

CHAPTER 342

REVENUE - ACTIVITIES REGULATION

HOUSE BILL 19-1090

BY REPRESENTATIVE(S) Gray and Van Winkle, Arndt, Buckner, Buentello, Galindo, Hooton, Larson, Lontine, Melton, Michaelson Jenet, Valdez A., Bird, Esgar, Hansen, Herod, Jaquez Lewis, Kraft-Tharp, Roberts, Snyder; also SENATOR(S) Gonzales and Hill, Coram, Ginal, Holbert, Marble, Rodriguez, Williams A., Winter, Crowder, Moreno, Pettersen.

AN ACT

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

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

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

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

(1) ~~"Direct beneficial interest owner" means a person or closely held business entity that owns a share or shares of stock in a licensed medical marijuana business, including the officers, directors, managing members, or partners of the licensed medical marijuana business or closely held business entity, or a qualified limited passive investor~~ "ACQUIRE" WHEN USED IN CONNECTION WITH THE ACQUISITION OF AN OWNER'S INTEREST OF A MEDICAL MARIJUANA BUSINESS, MEANS OBTAINING OWNERSHIP, CONTROL, POWER TO VOTE, OR SOLE POWER OF DISPOSITION OF THE OWNER'S INTEREST, DIRECTLY OR INDIRECTLY OR THROUGH ONE OR MORE TRANSACTIONS OR SUBSIDIARIES, THROUGH PURCHASE, ASSIGNMENT, TRANSFER, EXCHANGE, SUCCESSION, OR OTHER MEANS.

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

Capital letters or bold & italic numbers indicate new material added to existing law; dashes through words or numbers indicate deletions from existing law and such material is not part of the act.

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

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

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

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

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

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

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

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

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

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

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

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

INTEREST;

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

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

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

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

(12) "Medical marijuana business operator" means ~~an entity or a person who is not an owner and who~~ THAT IS LICENSED TO PROVIDE PROFESSIONAL OPERATIONAL SERVICES TO A MEDICAL MARIJUANA ~~establishment~~ BUSINESS FOR DIRECT REMUNERATION FROM THE MEDICAL MARIJUANA ~~establishment~~ BUSINESS. A MEDICAL MARIJUANA BUSINESS OPERATOR IS NOT, BY VIRTUE OF ITS STATUS AS A MEDICAL MARIJUANA BUSINESS OPERATOR, A CONTROLLING BENEFICIAL OWNER OR A PASSIVE BENEFICIAL OWNER OF ANY MEDICAL MARIJUANA BUSINESS IT OPERATES.

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

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

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

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

AUTHORIZES THE SALE OF MARIJUANA AND THAT:

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

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

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

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

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

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

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

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

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

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

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

AS IF THE SECURITIES CONSTITUTED "COVERED SECURITIES" AS DESCRIBED IN SUBSECTION (22.7)(a)(I) OF THIS SECTION, AND PRIOR TO BECOMING A PUBLICLY TRADED CORPORATION, THE PERSON FOR AT LEAST TWO YEARS WAS LICENSED BY THE STATE LICENSING AUTHORITY AS A MEDICAL MARIJUANA BUSINESS WITH A DEMONSTRATED HISTORY OF OPERATIONS IN THE STATE OF COLORADO, AND DURING SUCH TIME WAS NOT SUBJECT TO SUSPENSION OR REVOCATION OF THE LICENSE:

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

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

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

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

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

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

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

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

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

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

TEN PERCENT OR MORE OF A LICENSEE;

(f) A STATE OR FEDERAL GOVERNMENT PENSION PLAN;

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

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

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

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

(b) SATISFIES ONE OR MORE OF THE FOLLOWING:

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

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

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

(23.5) "REASONABLE CAUSE" MEANS JUST OR LEGITIMATE GROUNDS BASED IN LAW AND IN FACT TO BELIEVE THAT THE PARTICULAR REQUESTED ACTION FURTHERS THE PURPOSES OF THIS ARTICLE 11 OR PROTECTS PUBLIC SAFETY.

