

HB1090_L.001

HOUSE COMMITTEE OF REFERENCE AMENDMENT

Committee on Finance.HB19-1090 be amended as follows:

1 Amend printed bill, strike everything below the enacting clause and
2 substitute:

3 **"SECTION 1.** In Colorado Revised Statutes, 44-11-104, **amend**
4 (1), (4), (12), (21), and (23); **add** (1.1), (1.2), (1.3), (1.4), (1.5), (1.6),
5 (11.5), (19.2), (22.7), (23.5), (25.5), and (27); and **repeal** (20) as follows:

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

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

13 "ACQUIRE" WHEN USED IN CONNECTION WITH THE ACQUISITION OF A
14 SECURITY OF A MEDICAL MARIJUANA BUSINESS, MEANS OBTAINING
15 OWNERSHIP, CONTROL, POWER TO VOTE, OR SOLE POWER OF DISPOSITION
16 OF SECURITIES, DIRECTLY OR INDIRECTLY OR THROUGH ONE OR MORE
17 TRANSACTIONS OR SUBSIDIARIES, THROUGH PURCHASE, ASSIGNMENT,
18 TRANSFER, EXCHANGE, SUCCESSION, OR OTHER MEANS.

19 (1.1) "ACTING IN CONCERT" MEANS KNOWING PARTICIPATION IN
20 A JOINT ACTIVITY OR INTERDEPENDENT CONSCIOUS PARALLEL ACTION
21 TOWARD A COMMON GOAL, WHETHER OR NOT PURSUANT TO AN EXPRESS
22 AGREEMENT.

23 (1.2) "AFFILIATE" OF, OR PERSON "AFFILIATED WITH", A SPECIFIED
24 PERSON MEANS A PERSON THAT DIRECTLY OR INDIRECTLY THROUGH ONE
25 OR MORE INTERMEDIARIES, CONTROLS, OR IS CONTROLLED BY, OR IS
26 UNDER COMMON CONTROL WITH, THE PERSON SPECIFIED.

27 (1.3) "BENEFICIAL OWNER OF", "BENEFICIAL OWNERSHIP OF", OR
28 "BENEFICIALLY OWNS A" SECURITY IS DETERMINED IN ACCORDANCE WITH
29 SECTION 13(D) OF THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS
30 AMENDED, AND RULE 13D-3 PROMULGATED THEREUNDER.

31 (1.4) "CONTROL", "CONTROLS", "CONTROLLED", "CONTROLLING",
32 "CONTROLLED BY", AND "UNDER COMMON CONTROL WITH", MEANS THE
33 POSSESSION, DIRECT OR INDIRECT, OF THE POWER TO DIRECT OR CAUSE THE
34 DIRECTION OF THE MANAGEMENT OR POLICIES OF A PERSON, WHETHER
35 THROUGH THE OWNERSHIP OF VOTING SECURITIES, BY CONTRACT, OR
36 OTHERWISE.

37 (1.5) "CONTROLLING BENEFICIAL OWNER" IS LIMITED TO A PERSON
38 THAT SATISFIES ONE OR MORE OF THE FOLLOWING CRITERIA:

39 (a) A NATURAL PERSON, AN ENTITY AS DEFINED IN SECTION
40 7-90-102 (20) THAT IS ORGANIZED UNDER THE LAWS OF AND FOR WHICH

1 ITS PRINCIPAL PLACE OF BUSINESS IS LOCATED IN ONE OF THE STATES OR
2 TERRITORIES OF THE UNITED STATES OR DISTRICT OF COLUMBIA, A
3 PUBLICLY TRADED CORPORATION, OR A QUALIFIED PRIVATE FUND THAT IS
4 NOT OTHERWISE LICENSED AS A QUALIFIED INSTITUTIONAL INVESTOR:

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

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

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

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

18 (1.6) "EXECUTIVE OFFICER" MEANS THE PRESIDENT; ANY VICE
19 PRESIDENT IN CHARGE OF A PRINCIPAL BUSINESS UNIT, DIVISION, OR
20 FUNCTION; ANY OTHER OFFICER WHO PERFORMS A POLICY-MAKING
21 FUNCTION; OR ANY OTHER PERSON WHO PERFORMS SIMILAR
22 POLICY-MAKING FUNCTIONS.

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

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

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

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

38 (c) IS A CONTRACT COUNTERPARTY WITH A MEDICAL MARIJUANA
39 BUSINESS, OTHER THAN A CUSTOMARY EMPLOYMENT AGREEMENT , THAT
40 HAS A DIRECT NEXUS TO THE CULTIVATION, MANUFACTURE, OR SALE OF
41 MEDICAL MARIJUANA, INCLUDING, BUT NOT LIMITED TO, A LEASE OF REAL
42 PROPERTY ON WHICH THE MEDICAL MARIJUANA BUSINESS OPERATES, A
43 LEASE OF EQUIPMENT USED IN THE CULTIVATION OF MEDICAL MARIJUANA,

1 A SECURED OR UNSECURED FINANCING AGREEMENT WITH THE MEDICAL
2 MARIJUANA BUSINESS, A SECURITY CONTRACT WITH THE MEDICAL
3 MARIJUANA BUSINESS, OR A MANAGEMENT AGREEMENT WITH THE
4 MEDICAL MARIJUANA BUSINESS, PROVIDED THAT NO SUCH CONTRACT
5 COMPENSATES THE CONTRACT COUNTERPARTY WITH A PERCENTAGE OF
6 REVENUE FOR PROFITS OF THE MEDICAL MARIJUANA BUSINESS; OR

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

9 (11.5) "MEDICAL MARIJUANA BUSINESS" MEANS ANY OF THE
10 FOLLOWING ENTITIES LICENSED PURSUANT TO THIS ARTICLE 11: A
11 MEDICAL MARIJUANA CENTER, A MEDICAL MARIJUANA OPTIONAL PREMISES
12 CULTIVATION OPERATION, A MEDICAL MARIJUANA-INFUSED PRODUCTS
13 MANUFACTURER, A MEDICAL MARIJUANA TESTING FACILITY, A MEDICAL
14 MARIJUANA BUSINESS OPERATOR, A MEDICAL MARIJUANA TRANSPORTER,
15 A MARIJUANA RESEARCH AND DEVELOPMENT FACILITY, OR A MARIJUANA
16 RESEARCH AND DEVELOPMENT CULTIVATION FACILITY.

