

**First Regular Session  
Seventy-second General Assembly  
STATE OF COLORADO**

**INTRODUCED**

LLS NO. 19-0419.01 Michael Dohr x4347

**HOUSE BILL 19-1090**

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**HOUSE SPONSORSHIP**

**Gray and Van Winkle**, Arndt, Buckner, Buentello, Galindo, Hooton, Larson, Lontine, Melton, Michaelson Jenet, Valdez A.

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**House Committees**

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**A BILL FOR AN ACT**

101 **CONCERNING MEASURES TO ALLOW GREATER INVESTMENT**  
102 **FLEXIBILITY IN MARIJUANA BUSINESSES.**

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**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 repeals the provisions that require limited passive investors to go through an initial background 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 corporations from holding a marijuana license.

The bill creates 2 new ownership licenses, controlling beneficial

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.

owners and passive beneficial owners. The bill gives the state licensing authority rule-making authority related to the parameters of, qualifications of, disclosure of, requirements for, and suitability for the new license types. A controlling beneficial owner is a person that is the beneficial owner of 10% or more of the securities of a marijuana business, is an affiliate, or is otherwise in a position to exercise control of the marijuana business. A passive beneficial owner is a person that is not an affiliate of a marijuana business, has no control over the marijuana business, and owns less than 10% of the securities of a marijuana business.

The bill requires a person intending to apply to become a controlling beneficial owner or passive beneficial owner to receive a finding of suitability or an exemption from the state licensing authority prior to submitting a marijuana business application. When applying for suitability, a person must disclose all of its officers, directors, and affiliates; all controlling beneficial owners; if a publicly traded corporation, all of its controlling beneficial owners of 10% or more; and, if not a publicly traded corporation, all of its officers, directors, beneficial owners, affiliates, and passive beneficial owners. The bill also requires a marijuana business or controlling beneficial owner that is a publicly traded corporation to comply with various notification, disclosure, notice, and suitability requirements. The bill limits the types of publicly traded corporations that can be marijuana businesses or controlling beneficial owners.

Current statutes list areas in which the state licensing authority may adopt rules but does not limit the rules to those areas. The bill limits the state licensing authority's power to adopt rules to those areas listed in statutes.

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

2           **SECTION 1.** In Colorado Revised Statutes, 44-11-104, **amend**  
3 (1), (12), and (21); and **add** (1.2), (1.4), (1.5), (1.6), (11.5), (19.2), (22.7),  
4 (25.5), and (27) as follows:

5           **44-11-104. Definitions.** As used in this article 11, 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~~

1 ~~closely held business entity, or a qualified limited passive investor~~  
2 "AFFILIATE" OF, OR PERSON "AFFILIATED WITH", A SPECIFIED PERSON  
3 MEANS A PERSON THAT CONTROLS, OR IS UNDER COMMON CONTROL WITH,  
4 THE PERSON SPECIFIED.

5 (1.2) "BENEFICIAL OWNER" OF A SECURITY IS DETERMINED IN  
6 ACCORDANCE WITH SECTION 13 (d) OF THE FEDERAL "SECURITIES  
7 EXCHANGE ACT OF 1934", AS AMENDED, AND RULE 13d-3 PROMULGATED  
8 THEREUNDER, OR THE APPLICABLE LAW IN THE DOMICILE OF THE  
9 BENEFICIAL OWNER IF THE BENEFICIAL OWNER IS DOMICILED OUTSIDE OF  
10 THE UNITED STATES.

11 (1.4) "CONTROL", "CONTROLS", "CONTROLLED", "CONTROLLING",  
12 "CONTROLLED BY", AND "UNDER COMMON CONTROL WITH", MEANS THE  
13 POSSESSION OF THE POWER TO DIRECT OR CAUSE THE DIRECTION OF THE  
14 MANAGEMENT OR POLICIES OF A PERSON, WHETHER THROUGH THE  
15 OWNERSHIP OF VOTING SECURITIES, BY CONTRACT, OR OTHERWISE.

16 (1.5) "CONTROLLING BENEFICIAL OWNER" MEANS A PERSON THAT:

17 (a) IS THE BENEFICIAL OWNER OF TEN PERCENT OR MORE OF THE  
18 SECURITIES OF A MEDICAL MARIJUANA BUSINESS;

19 (b) IS AN AFFILIATE OF A MEDICAL MARIJUANA BUSINESS AND  
20 INCLUDES WITHOUT LIMITATION ANY OFFICER, DIRECTOR, MANAGING  
21 MEMBER, GENERAL PARTNER, OR TRUSTEE; OR

22 (c) IS OTHERWISE IN A POSITION TO CONTROL THE MEDICAL  
23 MARIJUANA BUSINESS, EXCEPT AS AUTHORIZED BY SECTION 44-11-407.

24 (1.6) "DIRECT BENEFICIAL INTEREST OWNER" MEANS A PERSON OR  
25 CLOSELY HELD BUSINESS ENTITY THAT OWNS A SHARE OR SHARES OF  
26 STOCK IN A LICENSED MEDICAL MARIJUANA BUSINESS, INCLUDING THE  
27 OFFICERS, DIRECTORS, MANAGING MEMBERS, OR PARTNERS OF THE

1 LICENSED MEDICAL MARIJUANA BUSINESS OR CLOSELY HELD BUSINESS  
2 ENTITY.

3 (11.5) "MEDICAL MARIJUANA BUSINESS" MEANS ANY OF THE  
4 FOLLOWING ENTITIES LICENSED PURSUANT TO THIS ARTICLE 11: A  
5 MEDICAL MARIJUANA CENTER, A MEDICAL MARIJUANA OPTIONAL PREMISES  
6 CULTIVATION OPERATION, A MEDICAL MARIJUANA-INFUSED PRODUCTS  
7 MANUFACTURER, A MEDICAL MARIJUANA TESTING FACILITY, A MEDICAL  
8 MARIJUANA BUSINESS OPERATOR, A MEDICAL MARIJUANA TRANSPORTER,  
9 A MARIJUANA RESEARCH AND DEVELOPMENT FACILITY, OR A MARIJUANA  
10 RESEARCH AND DEVELOPMENT CULTIVATION FACILITY.

