

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

**PREAMENDED**

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

LLS NO. 19-0419.01 Michael Dohr x4347

**HOUSE BILL 19-1090**

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**HOUSE SPONSORSHIP**

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**House Committees**

Finance  
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**A BILL FOR AN ACT**

101      **CONCERNING MEASURES TO ALLOW GREATER INVESTMENT**  
102      **FLEXIBILITY IN MARIJUANA BUSINESSES.**

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**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

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.

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.

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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); **add** (1.1), (1.2), (1.3), (1.4), (1.5), (1.6),  
4 (11.5), (19.2), (22.7), (23.5), (25.5), and (27); and **repeal** (20) 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~~  
10 ~~members, or partners of the licensed medical marijuana business or~~

1 ~~closely held business entity, or a qualified limited passive investor~~  
2 "ACQUIRE" WHEN USED IN CONNECTION WITH THE ACQUISITION OF A  
3 SECURITY OF A MEDICAL MARIJUANA BUSINESS, MEANS OBTAINING  
4 OWNERSHIP, CONTROL, POWER TO VOTE, OR SOLE POWER OF DISPOSITION  
5 OF SECURITIES, DIRECTLY OR INDIRECTLY OR THROUGH ONE OR MORE  
6 TRANSACTIONS OR SUBSIDIARIES, THROUGH PURCHASE, ASSIGNMENT,  
7 TRANSFER, EXCHANGE, SUCCESSION, OR OTHER MEANS.

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

12 (1.2) "AFFILIATE" OF, OR PERSON "AFFILIATED WITH", A SPECIFIED  
13 PERSON MEANS A PERSON THAT DIRECTLY OR INDIRECTLY THROUGH ONE  
14 OR MORE INTERMEDIARIES, CONTROLS, OR IS CONTROLLED BY, OR IS  
15 UNDER COMMON CONTROL WITH, THE PERSON SPECIFIED.

16 (1.3) "BENEFICIAL OWNER OF", "BENEFICIAL OWNERSHIP OF", OR  
17 "BENEFICIALLY OWNS A" SECURITY IS DETERMINED IN ACCORDANCE WITH  
18 SECTION 13(D) OF THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS  
19 AMENDED, AND RULE 13D-3 PROMULGATED THEREUNDER.

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

26 (1.5) "CONTROLLING BENEFICIAL OWNER" IS LIMITED TO A PERSON  
27 THAT SATISFIES ONE OR MORE OF THE FOLLOWING CRITERIA:

1 (a) A NATURAL PERSON, AN ENTITY AS DEFINED IN SECTION  
2 7-90-102 (20) THAT IS ORGANIZED UNDER THE LAWS OF AND FOR WHICH  
3 ITS PRINCIPAL PLACE OF BUSINESS IS LOCATED IN ONE OF THE STATES OR  
4 TERRITORIES OF THE UNITED STATES OR DISTRICT OF COLUMBIA, A  
5 PUBLICLY TRADED CORPORATION, OR A QUALIFIED PRIVATE FUND THAT IS  
6 NOT OTHERWISE LICENSED AS A QUALIFIED INSTITUTIONAL INVESTOR:

7 (I) ACTING ALONE OR ACTING IN CONCERT, THAT OWNS OR  
8 ACQUIRES BENEFICIAL OWNERSHIP OF TEN PERCENT OR MORE OF THE  
9 INTERESTS OF A MEDICAL MARIJUANA BUSINESS;

10 (II) THAT IS AN AFFILIATE THAT CONTROLS A MEDICAL MARIJUANA  
11 BUSINESS AND INCLUDES, WITHOUT LIMITATION, ANY EXECUTIVE OFFICER,  
12 MANAGER AS DEFINED IN SECTION 7-90-102 (35.7), TRUSTEE, OR SIMILAR  
13 POSITION; 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 THIRTY PERCENT OR MORE OF THE SECURITIES OF A MEDICAL MARIJUANA  
19 BUSINESS.

20 (1.6) "EXECUTIVE OFFICER" MEANS THE PRESIDENT; ANY VICE  
21 PRESIDENT IN CHARGE OF A PRINCIPAL BUSINESS UNIT, DIVISION, OR  
22 FUNCTION; ANY OTHER OFFICER WHO PERFORMS A POLICY-MAKING  
23 FUNCTION; OR ANY OTHER PERSON WHO PERFORMS SIMILAR  
24 POLICY-MAKING FUNCTIONS.

25 (4) ~~"Indirect beneficial interest owner" means a holder of a~~  
26 ~~permitted economic interest, a recipient of a commercially reasonable~~  
27 ~~royalty associated with the use of intellectual property by a licensee, a~~

1 ~~licensed employee who receives a share of the profits from an employee~~  
2 ~~benefit plan, a qualified institutional investor, or another similarly~~  
3 ~~situated person or entity as determined by the state licensing authority~~

4 "INDIRECT FINANCIAL INTEREST HOLDER" MEANS A PERSON THAT IS NOT  
5 AN AFFILIATE, A CONTROLLING BENEFICIAL OWNER, OR A PASSIVE  
6 BENEFICIAL OWNER OF A MEDICAL MARIJUANA BUSINESS AND THAT:

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

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

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

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

27 (11.5) "MEDICAL MARIJUANA BUSINESS" MEANS ANY OF THE

1 FOLLOWING ENTITIES LICENSED PURSUANT TO THIS ARTICLE 11: A  
2 MEDICAL MARIJUANA CENTER, A MEDICAL MARIJUANA OPTIONAL PREMISES  
3 CULTIVATION OPERATION, A MEDICAL MARIJUANA-INFUSED PRODUCTS  
4 MANUFACTURER, A MEDICAL MARIJUANA TESTING FACILITY, A MEDICAL  
5 MARIJUANA BUSINESS OPERATOR, A MEDICAL MARIJUANA TRANSPORTER,  
6 A MARIJUANA RESEARCH AND DEVELOPMENT FACILITY, OR A MARIJUANA  
7 RESEARCH AND DEVELOPMENT CULTIVATION FACILITY.

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

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

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

26 (21) "Person" means ~~a natural person~~ AN INDIVIDUAL, A  
27 partnership, association, JOINT-STOCK company, corporation, limited

1 liability company, or ANY OTHER UNINCORPORATED organization; ~~or a~~  
2 ~~manager, agent, owner, director, servant, officer, or employee thereof~~  
3 EXCEPT THAT "PERSON" DOES NOT INCLUDE ANY GOVERNMENTAL  
4 ORGANIZATION.

