filing reports on a current basis with the federal securities and
EXCHANGE COMMISSION PURSUANT TO THE FEDERAL "Securities Exchange Act of 1934", as amended, as if the securities constituted "covered securities" as described in subsection (19.5)(a)(I) of this section; or

(B) The person is qualified and quoted on the OTCQX tier of the OTC markets and the person has established and is in compliance with corporate governance measures pursuant to corporate governance obligations imposed on securities qualified and quoted on the OTCQX tier of the OTC markets;

(b) Is a corporation that has a class of securities listed on the Canadian Securities Exchange, Toronto Stock Exchange, or other equity securities exchange recognized by the state licensing authority, if:

(I) The corporation constitutes a "foreign private issuer", as defined in Rule 405 promulgated pursuant to the federal "Securities Act of 1933", as amended, whose securities are exempt from registration pursuant to Section 12 of the federal "Securities Exchange Act of 1934", as amended, pursuant to Rule 12g 3-2 (b) promulgated pursuant to the federal "Securities Exchange Act of 1934", as amended; and

(II) The corporation has been, for the preceding three hundred sixty-five days or since the formation of the entity, in compliance with all governance and reporting obligations imposed by the relevant exchange on such corporation;

(c) Is reasonably identified as a publicly traded corporation by rule by the state licensing authority as a publicly traded corporation; or
(d) A "PUBLICLY TRADED CORPORATION" DESCRIBED IN
SUBSECTION (19.5)(a), (19.5)(b), OR (19.5)(c) OF THIS SECTION DOES NOT
INCLUDE:

(I) AN "INELIGIBLE ISSUER", AS DEFINED IN RULE 405
PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933",
AS AMENDED, UNLESS SUCH PUBLICLY TRADED CORPORATION SATISFIES
THE DEFINITION OF INELIGIBLE ISSUER SOLELY BECAUSE IT IS ONE OR MORE
OF THE FOLLOWING AND SO LONG AS THE PERSON IS REQUIRED TO FILE
REPORTS AND IS FILING REPORTS ON A CURRENT BASIS WITH THE FEDERAL
SECURITIES AND EXCHANGE COMMISSION PURSUANT TO THE FEDERAL
"SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, AS IF THE
SECURITIES CONSTITUTED "COVERED SECURITIES" AS DESCRIBED IN
SUBSECTION (19.5)(a)(I) OF THIS SECTION:

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

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

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

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

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

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

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

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

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

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

(f) A STATE OR FEDERAL GOVERNMENT PENSION PLAN;

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

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

(20.5) "REASONABLE CAUSE" MEANS JUST OR LEGITIMATE GROUNDS TO BELIEVE THAT THE PARTICULAR REQUESTED ACTION IS NECESSARY TO FULFILL THE PURPOSES OF THIS ARTICLE 12 OR TO PROTECT PUBLIC SAFETY.

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

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

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

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

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

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

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

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

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

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

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

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

(I) Ownership and financial disclosure procedures and requirements pursuant to this article 12;

(II) Records a retail marijuana establishment is required to maintain regarding its controlling beneficial owners, passive beneficial owners, and indirect financial interest holders that may be subject to disclosure at renewal or as part of any other investigation following initial licensure of a retail marijuana establishment;

(III) Procedures and requirements for findings of suitability pursuant to this article 12, including fees necessary to cover the direct and indirect costs of any suitability investigation;

(IV) Procedures and requirements concerning the divestiture of the beneficial ownership of a person found unsuitable by the state licensing authority;

(V) Procedures, processes, and requirements for transfers of ownership involving a publicly traded corporation, including but not limited to mergers with a publicly traded corporation, investment by a publicly traded corporation, and public offerings;

(VI) Designation of persons that by virtue of common
CONTROL CONSTITUTE CONTROLLING BENEFICIAL OWNERS;

(VII) Modification of the percentage of securities that may be held by a controlling beneficial owner and passive beneficial owner;

(VIII) Designation of persons that qualify for an exemption from an otherwise required finding of suitability; and

(IX) Designation of indirect financial interest holders and qualified institutional investors.

(b) Rules promulgated pursuant to this subsection (6) shall not be any more restrictive than those expressly established under this article.

(7) The state licensing authority may deny, suspend, revoke, fine, or impose other sanctions against a person's license issued pursuant to this article if the state licensing authority finds the person or the person's controlling beneficial owner, passive beneficial owner, or indirect financial interest holder failed to timely file any report, disclosure, registration statement, or other submission required by any state or federal regulatory authority that is related to the conduct of their establishment.

