

Second Regular Session  
Seventy-first General Assembly  
STATE OF COLORADO

REVISED

*This Version Includes All Amendments Adopted  
on Second Reading in the Second House*

LLS NO. 18-0325.01 Michael Dohr x4347

HOUSE BILL 18-1011

HOUSE SPONSORSHIP

Pabon and Van Winkle,

SENATE SPONSORSHIP

Neville T. and Jahn,

House Committees

Finance  
Appropriations

Senate Committees

Finance  
Appropriations

A BILL FOR AN ACT

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

Bill Summary

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

The bill redefines the terms "direct beneficial interest" and "permitted economic interest" so that only those who own more than 5% of the shares of stock in a marijuana business have to go through the disclosure and background investigations. The bill repeals the provisions that require limited passive investors to go through an initial background

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.  
Capital letters or bold & italic numbers indicate new material to be added to existing statute.  
Dashes through the words indicate deletions from existing statute.

SENATE  
Amended 2nd Reading  
May 7, 2018

HOUSE  
Amended 3rd Reading  
May 1, 2018

HOUSE  
Amended 2nd Reading  
April 30, 2018

HOUSE  
Amended 2nd Reading  
April 19, 2018

check. The bill repeals the provisions that limit the number of out-of-state direct beneficial owners to 15 persons. The bill repeals the provision that prohibits publicly traded entities from holding a marijuana license.

The bill states that, when the marijuana state licensing authority adopts rules related to ownership by and licensing of publicly traded companies, the rules must be substantively identical to the gaming commission rules for ownership by and licensing of publicly traded companies.

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

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

5 **12-43.3-104. Definitions.** As used in this article 43.3, unless the  
6 context otherwise requires:

7 (1) ~~"Direct beneficial interest owner" means a person or closely~~  
8 ~~held business entity that owns a share or shares of stock in a licensed~~  
9 ~~medical marijuana business, including the officers, directors, managing~~  
10 ~~members, or partners of the licensed medical marijuana business or~~  
11 ~~closely held business entity, or a qualified limited passive investor~~  
12 "AFFILIATE" OF, OR PERSON "AFFILIATED WITH", A SPECIFIED PERSON  
13 MEANS A PERSON THAT DIRECTLY, OR INDIRECTLY THROUGH ONE OR MORE  
14 INTERMEDIARIES, CONTROLS OR IS CONTROLLED BY, OR IS UNDER COMMON  
15 CONTROL WITH, THE PERSON SPECIFIED.

16 (1.1) "BENEFICIAL OWNER" OF A SECURITY SHALL BE DETERMINED  
17 IN ACCORDANCE WITH SECTION 13 (d) OF THE FEDERAL "SECURITIES  
18 EXCHANGE ACT OF 1934", AS AMENDED, AND RULE 13d-3 PROMULGATED  
19 THEREUNDER.

20 (1.2) "CONTROL", INCLUDING THE TERMS "CONTROLS",  
21 "CONTROLLED", "CONTROLLING", "CONTROLLED BY", AND "UNDER"

1 COMMON CONTROL WITH", MEANS THE POSSESSION, DIRECT OR INDIRECT,  
2 OF THE POWER TO DIRECT OR CAUSE THE DIRECTION OF THE MANAGEMENT  
3 OR POLICIES OF A PERSON, WHETHER THROUGH THE OWNERSHIP OF VOTING  
4 SECURITIES, BY CONTRACT, OR OTHERWISE.

5 (1.3) "Good cause", for purposes of refusing or denying a license  
6 renewal, reinstatement, or initial license issuance, means "CONTROLLING  
7 BENEFICIAL OWNER" MEANS A PERSON THAT:

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

14 (b) ~~The licensee or applicant has failed to comply with any special~~  
15 ~~terms or conditions that were placed on its license pursuant to an order of~~  
16 ~~the state or local licensing authority;~~ IS AN AFFILIATE, WHICH INCLUDES  
17 WITHOUT LIMITATION ANY OFFICER, DIRECTOR, MANAGING MEMBER,  
18 GENERAL PARTNER, OR TRUSTEE, OF A MEDICAL MARIJUANA BUSINESS OR  
19 OF ANY OTHER CONTROLLING BENEFICIAL OWNER OF A MEDICAL  
20 MARIJUANA BUSINESS; OR

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

26 (1.4) "GOOD CAUSE", FOR PURPOSES OF REFUSING OR DENYING A  
27 LICENSE RENEWAL, REINSTATEMENT, OR INITIAL LICENSE ISSUANCE,

1 MEANS:

2 (a) THE LICENSEE OR APPLICANT HAS VIOLATED, DOES NOT MEET,  
3 OR HAS FAILED TO COMPLY WITH ANY OF THE TERMS, CONDITIONS, OR  
4 PROVISIONS OF THIS ARTICLE 43.3; ANY RULES PROMULGATED PURSUANT  
5 TO THIS ARTICLE 43.3; OR ANY SUPPLEMENTAL LOCAL LAW, RULES, OR  
6 REGULATIONS;

7 (b) THE LICENSEE OR APPLICANT HAS FAILED TO COMPLY WITH ANY  
8 SPECIAL TERMS OR CONDITIONS THAT WERE PLACED ON ITS LICENSE  
9 PURSUANT TO AN ORDER OF THE STATE OR LOCAL LICENSING AUTHORITY;  
10 OR

11 (c) THE LICENSED PREMISES HAVE BEEN OPERATED IN A MANNER  
12 THAT ADVERSELY AFFECTS THE PUBLIC HEALTH OR WELFARE OR THE  
13 SAFETY OF THE IMMEDIATE NEIGHBORHOOD IN WHICH THE  
14 ESTABLISHMENT IS LOCATED.

15 (1.7) ~~"Indirect beneficial interest owner" means a holder of a~~  
16 ~~permitted economic interest, a recipient of a commercially reasonable~~  
17 ~~royalty associated with the use of intellectual property by a licensee, a~~  
18 ~~licensed employee who receives a share of the profits from an employee~~  
19 ~~benefit plan, a qualified institutional investor, or another similarly~~  
20 ~~situated person or entity as determined by the state licensing authority.~~

21 "INDIRECT FINANCIAL INTEREST HOLDER" MEANS A PERSON THAT IS NOT  
22 AN AFFILIATE OF A MEDICAL MARIJUANA BUSINESS AND IS NOT OTHERWISE  
23 IN A POSITION TO EXERCISE CONTROL OVER THE MEDICAL MARIJUANA  
24 BUSINESS AND THAT:

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

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

4 (c) IS A CONTRACT COUNTERPARTY WITH A MEDICAL MARIJUANA  
5 BUSINESS THAT HAS A DIRECT NEXUS TO THE CULTIVATION,  
6 MANUFACTURE, OR SALE OF MARIJUANA, INCLUDING, BUT NOT LIMITED TO,  
7 A LEASE OF REAL PROPERTY ON WHICH THE MEDICAL MARIJUANA BUSINESS  
8 OPERATES, A LEASE OF EQUIPMENT USED IN THE CULTIVATION OF MEDICAL  
9 MARIJUANA, A SECURED OR UNSECURED FINANCING AGREEMENT WITH THE  
10 MEDICAL MARIJUANA BUSINESS, A SECURITY CONTRACT WITH THE  
11 MEDICAL MARIJUANA BUSINESS, OR A MANAGEMENT AGREEMENT WITH  
12 THE MEDICAL MARIJUANA BUSINESS, PROVIDED THAT NO SUCH CONTRACT  
13 COMPENSATES THE CONTRACT COUNTERPARTY WITH A PERCENTAGE OF  
14 REVENUE OR PROFITS OF THE MEDICAL MARIJUANA BUSINESS.

15 (7.3) "MEDICAL MARIJUANA BUSINESS" MEANS ANY OF THE  
16 FOLLOWING ENTITIES LICENSED PURSUANT TO THIS ARTICLE 43.3: A  
17 MEDICAL MARIJUANA CENTER, A MEDICAL MARIJUANA OPTIONAL PREMISES  
18 CULTIVATION OPERATION, A MEDICAL MARIJUANA-INFUSED PRODUCTS  
19 MANUFACTURER, A MEDICAL MARIJUANA TESTING FACILITY, A MEDICAL  
20 MARIJUANA BUSINESS OPERATOR, [REDACTED] A MEDICAL MARIJUANA  
21 TRANSPORTER, A MARIJUANA RESEARCH AND DEVELOPMENT FACILITY, OR  
22 A MARIJUANA RESEARCH AND DEVELOPMENT CULTIVATION FACILITY.

23 (7.5) "Medical marijuana business operator" means ~~an entity or a~~  
24 ~~person who is not an owner and who~~ THAT is licensed to provide  
25 professional operational services to a medical marijuana establishment  
26 BUSINESS for direct remuneration from the medical marijuana  
27 establishment BUSINESS. A MEDICAL MARIJUANA BUSINESS OPERATOR IS

1 NOT, BY VIRTUE OF ITS STATUS AS A MEDICAL MARIJUANA BUSINESS  
2 OPERATOR, A CONTROLLING BENEFICIAL OWNER, A PASSIVE BENEFICIAL  
3 OWNER, OR AN INDIRECT FINANCIAL INTEREST HOLDER OF ANY MEDICAL  
4 MARIJUANA BUSINESS IT OPERATES.

5 (12.1) "PASSIVE BENEFICIAL OWNER" MEANS A PERSON THAT IS  
6 NOT AN AFFILIATE OF A MEDICAL MARIJUANA BUSINESS, IS NOT OTHERWISE  
7 IN A POSITION TO EXERCISE CONTROL OVER THE MEDICAL MARIJUANA  
8 BUSINESS, AND IS THE BENEFICIAL OWNER OF LESS THAN FIVE PERCENT OF  
9 THE SECURITIES OF THE MEDICAL MARIJUANA BUSINESS.