5 (22.7) "PUBLICLY TRADED CORPORATION" MEANS ANY PERSON  
6 OTHER THAN AN INDIVIDUAL THAT IS ORGANIZED UNDER THE LAWS OF AND  
7 FOR WHICH ITS PRINCIPAL PLACE OF BUSINESS IS LOCATED IN ONE OF THE  
8 STATES OR TERRITORIES OF THE UNITED STATES OR DISTRICT OF  
9 COLUMBIA OR ANOTHER COUNTRY THAT AUTHORIZES THE SALE OF  
10 MARIJUANA AND THAT:

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

14 (I) CONSTITUTES "COVERED SECURITIES" PURSUANT TO SECTION  
15 18 (b)(1)(A) OF THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED;  
16 OR

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

19 (A) THE PERSON IS THEN REQUIRED TO FILE REPORTS AND IS FILING  
20 REPORTS ON A CURRENT BASIS WITH THE FEDERAL SECURITIES AND  
21 EXCHANGE COMMISSION PURSUANT TO THE FEDERAL "SECURITIES  
22 EXCHANGE ACT OF 1934", AS AMENDED, AS IF THE SECURITIES  
23 CONSTITUTED "COVERED SECURITIES" AS DESCRIBED IN SUBSECTION  
24 (22.7)(a)(I) OF THIS SECTION; OR

25 (B) THE PERSON IS QUALIFIED AND QUOTED ON THE OTCQB TIER  
26 OF THE OTC MARKETS AND THE PERSON HAS ESTABLISHED AND IS IN  
27 COMPLIANCE WITH CORPORATE GOVERNANCE MEASURES PURSUANT TO

1 CORPORATE GOVERNANCE OBLIGATIONS IMPOSED ON SECURITIES  
2 QUALIFIED AND QUOTED ON THE OTCQB TIER OF THE OTC MARKETS.

3 (b) IS A CORPORATION THAT HAS A CLASS OF SECURITIES LISTED ON  
4 THE CANADIAN SECURITIES EXCHANGE, TORONTO STOCK EXCHANGE, OR  
5 OTHER EQUITY SECURITIES EXCHANGE RECOGNIZED BY THE STATE  
6 LICENSING AUTHORITY, IF:

7 (I) THE CORPORATION CONSTITUTES A "FOREIGN PRIVATE ISSUER",  
8 AS DEFINED IN RULE 405 PROMULGATED PURSUANT TO THE FEDERAL  
9 "SECURITIES ACT OF 1933", AS AMENDED, WHOSE SECURITIES ARE EXEMPT  
10 FROM REGISTRATION PURSUANT TO SECTION 12 OF THE FEDERAL  
11 "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, PURSUANT TO RULE  
12 12g 3-2 (b) PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES  
13 EXCHANGE ACT OF 1934", AS AMENDED; AND

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

18 (c) IS REASONABLY IDENTIFIED AS A PUBLICLY TRADED  
19 CORPORATION BY RULE BY THE STATE LICENSING AUTHORITY AS A  
20 PUBLICLY TRADED CORPORATION;

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

24 (I) AN "INELIGIBLE ISSUER", AS DEFINED IN RULE 405  
25 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933",  
26 AS AMENDED, UNLESS SUCH PUBLICLY TRADED CORPORATION SATISFIES  
27 THE DEFINITION OF INELIGIBLE ISSUER SOLELY BECAUSE IT IS ONE OR MORE



1 OF THE FOLLOWING AND THE PERSON IS REQUIRED TO FILE REPORTS AND  
2 IS FILING REPORTS ON A CURRENT BASIS WITH THE FEDERAL SECURITIES  
3 AND EXCHANGE COMMISSION PURSUANT TO THE FEDERAL "SECURITIES  
4 EXCHANGE ACT OF 1934", AS AMENDED, AS IF THE SECURITIES  
5 CONSTITUTED "COVERED SECURITIES" AS DESCRIBED IN SUBSECTION  
6 (22.7)(a)(I) OF THIS SECTION:

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

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

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

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

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

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

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

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

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

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

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

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

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

27 (23.5) "REASONABLE CAUSE" MEANS JUST OR LEGITIMATE

1 GROUND TO BELIEVE THAT THE PARTICULAR REQUESTED ACTION IS  
2 NECESSARY TO FULFILL THE PURPOSES OF THIS ARTICLE 11 OR TO PROTECT  
3 PUBLIC SAFETY.

4 (25.5) "SECURITY" MEANS THOSE TERMS AS DEFINED IN SECTION  
5 (2)(1) OF THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED.

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

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

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

13 (d) Maintain the confidentiality of reports or other information  
14 obtained from a medical or retail licensee containing any individualized  
15 data, information, or records related to the licensee or its operation,  
16 including sales information, financial records, tax returns, credit reports,  
17 cultivation information, testing results, and security information and  
18 plans, or revealing any patient information, or any other records that are  
19 exempt from public inspection pursuant to state law. Such reports or other  
20 information may be used only for a purpose authorized by this article 11  
21 or article 12 of this title 44, FOR INVESTIGATION OR ENFORCEMENT OF ANY  
22 INTERNATIONAL, FEDERAL, STATE, OR LOCAL SECURITIES LAW OR  
23 REGULATIONS, or for any other state or local law enforcement purpose.  
24 Any information released related to patients may be used only for a  
25 purpose authorized by this article 11 or article 12 of this title 44, or to  
26 verify that a person who presented a registry identification card to a state  
27 or local law enforcement official is lawfully in possession of such card.

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

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

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

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

15 (I) OWNERSHIP AND FINANCIAL DISCLOSURE PROCEDURES AND  
16 REQUIREMENTS PURSUANT TO THIS ARTICLE 11;

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

23 (III) PROCEDURES AND REQUIREMENTS FOR FINDINGS OF  
24 SUITABILITY PURSUANT TO THIS ARTICLE 11, INCLUDING FEES NECESSARY  
25 TO COVER THE DIRECT AND INDIRECT COSTS OF ANY SUITABILITY  
26 INVESTIGATION;

27 (IV) PROCEDURES AND REQUIREMENTS CONCERNING THE

1 DIVESTITURE OF THE BENEFICIAL OWNERSHIP OF A PERSON FOUND  
2 UNSUITABLE BY THE STATE LICENSING AUTHORITY;

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

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

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

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

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

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

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

1 CONDUCT OF THEIR BUSINESS.

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

4 44-11-304. State licensing authority - application and issuance  
5 procedures. (1) Applications for a state license under the provisions of  
6 this article 11 shall MUST be made to the state licensing authority on  
7 forms prepared and furnished by the state licensing authority and shall  
8 MUST set forth such information as the state licensing authority may  
9 require to enable the state licensing authority to determine whether a state  
10 license should be granted. The information shall MUST include the name  
11 and address of the applicant, DISCLOSURES REQUIRED BY SECTION  
12 44-11-307.5, ~~the names and addresses of the officers, directors, or~~  
13 ~~managers~~, and all other information deemed necessary by the state  
14 licensing authority. Each application shall MUST be verified by the oath  
15 or affirmation of such person or persons as the state licensing authority  
16 may prescribe.

17 (2) The state licensing authority shall issue a state license to a  
18 medical marijuana center, ~~an optional premises cultivation operation, or~~  
19 ~~a medical marijuana-infused products manufacturer~~ BUSINESS pursuant to  
20 this section upon satisfactory completion of the applicable criminal  
21 history background check associated with the application, and the state  
22 license is conditioned upon local licensing authority approval. A license  
23 applicant is prohibited from operating a licensed medical marijuana  
24 business without both state and local licensing authority approval. The  
25 denial of an application by the local licensing authority shall be  
26 considered as a basis for the state licensing authority to revoke the  
27 state-issued license.