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

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

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

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

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

(c.1) A PERSON THAT IS NOT A PUBLICLY TRADED CORPORATION,
IF THE CRIMINAL HISTORY OF ANY OF ITS PASSIVE BENEFICIAL OWNERS INDICATES THAT THE PERSON IS NOT OF GOOD MORAL CHARACTER AFTER CONSIDERING THE FACTORS IN SECTION 24-5-101;

(c.2) A person that is a publicly traded corporation, if the criminal history of any of its known passive beneficial owners indicates that the person is not of good moral character after considering the factors in section 24-5-101;

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

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

(l) A person that is or has a controlling beneficial owner, passive beneficial owner, or indirect financial interest holder that is organized or formed under the laws of a country determined by the United States secretary of state to have repeatedly provided support for acts of international terrorism or included among the list of "covered countries" in section 1502 of the federal "Dodd-Frank Wall Street Reform and Consumer Protection Act", Pub.L. 111-203;

(m) A person that is or has a controlling beneficial owner, that is an "ineligible issuer" pursuant to section 44-12-104 (19.5)(d)(1);

(n) A person that is or has a controlling beneficial owner that is disqualified as a "bad actor" under rule 506 (d)(1);

(o) A person that is not a publicly traded corporation that is disqualified as a "bad actor" under rule 506 (d) promulgated pursuant to the federal "Securities Act of 1933".
AS AMENDED, AND SUBJECT TO 17 CFR 230.406 (d)(1);

(p) A PERSON THAT IS A PUBLICLY TRADED CORPORATION THAT IS OR HAS A KNOWN PASSIVE BENEFICIAL OWNER OR INDIRECT FINANCIAL INTEREST HOLDER THAT IS DISQUALIFIED AS A "BAD ACTOR" UNDER RULE 506 (d) PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED, AND SUBJECT TO 17 CFR 230.406 (d)(1); OR

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

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

### 44-12-306. Business and owner requirements - legislative declaration - definition.

(1) (a) The general assembly hereby finds and declares that:

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

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

(IV.5) UNDER CERTAIN CIRCUMSTANCES, PERMITTING PUBLICLY TRADED CORPORATIONS TO HOLD AN INTEREST IN RETAIL MARIJUANA ESTABLISHMENTS WILL BENEFIT COLORADO’S RETAIL MARIJUANA MARKET;
(VI) PUBLICLY TRADED CORPORATIONS OFFERING SECURITIES FOR INVESTMENT IN RETAIL MARIJUANA ESTABLISHMENTS MUST TELL THE PUBLIC THE TRUTH ABOUT THEIR BUSINESS, THE SECURITIES THEY ARE SELLING, AND THE RISKS INVOLVED WITH INVESTING IN RETAIL MARIJUANA ESTABLISHMENTS, AND PEOPLE THAT SELL AND TRADE SECURITIES RELATED TO RETAIL MARIJUANA ESTABLISHMENTS ARE PROHIBITED FROM ENGAGING IN DECEIT, MISREPRESENTATIONS, AND OTHER FRAUD IN THE SALE OF THE SECURITIES; AND

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

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

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

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

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

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

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

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

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

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

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

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

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

(7) For purposes of this section, unless the context otherwise
requires, "institutional investor" means:
(a) A bank as defined in section 3 (a)(6) of the federal "Securities Exchange Act of 1934", as amended;

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

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

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

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

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

(g) A state or federal government pension plan;

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

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

SECTION 17. In Colorado Revised Statutes, add 44-12-306.5 and 44-12-306.6 as follows:

44-12-306.5. Business owner and financial interest disclosure requirements. (1) Applicants for the issuance of a state license shall disclose to the state licensing authority the following:

(a) A complete and accurate organizational chart of the retail marijuana establishment reflecting the identity and
OWNERSHIP PERCENTAGES OF ITS CONTROLLING BENEFICIAL OWNERS;

(b) The following information regarding all controlling beneficial owners of the retail marijuana establishment:

(I) If the controlling beneficial owner is a publicly traded corporation, the applicant shall disclose the controlling beneficial owners' executive officers, members of its board of directors, and any beneficial owners that directly or indirectly beneficially own ten percent or more of the securities in a retail marijuana establishment;

(II) If the controlling beneficial owner is not a publicly traded corporation and is not a qualified private fund, the applicant shall disclose the controlling beneficial owners' executive officers, managers as defined in section 7-90-102 (35.7), and any beneficial owners that directly or indirectly beneficially own ten percent or more of the securities in a retail marijuana establishment;

(III) If the controlling beneficial owner is a qualified private fund, the applicant shall disclose a complete and accurate organizational chart of the qualified private fund reflecting the identity and ownership percentages of the qualified private funds' executive officers, managers as defined in section 7-90-102 (35.7), investment advisers, investment adviser representatives, any trustee or equivalent, and any other person that controls the investment in, or management or operations of, the retail marijuana establishment;