17 (12) "Medical marijuana business operator" means ~~an entity or a~~
18 ~~person who is not an owner and who~~ THAT IS LICENSED TO PROVIDE
19 professional operational services to a medical marijuana ~~establishment~~
20 BUSINESS for direct remuneration from the medical marijuana
21 ~~establishment~~ BUSINESS. A MEDICAL MARIJUANA BUSINESS OPERATOR IS
22 NOT, BY VIRTUE OF ITS STATUS AS A MEDICAL MARIJUANA BUSINESS
23 OPERATOR, A CONTROLLING BENEFICIAL OWNER, OR A PASSIVE BENEFICIAL
24 OWNER OF ANY MEDICAL MARIJUANA BUSINESS IT OPERATES.

25 (19.2) "PASSIVE BENEFICIAL OWNER" MEANS ANY PERSON
26 ACQUIRING ANY INTEREST IN A MEDICAL MARIJUANA BUSINESS THAT IS
27 NOT OTHERWISE A CONTROLLING BENEFICIAL OWNER OR IN CONTROL.

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

35 (21) "Person" means ~~a natural person~~ AN INDIVIDUAL, A
36 partnership, association, JOINT-STOCK company, corporation, limited
37 liability company, or ANY OTHER UNINCORPORATED organization; ~~or a~~
38 ~~manager, agent, owner, director, servant, officer, or employee thereof~~
39 EXCEPT THAT "PERSON" DOES NOT INCLUDE ANY GOVERNMENTAL
40 ORGANIZATION.

41 (22.7) "PUBLICLY TRADED CORPORATION" MEANS ANY PERSON
42 OTHER THAN AN INDIVIDUAL THAT IS ORGANIZED UNDER THE LAWS OF AND
43 FOR WHICH ITS PRINCIPAL PLACE OF BUSINESS IS LOCATED IN ONE OF THE

1 STATES OR TERRITORIES OF THE UNITED STATES OR DISTRICT OF
2 COLUMBIA OR ANOTHER COUNTRY THAT AUTHORIZES THE SALE OF
3 MARIJUANA AND THAT:

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

7 (I) CONSTITUTES "COVERED SECURITIES" PURSUANT TO SECTION
8 18 (b)(1)(A) OF THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED;
9 OR

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

12 (A) THE PERSON IS THEN REQUIRED TO FILE REPORTS AND IS FILING
13 REPORTS ON A CURRENT BASIS WITH THE FEDERAL SECURITIES AND
14 EXCHANGE COMMISSION PURSUANT TO THE FEDERAL "SECURITIES
15 EXCHANGE ACT OF 1934", AS AMENDED, AS IF THE SECURITIES
16 CONSTITUTED "COVERED SECURITIES" AS DESCRIBED IN SUBSECTION
17 (22.7)(a)(I) OF THIS SECTION; OR

18 (B) THE PERSON IS QUALIFIED AND QUOTED ON THE OTCQB TIER
19 OF THE OTC MARKETS AND THE PERSON HAS ESTABLISHED AND IS IN
20 COMPLIANCE WITH CORPORATE GOVERNANCE MEASURES PURSUANT TO
21 CORPORATE GOVERNANCE OBLIGATIONS IMPOSED ON SECURITIES
22 QUALIFIED AND QUOTED ON THE OTCQB TIER OF THE OTC MARKETS.

23 (b) IS A CORPORATION THAT HAS A CLASS OF SECURITIES LISTED ON
24 THE CANADIAN SECURITIES EXCHANGE, TORONTO STOCK EXCHANGE, OR
25 OTHER EQUITY SECURITIES EXCHANGE RECOGNIZED BY THE STATE
26 LICENSING AUTHORITY, IF:

27 (I) THE CORPORATION CONSTITUTES A "FOREIGN PRIVATE ISSUER",
28 AS DEFINED IN RULE 405 PROMULGATED PURSUANT TO THE FEDERAL
29 "SECURITIES ACT OF 1933", AS AMENDED, WHOSE SECURITIES ARE EXEMPT
30 FROM REGISTRATION PURSUANT TO SECTION 12 OF THE FEDERAL
31 "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, PURSUANT TO RULE
32 12g 3-2 (b) PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES
33 EXCHANGE ACT OF 1934", AS AMENDED; AND

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

38 (c) IS REASONABLY IDENTIFIED AS A PUBLICLY TRADED
39 CORPORATION BY RULE BY THE STATE LICENSING AUTHORITY AS A
40 PUBLICLY TRADED CORPORATION;

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

1 (I) AN "INELIGIBLE ISSUER", AS DEFINED IN RULE 405
2 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933",
3 AS AMENDED, UNLESS SUCH PUBLICLY TRADED CORPORATION SATISFIES
4 THE DEFINITION OF INELIGIBLE ISSUER SOLELY BECAUSE IT IS ONE OR MORE
5 OF THE FOLLOWING AND THE PERSON IS REQUIRED TO FILE REPORTS AND
6 IS FILING REPORTS ON A CURRENT BASIS WITH THE FEDERAL SECURITIES
7 AND EXCHANGE COMMISSION PURSUANT TO THE FEDERAL "SECURITIES
8 EXCHANGE ACT OF 1934", AS AMENDED, AS IF THE SECURITIES
9 CONSTITUTED "COVERED SECURITIES" AS DESCRIBED IN SUBSECTION
10 (22.7)(a)(I) OF THIS SECTION:

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

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

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

20 (II) A PERSON DISQUALIFIED AS A "BAD ACTOR" UNDER RULE 506
21 (d) PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF
22 1933", AS AMENDED.