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

19 (19.2) "PASSIVE BENEFICIAL OWNER" MEANS A PERSON THAT IS  
20 NOT AN AFFILIATE OF A MEDICAL MARIJUANA BUSINESS, IS NOT OTHERWISE  
21 IN A POSITION TO EXERCISE CONTROL OVER THE MEDICAL MARIJUANA  
22 BUSINESS, AND IS THE BENEFICIAL OWNER OF LESS THAN TEN PERCENT OF  
23 THE SECURITIES OF THE MEDICAL MARIJUANA BUSINESS.

24 (21) "Person" means ~~a natural person~~ AN INDIVIDUAL, A  
25 partnership, association, JOINT-STOCK company, corporation, limited  
26 liability company, or ANY OTHER UNINCORPORATED organization; ~~or a~~  
27 ~~manager, agent, owner, director, servant, officer, or employee thereof~~

1 EXCEPT THAT "PERSON" DOES NOT INCLUDE ANY GOVERNMENTAL  
2 ORGANIZATION.

3 (22.7) "PUBLICLY TRADED CORPORATION" MEANS ANY PERSON  
4 OTHER THAN AN INDIVIDUAL THAT:

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

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

11 (II) IS QUALIFIED AND QUOTED ON THE OTCQX OR OTCQB TIER  
12 OF THE OTC MARKETS, OR ANY LIKE TIER OF ANY SUCCESSOR TO THE  
13 ENTITY, IF THE PERSON IS THEN REQUIRED TO FILE REPORTS AND IS FILING  
14 REPORTS ON A CURRENT BASIS WITH THE FEDERAL SECURITIES AND  
15 EXCHANGE COMMISSION PURSUANT TO THE FEDERAL "SECURITIES  
16 EXCHANGE ACT OF 1934", AS AMENDED, AS IF THE SECURITIES  
17 CONSTITUTED "COVERED SECURITIES" AS DESCRIBED IN SUBSECTION  
18 (22.7)(a)(I) OF THIS SECTION;

19 (b) IS A "FOREIGN PRIVATE ISSUER", AS DEFINED IN RULE 405  
20 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933",  
21 AS AMENDED, WHOSE SECURITIES ARE EXEMPT FROM REGISTRATION  
22 PURSUANT TO SECTION 12 OF THE FEDERAL "SECURITIES EXCHANGE ACT  
23 OF 1934", AS AMENDED, PURSUANT TO RULE 12g3-2(b) PROMULGATED  
24 PURSUANT TO THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS  
25 AMENDED; OR

26 (c) IS REASONABLY IDENTIFIED BY RULE BY THE STATE LICENSING  
27 AUTHORITY AS A PUBLICLY TRADED CORPORATION.

1           (25.5) "SECURITY" MEANS ANY NOTE; STOCK; TREASURY STOCK;  
2 BOND; DEBENTURE; EVIDENCE OF INDEBTEDNESS; CERTIFICATE OF  
3 INTEREST OR PARTICIPATION IN ANY PROFIT-SHARING AGREEMENT;  
4 COLLATERAL-TRUST CERTIFICATE; PREORGANIZATION CERTIFICATE OF  
5 SUBSCRIPTION; TRANSFERABLE SHARE; INVESTMENT CONTRACT; VIATICAL  
6 SETTLEMENT INVESTMENT; VOTING-TRUST CERTIFICATE; CERTIFICATE OF  
7 DEPOSIT FOR A SECURITY; CERTIFICATE OF INTEREST OR PARTICIPATION IN  
8 AN OIL, GAS, OR MINING TITLE OR LEASE OR IN PAYMENTS OUT OF  
9 PRODUCTION UNDER SUCH A TITLE OR LEASE; OR, IN GENERAL, ANY  
10 INTEREST OR INSTRUMENT COMMONLY KNOWN AS A "SECURITY" OR ANY  
11 CERTIFICATE OF INTEREST OR PARTICIPATION IN, TEMPORARY OR INTERIM  
12 CERTIFICATE FOR, GUARANTEE OF, OR WARRANT OR RIGHT TO SUBSCRIBE  
13 TO OR PURCHASE ANY OF THE FOREGOING. "SECURITY" DOES NOT INCLUDE  
14 ANY INSURANCE OR ENDOWMENT POLICY OR ANNUITY CONTRACT UNDER  
15 WHICH AN INSURANCE COMPANY PROMISES TO PAY A SUM OF MONEY  
16 EITHER IN A LUMP SUM OR PERIODICALLY FOR LIFE OR SOME OTHER  
17 SPECIFIED PERIOD. FOR PURPOSES OF THIS ARTICLE 11, AN INVESTMENT  
18 CONTRACT NEED NOT INVOLVE MORE THAN ONE INVESTOR NOR BE LIMITED  
19 TO THOSE CIRCUMSTANCES WHEREIN THERE ARE MULTIPLE INVESTORS  
20 THAT ARE JOINT PARTICIPANTS IN THE SAME ENTERPRISE.