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

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

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

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

FEDERAL, STATE, OR LOCAL SECURITIES LAW OR REGULATIONS, or for any other state or local law enforcement purpose. Any information released related to patients may be used only for a purpose authorized by this article 11 or article 12 of this title 44, or to verify that a person who presented a registry identification card to a state or local law enforcement official is lawfully in possession of such card.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

44-11-304. State licensing authority - application and issuance procedures.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 5. In Colorado Revised Statutes, 44-11-307, **amend** (1)(a)(II),

(1)(a)(IV), (1)(b), and (3); **repeal** (2), (4), (5), (6), and (7); and **add** (1)(a)(IV.5), (1)(a)(VI), and (1)(a)(VII) as follows:

44-11-307. Business and owner requirements - legislative declaration.

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

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

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

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

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

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

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

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

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

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

(3) ~~(a) A medical marijuana business may be comprised of an unlimited number of direct beneficial interest owners that have been residents of Colorado for at least~~

one year prior to the date of the application.

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

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

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

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

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

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

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

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

~~(a) A bank as defined in section 3 (a)(6) of the federal "Securities Exchange Act~~

of 1934", as amended;

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

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

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

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

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

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

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

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

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

44-11-307.5. Business owner and financial interest disclosure requirements.

(1) APPLICANTS FOR THE ISSUANCE OF A STATE LICENSE SHALL DISCLOSE TO THE STATE LICENSING AUTHORITY THE FOLLOWING:

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

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

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

(II) IF THE CONTROLLING BENEFICIAL OWNER IS NOT A PUBLICLY TRADED CORPORATION AND IS NOT A QUALIFIED PRIVATE FUND, THE APPLICANT SHALL DISCLOSE THE CONTROLLING BENEFICIAL OWNER'S MANAGERS AND ANY BENEFICIAL OWNERS THAT DIRECTLY OR INDIRECTLY BENEFICIALLY OWN TEN PERCENT OR MORE

OF THE SECURITIES IN THE CONTROLLING BENEFICIAL OWNER;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

44-11-307.6. Business owner and financial interest suitability requirements.

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

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

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

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

(5) FAILURE TO RECEIVE ALL REQUIRED FINDINGS OF SUITABILITY IS GROUNDS FOR DENIAL OF AN APPLICATION OR FOR SUSPENSION, REVOCATION, OR OTHER SANCTION AGAINST THE LICENSE BY THE STATE LICENSING AUTHORITY. FOR INITIAL

APPLICATIONS, THE FINDING OF SUITABILITY SHALL BE REQUIRED PRIOR TO SUBMITTING THE APPLICATION FOR LICENSURE.

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

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

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

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

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

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

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

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

by the state licensing authority ~~shall~~ MUST be held in compliance with the requirements specified in section 44-11-302.

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

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

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

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

(4) A medical marijuana center, ~~optional premises cultivation operation, or medical marijuana-infused products manufacturer~~ BUSINESS THAT IS NOT A PUBLICLY TRADED CORPORATION shall notify the state licensing authority in writing of the name, address, and date of birth of an owner, officer, or manager before the new owner, officer, or manager begins managing, owning, or associating with the operation. Any CONTROLLING BENEFICIAL owner, officer, manager, or employee shall pass a fingerprint-based criminal history record check as required by the state licensing authority and obtain the required identification prior to being associated with, managing, owning, or working at the operation. THE STATE LICENSING AUTHORITY MAY FOR REASONABLE CAUSE REQUIRE A PASSIVE BENEFICIAL OWNER TO PASS A FINGERPRINT-BASED CRIMINAL HISTORY CHECK.