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

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

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

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

42 (d) AN INVESTMENT COMPANY REGISTERED UNDER SECTION 8 OF
43 THE FEDERAL "INVESTMENT COMPANY ACT OF 1940", AS AMENDED, AND

1 SUBJECT TO 15 U.S.C. SEC. 80a-1 TO 80a-64, IF THE INVESTMENT
2 COMPANY IS CURRENT IN ALL APPLICABLE REPORTING AND
3 RECORD-KEEPING REQUIREMENTS UNDER SUCH ACT AND RULES
4 PROMULGATED THEREUNDER;

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

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

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

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

15 (23.5) "REASONABLE CAUSE" MEANS JUST OR LEGITIMATE
16 GROUNDS TO BELIEVE THAT THE PARTICULAR REQUESTED ACTION IS
17 NECESSARY TO FULFILL THE PURPOSES OF THIS ARTICLE 11 OR TO PROTECT
18 PUBLIC SAFETY.

19 (25.5) "SECURITY" MEANS THOSE TERMS AS DEFINED IN SECTION
20 (2)(I) OF THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED.

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

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

26 **44-11-202. Powers and duties of state licensing authority -**
27 **rules.** (1) The state licensing authority shall:

28 (d) Maintain the confidentiality of reports or other information
29 obtained from a medical or retail licensee containing any individualized
30 data, information, or records related to the licensee or its operation,
31 including sales information, financial records, tax returns, credit reports,
32 cultivation information, testing results, and security information and
33 plans, or revealing any patient information, or any other records that are
34 exempt from public inspection pursuant to state law. Such reports or other
35 information may be used only for a purpose authorized by this article 11
36 or article 12 of this title 44, FOR INVESTIGATION OR ENFORCEMENT OF ANY
37 INTERNATIONAL, FEDERAL, STATE, OR LOCAL SECURITIES LAW OR
38 REGULATIONS, or for any other state or local law enforcement purpose.
39 Any information released related to patients may be used only for a
40 purpose authorized by this article 11 or article 12 of this title 44, or to
41 verify that a person who presented a registry identification card to a state
42 or local law enforcement official is lawfully in possession of such card.

43 (2) (a) Rules promulgated pursuant to subsection (1)(b) of this

1 section may include but need not be limited to the following subjects:
2 (VIII) Development of individual identification cards for ~~owners,~~
3 ~~officers~~ CONTROLLING BENEFICIAL OWNERS AND ANY PERSON EMPLOYED
4 BY, OPERATING, WORKING IN, OR HAVING UNESCORTED ACCESS TO THE
5 LIMITED ACCESS AREAS OF THE LICENSED PREMISES OF A MEDICAL
6 MARIJUANA BUSINESS, ~~managers, contractors, employees, and other~~
7 ~~support staff of entities licensed pursuant to this article 11~~, including a
8 fingerprint-based criminal history record check as may be required by the
9 state licensing authority prior to issuing a card;
10 (XXV) ~~The parameters and qualifications of an indirect beneficial~~
11 ~~interest owner; and a qualified limited passive investor;~~
12 (5) (a) RULES PROMULGATED PURSUANT TO SUBSECTION (1)(b) OF
13 THIS SECTION MUST INCLUDE THE FOLLOWING SUBJECTS:
14 (I) OWNERSHIP AND FINANCIAL DISCLOSURE PROCEDURES AND
15 REQUIREMENTS PURSUANT TO THIS ARTICLE 11;
16 (II) RECORDS A MEDICAL MARIJUANA BUSINESS IS REQUIRED TO
17 MAINTAIN REGARDING ITS CONTROLLING BENEFICIAL OWNERS, PASSIVE
18 BENEFICIAL OWNERS, AND INDIRECT FINANCIAL INTEREST HOLDERS THAT
19 MAY BE SUBJECT TO DISCLOSURE AT RENEWAL OR AS PART OF ANY OTHER
20 INVESTIGATION FOLLOWING INITIAL LICENSURE OF A MEDICAL MARIJUANA
21 BUSINESS;
22 (III) PROCEDURES AND REQUIREMENTS FOR FINDINGS OF
23 SUITABILITY PURSUANT TO THIS ARTICLE 11, INCLUDING FEES NECESSARY
24 TO COVER THE DIRECT AND INDIRECT COSTS OF ANY SUITABILITY
25 INVESTIGATION;
26 (IV) PROCEDURES AND REQUIREMENTS CONCERNING THE
27 DIVESTITURE OF THE BENEFICIAL OWNERSHIP OF A PERSON FOUND
28 UNSUITABLE BY THE STATE LICENSING AUTHORITY;
29 (V) PROCEDURES, PROCESSES, AND REQUIREMENTS FOR
30 TRANSFERS OF OWNERSHIP INVOLVING A PUBLICLY TRADED CORPORATION,
31 INCLUDING BUT NOT LIMITED TO MERGERS WITH A PUBLICLY TRADED
32 CORPORATION, INVESTMENT BY A PUBLICLY TRADED CORPORATION, AND
33 PUBLIC OFFERINGS;
34 (VI) DESIGNATION OF PERSONS WHO BY VIRTUE OF COMMON
35 CONTROL CONSTITUTE CONTROLLING BENEFICIAL OWNERS;
36 (VII) MODIFICATION OF THE PERCENTAGE OF SECURITIES THAT
37 MAY BE HELD BY A CONTROLLING BENEFICIAL OWNER AND PASSIVE
38 BENEFICIAL OWNER;
39 (VIII) DESIGNATION OF PERSONS WHO QUALIFY FOR AN
40 EXEMPTION FROM AN OTHERWISE REQUIRED FINDING OF SUITABILITY; AND
41 (IX) DESIGNATION OF INDIRECT FINANCIAL INTEREST HOLDERS
42 AND QUALIFIED INSTITUTIONAL INVESTORS.
43 (b) RULES PROMULGATED PURSUANT TO THIS SUBSECTION (5)

1 MUST NOT BE ANY MORE RESTRICTIVE THAN THOSE EXPRESSLY
2 ESTABLISHED UNDER THIS ARTICLE 11.

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

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

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

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

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

41 **44-11-306. Persons prohibited as licensees - definition.** (1) A
42 license provided by this article 11 shall not be issued to or held by:

43 (c) A ~~corporation~~, PERSON OTHER THAN AN INDIVIDUAL if the

1 criminal history of any of its ~~officers, directors, or stockholders~~
2 CONTROLLING BENEFICIAL OWNERS indicates that ~~the officer, director, or~~
3 ~~stockholder~~ THE PERSON is not of good moral character AFTER
4 CONSIDERING THE FACTORS IN SECTION 24-5-101;

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

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

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

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

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

22 (o) A PERSON THAT IS OR HAS A CONTROLLING BENEFICIAL OWNER,
23 PASSIVE BENEFICIAL OWNER, OR INDIRECT FINANCIAL INTEREST HOLDER
24 THAT IS ORGANIZED OR FORMED UNDER THE LAWS OF A COUNTRY
25 DETERMINED BY THE UNITED STATES SECRETARY OF STATE TO HAVE
26 REPEATEDLY PROVIDED SUPPORT FOR ACTS OF INTERNATIONAL TERRORISM
27 OR IS INCLUDED AMONG THE LIST OF "COVERED COUNTRIES" IN SECTION
28 1502 OF THE FEDERAL "DODD-FRANK WALL STREET REFORM AND
29 CONSUMER PROTECTION ACT", PUB.L. 111-203;

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

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

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

41 (s) A PERSON THAT IS A PUBLICLY TRADED CORPORATION THAT IS
42 OR HAS A KNOWN PASSIVE BENEFICIAL OWNER OR INDIRECT FINANCIAL
43 INTEREST HOLDER THAT IS DISQUALIFIED AS A "BAD ACTOR" UNDER RULE

1 506 (d) PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF
2 1933", AS AMENDED, AND SUBJECT TO 17 CFR 230.406 (d)(1); OR

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

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

12 **44-11-307. Business and owner requirements - legislative**
13 **declaration.** (1) (a) The general assembly hereby finds and declares that:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

43 ~~(6) The state licensing authority shall review the medical~~

1 ~~marijuana business's operating documents to ensure compliance with this~~
2 ~~section.~~

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

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

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

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

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

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

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

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

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

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

25 **SECTION 6.** In Colorado Revised Statutes, **add** 44-11-307.5 and
26 44-11-307.6 as follows:

27 **44-11-307.5. Business owner and financial interest disclosure**
28 **requirements.** (1) APPLICANTS FOR THE ISSUANCE OF A STATE LICENSE
29 SHALL DISCLOSE TO THE STATE LICENSING AUTHORITY THE FOLLOWING:

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

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

35 (I) IF THE CONTROLLING BENEFICIAL OWNER IS A PUBLICLY
36 TRADED CORPORATION, THE APPLICANT SHALL DISCLOSE THE
37 CONTROLLING BENEFICIAL OWNERS' EXECUTIVE OFFICERS, MEMBERS OF ITS
38 BOARD OF DIRECTORS, AND ANY BENEFICIAL OWNERS THAT DIRECTLY OR
39 INDIRECTLY BENEFICIALLY OWN TEN PERCENT OR MORE OF THE SECURITIES
40 IN A MEDICAL MARIJUANA BUSINESS;

41 (II) IF THE CONTROLLING BENEFICIAL OWNER IS NOT A PUBLICLY
42 TRADED CORPORATION AND IS NOT A QUALIFIED PRIVATE FUND, THE
43 APPLICANT SHALL DISCLOSE THE CONTROLLING BENEFICIAL OWNERS'

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

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

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

17 (c) ANY PASSIVE BENEFICIAL OWNER THAT IS ALSO AN INDIRECT
18 FINANCIAL INTEREST HOLDER IN THE MEDICAL MARIJUANA BUSINESS; AND
19 (d) ANY INDIRECT FINANCIAL INTEREST HOLDER THAT HOLDS TWO
20 OR MORE INDIRECT FINANCIAL INTERESTS IN THE MEDICAL MARIJUANA
21 BUSINESS.

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

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

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

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

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

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

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

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

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

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

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

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

35 **44-11-307.6. Business owner and financial interest suitability**
36 **requirements.** (1) THIS SECTION APPLIES TO ALL PERSONS REQUIRED TO
37 SUBMIT A FINDING OF SUITABILITY.

