

HB1011_L.001

HOUSE COMMITTEE OF REFERENCE AMENDMENT

Committee on Finance.HB18-1011 be amended as follows:

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

3 "SECTION 1. In Colorado Revised Statutes, 12-43.3-104, amend
4 (1), (1.3), (1.7), (7.5), and (13); repeal (12.4) and (14.3); and add (1.1),
5 (1.2), (1.4), (7.3), (12.1), (14.2), and (17) as follows:

6 **12-43.3-104. Definitions.** As used in this article 43.3, 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 "AFFILIATE" OF, OR PERSON "AFFILIATED WITH", A SPECIFIED PERSON
14 MEANS A PERSON THAT DIRECTLY, OR INDIRECTLY THROUGH ONE OR MORE
15 INTERMEDIARIES, CONTROLS OR IS CONTROLLED BY, OR IS UNDER COMMON
16 CONTROL WITH, THE PERSON SPECIFIED.

17 (1.1) "BENEFICIAL OWNER" IS A HOLDER OF A SECURITY IN
18 ACCORDANCE WITH SECTION 13 (d) OF THE FEDERAL "SECURITIES
19 EXCHANGE ACT OF 1934", AS AMENDED, AND RULE 13d-3 PROMULGATED
20 THEREUNDER.

21 (1.2) "CONTROL", INCLUDING THE TERMS "CONTROLS",
22 "CONTROLLED", "CONTROLLING", AND "CONTROLLED BY AND UNDER
23 COMMON CONTROL WITH", MEANS THE POSSESSION, DIRECT OR INDIRECT,
24 OF THE POWER TO DIRECT OR CAUSE THE DIRECTION OF THE MANAGEMENT
25 OR POLICIES OF A PERSON, WHETHER THROUGH THE OWNERSHIP OF VOTING
26 SECURITIES, BY CONTRACT, OR OTHERWISE.

27 (1.3) ~~"Good cause", for purposes of refusing or denying a license~~
28 ~~renewal, reinstatement, or initial license issuance, means "CONTROLLING~~
29 ~~BENEFICIAL OWNER" MEANS A PERSON THAT:~~

30 (a) ~~The licensee or applicant has violated, does not meet, or has~~
31 ~~failed to comply with any of the terms, conditions, or provisions of this~~
32 ~~article, any rules promulgated pursuant to this article, or any supplemental~~
33 ~~local law, rules, or regulations~~ IS THE BENEFICIAL OWNER OF FIVE
34 PERCENT OR MORE OF THE SECURITIES OF A MEDICAL MARIJUANA
35 BUSINESS;

36 (b) ~~The licensee or applicant has failed to comply with any special~~
37 ~~terms or conditions that were placed on its license pursuant to an order of~~
38 ~~the state or local licensing authority;~~ IS AN AFFILIATE, WHICH INCLUDES
39 WITHOUT LIMITATION ANY OFFICER, DIRECTOR, MANAGING MEMBER,
40 GENERAL PARTNER, OR TRUSTEE OF A MEDICAL MARIJUANA BUSINESS OR

1 OF ANY OTHER CONTROLLING BENEFICIAL OWNER OF A MEDICAL
2 MARIJUANA BUSINESS; OR

3 ~~(c) The licensed premises have been operated in a manner that~~
4 ~~adversely affects the public health or welfare or the safety of the~~
5 ~~immediate neighborhood in which the establishment is located~~ IS
6 OTHERWISE IN A POSITION TO EXERCISE CONTROL OF THE MEDICAL
7 MARIJUANA BUSINESS, EXCEPT AS AUTHORIZED BY SECTION 12-43.3-407.

8 (1.4) "GOOD CAUSE", FOR PURPOSES OF REFUSING OR DENYING A
9 LICENSE RENEWAL, REINSTATEMENT, OR INITIAL LICENSE ISSUANCE,
10 MEANS:

11 (a) THE LICENSEE OR APPLICANT HAS VIOLATED, DOES NOT MEET,
12 OR HAS FAILED TO COMPLY WITH ANY OF THE TERMS, CONDITIONS, OR
13 PROVISIONS OF THIS ARTICLE 43.3; ANY RULES PROMULGATED PURSUANT
14 TO THIS ARTICLE 43.3; OR ANY SUPPLEMENTAL LOCAL LAW, RULES, OR
15 REGULATIONS;

16 (b) THE LICENSEE OR APPLICANT HAS FAILED TO COMPLY WITH ANY
17 SPECIAL TERMS OR CONDITIONS THAT WERE PLACED ON ITS LICENSE
18 PURSUANT TO AN ORDER OF THE STATE OR LOCAL LICENSING AUTHORITY;
19 OR

20 (c) THE LICENSED PREMISES HAVE BEEN OPERATED IN A MANNER
21 THAT ADVERSELY AFFECTS THE PUBLIC HEALTH OR WELFARE OR THE
22 SAFETY OF THE IMMEDIATE NEIGHBORHOOD IN WHICH THE
23 ESTABLISHMENT IS LOCATED.

24 ~~(1.7) "Indirect beneficial interest owner" means a holder of a~~
25 ~~permitted economic interest, a recipient of a commercially reasonable~~
26 ~~royalty associated with the use of intellectual property by a licensee, a~~
27 ~~licensed employee who receives a share of the profits from an employee~~
28 ~~benefit plan, a qualified institutional investor, or another similarly~~
29 ~~situated person or entity as determined by the state licensing authority.~~
30 "INDIRECT FINANCIAL INTEREST HOLDER" MEANS A PERSON THAT IS NOT
31 AN AFFILIATE OF A MEDICAL MARIJUANA BUSINESS AND IS NOT OTHERWISE
32 IN A POSITION TO EXERCISE CONTROL OVER THE MEDICAL MARIJUANA
33 BUSINESS AND THAT:

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

37 (b) HOLDS A PERMITTED ECONOMIC INTEREST THAT WAS ISSUED
38 PRIOR TO JANUARY 1, 2019, AND THAT HAS NOT BEEN CONVERTED INTO AN
39 OWNERSHIP INTEREST; OR

40 (c) IS A CONTRACT COUNTERPARTY WITH A MEDICAL MARIJUANA
41 BUSINESS THAT HAS A DIRECT NEXUS TO THE CULTIVATION,
42 MANUFACTURE, OR SALE OF MARIJUANA, INCLUDING, BUT NOT LIMITED TO,
43 A LEASE OF REAL PROPERTY ON WHICH THE MEDICAL MARIJUANA BUSINESS
44 OPERATES, A LEASE OF EQUIPMENT USED IN THE CULTIVATION OF MEDICAL
45 MARIJUANA, A SECURED OR UNSECURED FINANCING AGREEMENT WITH THE

1 MEDICAL MARIJUANA BUSINESS, A SECURITY CONTRACT WITH THE
2 MEDICAL MARIJUANA BUSINESS, OR A MANAGEMENT AGREEMENT WITH
3 THE MEDICAL MARIJUANA BUSINESS, PROVIDED THAT NO SUCH CONTRACT
4 COMPENSATES THE CONTRACT COUNTERPARTY WITH A PERCENTAGE OF
5 REVENUE OR PROFITS OF THE MEDICAL MARIJUANA BUSINESS.

6 (7.3) "MEDICAL MARIJUANA BUSINESS" MEANS A MEDICAL
7 MARIJUANA CENTER, A MEDICAL MARIJUANA OPTIONAL PREMISES
8 CULTIVATION OPERATION, A MEDICAL MARIJUANA-INFUSED PRODUCTS
9 MANUFACTURER, A MEDICAL MARIJUANA TESTING FACILITY, A MEDICAL
10 MARIJUANA BUSINESS OPERATOR, OR A MEDICAL MARIJUANA
11 TRANSPORTER.

12 (7.5) "Medical marijuana business operator" means ~~an entity or~~ A
13 ~~person who is not an owner and who~~ THAT is licensed to provide
14 professional operational services to a medical marijuana establishment
15 BUSINESS for direct remuneration from the medical marijuana
16 ~~establishment~~ BUSINESS. A MEDICAL MARIJUANA BUSINESS OPERATOR IS
17 NOT A CONTROLLING BENEFICIAL OWNER, A PASSIVE BENEFICIAL OWNER,
18 OR AN INDIRECT FINANCIAL INTEREST HOLDER OF ANY MEDICAL
19 MARIJUANA BUSINESS IT OPERATES.

20 (12.1) "PASSIVE BENEFICIAL OWNER" MEANS A PERSON THAT IS
21 NOT AN AFFILIATE OF A MEDICAL MARIJUANA BUSINESS, IS NOT OTHERWISE
22 IN A POSITION TO EXERCISE CONTROL OVER THE MEDICAL MARIJUANA
23 BUSINESS, AND IS THE BENEFICIAL OWNER OF LESS THAN FIVE PERCENT OF
24 THE SECURITIES OF THE MEDICAL MARIJUANA BUSINESS.

25 (12.4) ~~"Permitted economic interest" means any unsecured~~
26 ~~convertible debt instrument, option agreement, warrant, or any other right~~
27 ~~to obtain an ownership interest when the holder of such interest is a~~
28 ~~natural person who is a lawful United States resident and whose right to~~
29 ~~convert into an ownership interest is contingent on the holder qualifying~~
30 ~~and obtaining a license as an owner under this article, or such other~~
31 ~~agreements as may be permitted by rule of the state licensing authority.~~

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

38 (14.2) "PUBLICLY TRADED CORPORATION" MEANS ANY PERSON
39 OTHER THAN AN INDIVIDUAL THAT:

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

42 (I) CONSTITUTE "COVERED SECURITIES" UNDER SECTION 18
43 (b)(1)(A) OF THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED; OR

44 (II) ARE QUALIFIED AND LISTED FOR TRADING ON THE OTCQX
45 TIER OR OTCQB TIER OF THE OTC MARKETS, OR ANY LIKE TIER OF ANY

1 SUCCESSOR TO THE ENTITY, IF THE PERSON IS THEN REQUIRED TO FILE
2 REPORTS WITH THE FEDERAL SECURITIES AND EXCHANGE COMMISSION
3 UNDER THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS
4 AMENDED, AS IF THE LISTED SECURITIES CONSTITUTED "COVERED
5 SECURITIES" OR VOLUNTARILY DOES SO;

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

12 (c) IS A COMPANY TRADED ON A "DESIGNATED OFFSHORE
13 SECURITIES MARKET" AS DEFINED IN 17 CFR 230.902 (b); OR

14 (d) IS IDENTIFIED BY RULE BY THE STATE LICENSING AUTHORITY AS
15 A PUBLICLY TRADED CORPORATION.