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

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

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

1 (d) Maintain the confidentiality of reports or other information  
2 obtained from a medical or retail licensee containing any individualized  
3 data, information, or records related to the licensee or its operation,  
4 including sales information, financial records, tax returns, credit reports,  
5 cultivation information, testing results, and security information and  
6 plans, or revealing any patient information, or any other records that are  
7 exempt from public inspection pursuant to state law. Such reports or other  
8 information may be used only for a purpose authorized by this article 11  
9 or article 12 of this title 44, FOR INVESTIGATION OR ENFORCEMENT OF ANY  
10 INTERNATIONAL, FEDERAL, STATE, OR LOCAL SECURITIES LAW OR  
11 REGULATIONS, or for any other state or local law enforcement purpose.  
12 Any information released related to patients may be used only for a  
13 purpose authorized by this article 11 or article 12 of this title 44, or to  
14 verify that a person who presented a registry identification card to a state  
15 or local law enforcement official is lawfully in possession of such card.

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

19 (VIII) Development of individual identification cards for ~~owners,~~  
20 ~~officers~~ CONTROLLING BENEFICIAL OWNERS, managers, OFFICERS,  
21 contractors, employees, and other support staff of entities licensed  
22 pursuant to this article 11, including a fingerprint-based criminal history  
23 record check as may be required by the state licensing authority prior to  
24 issuing a card;

25 (XXII) Medical marijuana business operator licensees, including  
26 the form and structure of allowable agreements between operators and  
27 ~~owners~~ THE MEDICAL MARIJUANA BUSINESS BEING OPERATED;

1 (XXX) OWNERSHIP AND FINANCIAL INTEREST DISCLOSURE  
2 REQUIREMENTS, BUT NOT TO ANY EXTENT GREATER THAN AS REQUIRED BY  
3 THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR, IF  
4 APPLICABLE, THE SECURITY LAWS AND THE RULES OF THE EQUIVALENT  
5 REGULATORY BODY OF A NON-UNITED STATES JURISDICTION IF THE PUBLIC  
6 COMPANY IS DOMICILED OUTSIDE OF THE UNITED STATES.

7 (5) THE STATE LICENSING AUTHORITY SHALL PROMULGATE RULES  
8 AND ASSOCIATED FORMS NECESSARY FOR THE ADMINISTRATION OF HOUSE  
9 BILL 19-\_\_\_, ENACTED IN 2019, WITHIN SIXTY DAYS OF THE EFFECTIVE  
10 DATE OF THE BILL.

11 **SECTION 3.** In Colorado Revised Statutes, 44-11-306, **amend**  
12 (1)(c) and (1)(m); **repeal** (1)(n); and **add** (1)(o) and (1)(p) as follows:

13 **44-11-306. Persons prohibited as licensees - definition.** (1) A  
14 license provided by this article 11 shall not be issued to or held by:

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

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

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

26 (o) A PERSON THAT HAS A CONTROLLING BENEFICIAL OWNER THAT  
27 IS FOUND UNSUITABLE BY THE STATE LICENSING AUTHORITY. TO



1 DETERMINE WHETHER A PERSON IS SUITABLE, THE STATE LICENSING  
2 AUTHORITY MAY CONSIDER THE PERSON'S CRIMINAL CHARACTER OR  
3 RECORD OR LICENSING CHARACTER OR RECORD.

4 (p) A PERSON, OTHER THAN AN INDIVIDUAL, ORGANIZED OR  
5 FORMED UNDER THE LAWS OF A COUNTRY DETERMINED BY THE UNITED  
6 STATES SECRETARY OF STATE TO HAVE REPEATEDLY PROVIDED SUPPORT  
7 FOR ACTS OF INTERNATIONAL TERRORISM OR INCLUDED AMONG THE LIST  
8 OF "COVERED COUNTRIES" IN SECTION 1502 OF THE FEDERAL  
9 "DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION  
10 ACT", PUB.L. 111-203.

11 **SECTION 4.** In Colorado Revised Statutes, 44-11-307, **amend**  
12 (1)(a)(II), (1)(a)(IV), (1)(b), (3), and (5); **repeal** (2), (4), and (6); and **add**  
13 (1)(a)(IV.5), (1)(a)(VI), (1)(a)(VII), (1)(a)(VIII), (4.5), (5.5), and (6.5) as  
14 follows:

15 **44-11-307. Business and owner requirements - legislative**  
16 **declaration.** (1) (a) The general assembly hereby finds and declares that:

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

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

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

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

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

23 (b) Therefore, the general assembly is providing a mechanism for  
24 Colorado medical marijuana businesses to access capital from investors  
25 in other states AND FROM CERTAIN PUBLICLY TRADED CORPORATIONS  
26 PURSUANT TO THIS SECTION AND SECTION 44-11-307.5.

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

1 either:

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

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

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

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

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

26 (d) ~~A direct beneficial interest owner that is a closely held  
27 business entity must consist entirely of natural persons who are United~~

1 ~~States citizens prior to the date of the application, including all parent and~~  
2 ~~subsidiary entities.~~

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

6 (4.5) PRIOR TO SUBMITTING AN INITIAL APPLICATION AND AT ANY  
7 TIME THEREAFTER WHEN REASONABLY REQUESTED BY THE STATE  
8 LICENSING AUTHORITY IN ITS REASONABLE DISCRETION, A PERSON THAT  
9 IS OR INTENDS TO BECOME A MEDICAL MARIJUANA BUSINESS SHALL  
10 DISCLOSE TO THE STATE LICENSING AUTHORITY A COMPLETE AND  
11 ACCURATE LIST OF THE FOLLOWING:

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

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

16 (I) IF THE CONTROLLING BENEFICIAL OWNER IS A PUBLICLY  
17 TRADED CORPORATION, ALL OFFICERS, DIRECTORS, AND TEN-PERCENT OR  
18 MORE BENEFICIAL OWNERS; OR

19 (II) IF THE CONTROLLING BENEFICIAL OWNER IS NOT A PUBLICLY  
20 TRADED CORPORATION AND IS NOT AN INDIVIDUAL, ALL OFFICERS AND  
21 DIRECTORS OF THE CONTROLLING BENEFICIAL OWNER.

