

Second Regular Session
Seventy-first General Assembly
STATE OF COLORADO

PREAMENDED

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

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.

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.

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, UNLESS THE PUBLICLY TRADED
27 CORPORATION CONSTITUTES AN INELIGIBLE ISSUER SOLELY AS A RESULT

1 OF EITHER:

2 (A) THE ACT OR ACTS THAT MAKE THE PERSON AN "INELIGIBLE
3 ISSUER" OCCURRED MORE THAN ONE YEAR PRIOR TO APPLYING PURSUANT
4 TO THIS SECTION; OR

5 (B) BEING A COMPANY DESCRIBED IN SUBSECTION (III) OF THE
6 DEFINITION OF "INELIGIBLE ISSUER".

7 (14.3) ~~"Qualified limited passive investor" means a natural person
8 who is a United States citizen and is a passive investor who owns less
9 than a five percent share or shares of stock in a licensed medical
10 marijuana business.~~

11 (17) "SECURITY" MEANS ANY NOTE; STOCK; TREASURY STOCK;
12 BOND; DEBENTURE; EVIDENCE OF INDEBTEDNESS; CERTIFICATE OF
13 INTEREST OR PARTICIPATION IN ANY PROFIT-SHARING AGREEMENT;
14 COLLATERAL-TRUST CERTIFICATE; PREORGANIZATION CERTIFICATE OF
15 SUBSCRIPTION; TRANSFERABLE SHARE; INVESTMENT CONTRACT; VIATICAL
16 SETTLEMENT INVESTMENT; VOTING-TRUST CERTIFICATE; CERTIFICATE OF
17 DEPOSIT FOR A SECURITY; CERTIFICATE OF INTEREST OR PARTICIPATION IN
18 AN OIL, GAS, OR MINING TITLE OR LEASE OR IN PAYMENTS OUT OF
19 PRODUCTION UNDER SUCH A TITLE OR LEASE; OR, IN GENERAL, ANY
20 INTEREST OR INSTRUMENT COMMONLY KNOWN AS A "SECURITY" OR ANY
21 CERTIFICATE OF INTEREST OR PARTICIPATION IN, TEMPORARY OR INTERIM
22 CERTIFICATE FOR, GUARANTEE OF, OR WARRANT OR RIGHT TO SUBSCRIBE
23 TO OR PURCHASE ANY OF THE FOREGOING. "SECURITY" DOES NOT INCLUDE
24 ANY INSURANCE OR ENDOWMENT POLICY OR ANNUITY CONTRACT UNDER
25 WHICH AN INSURANCE COMPANY PROMISES TO PAY A SUM OF MONEY
26 EITHER IN A LUMP SUM OR PERIODICALLY FOR LIFE OR SOME OTHER
27 SPECIFIED PERIOD. FOR PURPOSES OF THIS ARTICLE 43.3, AN "INVESTMENT

1 CONTRACT" NEED NOT INVOLVE MORE THAN ONE INVESTOR NOR BE
2 LIMITED TO THOSE CIRCUMSTANCES WHEREIN THERE ARE MULTIPLE
3 INVESTORS WHO ARE JOINT PARTICIPANTS IN THE SAME ENTERPRISE.

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

7 **12-43.3-202. Powers and duties of state licensing authority -**
8 **rules.** (1) The state licensing authority shall:

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

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

26 (VIII) Development of individual identification cards for ~~owners,~~
27 ~~officers~~ CONTROLLING BENEFICIAL OWNERS, managers, contractors,

1 employees, and other support staff of entities licensed pursuant to this
2 ~~article~~ ARTICLE 43.3, including a fingerprint-based criminal history record
3 check as may be required by the state licensing authority prior to issuing
4 a card;

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

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

11 (XXIII) 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 MEDICAL MARIJUANA BUSINESS OR THAT IS A
20 CONTROLLING BENEFICIAL OWNER OR PASSIVE BENEFICIAL OWNER.

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

24 **12-43.3-307. Persons prohibited as licensees.** (1) A license
25 provided by this ~~article~~ ARTICLE 43.3 shall not be issued to or held by:

26 (c) ~~A corporation,~~ PERSON OTHER THAN AN INDIVIDUAL if the
27 criminal history of any of its ~~officers, directors, or stockholders~~

1 CONTROLLING BENEFICIAL OWNERS indicates that ~~the officer, director, or~~
2 ~~stockholder~~ A CONTROLLING BENEFICIAL OWNER is not of good moral
3 character AFTER CONSIDERING THE FACTORS IN SECTION 24-5-101 (2), OR
4 ANY PERSON THAT WOULD BE DISQUALIFIED AS A "BAD ACTOR" UNDER
5 RULE 506 (d) PROMULGATED UNDER THE FEDERAL "SECURITIES ACT OF
6 1933";

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

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

10 (o) A PERSON WHOSE CONTROLLING BENEFICIAL OWNER OR
11 PASSIVE BENEFICIAL OWNER IS FOUND UNSUITABLE BY THE STATE
12 LICENSING AUTHORITY. TO DETERMINE WHETHER A PERSON IS SUITABLE,
13 THE STATE LICENSING AUTHORITY MAY CONSIDER, BUT IS NOT LIMITED TO,
14 A PERSON'S FINANCIAL CHARACTER OR RECORD, CRIMINAL CHARACTER OR
15 RECORD, OR LICENSING CHARACTER OR RECORD.