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

- 1 (3) FOR REASONABLE CAUSE, ANY OTHER PERSON THAT WAS
2 DISCLOSED OR THAT SHOULD HAVE BEEN DISCLOSED PURSUANT TO
3 SECTION 44-11-307.5, INCLUDING BUT NOT LIMITED TO A PASSIVE
4 BENEFICIAL OWNER, SHALL SUBMIT A REQUEST FOR A FINDING OF
5 SUITABILITY.
- 6 (4) FAILURE TO PROVIDE ALL REQUESTED INFORMATION IN
7 CONNECTION WITH A REQUEST FOR A FINDING OF SUITABILITY IS GROUNDS
8 FOR DENIAL OF THAT FINDING OF SUITABILITY.
- 9 (5) FAILURE TO RECEIVE ALL REQUIRED FINDINGS OF SUITABILITY
10 IS GROUNDS FOR DENIAL OF AN APPLICATION OR FOR SUSPENSION,
11 REVOCATION, OR OTHER SANCTION AGAINST THE LICENSE BY THE STATE
12 LICENSING AUTHORITY. FOR INITIAL APPLICATIONS, THE FINDING OF
13 SUITABILITY SHALL BE REQUIRED PRIOR TO SUBMITTING THE APPLICATION
14 FOR LICENSURE.
- 15 (6) ANY PERSON REQUIRED TO OBTAIN A FINDING OF SUITABILITY
16 SHALL DO SO ON FORMS PROVIDED BY THE STATE LICENSING AUTHORITY
17 AND THE FORMS MUST CONTAIN SUCH INFORMATION AS THE STATE
18 LICENSING AUTHORITY MAY REQUIRE. EACH SUITABILITY APPLICATION
19 MUST BE VERIFIED BY THE OATH OR AFFIRMATION OF THE PERSONS
20 PRESCRIBED BY THE STATE LICENSING AUTHORITY.
- 21 (7) A PERSON REQUESTING A FINDING OF SUITABILITY SHALL
22 PROVIDE THE STATE LICENSING AUTHORITY WITH A DEPOSIT TO COVER THE
23 DIRECT AND INDIRECT COSTS OF ANY INVESTIGATION NECESSARY TO
24 DETERMINE ANY REQUIRED FINDING OF SUITABILITY. THE STATE
25 LICENSING AUTHORITY MAY MAKE FURTHER RULES REGARDING THE
26 DEPOSIT AND DIRECT AND INDIRECT COSTS THAT MUST BE BILLED AGAINST
27 THE DEPOSIT.
- 28 (8) WHEN DETERMINING WHETHER A PERSON IS SUITABLE OR
29 UNSUITABLE FOR LICENSURE, THE STATE LICENSING AUTHORITY MAY
30 CONSIDER THE PERSON'S CRIMINAL CHARACTER OR RECORD, LICENSING
31 CHARACTER OR RECORD, OR FINANCIAL CHARACTER OR RECORD.
- 32 (9) A PERSON WHO WOULD OTHERWISE BE REQUIRED TO OBTAIN A
33 FINDING OF SUITABILITY MAY REQUEST AN EXEMPTION FROM THE STATE
34 LICENSING AUTHORITY AS DETERMINED BY RULE.
- 35 (10) ABSENT SUBSTANTIAL JUSTIFICATION, THE STATE LICENSING
36 AUTHORITY SHALL APPROVE OR DENY A REQUEST FOR A FINDING OF
37 SUITABILITY WITHIN ONE HUNDRED TWENTY DAYS FROM THE DATE OF
38 SUBMISSION OF THE REQUEST FOR SUCH FINDING.
- 39 (11) THE STATE LICENSING AUTHORITY MAY DENY, SUSPEND,
40 REVOKE, FINE, OR IMPOSE OTHER SANCTIONS AGAINST A PERSON'S LICENSE
41 ISSUED PURSUANT TO THIS ARTICLE 11 IF THE STATE LICENSING
42 AUTHORITY FINDS THE PERSON OR THE PERSON'S CONTROLLING
43 BENEFICIAL OWNER, PASSIVE BENEFICIAL OWNER, OR INDIRECT FINANCIAL

1 INTEREST HOLDER TO BE UNSUITABLE PURSUANT TO THIS SECTION.

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

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

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

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

41 **SECTION 8.** In Colorado Revised Statutes, 44-11-310, **amend**
42 (3), (4), (6), and (11) as follows:

43 **44-11-310. Licensing in general.** (3) A medical marijuana

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

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

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

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

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

38 **44-11-313. Unlawful financial assistance.** (1) The state
39 licensing authority, by rule, shall require a complete disclosure ~~of all~~
40 ~~persons having a direct or indirect financial interest, and the extent of~~
41 ~~such interest, in~~ PURSUANT TO SECTION 44-11-307.5 IN CONNECTION WITH
42 each license issued under this article 11.

43 (2) ~~A person shall not have an unreported financial interest in a~~

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

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

10 **44-11-407. Medical marijuana business operator license.** A
11 medical marijuana business operator license may be issued to ~~an entity or~~
12 A person ~~who~~ THAT operates a medical marijuana ~~establishment~~ BUSINESS
13 licensed pursuant to this article 11 for ~~an owner~~ ANOTHER MEDICAL
14 MARIJUANA BUSINESS licensed pursuant to this article 11 and ~~who~~ THAT
15 may receive a portion of the profits as compensation.

16 **SECTION 11.** In Colorado Revised Statutes, 44-11-901, **add**
17 (7.5) as follows:

18 **44-11-901. Unlawful acts - exceptions - repeal.** (7.5) (a) IT IS
19 UNLAWFUL FOR A PERSON TO ENGAGE IN ANY ACT OR OMISSION WITH THE
20 INTENT TO EVADE DISCLOSURE, REPORTING, RECORD KEEPING, OR
21 SUITABILITY REQUIREMENTS PURSUANT TO THIS ARTICLE 11, INCLUDING
22 BUT NOT LIMITED TO THE FOLLOWING:

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

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

29 (III) MAKING FALSE OR MISLEADING STATEMENTS REGARDING THE
30 OFFERING OF INTERESTS OF A MEDICAL MARIJUANA BUSINESS; OR

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

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

40 **SECTION 12.** In Colorado Revised Statutes, 44-12-103, **amend**
41 (1), (5), (18), (20), (24), and (25); **repeal** (17); and **add** (1.1), (1.2), (1.3),
42 (1.4), (1.5), (3.2), (5.5), (16.5), (19.5), (20.5), (32.5), and (34) as follows:

43 **44-12-103. Definitions.** As used in this article 12, unless the

1 context otherwise requires:

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

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

17 (1.2) "AFFILIATE" OF, OR PERSON "AFFILIATED WITH", A SPECIFIED
18 PERSON MEANS A PERSON THAT DIRECTLY OR INDIRECTLY THROUGH ONE
19 OR MORE INTERMEDIARIES, CONTROLS, OR IS CONTROLLED BY, OR IS
20 UNDER COMMON CONTROL WITH, THE PERSON SPECIFIED.

21 (1.3) BENEFICIAL OWNER OF", "BENEFICIAL OWNERSHIP OF", OR
22 "BENEFICIALLY OWNS A" SECURITY IS DETERMINED IN ACCORDANCE WITH
23 SECTION 13(D) OF THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS
24 AMENDED, AND RULE 13D-3 PROMULGATED THEREUNDER.