22 (5) (a) A person ~~who~~ THAT intends to apply as a direct beneficial  
23 ~~interest owner and is not a Colorado resident for at least one year prior to~~  
24 ~~the date of application~~ TO BECOME A CONTROLLING BENEFICIAL OWNER  
25 shall first submit a request to the state licensing authority for a finding of  
26 suitability. ~~as a direct beneficial interest owner. The person shall~~ FAILURE  
27 TO PROVIDE ALL REQUESTED INFORMATION IN CONNECTION WITH A

1 REQUEST FOR A FINDING OF SUITABILITY IS GROUNDS FOR DENIAL OF THAT  
2 FINDING OF SUITABILITY. EVERY PROPOSED CONTROLLING BENEFICIAL  
3 OWNER MUST receive a finding of suitability OR AN EXEMPTION FROM A  
4 FINDING OF SUITABILITY BY THE STATE LICENSING AUTHORITY prior to  
5 submitting an A MEDICAL MARIJUANA BUSINESS application to the state  
6 licensing authority. ~~to be a direct beneficial interest owner~~ Failure to  
7 receive a ~~finding~~ ALL REQUIRED FINDINGS of suitability prior to  
8 application is grounds for denial OF AN APPLICATION OR FOR SUSPENSION,  
9 REVOCATION, OR OTHER SANCTION AGAINST THE LICENSEE by the state  
10 licensing authority.

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

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

1 (d) ABSENT SUBSTANTIAL JUSTIFICATION, THE STATE LICENSING  
2 AUTHORITY SHALL ISSUE A FINDING OF SUITABILITY WITHIN SIXTY DAYS  
3 AFTER THE DATE OF THE APPLICATION.

4 (5.5) IN ITS REASONABLE DISCRETION, AT ANY TIME, THE STATE  
5 LICENSING AUTHORITY MAY REQUIRE ANY PERSON THAT WAS DISCLOSED  
6 OR SHOULD HAVE BEEN DISCLOSED PURSUANT TO THIS SECTION OR  
7 SECTION 44-11-307.5 TO OBTAIN A FINDING OF SUITABILITY. FAILURE TO  
8 PROVIDE ANY INFORMATION REQUESTED IN CONNECTION WITH A FINDING  
9 OF SUITABILITY IS GROUNDS FOR DENIAL OF THAT REQUEST FOR A FINDING  
10 OF SUITABILITY. FAILURE OF A PERSON TO OBTAIN ANY REQUIRED FINDING  
11 OF SUITABILITY MAY BE GROUNDS FOR DENIAL OF AN APPLICATION OR FOR  
12 SUSPENSION, REVOCATION, OR OTHER SANCTION AGAINST THE LICENSE BY  
13 THE STATE LICENSING AUTHORITY.

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

17 (6.5) A PERSON, OTHER THAN AN INDIVIDUAL, THAT IS A  
18 CONTROLLING BENEFICIAL OWNER SHALL APPOINT AND CONTINUOUSLY  
19 MAINTAIN A REGISTERED AGENT THAT SATISFIES THE REQUIREMENTS OF  
20 SECTION 7-90-701. THE MEDICAL MARIJUANA BUSINESS SHALL INFORM  
21 THE STATE LICENSING AUTHORITY OF A CHANGE IN THE REGISTERED  
22 AGENT WITHIN TEN DAYS AFTER THE CHANGE.

23 **SECTION 5.** In Colorado Revised Statutes, **add** 44-11-307.5 as  
24 follows:

25 **44-11-307.5. Licensure and investment requirements for**  
26 **publicly traded corporations.** (1) IN ADDITION TO THE REQUIREMENTS  
27 OF SECTION 44-11-307, ANY LICENSE APPLICANT, LICENSEE, OR

1 CONTROLLING BENEFICIAL OWNER THAT IS A PUBLICLY TRADED  
2 CORPORATION SHALL COMPLY WITH THIS SECTION.

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

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

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

26 (d) TO THE EXTENT REQUIRED BY THE STATE LICENSING  
27 AUTHORITY, 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, A  
4 PUBLICLY TRADED CORPORATION THAT IS A MEDICAL MARIJUANA  
5 BUSINESS OR A CONTROLLING BENEFICIAL OWNER SHALL NOTIFY THE  
6 STATE LICENSING AUTHORITY THAT THE COMMENT LETTER OR EXCHANGE  
7 NOTICE WAS RECEIVED AND PROVIDE A COPY TO THE STATE LICENSING  
8 AUTHORITY.

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

20 (4) A PERSON THAT BECOMES A BENEFICIAL OWNER OF TEN  
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 OF FIFTY PERCENT OR MORE OF A  
24 MEDICAL MARIJUANA BUSINESS MUST APPLY TO THE STATE LICENSING  
25 AUTHORITY FOR A FINDING OF SUITABILITY WITHIN FORTY-FIVE DAYS  
26 AFTER BECOMING SUCH A BENEFICIAL OWNER OR CONTROLLING  
27 BENEFICIAL OWNER. WHEN A PERSON IS OR BECOMES A BENEFICIAL OWNER



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

10 (5) 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 ANY  
13 REQUIRED FINDING OF SUITABILITY. THE STATE LICENSING AUTHORITY  
14 MAY MAKE FURTHER RULES REGARDING THE DEPOSIT AND DIRECT AND  
15 INDIRECT COSTS THAT SHALL BE BILLED AGAINST THE DEPOSIT.