16 (14.3) ~~"Qualified limited passive investor" means a natural person
17 who is a United States citizen and is a passive investor who owns less
18 than a five percent share or shares of stock in a licensed medical
19 marijuana business.~~

20 (17) "SECURITY" MEANS ANY NOTE; STOCK; TREASURY STOCK;
21 BOND; DEBENTURE; EVIDENCE OF INDEBTEDNESS; CERTIFICATE OF
22 INTEREST OR PARTICIPATION IN ANY PROFIT-SHARING AGREEMENT;
23 COLLATERAL-TRUST CERTIFICATE; PREORGANIZATION CERTIFICATE OF
24 SUBSCRIPTION; TRANSFERABLE SHARE; INVESTMENT CONTRACT; VIATICAL
25 SETTLEMENT INVESTMENT; VOTING-TRUST CERTIFICATE; CERTIFICATE OF
26 DEPOSIT FOR A SECURITY; CERTIFICATE OF INTEREST OR PARTICIPATION IN
27 AN OIL, GAS, OR MINING TITLE OR LEASE OR IN PAYMENTS OUT OF
28 PRODUCTION UNDER SUCH A TITLE OR LEASE; OR, IN GENERAL, ANY
29 INTEREST OR INSTRUMENT COMMONLY KNOWN AS A "SECURITY" OR ANY
30 CERTIFICATE OF INTEREST OR PARTICIPATION IN, TEMPORARY OR INTERIM
31 CERTIFICATE FOR, GUARANTEE OF, OR WARRANT OR RIGHT TO SUBSCRIBE
32 TO OR PURCHASE ANY OF THE FOREGOING. "SECURITY" DOES NOT INCLUDE
33 ANY INSURANCE OR ENDOWMENT POLICY OR ANNUITY CONTRACT UNDER
34 WHICH AN INSURANCE COMPANY PROMISES TO PAY A SUM OF MONEY
35 EITHER IN A LUMP SUM OR PERIODICALLY FOR LIFE OR SOME OTHER
36 SPECIFIED PERIOD. FOR PURPOSES OF THIS ARTICLE 43.3, AN "INVESTMENT
37 CONTRACT" NEED NOT INVOLVE MORE THAN ONE INVESTOR NOR BE
38 LIMITED TO THOSE CIRCUMSTANCES WHEREIN THERE ARE MULTIPLE
39 INVESTORS WHO ARE JOINT PARTICIPANTS IN THE SAME ENTERPRISE.

40 **SECTION 2.** In Colorado Revised Statutes, 12-43.3-202, **amend**
41 **(2)(a)(VIII), (2)(a)(XVIII.7); repeal (2)(a)(XXI); and add (2)(a)(XXIII)**
42 **as follows:**

43 **12-43.3-202. Powers and duties of state licensing authority -**
44 **rules.** (2) (a) Rules promulgated pursuant to subsection (1)(b) of this
45 section may include, but need not be limited to, the following subjects:

1 (VIII) Development of individual identification cards for owners;
2 ~~officers~~ CONTROLLING BENEFICIAL OWNERS, managers, contractors,
3 employees, and other support staff of entities licensed pursuant to this
4 article ARTICLE 43.3, including a fingerprint-based criminal history record
5 check as may be required by the state licensing authority prior to issuing
6 a card;

7 (XVIII.7) Medical marijuana business operator licensees,
8 including the form and structure of allowable agreements between
9 operators and ~~owners~~ THE MEDICAL MARIJUANA BUSINESS BEING
10 OPERATED;

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

13 (XXIII) OWNERSHIP AND FINANCIAL INTEREST REQUIREMENTS,
14 INCLUDING BUT NOT LIMITED TO:

15 (A) PARAMETERS OF, QUALIFICATIONS OF, DISCLOSURE OF,
16 REQUIREMENTS FOR, AND SUITABILITY OF A CONTROLLING BENEFICIAL
17 OWNER, A PASSIVE BENEFICIAL OWNER, AND AN INDIRECT FINANCIAL
18 INTEREST HOLDER; AND

19 (B) PARAMETERS OF, QUALIFICATIONS OF, DISCLOSURE OF,
20 REQUIREMENTS FOR, AND SUITABILITY OF A PUBLICLY TRADED
21 CORPORATION THAT IS A MEDICAL MARIJUANA BUSINESS OR THAT IS A
22 CONTROLLING BENEFICIAL OWNER OR PASSIVE BENEFICIAL OWNER.

23 **SECTION 3.** In Colorado Revised Statutes, 12-43.3-307, **amend**
24 (1) introductory portion, (1)(c), and (1)(l); **repeal** (1)(n); and **add** (1)(o)
25 and (1)(p) as follows:

26 **12-43.3-307. Persons prohibited as licensees.** (1) A license
27 provided by this article ARTICLE 43.3 shall not be issued to or held by:

28 (c) ~~A corporation;~~ PERSON OTHER THAN AN INDIVIDUAL if the
29 criminal history of any of its ~~officers, directors, or stockholders~~
30 CONTROLLING BENEFICIAL OWNERS indicates that ~~the officer, director, or~~
31 ~~stockholder~~ A CONTROLLING BENEFICIAL OWNER is not of good moral
32 character AFTER CONSIDERING THE FACTORS IN SECTION 24-5-101 (2), OR
33 ANY PERSON THAT WOULD BE DISQUALIFIED AS A "BAD ACTOR" UNDER
34 RULE 506 (d) PROMULGATED UNDER THE FEDERAL "SECURITIES ACT OF
35 1933";

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

38 (n) ~~A publicly traded company.~~

39 (o) A PERSON WHOSE CONTROLLING BENEFICIAL OWNER OR
40 PASSIVE BENEFICIAL OWNER IS FOUND UNSUITABLE BY THE STATE
41 LICENSING AUTHORITY. TO DETERMINE WHETHER A PERSON IS SUITABLE,
42 THE STATE LICENSING AUTHORITY MAY CONSIDER, BUT IS NOT LIMITED TO,
43 A PERSON'S FINANCIAL CHARACTER OR RECORD, CRIMINAL CHARACTER OR
44 RECORD, OR LICENSING CHARACTER OR RECORD.

45 (p) A PERSON, OTHER THAN AN INDIVIDUAL, ORGANIZED OR

1 FORMED UNDER THE LAWS OF A COUNTRY DETERMINED BY THE UNITED
2 STATES SECRETARY OF STATE TO HAVE REPEATEDLY PROVIDED SUPPORT
3 FOR ACTS OF INTERNATIONAL TERRORISM OR INCLUDED AMONG THE LIST
4 OF "COVERED COUNTRIES" IN SECTION 1502 OF THE FEDERAL
5 "DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION
6 ACT".

7 **SECTION 4.** In Colorado Revised Statutes, 12-43.3-307.5,
8 **amend** (1) and (5); **repeal** (2), (3), (4), (6), and (7); and **add** (4.5), (5.5),
9 (5.7), and (6.5) as follows:

10 **12-43.3-307.5. Business and owner requirements - legislative**
11 **declaration.** (1) (a) The general assembly hereby finds and declares that:

12 (I) Medical marijuana businesses need to be able to access capital
13 in order to effectively grow their businesses and remain competitive in the
14 marketplace;

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

18 (III) There is insufficient capital in the state to properly fund the
19 capital needs of Colorado medical marijuana businesses;

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

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

25 (V) Providing access to legitimate sources of capital helps prevent
26 the opportunity for those who engage in illegal activity to gain entry into
27 the state's regulated medical marijuana market;

28 (VI) ACCESS TO CAPITAL MUST BE BALANCED WITH PROMOTING
29 CONTROL OVER MEDICAL MARIJUANA BUSINESSES BY SUITABLE PERSONS
30 WHO ARE LEGITIMATE, TAXPAYING BUSINESSPEOPLE, AND NOT CRIMINAL
31 ACTORS; PREVENTING REVENUE FROM THE SALE OF MARIJUANA FROM
32 GOING TO CRIMINAL ENTERPRISES, GANGS, AND CARTELS; AND
33 PREVENTING STATE-AUTHORIZED MARIJUANA ACTIVITY FROM BEING USED
34 AS A COVER OR PRETEXT FOR THE TRAFFICKING OF OTHER ILLEGAL DRUGS
35 OR OTHER ILLEGAL ACTIVITY; AND

36 (VII) PUBLICLY TRADED CORPORATIONS OFFERING SECURITIES FOR
37 INVESTMENT IN MEDICAL MARIJUANA BUSINESSES MUST TELL THE PUBLIC
38 THE TRUTH ABOUT THEIR BUSINESS, THE SECURITIES THEY ARE SELLING,
39 AND THE RISKS INVOLVED WITH INVESTING IN MEDICAL MARIJUANA
40 BUSINESSES, AND PEOPLE WHO SELL AND TRADE SECURITIES RELATED TO
41 MEDICAL MARIJUANA BUSINESSES ARE PROHIBITED FROM ENGAGING IN
42 DECEIT, MISREPRESENTATIONS, AND OTHER FRAUD IN THE SALE OF THE
43 SECURITIES.

44 (b) Therefore, the general assembly is providing a mechanism for
45 Colorado medical marijuana businesses to access capital from investors

1 in other states AND FROM CERTAIN PUBLICLY TRADED CORPORATIONS
2 PURSUANT TO THIS SECTION AND SECTION 12-43.3-307.6.