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

23 **SECTION 4.** In Colorado Revised Statutes, 12-43.3-307.5,
24 **amend** (1), (3), and (5); **repeal** (2), (4), (6), and (7); and **add** (4.5), (5.5),
25 (5.7), and (6.5) as follows:

26 **12-43.3-307.5. Business and owner requirements - legislative**
27 **declaration.** (1) (a) The general assembly hereby finds and declares that:

1 (I) Medical marijuana businesses need to be able to access capital
2 in order to effectively grow their businesses and remain competitive in the
3 marketplace;

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

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

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

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

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

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

25 (VII) PUBLICLY TRADED CORPORATIONS OFFERING SECURITIES FOR
26 INVESTMENT IN MEDICAL MARIJUANA BUSINESSES MUST TELL THE PUBLIC
27 THE TRUTH ABOUT THEIR BUSINESS, THE SECURITIES THEY ARE SELLING,

1 AND THE RISKS INVOLVED WITH INVESTING IN MEDICAL MARIJUANA
2 BUSINESSES, AND PERSONS WHO SELL AND TRADE SECURITIES RELATED TO
3 MEDICAL MARIJUANA BUSINESSES ARE PROHIBITED FROM ENGAGING IN
4 DECEIT, MISREPRESENTATIONS, AND OTHER FRAUD IN THE SALE OF THE
5 SECURITIES.

6 (VIII) COORDINATION BETWEEN THE STATE LICENSING AUTHORITY
7 AND OTHER STATE AND LOCAL LAW ENFORCEMENT AGENCIES SUPPORTS
8 THESE GOALS;

9 (IX) IN THE EVENT THAT PASSAGE OF HOUSE BILL 18-1011,
10 ENACTED IN 2018, LEADS TO AN INCREASE IN GRAY AND BLACK MARKET
11 INVESTIGATIONS, THE DEPARTMENT OF LOCAL AFFAIRS SHOULD CONSIDER
12 CONVENING A STAKEHOLDER PROCESS TO EXAMINE HOW TO IMPROVE LAW
13 ENFORCEMENT ACCESS TO GRANTS FROM THE GRAY AND BLACK MARKET
14 MARIJUANA ENFORCEMENT GRANT PROGRAM CREATED IN SECTION
15 24-32-119, INCLUDING:

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

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

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

22 (b) Therefore, the general assembly is providing a mechanism for
23 Colorado medical marijuana businesses to access capital from investors
24 in other states AND FROM CERTAIN PUBLICLY TRADED CORPORATIONS
25 PURSUANT TO THIS SECTION AND SECTION 12-43.3-307.6.

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

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

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

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

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

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

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

1 ~~subsidiary entities.~~

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

5 (4.5) PRIOR TO SUBMITTING AN APPLICATION, A PERSON THAT
6 INTENDS TO BECOME A MEDICAL MARIJUANA BUSINESS, A CONTROLLING
7 BENEFICIAL OWNER, OR A PASSIVE BENEFICIAL OWNER SHALL DISCLOSE TO
8 THE STATE LICENSING AUTHORITY A COMPLETE AND ACCURATE LIST OF
9 THE FOLLOWING:

10 (a) ALL OF ITS OFFICERS, DIRECTORS, AND AFFILIATES;

11 (b) ALL OFFICERS, DIRECTORS, AND GREATER-THAN-FIVE-PERCENT
12 BENEFICIAL OWNERS OF ANY OF ITS AFFILIATES;

13 (c) IF IT IS A PUBLICLY TRADED CORPORATION, ALL OF ITS
14 BENEFICIAL OWNERS OF FIVE PERCENT OR MORE OF ITS SECURITIES; AND

15 (d) IF IT IS NOT A PUBLICLY TRADED CORPORATION, ALL OF ITS
16 BENEFICIAL OWNERS.

17 (5) (a) A person ~~who~~ THAT intends to apply as a direct beneficial
18 ~~interest owner and is not a Colorado resident for at least one year prior to~~
19 ~~the date of application~~ TO BECOME A CONTROLLING BENEFICIAL OWNER
20 shall first submit a request to the state licensing authority for a finding of
21 suitability. ~~as a direct beneficial interest owner. The person shall~~ FAILURE
22 TO PROVIDE ALL REQUESTED INFORMATION IN CONNECTION WITH A
23 REQUEST FOR A FINDING OF SUITABILITY IS GROUNDS FOR DENIAL OF THAT
24 FINDING OF SUITABILITY. EVERY PROPOSED CONTROLLING BENEFICIAL
25 OWNER MUST receive a finding of suitability OR AN EXEMPTION FROM A
26 FINDING OF SUITABILITY BY THE STATE LICENSING AUTHORITY prior to
27 submitting an A MEDICAL MARIJUANA BUSINESS application to the state

1 licensing authority. ~~to be a direct beneficial interest owner~~ Failure to
2 receive a ~~finding~~ ALL REQUIRED FINDINGS of suitability prior to
3 application is grounds for denial OF AN APPLICATION OR SUSPENSION,
4 REVOCATION, OR OTHER SANCTION AGAINST THE LICENSEE by the state
5 licensing authority.