10 (12.4) ~~"Permitted economic interest" means any unsecured~~  
11 ~~convertible debt instrument, option agreement, warrant, or any other right~~  
12 ~~to obtain an ownership interest when the holder of such interest is a~~  
13 ~~natural person who is a lawful United States resident and whose right to~~  
14 ~~convert into an ownership interest is contingent on the holder qualifying~~  
15 ~~and obtaining a license as an owner under this article; or such other~~  
16 ~~agreements as may be permitted by rule of the state licensing authority.~~

17 (13) "Person" means ~~a natural person~~ AN INDIVIDUAL, A  
18 partnership, association, JOINT-STOCK company, corporation, limited  
19 liability company, or ANY OTHER UNINCORPORATED organization; ~~or a~~  
20 ~~manager, agent, owner, director, servant, officer, or employee thereof~~  
21 EXCEPT THAT "PERSON" DOES NOT INCLUDE ANY GOVERNMENTAL  
22 ORGANIZATION.

23 (14.2) (a) "PUBLICLY TRADED CORPORATION" MEANS ANY PERSON  
24 OTHER THAN AN INDIVIDUAL THAT:

25 (I) HAS A CLASS OF SECURITIES REGISTERED UNDER SECTION 12 OF  
26 THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, THAT:

27 (A) CONSTITUTE "COVERED SECURITIES" UNDER SECTION 18

1 (b)(1)(A) OF THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED; OR  
2 (B) ARE QUALIFIED AND QUOTED ON THE OTCQX TIER OF THE  
3 OTC MARKETS, OR ANY LIKE TIER OF ANY SUCCESSOR TO THE ENTITY,  
4 IF THE PERSON IS THEN REQUIRED TO FILE REPORTS AND IS FILING REPORTS  
5 ON A CURRENT BASIS WITH THE FEDERAL SECURITIES AND EXCHANGE  
6 COMMISSION UNDER THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934",  
7 AS AMENDED, AS IF THE SECURITIES CONSTITUTED "COVERED  
8 SECURITIES" AS DESCRIBED IN SUBSECTION (14.2)(a)(I)(A) OF THIS  
9 SECTION;

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

16  
17 (III) IS IDENTIFIED BY RULE BY THE STATE LICENSING AUTHORITY  
18 AS A PUBLICLY TRADED CORPORATION.

19 (b) NOTWITHSTANDING ANY PROVISION TO THE CONTRARY, A  
20 "PUBLICLY TRADED CORPORATION" DOES NOT INCLUDE:

21 (I) A PERSON THAT HAS LISTED OR QUOTED SECURITIES THAT NO  
22 LONGER COMPLY WITH THE REQUIREMENTS OF SUBSECTION (14.2)(a)(I) OF  
23 THIS SECTION OR A PERSON THAT HAS LISTED OR QUOTED SECURITIES  
24 CONSTITUTING "PENNY STOCK", AS DEFINED BY 17 CFR 240.3a51-1; OR

25 (II) A PERSON THAT CONSTITUTES AN "INELIGIBLE ISSUER", AS  
26 DEFINED IN 17 CFR 230.405.

27 (14.3) "Qualified limited passive investor" means a natural person

1 ~~who is a United States citizen and is a passive investor who owns less~~  
2 ~~than a five percent share or shares of stock in a licensed medical~~  
3 ~~marijuana business.~~

4 (17) "SECURITY" MEANS ANY NOTE; STOCK; TREASURY STOCK;  
5 BOND; DEBENTURE; EVIDENCE OF INDEBTEDNESS; CERTIFICATE OF  
6 INTEREST OR PARTICIPATION IN ANY PROFIT-SHARING AGREEMENT;  
7 COLLATERAL-TRUST CERTIFICATE; PREORGANIZATION CERTIFICATE OF  
8 SUBSCRIPTION; TRANSFERABLE SHARE; INVESTMENT CONTRACT; VIATICAL  
9 SETTLEMENT INVESTMENT; VOTING-TRUST CERTIFICATE; CERTIFICATE OF  
10 DEPOSIT FOR A SECURITY; CERTIFICATE OF INTEREST OR PARTICIPATION IN  
11 AN OIL, GAS, OR MINING TITLE OR LEASE OR IN PAYMENTS OUT OF  
12 PRODUCTION UNDER SUCH A TITLE OR LEASE; OR, IN GENERAL, ANY  
13 INTEREST OR INSTRUMENT COMMONLY KNOWN AS A "SECURITY" OR ANY  
14 CERTIFICATE OF INTEREST OR PARTICIPATION IN, TEMPORARY OR INTERIM  
15 CERTIFICATE FOR, GUARANTEE OF, OR WARRANT OR RIGHT TO SUBSCRIBE  
16 TO OR PURCHASE ANY OF THE FOREGOING. "SECURITY" DOES NOT INCLUDE  
17 ANY INSURANCE OR ENDOWMENT POLICY OR ANNUITY CONTRACT UNDER  
18 WHICH AN INSURANCE COMPANY PROMISES TO PAY A SUM OF MONEY  
19 EITHER IN A LUMP SUM OR PERIODICALLY FOR LIFE OR SOME OTHER  
20 SPECIFIED PERIOD. FOR PURPOSES OF THIS ARTICLE 43.3, AN "INVESTMENT  
21 CONTRACT" NEED NOT INVOLVE MORE THAN ONE INVESTOR NOR BE  
22 LIMITED TO THOSE CIRCUMSTANCES WHEREIN THERE ARE MULTIPLE  
23 INVESTORS WHO ARE JOINT PARTICIPANTS IN THE SAME ENTERPRISE.

24 **SECTION 2.** In Colorado Revised Statutes, 12-43.3-202, **amend**  
25 **(1)(d), (2)(a)(VIII), (2)(a)(XVIII.7); repeal (2)(a)(XXI); and add**  
26 **(2)(a)(XXIII) as follows:**

27 **12-43.3-202. Powers and duties of state licensing authority -**

1 **rules.** (1) The state licensing authority shall:

2 (d) Maintain the confidentiality of reports or other information  
3 obtained from a medical or retail licensee containing any individualized  
4 data, information, or records related to the licensee or its operation,  
5 including sales information, financial records, tax returns, credit reports,  
6 cultivation information, testing results, and security information and  
7 plans, or revealing any patient information, or any other records that are  
8 exempt from public inspection pursuant to state law. Such reports or other  
9 information may be used only for a purpose authorized by this ~~article~~  
10 ~~ARTICLE 43.3 OR article 43.4 of this title~~ TITLE 12, FOR INVESTIGATION OR  
11 ENFORCEMENT OF ANY INTERNATIONAL, FEDERAL, STATE, OR LOCAL  
12 SECURITIES LAW OR REGULATIONS, or for any other state or local law  
13 enforcement purpose. Any information released related to patients may  
14 be used only for a purpose authorized by this article, article 43.4 of this  
15 title, or to verify that a person who presented a registry identification card  
16 to a state or local law enforcement official is lawfully in possession of  
17 such card.

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

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

26 (XVIII.7) Medical marijuana business operator licensees,  
27 including the form and structure of allowable agreements between

1 operators and owners THE MEDICAL MARIJUANA BUSINESS BEING  
2 OPERATED;

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

5 (XXIII) OWNERSHIP AND FINANCIAL INTEREST REQUIREMENTS,  
6 INCLUDING BUT NOT LIMITED TO:

7 (A) PARAMETERS OF, QUALIFICATIONS OF, DISCLOSURE OF,  
8 REQUIREMENTS FOR, AND SUITABILITY OF A CONTROLLING BENEFICIAL  
9 OWNER, A PASSIVE BENEFICIAL OWNER, AND AN INDIRECT FINANCIAL  
10 INTEREST HOLDER; AND

11 (B) PARAMETERS OF, QUALIFICATIONS OF, DISCLOSURE OF,  
12 REQUIREMENTS FOR, AND SUITABILITY OF A PUBLICLY TRADED  
13 CORPORATION THAT IS A MEDICAL MARIJUANA BUSINESS OR THAT IS A  
14 CONTROLLING BENEFICIAL OWNER OR PASSIVE BENEFICIAL OWNER.

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

18 **12-43.3-307. Persons prohibited as licensees.** (1) A license  
19 provided by this ~~article~~ ARTICLE 43.3 shall not be issued to or held by:

20 (c) ~~A corporation,~~ PERSON OTHER THAN AN INDIVIDUAL if the  
21 criminal history of any of its ~~officers, directors, or stockholders~~  
22 CONTROLLING BENEFICIAL OWNERS indicates that ~~the officer, director, or~~  
23 ~~stockholder~~ A CONTROLLING BENEFICIAL OWNER is not of good moral  
24 character AFTER CONSIDERING THE FACTORS IN SECTION 24-5-101 (2), OR  
25 ANY PERSON THAT WOULD BE DISQUALIFIED AS A "BAD ACTOR" UNDER  
26 RULE 506 (d) PROMULGATED UNDER THE FEDERAL "SECURITIES ACT OF  
27 1933";

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

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

4 (o) A PERSON WHOSE CONTROLLING BENEFICIAL OWNER OR  
5 PASSIVE BENEFICIAL OWNER IS FOUND UNSUITABLE BY THE STATE  
6 LICENSING AUTHORITY. TO DETERMINE WHETHER A PERSON IS SUITABLE,  
7 THE STATE LICENSING AUTHORITY MAY CONSIDER, BUT IS NOT LIMITED TO,  
8 A PERSON'S FINANCIAL CHARACTER OR RECORD, CRIMINAL CHARACTER OR  
9 RECORD, OR LICENSING CHARACTER OR RECORD.