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

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

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

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

12 (b) ~~On and after January 1, 2017, a medical marijuana business~~
13 ~~that is comprised of one or more direct beneficial interest owners who~~
14 ~~have not been Colorado residents for at least one year prior to application~~
15 ~~shall have at least one officer who has been a Colorado resident for at~~
16 ~~least one year prior to application and all officers with day-to-day~~
17 ~~operational control over the business must be Colorado residents for at~~
18 ~~least one year prior to application. A medical marijuana business under~~
19 ~~this paragraph (b) is limited to no more than fifteen direct beneficial~~
20 ~~interest owners, including all parent and subsidiary entities, all of whom~~
21 ~~are natural persons.~~

22 (c) ~~Notwithstanding the requirements of paragraph (b) of this~~
23 ~~subsection (3), the state licensing authority may review the limitation on~~
24 ~~the number of direct beneficial interest owners and may increase the~~
25 ~~number of allowable interests above fifteen based on reasonable~~
26 ~~considerations such as developments in state and federal financial~~
27 ~~regulations, market conditions, and the licensee's ability to access~~
28 ~~legitimate sources of capital.~~

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

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

36 (4.5) ~~PRIOR TO SUBMITTING AN APPLICATION, A PERSON THAT~~
37 ~~INTENDS TO BECOME A MEDICAL MARIJUANA BUSINESS OR A CONTROLLING~~
38 ~~BENEFICIAL OWNER SHALL DISCLOSE TO THE STATE LICENSING AUTHORITY~~
39 ~~A COMPLETE AND ACCURATE LIST OF THE FOLLOWING:~~

40 (a) ~~ALL OF ITS BENEFICIAL OWNERS OF FIVE PERCENT OR MORE OF~~
41 ~~ITS SECURITIES;~~

42 (b) ~~ALL OF ITS OFFICERS, DIRECTORS, AND AFFILIATES; AND~~

43 (c) ~~ALL OFFICERS, DIRECTORS, AND GREATER-THAN-FIVE-PERCENT~~
44 ~~BENEFICIAL OWNERS OF ANY OF ITS AFFILIATES.~~

45 (5) (a) ~~A person who THAT intends to apply as a direct beneficial~~

1 ~~interest owner and is not a Colorado resident for at least one year prior to~~
2 ~~the date of application~~ TO BECOME A CONTROLLING BENEFICIAL OWNER
3 shall first submit a request to the state licensing authority for a finding of
4 suitability. ~~as a direct beneficial interest owner. The person shall~~ FAILURE
5 TO PROVIDE ALL REQUESTED INFORMATION IN CONNECTION WITH A
6 REQUEST FOR A FINDING OF SUITABILITY IS GROUNDS FOR DENIAL OF THAT
7 FINDING OF SUITABILITY. EVERY PROPOSED CONTROLLING BENEFICIAL
8 OWNER MUST receive a finding of suitability OR AN EXEMPTION FROM A
9 FINDING OF SUITABILITY prior to submitting ~~an~~ A MEDICAL MARIJUANA
10 BUSINESS application to the state licensing authority. ~~to be a direct~~
11 ~~beneficial interest owner~~ Failure to receive a finding ALL REQUIRED
12 FINDINGS of suitability prior to application is grounds for denial OF AN
13 APPLICATION OR SUSPENSION, REVOCATION, OR OTHER SANCTION AGAINST
14 THE LICENSEE by the state licensing authority.

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

19 (c) IN ADDITION TO THE REQUIREMENTS OF SUBSECTION (5)(a) OF
20 THIS SECTION, FOLLOWING THE DISCLOSURE REQUIRED BY SUBSECTION
21 (4.5) OF THIS SECTION, THE STATE LICENSING AUTHORITY SHALL
22 DETERMINE WHICH INDIVIDUAL CONTROLLING BENEFICIAL OWNERS AND
23 AFFILIATES OF EACH CONTROLLING BENEFICIAL OWNER ARE REQUIRED TO
24 OBTAIN A FINDING OF SUITABILITY PRIOR TO SUBMISSION OF A MEDICAL
25 MARIJUANA BUSINESS APPLICATION. FAILURE TO PROVIDE ANY
26 INFORMATION REQUESTED IN CONNECTION WITH A FINDING OF SUITABILITY
27 MAY ALSO BE GROUNDS FOR DENIAL OF THAT REQUEST FOR FINDING OF
28 SUITABILITY. ALL INDIVIDUALS SHALL OBTAIN ANY REQUIRED FINDING OF
29 SUITABILITY PRIOR TO SUBMITTING A MEDICAL MARIJUANA BUSINESS
30 APPLICATION TO THE STATE LICENSING AUTHORITY.

31 (5.5) IN ITS REASONABLE DISCRETION, AT ANY TIME, THE STATE
32 LICENSING AUTHORITY MAY REQUIRE ANY PERSON THAT WAS DISCLOSED
33 OR SHOULD HAVE BEEN DISCLOSED UNDER THIS SECTION OR SECTION
34 12-43.3-307.6 TO OBTAIN A FINDING OF SUITABILITY. FAILURE TO PROVIDE
35 ANY INFORMATION REQUESTED IN CONNECTION WITH A FINDING OF
36 SUITABILITY MAY ALSO BE GROUNDS FOR DENIAL OF THAT REQUEST FOR
37 FINDING OF SUITABILITY. FAILURE OF A PERSON TO OBTAIN ANY REQUIRED
38 FINDING OF SUITABILITY MAY BE GROUNDS FOR DENIAL OF AN
39 APPLICATION OR SUSPENSION, REVOCATION, OR OTHER SANCTION OF A
40 LICENSE.

41 (5.7) IF A REQUIRED FINDING OF SUITABILITY IS NOT COMPLETED
42 WITHIN ONE YEAR FROM THE DATE THE FINDING OF SUITABILITY WAS
43 REQUESTED, THE STATE LICENSING AUTHORITY SHALL INFORM THE
44 APPLICANT OR LICENSEE.

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

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

3 (6.5) A PERSON, OTHER THAN AN INDIVIDUAL, THAT IS A
4 CONTROLLING BENEFICIAL OWNER SHALL APPOINT AND CONTINUOUSLY
5 MAINTAIN A REGISTERED AGENT WHO SATISFIES THE REQUIREMENTS OF
6 SECTION 7-90-701. THE MEDICAL MARIJUANA BUSINESS SHALL INFORM
7 THE STATE LICENSING AUTHORITY OF A CHANGE IN THE REGISTERED
8 AGENT WITHIN TEN DAYS OF THE CHANGE.

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

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

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

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

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

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

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

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

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

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

31 **SECTION 5.** In Colorado Revised Statutes, add 12-43.3-307.6
32 as follows:

33 **12-43.3-307.6. Licensure and investment requirements for**
34 **publicly traded corporations.** (1) IN ADDITION TO THE REQUIREMENTS
35 OF SECTION 12-43.3-307.5, ANY LICENSEE OR CONTROLLING BENEFICIAL
36 OWNER THAT IS A PUBLICLY TRADED CORPORATION SHALL COMPLY WITH
37 THIS SECTION.

38 (2) (a) A PUBLICLY TRADED CORPORATION THAT IS A MEDICAL
39 MARIJUANA BUSINESS OR A CONTROLLING BENEFICIAL OWNER SHALL
40 REPORT TO THE STATE LICENSING AUTHORITY WITHIN TEN DAYS AFTER THE
41 ELECTION OR APPOINTMENT, OR RESIGNATION OR REMOVAL, OF ANY
42 DIRECTOR OR OFFICER OF THE PUBLICLY TRADED CORPORATION.

43 (b) TO THE EXTENT REQUIRED BY THE STATE LICENSING
44 AUTHORITY, WHENEVER ANY REPORT, PROXY OR INFORMATION
45 STATEMENT, REGISTRATION STATEMENT, SCHEDULE, OR OTHER FILING IS

1 MADE WITH THE FEDERAL SECURITIES AND EXCHANGE COMMISSION OR
2 OTHER APPLICABLE SECURITIES EXCHANGE, OR, IN THE CASE OF A FOREIGN
3 PRIVATE ISSUER, ANY SIMILAR REGULATORY BODY, BY OR WITH RESPECT
4 TO A PUBLICLY TRADED CORPORATION THAT IS A MEDICAL MARIJUANA
5 BUSINESS OR A CONTROLLING BENEFICIAL OWNER, THE PUBLICLY TRADED
6 CORPORATION SHALL NOTIFY THE STATE LICENSING AUTHORITY THAT A
7 FILING HAS TAKEN PLACE AND DISCLOSE A COPY OF THE FILING WITHIN
8 FIVE DAYS AFTER THE FILING WITH THE FEDERAL SECURITIES AND
9 EXCHANGE COMMISSION OR OTHER APPLICABLE SECURITIES EXCHANGE,
10 OR, IN THE CASE OF A FOREIGN PRIVATE ISSUER, ANY SIMILAR
11 REGULATORY BODY.

12 (c) THE STATE LICENSING AUTHORITY MAY AT ANY TIME REQUIRE
13 ANY APPLICANT, LICENSEE, OR CONTROLLING BENEFICIAL OWNER TO
14 DISCLOSE A COMPLETE AND ACCURATE LIST OF ALL BENEFICIAL OWNERS
15 TO THE EXTENT KNOWN.

16 (d) TO THE EXTENT REQUIRED BY THE STATE LICENSING
17 AUTHORITY, A PUBLICLY TRADED CORPORATION THAT IS A MEDICAL
18 MARIJUANA BUSINESS OR A CONTROLLING BENEFICIAL OWNER SHALL,
19 WITHIN FIVE DAYS AFTER RECEIVING A COMMENT LETTER OR EXCHANGE
20 NOTICE FROM THE FEDERAL SECURITIES AND EXCHANGE COMMISSION OR
21 OTHER APPLICABLE SECURITIES EXCHANGE, OR, IN THE CASE OF A FOREIGN
22 PRIVATE ISSUER, ANY SIMILAR REGULATORY BODY, NOTIFY THE STATE
23 LICENSING AUTHORITY THAT THE COMMENT LETTER OR EXCHANGE NOTICE
24 WAS RECEIVED AND PROVIDE A COPY TO THE STATE LICENSING
25 AUTHORITY.

26 (3) AFTER COMMENCING ANY OFFERING OF A SECURITY, ANY
27 PUBLICLY TRADED CORPORATION THAT IS A MEDICAL MARIJUANA
28 BUSINESS, A CONTROLLING BENEFICIAL OWNER, OR A PASSIVE BENEFICIAL
29 OWNER SHALL NOTIFY THE STATE LICENSING AUTHORITY OF THE PROPOSED
30 OFFERING IN THE TIME AND MANNER REQUIRED BY THE STATE LICENSING
31 AUTHORITY. AT A MINIMUM, THE NOTIFICATION MUST OCCUR NOT LATER
32 THAN THREE BUSINESS DAYS AFTER THE EARLIER OF THE COMMENCEMENT
33 OF THE OFFERING OR THE INITIAL FILING COVERING THE OFFERING WITH
34 THE FEDERAL SECURITIES AND EXCHANGE COMMISSION OR OTHER
35 APPLICABLE SECURITIES EXCHANGE, OR, IN THE CASE OF A FOREIGN
36 PRIVATE ISSUER, ANY SIMILAR REGULATORY BODY.