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

10 (c) THE STATE LICENSING AUTHORITY MAY REQUIRE ANY PERSON
11 THAT WAS DISCLOSED OR SHOULD HAVE BEEN DISCLOSED PURSUANT TO
12 SUBSECTION (4.5) OF THIS SECTION TO OBTAIN A FINDING OF SUITABILITY
13 PRIOR TO SUBMISSION OF A MEDICAL MARIJUANA BUSINESS APPLICATION.
14 FAILURE TO PROVIDE ANY INFORMATION REQUESTED IN CONNECTION WITH
15 A FINDING OF SUITABILITY IS GROUNDS FOR DENIAL OF THAT REQUEST FOR
16 A FINDING OF SUITABILITY. ALL INDIVIDUALS SHALL OBTAIN ANY
17 REQUIRED FINDING OF SUITABILITY PRIOR TO SUBMITTING A MEDICAL
18 MARIJUANA BUSINESS APPLICATION TO THE STATE LICENSING AUTHORITY.
19 FAILURE OF A PERSON TO OBTAIN ANY REQUIRED FINDING OF SUITABILITY
20 PRIOR TO APPLICATION IS GROUNDS FOR DENIAL OF AN APPLICATION OR
21 SUSPENSION, REVOCATION, OR OTHER SANCTION AGAINST THE LICENSEE
22 BY THE STATE LICENSING AUTHORITY.

23 (5.5) (a) IN ITS REASONABLE DISCRETION, AT ANY TIME, THE STATE
24 LICENSING AUTHORITY MAY REQUIRE ANY PERSON THAT WAS DISCLOSED
25 OR SHOULD HAVE BEEN DISCLOSED UNDER THIS SECTION OR SECTION
26 12-43.3-307.6 TO OBTAIN A FINDING OF SUITABILITY. FAILURE TO PROVIDE
27 ANY INFORMATION REQUESTED IN CONNECTION WITH A FINDING OF

1 SUITABILITY IS GROUNDS FOR DENIAL OF THAT REQUEST FOR A FINDING OF
2 SUITABILITY. FAILURE OF A PERSON TO OBTAIN ANY REQUIRED FINDING OF
3 SUITABILITY MAY BE GROUNDS FOR DENIAL OF AN APPLICATION OR
4 SUSPENSION, REVOCATION, OR OTHER SANCTION AGAINST THE LICENSE BY
5 THE STATE LICENSING AUTHORITY.

6 (b) IN ITS REASONABLE DISCRETION, AT ANY TIME, THE STATE
7 LICENSING AUTHORITY MAY DETERMINE, UPON ITS OWN ACCORD OR ON
8 THE RECOMMENDATION OF THE MARIJUANA ENFORCEMENT DIVISION, THAT
9 THE PUBLIC INTEREST AND THE PURPOSES OF THIS SECTION REQUIRE THAT
10 ANY PERSON WHO HAS A MATERIAL RELATIONSHIP TO, OR MATERIAL
11 INVOLVEMENT WITH, A LICENSEE OR AFFILIATED COMPANY THEREOF MUST
12 APPLY FOR A FINDING OF SUITABILITY BY THE STATE LICENSING
13 AUTHORITY AND REQUIRE A PERSON, OTHER THAN AN INDIVIDUAL, THAT
14 IS PASSIVE BENEFICIAL OWNER TO APPOINT AND MAINTAIN A REGISTERED
15 AGENT AS PROVIDED FOR IN SUBSECTION (6.5) OF THIS SECTION. THE
16 PROVISIONS OF THIS SUBSECTION (5.5)(b) ARE NOT LIMITED TO PERSONS
17 HAVING A DIRECT FINANCIAL INTEREST IN NOR A DIRECT MANAGEMENT
18 ROLE WITH A LICENSEE, NOR TO PERSONS WHO ARE BENEFICIAL OWNERS
19 OF ANY STATED PERCENTAGE OF THE SECURITIES OF A PUBLICLY TRADED
20 CORPORATION.

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

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

1 (6.5) A PERSON, OTHER THAN AN INDIVIDUAL, THAT IS A
2 CONTROLLING BENEFICIAL OWNER SHALL APPOINT AND CONTINUOUSLY
3 MAINTAIN A REGISTERED AGENT WHO SATISFIES THE REQUIREMENTS OF
4 SECTION 7-90-701. THE MEDICAL MARIJUANA BUSINESS SHALL INFORM
5 THE STATE LICENSING AUTHORITY OF A CHANGE IN THE REGISTERED
6 AGENT WITHIN TEN DAYS OF THE CHANGE.

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

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

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

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

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

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

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

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

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

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

1 authority.

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

4 12-43.3-307.6. Licensure and investment requirements for
5 publicly traded corporations. (1) IN ADDITION TO THE REQUIREMENTS
6 OF SECTION 12-43.3-307.5, ANY APPLICANT, LICENSEE, OR CONTROLLING
7 BENEFICIAL OWNER THAT IS A PUBLICLY TRADED CORPORATION SHALL
8 COMPLY WITH THIS SECTION.

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

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

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

5 (d) TO THE EXTENT REQUIRED BY THE STATE LICENSING
6 AUTHORITY, A PUBLICLY TRADED CORPORATION THAT IS A MEDICAL
7 MARIJUANA BUSINESS OR A CONTROLLING BENEFICIAL OWNER SHALL,
8 WITHIN FIVE DAYS AFTER RECEIVING A COMMENT LETTER OR EXCHANGE
9 NOTICE FROM 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, NOTIFY THE STATE
12 LICENSING AUTHORITY THAT THE COMMENT LETTER OR EXCHANGE NOTICE
13 WAS RECEIVED AND PROVIDE A COPY TO THE STATE LICENSING
14 AUTHORITY.