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

27 **SECTION 6.** In Colorado Revised Statutes, 44-11-309, **amend**

1 (2); and **add** (3) as follows:

2 **44-11-309. Transfer of ownership.** (2) For a transfer of  
3 ownership, OTHER THAN RESALES OR TRANSFERS OF SECURITY IN  
4 ORDINARY BROKER TRANSACTIONS BY A BENEFICIAL OWNER OF  
5 SECURITIES OF A PUBLICLY TRADED CORPORATION THROUGH AN  
6 ESTABLISHED TRADING MARKET, a license holder shall apply to the state  
7 and local licensing authorities on forms prepared and furnished by the  
8 state licensing authority. In determining whether to permit a transfer of  
9 ownership, the state and local licensing authorities shall consider only the  
10 requirements of this article 11, any rules promulgated by the state  
11 licensing authority, and any other local restrictions. The local licensing  
12 authority may hold a hearing on the application for transfer of ownership.  
13 The local licensing authority shall not hold a hearing pursuant to this  
14 subsection (2) until the local licensing authority has posted a notice of  
15 hearing in the manner described in section 44-11-302 (2) on the licensed  
16 medical marijuana center premises for a period of ten days and has  
17 provided notice of the hearing to the applicant at least ten days prior to  
18 the hearing. Any transfer of ownership hearing by the state licensing  
19 authority shall be held in compliance with the requirements specified in  
20 section 44-11-302.

21 (3) ANY TRANSFER OF SECURITIES BY A BENEFICIAL OWNER OF A  
22 PUBLICLY TRADED CORPORATION SHALL COMPLY WITH THE PROVISIONS OF  
23 SECTIONS 44-11-307 AND 44-11-307.5.

24 **SECTION 7.** In Colorado Revised Statutes, 44-11-310, **amend**  
25 (3) and (4) as follows:

26 **44-11-310. Licensing in general.** (3) A medical marijuana  
27 center, ~~optional premises cultivation operation, or medical~~

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

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

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

22 **44-11-407. Medical marijuana business operator license.** A  
23 medical marijuana business operator license may be issued to ~~an entity or~~  
24 A person ~~who~~ THAT operates a medical marijuana ~~establishment~~ BUSINESS  
25 licensed pursuant to this article 11 for ~~an owner~~ ANOTHER MEDICAL  
26 MARIJUANA BUSINESS licensed pursuant to this article 11 and ~~who~~ THAT  
27 may receive a portion of the profits as compensation.

1           **SECTION 9.** In Colorado Revised Statutes, 44-12-103, **amend**  
2 (1), (18), and (24); and **add** (1.1), (1.2), (1.3), (1.4), (16.5), (19.5), (32.5),  
3 and (34) as follows:

4           **44-12-103. Definitions.** As used in this article 12, unless the  
5 context otherwise requires:

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

14           (1.1) "BENEFICIAL OWNER" OF A SECURITY IS DETERMINED IN  
15 ACCORDANCE WITH SECTION 13 (d) OF THE FEDERAL "SECURITIES  
16 EXCHANGE ACT OF 1934", AS AMENDED, AND RULE 13d-3 PROMULGATED  
17 THEREUNDER, OR THE APPLICABLE LAW IN THE DOMICILE OF THE  
18 BENEFICIAL OWNER IF THE BENEFICIAL OWNER IS DOMICILED OUTSIDE OF  
19 THE UNITED STATES.

20           (1.2) "CONTROL", "CONTROLS", "CONTROLLED", "CONTROLLING",  
21 "CONTROLLED BY", AND "UNDER COMMON CONTROL WITH", MEANS THE  
22 POSSESSION OF THE POWER TO DIRECT OR CAUSE THE DIRECTION OF THE  
23 MANAGEMENT OR POLICIES OF A PERSON, WHETHER THROUGH THE  
24 OWNERSHIP OF VOTING SECURITIES, BY CONTRACT, OR OTHERWISE.

25           (1.3) "CONTROLLING BENEFICIAL OWNER" MEANS A PERSON THAT:  
26           (a) IS THE BENEFICIAL OWNER OF TEN PERCENT OR MORE OF THE  
27 SECURITIES OF A RETAIL MARIJUANA ESTABLISHMENT;

1 (b) IS AN AFFILIATE OF A RETAIL MARIJUANA ESTABLISHMENT AND  
2 INCLUDES WITHOUT LIMITATION ANY OFFICER, DIRECTOR, MANAGING  
3 MEMBER, GENERAL PARTNER, OR TRUSTEE; OR

4 (c) IS OTHERWISE IN A POSITION TO CONTROL THE RETAIL  
5 MARIJUANA ESTABLISHMENT, EXCEPT AS AUTHORIZED BY SECTION  
6 44-12-407.

7 (1.4) "DIRECT BENEFICIAL INTEREST OWNER" MEANS A PERSON OR  
8 CLOSELY HELD BUSINESS ENTITY THAT OWNS A SHARE OR SHARES OF  
9 STOCK IN A LICENSED RETAIL MARIJUANA ESTABLISHMENT, INCLUDING THE  
10 OFFICERS, DIRECTORS, MANAGING MEMBERS, OR PARTNERS OF THE  
11 LICENSED RETAIL MARIJUANA ESTABLISHMENT OR CLOSELY HELD  
12 BUSINESS ENTITY.

13 (16.5) "PASSIVE BENEFICIAL OWNER" MEANS A PERSON THAT IS  
14 NOT AN AFFILIATE OF A RETAIL MARIJUANA ESTABLISHMENT, IS NOT  
15 OTHERWISE IN A POSITION TO EXERCISE CONTROL OVER THE RETAIL  
16 MARIJUANA ESTABLISHMENT, AND IS THE BENEFICIAL OWNER OF LESS  
17 THAN TEN PERCENT OF THE SECURITIES OF THE RETAIL MARIJUANA  
18 ESTABLISHMENT.