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

31 (1.5) "CONTROLLING BENEFICIAL OWNER" IS LIMITED TO A PERSON
32 THAT SATISFIES ONE OR MORE OF THE FOLLOWING CRITERIA:

33 (a) A NATURAL PERSON, AN ENTITY AS DEFINED IN SECTION
34 7-90-102 (20) THAT IS ORGANIZED UNDER THE LAWS OF AND FOR WHICH
35 ITS PRINCIPAL PLACE OF BUSINESS IS LOCATED IN ONE OF THE STATES OR
36 TERRITORIES OF THE UNITED STATES OR DISTRICT OF COLUMBIA, A
37 PUBLICLY TRADED CORPORATION, OR A QUALIFIED PRIVATE FUND THAT IS
38 NOT OTHERWISE LICENSED AS A QUALIFIED INSTITUTIONAL INVESTOR:

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

42 (II) THAT IS AN AFFILIATE THAT CONTROLS A RETAIL MARIJUANA
43 BUSINESS AND INCLUDES, WITHOUT LIMITATION, ANY EXECUTIVE OFFICER,

1 MANAGER AS DEFINED IN SECTION 7-90-102 (35.7), TRUSTEE, OR SIMILAR
2 POSITION; OR

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

5 (b) A QUALIFIED INSTITUTIONAL INVESTOR ACTING ALONE OR
6 ACTING IN CONCERT THAT OWNS OR ACQUIRES BENEFICIAL OWNERSHIP OF
7 THIRTY PERCENT OR MORE OF THE SECURITIES OF A RETAIL MARIJUANA
8 BUSINESS.

9 (3.2) "EXECUTIVE OFFICER" MEANS THE PRESIDENT; ANY VICE
10 PRESIDENT IN CHARGE OF A PRINCIPAL BUSINESS UNIT, DIVISION, OR
11 FUNCTION; ANY OTHER OFFICER WHO PERFORMS A POLICY-MAKING
12 FUNCTION; OR ANY OTHER PERSON WHO PERFORMS SIMILAR
13 POLICY-MAKING FUNCTIONS.

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

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

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

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

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

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

43 (16.5) "PASSIVE BENEFICIAL OWNER" MEANS ANY PERSON

1 ACQUIRING ANY INTEREST IN A RETAIL MARIJUANA ESTABLISHMENT THAT
2 IS NOT OTHERWISE A CONTROLLING BENEFICIAL OWNER OR IN CONTROL.

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

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

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

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

25 (I) CONSTITUTES "COVERED SECURITIES" PURSUANT TO SECTION
26 18 (b)(1)(A) OF THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED;
27 OR

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

30 (A) THE PERSON IS THEN REQUIRED TO FILE REPORTS AND IS FILING
31 REPORTS ON A CURRENT BASIS WITH THE FEDERAL SECURITIES AND
32 EXCHANGE COMMISSION PURSUANT TO THE FEDERAL "SECURITIES
33 EXCHANGE ACT OF 1934", AS AMENDED, AS IF THE SECURITIES
34 CONSTITUTED "COVERED SECURITIES" AS DESCRIBED IN SUBSECTION
35 (19.5)(a)(I) OF THIS SECTION; OR

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

41 (b) IS A CORPORATION THAT HAS A CLASS OF SECURITIES LISTED ON
42 THE CANADIAN SECURITIES EXCHANGE, TORONTO STOCK EXCHANGE , OR
43 OTHER EQUITY SECURITIES EXCHANGE RECOGNIZED BY THE STATE

1 LICENSING AUTHORITY, IF:

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

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

13 (c) IS REASONABLY IDENTIFIED AS A PUBLICLY TRADED
14 CORPORATION BY RULE BY THE STATE LICENSING AUTHORITY AS A
15 PUBLICLY TRADED CORPORATION; OR

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

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

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

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

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

38 (II) A PERSON DISQUALIFIED AS A "BAD ACTOR" UNDER RULE 506
39 (D) PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF
40 1933", AS AMENDED.

41 (20) ~~"Qualified limited passive investor" means a natural person~~
42 ~~who is a United States citizen and is a passive investor who owns less~~
43 ~~than a five percent share or shares of stock in a licensed retail marijuana~~

1 **business. "QUALIFIED INSTITUTIONAL INVESTOR" MEANS:**
2 (a) A BANK AS DEFINED IN SECTION 3 (a)(6) OF THE FEDERAL
3 "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, PROVIDED THE
4 BANK IS CURRENT IN ALL APPLICABLE REPORTING AND RECORD-KEEPING
5 REQUIREMENTS UNDER SUCH ACT AND RULES PROMULGATED
6 THEREUNDER;
7 (b) A BANK HOLDING COMPANY AS DEFINED IN THE FEDERAL
8 "BANK HOLDING COMPANY ACT OF 1956", AS AMENDED, IF THE BANK
9 HOLDING COMPANY IS REGISTERED AND CURRENT IN ALL APPLICABLE
10 REPORTING AND RECORD-KEEPING REQUIREMENTS UNDER SUCH ACT AND
11 RULES PROMULGATED THEREUNDER;
12 (c) AN INSURANCE COMPANY AS DEFINED IN SECTION 2 (a)(17) OF
13 THE FEDERAL "INVESTMENT COMPANY ACT OF 1940", AS AMENDED,
14 PROVIDED THE INSURANCE COMPANY IS CURRENT IN ALL APPLICABLE
15 REPORTING AND RECORD-KEEPING REQUIREMENTS UNDER SUCH ACT AND
16 RULES PROMULGATED THEREUNDER;
17 (d) AN INVESTMENT COMPANY REGISTERED UNDER SECTION 8 OF
18 THE FEDERAL "INVESTMENT COMPANY ACT OF 1940", AS AMENDED, AND
19 SUBJECT TO 15 U.S.C. SEC. 80a-1 TO 80a-64, IF THE INVESTMENT
20 COMPANY IS CURRENT IN ALL APPLICABLE REPORTING AND
21 RECORD-KEEPING REQUIREMENTS UNDER SUCH ACT AND RULES
22 PROMULGATED THEREUNDER;
23 (e) AN EMPLOYEE BENEFIT PLAN OR PENSION FUND SUBJECT TO THE
24 FEDERAL "EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974",
25 EXCLUDING AN EMPLOYEE BENEFIT PLAN OR PENSION FUND SPONSORED BY
26 A LICENSEE OR AN INTERMEDIARY HOLDING COMPANY LICENSEE THAT
27 DIRECTLY OR INDIRECTLY OWNS TEN PERCENT OR MORE OF A LICENSEE;
28 (f) A STATE OR FEDERAL GOVERNMENT PENSION PLAN;
29 (g) A GROUP COMPRISED ENTIRELY OF PERSONS SPECIFIED IN
30 SUBSECTIONS (20)(a) TO (20)(f) OF THIS SECTION; OR
31 (h) ANY OTHER ENTITY IDENTIFIED BY RULE BY THE STATE
32 LICENSING AUTHORITY.
33 (20.5) "REASONABLE CAUSE" MEANS JUST OR LEGITIMATE
34 GROUNDS TO BELIEVE THAT THE PARTICULAR REQUESTED ACTION IS
35 NECESSARY TO FULFILL THE PURPOSES OF THIS ARTICLE 12 OR TO PROTECT
36 PUBLIC SAFETY.
37 (24) "Retail marijuana establishment" means ANY OF THE
38 FOLLOWING ENTITIES LICENSED PURSUANT TO THIS ARTICLE 12: A retail
39 marijuana store, a retail marijuana cultivation facility, a retail marijuana
40 products manufacturer, ~~or~~ a retail marijuana testing facility, A RETAIL
41 MARIJUANA ESTABLISHMENT OPERATOR, OR A RETAIL MARIJUANA
42 TRANSPORTER.
43 (25) "Retail marijuana establishment operator" means ~~an entity or~~