37 (4) A PUBLICLY TRADED CORPORATION THAT IS A MEDICAL
38 MARIJUANA BUSINESS OR A CONTROLLING BENEFICIAL OWNER OF FIFTY
39 PERCENT OR MORE OF THE SECURITIES OF A MEDICAL MARIJUANA BUSINESS
40 SHALL INCLUDE IN ITS BYLAWS THE FOLLOWING PROVISIONS:

41 (a) THE [NAME OF THE PUBLICLY TRADED CORPORATION] SHALL
42 NOT ISSUE ANY SECURITY EXCEPT IN ACCORDANCE WITH THE PROVISIONS
43 OF ARTICLE 43.3 OF TITLE 12, COLORADO REVISED STATUTES, AND THE
44 RULES PROMULGATED PURSUANT TO THAT ARTICLE 43.3. THE ISSUANCE
45 OF ANY SECURITY IN VIOLATION THEREOF SHALL BE VOID, AND THE

1 SECURITY SHALL BE DEEMED NOT TO BE ISSUED AND OUTSTANDING UNTIL
2 THE PUBLICLY TRADED CORPORATION CEASES TO BE SUBJECT TO THE
3 JURISDICTION OF THE STATE LICENSING AUTHORITY OR THE STATE
4 LICENSING AUTHORITY, BY AFFIRMATIVE ACTION, VALIDATES SAID
5 ISSUANCE OR WAIVES ANY DEFECT IN ISSUANCE.

6 (b) NO SECURITY ISSUED BY THE [NAME OF THE PUBLICLY TRADED
7 CORPORATION] AND NO INTEREST, CLAIM, OR CHARGE THEREIN OR
8 THERETO SHALL BE TRANSFERRED IN ANY MANNER WHATSOEVER EXCEPT
9 IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 43.3 OF TITLE 12,
10 COLORADO REVISED STATUTES, AND THE RULES PROMULGATED
11 PURSUANT TO THAT ARTICLE 43.3. ANY TRANSFER IN VIOLATION THEREOF
12 SHALL BE VOID UNTIL THE [NAME OF THE PUBLICLY TRADED
13 CORPORATION] CEASES TO BE SUBJECT TO THE JURISDICTION OF THE STATE
14 LICENSING AUTHORITY OR THE STATE LICENSING AUTHORITY, BY
15 AFFIRMATIVE ACTION, VALIDATES SAID TRANSFER OR WAIVES ANY DEFECT
16 IN SAID TRANSFER.

17 (c) IF THE STATE LICENSING AUTHORITY AT ANY TIME DETERMINES
18 THAT A HOLDER OF A SECURITY OF THE [NAME OF THE PUBLICLY TRADED
19 CORPORATION] IS UNSUITABLE TO HOLD THE SECURITY, THEN THE [NAME
20 OF THE PUBLICLY TRADED CORPORATION] MAY, WITHIN SIXTY DAYS AFTER
21 THE FINDING OF UNSUITABILITY, PURCHASE THE SECURITY OF THE
22 UNSUITABLE PERSON AT THE LESSER OF THE AMOUNT IN UNITED STATES
23 DOLLARS OF CASH OR OTHER CONSIDERATION PAID BY THE PERSON FOR
24 THE SECURITY OR THE CURRENT MARKET PRICE AS OF THE DATE OF THE
25 FINDING OF UNSUITABILITY, UNLESS THE SECURITY IS TRANSFERRED TO A
26 SUITABLE PERSON AS DETERMINED BY THE STATE LICENSING AUTHORITY
27 WITHIN SIXTY DAYS AFTER THE FINDING OF UNSUITABILITY. UNTIL THE
28 SECURITY IS OWNED BY PERSONS FOUND BY THE STATE LICENSING
29 AUTHORITY TO BE SUITABLE TO OWN IT, THE [NAME OF THE PUBLICLY
30 TRADED CORPORATION] SHALL NOT BE REQUIRED OR PERMITTED TO PAY
31 ANY DIVIDEND OR INTEREST WITH REGARD TO THE SECURITY; THE HOLDER
32 OF THE SECURITY SHALL NOT BE ENTITLED TO VOTE ON ANY MATTER AS
33 THE HOLDER OF THE SECURITY; AND THE SECURITY SHALL NOT FOR ANY
34 PURPOSES BE INCLUDED AMONG THE SECURITIES OF THE [NAME OF THE
35 PUBLICLY TRADED CORPORATION] ENTITLED TO VOTE, AND THE [NAME OF
36 THE PUBLICLY TRADED CORPORATION] SHALL NOT PAY ANY
37 REMUNERATION IN ANY FORM TO THE HOLDER OF THE SECURITY EXCEPT
38 IN EXCHANGE FOR THE SECURITY AS PROVIDED IN THIS SUBSECTION (4)(c).

39 (5) A PERSON THAT BECOMES A BENEFICIAL OWNER OF FIVE
40 PERCENT OR MORE OF ANY CLASS OF SECURITY IN A PUBLICLY TRADED
41 CORPORATION THAT IS A MEDICAL MARIJUANA BUSINESS OR A
42 CONTROLLING BENEFICIAL OWNER MUST APPLY TO THE STATE LICENSING
43 AUTHORITY FOR A FINDING OF SUITABILITY WITHIN FORTY-FIVE DAYS
44 AFTER BECOMING A BENEFICIAL OWNER OR CONTROLLING BENEFICIAL
45 OWNER. WHEN A PERSON IS OR BECOMES A BENEFICIAL OWNER OF FIVE

1 PERCENT OR MORE OF ANY CLASS OF SECURITY IN THE PUBLICLY TRADED
2 CORPORATION, THE STATE LICENSING AUTHORITY MAY REQUIRE A FINDING
3 OF SUITABILITY OF ANY OFFICER, DIRECTOR, MEMBER, AFFILIATE, OR
4 GREATER-THAN-FIVE-PERCENT BENEFICIAL OWNER IN THAT PERSON. A
5 LICENSEE SHALL NOTIFY EACH PERSON THAT IS SUBJECT TO THIS
6 SUBSECTION (5) OF ITS REQUIREMENTS AS SOON AS THE LICENSEE
7 BECOMES AWARE OF THE BENEFICIAL OWNERSHIP TRIGGERING THE
8 REQUIREMENT, PROVIDED THAT THE OBLIGATIONS OF THE PERSON SUBJECT
9 TO THIS SUBSECTION (5) ARE INDEPENDENT OF, AND UNAFFECTED BY, THE
10 LICENSEE'S FAILURE TO GIVE THE NOTICE.

11 (6) A PUBLICLY TRADED CORPORATION SHALL PROVIDE THE STATE
12 LICENSING AUTHORITY WITH A DEPOSIT TO COVER THE DIRECT AND
13 INDIRECT COSTS OF ANY INVESTIGATION NECESSARY TO DETERMINE
14 WHETHER OR NOT ANY REQUIRED FINDING OF SUITABILITY SHALL BE
15 ISSUED. THE STATE LICENSING AUTHORITY MAY MAKE FURTHER RULES
16 REGARDING THE DEPOSIT AND DIRECT AND INDIRECT COSTS THAT SHALL
17 BE BILLED AGAINST THE DEPOSIT.

18 (7) IT IS GROUNDS FOR DENIAL OF A LICENSE OR DISCIPLINARY
19 ACTION IF ANY PERSON, IN CONNECTION WITH THE PURCHASE OR SALE OF
20 ANY SECURITY ISSUED BY A MEDICAL MARIJUANA BUSINESS OR A
21 CONTROLLING BENEFICIAL OWNER, IS FOUND GUILTY OF, PLEADS NOLO
22 CONTENDERE TO, IS SUBJECT TO A FINAL CEASE AND DESIST ORDER WITH
23 RESPECT TO A PERMANENT INJUNCTION OR ORDER OF PERMANENT
24 INJUNCTION ISSUED ON THE BASIS OF, OR IS THE SUBJECT OF A SIMILAR
25 FINAL ACTION TAKEN ON THE BASIS OF, A VIOLATION OF RULE 10b-5
26 PROMULGATED BY THE FEDERAL SECURITIES AND EXCHANGE COMMISSION
27 UNDER SECTION 10 (b) OF THE "SECURITIES EXCHANGE ACT OF 1934", AS
28 AMENDED, OR SECTION 11-51-501.

29 **SECTION 6.** In Colorado Revised Statutes, 12-43.3-309, **amend**
30 **(2); and add (3) as follows:**

31 **12-43.3-309. Transfer of ownership.** (2) For a transfer of
32 ownership, OTHER THAN TRANSFERS OF SECURITIES BY A BENEFICIAL
33 OWNER OF SECURITIES OF A PUBLICLY TRADED CORPORATION, a license
34 holder shall apply to the state and local licensing authorities on forms
35 prepared and furnished by the state licensing authority. In determining
36 whether to permit a transfer of ownership, the state and local licensing
37 authorities shall consider only the requirements of this ~~article~~ ARTICLE
38 43.3, any rules promulgated by the state licensing authority, and any other
39 local restrictions. The local licensing authority may hold a hearing on the
40 application for transfer of ownership. The local licensing authority shall
41 not hold a hearing pursuant to this subsection (2) until the local licensing
42 authority has posted a notice of hearing in the manner described in section
43 12-43.3-302 (2) on the licensed medical marijuana center premises for a
44 period of ten days and has provided notice of the hearing to the applicant
45 at least ten days prior to the hearing. Any transfer of ownership hearing

1 by the state licensing authority shall be held in compliance with the
2 requirements specified in section 12-43.3-302.

3 (3) ANY TRANSFER OF SECURITIES BY A BENEFICIAL OWNER OF A
4 PUBLICLY TRADED CORPORATION SHALL COMPLY WITH THE PROVISIONS OF
5 SECTIONS 12-43.3-307.5 AND 12-43.3-307.6.

6 **SECTION 7.** In Colorado Revised Statutes, 12-43.3-310, **amend**
7 (3) and (4) as follows:

8 **12-43.3-310. Licensing in general.** (3) A medical marijuana
9 center, ~~optional premises cultivation operation, or medical~~
10 ~~marijuana-infused products manufacturer~~ BUSINESS THAT IS NOT A
11 PUBLICLY TRADED CORPORATION shall notify the state licensing authority
12 in writing within ten days after ~~an~~ A CONTROLLING BENEFICIAL OWNER,
13 PASSIVE BENEFICIAL OWNER, officer, or manager ceases to work at,
14 manage, own, or otherwise be associated with the operation. The
15 CONTROLLING BENEFICIAL OWNER, PASSIVE BENEFICIAL OWNER, officer, or
16 manager shall surrender to the state licensing authority any identification
17 card that may have been issued by the state licensing authority on or
18 before the date of the notification.