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

26 (4) A PUBLICLY TRADED CORPORATION THAT IS A MEDICAL
27 MARIJUANA BUSINESS OR A CONTROLLING BENEFICIAL OWNER OF FIFTY

1 PERCENT OR MORE OF THE SECURITIES OF A MEDICAL MARIJUANA BUSINESS
2 SHALL INCLUDE AND MAINTAIN AT ALL TIMES IN ITS BYLAWS THE
3 FOLLOWING PROVISIONS:

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

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

25 (c) IF THE STATE LICENSING AUTHORITY AT ANY TIME DETERMINES
26 THAT A HOLDER OF A SECURITY OF THE [NAME OF THE PUBLICLY TRADED
27 CORPORATION] IS UNSUITABLE TO HOLD THE SECURITY, THEN THE [NAME

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

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

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

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

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

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

3 **12-43.3-309. Transfer of ownership.** (2) For a transfer of
4 ownership, OTHER THAN RESALES OR TRANSFERS OF SECURITY IN
5 ORDINARY BROKER TRANSACTIONS BY A BENEFICIAL OWNER OF
6 SECURITIES OF A PUBLICLY TRADED CORPORATION THROUGH AN
7 ESTABLISHED TRADING MARKET, a license holder shall apply to the state
8 and local licensing authorities on forms prepared and furnished by the
9 state licensing authority. In determining whether to permit a transfer of
10 ownership, the state and local licensing authorities shall consider only the
11 requirements of this ~~article~~ ARTICLE 43.3, any rules promulgated by the
12 state licensing authority, and any other local restrictions. The local
13 licensing authority may hold a hearing on the application for transfer of
14 ownership. The local licensing authority shall not hold a hearing pursuant
15 to this subsection (2) until the local licensing authority has posted a notice
16 of hearing in the manner described in section 12-43.3-302 (2) on the
17 licensed medical marijuana center premises for a period of ten days and
18 has provided notice of the hearing to the applicant at least ten days prior
19 to the hearing. Any transfer of ownership hearing by the state licensing
20 authority shall be held in compliance with the requirements specified in
21 section 12-43.3-302.

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

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

27 **12-43.3-310. Licensing in general.** (3) A medical marijuana

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

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

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

25 **12-43.3-407. Medical marijuana business operator license.** A
26 medical marijuana business operator license may be issued to ~~an entity or~~
27 A person ~~who~~ THAT operates a medical marijuana ~~establishment~~ BUSINESS

1 licensed pursuant to this article 43.3, for ~~an owner~~ ANOTHER MEDICAL
2 MARIJUANA BUSINESS licensed pursuant to this article 43.3, and ~~who~~ THAT
3 may receive a portion of the profits as compensation.

4 **SECTION 9.** In Colorado Revised Statutes, 12-43.4-103, **amend**
5 (1), (1.3), (2.5), (13), (17), and (17.5); **repeal** (12.4) and (14.3); and **add**
6 (1.1), (1.2), (1.4), (12.1), (14.2), and (22.5) as follows:

7 **12-43.4-103. Definitions.** As used in this article 43.4, unless the
8 context otherwise requires:

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

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

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

1 (1.3) "Escorted" means appropriately checked into the limited
2 access area and accompanied by a person licensed by the state licensing
3 authority, except that trade craftspeople not normally engaged in the
4 business of cultivating, processing, or selling retail marijuana need not be
5 accompanied on a full-time basis, but only reasonably monitored.

6 "CONTROLLING BENEFICIAL OWNER" MEANS A PERSON THAT:

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

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

13 (c) IS OTHERWISE IN A POSITION TO EXERCISE CONTROL OVER THE
14 RETAIL MARIJUANA ESTABLISHMENT, EXCEPT AS AUTHORIZED BY SECTION
15 12-43.4-407.

16 (1.4) "ESCORTED" MEANS APPROPRIATELY CHECKED INTO THE
17 LIMITED ACCESS AREA AND ACCOMPANIED BY A PERSON LICENSED BY THE
18 STATE LICENSING AUTHORITY; EXCEPT THAT TRADE CRAFTSPEOPLE NOT
19 NORMALLY ENGAGED IN THE BUSINESS OF CULTIVATING, PROCESSING, OR
20 SELLING RETAIL MARIJUANA NEED NOT BE ACCOMPANIED ON A FULL-TIME
21 BASIS, BUT ONLY REASONABLY MONITORED.

22 (2.5) "Indirect beneficial interest owner" means a holder of a
23 permitted economic interest, a recipient of a commercially reasonable
24 royalty associated with the use of intellectual property by a licensee, a
25 licensed employee who receives a share of the profits from an employee
26 benefit plan, a qualified institutional investor, or another similarly
27 situated person or entity as determined by the state licensing authority.

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

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

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

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

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

1 ESTABLISHMENT.

2 (12.4) ~~"Permitted economic interest" means any unsecured~~
3 ~~convertible debt instrument, option agreement, warrant, or any other right~~
4 ~~to obtain an ownership interest when the holder of such interest is a~~
5 ~~natural person who is a lawful United States resident and whose right to~~
6 ~~convert into an ownership interest is contingent on the holder qualifying~~
7 ~~and obtaining a license as an owner under this article or such other~~
8 ~~agreements as may be permitted by rule by the state licensing authority.~~

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

13 (14.2) (a) "PUBLICLY TRADED CORPORATION" MEANS ANY PERSON
14 OTHER THAN AN INDIVIDUAL THAT:

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

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

19 (B) ARE QUALIFIED AND QUOTED ON THE OTCQX TIER OF THE
20 OTC MARKETS, OR ANY LIKE TIER OF ANY SUCCESSOR TO THE
21 ENTITY, IF THE PERSON IS THEN REQUIRED TO FILE REPORTS AND IS FILING
22 REPORTS ON A CURRENT BASIS WITH THE FEDERAL SECURITIES AND
23 EXCHANGE COMMISSION UNDER THE FEDERAL "SECURITIES EXCHANGE
24 ACT OF 1934", AS AMENDED, AS IF THE SECURITIES CONSTITUTED
25 "COVERED SECURITIES" AS DESCRIBED IN SUBSECTION (14.2)(a)(I)(A) OF
26 THIS SECTION;

27 (II) IS A "FOREIGN PRIVATE ISSUER", AS DEFINED IN RULE 405

1 PROMULGATED UNDER THE FEDERAL "SECURITIES ACT OF 1933", AS
2 AMENDED WHOSE SECURITIES ARE EXEMPT FROM REGISTRATION UNDER
3 SECTION 12 OF THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS
4 AMENDED, PURSUANT TO RULE 12g3-2(b) PROMULGATED UNDER THE
5 FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED; OR

6
7 (III) IS IDENTIFIED BY RULE BY THE STATE LICENSING AUTHORITY
8 AS A PUBLICLY TRADED CORPORATION.

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

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

15 (II) A PERSON THAT CONSTITUTES AN "INELIGIBLE ISSUER", AS
16 DEFINED IN 17 CFR 230.405, UNLESS THE PUBLICLY TRADED
17 CORPORATION CONSTITUTES AN INELIGIBLE ISSUER SOLELY AS A RESULT
18 OF EITHER:

19 (A) THE ACT OR ACTS THAT MAKE THE PERSON AN "INELIGIBLE
20 ISSUER" OCCURRED MORE THAN ONE YEAR PRIOR TO APPLYING PURSUANT
21 TO THIS SECTION; OR

22 (B) BEING A COMPANY DESCRIBED IN SUBSECTION (III) OF THE
23 DEFINITION OF "INELIGIBLE ISSUER."

24 (14.3) ~~"Qualified limited passive investor" means a natural person~~
25 ~~who is a United States citizen and is a passive investor who owns less~~
26 ~~than a five percent share or shares of stock in a licensed retail marijuana~~
27 ~~business.~~

1 (17) "Retail marijuana establishment" means ANY OF THE
2 FOLLOWING ENTITIES LICENSED PURSUANT TO THIS ARTICLE 43.4: A retail
3 marijuana store, a retail marijuana cultivation facility, a retail marijuana
4 products manufacturer, ~~or~~ a retail marijuana testing facility, A RETAIL
5 MARIJUANA ESTABLISHMENT OPERATOR, OR A RETAIL MARIJUANA
6 TRANSPORTER.

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

16 (22.5) "SECURITY" MEANS ANY NOTE; STOCK; TREASURY STOCK;
17 BOND; DEBENTURE; EVIDENCE OF INDEBTEDNESS; CERTIFICATE OF
18 INTEREST OR PARTICIPATION IN ANY PROFIT-SHARING AGREEMENT;
19 COLLATERAL-TRUST CERTIFICATE; PREORGANIZATION CERTIFICATE OF
20 SUBSCRIPTION; TRANSFERABLE SHARE; INVESTMENT CONTRACT; VIATICAL
21 SETTLEMENT INVESTMENT; VOTING-TRUST CERTIFICATE; CERTIFICATE OF
22 DEPOSIT FOR A SECURITY; CERTIFICATE OF INTEREST OR PARTICIPATION IN
23 AN OIL, GAS, OR MINING TITLE OR LEASE OR IN PAYMENTS OUT OF
24 PRODUCTION UNDER SUCH A TITLE OR LEASE; OR, IN GENERAL, ANY
25 INTEREST OR INSTRUMENT COMMONLY KNOWN AS A "SECURITY" OR ANY
26 CERTIFICATE OF INTEREST OR PARTICIPATION IN, TEMPORARY OR INTERIM
27 CERTIFICATE FOR, GUARANTEE OF, OR WARRANT OR RIGHT TO SUBSCRIBE

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

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

13 **12-43.4-202. Powers and duties of state licensing authority -**
14 **rules.** (2) The state licensing authority has the authority to:

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

27 (3) (a) Rules promulgated pursuant to subsection (2)(b) of this

1 section must include, but need not be limited to, the following subjects:

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

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

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

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

14 (XXI) OWNERSHIP AND FINANCIAL INTEREST REQUIREMENTS,
15 INCLUDING BUT NOT LIMITED TO:

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

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

24 (b) Rules promulgated pursuant to ~~paragraph (b) of subsection (2)~~
25 ~~SUBSECTION (2)(b)~~ of this section must also include the following
26 subjects:

27 (V) Development of individual identification cards for ~~owners~~,

1 ~~officers~~ CONTROLLING BENEFICIAL OWNERS, managers, contractors,
2 employees, and other support staff of entities licensed pursuant to this
3 ~~article~~ ARTICLE 43.4, including a fingerprint-based criminal history record
4 check as may be required by the state licensing authority prior to issuing
5 a card;

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

9 **12-43.4-306. Persons prohibited as licensees - definitions.**

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

12 (c) A person other than an individual if the criminal history of any
13 of its ~~officers, directors, stockholders, or owners~~ CONTROLLING
14 BENEFICIAL OWNERS indicates that ~~the officer, director, stockholder, or~~
15 ~~owner~~ A CONTROLLING BENEFICIAL OWNER is not of good moral character
16 after considering the factors in section 24-5-101 (2), ~~C.R.S.~~, OR ANY
17 PERSON THAT WOULD BE DISQUALIFIED AS A "BAD ACTOR" UNDER RULE
18 506 (d) PROMULGATED UNDER THE FEDERAL "SECURITIES ACT OF 1933";