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

23 (19.5) "PUBLICLY TRADED CORPORATION" MEANS ANY PERSON  
24 OTHER THAN AN INDIVIDUAL THAT:

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

1 (I) CONSTITUTES "COVERED SECURITIES" PURSUANT TO SECTION  
2 18 (b)(1)(A) OF THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED;  
3 OR

4 (II) IS QUALIFIED AND QUOTED ON THE OTCQX OR OTCQB TIER  
5 OF THE OTC MARKETS, OR ANY LIKE TIER OF ANY SUCCESSOR TO THE  
6 ENTITY, IF THE PERSON IS THEN REQUIRED TO FILE REPORTS AND IS FILING  
7 REPORTS ON A CURRENT BASIS WITH THE FEDERAL SECURITIES AND  
8 EXCHANGE COMMISSION PURSUANT TO THE FEDERAL "SECURITIES  
9 EXCHANGE ACT OF 1934", AS AMENDED, AS IF THE SECURITIES  
10 CONSTITUTED "COVERED SECURITIES" AS DESCRIBED IN SUBSECTION  
11 (19.5)(a)(I) OF THIS SECTION;

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

19 (c) IS REASONABLY IDENTIFIED BY RULE BY THE STATE LICENSING  
20 AUTHORITY AS A PUBLICLY TRADED CORPORATION.

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

27 (32.5) "SECURITY" MEANS ANY NOTE; STOCK; TREASURY STOCK;

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

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

22 **SECTION 10.** In Colorado Revised Statutes, 44-12-202, **amend**  
23 (3)(a) introductory portion, (3)(a)(III), (3)(a)(XIX), (3)(a)(XXIII),  
24 (3)(a)(XXIV), and (3)(c)(IV); and **add** (3)(a)(XXV) and (6) as follows:

25 **44-12-202. Powers and duties of state licensing authority -**  
26 **rules.** (3) (a) Rules promulgated pursuant to subsection (2)(b) of this  
27 section must ONLY include: ~~but need not be limited to, the following~~

1 subjects:

2 (III) Qualifications for licensure ~~under~~ PURSUANT TO this article  
3 12, 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, OFFICERS, contractors, employees, and  
6 other support staff of entities licensed pursuant to this article 12;

7 (XIX) 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 (XXIII) Requirements for a centralized distribution permit for  
12 retail marijuana cultivation facilities issued pursuant to section 44-12-403  
13 (7), including but not limited to permit application requirements and  
14 privileges and restrictions of a centralized distribution permit; ~~and~~

15 (XXIV) Requirements for issuance of colocation permits to a  
16 marijuana research and development licensee or a marijuana research and  
17 development cultivation licensee authorizing colocation with a retail  
18 marijuana products manufacturing licensed premises, including  
19 application requirements, eligibility, restrictions to prevent  
20 cross-contamination and to ensure physical separation of inventory and  
21 research activities, and other privileges and restrictions of permits; AND

22 (XXV) OWNERSHIP AND FINANCIAL INTEREST DISCLOSURE  
23 REQUIREMENTS, BUT NOT TO ANY EXTENT GREATER THAN AS REQUIRED BY  
24 THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR, IF  
25 APPLICABLE, THE SECURITY LAWS AND THE RULES OF THE EQUIVALENT  
26 REGULATORY BODY OF A NON-UNITED STATES JURISDICTION IF THE PUBLIC  
27 COMPANY IS DOMICILED OUTSIDE OF THE UNITED STATES.



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

3 (IV) Development of individual identification cards for ~~owners,~~  
4 ~~officers~~ CONTROLLING BENEFICIAL OWNERS, managers, contractors,  
5 employees, and other support staff of entities licensed pursuant to this  
6 article 12, including a fingerprint-based criminal history record check as  
7 may be required by the state licensing authority prior to issuing a card;

8 (6) THE STATE LICENSING AUTHORITY SHALL PROMULGATE RULES  
9 AND ASSOCIATED FORMS NECESSARY FOR THE ADMINISTRATION OF HOUSE  
10 BILL 19-\_\_\_, ENACTED IN 2019. WITHIN SIXTY DAYS OF THE EFFECTIVE  
11 DATE OF THE BILL.

12 **SECTION 11.** In Colorado Revised Statutes, 44-12-305, **amend**  
13 (1)(c) and (1)(j); **repeal** (1)(k); and **add** (1)(l) and (1)(m) as follows:

14 **44-12-305. Persons prohibited as licensees - definition.** (1) A  
15 license provided by this article 12 shall not be issued to or held by:

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

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

26 (k) ~~A publicly traded company.~~

27 (l) A PERSON THAT HAS A CONTROLLING BENEFICIAL OWNER THAT

1 IS FOUND UNSUITABLE BY THE STATE LICENSING AUTHORITY. TO  
2 DETERMINE WHETHER A PERSON IS SUITABLE, THE STATE LICENSING  
3 AUTHORITY MAY CONSIDER A PERSON'S CRIMINAL CHARACTER OR RECORD  
4 OR LICENSING CHARACTER OR RECORD.

5 (m) A PERSON, OTHER THAN AN INDIVIDUAL, ORGANIZED OR  
6 FORMED UNDER THE LAWS OF A COUNTRY DETERMINED BY THE UNITED  
7 STATES SECRETARY OF STATE TO HAVE REPEATEDLY PROVIDED SUPPORT  
8 FOR ACTS OF INTERNATIONAL TERRORISM OR INCLUDED AMONG THE LIST  
9 OF "COVERED COUNTRIES" IN SECTION 1502 OF THE FEDERAL  
10 "DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION  
11 ACT", PUB.L. 111-203.