1           **SECTION 4.** In Colorado Revised Statutes, 44-11-306, **amend**  
2           (1)(c), (1)(m), and (1)(n); **repeal** (1)(e); and **add** (1)(c.1), (1)(c.2), (1)(o),  
3           (1)(p), (1)(q), (1)(r), (1)(s), and (1) (t) as follows:

4           **44-11-306. Persons prohibited as licensees - definition.** (1) A  
5           license provided by this article 11 shall not be issued to or held by:

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

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

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

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

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

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

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

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

12 (q) A PERSON THAT IS OR HAS A CONTROLLING BENEFICIAL OWNER  
13 THAT IS DISQUALIFIED AS A "BAD ACTOR" UNDER RULE 506 (d)  
14 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933",  
15 AS AMENDED, AND SUBJECT TO 17 CFR 230.406 (d)(1);

16 (r) A PERSON THAT IS NOT A PUBLICLY TRADED CORPORATION  
17 THAT IS DISQUALIFIED AS A "BAD ACTOR" UNDER RULE 506 (d)  
18 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933",  
19 AS AMENDED, AND SUBJECT TO 17 CFR 230.406 (d)(1);

20 (s) A PERSON THAT IS A PUBLICLY TRADED CORPORATION THAT IS  
21 OR HAS A KNOWN PASSIVE BENEFICIAL OWNER OR INDIRECT FINANCIAL  
22 INTEREST HOLDER THAT IS DISQUALIFIED AS A "BAD ACTOR" UNDER RULE  
23 506 (d) PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF  
24 1933", AS AMENDED, AND SUBJECT TO 17 CFR 230.406 (d)(1); OR

25 (t) A PERSON THAT IS OR HAS A CONTROLLING BENEFICIAL OWNER,  
26 PASSIVE BENEFICIAL OWNER, OR INDIRECT FINANCIAL INTEREST HOLDER  
27 THAT IS PROHIBITED FROM ENGAGING IN TRANSACTIONS PURSUANT TO



1 THIS ARTICLE 11 DUE TO ITS DESIGNATION ON THE "SPECIALLY  
2 DESIGNATED NATIONALS AND BLOCKED PERSONS" LIST MAINTAINED BY  
3 THE FEDERAL OFFICE OF FOREIGN ASSETS CONTROL.

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

7 **44-11-307. Business and owner requirements - legislative**  
8 **declaration.** (1) (a) The general assembly hereby finds and declares that:

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

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

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

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

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

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

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

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

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

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

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

26 (b) ~~On and after January 1, 2017, A medical marijuana business~~  
27 ~~that is composed of one or more direct beneficial interest owners who~~

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

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

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

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

1 ~~marijuana business.~~

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

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

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

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

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

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

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

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

27 ~~(e) Collective trust funds as defined in section 3 (c)(11) of the~~

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

12 **SECTION 6.** In Colorado Revised Statutes, add 44-11-307.5 and

13 44-11-307.6 as follows:

14 **44-11-307.5. Business owner and financial interest disclosure**

15 **requirements.** (1) APPLICANTS FOR THE ISSUANCE OF A STATE LICENSE

16 SHALL DISCLOSE TO THE STATE LICENSING AUTHORITY THE FOLLOWING:

17 (a) A COMPLETE AND ACCURATE ORGANIZATIONAL CHART OF THE

18 MEDICAL MARIJUANA BUSINESS REFLECTING THE IDENTITY AND

19 OWNERSHIP PERCENTAGES OF ITS CONTROLLING BENEFICIAL OWNERS;

20 (b) THE FOLLOWING INFORMATION REGARDING ALL CONTROLLING

21 BENEFICIAL OWNERS OF THE MEDICAL MARIJUANA BUSINESS:

22 (I) IF THE CONTROLLING BENEFICIAL OWNER IS A PUBLICLY

23 TRADED CORPORATION, THE APPLICANT SHALL DISCLOSE THE

24 CONTROLLING BENEFICIAL OWNERS' EXECUTIVE OFFICERS, MEMBERS OF ITS

25 BOARD OF DIRECTORS, AND ANY BENEFICIAL OWNERS THAT DIRECTLY OR

26 INDIRECTLY BENEFICIALLY OWN TEN PERCENT OR MORE OF THE SECURITIES

27 IN A MEDICAL MARIJUANA BUSINESS;

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 OWNERS'  
4 EXECUTIVE OFFICERS, MANAGERS AS DEFINED IN SECTION 7-90-102 (35.7),  
5 AND ANY BENEFICIAL OWNERS THAT DIRECTLY OR INDIRECTLY  
6 BENEFICIALLY OWN TEN PERCENT OR MORE OF THE SECURITIES IN A  
7 MEDICAL MARIJUANA BUSINESS;

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

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

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

22 (d) ANY INDIRECT FINANCIAL INTEREST HOLDER THAT HOLDS TWO  
23 OR MORE INDIRECT FINANCIAL INTERESTS IN THE MEDICAL MARIJUANA  
24 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, LICENSEE, OR  
10 CONTROLLING BENEFICIAL OWNER THAT IS A PUBLICLY TRADED  
11 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, THE MEMBERS OF THE BOARD OF  
23 DIRECTORS, GENERAL PARTNERS, MANAGING MEMBERS, OR MANAGERS OR  
24 EXECUTIVE OFFICERS AND TEN PERCENT OR MORE BENEFICIAL OWNERS OF  
25 THE INDIRECT FINANCIAL INTEREST HOLDER.

26 (4) AN APPLICANT OR MEDICAL MARIJUANA BUSINESS THAT IS NOT  
27 A PUBLICLY TRADED CORPORATION SHALL AFFIRM UNDER PENALTY OF

1 PERJURY THAT IT EXERCISED REASONABLE CARE TO CONFIRM THAT ITS  
2 PASSIVE BENEFICIAL OWNERS, INDIRECT FINANCIAL INTEREST HOLDERS,  
3 AND QUALIFIED INSTITUTIONAL INVESTORS ARE NOT PERSONS PROHIBITED  
4 PURSUANT TO SECTION 44-11-306, OR OTHERWISE RESTRICTED FROM  
5 HOLDING AN INTEREST UNDER THIS ARTICLE 11. AN APPLICANT'S OR  
6 LICENSEE'S FAILURE TO EXERCISE REASONABLE CARE IS A BASIS FOR  
7 DENIAL, FINE, SUSPENSION, REVOCATION, OR OTHER SANCTION BY THE  
8 STATE LICENSING AUTHORITY.

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

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

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

27 **44-11-307.6. Business owner and financial interest suitability**



1 **requirements.** (1) THIS SECTION APPLIES TO ALL PERSONS REQUIRED TO  
2 SUBMIT A FINDING OF SUITABILITY.