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

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

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

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

8 **SECTION 12.** In Colorado Revised Statutes, 12-43.4-306.5,
9 **amend** (1), (3), and (5); **repeal** (2), (4), (6), and (7); and **add** (4.5), (5.5),
10 (5.7), and (6.5) as follows:

11 **12-43.4-306.5. Business and owner requirements - legislative**
12 **declaration.** (1) (a) The general assembly hereby finds and declares that:

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

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

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

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

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

27 (V) Providing access to legitimate sources of capital helps prevent

1 the opportunity for those who engage in illegal activity to gain entry into
2 Colorado's regulated retail marijuana market;

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

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

19 (VIII) COORDINATION BETWEEN THE STATE LICENSING AUTHORITY
20 AND OTHER STATE AND LOCAL LAW ENFORCEMENT AGENCIES SUPPORTS
21 THESE GOALS;

22 (IX) IN THE EVENT THAT PASSAGE OF HOUSE BILL 18-1011,
23 ENACTED IN 2018, LEADS TO AN INCREASE IN GRAY AND BLACK MARKET
24 INVESTIGATIONS, THE DEPARTMENT OF LOCAL AFFAIRS SHOULD CONSIDER
25 CONVENING A STAKEHOLDER PROCESS TO EXAMINE HOW TO IMPROVE LAW
26 ENFORCEMENT ACCESS TO GRANTS FROM THE GRAY AND BLACK MARKET
27 MARIJUANA ENFORCEMENT GRANT PROGRAM CREATED IN SECTION

1 24-32-119, INCLUDING:

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

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

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

8

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

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

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

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

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

22 (b) ~~On and after January 1, 2017, A retail marijuana business that~~
23 ~~is comprised of one or more direct beneficial interest owners who have~~
24 ~~not been Colorado residents for at least one year prior to application shall~~
25 ~~have at least one officer who has been a Colorado resident for at least one~~
26 ~~year prior to application, and all officers with day-to-day operational~~
27 ~~control over the business must be Colorado residents for at least one year~~

1 prior to application. A retail marijuana business under this paragraph (b)
2 is limited to no more than fifteen direct beneficial interest owners,
3 including all parent and subsidiary entities, all of whom are natural
4 persons.

5 (c) Notwithstanding the requirements of paragraph (b) of this
6 subsection (3), the state licensing authority may review the limitation on
7 the number of direct beneficial interest owners and may increase the
8 number of allowable interests above fifteen based on reasonable
9 considerations such as developments in state and federal financial
10 regulations, market conditions, and the licensee's ability to access
11 legitimate sources of capital.

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

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

18 (4.5) PRIOR TO SUBMITTING AN APPLICATION, A PERSON THAT
19 INTENDS TO BECOME A RETAIL MARIJUANA ESTABLISHMENT, A
20 CONTROLLING BENEFICIAL OWNER, OR A PASSIVE BENEFICIAL OWNER
21 SHALL DISCLOSE TO THE STATE LICENSING AUTHORITY A COMPLETE
22 AND ACCURATE LIST OF THE FOLLOWING:

23 (a) ALL OF ITS OFFICERS, DIRECTORS, AND AFFILIATES;

24 (b) ALL OFFICERS, DIRECTORS, AND GREATER-THAN-FIVE-PERCENT
25 BENEFICIAL OWNERS OF ANY OF ITS AFFILIATES;

26 (c) IF IT IS A PUBLICLY TRADED CORPORATION, ALL OF ITS
27 BENEFICIAL OWNERS OF FIVE PERCENT OR MORE OF ITS SECURITIES; AND

1 (d) IF IT IS NOT A PUBLICLY TRADED CORPORATION, ALL OF ITS
2 BENEFICIAL OWNERS.

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

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

23 (c) THE STATE LICENSING AUTHORITY MAY REQUIRE ANY PERSON
24 THAT WAS DISCLOSED OR SHOULD HAVE BEEN DISCLOSED PURSUANT TO
25 SUBSECTION (4.5) OF THIS SECTION TO OBTAIN A FINDING OF
26 SUITABILITY PRIOR TO SUBMISSION OF A RETAIL MARIJUANA
27 ESTABLISHMENT APPLICATION. FAILURE TO PROVIDE ANY INFORMATION

1 REQUESTED IN CONNECTION WITH A FINDING OF SUITABILITY IS GROUNDS
2 FOR DENIAL OF THAT REQUEST FOR A FINDING OF SUITABILITY. ALL
3 INDIVIDUALS MUST OBTAIN ANY REQUIRED FINDING OF SUITABILITY PRIOR
4 TO SUBMITTING A RETAIL MARIJUANA ESTABLISHMENT APPLICATION TO
5 THE STATE LICENSING AUTHORITY. FAILURE OF A PERSON TO OBTAIN ANY
6 REQUIRED FINDING OF SUITABILITY PRIOR TO APPLICATION IS GROUNDS FOR
7 DENIAL OF AN APPLICATION OR SUSPENSION, REVOCATION, OR OTHER
8 SANCTION AGAINST THE LICENSEE BY THE STATE LICENSING AUTHORITY.

9 (5.5) (a) 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 IS GROUNDS FOR DENIAL OF THAT REQUEST FOR A FINDING OF
15 SUITABILITY. FAILURE OF A PERSON TO OBTAIN ANY REQUIRED FINDING OF
16 SUITABILITY MAY BE GROUNDS FOR DENIAL OF AN APPLICATION OR
17 SUSPENSION, REVOCATION, OR OTHER SANCTION OF A AGAINST THE
18 LICENSE BY THE STATE LICENSING AUTHORITY.