12 **SECTION 12.** In Colorado Revised Statutes, 44-12-306, **amend**  
13 (1)(a)(II), (1)(a)(IV), (1)(b), (3), and (5); **repeal** (2), (4), and (6); and **add**  
14 (1)(a)(IV.5), (1)(a)(VI), (1)(a)(VII), (1)(a)(VIII), (4.5), (5.5), and (6.5) as  
15 follows:

16 **44-12-306. Business and owner requirements - legislative**  
17 **declaration - definition.** (1) (a) The general assembly hereby finds and  
18 declares that:

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

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

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

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

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

23 (VIII) COORDINATION BETWEEN THE STATE LICENSING AUTHORITY  
24 AND OTHER STATE AND LOCAL LAW ENFORCEMENT AGENCIES SUPPORTS  
25 THESE GOALS.

26 (b) Therefore, the general assembly is providing a mechanism for  
27 Colorado retail marijuana ~~businesses~~ ESTABLISHMENTS to access capital

1 from investors in other states AND FROM CERTAIN PUBLICLY TRADED  
2 CORPORATIONS PURSUANT TO THIS SECTION AND SECTION 44-12-306.5.

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

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

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

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

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

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

1 capital.

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

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

8 (4.5) PRIOR TO SUBMITTING AN INITIAL APPLICATION AND AT ANY  
9 TIME THEREAFTER WHEN REASONABLY REQUESTED BY THE STATE  
10 LICENSING AUTHORITY IN ITS REASONABLE DISCRETION, A PERSON THAT  
11 IS OR INTENDS TO BECOME A RETAIL MARIJUANA ESTABLISHMENT SHALL  
12 DISCLOSE TO THE STATE LICENSING AUTHORITY A COMPLETE AND  
13 ACCURATE LIST OF THE FOLLOWING:

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

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

18 (I) IF THE CONTROLLING BENEFICIAL OWNER IS A PUBLICLY  
19 TRADED CORPORATION, ALL OFFICERS, DIRECTORS, TEN-PERCENT OR MORE  
20 BENEFICIAL OWNERS; OR

21 (II) IF THE CONTROLLING BENEFICIAL OWNER IS NOT A PUBLICLY  
22 TRADED CORPORATION AND IS NOT AN INDIVIDUAL, ALL OFFICERS AND  
23 DIRECTORS OF THE CONTROLLING BENEFICIAL OWNER.

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 FOR SUSPENSION,  
11 REVOCATION, 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 SUITABILITY  
20 PRIOR TO SUBMISSION OF A RETAIL MARIJUANA ESTABLISHMENT  
21 APPLICATION. FAILURE TO PROVIDE ANY INFORMATION REQUESTED IN  
22 CONNECTION WITH A FINDING OF SUITABILITY IS GROUNDS FOR DENIAL OF  
23 THAT REQUEST FOR A FINDING OF SUITABILITY. ALL INDIVIDUALS MUST  
24 OBTAIN ANY REQUIRED FINDING OF SUITABILITY PRIOR TO SUBMITTING A  
25 RETAIL MARIJUANA ESTABLISHMENT APPLICATION TO THE STATE  
26 LICENSING AUTHORITY. FAILURE OF A PERSON TO OBTAIN ANY REQUIRED  
27 FINDING OF SUITABILITY PRIOR TO APPLICATION IS GROUNDS FOR DENIAL

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

3 (d) ABSENT SUBSTANTIAL JUSTIFICATION, THE STATE LICENSING  
4 AUTHORITY SHALL ISSUE A FINDING OF SUITABILITY WITHIN SIXTY DAYS  
5 AFTER THE DATE OF THE APPLICATION.

6 (5.5) IN ITS REASONABLE DISCRETION, AT ANY TIME, THE STATE  
7 LICENSING AUTHORITY MAY REQUIRE ANY PERSON THAT WAS DISCLOSED  
8 OR SHOULD HAVE BEEN DISCLOSED PURSUANT TO THIS SECTION OR  
9 SECTION 44-12-306.5 TO OBTAIN A FINDING OF SUITABILITY. FAILURE TO  
10 PROVIDE ANY INFORMATION REQUESTED IN CONNECTION WITH A FINDING  
11 OF SUITABILITY IS GROUNDS FOR DENIAL OF THAT REQUEST FOR A FINDING  
12 OF SUITABILITY. FAILURE OF A PERSON TO OBTAIN ANY REQUIRED FINDING  
13 OF SUITABILITY MAY BE GROUNDS FOR DENIAL OF AN APPLICATION OR FOR  
14 SUSPENSION, REVOCATION, OR OTHER SANCTION AGAINST THE LICENSE BY  
15 THE STATE LICENSING AUTHORITY.

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

18 (6.5) A PERSON, OTHER THAN AN INDIVIDUAL, THAT IS A  
19 CONTROLLING BENEFICIAL OWNER SHALL APPOINT AND CONTINUOUSLY  
20 MAINTAIN A REGISTERED AGENT THAT SATISFIES THE REQUIREMENTS OF  
21 SECTION 7-90-701. THE RETAIL MARIJUANA ESTABLISHMENT SHALL  
22 INFORM THE STATE LICENSING AUTHORITY OF A CHANGE IN THE  
23 REGISTERED AGENT WITHIN TEN DAYS AFTER THE CHANGE.

24 **SECTION 13.** In Colorado Revised Statutes, **add** 44-12-306.5 as  
25 follows:

26 **44-12-306.5. Licensure and investment requirements for**  
27 **publicly traded corporations.** (1) IN ADDITION TO THE REQUIREMENTS

1 OF SECTION 44-12-306, ANY LICENSE APPLICANT, LICENSEE, OR  
2 CONTROLLING BENEFICIAL OWNER THAT IS A PUBLICLY TRADED  
3 CORPORATION SHALL COMPLY WITH THIS SECTION.