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

31 **SECTION 8.** In Colorado Revised Statutes, **amend** 12-43.3-407
32 as follows:

33 **12-43.3-407. Medical marijuana business operator license.** A
34 medical marijuana business operator license may be issued to ~~an entity or~~
35 A person ~~who~~ THAT operates a medical marijuana establishment BUSINESS
36 licensed pursuant to this article 43.3, for ~~an owner~~ ANOTHER MEDICAL
37 MARIJUANA BUSINESS licensed pursuant to this article 43.3, and ~~who~~ THAT
38 may receive a portion of the profits as compensation.

39 **SECTION 9.** In Colorado Revised Statutes, 12-43.4-103, **amend**
40 (1), (1.3), (2.5), (13), (17), and (17.5); **repeal** (12.4) and (14.3); and **add**
41 (1.1), (1.2), (1.4), (12.1), (14.2), and (22.5) as follows:

42 **12-43.4-103. Definitions.** As used in this article 43.4, unless the
43 context otherwise requires:

44 (1) ~~"Direct beneficial interest owner" means a person or closely~~
45 ~~held business entity that owns a share or shares of stock in a licensed~~

1 ~~retail marijuana business, including the officers, directors, managing~~
2 ~~members, or partners of the licensed retail marijuana business or closely~~
3 ~~held business entity, or a qualified limited passive investor "AFFILIATE"~~
4 ~~OF, OR PERSON "AFFILIATED WITH", A SPECIFIED PERSON MEANS A PERSON~~
5 ~~THAT DIRECTLY, OR INDIRECTLY THROUGH ONE OR MORE INTERMEDIARIES,~~
6 ~~CONTROLS OR IS CONTROLLED BY, OR IS UNDER COMMON CONTROL WITH,~~
7 ~~THE PERSON SPECIFIED.~~

8 (1.1) "BENEFICIAL OWNER" IS A HOLDER OF A SECURITY IN
9 ACCORDANCE WITH SECTION 13 (d) OF THE FEDERAL "SECURITIES
10 EXCHANGE ACT OF 1934", AS AMENDED, AND RULE 13d-3 PROMULGATED
11 THEREUNDER.

12 (1.2) "CONTROL", INCLUDING THE TERMS "CONTROLS",
13 "CONTROLLED", "CONTROLLING", AND "CONTROLLED BY AND UNDER
14 COMMON CONTROL WITH", MEANS THE POSSESSION, DIRECT OR INDIRECT,
15 OF THE POWER TO DIRECT OR CAUSE THE DIRECTION OF THE MANAGEMENT
16 OR POLICIES OF A PERSON, WHETHER THROUGH THE OWNERSHIP OF VOTING
17 SECURITIES, BY CONTRACT, OR OTHERWISE.

18 (1.3) ~~"Escorted" means appropriately checked into the limited~~
19 ~~access area and accompanied by a person licensed by the state licensing~~
20 ~~authority, except that trade craftspeople not normally engaged in the~~
21 ~~business of cultivating, processing, or selling retail marijuana need not be~~
22 ~~accompanied on a full-time basis, but only reasonably monitored.~~
23 "CONTROLLING BENEFICIAL OWNER" MEANS A PERSON THAT:

24 (a) IS THE BENEFICIAL OWNER OF FIVE PERCENT OR MORE OF THE
25 SECURITIES OF A RETAIL MARIJUANA ESTABLISHMENT;

26 (b) IS AN AFFILIATE, WHICH INCLUDES WITHOUT LIMITATION ANY
27 OFFICER, DIRECTOR, MANAGING MEMBER, GENERAL PARTNER, OR TRUSTEE
28 OF A RETAIL MARIJUANA ESTABLISHMENT OR OF ANY OTHER CONTROLLING
29 BENEFICIAL OWNER OF A RETAIL MARIJUANA ESTABLISHMENT; OR

30 (c) IS OTHERWISE IN A POSITION TO EXERCISE CONTROL OF THE
31 RETAIL MARIJUANA ESTABLISHMENT, EXCEPT AS AUTHORIZED BY SECTION
32 12-43.4-407.

33 (1.4) "ESCORTED" MEANS APPROPRIATELY CHECKED INTO THE
34 LIMITED ACCESS AREA AND ACCOMPANIED BY A PERSON LICENSED BY THE
35 STATE LICENSING AUTHORITY; EXCEPT THAT TRADE CRAFTSPEOPLE NOT
36 NORMALLY ENGAGED IN THE BUSINESS OF CULTIVATING, PROCESSING, OR
37 SELLING RETAIL MARIJUANA NEED NOT BE ACCOMPANIED ON A FULL-TIME
38 BASIS, BUT ONLY REASONABLY MONITORED.

39 (2.5) ~~"Indirect beneficial interest owner" means a holder of a~~
40 ~~permitted economic interest, a recipient of a commercially reasonable~~
41 ~~royalty associated with the use of intellectual property by a licensee, a~~
42 ~~licensed employee who receives a share of the profits from an employee~~
43 ~~benefit plan, a qualified institutional investor, or another similarly~~
44 ~~situated person or entity as determined by the state licensing authority.~~
45 "INDIRECT FINANCIAL INTEREST HOLDER" MEANS A PERSON THAT IS NOT

1 AN AFFILIATE OF A RETAIL MARIJUANA ESTABLISHMENT AND IS NOT
2 OTHERWISE IN A POSITION TO EXERCISE CONTROL OVER THE RETAIL
3 MARIJUANA ESTABLISHMENT AND THAT:

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

7 (b) HOLDS A PERMITTED ECONOMIC INTEREST THAT WAS ISSUED
8 PRIOR TO JANUARY 1, 2019, AND THAT HAS NOT BEEN CONVERTED INTO AN
9 OWNERSHIP INTEREST; OR

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

22 (12.1) "PASSIVE BENEFICIAL OWNER" MEANS A PERSON THAT IS
23 NOT AN AFFILIATE OF A RETAIL MARIJUANA ESTABLISHMENT, IS NOT
24 OTHERWISE IN A POSITION TO EXERCISE CONTROL OVER THE RETAIL
25 MARIJUANA ESTABLISHMENT, AND IS THE BENEFICIAL OWNER OF LESS
26 THAN FIVE PERCENT OF THE SECURITIES OF THE RETAIL MARIJUANA
27 ESTABLISHMENT.

28 ~~(12.4) "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 or such other~~
34 ~~agreements as may be permitted by rule by the state licensing authority.~~

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

39 (14.2) "PUBLICLY TRADED CORPORATION" MEANS ANY PERSON
40 OTHER THAN AN INDIVIDUAL THAT:

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

43 (I) CONSTITUTE "COVERED SECURITIES" UNDER SECTION 18

44 (b)(1)(A) OF THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED; OR

45 (II) ARE QUALIFIED AND LISTED FOR TRADING ON THE OTCQX

1 TIER OR OTCQB TIER OF THE OTC MARKETS, OR ANY LIKE TIER OF ANY
2 SUCCESSOR TO THE ENTITY, IF THE PERSON IS THEN REQUIRED TO FILE
3 REPORTS WITH THE FEDERAL SECURITIES AND EXCHANGE COMMISSION
4 UNDER THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS
5 AMENDED, AS IF THE LISTED SECURITIES CONSTITUTED "COVERED
6 SECURITIES" OR VOLUNTARILY DOES SO;

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

13 (c) IS A COMPANY TRADED ON A "DESIGNATED OFFSHORE
14 SECURITIES MARKET" AS DEFINED IN 17 CFR 230.902 (b); OR

15 (d) IS IDENTIFIED BY RULE BY THE STATE LICENSING AUTHORITY AS
16 A PUBLICLY TRADED CORPORATION.

17 (14.3) ~~"Qualified limited passive investor" means a natural person
18 who is a United States citizen and is a passive investor who owns less
19 than a five percent share or shares of stock in a licensed retail marijuana
20 business.~~

21 (17) "Retail marijuana establishment" means a retail marijuana
22 store, a retail marijuana cultivation facility, a retail marijuana products
23 manufacturer, or a retail marijuana testing facility, A RETAIL MARIJUANA
24 ESTABLISHMENT OPERATOR, OR A RETAIL MARIJUANA TRANSPORTER.

25 (17.5) "Retail marijuana establishment operator" means ~~an entity
26 or A person that is not an owner and that is licensed to provide
27 professional operational services to a retail marijuana establishment for
28 direct remuneration from the retail marijuana establishment. A RETAIL
29 MARIJUANA ESTABLISHMENT OPERATOR IS NOT A CONTROLLING
30 BENEFICIAL OWNER, A PASSIVE BENEFICIAL OWNER, OR AN INDIRECT
31 FINANCIAL INTEREST HOLDER OF ANY RETAIL MARIJUANA ESTABLISHMENT
32 IT OPERATES.~~

33 (22.5) "SECURITY" MEANS ANY NOTE; STOCK; TREASURY STOCK;
34 BOND; DEBENTURE; EVIDENCE OF INDEBTEDNESS; CERTIFICATE OF
35 INTEREST OR PARTICIPATION IN ANY PROFIT-SHARING AGREEMENT;
36 COLLATERAL-TRUST CERTIFICATE; PREORGANIZATION CERTIFICATE OF
37 SUBSCRIPTION; TRANSFERABLE SHARE; INVESTMENT CONTRACT; VIATICAL
38 SETTLEMENT INVESTMENT; VOTING-TRUST CERTIFICATE; CERTIFICATE OF
39 DEPOSIT FOR A SECURITY; CERTIFICATE OF INTEREST OR PARTICIPATION IN
40 AN OIL, GAS, OR MINING TITLE OR LEASE OR IN PAYMENTS OUT OF
41 PRODUCTION UNDER SUCH A TITLE OR LEASE; OR, IN GENERAL, ANY
42 INTEREST OR INSTRUMENT COMMONLY KNOWN AS A "SECURITY" OR ANY
43 CERTIFICATE OF INTEREST OR PARTICIPATION IN, TEMPORARY OR INTERIM
44 CERTIFICATE FOR, GUARANTEE OF, OR WARRANT OR RIGHT TO SUBSCRIBE
45 TO OR PURCHASE ANY OF THE FOREGOING. "SECURITY" DOES NOT INCLUDE

1 ANY INSURANCE OR ENDOWMENT POLICY OR ANNUITY CONTRACT UNDER
2 WHICH AN INSURANCE COMPANY PROMISES TO PAY A SUM OF MONEY
3 EITHER IN A LUMP SUM OR PERIODICALLY FOR LIFE OR SOME OTHER
4 SPECIFIED PERIOD. FOR PURPOSES OF THIS ARTICLE 43.4, AN "INVESTMENT
5 CONTRACT" NEED NOT INVOLVE MORE THAN ONE INVESTOR NOR BE
6 LIMITED TO THOSE CIRCUMSTANCES WHEREIN THERE ARE MULTIPLE
7 INVESTORS WHO ARE JOINT PARTICIPANTS IN THE SAME ENTERPRISE.