10 (p) A PERSON, OTHER THAN AN INDIVIDUAL, ORGANIZED OR  
11 FORMED UNDER THE LAWS OF A COUNTRY DETERMINED BY THE UNITED  
12 STATES SECRETARY OF STATE TO HAVE REPEATEDLY PROVIDED SUPPORT  
13 FOR ACTS OF INTERNATIONAL TERRORISM OR INCLUDED AMONG THE LIST  
14 OF "COVERED COUNTRIES" IN SECTION 1502 OF THE FEDERAL  
15 "DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION  
16 ACT".

17 **SECTION 4.** In Colorado Revised Statutes, 12-43.3-307.5,  
18 **amend** (1), (3), and (5); **repeal** (2), (4), (6), and (7); and **add** (4.5), (5.5),  
19 (5.7), and (6.5) as follows:

20 **12-43.3-307.5. Business and owner requirements - legislative**  
21 **declaration.** (1) (a) The general assembly hereby finds and declares that:

22 (I) Medical marijuana businesses need to be able to access capital  
23 in order to effectively grow their businesses and remain competitive in the  
24 marketplace;

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

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

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

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

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

11 (VI) ACCESS TO CAPITAL MUST BE BALANCED WITH PROMOTING  
12 CONTROL OVER MEDICAL MARIJUANA BUSINESSES BY SUITABLE PERSONS  
13 WHO ARE LEGITIMATE, TAXPAYING BUSINESSPEOPLE, AND NOT CRIMINAL  
14 ACTORS; PREVENTING REVENUE FROM THE SALE OF MARIJUANA FROM  
15 GOING TO CRIMINAL ENTERPRISES, GANGS, AND CARTELS; AND  
16 PREVENTING STATE-AUTHORIZED MARIJUANA ACTIVITY FROM BEING USED  
17 AS A COVER OR PRETEXT FOR THE TRAFFICKING OF OTHER ILLEGAL DRUGS  
18 OR OTHER ILLEGAL ACTIVITY; ==

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

27 (VIII) RECOGNIZING THAT PARTICIPATION BY PUBLICLY TRADED

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

14 (IX) COORDINATION BETWEEN THE STATE LICENSING AUTHORITY  
15 AND OTHER STATE AND LOCAL LAW ENFORCEMENT AGENCIES SUPPORTS  
16 THESE GOALS; AND

17 (X) IN THE EVENT THAT PASSAGE OF HOUSE BILL 18-1011,  
18 ENACTED IN 2018, LEADS TO AN INCREASE IN GRAY AND BLACK MARKET  
19 INVESTIGATIONS, THE DEPARTMENT OF LOCAL AFFAIRS SHOULD CONSIDER  
20 CONVENING A STAKEHOLDER PROCESS TO EXAMINE HOW TO IMPROVE LAW  
21 ENFORCEMENT ACCESS TO GRANTS FROM THE GRAY AND BLACK MARKET  
22 MARIJUANA ENFORCEMENT GRANT PROGRAM CREATED IN SECTION  
23 24-32-119, INCLUDING:

24 (A) WHETHER THE ELIGIBILITY CRITERIA FOR THE AWARDING OF  
25 GRANTS REFLECTS THE REALITY OF THE INVESTIGATIONS UNDERTAKEN;

26 (B) WHETHER THE GRANTS SHOULD BE AVAILABLE ON A  
27 PROSPECTIVE BASIS AND WHETHER THE GRANT PROCESS IS ACCESSIBLE TO

1 LOCAL LAW ENFORCEMENT DEPARTMENTS WITH MINIMAL STAFF; AND  
2 (C) WHETHER THE AMOUNT OF MONEY AVAILABLE IS SUFFICIENT.  
3 (b) Therefore, the general assembly is providing a mechanism for  
4 Colorado medical marijuana businesses to access capital from investors  
5 in other states AND FROM CERTAIN PUBLICLY TRADED CORPORATIONS  
6 PURSUANT TO THIS SECTION AND SECTION 12-43.3-307.6.  
7 (2) A direct beneficial interest owner who is a natural person must  
8 either:  
9 (a) Have been a resident of Colorado for at least one year prior to  
10 the date of the application; or  
11 (b) Be a United States citizen prior to the date of the application.  
12 (3) (a) A medical marijuana business may be comprised of an  
13 unlimited number of direct beneficial interest owners that have been  
14 residents of Colorado for at least one year prior to the date of the  
15 application.  
16 (b) On and after January 1, 2017, A medical marijuana business  
17 that is comprised of one or more direct beneficial interest owners who  
18 have not been Colorado residents for at least one year prior to application  
19 shall have at least one officer who has been a Colorado resident for at  
20 least one year prior to application, and all officers with day-to-day  
21 operational control over the business must be Colorado residents for at  
22 least one year prior to application. A medical marijuana business under  
23 this paragraph (b) is limited to no more than fifteen direct beneficial  
24 interest owners, including all parent and subsidiary entities, all of whom  
25 are natural persons.  
26 (c) Notwithstanding the requirements of paragraph (b) of this  
27 subsection (3), the state licensing authority may review the limitation on

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

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

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

13 (4.5) PRIOR TO SUBMITTING AN INITIAL APPLICATION AND AT ANY  
14 TIME THEREAFTER WHEN REQUESTED BY THE STATE LICENSING AUTHORITY  
15 IN ITS REASONABLE DISCRETION, A PERSON THAT IS OR INTENDS TO  
16 BECOME A MEDICAL MARIJUANA BUSINESS SHALL DISCLOSE TO THE STATE  
17 LICENSING AUTHORITY A COMPLETE AND ACCURATE LIST OF THE  
18 FOLLOWING:

19 (a) ALL OF THE MEDICAL MARIJUANA BUSINESS'S OFFICERS,  
20 DIRECTORS, AND AFFILIATES;

21 (b) ALL OF THE MEDICAL MARIJUANA BUSINESS'S CONTROLLING  
22 BENEFICIAL OWNERS, AND:

23 (I) IF THE CONTROLLING BENEFICIAL OWNER IS A PUBLICLY  
24 TRADED CORPORATION, ALL OFFICERS, DIRECTORS, FIVE-PERCENT OR MORE  
25 BENEFICIAL OWNERS, AND AFFILIATES OF THE CONTROLLING BENEFICIAL  
26 OWNER; OR

27 (II) IF THE CONTROLLING BENEFICIAL OWNER IS NOT A PUBLICLY

1 TRADED CORPORATION AND IS NOT AN INDIVIDUAL, ALL OFFICERS,  
2 DIRECTORS, BENEFICIAL OWNERS, AND AFFILIATES OF THE CONTROLLING  
3 BENEFICIAL OWNER; AND

4 (c) IF THE MEDICAL MARIJUANA BUSINESS IS NOT A PUBLICLY  
5 TRADED CORPORATION, ALL OF THE MEDICAL MARIJUANA BUSINESS'S  
6 PASSIVE BENEFICIAL OWNERS.

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

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

27 (c) THE STATE LICENSING AUTHORITY MAY REQUIRE ANY PERSON

1 THAT WAS DISCLOSED OR SHOULD HAVE BEEN DISCLOSED PURSUANT TO  
2 SUBSECTION (4.5) OF THIS SECTION TO OBTAIN A FINDING OF SUITABILITY  
3 PRIOR TO SUBMISSION OF A MEDICAL MARIJUANA BUSINESS APPLICATION.  
4 FAILURE TO PROVIDE ANY INFORMATION REQUESTED IN CONNECTION WITH  
5 A FINDING OF SUITABILITY IS GROUNDS FOR DENIAL OF THAT REQUEST FOR  
6 A FINDING OF SUITABILITY. ALL INDIVIDUALS SHALL OBTAIN ANY  
7 REQUIRED FINDING OF SUITABILITY PRIOR TO SUBMITTING A MEDICAL  
8 MARIJUANA BUSINESS APPLICATION TO THE STATE LICENSING AUTHORITY.  
9 FAILURE OF A PERSON TO OBTAIN ANY REQUIRED FINDING OF SUITABILITY  
10 PRIOR TO APPLICATION IS GROUNDS FOR DENIAL OF AN APPLICATION OR  
11 SUSPENSION, REVOCATION, OR OTHER SANCTION AGAINST THE LICENSEE  
12 BY THE STATE LICENSING AUTHORITY.

13 (5.5) == IN ITS REASONABLE DISCRETION, AT ANY TIME, THE STATE  
14 LICENSING AUTHORITY MAY REQUIRE ANY PERSON THAT WAS DISCLOSED  
15 OR SHOULD HAVE BEEN DISCLOSED UNDER THIS SECTION OR SECTION  
16 12-43.3-307.6 TO OBTAIN A FINDING OF SUITABILITY. FAILURE TO PROVIDE  
17 ANY INFORMATION REQUESTED IN CONNECTION WITH A FINDING OF  
18 SUITABILITY IS GROUNDS FOR DENIAL OF THAT REQUEST FOR A FINDING OF  
19 SUITABILITY. FAILURE OF A PERSON TO OBTAIN ANY REQUIRED FINDING OF  
20 SUITABILITY MAY BE GROUNDS FOR DENIAL OF AN APPLICATION OR  
21 SUSPENSION, REVOCATION, OR OTHER SANCTION AGAINST THE LICENSEE BY  
22 THE STATE LICENSING AUTHORITY.

23 ==  
24 (5.7) IF A REQUIRED FINDING OF SUITABILITY IS NOT COMPLETED  
25 WITHIN ONE YEAR FROM THE DATE THE FINDING OF SUITABILITY WAS  
26 REQUESTED, THE STATE LICENSING AUTHORITY SHALL INFORM THE  
27 APPLICANT OR LICENSEE.

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

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

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

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

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

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

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

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

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

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

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

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

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

7           **12-43.3-307.6. Licensure and investment requirements for**  
8 **publicly traded corporations.** (1) IN ADDITION TO THE REQUIREMENTS  
9 OF SECTION 12-43.3-307.5, ANY APPLICANT, LICENSEE, OR CONTROLLING  
10 BENEFICIAL OWNER THAT IS A PUBLICLY TRADED CORPORATION SHALL  
11 COMPLY WITH THIS SECTION.