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

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

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

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

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

1     PRESCRIBED BY THE STATE LICENSING AUTHORITY.

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

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

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

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

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

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

1           **44-11-309. Transfer of ownership.** (2) For a transfer of  
2 ownership INVOLVING A CONTROLLING BENEFICIAL OWNER, a license  
3 holder shall apply to the state and local licensing authorities on forms  
4 prepared and furnished by the state licensing authority. In determining  
5 whether to permit a transfer of ownership, the state and local licensing  
6 authorities shall consider only the requirements of this article 11, any  
7 rules promulgated by the state licensing authority, and any other local  
8 restrictions. The local licensing authority may hold a hearing on the  
9 application for transfer of ownership. The local licensing authority shall  
10 not hold a hearing pursuant to this subsection (2) until the local licensing  
11 authority has posted a notice of hearing in the manner described in section  
12 44-11-302 (2) on the licensed medical marijuana center premises for a  
13 period of ten days and has provided notice of the hearing to the applicant  
14 at least ten days prior to the hearing. Any transfer of ownership hearing  
15 by the state licensing authority ~~shall~~ MUST be held in compliance with the  
16 requirements specified in section 44-11-302.

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

22           (4) A PERSON THAT BECOMES A CONTROLLING BENEFICIAL OWNER  
23 OF A PUBLICLY TRADED CORPORATION THAT IS A MEDICAL MARIJUANA  
24 BUSINESS OR THAT BECOMES A BENEFICIAL OWNER, THROUGH DIRECT OR  
25 INDIRECT OWNERSHIP OF A CONTROLLING BENEFICIAL OWNER, OF TEN  
26 PERCENT OR MORE OF A MEDICAL MARIJUANA BUSINESS THAT IS A  
27 PUBLICLY TRADED CORPORATION MUST DISCLOSE THE INFORMATION

1 REQUIRED BY SECTION 44-11-307.5 AND APPLY TO THE STATE LICENSING  
2 AUTHORITY FOR A FINDING OF SUITABILITY OR EXEMPTION FROM A  
3 FINDING OF SUITABILITY PURSUANT TO SECTION 44-11-307.6 WITHIN  
4 FORTY-FIVE DAYS AFTER BECOMING SUCH A CONTROLLING BENEFICIAL  
5 OWNER. A LICENSEE SHALL NOTIFY EACH PERSON THAT IS SUBJECT TO THIS  
6 SUBSECTION (4) OF ITS REQUIREMENTS AS SOON AS THE LICENSEE  
7 BECOMES AWARE OF THE BENEFICIAL OWNERSHIP TRIGGERING THE  
8 REQUIREMENT, PROVIDED THAT THE OBLIGATIONS OF THE PERSON SUBJECT  
9 TO THIS SUBSECTION (4) ARE INDEPENDENT OF, AND UNAFFECTED BY, THE  
10 LICENSEE'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 shall report each transfer or change of financial interest in the license to  
18 the state and local licensing authorities thirty days prior to any transfer or  
19 change pursuant to section 44-11-309. EXCEPT FOR A PUBLICLY TRADED  
20 CORPORATION, a report shall be required for transfers of capital stock of  
21 any corporation OWNER'S INTEREST OF ANY ENTITY regardless of size.

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

24 **44-11-313. Unlawful financial assistance.** (1) The state  
25 licensing authority, by rule, shall require a complete disclosure of all  
26 persons having a direct or indirect financial interest, and the extent of  
27 such interest, in PURSUANT TO SECTION 44-11-307.5 IN CONNECTION WITH

1 each license issued under this article 11.

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

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

12 **44-11-407. Medical marijuana business operator license.** A  
13 medical marijuana business operator license may be issued to an entity or  
14 A person who THAT operates a medical marijuana establishment BUSINESS  
15 licensed pursuant to this article 11 for an owner ANOTHER MEDICAL  
16 MARIJUANA BUSINESS licensed pursuant to this article 11 and who THAT  
17 may receive a portion of the profits as compensation.

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

20 **44-11-901. Unlawful acts - exceptions - repeal.** (7.5) (a) IT IS  
21 UNLAWFUL FOR A PERSON TO ENGAGE IN ANY ACT OR OMISSION WITH THE  
22 INTENT TO EVADE DISCLOSURE, REPORTING, RECORD KEEPING, OR  
23 SUITABILITY REQUIREMENTS PURSUANT TO THIS ARTICLE 11, INCLUDING  
24 BUT NOT LIMITED TO THE FOLLOWING:

25 (I) FAILING TO FILE A REPORT REQUIRED UNDER THIS ARTICLE 11  
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 11 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 MEDICAL MARIJUANA BUSINESS; OR

6 (IV) STRUCTURING ANY TRANSACTION WITH THE INTENT TO EVADE  
7 DISCLOSURE, REPORTING, RECORD KEEPING, OR SUITABILITY  
8 REQUIREMENTS PURSUANT TO THIS ARTICLE 11.

9 (b) THE STATE LICENSING AUTHORITY MAY DENY, SUSPEND,  
10 REVOKE, FINE, OR IMPOSE OTHER SANCTIONS AGAINST A PERSON'S LICENSE  
11 ISSUED UNDER THIS ARTICLE 11 IF THE STATE LICENSING AUTHORITY FINDS  
12 A VIOLATION OF THIS SUBSECTION (7.5) 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 12.** In Colorado Revised Statutes, 44-12-103, **amend**  
16 (1), (5), (18), (20), (24), and (25); **repeal** (17); and **add** (1.1), (1.2), (1.3),  
17 (1.4), (1.5), (3.2), (5.5), (16.5), (19.5), (20.5), (32.5), and (34) as follows:

18 **44-12-103. Definitions.** As used in this article 12, unless the  
19 context otherwise requires:

20 (1) "~~Direct beneficial interest owner~~" means a person or closely  
21 held business entity that owns a share or shares of stock in a licensed  
22 retail marijuana business, including the officers, directors, managing  
23 members, or partners of the licensed retail marijuana business or closely  
24 held business entity, or a qualified limited passive investor "ACQUIRE"  
25 WHEN USED IN CONNECTION WITH THE ACQUISITION OF A SECURITY OF A  
26 RETAIL MARIJUANA BUSINESS, MEANS OBTAINING OWNERSHIP, CONTROL,  
27 POWER TO VOTE, OR SOLE POWER OF DISPOSITION OF SECURITIES, DIRECTLY

1 OR INDIRECTLY OR THROUGH ONE OR MORE TRANSACTIONS OR  
2 SUBSIDIARIES, THROUGH PURCHASE, ASSIGNMENT, TRANSFER, EXCHANGE,  
3 SUCCESSION, OR OTHER MEANS.

4 (1.1) "ACTING IN CONCERT" MEANS KNOWING PARTICIPATION IN  
5 A JOINT ACTIVITY OR INTERDEPENDENT CONSCIOUS PARALLEL ACTION  
6 TOWARD A COMMON GOAL, WHETHER OR NOT PURSUANT TO AN EXPRESS  
7 AGREEMENT.

8 (1.2) "AFFILIATE" OF, OR PERSON "AFFILIATED WITH", A SPECIFIED  
9 PERSON MEANS A PERSON THAT DIRECTLY OR INDIRECTLY THROUGH ONE  
10 OR MORE INTERMEDIARIES, CONTROLS, OR IS CONTROLLED BY, OR IS  
11 UNDER COMMON CONTROL WITH, THE PERSON SPECIFIED.