(6) All managers and employees WITH DAY-TO-DAY OPERATIONAL CONTROL of a medical marijuana center, optional premises cultivation operation, or medical marijuana-infused products manufacturer shall be residents of Colorado upon the

date of their license application. All licenses granted pursuant to this article 11 shall be valid for a period not to exceed two years after the date of issuance unless revoked or suspended pursuant to this article 11 or the rules promulgated pursuant to this article 11.

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

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

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

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

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

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

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

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

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

(II) FILING OR CAUSING OR ATTEMPTING TO CAUSE A PERSON TO FILE A REPORT REQUIRED UNDER THIS ARTICLE 11 THAT CONTAINS A MATERIAL OMISSION OR MISSTATEMENT OF FACT;

(III) MAKING FALSE OR MISLEADING STATEMENTS REGARDING THE OFFERING OF

INTERESTS OF A MEDICAL MARIJUANA BUSINESS; OR

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

(b) THE STATE LICENSING AUTHORITY MAY DENY, SUSPEND, REVOKE, FINE, OR IMPOSE OTHER SANCTIONS AGAINST A PERSON'S LICENSE ISSUED UNDER THIS ARTICLE 11 IF THE STATE LICENSING AUTHORITY FINDS A VIOLATION OF THIS SUBSECTION (7.5) BY THE PERSON, THE PERSON'S CONTROLLING BENEFICIAL OWNER, PASSIVE BENEFICIAL OWNER, INDIRECT FINANCIAL INTEREST HOLDER OR ANY AGENT OR EMPLOYEE THEREOF.

SECTION 12. In Colorado Revised Statutes, 44-12-103, **amend** (1), (5), (18), (20), (24), and (25); and **add** (1.1), (1.2), (1.3), (1.4), (1.5), (11.5), (16.1), (16.5), (19.5), (20.3), (20.5), (32.5), and (34) as follows:

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

(1) ~~"Direct beneficial interest owner" means a person or closely held business entity that owns a share or shares of stock in a licensed retail marijuana business, including the officers, directors, managing members, or partners of the licensed retail marijuana business or closely held business entity, or a qualified limited passive investor~~ "ACQUIRE" WHEN USED IN CONNECTION WITH THE ACQUISITION OF AN OWNER'S INTEREST OF A RETAIL MARIJUANA BUSINESS, MEANS OBTAINING OWNERSHIP, CONTROL, POWER TO VOTE, OR SOLE POWER OF DISPOSITION OF THE OWNER'S INTEREST, DIRECTLY OR INDIRECTLY OR THROUGH ONE OR MORE TRANSACTIONS OR SUBSIDIARIES, THROUGH PURCHASE, ASSIGNMENT, TRANSFER, EXCHANGE, SUCCESSION, OR OTHER MEANS.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(I) AN "INELIGIBLE ISSUER", AS DEFINED IN RULE 405 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED, UNLESS SUCH PUBLICLY TRADED CORPORATION SATISFIES THE DEFINITION OF INELIGIBLE ISSUER SOLELY BECAUSE IT IS ONE OR MORE OF THE FOLLOWING, AND THE PERSON REPORTS AND IS FILING REPORTS ON A CURRENT BASIS WITH THE FEDERAL SECURITIES AND EXCHANGE COMMISSION PURSUANT TO THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, AS IF THE SECURITIES CONSTITUTED "COVERED SECURITIES" AS DESCRIBED IN SUBSECTION (19.5)(a)(I) OF THIS SECTION, AND PRIOR TO BECOMING A PUBLICLY TRADED CORPORATION, THE PERSON FOR AT LEAST TWO YEARS WAS LICENSED BY THE STATE LICENSING AUTHORITY AS A RETAIL MARIJUANA ESTABLISHMENT WITH A DEMONSTRATED HISTORY OF OPERATIONS IN THE STATE OF COLORADO, AND DURING SUCH TIME WAS NOT SUBJECT TO SUSPENSION OR REVOCATION OF THE LICENSE:

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

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

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

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

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

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

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

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

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

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

(f) A STATE OR FEDERAL GOVERNMENT PENSION PLAN;

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

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

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

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

(b) SATISFIES ONE OR MORE OF THE FOLLOWING:

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

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

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

(20.5) "REASONABLE CAUSE" MEANS JUST OR LEGITIMATE GROUNDS BASED IN

LAW AND IN FACT TO BELIEVE THAT THE PARTICULAR REQUESTED ACTION FURTHERS THE PURPOSES OF THIS ARTICLE 12 OR PROTECTS PUBLIC SAFETY.