12           (2) (a) A PUBLICLY TRADED CORPORATION THAT IS A MEDICAL  
13 MARIJUANA BUSINESS OR A CONTROLLING BENEFICIAL OWNER SHALL  
14 REPORT TO THE STATE LICENSING AUTHORITY WITHIN TEN DAYS AFTER THE  
15 ELECTION OR APPOINTMENT, OR RESIGNATION OR REMOVAL, OF ANY  
16 DIRECTOR OR OFFICER OF THE PUBLICLY TRADED CORPORATION.

17           (b) TO THE EXTENT REQUIRED BY THE STATE LICENSING  
18 AUTHORITY, WHENEVER ANY REPORT, PROXY OR INFORMATION  
19 STATEMENT, REGISTRATION STATEMENT, SCHEDULE, OR OTHER FILING IS  
20 MADE WITH 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, BY OR WITH RESPECT  
23 TO A PUBLICLY TRADED CORPORATION THAT IS A MEDICAL MARIJUANA  
24 BUSINESS OR A CONTROLLING BENEFICIAL OWNER, THE PUBLICLY TRADED  
25 CORPORATION SHALL NOTIFY THE STATE LICENSING AUTHORITY THAT A  
26 FILING HAS TAKEN PLACE AND DISCLOSE A COPY OF THE FILING WITHIN  
27 FIVE DAYS AFTER THE FILING WITH THE FEDERAL SECURITIES AND

1 EXCHANGE COMMISSION OR OTHER APPLICABLE SECURITIES EXCHANGE,  
2 OR, IN THE CASE OF A FOREIGN PRIVATE ISSUER, ANY SIMILAR  
3 REGULATORY BODY.

4 (c) THE STATE LICENSING AUTHORITY MAY AT ANY TIME REQUIRE  
5 ANY APPLICANT, LICENSEE, OR CONTROLLING BENEFICIAL OWNER TO  
6 DISCLOSE A COMPLETE AND ACCURATE LIST OF ALL NONOBJECTING  
7 BENEFICIAL OWNERS.

8 (d) TO THE EXTENT REQUIRED BY THE STATE LICENSING  
9 AUTHORITY, A PUBLICLY TRADED CORPORATION THAT IS A MEDICAL  
10 MARIJUANA BUSINESS OR A CONTROLLING BENEFICIAL OWNER SHALL,  
11 WITHIN FIVE DAYS AFTER RECEIVING A COMMENT LETTER OR EXCHANGE  
12 NOTICE FROM THE FEDERAL SECURITIES AND EXCHANGE COMMISSION OR  
13 OTHER APPLICABLE SECURITIES EXCHANGE, OR, IN THE CASE OF A FOREIGN  
14 PRIVATE ISSUER, ANY SIMILAR REGULATORY BODY, NOTIFY THE STATE  
15 LICENSING AUTHORITY THAT THE COMMENT LETTER OR EXCHANGE NOTICE  
16 WAS RECEIVED AND PROVIDE A COPY TO THE STATE LICENSING  
17 AUTHORITY.

18 (3) AFTER COMMENCING ANY OFFERING OF A SECURITY, ANY  
19 PUBLICLY TRADED CORPORATION THAT IS A MEDICAL MARIJUANA  
20 BUSINESS, A CONTROLLING BENEFICIAL OWNER, OR A PASSIVE BENEFICIAL  
21 OWNER SHALL NOTIFY THE STATE LICENSING AUTHORITY OF THE PROPOSED  
22 OFFERING IN THE TIME AND MANNER REQUIRED BY THE STATE LICENSING  
23 AUTHORITY. AT A MINIMUM, THE NOTIFICATION MUST OCCUR NOT LATER  
24 THAN THREE BUSINESS DAYS AFTER THE EARLIER OF THE COMMENCEMENT  
25 OF THE OFFERING OR THE INITIAL FILING COVERING THE OFFERING WITH  
26 THE FEDERAL SECURITIES AND EXCHANGE COMMISSION OR OTHER  
27 APPLICABLE SECURITIES EXCHANGE, OR, IN THE CASE OF A FOREIGN

1 PRIVATE ISSUER, ANY SIMILAR REGULATORY BODY.

2 (4) A PUBLICLY TRADED CORPORATION THAT IS A MEDICAL  
3 MARIJUANA BUSINESS OR A CONTROLLING BENEFICIAL OWNER OF FIFTY  
4 PERCENT OR MORE OF THE SECURITIES OF A MEDICAL MARIJUANA BUSINESS  
5 SHALL INCLUDE AND MAINTAIN AT ALL TIMES IN ITS BYLAWS THE  
6 FOLLOWING PROVISIONS:

7 (a) THE [NAME OF THE PUBLICLY TRADED CORPORATION] SHALL  
8 NOT ISSUE ANY SECURITY EXCEPT IN ACCORDANCE WITH THE PROVISIONS  
9 OF ARTICLE 43.3 OF TITLE 12, COLORADO REVISED STATUTES, AND THE  
10 RULES PROMULGATED PURSUANT TO THAT ARTICLE 43.3. THE ISSUANCE  
11 OF ANY SECURITY IN VIOLATION THEREOF SHALL BE VOID, AND THE  
12 SECURITY SHALL BE DEEMED NOT TO BE ISSUED AND OUTSTANDING UNTIL  
13 THE PUBLICLY TRADED CORPORATION CEASES TO BE SUBJECT TO THE  
14 JURISDICTION OF THE STATE LICENSING AUTHORITY OR THE STATE  
15 LICENSING AUTHORITY, BY AFFIRMATIVE ACTION, VALIDATES SAID  
16 ISSUANCE OR WAIVES ANY DEFECT IN ISSUANCE.

17 (b) NO SECURITY ISSUED BY THE [NAME OF THE PUBLICLY TRADED  
18 CORPORATION] AND NO INTEREST, CLAIM, OR CHARGE THEREIN OR  
19 THERETO SHALL BE TRANSFERRED IN ANY MANNER WHATSOEVER EXCEPT  
20 IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 43.3 OF TITLE 12,  
21 COLORADO REVISED STATUTES, AND THE RULES PROMULGATED  
22 PURSUANT TO THAT ARTICLE 43.3. ANY TRANSFER IN VIOLATION THEREOF  
23 SHALL BE VOID UNTIL THE [NAME OF THE PUBLICLY TRADED  
24 CORPORATION] CEASES TO BE SUBJECT TO THE JURISDICTION OF THE STATE  
25 LICENSING AUTHORITY OR THE STATE LICENSING AUTHORITY, BY  
26 AFFIRMATIVE ACTION, VALIDATES SAID TRANSFER OR WAIVES ANY DEFECT  
27 IN SAID TRANSFER.

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

23 (5) A PERSON THAT BECOMES A BENEFICIAL OWNER OF FIVE  
24 PERCENT OR MORE OF ANY CLASS OF SECURITY IN A PUBLICLY TRADED  
25 CORPORATION THAT IS A MEDICAL MARIJUANA BUSINESS OR A  
26 CONTROLLING BENEFICIAL OWNER MUST APPLY TO THE STATE LICENSING  
27 AUTHORITY FOR A FINDING OF SUITABILITY WITHIN FORTY-FIVE DAYS

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

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

20 (7) IT IS GROUNDS FOR DENIAL OF A LICENSE OR DISCIPLINARY  
21 ACTION IF ANY PERSON, IN CONNECTION WITH THE PURCHASE OR SALE OF  
22 ANY SECURITY ISSUED BY A MEDICAL MARIJUANA BUSINESS OR A  
23 CONTROLLING BENEFICIAL OWNER, PLEADS OR IS FOUND GUILTY OF,  
24 PLEADS NOLO CONTENDERE TO, IS SUBJECT TO A FINAL CEASE AND DESIST  
25 ORDER WITH RESPECT TO AN ORDER OF PERMANENT INJUNCTION ISSUED ON  
26 THE BASIS OF, OR IS THE SUBJECT OF A SIMILAR FINAL ACTION TAKEN ON  
27 THE BASIS OF, A VIOLATION OF RULE 10b-5 PROMULGATED BY THE

1 FEDERAL SECURITIES AND EXCHANGE COMMISSION UNDER SECTION 10 (b)  
2 OF THE "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, OR SECTION  
3 11-51-501.

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

6 **12-43.3-309. Transfer of ownership.** (2) For a transfer of  
7 ownership, OTHER THAN REALES OR TRANSFERS OF SECURITY IN  
8 ORDINARY BROKER TRANSACTIONS BY A BENEFICIAL OWNER OF  
9 SECURITIES OF A PUBLICLY TRADED CORPORATION THROUGH AN  
10 ESTABLISHED TRADING MARKET, a license holder shall apply to the state  
11 and local licensing authorities on forms prepared and furnished by the  
12 state licensing authority. In determining whether to permit a transfer of  
13 ownership, the state and local licensing authorities shall consider only the  
14 requirements of this ~~article~~ ARTICLE 43.3, any rules promulgated by the  
15 state licensing authority, and any other local restrictions. The local  
16 licensing authority may hold a hearing on the application for transfer of  
17 ownership. The local licensing authority shall not hold a hearing pursuant  
18 to this subsection (2) until the local licensing authority has posted a notice  
19 of hearing in the manner described in section 12-43.3-302 (2) on the  
20 licensed medical marijuana center premises for a period of ten days and  
21 has provided notice of the hearing to the applicant at least ten days prior  
22 to the hearing. Any transfer of ownership hearing by the state licensing  
23 authority shall be held in compliance with the requirements specified in  
24 section 12-43.3-302.