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

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

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

27 (d) TO THE EXTENT REQUIRED BY THE STATE LICENSING



1 AUTHORITY, WITHIN FIVE DAYS AFTER RECEIVING A COMMENT LETTER OR  
2 EXCHANGE NOTICE FROM THE FEDERAL SECURITIES AND EXCHANGE  
3 COMMISSION OR OTHER APPLICABLE SECURITIES EXCHANGE, OR, IN THE  
4 CASE OF A FOREIGN PRIVATE ISSUER, ANY SIMILAR REGULATORY BODY, A  
5 PUBLICLY TRADED CORPORATION THAT IS A RETAIL MARIJUANA  
6 ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER SHALL NOTIFY  
7 THE STATE LICENSING AUTHORITY THAT THE COMMENT LETTER OR  
8 EXCHANGE NOTICE WAS RECEIVED AND PROVIDE A COPY TO THE STATE  
9 LICENSING AUTHORITY.

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

21 (4) A PERSON THAT BECOMES A BENEFICIAL OWNER OF TEN  
22 PERCENT OR MORE OF ANY CLASS OF SECURITY IN A PUBLICLY TRADED  
23 CORPORATION THAT IS A RETAIL MARIJUANA ESTABLISHMENT OR A  
24 CONTROLLING BENEFICIAL OWNER OF FIFTY PERCENT OR MORE OF A RETAIL  
25 MARIJUANA ESTABLISHMENT MUST APPLY TO THE STATE LICENSING  
26 AUTHORITY FOR A FINDING OF SUITABILITY WITHIN FORTY-FIVE DAYS  
27 AFTER BECOMING SUCH A BENEFICIAL OWNER OR CONTROLLING

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

11 (5) A PUBLICLY TRADED CORPORATION SHALL PROVIDE THE STATE  
12 LICENSING AUTHORITY WITH A DEPOSIT TO COVER THE DIRECT AND  
13 INDIRECT COSTS OF ANY INVESTIGATION NECESSARY TO DETERMINE ANY  
14 REQUIRED FINDING OF SUITABILITY. THE STATE LICENSING AUTHORITY  
15 MAY MAKE FURTHER RULES REGARDING THE DEPOSIT AND DIRECT AND  
16 INDIRECT COSTS THAT SHALL BE BILLED AGAINST THE DEPOSIT.

17 (6) IT IS GROUNDS FOR DENIAL OF A LICENSE OR FOR DISCIPLINARY  
18 ACTION IF ANY PERSON, IN CONNECTION WITH THE PURCHASE OR SALE OF  
19 ANY SECURITY ISSUED BY A RETAIL MARIJUANA ESTABLISHMENT 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 PURSUANT TO SECTION  
26 10 (b) OF THE "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, OR  
27 SECTION 11-51-501.

1           **SECTION 14.** In Colorado Revised Statutes, 44-12-308, **amend**  
2 (2); and **add** (3) as follows:

3           **44-12-308. Transfer of ownership.** (2) For a transfer of  
4 ownership, OTHER THAN REALES 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 licensing authority on forms prepared and furnished by the state licensing  
9 authority. Upon receipt of an application for transfer of ownership, the  
10 state licensing authority shall submit, within seven days, a copy of the  
11 application to the local jurisdiction to determine whether the transfer  
12 complies with local restrictions on transfer of ownership. In determining  
13 whether to permit a transfer of ownership, the state licensing authority  
14 shall consider only the requirements of this article 12, any rules  
15 promulgated by the state licensing authority, and any other local  
16 restrictions. The local jurisdiction may hold a hearing on the application  
17 for transfer of ownership. The local jurisdiction shall not hold a hearing  
18 pursuant to this subsection (2) until the local jurisdiction has posted a  
19 notice of hearing in the manner described in section 44-12-302 (1) on the  
20 licensed premises for a period of ten days and has provided notice of the  
21 hearing to the applicant at least ten days prior to the hearing. Any transfer  
22 of ownership hearing by the state licensing authority shall be held in  
23 compliance with the requirements specified in section 44-12-303.

24           (3) ANY TRANSFER OF SECURITIES BY A BENEFICIAL OWNER OF A  
25 PUBLICLY TRADED CORPORATION SHALL COMPLY WITH THE PROVISIONS OF  
26 SECTIONS 44-12-306 AND 44-12-306.5.

27           **SECTION 15.** In Colorado Revised Statutes, 44-12-309, **amend**

1 (3) as follows:

2 **44-12-309. Licensing in general.** (3) A retail marijuana  
3 establishment THAT IS NOT A PUBLICLY TRADED CORPORATION shall notify  
4 the state licensing authority in writing of the name, address, and date of  
5 birth of ~~an~~ A CONTROLLING BENEFICIAL owner OR officer ~~or manager~~  
6 before the new CONTROLLING BENEFICIAL owner or officer ~~or manager~~  
7 begins managing, owning, or associating with the operation. The  
8 CONTROLLING BENEFICIAL owner, officer, ~~manager~~, or employee must  
9 pass a fingerprint-based criminal history record check as required by the  
10 state licensing authority and obtain the required identification prior to  
11 being associated with, managing, owning, or working at the operation.

12 **SECTION 16.** In Colorado Revised Statutes, **amend** 44-12-407  
13 as follows:

14 **44-12-407. Retail marijuana business operator license.** A retail  
15 marijuana business operator license may be issued to a person ~~who~~ THAT  
16 operates a retail marijuana establishment licensed pursuant to this article  
17 12, for ~~an owner~~ ANOTHER RETAIL MARIJUANA ESTABLISHMENT licensed  
18 pursuant to this article 12, and who may receive a portion of the profits  
19 as compensation.

20 **SECTION 17. Applicability.** This act applies to applications  
21 made on or after July 1, 2019.

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