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

16 (1.4) "CONTROL", "CONTROLS", "CONTROLLED", "CONTROLLING",  
17 "CONTROLLED BY", AND "UNDER COMMON CONTROL WITH", MEANS THE  
18 POSSESSION, DIRECT OR INDIRECT, OF THE POWER TO DIRECT OR CAUSE THE  
19 DIRECTION OF THE MANAGEMENT OR POLICIES OF A PERSON, WHETHER  
20 THROUGH THE OWNERSHIP OF VOTING SECURITIES, BY CONTRACT, OR  
21 OTHERWISE.

22 (1.5) "CONTROLLING BENEFICIAL OWNER" IS LIMITED TO A PERSON  
23 THAT SATISFIES ONE OR MORE OF THE FOLLOWING CRITERIA:

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



1 PUBLICLY TRADED CORPORATION, OR A QUALIFIED PRIVATE FUND THAT IS  
2 NOT OTHERWISE LICENSED AS A QUALIFIED INSTITUTIONAL INVESTOR:

3 (I) ACTING ALONE OR ACTING IN CONCERT, THAT OWNS OR  
4 ACQUIRES BENEFICIAL OWNERSHIP OF TEN PERCENT OR MORE OF THE  
5 INTERESTS OF A RETAIL MARIJUANA BUSINESS;

6 (II) THAT IS AN AFFILIATE THAT CONTROLS A RETAIL MARIJUANA  
7 BUSINESS AND INCLUDES, WITHOUT LIMITATION, ANY EXECUTIVE OFFICER,  
8 MANAGER AS DEFINED IN SECTION 7-90-102 (35.7), TRUSTEE, OR SIMILAR  
9 POSITION; OR

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

12 (b) A QUALIFIED INSTITUTIONAL INVESTOR ACTING ALONE OR  
13 ACTING IN CONCERT THAT OWNS OR ACQUIRES BENEFICIAL OWNERSHIP OF  
14 THIRTY PERCENT OR MORE OF THE SECURITIES OF A RETAIL MARIJUANA  
15 BUSINESS.

16 (3.2) "EXECUTIVE OFFICER" MEANS THE PRESIDENT; ANY VICE  
17 PRESIDENT IN CHARGE OF A PRINCIPAL BUSINESS UNIT, DIVISION, OR  
18 FUNCTION; ANY OTHER OFFICER WHO PERFORMS A POLICY-MAKING  
19 FUNCTION; OR ANY OTHER PERSON WHO PERFORMS SIMILAR  
20 POLICY-MAKING FUNCTIONS.

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

27 "INDIRECT FINANCIAL INTEREST HOLDER" MEANS A PERSON THAT IS NOT

1 AN AFFILIATE, A CONTROLLING BENEFICIAL OWNER, OR A PASSIVE  
2 BENEFICIAL OWNER OF A RETAIL MARIJUANA BUSINESS AND THAT:

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

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

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

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

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

26 (17) ~~"Permitted economic interest" means any unsecured~~  
27 ~~convertible debt instrument, option agreement, warrant, or any other right~~

1 ~~to obtain an ownership interest when the holder of such interest is a~~  
2 ~~natural person who is a lawful United States resident and whose right to~~  
3 ~~convert into an ownership interest is contingent on the holder qualifying~~  
4 ~~and obtaining a license as an owner under this article 12 or such other~~  
5 ~~agreements as may be permitted by rule by the state licensing authority.~~

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

10 (19.5) "PUBLICLY TRADED CORPORATION" MEANS ANY PERSON  
11 OTHER THAN AN INDIVIDUAL THAT HAS A CLASS OF SECURITIES  
12 REGISTERED PURSUANT TO SECTION 12 OF THE FEDERAL "SECURITIES  
13 EXCHANGE ACT OF 1934", AS AMENDED, THAT IS ORGANIZED UNDER THE  
14 LAWS OF AND FOR WHICH ITS PRINCIPAL PLACE OF BUSINESS IS LOCATED IN  
15 ONE OF THE STATES OR TERRITORIES OF THE UNITED STATES OR DISTRICT  
16 OF COLUMBIA OR ANOTHER COUNTRY THAT AUTHORIZES THE SALE OF  
17 MARIJUANA AND THAT:

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

21 (I) CONSTITUTES "COVERED SECURITIES" PURSUANT TO SECTION  
22 18 (b)(1)(A) OF THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED;  
23 OR

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

26 (A) THE PERSON IS THEN REQUIRED TO FILE REPORTS AND IS FILING  
27 REPORTS ON A CURRENT BASIS WITH THE FEDERAL SECURITIES AND

1 EXCHANGE COMMISSION PURSUANT TO THE FEDERAL "SECURITIES  
2 EXCHANGE ACT OF 1934", AS AMENDED, AS IF THE SECURITIES  
3 CONSTITUTED "COVERED SECURITIES" AS DESCRIBED IN SUBSECTION  
4 (19.5)(a)(I) OF THIS SECTION; OR

5 (B) THE PERSON IS QUALIFIED AND QUOTED ON THE OTCQX TIER  
6 OF THE OTC MARKETS AND THE PERSON HAS ESTABLISHED AND IS IN  
7 COMPLIANCE WITH CORPORATE GOVERNANCE MEASURES PURSUANT TO  
8 CORPORATE GOVERNANCE OBLIGATIONS IMPOSED ON SECURITIES  
9 QUALIFIED AND QUOTED ON THE OTCQX TIER OF THE OTC MARKETS;

10 (b) IS A CORPORATION THAT HAS A CLASS OF SECURITIES LISTED ON  
11 THE CANADIAN SECURITIES EXCHANGE, TORONTO STOCK EXCHANGE, OR  
12 OTHER EQUITY SECURITIES EXCHANGE RECOGNIZED BY THE STATE  
13 LICENSING AUTHORITY, IF:

14 (I) THE CORPORATION CONSTITUTES A "FOREIGN PRIVATE ISSUER",  
15 AS DEFINED IN RULE 405 PROMULGATED PURSUANT TO THE FEDERAL  
16 "SECURITIES ACT OF 1933", AS AMENDED, WHOSE SECURITIES ARE EXEMPT  
17 FROM REGISTRATION PURSUANT TO SECTION 12 OF THE FEDERAL  
18 "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, PURSUANT TO RULE  
19 12g 3-2 (b) PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES  
20 EXCHANGE ACT OF 1934", AS AMENDED; AND

21 (II) THE CORPORATION HAS BEEN, FOR THE PRECEDING THREE  
22 HUNDRED SIXTY-FIVE DAYS OR SINCE THE FORMATION OF THE ENTITY, IN  
23 COMPLIANCE WITH ALL GOVERNANCE AND REPORTING OBLIGATIONS  
24 IMPOSED BY THE RELEVANT EXCHANGE ON SUCH CORPORATION;

25 (c) IS REASONABLY IDENTIFIED AS A PUBLICLY TRADED  
26 CORPORATION BY RULE BY THE STATE LICENSING AUTHORITY AS A  
27 PUBLICLY TRADED CORPORATION; OR

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

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

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

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

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

23 (II) A PERSON DISQUALIFIED AS A "BAD ACTOR" UNDER RULE 506  
24 (D) PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF  
25 1933", AS AMENDED.