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

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

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

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

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

1           **12-43.3-407. Medical marijuana business operator license.** A  
2 medical marijuana business operator license may be issued to an entity or  
3 A person who THAT operates a medical marijuana establishment BUSINESS  
4 licensed pursuant to this article 43.3, for an owner ANOTHER MEDICAL  
5 MARIJUANA BUSINESS licensed pursuant to this article 43.3, and who THAT  
6 may receive a portion of the profits as compensation.

7           **SECTION 9.** In Colorado Revised Statutes, 12-43.4-103, amend  
8 (1), (1.3), (2.5), (13), (17), and (17.5); **repeal** (12.4) and (14.3); and **add**  
9 (1.1), (1.2), (1.4), (12.1), (14.2), and (22.5) as follows:

10           **12-43.4-103. Definitions.** As used in this article 43.4, unless the  
11 context otherwise requires:

12           (1) ~~"Direct beneficial interest owner" means a person or closely~~  
13 ~~held business entity that owns a share or shares of stock in a licensed~~  
14 ~~retail marijuana business, including the officers, directors, managing~~  
15 ~~members, or partners of the licensed retail marijuana business or closely~~  
16 ~~held business entity, or a qualified limited passive investor "AFFILIATE"~~  
17 ~~OF, OR PERSON "AFFILIATED WITH", A SPECIFIED PERSON MEANS A PERSON~~  
18 ~~THAT DIRECTLY, OR INDIRECTLY THROUGH ONE OR MORE INTERMEDIARIES,~~  
19 ~~CONTROLS OR IS CONTROLLED BY, OR IS UNDER COMMON CONTROL WITH,~~  
20 ~~THE PERSON SPECIFIED.~~

21           (1.1) "BENEFICIAL OWNER" OF A SECURITY SHALL BE DETERMINED  
22 IN ACCORDANCE WITH SECTION 13 (d) OF THE FEDERAL "SECURITIES  
23 EXCHANGE ACT OF 1934", AS AMENDED, AND RULE 13d-3 PROMULGATED  
24 THEREUNDER.

25           (1.2) "CONTROL", INCLUDING THE TERMS "CONTROLS",  
26 "CONTROLLED", "CONTROLLING", "CONTROLLED BY", AND "UNDER  
27 COMMON CONTROL WITH", MEANS THE POSSESSION, DIRECT OR INDIRECT,

1 OF THE POWER TO DIRECT OR CAUSE THE DIRECTION OF THE MANAGEMENT  
2 OR POLICIES OF A PERSON, WHETHER THROUGH THE OWNERSHIP OF VOTING  
3 SECURITIES, BY CONTRACT, OR OTHERWISE.

4 (1.3) ~~"Escorted" means appropriately checked into the limited  
5 access area and accompanied by a person licensed by the state licensing  
6 authority, except that trade craftspeople not normally engaged in the  
7 business of cultivating, processing, or selling retail marijuana need not be  
8 accompanied on a full-time basis, but only reasonably monitored.~~

9 "CONTROLLING BENEFICIAL OWNER" MEANS A PERSON THAT:

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

12 (b) IS AN AFFILIATE, WHICH INCLUDES WITHOUT LIMITATION ANY  
13 OFFICER, DIRECTOR, MANAGING MEMBER, GENERAL PARTNER, OR TRUSTEE,  
14 OF A RETAIL MARIJUANA ESTABLISHMENT OR OF ANY OTHER CONTROLLING  
15 BENEFICIAL OWNER OF A RETAIL MARIJUANA ESTABLISHMENT; OR

16 (c) IS OTHERWISE IN A POSITION TO EXERCISE CONTROL OVER THE  
17 RETAIL MARIJUANA ESTABLISHMENT, EXCEPT AS AUTHORIZED BY SECTION  
18 12-43.4-407.

19 (1.4) "ESCORTED" MEANS APPROPRIATELY CHECKED INTO THE  
20 LIMITED ACCESS AREA AND ACCOMPANIED BY A PERSON LICENSED BY THE  
21 STATE LICENSING AUTHORITY; EXCEPT THAT TRADE CRAFTSPEOPLE NOT  
22 NORMALLY ENGAGED IN THE BUSINESS OF CULTIVATING, PROCESSING, OR  
23 SELLING RETAIL MARIJUANA NEED NOT BE ACCOMPANIED ON A FULL-TIME  
24 BASIS, BUT ONLY REASONABLY MONITORED.

25 (2.5) ~~"Indirect beneficial interest owner" means a holder of a  
26 permitted economic interest, a recipient of a commercially reasonable  
27 royalty associated with the use of intellectual property by a licensee, a~~

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

4 "INDIRECT FINANCIAL INTEREST HOLDER" MEANS A PERSON THAT IS NOT  
5 AN AFFILIATE OF A RETAIL MARIJUANA ESTABLISHMENT AND IS NOT  
6 OTHERWISE IN A POSITION TO EXERCISE CONTROL OVER THE RETAIL  
7 MARIJUANA ESTABLISHMENT AND THAT:

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

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

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

26 (12.1) "PASSIVE BENEFICIAL OWNER" MEANS A PERSON THAT IS  
27 NOT AN AFFILIATE OF A RETAIL MARIJUANA ESTABLISHMENT, IS NOT

1 OTHERWISE IN A POSITION TO EXERCISE CONTROL OVER THE RETAIL  
2 MARIJUANA ESTABLISHMENT, AND IS THE BENEFICIAL OWNER OF LESS  
3 THAN FIVE PERCENT OF THE SECURITIES OF THE RETAIL MARIJUANA  
4 ESTABLISHMENT.

5 (12.4) ~~"Permitted economic interest" means any unsecured~~  
6 ~~convertible debt instrument, option agreement, warrant, or any other right~~  
7 ~~to obtain an ownership interest when the holder of such interest is a~~  
8 ~~natural person who is a lawful United States resident and whose right to~~  
9 ~~convert into an ownership interest is contingent on the holder qualifying~~  
10 ~~and obtaining a license as an owner under this article or such other~~  
11 ~~agreements as may be permitted by rule by the state licensing authority.~~

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

16 (14.2) (a) "PUBLICLY TRADED CORPORATION" MEANS ANY PERSON  
17 OTHER THAN AN INDIVIDUAL THAT:

18 (I) HAS A CLASS OF SECURITIES REGISTERED UNDER SECTION 12 OF  
19 THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, THAT:

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

22 (B) ARE QUALIFIED AND QUOTED ON THE OTCQX TIER OF THE  
23 OTC MARKETS, OR ANY LIKE TIER OF ANY SUCCESSOR TO THE  
24 ENTITY, IF THE PERSON IS THEN REQUIRED TO FILE REPORTS AND IS FILING  
25 REPORTS ON A CURRENT BASIS WITH THE FEDERAL SECURITIES AND  
26 EXCHANGE COMMISSION UNDER THE FEDERAL "SECURITIES EXCHANGE  
27 ACT OF 1934", AS AMENDED, AS IF THE SECURITIES CONSTITUTED

1 "COVERED SECURITIES" AS DESCRIBED IN SUBSECTION (14.2)(a)(I)(A) OF  
2 THIS SECTION;

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

9  
10 (III) IS IDENTIFIED BY RULE BY THE STATE LICENSING AUTHORITY  
11 AS A PUBLICLY TRADED CORPORATION.

12 (b) NOTWITHSTANDING ANY PROVISION TO THE CONTRARY, A  
13 "PUBLICLY TRADED CORPORATION" DOES NOT INCLUDE:

14 (I) A PERSON THAT HAS LISTED OR QUOTED SECURITIES THAT NO  
15 LONGER COMPLY WITH THE REQUIREMENTS OF SUBSECTION (14.2)(a)(I) OF  
16 THIS SECTION OR A PERSON THAT HAS LISTED OR QUOTED SECURITIES  
17 CONSTITUTING "PENNY STOCK", AS DEFINED BY 17 CFR 240.3a51-1; OR

18 (II) A PERSON THAT CONSTITUTES AN "INELIGIBLE ISSUER", AS  
19 DEFINED IN 17 CFR 230.405.

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

24 (17) "Retail marijuana establishment" means ANY OF THE  
25 FOLLOWING ENTITIES LICENSED PURSUANT TO THIS ARTICLE 43.4: A retail  
26 marijuana store, a retail marijuana cultivation facility, a retail marijuana  
27 products manufacturer, or a retail marijuana testing facility, A RETAIL

1 MARIJUANA ESTABLISHMENT OPERATOR, OR A RETAIL MARIJUANA  
2 TRANSPORTER.

3 (17.5) "Retail marijuana establishment operator" means ~~an entity~~  
4 ~~or~~ A person ~~that is not an owner and~~ that is licensed to provide  
5 professional operational services to a retail marijuana establishment for  
6 direct remuneration from the retail marijuana establishment. A RETAIL  
7 MARIJUANA ESTABLISHMENT OPERATOR IS NOT, BY VIRTUE OF ITS STATUS  
8 AS A MEDICAL MARIJUANA BUSINESS OPERATOR, A CONTROLLING  
9 BENEFICIAL OWNER, A PASSIVE BENEFICIAL OWNER, OR AN INDIRECT  
10 FINANCIAL INTEREST HOLDER OF ANY RETAIL MARIJUANA ESTABLISHMENT  
11 IT OPERATES.