8 **SECTION 10.** In Colorado Revised Statutes, 12-43.4-202,
9 **amend** (3)(a)(III), (3)(a)(XVIII), (3)(a)(XIX), (3)(b) introductory portion,
10 **and** (3)(b)(V); **repeal** (3)(a)(XX); **and add** (3)(a)(XXI) as follows:

11 **12-43.4-202. Powers and duties of state licensing authority -**
12 **rules.** (3) (a) Rules promulgated pursuant to subsection (2)(b) of this
13 section must include, but need not be limited to, the following subjects:

14 (III) Qualifications for licensure under this ~~article~~ ARTICLE 43.4,
15 including but not limited to the requirement for a fingerprint-based
16 criminal history record check for ~~all owners, officers~~ CONTROLLING
17 BENEFICIAL OWNERS, managers, contractors, employees, and other support
18 staff of entities licensed pursuant to this ~~article~~ ARTICLE 43.4;

19 (XVIII) Retail marijuana establishment operator licensees,
20 including the form and structure of allowable agreements between
21 operators and ~~owners~~ THE RETAIL MARIJUANA ESTABLISHMENT BEING
22 OPERATED;

23 (XIX) Nonescorted visitors in limited access areas; and

24 (XX) ~~The parameters and qualifications of an indirect beneficial~~
25 ~~interest owner and a qualified limited passive investor.~~

26 (XXI) OWNERSHIP AND FINANCIAL INTEREST REQUIREMENTS,
27 INCLUDING BUT NOT LIMITED TO:

28 (A) PARAMETERS OF, QUALIFICATIONS OF, DISCLOSURE OF,
29 REQUIREMENTS FOR, AND SUITABILITY OF A CONTROLLING BENEFICIAL
30 OWNER, A PASSIVE BENEFICIAL OWNER, AND AN INDIRECT FINANCIAL
31 INTEREST HOLDER; AND

32 (B) PARAMETERS OF, QUALIFICATIONS OF, DISCLOSURE OF,
33 REQUIREMENTS FOR, AND SUITABILITY OF A PUBLICLY TRADED
34 CORPORATION THAT IS A RETAIL MARIJUANA ESTABLISHMENT OR THAT IS
35 A CONTROLLING BENEFICIAL OWNER OR PASSIVE BENEFICIAL OWNER.

36 (b) Rules promulgated pursuant to ~~paragraph (b) of subsection (2)~~
37 ~~SUBSECTION (2)(b)~~ of this section must also include the following
38 subjects:

39 (V) Development of individual identification cards for ~~owners;~~
40 ~~officers~~ CONTROLLING BENEFICIAL OWNERS, managers, contractors,
41 employees, and other support staff of entities licensed pursuant to this
42 ~~article~~ ARTICLE 43.4, including a fingerprint-based criminal history record
43 check as may be required by the state licensing authority prior to issuing
44 a card;

45 **SECTION 11.** In Colorado Revised Statutes, 12-43.4-306,

1 amend (1) introductory portion, (1)(c), and (1)(j); repeal (1)(l); and add
2 (1)(m) and (1)(n) as follows:

3 **12-43.4-306. Persons prohibited as licensees - definitions.**

4 (1) A license provided by this article ARTICLE 43.4 shall not be issued to
5 or held by:

6 (c) A person other than an individual if the criminal history of any
7 of its ~~officers, directors, stockholders, or owners~~ CONTROLLING
8 BENEFICIAL OWNERS indicates that the ~~officer, director, stockholder, or~~
9 ~~owner~~ A CONTROLLING BENEFICIAL OWNER is not of good moral character
10 after considering the factors in section 24-5-101 (2), ~~C.R.S.~~ OR ANY
11 PERSON THAT WOULD BE DISQUALIFIED AS A "BAD ACTOR" UNDER RULE
12 506 (d) PROMULGATED UNDER THE FEDERAL "SECURITIES ACT OF 1933";

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

15 (l) ~~A publicly traded company.~~

16 (m) A PERSON WHOSE CONTROLLING BENEFICIAL OWNER OR
17 PASSIVE BENEFICIAL OWNER IS FOUND UNSUITABLE BY THE STATE
18 LICENSING AUTHORITY. TO DETERMINE WHETHER A PERSON IS SUITABLE,
19 THE STATE LICENSING AUTHORITY MAY CONSIDER, BUT IS NOT LIMITED TO,
20 A PERSON'S FINANCIAL CHARACTER OR RECORD, CRIMINAL CHARACTER OR
21 RECORD, OR LICENSING CHARACTER OR RECORD.

22 (n) A PERSON, OTHER THAN AN INDIVIDUAL, ORGANIZED OR
23 FORMED UNDER THE LAWS OF A COUNTRY DETERMINED BY THE UNITED
24 STATES SECRETARY OF STATE TO HAVE REPEATEDLY PROVIDED SUPPORT
25 FOR ACTS OF INTERNATIONAL TERRORISM OR INCLUDED AMONG THE LIST
26 OF "COVERED COUNTRIES" IN SECTION 1502 OF THE FEDERAL
27 "DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION
28 ACT".

29 **SECTION 12.** In Colorado Revised Statutes, 12-43.4-306.5,
30 amend (1) and (5); repeal (2), (3), (4), (6), and (7); and add (4.5), (5.5),
31 (5.7), and (6.5) as follows:

32 **12-43.4-306.5. Business and owner requirements - legislative**
33 **declaration.** (1) (a) The general assembly hereby finds and declares that:

34 (I) Retail marijuana ~~businesses~~ ESTABLISHMENTS need to be able
35 to access capital in order to effectively grow their businesses and remain
36 competitive in the marketplace;

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

40 (III) There is insufficient capital in Colorado to properly fund the
41 capital needs of Colorado retail marijuana ~~businesses~~ ESTABLISHMENTS;

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

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

1 TRADED CORPORATIONS TO HOLD AN INTEREST IN RETAIL MARIJUANA
2 ESTABLISHMENTS WILL BENEFIT COLORADO'S RETAIL MARIJUANA MARKET;

3 (V) Providing access to legitimate sources of capital helps prevent
4 the opportunity for those who engage in illegal activity to gain entry into
5 Colorado's regulated retail marijuana market;

6 (VI) ACCESS TO CAPITAL MUST BE BALANCED WITH PROMOTING
7 CONTROL OVER RETAIL MARIJUANA ESTABLISHMENTS BY SUITABLE
8 PERSONS WHO ARE LEGITIMATE, TAXPAYING BUSINESSPEOPLE, AND NOT
9 CRIMINAL ACTORS; PREVENTING REVENUE FROM THE SALE OF MARIJUANA
10 FROM GOING TO CRIMINAL ENTERPRISES, GANGS, AND CARTELS; AND
11 PREVENTING STATE-AUTHORIZED MARIJUANA ACTIVITY FROM BEING USED
12 AS A COVER OR PRETEXT FOR THE TRAFFICKING OF OTHER ILLEGAL DRUGS
13 OR OTHER ILLEGAL ACTIVITY; AND

14 (VII) PUBLICLY TRADED CORPORATIONS OFFERING SECURITIES FOR
15 INVESTMENT IN RETAIL MARIJUANA ESTABLISHMENTS MUST TELL THE
16 PUBLIC THE TRUTH ABOUT THEIR BUSINESS, THE SECURITIES THEY ARE
17 SELLING, AND THE RISKS INVOLVED WITH INVESTING IN RETAIL MARIJUANA
18 ESTABLISHMENTS, AND PEOPLE WHO SELL AND TRADE SECURITIES
19 RELATED TO RETAIL MARIJUANA ESTABLISHMENTS ARE PROHIBITED FROM
20 ENGAGING IN DECEIT, MISREPRESENTATIONS, AND OTHER FRAUD IN THE
21 SALE OF THE SECURITIES.

22 (b) Therefore, the general assembly is providing a mechanism for
23 Colorado retail marijuana ~~businesses~~ ESTABLISHMENTS to access capital
24 from investors in other states AND FROM CERTAIN PUBLICLY TRADED
25 CORPORATIONS PURSUANT TO THIS SECTION AND SECTION 12-43.4-306.6.

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

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

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

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

35 ~~(b) On and after January 1, 2017, a retail marijuana business that~~
36 ~~is comprised of one or more direct beneficial interest owners who have~~
37 ~~not been Colorado residents for at least one year prior to application shall~~
38 ~~have at least one officer who has been a Colorado resident for at least one~~
39 ~~year prior to application and all officers with day-to-day operational~~
40 ~~control over the business must be Colorado residents for at least one year~~
41 ~~prior to application. A retail marijuana business under this paragraph (b)~~
42 ~~is limited to no more than fifteen direct beneficial interest owners;~~
43 ~~including all parent and subsidiary entities, all of whom are natural~~
44 ~~persons.~~

45 ~~(c) Notwithstanding the requirements of paragraph (b) of this~~

1 subsection (3), the state licensing authority may review the limitation on
2 the number of direct beneficial interest owners and may increase the
3 number of allowable interests above fifteen based on reasonable
4 considerations such as developments in state and federal financial
5 regulations, market conditions, and the licensee's ability to access
6 legitimate sources of capital.

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

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

13 (4.5) PRIOR TO SUBMITTING AN APPLICATION, A PERSON THAT
14 INTENDS TO BECOME A RETAIL MARIJUANA ESTABLISHMENT OR A
15 CONTROLLING BENEFICIAL OWNER SHALL DISCLOSE TO THE STATE
16 LICENSING AUTHORITY A COMPLETE AND ACCURATE LIST OF THE
17 FOLLOWING:

18 (a) ALL OF ITS BENEFICIAL OWNERS OF FIVE PERCENT OR MORE OF
19 ITS SECURITIES;

20 (b) ALL OF ITS OFFICERS, DIRECTORS, AND AFFILIATES; AND

21 (c) ALL OFFICERS, DIRECTORS, AND GREATER-THAN-FIVE-PERCENT
22 BENEFICIAL OWNERS OF ANY OF ITS AFFILIATES.