26 (20) "Qualified limited passive investor" means a natural person  
27 who is a United States citizen and is a passive investor who owns less

1 ~~than a five percent share or shares of stock in a licensed retail marijuana~~  
2 ~~business.~~ "QUALIFIED INSTITUTIONAL INVESTOR" MEANS:

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

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

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

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

24 (e) AN EMPLOYEE BENEFIT PLAN OR PENSION FUND SUBJECT TO THE  
25 FEDERAL "EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974",  
26 EXCLUDING AN EMPLOYEE BENEFIT PLAN OR PENSION FUND SPONSORED BY  
27 A LICENSEE OR AN INTERMEDIARY HOLDING COMPANY LICENSEE THAT

1 DIRECTLY OR INDIRECTLY OWNS TEN PERCENT OR MORE OF A LICENSEE;

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

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

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

7 (20.5) "REASONABLE CAUSE" MEANS JUST OR LEGITIMATE  
8 GROUNDS TO BELIEVE THAT THE PARTICULAR REQUESTED ACTION IS  
9 NECESSARY TO FULFILL THE PURPOSES OF THIS ARTICLE 12 OR TO PROTECT  
10 PUBLIC SAFETY.

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

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

25 (32.5) "SECURITY" MEANS THOSE TERMS AS DEFINED IN SECTION  
26 (2)(1) OF THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED.

27 (34) "SUBSTANTIAL JUSTIFICATION" MEANS A POSITION OR REASON

1 THAT HAS A REASONABLE BASIS BOTH IN LAW AND IN FACT.

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

4 **44-12-202. Powers and duties of state licensing authority -**  
5 **rules.** (2) The state licensing authority has the authority to:

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

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

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

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

24 (IV) Development of individual identification cards for ~~owners,~~  
25 ~~officers~~ CONTROLLING BENEFICIAL OWNERS AND ANY PERSON EMPLOYED  
26 BY, OPERATING, WORKING IN, OR HAVING UNESCORTED ACCESS TO THE  
27 LIMITED ACCESS AREAS OF THE LICENSED PREMISES OF A RETAIL



1 MARIJUANA ESTABLISHMENT, ~~managers, contractors, employees, and other~~  
2 ~~support staff of entities licensed pursuant to this article 12~~, including a  
3 fingerprint-based criminal history record check as may be required by the  
4 state licensing authority prior to issuing a card;

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

7 (I) OWNERSHIP AND FINANCIAL DISCLOSURE PROCEDURES AND  
8 REQUIREMENTS PURSUANT TO THIS ARTICLE 12;

9 (II) RECORDS A RETAIL MARIJUANA ESTABLISHMENT IS REQUIRED  
10 TO MAINTAIN REGARDING ITS CONTROLLING BENEFICIAL OWNERS, PASSIVE  
11 BENEFICIAL OWNERS, AND INDIRECT FINANCIAL INTEREST HOLDERS THAT  
12 MAY BE SUBJECT TO DISCLOSURE AT RENEWAL OR AS PART OF ANY OTHER  
13 INVESTIGATION FOLLOWING INITIAL LICENSURE OF A RETAIL MARIJUANA  
14 ESTABLISHMENT;

15 (III) PROCEDURES AND REQUIREMENTS FOR FINDINGS OF  
16 SUITABILITY PURSUANT TO THIS ARTICLE 12, INCLUDING FEES NECESSARY  
17 TO COVER THE DIRECT AND INDIRECT COSTS OF ANY SUITABILITY  
18 INVESTIGATION;

19 (IV) PROCEDURES AND REQUIREMENTS CONCERNING THE  
20 DIVESTITURE OF THE BENEFICIAL OWNERSHIP OF A PERSON FOUND  
21 UNSUITABLE BY THE STATE LICENSING AUTHORITY;

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

27 (VI) DESIGNATION OF PERSONS THAT BY VIRTUE OF COMMON

1 CONTROL CONSTITUTE CONTROLLING BENEFICIAL OWNERS;

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

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

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

9 (b) RULES PROMULGATED PURSUANT TO THIS SUBSECTION (6)  
10 SHALL NOT BE ANY MORE RESTRICTIVE THAN THOSE EXPRESSLY  
11 ESTABLISHED UNDER THIS ARTICLE 12.

12 (7) THE STATE LICENSING AUTHORITY MAY DENY, SUSPEND,  
13 REVOKE, FINE, OR IMPOSE OTHER SANCTIONS AGAINST A PERSON'S LICENSE  
14 ISSUED PURSUANT TO THIS ARTICLE 12 IF THE STATE LICENSING  
15 AUTHORITY FINDS THE PERSON OR THE PERSON'S CONTROLLING  
16 BENEFICIAL OWNER, PASSIVE BENEFICIAL OWNER, OR INDIRECT FINANCIAL  
17 INTEREST HOLDER FAILED TO TIMELY FILE ANY REPORT, DISCLOSURE,  
18 REGISTRATION STATEMENT, OR OTHER SUBMISSION REQUIRED BY ANY  
19 STATE OR FEDERAL REGULATORY AUTHORITY THAT IS RELATED TO THE  
20 CONDUCT OF THEIR ESTABLISHMENT.

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

23 **44-12-303. State licensing authority - application and issuance**  
24 **procedures.** (1) Applications for a state license under the provisions of  
25 this article 12 must be made to the state licensing authority on forms  
26 prepared and furnished by the state licensing authority and must set forth  
27 such information as the state licensing authority may require to enable the

1 state licensing authority to determine whether a state license should be  
2 granted. The information must include the name and address of the  
3 applicant and ~~the names and addresses of the officers, directors, or~~  
4 ~~managers~~ DISCLOSURES REQUIRED BY SECTION 44-11-307.5. Each  
5 application must be verified by the oath or affirmation of such person or  
6 persons as the state licensing authority may prescribe. The state licensing  
7 authority may issue a state license to an applicant pursuant to this section  
8 upon completion of the applicable criminal history background check  
9 associated with the application, and the state license is conditioned upon  
10 local jurisdiction approval. A license applicant is prohibited from  
11 operating a licensed retail marijuana business without state and local  
12 jurisdiction approval. If the applicant does not receive local jurisdiction  
13 approval within one year from the date of state licensing authority  
14 approval, the state license shall expire and may not be renewed. If an  
15 application is denied by the local licensing authority, the state licensing  
16 authority shall revoke the state-issued license.