12 (22.5) "SECURITY" MEANS ANY NOTE; STOCK; TREASURY STOCK;  
13 BOND; DEBENTURE; EVIDENCE OF INDEBTEDNESS; CERTIFICATE OF  
14 INTEREST OR PARTICIPATION IN ANY PROFIT-SHARING AGREEMENT;  
15 COLLATERAL-TRUST CERTIFICATE; PREORGANIZATION CERTIFICATE OF  
16 SUBSCRIPTION; TRANSFERABLE SHARE; INVESTMENT CONTRACT; VIATICAL  
17 SETTLEMENT INVESTMENT; VOTING-TRUST CERTIFICATE; CERTIFICATE OF  
18 DEPOSIT FOR A SECURITY; CERTIFICATE OF INTEREST OR PARTICIPATION IN  
19 AN OIL, GAS, OR MINING TITLE OR LEASE OR IN PAYMENTS OUT OF  
20 PRODUCTION UNDER SUCH A TITLE OR LEASE; OR, IN GENERAL, ANY  
21 INTEREST OR INSTRUMENT COMMONLY KNOWN AS A "SECURITY" OR ANY  
22 CERTIFICATE OF INTEREST OR PARTICIPATION IN, TEMPORARY OR INTERIM  
23 CERTIFICATE FOR, GUARANTEE OF, OR WARRANT OR RIGHT TO SUBSCRIBE  
24 TO OR PURCHASE ANY OF THE FOREGOING. "SECURITY" DOES NOT INCLUDE  
25 ANY INSURANCE OR ENDOWMENT POLICY OR ANNUITY CONTRACT UNDER  
26 WHICH AN INSURANCE COMPANY PROMISES TO PAY A SUM OF MONEY  
27 EITHER IN A LUMP SUM OR PERIODICALLY FOR LIFE OR SOME OTHER

1 SPECIFIED PERIOD. FOR PURPOSES OF THIS ARTICLE 43.4, AN "INVESTMENT  
2 CONTRACT" NEED NOT INVOLVE MORE THAN ONE INVESTOR NOR BE  
3 LIMITED TO THOSE CIRCUMSTANCES WHEREIN THERE ARE MULTIPLE  
4 INVESTORS WHO ARE JOINT PARTICIPANTS IN THE SAME ENTERPRISE.

5 **SECTION 10.** In Colorado Revised Statutes, 12-43.4-202,  
6 **amend** (2)(d), (3)(a)(III), (3)(a)(XVIII), (3)(a)(XIX), (3)(b) introductory  
7 portion, and (3)(b)(V); **repeal** (3)(a)(XX); and **add** (3)(a)(XXI) as  
8 follows:

9 **12-43.4-202. Powers and duties of state licensing authority -**  
10 **rules.** (2) The state licensing authority has the authority to:

11 (d) Maintain the confidentiality of reports or other information  
12 obtained from a licensee containing any individualized data, information,  
13 or records related to the licensee or its operation, including sales  
14 information, financial records, tax returns, credit reports, cultivation  
15 information, testing results, and security information and plans, or  
16 revealing any customer information, or any other records that are exempt  
17 from public inspection pursuant to state law. Such reports or other  
18 information may be used only for a purpose authorized by this ~~article~~  
19 ARTICLE 43.4, FOR INVESTIGATION OR ENFORCEMENT OF ANY  
20 INTERNATIONAL, FEDERAL, STATE, OR LOCAL SECURITIES LAW OR  
21 REGULATIONS, or for any other state or local law enforcement purpose.  
22 Any customer information may be used only for a purpose authorized by  
23 this ~~article~~ ARTICLE 43.4.

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

26 (III) Qualifications for licensure under this ~~article~~ ARTICLE 43.4,  
27 including but not limited to the requirement for a fingerprint-based

1 criminal history record check for ~~all owners, officers~~ CONTROLLING  
2 BENEFICIAL OWNERS, managers, contractors, employees, and other support  
3 staff of entities licensed pursuant to this ~~article~~ ARTICLE 43.4;

4 (XVIII) Retail marijuana establishment operator licensees,  
5 including the form and structure of allowable agreements between  
6 operators and ~~owners~~ THE RETAIL MARIJUANA ESTABLISHMENT BEING  
7 OPERATED;

8 (XIX) Nonescorted visitors in limited access areas; ~~and~~

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

11 (XXI) OWNERSHIP AND FINANCIAL INTEREST REQUIREMENTS,  
12 INCLUDING BUT NOT LIMITED TO:

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

17 (B) PARAMETERS OF, QUALIFICATIONS OF, DISCLOSURE OF,  
18 REQUIREMENTS FOR, AND SUITABILITY OF A PUBLICLY TRADED  
19 CORPORATION THAT IS A RETAIL MARIJUANA ESTABLISHMENT OR THAT IS  
20 A CONTROLLING BENEFICIAL OWNER OR PASSIVE BENEFICIAL OWNER.

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

24 (V) Development of individual identification cards for ~~owners,~~  
25 ~~officers~~ CONTROLLING BENEFICIAL OWNERS, managers, contractors,  
26 employees, and other support staff of entities licensed pursuant to this  
27 ~~article~~ ARTICLE 43.4, including a fingerprint-based criminal history record

1 check as may be required by the state licensing authority prior to issuing  
2 a card;

3 **SECTION 11.** In Colorado Revised Statutes, 12-43.4-306,  
4 **amend** (1) introductory portion, (1)(c), and (1)(j); **repeal** (1)(l); and **add**  
5 (1)(m) and (1)(n) as follows:

6 **12-43.4-306. Persons prohibited as licensees - definitions.**

7 (1) A license provided by this ~~article~~ ARTICLE 43.4 shall not be issued to  
8 or held by:

9 (c) A person other than an individual if the criminal history of any  
10 of its ~~officers, directors, stockholders, or owners~~ CONTROLLING  
11 BENEFICIAL OWNERS indicates that ~~the officer, director, stockholder, or~~  
12 ~~owner~~ A CONTROLLING BENEFICIAL OWNER is not of good moral character  
13 after considering the factors in section 24-5-101 (2), ~~C.R.S.~~, OR ANY  
14 PERSON THAT WOULD BE DISQUALIFIED AS A "BAD ACTOR" UNDER RULE  
15 506 (d) PROMULGATED UNDER THE FEDERAL "SECURITIES ACT OF 1933";

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

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

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

25 (n) A PERSON, OTHER THAN AN INDIVIDUAL, ORGANIZED OR  
26 FORMED UNDER THE LAWS OF A COUNTRY DETERMINED BY THE UNITED  
27 STATES SECRETARY OF STATE TO HAVE REPEATEDLY PROVIDED SUPPORT

1 FOR ACTS OF INTERNATIONAL TERRORISM OR INCLUDED AMONG THE LIST  
2 OF "COVERED COUNTRIES" IN SECTION 1502 OF THE FEDERAL  
3 "DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION  
4 ACT".

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

8 **12-43.4-306.5. Business and owner requirements - legislative**  
9 **declaration.** (1) (a) The general assembly hereby finds and declares that:

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

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

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

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

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

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

27 (VI) ACCESS TO CAPITAL MUST BE BALANCED WITH PROMOTING

1 CONTROL OVER RETAIL MARIJUANA ESTABLISHMENTS BY SUITABLE  
2 PERSONS WHO ARE LEGITIMATE, TAXPAYING BUSINESSPERSONS, AND NOT  
3 CRIMINAL ACTORS; PREVENTING REVENUE FROM THE SALE OF MARIJUANA  
4 FROM GOING TO CRIMINAL ENTERPRISES, GANGS, AND CARTELS; AND  
5 PREVENTING STATE-AUTHORIZED MARIJUANA ACTIVITY FROM BEING USED  
6 AS A COVER OR PRETEXT FOR THE TRAFFICKING OF OTHER ILLEGAL DRUGS  
7 OR OTHER ILLEGAL ACTIVITY; ==

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

16 (VIII) RECOGNIZING THAT PARTICIPATION BY PUBLICLY TRADED  
17 CORPORATIONS IN COLORADO'S RETAIL MARIJUANA INDUSTRY CREATES AN  
18 INCREASED NEED TO ASSESS BARRIERS OF ENTRY FOR MINORITY- AND  
19 WOMAN-OWNED BUSINESSES, WITH SUCH EFFORTS BEING MADE TO  
20 IDENTIFY SOLUTIONS TO ARRIVE AT A GREATER BALANCE AND FOR  
21 FURTHER EQUITY FOR MINORITY- AND WOMAN-OWNED BUSINESSES, AND  
22 IN A MANNER THAT IS CONSISTENT WITH THE PUBLIC SAFETY AND  
23 ENFORCEMENT GOALS AS STATED HEREIN, IT IS THEREFORE OF  
24 SUBSTANTIVE IMPORTANCE TO ADDRESS THE LACK OF MINORITY- AND  
25 WOMAN-OWNED BUSINESSES' INCLUSION IN COLORADO'S RETAIL  
26 MARIJUANA INDUSTRY, SOCIAL INJUSTICE ISSUES ASSOCIATED WITH  
27 MARIJUANA PROHIBITION, SUITABILITY ISSUES RELATING TO PAST

1 CONVICTIONS FOR POTENTIAL LICENSEES, LICENSING FEES, AND ECONOMIC  
2 CHALLENGES THAT ARISE WITH THE APPLICATION PROCESSES:

3 (IX) COORDINATION BETWEEN THE STATE LICENSING AUTHORITY  
4 AND OTHER STATE AND LOCAL LAW ENFORCEMENT AGENCIES SUPPORTS  
5 THESE GOALS; AND

6 (X) IN THE EVENT THAT PASSAGE OF HOUSE BILL 18-1011,  
7 ENACTED IN 2018, LEADS TO AN INCREASE IN GRAY AND BLACK MARKET  
8 INVESTIGATIONS, THE DEPARTMENT OF LOCAL AFFAIRS SHOULD CONSIDER  
9 CONVENING A STAKEHOLDER PROCESS TO EXAMINE HOW TO IMPROVE LAW  
10 ENFORCEMENT ACCESS TO GRANTS FROM THE GRAY AND BLACK MARKET  
11 MARIJUANA ENFORCEMENT GRANT PROGRAM CREATED IN SECTION  
12 24-32-119, INCLUDING:

13 (A) WHETHER THE ELIGIBILITY CRITERIA FOR THE AWARDING OF  
14 GRANTS REFLECTS THE REALITY OF THE INVESTIGATIONS UNDERTAKEN;

15 (B) WHETHER THE GRANTS SHOULD BE AVAILABLE ON A  
16 PROSPECTIVE BASIS AND WHETHER THE GRANT PROCESS IS ACCESSIBLE TO  
17 LOCAL LAW ENFORCEMENT DEPARTMENTS WITH MINIMAL STAFF; AND

18 (C) WHETHER THE AMOUNT OF MONEY AVAILABLE IS SUFFICIENT.