23 (5) (a) A person who THAT intends to apply as a direct beneficial
24 interest owner and is not a Colorado resident for at least one year prior to
25 the date of application TO BECOME A CONTROLLING BENEFICIAL OWNER
26 shall first submit a request to the state licensing authority for a finding of
27 suitability. as a direct beneficial interest owner. The person shall FAILURE
28 TO PROVIDE ALL REQUESTED INFORMATION IN CONNECTION WITH A
29 REQUEST FOR A FINDING OF SUITABILITY IS GROUNDS FOR DENIAL OF THAT
30 FINDING OF SUITABILITY. EVERY PROPOSED CONTROLLING BENEFICIAL
31 OWNER MUST receive a finding of suitability OR AN EXEMPTION FROM A
32 FINDING OF SUITABILITY prior to submitting an A RETAIL MARIJUANA
33 ESTABLISHMENT application to the state licensing authority. to be a direct
34 beneficial interest owner. Failure to receive a finding ALL REQUIRED
35 FINDINGS of suitability prior to application is grounds for denial of AN
36 APPLICATION OR SUSPENSION, REVOCATION, OR OTHER SANCTION AGAINST
37 THE LICENSEE by the state licensing authority.

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

42 (c) IN ADDITION TO THE REQUIREMENTS OF SUBSECTION (5)(a) OF
43 THIS SECTION, FOLLOWING THE DISCLOSURE REQUIRED BY SUBSECTION
44 (4.5) OF THIS SECTION, THE STATE LICENSING AUTHORITY SHALL
45 DETERMINE WHICH INDIVIDUAL CONTROLLING BENEFICIAL OWNERS AND

1 AFFILIATES OF EACH CONTROLLING BENEFICIAL OWNER ARE REQUIRED TO
2 OBTAIN A FINDING OF SUITABILITY PRIOR TO SUBMISSION OF A RETAIL
3 MARIJUANA ESTABLISHMENT APPLICATION. FAILURE TO PROVIDE ANY
4 INFORMATION REQUESTED IN CONNECTION WITH A FINDING OF SUITABILITY
5 MAY ALSO BE GROUNDS FOR DENIAL OF THAT REQUEST FOR FINDING OF
6 SUITABILITY. ALL INDIVIDUALS MUST OBTAIN ANY REQUIRED FINDING OF
7 SUITABILITY PRIOR TO SUBMITTING A RETAIL MARIJUANA ESTABLISHMENT
8 APPLICATION TO THE STATE LICENSING AUTHORITY.

9 (5.5) IN ITS REASONABLE DISCRETION, AT ANY TIME, THE STATE
10 LICENSING AUTHORITY MAY REQUIRE ANY PERSON THAT WAS DISCLOSED
11 OR SHOULD HAVE BEEN DISCLOSED UNDER THIS SECTION OR SECTION
12 12-43.4-306.6 TO OBTAIN A FINDING OF SUITABILITY. FAILURE TO PROVIDE
13 ANY INFORMATION REQUESTED IN CONNECTION WITH A FINDING OF
14 SUITABILITY MAY ALSO BE GROUNDS FOR DENIAL OF THAT REQUEST FOR
15 FINDING OF SUITABILITY. FAILURE OF A PERSON TO OBTAIN ANY REQUIRED
16 FINDING OF SUITABILITY MAY BE GROUNDS FOR DENIAL OF AN
17 APPLICATION OR SUSPENSION, REVOCATION, OR OTHER SANCTION OF A
18 LICENSE.

19 (5.7) IF A REQUIRED FINDING OF SUITABILITY IS NOT COMPLETED
20 WITHIN ONE YEAR FROM THE DATE THE FINDING OF SUITABILITY WAS
21 REQUESTED, THE STATE LICENSING AUTHORITY SHALL INFORM THE
22 APPLICANT OR LICENSEE.

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

25 (6.5) A PERSON, OTHER THAN AN INDIVIDUAL, THAT IS A
26 CONTROLLING BENEFICIAL OWNER SHALL APPOINT AND CONTINUOUSLY
27 MAINTAIN A REGISTERED AGENT WHO SATISFIES THE REQUIREMENTS OF
28 SECTION 7-90-701. THE RETAIL MARIJUANA ESTABLISHMENT SHALL
29 INFORM THE STATE LICENSING AUTHORITY OF A CHANGE IN THE
30 REGISTERED AGENT WITHIN TEN DAYS OF THE CHANGE.

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

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

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

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

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

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

43 ~~(f) An employee benefit plan or pension fund that is subject to the~~
44 ~~federal "Employee Retirement Income Security Act of 1974", as~~
45 ~~amended, excluding an employee benefit plan or pension fund sponsored~~

1 by a licensee or an intermediary or holding company licensee that directly
2 or indirectly owns five percent or more of a licensee;

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

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

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

8 **SECTION 13.** In Colorado Revised Statutes, add 12-43.4-306.6
9 as follows:

10 **12-43.4-306.6. Licensure and investment requirements for**
11 **publicly traded corporations.** (1) IN ADDITION TO THE REQUIREMENTS
12 OF SECTION 12-43.4-306.5, ANY LICENSEE OR CONTROLLING BENEFICIAL
13 OWNER THAT IS A PUBLICLY TRADED CORPORATION SHALL COMPLY WITH
14 THIS SECTION.

15 (2) (a) A PUBLICLY TRADED CORPORATION THAT IS A RETAIL
16 MARIJUANA ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER
17 SHALL REPORT TO THE STATE LICENSING AUTHORITY WITHIN TEN DAYS
18 AFTER THE ELECTION OR APPOINTMENT, OR RESIGNATION OR REMOVAL, OF
19 ANY DIRECTOR OR OFFICER OF THE PUBLICLY TRADED CORPORATION.

20 (b) TO THE EXTENT REQUIRED BY THE STATE LICENSING
21 AUTHORITY, WHENEVER ANY REPORT, PROXY OR INFORMATION
22 STATEMENT, REGISTRATION STATEMENT, SCHEDULE, OR OTHER FILING IS
23 MADE WITH THE FEDERAL SECURITIES AND EXCHANGE COMMISSION OR
24 OTHER APPLICABLE SECURITIES EXCHANGE, OR, IN THE CASE OF A FOREIGN
25 PRIVATE ISSUER, ANY SIMILAR REGULATORY BODY, BY OR WITH RESPECT
26 TO A PUBLICLY TRADED CORPORATION THAT IS A RETAIL MARIJUANA
27 ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER, THE PUBLICLY
28 TRADED CORPORATION SHALL NOTIFY THE STATE LICENSING AUTHORITY
29 THAT A FILING HAS TAKEN PLACE AND DISCLOSE A COPY OF THE FILING
30 WITHIN FIVE DAYS AFTER THE FILING WITH THE FEDERAL SECURITIES AND
31 EXCHANGE COMMISSION OR OTHER APPLICABLE SECURITIES EXCHANGE,
32 OR, IN THE CASE OF A FOREIGN PRIVATE ISSUER, ANY SIMILAR
33 REGULATORY BODY.

34 (c) THE STATE LICENSING AUTHORITY MAY AT ANY TIME REQUIRE
35 ANY APPLICANT, LICENSEE, OR CONTROLLING BENEFICIAL OWNER TO
36 DISCLOSE A COMPLETE AND ACCURATE LIST OF ALL BENEFICIAL OWNERS
37 TO THE EXTENT KNOWN.

38 (d) TO THE EXTENT REQUIRED BY THE STATE LICENSING
39 AUTHORITY, A PUBLICLY TRADED CORPORATION THAT IS A RETAIL
40 MARIJUANA ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER
41 SHALL, WITHIN FIVE DAYS AFTER RECEIVING A COMMENT LETTER OR
42 EXCHANGE NOTICE FROM THE FEDERAL SECURITIES AND EXCHANGE
43 COMMISSION OR OTHER APPLICABLE SECURITIES EXCHANGE, OR, IN THE
44 CASE OF A FOREIGN PRIVATE ISSUER, ANY SIMILAR REGULATORY BODY,
45 NOTIFY THE STATE LICENSING AUTHORITY THAT THE COMMENT LETTER OR

1 EXCHANGE NOTICE WAS RECEIVED AND PROVIDE A COPY TO THE STATE
2 LICENSING AUTHORITY.

3 (3) AFTER COMMENCING ANY OFFERING OF A SECURITY, ANY
4 PUBLICLY TRADED CORPORATION THAT IS A RETAIL MARIJUANA
5 ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER OR PASSIVE
6 BENEFICIAL OWNER SHALL NOTIFY THE STATE LICENSING AUTHORITY OF
7 THE PROPOSED OFFERING IN THE TIME AND MANNER REQUIRED BY THE
8 STATE LICENSING AUTHORITY. AT A MINIMUM, THE NOTIFICATION MUST
9 OCCUR NOT LATER THAN THREE BUSINESS DAYS AFTER THE EARLIER OF
10 THE COMMENCEMENT OF THE OFFERING OR THE INITIAL FILING COVERING
11 THE OFFERING WITH THE FEDERAL SECURITIES AND EXCHANGE
12 COMMISSION OR OTHER APPLICABLE SECURITIES EXCHANGE, OR, IN THE
13 CASE OF A FOREIGN PRIVATE ISSUER, ANY SIMILAR REGULATORY BODY.

14 (4) A PUBLICLY TRADED CORPORATION THAT IS A RETAIL
15 MARIJUANA ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER OF
16 FIFTY PERCENT OR MORE OF THE SECURITIES OF A RETAIL MARIJUANA
17 ESTABLISHMENT SHALL INCLUDE IN ITS BYLAWS THE FOLLOWING
18 PROVISIONS:

19 (a) THE [NAME OF THE PUBLICLY TRADED CORPORATION] SHALL
20 NOT ISSUE ANY SECURITY EXCEPT IN ACCORDANCE WITH THE PROVISIONS
21 OF ARTICLE 43.4 OF TITLE 12, COLORADO REVISED STATUTES, AND THE
22 RULES PROMULGATED PURSUANT TO THAT ARTICLE 43.3. THE ISSUANCE
23 OF ANY SECURITY IN VIOLATION THEREOF SHALL BE VOID, AND THE
24 SECURITY SHALL BE DEEMED NOT TO BE ISSUED AND OUTSTANDING UNTIL
25 THE PUBLICLY TRADED CORPORATION CEASES TO BE SUBJECT TO THE
26 JURISDICTION OF THE STATE LICENSING AUTHORITY OR THE STATE
27 LICENSING AUTHORITY, BY AFFIRMATIVE ACTION, VALIDATES SAID
28 ISSUANCE OR WAIVES ANY DEFECT IN ISSUANCE.