(IV) If the controlling beneficial owner is a natural person, the applicant shall disclose the natural person's
IDENTIFYING INFORMATION;

(c) ANY PASSIVE BENEFICIAL OWNER THAT IS ALSO AN INDIRECT
FINANCIAL INTEREST HOLDER IN THE RETAIL MARIJUANA ESTABLISHMENT;
AND

(d) ANY INDIRECT FINANCIAL INTEREST HOLDER THAT HOLDS TWO
OR MORE INDIRECT FINANCIAL INTERESTS IN THE RETAIL MARIJUANA
ESTABLISHMENT;

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

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

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

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

(a) A COMPLETE AND ACCURATE LIST OF EACH NONOBJECTING
BENEFICIAL INTEREST OWNER OF AN APPLICANT, LICENSEE, OR
CONTROLLING BENEFICIAL OWNER THAT IS A PUBLICLY TRADED
CORPORATION;

(b) PASSIVE BENEFICIAL OWNERS OF THE RETAIL MARIJUANA
ESTABLISHMENT, AND FOR ANY PASSIVE BENEFICIAL INTEREST OWNER
THAT IS NOT A NATURAL PERSON, THE MEMBERS OF THE BOARD OF
DIRECTORS, GENERAL PARTNERS, MANAGING MEMBERS, MANAGERS OR
EXECUTIVE OFFICERS AND TEN PERCENT OR MORE OWNERS OF THE PASSIVE
BENEFICIAL OWNER;
(c) A list of each beneficial owner in a qualified private fund that is a controlling beneficial owner;

(d) All indirect financial interest holders of the retail marijuana establishment, and for any indirect financial interest holder that is not a natural person, the members of the board of directors, general partners, managing members, managers or executive officers and ten percent or more beneficial owners of the indirect financial interest holder.

(4) An applicant or retail marijuana establishment that is not a publicly traded corporation shall affirm under penalty of perjury that it exercised reasonable care to confirm that its passive beneficial owners, indirect financial interest holders, and qualified institutional investors are not persons prohibited pursuant to Section 44-12-305, or otherwise restricted from holding an interest under this article. An applicant’s or licensee’s failure to exercise reasonable care is a basis for denial, fine, suspension, revocation, or other sanction by the state licensing authority.

(5) An applicant or retail marijuana establishment that is a publicly traded corporation shall affirm under penalty of perjury that it exercised reasonable care to confirm that its known passive beneficial owners, known indirect financial interest holders, and qualified institutional investors are not persons prohibited pursuant to Section 44-12-305, or otherwise restricted from holding an interest under this article. An applicant’s or licensee’s failure to exercise reasonable care is a basis for denial, fine, suspension, revocation, or other sanction
BY THE STATE LICENSING AUTHORITY.

(6) This section does not restrict the state licensing authority's ability to reasonably request information or records at renewal or as part of any other investigation following initial licensure of a retail marijuana establishment.

(7) The securities commissioner may, by rule or order, require additional disclosures if such information is full and fair with respect to the investment or in the interest of investor protection.

44-12-306.6. Business owner and financial interest suitability requirements. (1) This section applies to all persons required to submit a finding of suitability.

(2) Any person intending to become a controlling beneficial owner of any retail marijuana establishment, except as otherwise provided in section 44-12-308 (4), shall first submit a request to the state licensing authority for a finding of suitability or an exemption from an otherwise required finding of suitability.

(3) For reasonable cause, any other person that was disclosed or that should have been disclosed pursuant to section 44-12-306.5, including but not limited to a passive beneficial owner, shall submit a request for a finding of suitability.

(4) Failure to provide all requested information in connection with a request for a finding of suitability is grounds for denial of that finding of suitability.

(5) Failure to receive all required findings of suitability
IS GROUNDS FOR DENIAL OF AN APPLICATION OR FOR SUSPENSION, REVOCA
tion, OR OTHER SANCTION AGAINST THE LICENSE BY THE STATE LICENSING AUTHORITY. FOR INITIAL APPLICATIONS, THE FINDING OF SUITABILITY SHALL BE REQUIRED PRIOR TO SUBMITTING THE APPLICATION FOR LICENSURE.

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

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

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

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

(10) ABSENT SUBSTANTIAL JUSTIFICATION, THE STATE LICENSING AUTHORITY SHALL APPROVE OR DENY A REQUEST FOR A FINDING OF
SUITABILITY WITHIN ONE HUNDRED TWENTY DAYS FROM THE DATE OF
SUBMISSION OF THE REQUEST FOR SUCH FINDING.