19  
20 (b) Therefore, the general assembly is providing a mechanism for  
21 Colorado retail marijuana ~~businesses~~ ESTABLISHMENTS to access capital  
22 from investors in other states AND FROM CERTAIN PUBLICLY TRADED  
23 CORPORATIONS PURSUANT TO THIS SECTION AND SECTION 12-43.4-306.6.

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

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

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

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

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

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

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

27           ~~(4) A retail marijuana business may include qualified institutional~~

1 ~~investors that own thirty percent or less of the retail marijuana business.~~

2 (4.5) PRIOR TO SUBMITTING AN INITIAL APPLICATION AND AT ANY  
3 TIME THEREAFTER WHEN REQUESTED BY THE STATE LICENSING AUTHORITY  
4 IN ITS REASONABLE DISCRETION, A PERSON THAT IS OR INTENDS TO  
5 BECOME A RETAIL MARIJUANA ESTABLISHMENT SHALL DISCLOSE TO THE  
6 STATE LICENSING AUTHORITY A COMPLETE AND ACCURATE LIST OF THE  
7 FOLLOWING:

8 (a) ALL OF THE RETAIL MARIJUANA ESTABLISHMENT'S OFFICERS,  
9 DIRECTORS, AND AFFILIATES;

10 (b) ALL OF THE RETAIL MARIJUANA ESTABLISHMENT'S  
11 CONTROLLING BENEFICIAL OWNERS, AND:

12 (I) IF THE CONTROLLING BENEFICIAL OWNER IS A PUBLICLY  
13 TRADED CORPORATION, ALL OFFICERS, DIRECTORS, FIVE-PERCENT OR MORE  
14 BENEFICIAL OWNERS, AND AFFILIATES OF THE CONTROLLING BENEFICIAL  
15 OWNER; OR

16 (II) IF THE CONTROLLING BENEFICIAL OWNER IS NOT A PUBLICLY  
17 TRADED CORPORATION AND IS NOT AN INDIVIDUAL, ALL OFFICERS,  
18 DIRECTORS, BENEFICIAL OWNERS, AND AFFILIATES OF THE CONTROLLING  
19 BENEFICIAL OWNER; AND

20 (c) IF THE RETAIL MARIJUANA ESTABLISHMENT IS NOT A PUBLICLY  
21 TRADED CORPORATION, ALL OF THE RETAIL MARIJUANA ESTABLISHMENT'S  
22 PASSIVE BENEFICIAL OWNERS.

23 ==  
24 (5) (a) A person ~~who~~ THAT intends to apply as a direct beneficial  
25 interest owner and is not a Colorado resident for at least one year prior to  
26 the date of application TO BECOME A CONTROLLING BENEFICIAL OWNER  
27 shall first submit a request to the state licensing authority for a finding of

1 ~~suitability. as a direct beneficial interest owner. The person shall~~ FAILURE  
2 ~~TO PROVIDE ALL REQUESTED INFORMATION IN CONNECTION WITH A~~  
3 ~~REQUEST FOR A FINDING OF SUITABILITY IS GROUNDS FOR DENIAL OF THAT~~  
4 ~~FINDING OF SUITABILITY. EVERY PROPOSED CONTROLLING BENEFICIAL~~  
5 ~~OWNER MUST receive a finding of suitability OR AN EXEMPTION FROM A~~  
6 ~~FINDING OF SUITABILITY BY THE STATE LICENSING AUTHORITY~~ prior to  
7 ~~submitting an~~ A RETAIL MARIJUANA ESTABLISHMENT application to the  
8 ~~state licensing authority. to be a direct beneficial interest owner. Failure~~  
9 ~~to receive a finding~~ ALL REQUIRED FINDINGS of suitability prior to  
10 ~~application is grounds for denial of AN APPLICATION OR SUSPENSION,~~  
11 ~~REVOCAION, OR OTHER SANCTION AGAINST THE LICENSEE by the state~~  
12 ~~licensing authority.~~

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

17 (c) THE STATE LICENSING AUTHORITY MAY REQUIRE ANY PERSON  
18 THAT WAS DISCLOSED OR SHOULD HAVE BEEN DISCLOSED PURSUANT TO  
19 SUBSECTION (4.5) OF THIS SECTION TO OBTAIN A FINDING OF  
20 SUITABILITY PRIOR TO SUBMISSION OF A RETAIL MARIJUANA  
21 ESTABLISHMENT APPLICATION. FAILURE TO PROVIDE ANY INFORMATION  
22 REQUESTED IN CONNECTION WITH A FINDING OF SUITABILITY IS GROUNDS  
23 FOR DENIAL OF THAT REQUEST FOR A FINDING OF SUITABILITY. ALL  
24 INDIVIDUALS MUST OBTAIN ANY REQUIRED FINDING OF SUITABILITY PRIOR  
25 TO SUBMITTING A RETAIL MARIJUANA ESTABLISHMENT APPLICATION TO  
26 THE STATE LICENSING AUTHORITY. FAILURE OF A PERSON TO OBTAIN ANY  
27 REQUIRED FINDING OF SUITABILITY PRIOR TO APPLICATION IS GROUNDS FOR

1 DENIAL OF AN APPLICATION OR SUSPENSION, REVOCATION, OR OTHER  
2 SANCTION AGAINST THE LICENSEE BY THE STATE LICENSING AUTHORITY.

3 (5.5) == IN ITS REASONABLE DISCRETION, AT ANY TIME, THE STATE  
4 LICENSING AUTHORITY MAY REQUIRE ANY PERSON THAT WAS DISCLOSED  
5 OR SHOULD HAVE BEEN DISCLOSED UNDER THIS SECTION OR SECTION  
6 12-43.4-306.6 TO OBTAIN A FINDING OF SUITABILITY. FAILURE TO PROVIDE  
7 ANY INFORMATION REQUESTED IN CONNECTION WITH A FINDING OF  
8 SUITABILITY IS GROUNDS FOR DENIAL OF THAT REQUEST FOR A FINDING OF  
9 SUITABILITY. FAILURE OF A PERSON TO OBTAIN ANY REQUIRED FINDING OF  
10 SUITABILITY MAY BE GROUNDS FOR DENIAL OF AN APPLICATION OR  
11 SUSPENSION, REVOCATION, OR OTHER SANCTION OF A AGAINST THE  
12 LICENSE BY THE STATE LICENSING AUTHORITY.

13 == ==

14 (5.7) IF A REQUIRED FINDING OF SUITABILITY IS NOT COMPLETED  
15 WITHIN ONE YEAR FROM THE DATE THE FINDING OF SUITABILITY WAS  
16 REQUESTED, THE STATE LICENSING AUTHORITY SHALL INFORM THE  
17 APPLICANT OR LICENSEE.

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

20 (6.5) A PERSON, OTHER THAN AN INDIVIDUAL, THAT IS A  
21 CONTROLLING BENEFICIAL OWNER SHALL APPOINT AND CONTINUOUSLY  
22 MAINTAIN A REGISTERED AGENT WHO SATISFIES THE REQUIREMENTS OF  
23 SECTION 7-90-701. THE RETAIL MARIJUANA ESTABLISHMENT SHALL  
24 INFORM THE STATE LICENSING AUTHORITY OF A CHANGE IN THE  
25 REGISTERED AGENT WITHIN TEN DAYS OF THE CHANGE.

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

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

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

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

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

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

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

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

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

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

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

23           **12-43.4-306.6. Licensure and investment requirements for**  
24 **publicly traded corporations.** (1) IN ADDITION TO THE REQUIREMENTS  
25 OF SECTION 12-43.4-306.5, ANY APPLICANT, LICENSEE, OR CONTROLLING  
26 BENEFICIAL OWNER THAT IS A PUBLICLY TRADED CORPORATION SHALL  
27 COMPLY WITH THIS SECTION.

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

6 (b) TO THE EXTENT REQUIRED BY THE STATE LICENSING  
7 AUTHORITY, WHENEVER ANY REPORT, PROXY OR INFORMATION  
8 STATEMENT, REGISTRATION STATEMENT, SCHEDULE, OR OTHER FILING IS  
9 MADE WITH THE FEDERAL SECURITIES AND EXCHANGE COMMISSION OR  
10 OTHER APPLICABLE SECURITIES EXCHANGE, OR, IN THE CASE OF A FOREIGN  
11 PRIVATE ISSUER, ANY SIMILAR REGULATORY BODY, BY OR WITH RESPECT  
12 TO A PUBLICLY TRADED CORPORATION THAT IS A RETAIL MARIJUANA  
13 ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER, THE PUBLICLY  
14 TRADED CORPORATION SHALL NOTIFY THE STATE LICENSING AUTHORITY  
15 THAT A FILING HAS TAKEN PLACE AND DISCLOSE A COPY OF THE FILING  
16 WITHIN FIVE DAYS AFTER THE FILING WITH THE FEDERAL SECURITIES AND  
17 EXCHANGE COMMISSION OR OTHER APPLICABLE SECURITIES EXCHANGE,  
18 OR, IN THE CASE OF A FOREIGN PRIVATE ISSUER, ANY SIMILAR  
19 REGULATORY BODY.

20 (c) THE STATE LICENSING AUTHORITY MAY AT ANY TIME REQUIRE  
21 ANY APPLICANT, LICENSEE, OR CONTROLLING BENEFICIAL OWNER TO  
22 DISCLOSE A COMPLETE AND ACCURATE LIST OF ALL NONOBJECTING  
23 BENEFICIAL OWNERS.