19 (b) IN ITS REASONABLE DISCRETION, AT ANY TIME, THE STATE
20 LICENSING AUTHORITY MAY DETERMINE, UPON ITS OWN ACCORD OR ON
21 THE RECOMMENDATION OF THE MARIJUANA ENFORCEMENT DIVISION, THAT
22 THE PUBLIC INTEREST AND THE PURPOSES OF THIS SECTION REQUIRE THAT
23 ANY PERSON WHO HAS A MATERIAL RELATIONSHIP TO, OR MATERIAL
24 INVOLVEMENT WITH, A LICENSEE OR AFFILIATED COMPANY THEREOF MUST
25 APPLY FOR A FINDING OF SUITABILITY BY THE STATE LICENSING
26 AUTHORITY AND REQUIRE A PERSON, OTHER THAN AN INDIVIDUAL, THAT
27 IS PASSIVE BENEFICIAL OWNER TO APPOINT AND MAINTAIN A REGISTERED

1 AGENT AS PROVIDED FOR IN SUBSECTION (6.5) OF THIS SECTION. THE
2 PROVISIONS OF THIS SUBSECTION (5.5)(b) ARE NOT LIMITED TO PERSONS
3 HAVING A DIRECT FINANCIAL INTEREST IN NOR A DIRECT MANAGEMENT
4 ROLE WITH A LICENSEE, NOR TO PERSONS WHO ARE BENEFICIAL OWNERS
5 OF ANY STATED PERCENTAGE OF THE SECURITIES OF A PUBLICLY TRADED
6 CORPORATION.

7 (5.7) IF A REQUIRED FINDING OF SUITABILITY IS NOT COMPLETED
8 WITHIN ONE YEAR FROM THE DATE THE FINDING OF SUITABILITY WAS
9 REQUESTED, THE STATE LICENSING AUTHORITY SHALL INFORM THE
10 APPLICANT OR LICENSEE.

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

13 (6.5) A PERSON, OTHER THAN AN INDIVIDUAL, THAT IS A
14 CONTROLLING BENEFICIAL OWNER SHALL APPOINT AND CONTINUOUSLY
15 MAINTAIN A REGISTERED AGENT WHO SATISFIES THE REQUIREMENTS OF
16 SECTION 7-90-701. THE RETAIL MARIJUANA ESTABLISHMENT SHALL
17 INFORM THE STATE LICENSING AUTHORITY OF A CHANGE IN THE
18 REGISTERED AGENT WITHIN TEN DAYS OF THE CHANGE.

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

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

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

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

27 (d) ~~An investment adviser registered under section 203 of the~~

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

14 **SECTION 13.** In Colorado Revised Statutes, add 12-43.4-306.6

15 as follows:

16 **12-43.4-306.6. Licensure and investment requirements for**

17 **publicly traded corporations.** (1) IN ADDITION TO THE REQUIREMENTS

18 OF SECTION 12-43.4-306.5, ANY APPLICANT, LICENSEE, OR CONTROLLING

19 BENEFICIAL OWNER THAT IS A PUBLICLY TRADED CORPORATION SHALL

20 COMPLY WITH THIS SECTION.

21 (2) (a) A PUBLICLY TRADED CORPORATION THAT IS A RETAIL

22 MARIJUANA ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER

23 SHALL REPORT TO THE STATE LICENSING AUTHORITY WITHIN TEN DAYS

24 AFTER THE ELECTION OR APPOINTMENT, OR RESIGNATION OR REMOVAL, OF

25 ANY DIRECTOR OR OFFICER OF THE PUBLICLY TRADED CORPORATION.

26 (b) TO THE EXTENT REQUIRED BY THE STATE LICENSING

27 AUTHORITY, WHENEVER ANY REPORT, PROXY OR INFORMATION

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

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

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

27 (3) AFTER COMMENCING ANY OFFERING OF A SECURITY, ANY

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

11 (4) A PUBLICLY TRADED CORPORATION THAT IS A RETAIL
12 MARIJUANA ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER OF
13 FIFTY PERCENT OR MORE OF THE SECURITIES OF A RETAIL MARIJUANA
14 ESTABLISHMENT SHALL INCLUDE AND MAINTAIN AT ALL TIMES IN ITS
15 BYLAWS THE FOLLOWING PROVISIONS:

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

26 (b) NO SECURITY ISSUED BY THE [NAME OF THE PUBLICLY TRADED
27 CORPORATION] AND NO INTEREST, CLAIM, OR CHARGE THEREIN OR

1 THERETO SHALL BE TRANSFERRED IN ANY MANNER WHATSOEVER EXCEPT
2 IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 43.4 OF TITLE 12,
3 COLORADO REVISED STATUTES, AND THE RULES PROMULGATED
4 PURSUANT TO THAT ARTICLE 43.3. ANY TRANSFER IN VIOLATION THEREOF
5 SHALL BE VOID UNTIL THE [NAME OF THE PUBLICLY TRADED
6 CORPORATION] CEASES TO BE SUBJECT TO THE JURISDICTION OF THE STATE
7 LICENSING AUTHORITY OR THE STATE LICENSING AUTHORITY, BY
8 AFFIRMATIVE ACTION, VALIDATES SAID TRANSFER OR WAIVES ANY DEFECT
9 IN SAID TRANSFER.