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

20 **44-12-305. Persons prohibited as licensees - definition.** (1) A  
21 license provided by this article 12 shall not be issued to or held by:

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

27 (c.1) A PERSON THAT IS NOT A PUBLICLY TRADED CORPORATION,

1 IF THE CRIMINAL HISTORY OF ANY OF ITS PASSIVE BENEFICIAL OWNERS  
2 INDICATES THAT THE PERSON IS NOT OF GOOD MORAL CHARACTER AFTER  
3 CONSIDERING THE FACTORS IN SECTION 24-5-101;

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

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

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

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

20 (m) A PERSON THAT IS OR HAS A CONTROLLING BENEFICIAL  
21 OWNER, THAT IS AN "INELIGIBLE ISSUER" PURSUANT TO SECTION 44-12-104  
22 (19.5)(d)(1);

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

25 (o) A PERSON THAT IS NOT A PUBLICLY TRADED CORPORATION  
26 THAT IS DISQUALIFIED AS A "BAD ACTOR" UNDER RULE 506 (d)  
27 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933",

1 AS AMENDED, AND SUBJECT TO 17 CFR 230.406 (d)(1);

2 (p) A PERSON THAT IS A PUBLICLY TRADED CORPORATION THAT IS  
3 OR HAS A KNOWN PASSIVE BENEFICIAL OWNER OR INDIRECT FINANCIAL  
4 INTEREST HOLDER THAT IS DISQUALIFIED AS A "BAD ACTOR" UNDER RULE  
5 506 (d) PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF  
6 1933", AS AMENDED, AND SUBJECT TO 17 CFR 230.406 (d)(1); OR

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

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

16 **44-12-306. Business and owner requirements - legislative**  
17 **declaration - definition.** (1) (a) The general assembly hereby finds and  
18 declares that:

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

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

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

1 (VI) PUBLICLY TRADED CORPORATIONS OFFERING SECURITIES FOR  
2 INVESTMENT IN RETAIL MARIJUANA ESTABLISHMENTS MUST TELL THE  
3 PUBLIC THE TRUTH ABOUT THEIR BUSINESS, THE SECURITIES THEY ARE  
4 SELLING, AND THE RISKS INVOLVED WITH INVESTING IN RETAIL MARIJUANA  
5 ESTABLISHMENTS, AND PEOPLE THAT SELL AND TRADE SECURITIES  
6 RELATED TO RETAIL MARIJUANA ESTABLISHMENTS ARE PROHIBITED FROM  
7 ENGAGING IN DECEIT, MISREPRESENTATIONS, AND OTHER FRAUD IN THE  
8 SALE OF THE SECURITIES; AND

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

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

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

1 either:

2 (a) Have been a resident of Colorado for at least one year prior to

3 the date of the application; or

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

5 (3) (a) A retail marijuana business may be comprised of an

6 unlimited number of direct beneficial interest owners that have been

7 residents of Colorado for at least one year prior to the date of the

8 application.

9 (b) On and after January 1, 2017, A retail marijuana business that

10 is composed of one or more direct beneficial interest owners who have

11 not been Colorado residents for at least one year prior to application

12 ESTABLISHMENT shall have at least one EXECUTIVE officer who has been

13 IS a Colorado resident for at least one year prior to ON THE DATE OF

14 application, and all officers NATURAL PERSONS with day-to-day

15 operational control over the business must be Colorado residents. for at

16 least one year prior to application. A retail marijuana business under this

17 subsection (3)(b) is limited to no more than fifteen direct beneficial

18 interest owners, including all parent and subsidiary entities, all of whom

19 are natural persons.

20 (c) Notwithstanding the requirements of subsection (3)(b) of this

21 section, the state licensing authority may review the limitation on the

22 number of direct beneficial interest owners and may increase the number

23 of allowable interests above fifteen based on reasonable considerations

24 such as developments in state and federal financial regulations, market

25 conditions, and the licensee's ability to access legitimate sources of

26 capital A PERSON, OTHER THAN AN INDIVIDUAL, THAT IS A RETAIL

27 MARIJUANA ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER

1 SHALL APPOINT AND CONTINUOUSLY MAINTAIN A REGISTERED AGENT  
2 THAT SATISFIES THE REQUIREMENTS OF SECTION 7-90-701. THE RETAIL  
3 MARIJUANA ESTABLISHMENT SHALL INFORM THE STATE LICENSING  
4 AUTHORITY OF A CHANGE IN THE REGISTERED AGENT WITHIN TEN DAYS  
5 AFTER THE CHANGE.

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

23           **44-12-306.5. Business owner and financial interest disclosure**  
24 **requirements.** (1) **APPLICANTS FOR THE ISSUANCE OF A STATE LICENSE**  
25 **SHALL DISCLOSE TO THE STATE LICENSING AUTHORITY THE FOLLOWING:**

26           (a) **A COMPLETE AND ACCURATE ORGANIZATIONAL CHART OF THE**  
27 **RETAIL MARIJUANA ESTABLISHMENT REFLECTING THE IDENTITY AND**

1 OWNERSHIP PERCENTAGES OF ITS CONTROLLING BENEFICIAL OWNERS;

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

4 (I) IF THE CONTROLLING BENEFICIAL OWNER IS A PUBLICLY  
5 TRADED CORPORATION, THE APPLICANT SHALL DISCLOSE THE  
6 CONTROLLING BENEFICIAL OWNERS' EXECUTIVE OFFICERS, MEMBERS OF ITS  
7 BOARD OF DIRECTORS, AND ANY BENEFICIAL OWNERS THAT DIRECTLY OR  
8 INDIRECTLY BENEFICIALLY OWN TEN PERCENT OR MORE OF THE SECURITIES  
9 IN A RETAIL MARIJUANA ESTABLISHMENT;

10 (II) IF THE CONTROLLING BENEFICIAL OWNER IS NOT A PUBLICLY  
11 TRADED CORPORATION AND IS NOT A QUALIFIED PRIVATE FUND, THE  
12 APPLICANT SHALL DISCLOSE THE CONTROLLING BENEFICIAL OWNERS'  
13 EXECUTIVE OFFICERS, MANAGERS AS DEFINED IN SECTION 7-90-102 (35.7),  
14 AND ANY BENEFICIAL OWNERS THAT DIRECTLY OR INDIRECTLY  
15 BENEFICIALLY OWN TEN PERCENT OR MORE OF THE SECURITIES IN A RETAIL  
16 MARIJUANA ESTABLISHMENT;

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

26 (IV) IF THE CONTROLLING BENEFICIAL OWNER IS A NATURAL  
27 PERSON, THE APPLICANT SHALL DISCLOSE THE NATURAL PERSON'S

1 IDENTIFYING INFORMATION;

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

4 AND

5 (d) ANY INDIRECT FINANCIAL INTEREST HOLDER THAT HOLDS TWO  
6 OR MORE INDIRECT FINANCIAL INTERESTS IN THE RETAIL MARIJUANA  
7 ESTABLISHMENT.

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

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

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

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

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

22 (b) PASSIVE BENEFICIAL OWNERS OF THE RETAIL MARIJUANA  
23 ESTABLISHMENT, AND FOR ANY PASSIVE BENEFICIAL INTEREST OWNER  
24 THAT IS NOT A NATURAL PERSON, THE MEMBERS OF THE BOARD OF  
25 DIRECTORS, GENERAL PARTNERS, MANAGING MEMBERS, MANAGERS OR  
26 EXECUTIVE OFFICERS AND TEN PERCENT OR MORE OWNERS OF THE PASSIVE  
27 BENEFICIAL OWNER;

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

3 (d) ALL INDIRECT FINANCIAL INTEREST HOLDERS OF THE RETAIL  
4 MARIJUANA ESTABLISHMENT, AND FOR ANY INDIRECT FINANCIAL INTEREST  
5 HOLDER THAT IS NOT A NATURAL PERSON, THE MEMBERS OF THE BOARD OF  
6 DIRECTORS, GENERAL PARTNERS, MANAGING MEMBERS, MANAGERS OR  
7 EXECUTIVE OFFICERS AND TEN PERCENT OR MORE BENEFICIAL OWNERS OF  
8 THE INDIRECT FINANCIAL INTEREST HOLDER.