24 (d) TO THE EXTENT REQUIRED BY THE STATE LICENSING  
25 AUTHORITY, A PUBLICLY TRADED CORPORATION THAT IS A RETAIL  
26 MARIJUANA ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER  
27 SHALL, WITHIN FIVE DAYS AFTER RECEIVING A COMMENT LETTER OR

1 EXCHANGE NOTICE FROM THE FEDERAL SECURITIES AND EXCHANGE  
2 COMMISSION OR OTHER APPLICABLE SECURITIES EXCHANGE, OR, IN THE  
3 CASE OF A FOREIGN PRIVATE ISSUER, ANY SIMILAR REGULATORY BODY,  
4 NOTIFY THE STATE LICENSING AUTHORITY THAT THE COMMENT LETTER OR  
5 EXCHANGE NOTICE WAS RECEIVED AND PROVIDE A COPY TO THE STATE  
6 LICENSING AUTHORITY.

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

18 (4) A PUBLICLY TRADED CORPORATION THAT IS A RETAIL  
19 MARIJUANA ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER OF  
20 FIFTY PERCENT OR MORE OF THE SECURITIES OF A RETAIL MARIJUANA  
21 ESTABLISHMENT SHALL INCLUDE AND MAINTAIN AT ALL TIMES IN ITS  
22 BYLAWS THE FOLLOWING PROVISIONS:

23 (a) THE [NAME OF THE PUBLICLY TRADED CORPORATION] SHALL  
24 NOT ISSUE ANY SECURITY EXCEPT IN ACCORDANCE WITH THE PROVISIONS  
25 OF ARTICLE 43.4 OF TITLE 12, COLORADO REVISED STATUTES, AND THE  
26 RULES PROMULGATED PURSUANT TO THAT ARTICLE 43.3. THE ISSUANCE  
27 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 43.4 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

1 SECURITY IS OWNED BY PERSONS FOUND BY THE STATE LICENSING  
2 AUTHORITY TO BE SUITABLE TO OWN IT, THE [NAME OF THE PUBLICLY  
3 TRADED CORPORATION] SHALL NOT BE REQUIRED OR PERMITTED TO PAY  
4 ANY DIVIDEND OR INTEREST WITH REGARD TO THE SECURITY; THE HOLDER  
5 OF THE SECURITY SHALL NOT BE ENTITLED TO VOTE ON ANY MATTER AS  
6 THE HOLDER OF THE SECURITY; AND THE SECURITY SHALL NOT FOR ANY  
7 PURPOSES BE INCLUDED AMONG THE SECURITIES OF THE [NAME OF THE  
8 PUBLICLY TRADED CORPORATION] ENTITLED TO VOTE, AND THE [NAME OF  
9 THE PUBLICLY TRADED CORPORATION] SHALL NOT PAY ANY  
10 REMUNERATION IN ANY FORM TO THE HOLDER OF THE SECURITY EXCEPT  
11 IN EXCHANGE FOR THE SECURITY AS PROVIDED IN THIS SUBSECTION (4)(c).

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

1 LICENSEE'S FAILURE TO GIVE THE NOTICE.

2 (6) A PUBLICLY TRADED CORPORATION SHALL PROVIDE THE STATE  
3 LICENSING AUTHORITY WITH A DEPOSIT TO COVER THE DIRECT AND  
4 INDIRECT COSTS OF ANY INVESTIGATION NECESSARY TO DETERMINE  
5 WHETHER OR NOT ANY REQUIRED FINDING OF SUITABILITY SHALL BE  
6 ISSUED. THE STATE LICENSING AUTHORITY MAY MAKE FURTHER RULES  
7 REGARDING THE DEPOSIT AND DIRECT AND INDIRECT COSTS THAT SHALL  
8 BE BILLED AGAINST THE DEPOSIT.

9 (7) IT IS GROUNDS FOR DENIAL OF A LICENSE OR DISCIPLINARY  
10 ACTION IF ANY PERSON, IN CONNECTION WITH THE PURCHASE OR SALE OF  
11 ANY SECURITY ISSUED BY A RETAIL MARIJUANA ESTABLISHMENT OR A  
12 CONTROLLING BENEFICIAL OWNER, PLEADS OR IS FOUND GUILTY OF,  
13 PLEADS NOLO CONTENDERE TO, IS SUBJECT TO A FINAL CEASE AND DESIST  
14 ORDER WITH RESPECT TO AN ORDER OF PERMANENT INJUNCTION ISSUED ON  
15 THE BASIS OF, OR IS THE SUBJECT OF A SIMILAR FINAL ACTION TAKEN ON  
16 THE BASIS OF, A VIOLATION OF RULE 10b-5 PROMULGATED BY THE  
17 FEDERAL SECURITIES AND EXCHANGE COMMISSION UNDER SECTION 10 (b)  
18 OF THE "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, OR SECTION  
19 11-51-501.

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

22 **12-43.4-308. Transfer of ownership.** (2) For a transfer of  
23 ownership, OTHER THAN REALES OR TRANSFERS OF SECURITY IN  
24 ORDINARY BROKER TRANSACTIONS BY A BENEFICIAL OWNER OF  
25 SECURITIES OF A PUBLICLY TRADED CORPORATION THROUGH AN  
26 ESTABLISHED TRADING MARKET, a license holder shall apply to the state  
27 licensing authority on forms prepared and furnished by the state licensing

1 authority. Upon receipt of an application for transfer of ownership, the  
2 state licensing authority shall submit, within seven days, a copy of the  
3 application to the local jurisdiction to determine whether the transfer  
4 complies with local restrictions on transfer of ownership. In determining  
5 whether to permit a transfer of ownership, the state licensing authority  
6 shall consider only the requirements of this ~~article~~ ARTICLE 43.4, any rules  
7 promulgated by the state licensing authority, and any other local  
8 restrictions. The local jurisdiction may hold a hearing on the application  
9 for transfer of ownership. The local jurisdiction shall not hold a hearing  
10 pursuant to this subsection (2) until the local jurisdiction has posted a  
11 notice of hearing in the manner described in section 12-43.4-302 (1) on  
12 the licensed premises for a period of ten days and has provided notice of  
13 the hearing to the applicant at least ten days prior to the hearing. Any  
14 transfer of ownership hearing by the state licensing authority shall be held  
15 in compliance with the requirements specified in section 12-43.4-304.

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

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

21 **12-43.4-309. Licensing in general.** (3) A retail marijuana  
22 establishment THAT IS NOT A PUBLICLY TRADED CORPORATION shall notify  
23 the state licensing authority in writing of the name, address, and date of  
24 birth of ~~an~~ A CONTROLLING BENEFICIAL owner, PASSIVE BENEFICIAL  
25 OWNER, officer, or manager before the new CONTROLLING BENEFICIAL  
26 owner, PASSIVE BENEFICIAL OWNER, officer, or manager begins managing,  
27 owning, or associating with the operation. The CONTROLLING BENEFICIAL

1 owner, PASSIVE BENEFICIAL OWNER, officer, manager, or employee must  
2 pass a fingerprint-based criminal history record check as required by the  
3 state licensing authority and obtain the required identification prior to  
4 being associated with, managing, owning, or working at the operation.

5 **SECTION 16.** In Colorado Revised Statutes, **amend** 12-43.4-407  
6 as follows:

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

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

15 **12-43.3-306. Denial of application.** (1) The state licensing  
16 authority shall deny a state license if the premises on which the applicant  
17 proposes to conduct its business does not meet the requirements of this  
18 article or for reasons set forth in section 12-43.3-104 ~~(1.3)(e)~~ (1.4)(c) or  
19 12-43.3-305, and the state licensing authority may deny a license for good  
20 cause as defined by section 12-43.3-104 ~~(1.3)(a) or (1.3)(b)~~ (1.4)(a) OR  
21 (1.4)(b).

22 **SECTION 18. Appropriation.** (1) For the 2018-19 state fiscal  
23 year, \$1,037,452 is appropriated to the department of revenue. This  
24 appropriation is from the marijuana cash fund created in section  
25 12-43.3-501 (1)(a), C.R.S. To implement this act, the department may use  
26 this appropriation as follows:

27 (a) \$867,780 for marijuana enforcement, which amount is based

1 on an assumption that the department will require an additional 7.0 FTE;

2 (b) \$24,750 for vehicle lease payments; and

3 (c) \$144,922 for the purchase of legal services.

4 (2) For the 2018-19 state fiscal year, \$24,750 is appropriated to  
5 the department of personnel. This appropriation is from reappropriated  
6 funds received from the department of revenue under subsection (1)(b)  
7 of this section. To implement this act, the department of personnel may  
8 use this appropriation for vehicle replacement lease/purchase in fleet  
9 management program and motor pool services.

10 (3) For the 2018-19 state fiscal year, \$14,600 is appropriated to  
11 the department of public safety for use by the biometric identification and  
12 records unit. This appropriation is from reappropriated funds received  
13 from the department of revenue under subsection (1)(a) of this section. To  
14 implement this act, the unit may use this appropriation to provide criminal  
15 history record checks for the department of revenue.

16 (4) For the 2018-19 state fiscal year, \$144,922 is appropriated to  
17 the department of law. This appropriation is from reappropriated funds  
18 received from the department of revenue under subsection (1)(c) of this  
19 section and is based on an assumption that the department of law will  
20 require an additional 0.8 FTE. To implement this act, the department of  
21 law may use this appropriation to provide legal services for the  
22 department of revenue.

23 **SECTION 19. Applicability.** This act applies to applications  
24 made on or after January 1, 2019.

25 **SECTION 20. Safety clause.** The general assembly hereby finds,  
26 determines, and declares that this act is necessary for the immediate  
27 preservation of the public peace, health, and safety.