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

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

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

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

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

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

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

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

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

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

(IV) Development of individual identification cards for ~~owners, officers~~ CONTROLLING BENEFICIAL OWNERS AND ANY PERSON OPERATING, WORKING IN, OR

HAVING UNESCORTED ACCESS TO THE LIMITED ACCESS AREAS OF THE LICENSED PREMISES OF A RETAIL MARIJUANA ESTABLISHMENT, ~~managers, contractors, employees, and other support staff of entities licensed pursuant to this article 12,~~ including a fingerprint-based criminal history record check as may be required by the state licensing authority prior to issuing a card;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

44-12-303. State licensing authority - application and issuance procedures.

(1) Applications for a state license under the provisions of this article 12 must be made to the state licensing authority on forms prepared and furnished by the state licensing authority and must set forth such information as the state licensing authority may require to enable the state licensing authority to determine whether a state license should be granted. The information must include the name and address of the applicant and ~~the names and addresses of the officers, directors, or managers~~ DISCLOSURES REQUIRED BY SECTION 44-12-306.5. Each application must be verified by the oath or affirmation of such person or persons as the state licensing authority may prescribe. The state licensing authority may issue a state license to an applicant pursuant to this section upon completion of the applicable criminal history background check associated with the application, and the state license is conditioned upon local jurisdiction approval. A license applicant is prohibited from operating a licensed retail marijuana business without state and local jurisdiction approval. If the applicant does not receive local jurisdiction approval within one year from the date of state licensing authority approval, the state license shall expire and may not be renewed. If an application is denied by the local licensing authority, the state licensing authority shall revoke the state-issued license.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

44-12-306.5. Business owner and financial interest disclosure requirements.

(1) APPLICANTS FOR THE ISSUANCE OF A STATE LICENSE SHALL DISCLOSE TO THE STATE LICENSING AUTHORITY THE FOLLOWING:

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

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

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

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

(III) IF THE CONTROLLING BENEFICIAL OWNER IS A QUALIFIED PRIVATE FUND, THE APPLICANT SHALL DISCLOSE A COMPLETE AND ACCURATE ORGANIZATIONAL CHART OF THE QUALIFIED PRIVATE FUND REFLECTING THE IDENTITY AND OWNERSHIP PERCENTAGES OF THE QUALIFIED PRIVATE FUND'S MANAGERS, INVESTMENT ADVISERS, INVESTMENT ADVISER REPRESENTATIVES, ANY TRUSTEE OR EQUIVALENT, AND ANY OTHER PERSON THAT CONTROLS THE INVESTMENT IN, OR MANAGEMENT OR OPERATIONS OF, THE RETAIL MARIJUANA ESTABLISHMENT;

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

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

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

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

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

MARIJUANA ESTABLISHMENT, OR CONTROLLING BENEFICIAL OWNER THAT IS NOT A PUBLICLY TRADED CORPORATION OR A QUALIFIED PRIVATE FUND; AND

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

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

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

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

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

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

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

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

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

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

44-12-306.6. Business owner and financial interest suitability requirements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(I) FAILING TO FILE A REPORT REQUIRED UNDER THIS ARTICLE 12 OR CAUSING OR

ATTEMPTING TO CAUSE A PERSON TO FAIL TO FILE SUCH A REPORT;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Approved: May 29, 2019