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

19 (5) AN APPLICANT OR RETAIL MARIJUANA ESTABLISHMENT THAT  
20 IS A PUBLICLY TRADED CORPORATION SHALL AFFIRM UNDER PENALTY OF  
21 PERJURY THAT IT EXERCISED REASONABLE CARE TO CONFIRM THAT ITS  
22 KNOWN PASSIVE BENEFICIAL OWNERS, KNOWN INDIRECT FINANCIAL  
23 INTEREST HOLDERS, AND QUALIFIED INSTITUTIONAL INVESTORS ARE NOT  
24 PERSONS PROHIBITED PURSUANT TO SECTION 44-12-305, OR OTHERWISE  
25 RESTRICTED FROM HOLDING AN INTEREST UNDER THIS ARTICLE 12. AN  
26 APPLICANT'S OR LICENSEE'S FAILURE TO EXERCISE REASONABLE CARE IS A  
27 BASIS FOR DENIAL, FINE, SUSPENSION, REVOCATION, OR OTHER SANCTION

1 BY THE STATE LICENSING AUTHORITY.

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

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

10 **44-12-306.6. Business owner and financial interest suitability**

11 **requirements.** (1) THIS SECTION APPLIES TO ALL PERSONS REQUIRED TO  
12 SUBMIT A FINDING OF SUITABILITY.

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

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

24 (4) FAILURE TO PROVIDE ALL REQUESTED INFORMATION IN  
25 CONNECTION WITH A REQUEST FOR A FINDING OF SUITABILITY IS GROUNDS  
26 FOR DENIAL OF THAT FINDING OF SUITABILITY.

27 (5) FAILURE TO RECEIVE ALL REQUIRED FINDINGS OF SUITABILITY

1 IS GROUNDS FOR DENIAL OF AN APPLICATION OR FOR SUSPENSION,  
2 REVOCATION, OR OTHER SANCTION AGAINST THE LICENSE BY THE STATE  
3 LICENSING AUTHORITY. FOR INITIAL APPLICATIONS, THE FINDING OF  
4 SUITABILITY SHALL BE REQUIRED PRIOR TO SUBMITTING THE APPLICATION  
5 FOR LICENSURE.

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

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

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

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

26 (10) ABSENT SUBSTANTIAL JUSTIFICATION, THE STATE LICENSING  
27 AUTHORITY SHALL APPROVE OR DENY A REQUEST FOR A FINDING OF

1 SUITABILITY WITHIN ONE HUNDRED TWENTY DAYS FROM THE DATE OF  
2 SUBMISSION OF THE REQUEST FOR SUCH FINDING.

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

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

11 **44-12-308. Transfer of ownership.** (2) For a transfer of  
12 ownership INVOLVING A CONTROLLING BENEFICIAL OWNER, a license  
13 holder shall apply to the state licensing authority on forms prepared and  
14 furnished by the state licensing authority. Upon receipt of an application  
15 for transfer of ownership, the state licensing authority shall submit, within  
16 seven days, a copy of the application to the local jurisdiction to determine  
17 whether the transfer complies with local restrictions on transfer of  
18 ownership. In determining whether to permit a transfer of ownership, the  
19 state licensing authority shall consider only the requirements of this  
20 article 12, any rules promulgated by the state licensing authority, and any  
21 other local restrictions. The local jurisdiction may hold a hearing on the  
22 application for transfer of ownership. The local jurisdiction shall not hold  
23 a hearing pursuant to this subsection (2) until the local jurisdiction has  
24 posted a notice of hearing in the manner described in section 44-12-302  
25 (1) on the licensed premises for a period of ten days and has provided  
26 notice of the hearing to the applicant at least ten days prior to the hearing.  
27 Any transfer of ownership hearing by the state licensing authority shall

1 MUST be held in compliance with the requirements specified in section  
2 44-12-303.

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

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

24 **SECTION 19.** In Colorado Revised Statutes, 44-12-309, **amend**  
25 (3), (5), and (10) as follows:

26 **44-12-309. Licensing in general.** (3) A retail marijuana  
27 establishment THAT IS NOT A PUBLICLY TRADED CORPORATION shall notify



1 the state licensing authority in writing of the name, address, and date of  
2 birth of ~~an~~ A CONTROLLING BENEFICIAL owner OR officer ~~or manager~~  
3 before the new CONTROLLING BENEFICIAL owner or officer ~~or manager~~  
4 begins managing, owning, or associating with the operation. The  
5 CONTROLLING BENEFICIAL owner, officer, ~~manager~~, or employee must  
6 pass a fingerprint-based criminal history record check as required by the  
7 state licensing authority and obtain the required identification prior to  
8 being associated with, managing, owning, or working at the operation.  
9 THE STATE LICENSING AUTHORITY MAY FOR REASONABLE CAUSE REQUIRE  
10 A PASSIVE BENEFICIAL OWNER TO PASS A FINGERPRINT-BASED CRIMINAL  
11 HISTORY CHECK.

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

18 (10) EXCEPT FOR A PUBLICLY TRADED CORPORATION, a licensee  
19 shall report each transfer or change of financial interest in the license to  
20 the state and local licensing authorities and receive approval prior to any  
21 transfer or change pursuant to section 44-12-308. EXCEPT FOR A PUBLICLY  
22 TRADED CORPORATION, a report is required for transfers of ~~capital stock~~  
23 ~~of any corporation~~ OWNER'S INTEREST OF ANY ENTITY regardless of size.

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

26 **44-12-312. Unlawful financial assistance.** (1) The state  
27 licensing authority shall require a complete disclosure ~~of all persons~~

1 ~~having a direct or indirect financial interest, and the extent of such~~  
2 ~~interest, in~~ PURSUANT TO SECTION 44-12-306.5 WITH each license issued  
3 under this article 12.

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

6 **44-12-407. Retail marijuana business operator license.** A retail  
7 marijuana business operator license may be issued to a person ~~who~~ THAT  
8 operates a retail marijuana establishment licensed pursuant to this article  
9 12, for ~~an owner~~ ANOTHER RETAIL MARIJUANA ESTABLISHMENT licensed  
10 pursuant to this article 12, and who may receive a portion of the profits  
11 as compensation.

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

14 **44-12-901. Unlawful acts - exceptions.** (6) (a) IT IS UNLAWFUL  
15 FOR A PERSON TO ENGAGE IN ANY ACT OR OMISSION WITH THE INTENT TO  
16 EVADE DISCLOSURE, REPORTING, RECORD KEEPING, OR SUITABILITY  
17 REQUIREMENTS PURSUANT TO THIS ARTICLE 12, INCLUDING BUT NOT  
18 LIMITED TO THE FOLLOWING:

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

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

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

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

1 DISCLOSURE, REPORTING, RECORD KEEPING, OR SUITABILITY  
2 REQUIREMENTS PURSUANT TO THIS ARTICLE 12.

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

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

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