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

8 (32.5) "SECURITY" MEANS THOSE TERMS AS DEFINED IN SECTION
9 (2)(1) OF THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED.

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

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

14 **44-12-202. Powers and duties of state licensing authority -**
15 **rules.** (2) The state licensing authority has the authority to:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

33 (7) THE STATE LICENSING AUTHORITY MAY DENY, SUSPEND,
34 REVOKE, FINE, OR IMPOSE OTHER SANCTIONS AGAINST A PERSON'S LICENSE
35 ISSUED PURSUANT TO THIS ARTICLE 12 IF THE STATE LICENSING
36 AUTHORITY FINDS THE PERSON OR THE PERSON'S CONTROLLING
37 BENEFICIAL OWNER, PASSIVE BENEFICIAL OWNER, OR INDIRECT FINANCIAL
38 INTEREST HOLDER FAILED TO TIMELY FILE ANY REPORT, DISCLOSURE,
39 REGISTRATION STATEMENT, OR OTHER SUBMISSION REQUIRED BY ANY
40 STATE OR FEDERAL REGULATORY AUTHORITY THAT IS RELATED TO THE
41 CONDUCT OF THEIR ESTABLISHMENT.

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

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

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

25 **44-12-305. Persons prohibited as licensees - definition.** (1) A
26 license provided by this article 12 shall not be issued to or held by:

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

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

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

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

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

44 (l) A PERSON THAT IS OR HAS A CONTROLLING BENEFICIAL OWNER,

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

8 (m) A PERSON THAT IS OR HAS A CONTROLLING BENEFICIAL
9 OWNER, THAT IS AN "INELIGIBLE ISSUER" PURSUANT TO SECTION 44-12-104
10 (19.5)(d)(1);

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

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

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

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

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

31 **44-12-306. Business and owner requirements - legislative**
32 **declaration - definition.** (1) (a) The general assembly hereby finds and
33 declares that:

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

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

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

43 (VI) PUBLICLY TRADED CORPORATIONS OFFERING SECURITIES FOR
44 INVESTMENT IN RETAIL MARIJUANA ESTABLISHMENTS MUST TELL THE

1 PUBLIC THE TRUTH ABOUT THEIR BUSINESS, THE SECURITIES THEY ARE
2 SELLING, AND THE RISKS INVOLVED WITH INVESTING IN RETAIL MARIJUANA
3 ESTABLISHMENTS, AND PEOPLE THAT SELL AND TRADE SECURITIES
4 RELATED TO RETAIL MARIJUANA ESTABLISHMENTS ARE PROHIBITED FROM
5 ENGAGING IN DECEIT, MISREPRESENTATIONS, AND OTHER FRAUD IN THE
6 SALE OF THE SECURITIES;