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

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

44-12-308. Transfer of ownership. (2) For a transfer of
ownership INVOLVING A CONTROLLING BENEFICIAL OWNER, a license
holder shall apply to the state licensing authority on forms prepared and
furnished by the state licensing authority. Upon receipt of an application
for transfer of ownership, the state licensing authority shall submit, within
seven days, a copy of the application to the local jurisdiction to determine
whether the transfer complies with local restrictions on transfer of
ownership. In determining whether to permit a transfer of ownership, the
state licensing authority shall consider only the requirements of this
article 12, any rules promulgated by the state licensing authority, and any
other local restrictions. The local jurisdiction may hold a hearing on the
application for transfer of ownership. The local jurisdiction shall not hold
a hearing pursuant to this subsection (2) until the local jurisdiction has
posted a notice of hearing in the manner described in section 44-12-302
(1) on the licensed premises for a period of ten days and has provided
notice of the hearing to the applicant at least ten days prior to the hearing.
Any transfer of ownership hearing by the state licensing authority shall
MUST be held in compliance with the requirements specified in section 44-12-303.

(3) For a transfer of ownership involving a passive beneficial owner, the license holder shall notify the state licensing authority on forms prepared and furnished by the state licensing authority within forty-five days to the extent disclosure is required by section 44-12-306.5.

(4) A person that becomes a controlling beneficial owner of a publicly traded corporation that is a retail marijuana establishment or that becomes a beneficial owner, through direct or indirect ownership of a controlling beneficial owner, of ten percent or more of a retail marijuana establishment that is a publicly traded corporation must disclose the information required by section 44-12-306.5 and apply to the state licensing authority for a finding of suitability or exemption from a finding of suitability pursuant to section 44-12-306.6 within forty-five days after becoming such a controlling beneficial owner. A licensee shall notify each person that is subject to this subsection (4) of its requirements as soon as the licensee becomes aware of the beneficial ownership triggering the requirement, provided that the obligations of the person subject to this subsection (4) are independent of, and unaffected by, the licensee's failure to give the notice.

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

44-12-309. Licensing in general. (3) A retail marijuana establishment that is not a publicly traded corporation shall notify
the state licensing authority in writing of the name, address, and date of

birth of an A CONTROLLING BENEFICIAL owner OR officer or manager

before the new CONTROLLING BENEFICIAL owner or officer or manager

begins managing, owning, or associating with the operation. The

CONTROLLING BENEFICIAL owner, officer, manager, or employee must

pass a fingerprint-based criminal history record check as required by the

state licensing authority and obtain the required identification prior to

being associated with, managing, owning, or working at the operation.

THE STATE LICENSING AUTHORITY MAY FOR REASONABLE CAUSE REQUIRE

A PASSIVE BENEFICIAL OWNER TO PASS A FINGERPRINT-BASED CRIMINAL

HISTORY CHECK.

(5) All managers and employees WITH DAY-TO-DAY OPERATIONAL

CONTROL of a retail marijuana establishment shall be residents of

Colorado upon the date of their license application. All licenses granted

pursuant to this article 12 are valid for a period of one year after the date

of issuance unless revoked or suspended pursuant to this article 12 or the

rules promulgated pursuant to this article 12.

(10) EXCEPT FOR A PUBLICLY TRADED CORPORATION, a licensee

shall report each transfer or change of financial interest in the license to

the state and local licensing authorities and receive approval prior to any

transfer or change pursuant to section 44-12-308. EXCEPT FOR A PUBLICLY

TRADED CORPORATION, a report is required for transfers of capital stock

of any corporation OWNER'S INTEREST OF ANY ENTITY regardless of size.

SECTION 20. In Colorado Revised Statutes, 44-12-312, amend

(1) as follows:

44-12-312. Unlawful financial assistance. (1) The state

licensing authority shall require a complete disclosure of all persons
having a direct or indirect financial interest, and the extent of such interest, in PURSUANT TO SECTION 44-12-306.5 WITH each license issued under this article 12.

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

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

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

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

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

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

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

(IV) STRUCTURING ANY TRANSACTION WITH THE INTENT TO EVADE
DISCLOSURE, REPORTING, RECORD KEEPING, OR SUITABILITY
Requirements pursuant to this Article 12.

(b) The state licensing authority may deny, suspend, revoke, fine, or impose other sanction against a person's license issued under this Article 12 if the state licensing authority finds a violation of this subsection (6) by the person, the person's controlling beneficial owner, passive beneficial owner, indirect financial interest holder, or any agent or employee thereof.

SECTION 23. Applicability. This act applies to applications made on or after November 1, 2019.

SECTION 24. Safety clause. The general assembly hereby finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, and safety.