29 (b) NO SECURITY ISSUED BY THE [NAME OF THE PUBLICLY TRADED
30 CORPORATION] AND NO INTEREST, CLAIM, OR CHARGE THEREIN OR
31 THERETO SHALL BE TRANSFERRED IN ANY MANNER WHATSOEVER EXCEPT
32 IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 43.4 OF TITLE 12,
33 COLORADO REVISED STATUTES, AND THE RULES PROMULGATED
34 PURSUANT TO THAT ARTICLE 43.3. ANY TRANSFER IN VIOLATION THEREOF
35 SHALL BE VOID UNTIL THE [NAME OF THE PUBLICLY TRADED
36 CORPORATION] CEASES TO BE SUBJECT TO THE JURISDICTION OF THE STATE
37 LICENSING AUTHORITY OR THE STATE LICENSING AUTHORITY, BY
38 AFFIRMATIVE ACTION, VALIDATES SAID TRANSFER OR WAIVES ANY DEFECT
39 IN SAID TRANSFER.

40 (c) IF THE STATE LICENSING AUTHORITY AT ANY TIME DETERMINES
41 THAT A HOLDER OF A SECURITY OF THE [NAME OF THE PUBLICLY TRADED
42 CORPORATION] IS UNSUITABLE TO HOLD THE SECURITY, THEN THE [NAME
43 OF THE PUBLICLY TRADED CORPORATION] MAY, WITHIN SIXTY DAYS AFTER
44 THE FINDING OF UNSUITABILITY, PURCHASE THE SECURITY OF THE
45 UNSUITABLE PERSON AT THE LESSER OF THE AMOUNT IN UNITED STATES

1 DOLLARS OF CASH OR OTHER CONSIDERATION PAID BY THE PERSON FOR
2 THE SECURITY OR THE CURRENT MARKET PRICE AS OF THE DATE OF THE
3 FINDING OF UNSUITABILITY, UNLESS THE SECURITY IS TRANSFERRED TO A
4 SUITABLE PERSON AS DETERMINED BY THE STATE LICENSING AUTHORITY
5 WITHIN SIXTY DAYS AFTER THE FINDING OF UNSUITABILITY. UNTIL THE
6 SECURITY IS OWNED BY PERSONS FOUND BY THE STATE LICENSING
7 AUTHORITY TO BE SUITABLE TO OWN IT, THE [NAME OF THE PUBLICLY
8 TRADED CORPORATION] SHALL NOT BE REQUIRED OR PERMITTED TO PAY
9 ANY DIVIDEND OR INTEREST WITH REGARD TO THE SECURITY; THE HOLDER
10 OF THE SECURITY SHALL NOT BE ENTITLED TO VOTE ON ANY MATTER AS
11 THE HOLDER OF THE SECURITY; AND THE SECURITY SHALL NOT FOR ANY
12 PURPOSES BE INCLUDED AMONG THE SECURITIES OF THE [NAME OF THE
13 PUBLICLY TRADED CORPORATION] ENTITLED TO VOTE, AND THE [NAME OF
14 THE PUBLICLY TRADED CORPORATION] SHALL NOT PAY ANY
15 REMUNERATION IN ANY FORM TO THE HOLDER OF THE SECURITY EXCEPT
16 IN EXCHANGE FOR THE SECURITY AS PROVIDED IN THIS SUBSECTION (4)(c).

17 (5) A PERSON THAT BECOMES A BENEFICIAL OWNER OF FIVE
18 PERCENT OR MORE OF ANY CLASS OF SECURITY IN A PUBLICLY TRADED
19 CORPORATION THAT IS A RETAIL MARIJUANA ESTABLISHMENT OR A
20 CONTROLLING BENEFICIAL OWNER MUST APPLY TO THE STATE LICENSING
21 AUTHORITY FOR A FINDING OF SUITABILITY WITHIN FORTY-FIVE DAYS
22 AFTER BECOMING A BENEFICIAL OWNER OR CONTROLLING BENEFICIAL
23 OWNER. WHEN A PERSON IS OR BECOMES A BENEFICIAL OWNER OF FIVE
24 PERCENT OR MORE OF ANY CLASS OF SECURITY IN THE PUBLICLY TRADED
25 CORPORATION, THE STATE LICENSING AUTHORITY MAY REQUIRE A FINDING
26 OF SUITABILITY OF ANY OFFICER, DIRECTOR, MEMBER, AFFILIATE, OR
27 GREATER-THAN-FIVE-PERCENT BENEFICIAL OWNER IN THAT PERSON. A
28 LICENSEE SHALL NOTIFY EACH PERSON THAT IS SUBJECT TO THIS
29 SUBSECTION (5) OF ITS REQUIREMENTS AS SOON AS THE LICENSEE
30 BECOMES AWARE OF THE BENEFICIAL OWNERSHIP TRIGGERING THE
31 REQUIREMENT, PROVIDED THAT THE OBLIGATIONS OF THE PERSON SUBJECT
32 TO THIS SUBSECTION (5) ARE INDEPENDENT OF, AND UNAFFECTED BY, THE
33 LICENSEE'S FAILURE TO GIVE THE NOTICE.

34 (6) A PUBLICLY TRADED CORPORATION SHALL PROVIDE THE STATE
35 LICENSING AUTHORITY WITH A DEPOSIT TO COVER THE DIRECT AND
36 INDIRECT COSTS OF ANY INVESTIGATION NECESSARY TO DETERMINE
37 WHETHER OR NOT ANY REQUIRED FINDING OF SUITABILITY SHALL BE
38 ISSUED. THE STATE LICENSING AUTHORITY MAY MAKE FURTHER RULES
39 REGARDING THE DEPOSIT AND DIRECT AND INDIRECT COSTS THAT SHALL
40 BE BILLED AGAINST THE DEPOSIT.

41 (7) IT IS GROUNDS FOR DENIAL OF A LICENSE OR DISCIPLINARY
42 ACTION IF ANY PERSON, IN CONNECTION WITH THE PURCHASE OR SALE OF
43 ANY SECURITY ISSUED BY A RETAIL MARIJUANA ESTABLISHMENT OR A
44 CONTROLLING BENEFICIAL OWNER, IS FOUND GUILTY OF, PLEADS NOLO
45 CONTENDERE TO, IS SUBJECT TO A FINAL CEASE AND DESIST ORDER WITH

1 RESPECT TO A PERMANENT INJUNCTION OR ORDER OF PERMANENT
2 INJUNCTION ISSUED ON THE BASIS OF, OR IS THE SUBJECT OF A SIMILAR
3 FINAL ACTION TAKEN ON THE BASIS OF, A VIOLATION OF RULE 10b-5
4 PROMULGATED BY THE FEDERAL SECURITIES AND EXCHANGE COMMISSION
5 UNDER SECTION 10 (b) OF THE "SECURITIES EXCHANGE ACT OF 1934", AS
6 AMENDED, OR SECTION 11-51-501.

7 **SECTION 14.** In Colorado Revised Statutes, 12-43.4-308,
8 **amend** (2); and **add** (3) as follows:

9 **12-43.4-308. Transfer of ownership.** (2) For a transfer of
10 ownership, OTHER THAN TRANSFERS OF SECURITIES BY A BENEFICIAL
11 OWNER OF SECURITIES OF A PUBLICLY TRADED CORPORATION, a license
12 holder shall apply to the state licensing authority on forms prepared and
13 furnished by the state licensing authority. Upon receipt of an application
14 for transfer of ownership, the state licensing authority shall submit, within
15 seven days, a copy of the application to the local jurisdiction to determine
16 whether the transfer complies with local restrictions on transfer of
17 ownership. In determining whether to permit a transfer of ownership, the
18 state licensing authority shall consider only the requirements of this
19 ~~article~~ ARTICLE 43.4, any rules promulgated by the state licensing
20 authority, and any other local restrictions. The local jurisdiction may hold
21 a hearing on the application for transfer of ownership. The local
22 jurisdiction shall not hold a hearing pursuant to this subsection (2) until
23 the local jurisdiction has posted a notice of hearing in the manner
24 described in section 12-43.4-302 (1) on the licensed premises for a period
25 of ten days and has provided notice of the hearing to the applicant at least
26 ten days prior to the hearing. Any transfer of ownership hearing by the
27 state licensing authority shall be held in compliance with the requirements
28 specified in section 12-43.4-304.

29 (3) ANY TRANSFER OF SECURITIES BY A BENEFICIAL OWNER OF A
30 PUBLICLY TRADED CORPORATION SHALL COMPLY WITH THE PROVISIONS OF
31 SECTIONS 12-43.4-306.5 AND 12-43.4-306.6.

32 **SECTION 15.** In Colorado Revised Statutes, 12-43.4-309,
33 **amend** (3) as follows:

34 **12-43.4-309. Licensing in general.** (3) A retail marijuana
35 establishment THAT IS NOT A PUBLICLY TRADED CORPORATION shall notify
36 the state licensing authority in writing of the name, address, and date of
37 birth of an A CONTROLLING BENEFICIAL owner, PASSIVE BENEFICIAL
38 OWNER, officer, or manager before the new CONTROLLING BENEFICIAL
39 owner, PASSIVE BENEFICIAL OWNER, officer, or manager begins managing,
40 owning, or associating with the operation. The CONTROLLING BENEFICIAL
41 owner, PASSIVE BENEFICIAL OWNER, officer, manager, or employee must
42 pass a fingerprint-based criminal history record check as required by the
43 state licensing authority and obtain the required identification prior to
44 being associated with, managing, owning, or working at the operation.

45 **SECTION 16.** In Colorado Revised Statutes, **amend** 12-43.4-407

1 as follows:

2 **12-43.4-407. Retail marijuana business operator license.** A
3 retail marijuana business operator license may be issued to a person who
4 THAT operates a retail marijuana establishment licensed pursuant to this
5 article ARTICLE 43.4, for an ~~owner~~ ANOTHER RETAIL MARIJUANA
6 ESTABLISHMENT licensed pursuant to this article ARTICLE 43.4, and who
7 may receive a portion of the profits as compensation.

8 **SECTION 17.** In Colorado Revised Statutes, 12-43.3-306,
9 **amend** (1) as follows:

10 **12-43.3-306. Denial of application.** (1) The state licensing
11 authority shall deny a state license if the premises on which the applicant
12 proposes to conduct its business does not meet the requirements of this
13 article or for reasons set forth in section 12-43.3-104 ~~(1.3)(c)~~ (1.4)(c) or
14 12-43.3-305, and the state licensing authority may deny a license for good
15 cause as defined by section 12-43.3-104 ~~(1.3)(a) or (1.3)(b)~~ (1.4)(a) OR
16 (1.4)(b).

17 **SECTION 18. Safety clause.** The general assembly hereby finds,
18 determines, and declares that this act is necessary for the immediate
19 preservation of the public peace, health, and safety."

** ** ** ** **