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

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

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

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

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

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

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

44 ~~(d) A direct beneficial interest owner that is a closely held~~

1 business entity must consist entirely of natural persons who are United
2 States citizens prior to the date of the application, including all parent and
3 subsidiary entities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 **requirements.** (1) APPLICANTS FOR THE ISSUANCE OF A STATE LICENSE
2 SHALL DISCLOSE TO THE STATE LICENSING AUTHORITY THE FOLLOWING:
3 (a) A COMPLETE AND ACCURATE ORGANIZATIONAL CHART OF THE
4 RETAIL MARIJUANA ESTABLISHMENT REFLECTING THE IDENTITY AND
5 OWNERSHIP PERCENTAGES OF ITS CONTROLLING BENEFICIAL OWNERS;
6 (b) THE FOLLOWING INFORMATION REGARDING ALL CONTROLLING
7 BENEFICIAL OWNERS OF THE RETAIL MARIJUANA ESTABLISHMENT:
8 (I) IF THE CONTROLLING BENEFICIAL OWNER IS A PUBLICLY
9 TRADED CORPORATION, THE APPLICANT SHALL DISCLOSE THE
10 CONTROLLING BENEFICIAL OWNERS' EXECUTIVE OFFICERS, MEMBERS OF ITS
11 BOARD OF DIRECTORS, AND ANY BENEFICIAL OWNERS THAT DIRECTLY OR
12 INDIRECTLY BENEFICIALLY OWN TEN PERCENT OR MORE OF THE SECURITIES
13 IN A RETAIL MARIJUANA ESTABLISHMENT;
14 (II) IF THE CONTROLLING BENEFICIAL OWNER IS NOT A PUBLICLY
15 TRADED CORPORATION AND IS NOT A QUALIFIED PRIVATE FUND, THE
16 APPLICANT SHALL DISCLOSE THE CONTROLLING BENEFICIAL OWNERS'
17 EXECUTIVE OFFICERS, MANAGERS AS DEFINED IN SECTION 7-90-102 (35.7),
18 AND ANY BENEFICIAL OWNERS THAT DIRECTLY OR INDIRECTLY
19 BENEFICIALLY OWN TEN PERCENT OR MORE OF THE SECURITIES IN A RETAIL
20 MARIJUANA ESTABLISHMENT;
21 (III) IF THE CONTROLLING BENEFICIAL OWNER IS A QUALIFIED
22 PRIVATE FUND, THE APPLICANT SHALL DISCLOSE A COMPLETE AND
23 ACCURATE ORGANIZATIONAL CHART OF THE QUALIFIED PRIVATE FUND
24 REFLECTING THE IDENTITY AND OWNERSHIP PERCENTAGES OF THE
25 QUALIFIED PRIVATE FUNDS' EXECUTIVE OFFICERS, MANAGERS AS DEFINED
26 IN SECTION 7-90-102 (35.7), INVESTMENT ADVISERS, INVESTMENT ADVISER
27 REPRESENTATIVES, ANY TRUSTEE OR EQUIVALENT, AND ANY OTHER
28 PERSON THAT CONTROLS THE INVESTMENT IN, OR MANAGEMENT OR
29 OPERATIONS OF, THE RETAIL MARIJUANA ESTABLISHMENT;
30 (IV) IF THE CONTROLLING BENEFICIAL OWNER IS A NATURAL
31 PERSON, THE APPLICANT SHALL DISCLOSE THE NATURAL PERSON'S
32 IDENTIFYING INFORMATION;
33 (c) ANY PASSIVE BENEFICIAL OWNER THAT IS ALSO AN INDIRECT
34 FINANCIAL INTEREST HOLDER IN THE RETAIL MARIJUANA ESTABLISHMENT;
35 AND
36 (d) ANY INDIRECT FINANCIAL INTEREST HOLDER THAT HOLDS TWO
37 OR MORE INDIRECT FINANCIAL INTERESTS IN THE RETAIL MARIJUANA
38 ESTABLISHMENT.
39 (2) THE STATE LICENSING AUTHORITY MAY REQUEST THAT THE
40 RETAIL MARIJUANA ESTABLISHMENT DISCLOSE THE FOLLOWING:
41 (a) EACH BENEFICIAL OWNER AND AFFILIATE OF AN APPLICANT,
42 RETAIL MARIJUANA ESTABLISHMENT, OR CONTROLLING BENEFICIAL
43 OWNER THAT IS NOT A PUBLICLY TRADED CORPORATION OR A QUALIFIED
44 PRIVATE FUND; AND

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

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

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

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

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

17 (d) ALL INDIRECT FINANCIAL INTEREST HOLDERS OF THE RETAIL
18 MARIJUANA ESTABLISHMENT, AND FOR ANY INDIRECT FINANCIAL INTEREST
19 HOLDER THAT IS NOT A NATURAL PERSON, THE MEMBERS OF THE BOARD OF
20 DIRECTORS, GENERAL PARTNERS, MANAGING MEMBERS, MANAGERS OR
21 EXECUTIVE OFFICERS AND TEN PERCENT OR MORE BENEFICIAL OWNERS OF
22 THE INDIRECT FINANCIAL INTEREST HOLDER.

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

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

43 (6) THIS SECTION DOES NOT RESTRICT THE STATE LICENSING
44 AUTHORITY'S ABILITY TO REASONABLY REQUEST INFORMATION OR

1 RECORDS AT RENEWAL OR AS PART OF ANY OTHER INVESTIGATION
2 FOLLOWING INITIAL LICENSURE OF A RETAIL MARIJUANA ESTABLISHMENT.

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

7 **44-12-306.6. Business owner and financial interest suitability**
8 **requirements.** (1) THIS SECTION APPLIES TO ALL PERSONS REQUIRED TO
9 SUBMIT A FINDING OF SUITABILITY.

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

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

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

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

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

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

43 (8) WHEN DETERMINING WHETHER A PERSON IS SUITABLE OR
44 UNSUITABLE FOR LICENSURE, THE STATE LICENSING AUTHORITY MAY

1 CONSIDER THE PERSON'S CRIMINAL CHARACTER OR RECORD, LICENSING
2 CHARACTER OR RECORD. OR FINANCIAL CHARACTER OR RECORD.

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

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

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

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

18 **44-12-308. Transfer of ownership.** (2) For a transfer of
19 ownership INVOLVING A CONTROLLING BENEFICIAL OWNER, a license
20 holder shall apply to the state licensing authority on forms prepared and
21 furnished by the state licensing authority. Upon receipt of an application
22 for transfer of ownership, the state licensing authority shall submit, within
23 seven days, a copy of the application to the local jurisdiction to determine
24 whether the transfer complies with local restrictions on transfer of
25 ownership. In determining whether to permit a transfer of ownership, the
26 state licensing authority shall consider only the requirements of this
27 article 12, any rules promulgated by the state licensing authority, and any
28 other local restrictions. The local jurisdiction may hold a hearing on the
29 application for transfer of ownership. The local jurisdiction shall not hold
30 a hearing pursuant to this subsection (2) until the local jurisdiction has
31 posted a notice of hearing in the manner described in section 44-12-302
32 (1) on the licensed premises for a period of ten days and has provided
33 notice of the hearing to the applicant at least ten days prior to the hearing.
34 Any transfer of ownership hearing by the state licensing authority ~~shall~~
35 MUST be held in compliance with the requirements specified in section
36 44-12-303.

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

42 (4) A PERSON THAT BECOMES A CONTROLLING BENEFICIAL OWNER
43 OF A PUBLICLY TRADED CORPORATION THAT IS A RETAIL MARIJUANA
44 ESTABLISHMENT OR THAT BECOMES A BENEFICIAL OWNER, THROUGH

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

14 **SECTION 19.** In Colorado Revised Statutes, 44-12-309, **amend**
15 (3), (5), and (10) as follows:

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

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

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

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

43 **44-12-312. Unlawful financial assistance.** (1) The state
44 licensing authority shall require a complete disclosure ~~of all persons~~

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

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

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

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

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

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

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

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

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

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

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

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

** *** ** *** **