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

1 PUBLICLY TRADED CORPORATION] ENTITLED TO VOTE, AND THE [NAME OF
2 THE PUBLICLY TRADED CORPORATION] SHALL NOT PAY ANY
3 REMUNERATION IN ANY FORM TO THE HOLDER OF THE SECURITY EXCEPT
4 IN EXCHANGE FOR THE SECURITY AS PROVIDED IN THIS SUBSECTION (4)(c).

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

22 (6) A PUBLICLY TRADED CORPORATION SHALL PROVIDE THE STATE
23 LICENSING AUTHORITY WITH A DEPOSIT TO COVER THE DIRECT AND
24 INDIRECT COSTS OF ANY INVESTIGATION NECESSARY TO DETERMINE
25 WHETHER OR NOT ANY REQUIRED FINDING OF SUITABILITY SHALL BE
26 ISSUED. THE STATE LICENSING AUTHORITY MAY MAKE FURTHER RULES
27 REGARDING THE DEPOSIT AND DIRECT AND INDIRECT COSTS THAT SHALL

1 BE BILLED AGAINST THE DEPOSIT.

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

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

15 **12-43.4-308. Transfer of ownership.** (2) For a transfer of
16 ownership, OTHER THAN REALES OR TRANSFERS OF SECURITY IN
17 ORDINARY BROKER TRANSACTIONS BY A BENEFICIAL OWNER OF
18 SECURITIES OF A PUBLICLY TRADED CORPORATION THROUGH AN
19 ESTABLISHED TRADING MARKET, a license holder shall apply to the state
20 licensing authority on forms prepared and furnished by the state licensing
21 authority. Upon receipt of an application for transfer of ownership, the
22 state licensing authority shall submit, within seven days, a copy of the
23 application to the local jurisdiction to determine whether the transfer
24 complies with local restrictions on transfer of ownership. In determining
25 whether to permit a transfer of ownership, the state licensing authority
26 shall consider only the requirements of this ~~article~~ ARTICLE 43.4, any rules
27 promulgated by the state licensing authority, and any other local

1 restrictions. The local jurisdiction may hold a hearing on the application
2 for transfer of ownership. The local jurisdiction shall not hold a hearing
3 pursuant to this subsection (2) until the local jurisdiction has posted a
4 notice of hearing in the manner described in section 12-43.4-302 (1) on
5 the licensed premises for a period of ten days and has provided notice of
6 the hearing to the applicant at least ten days prior to the hearing. Any
7 transfer of ownership hearing by the state licensing authority shall be held
8 in compliance with the requirements specified in section 12-43.4-304.

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

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

14 **12-43.4-309. Licensing in general.** (3) A retail marijuana
15 establishment THAT IS NOT A PUBLICLY TRADED CORPORATION shall notify
16 the state licensing authority in writing of the name, address, and date of
17 birth of ~~an~~ A CONTROLLING BENEFICIAL owner, PASSIVE BENEFICIAL
18 OWNER, officer, or manager before the new CONTROLLING BENEFICIAL
19 owner, PASSIVE BENEFICIAL OWNER, officer, or manager begins managing,
20 owning, or associating with the operation. The CONTROLLING BENEFICIAL
21 owner, PASSIVE BENEFICIAL OWNER, officer, manager, or employee must
22 pass a fingerprint-based criminal history record check as required by the
23 state licensing authority and obtain the required identification prior to
24 being associated with, managing, owning, or working at the operation.

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

27 **12-43.4-407. Retail marijuana business operator license.** A

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

6 SECTION 17. In Colorado Revised Statutes, 12-43.3-306,
7 amend (1) as follows:

8 12-43.3-306. Denial of application. (1) The state licensing
9 authority shall deny a state license if the premises on which the applicant
10 proposes to conduct its business does not meet the requirements of this
11 article or for reasons set forth in section 12-43.3-104 ~~(1.3)(e)~~ (1.4)(c) or
12 12-43.3-305, and the state licensing authority may deny a license for good
13 cause as defined by section 12-43.3-104 ~~(1.3)(a) or (1.3)(b)~~ (1.4)(a) OR
14 (1.4)(b).

15 SECTION 18. Appropriation. (1) For the 2018-19 state fiscal
16 year, \$1,028,722 is appropriated to the department of revenue. This
17 appropriation is from the marijuana cash fund created in section
18 12-43.3-501 (1)(a), C.R.S. To implement this act, the department may use
19 this appropriation as follows:

20 (a) \$867,780 for marijuana enforcement, which amount is based
21 on an assumption that the department will require an additional 7.0 FTE;

22 (b) \$16,020 for vehicle lease payments; and

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

24 (2) For the 2018-19 state fiscal year, \$16,020 is appropriated to
25 the department of personnel. This appropriation is from reappropriated
26 funds received from the department of revenue under subsection (1)(b)
27 of this section. To implement this act, the department of personnel may

1 use this appropriation for vehicle replacement lease/purchase in fleet
2 management program and motor pool services.

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

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

16 **SECTION 19. Act subject to petition - effective date.** This act
17 takes effect January 1, 2019; except that, if a referendum petition is filed
18 pursuant to section 1 (3) of article V of the state constitution against this
19 act or an item, section, or part of this act within the ninety-day period
20 after final adjournment of the general assembly, then the act, item,
21 section, or part will not take effect unless approved by the people at the
22 general election to be held in November 2018 and, in such case, will take
23 effect on January 2, 2019, or on the date of the official declaration of the
24 vote thereon by the governor, whichever is later.