

**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,

SENATE SPONSORSHIP

Neville T. and Jahn,

House Committees

Finance
Appropriations

Senate Committees

A BILL FOR AN ACT

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

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 check. The bill repeals the provisions that limit the number of out-of-state

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.

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" IS A HOLDER OF A SECURITY IN
17 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", AND "CONTROLLED BY AND UNDER
22 COMMON CONTROL WITH", MEANS THE POSSESSION, DIRECT OR INDIRECT,

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

4 (1.3) "Good cause", for purposes of refusing or denying a license
5 renewal, reinstatement, or initial license issuance, means "CONTROLLING
6 BENEFICIAL OWNER" MEANS A PERSON THAT:

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

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

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

25 (1.4) "GOOD CAUSE", FOR PURPOSES OF REFUSING OR DENYING A
26 LICENSE RENEWAL, REINSTATEMENT, OR INITIAL LICENSE ISSUANCE,
27 MEANS:

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

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

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

14 (1.7) ~~"Indirect beneficial interest owner" means a holder of a~~
15 ~~permitted economic interest, a recipient of a commercially reasonable~~
16 ~~royalty associated with the use of intellectual property by a licensee, a~~
17 ~~licensed employee who receives a share of the profits from an employee~~
18 ~~benefit plan, a qualified institutional investor, or another similarly~~
19 ~~situated person or entity as determined by the state licensing authority.~~

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

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

27 (b) HOLDS A PERMITTED ECONOMIC INTEREST THAT WAS ISSUED

1 PRIOR TO JANUARY 1, 2019, AND THAT HAS NOT BEEN CONVERTED INTO AN
2 OWNERSHIP INTEREST; OR

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

14 (7.3) "MEDICAL MARIJUANA BUSINESS" MEANS A MEDICAL
15 MARIJUANA CENTER, A MEDICAL MARIJUANA OPTIONAL PREMISES
16 CULTIVATION OPERATION, A MEDICAL MARIJUANA-INFUSED PRODUCTS
17 MANUFACTURER, A MEDICAL MARIJUANA TESTING FACILITY, A MEDICAL
18 MARIJUANA BUSINESS OPERATOR, OR A MEDICAL MARIJUANA
19 TRANSPORTER.

20 (7.5) "Medical marijuana business operator" means ~~an entity or a~~
21 ~~person who is not an owner and who~~ THAT is licensed to provide
22 professional operational services to a medical marijuana ~~establishment~~
23 BUSINESS for direct remuneration from the medical marijuana
24 ~~establishment~~ BUSINESS. A MEDICAL MARIJUANA BUSINESS OPERATOR IS
25 NOT A CONTROLLING BENEFICIAL OWNER, A PASSIVE BENEFICIAL OWNER,
26 OR AN INDIRECT FINANCIAL INTEREST HOLDER OF ANY MEDICAL
27 MARIJUANA BUSINESS IT OPERATES.

1 (12.1) "PASSIVE BENEFICIAL OWNER" MEANS A PERSON THAT IS
2 NOT AN AFFILIATE OF A MEDICAL MARIJUANA BUSINESS, IS NOT OTHERWISE
3 IN A POSITION TO EXERCISE CONTROL OVER THE MEDICAL MARIJUANA
4 BUSINESS, AND IS THE BENEFICIAL OWNER OF LESS THAN FIVE PERCENT OF
5 THE SECURITIES OF THE MEDICAL MARIJUANA BUSINESS.

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

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

19 (14.2) "PUBLICLY TRADED CORPORATION" MEANS ANY PERSON
20 OTHER THAN AN INDIVIDUAL THAT:

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

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

25 (II) ARE QUALIFIED AND LISTED FOR TRADING ON THE OTCQX
26 TIER OR OTCQB TIER OF THE OTC MARKETS, OR ANY LIKE TIER OF ANY
27 SUCCESSOR TO THE ENTITY, IF THE PERSON IS THEN REQUIRED TO FILE

1 REPORTS WITH THE FEDERAL SECURITIES AND EXCHANGE COMMISSION
2 UNDER THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS
3 AMENDED, AS IF THE LISTED SECURITIES CONSTITUTED "COVERED
4 SECURITIES" OR VOLUNTARILY DOES SO;

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

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

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

15 (14.3) ~~"Qualified limited passive investor" means a natural person~~
16 ~~who is a United States citizen and is a passive investor who owns less~~
17 ~~than a five percent share or shares of stock in a licensed medical~~
18 ~~marijuana business.~~

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

1 INTEREST OR INSTRUMENT COMMONLY KNOWN AS A "SECURITY" OR ANY
2 CERTIFICATE OF INTEREST OR PARTICIPATION IN, TEMPORARY OR INTERIM
3 CERTIFICATE FOR, GUARANTEE OF, OR WARRANT OR RIGHT TO SUBSCRIBE
4 TO OR PURCHASE ANY OF THE FOREGOING. "SECURITY" DOES NOT INCLUDE
5 ANY INSURANCE OR ENDOWMENT POLICY OR ANNUITY CONTRACT UNDER
6 WHICH AN INSURANCE COMPANY PROMISES TO PAY A SUM OF MONEY
7 EITHER IN A LUMP SUM OR PERIODICALLY FOR LIFE OR SOME OTHER
8 SPECIFIED PERIOD. FOR PURPOSES OF THIS ARTICLE 43.3, AN "INVESTMENT
9 CONTRACT" NEED NOT INVOLVE MORE THAN ONE INVESTOR NOR BE
10 LIMITED TO THOSE CIRCUMSTANCES WHEREIN THERE ARE MULTIPLE
11 INVESTORS WHO ARE JOINT PARTICIPANTS IN THE SAME ENTERPRISE.

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

15 **12-43.3-202. Powers and duties of state licensing authority -**
16 **rules.** (2) (a) Rules promulgated pursuant to subsection (1)(b) of this
17 section may include, but need not be limited to, the following subjects:

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

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

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

3 (XXIII) OWNERSHIP AND FINANCIAL INTEREST REQUIREMENTS,
4 INCLUDING BUT NOT LIMITED TO:

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

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

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

16 **12-43.3-307. Persons prohibited as licensees.** (1) A license
17 provided by this ~~article~~ ARTICLE 43.3 shall not be issued to or held by:

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

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

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

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

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

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

18 **12-43.3-307.5. Business and owner requirements - legislative**
19 **declaration.** (1) (a) The general assembly hereby finds and declares that:

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

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

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

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

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

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

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

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

25 (b) Therefore, the general assembly is providing a mechanism for
26 Colorado medical marijuana businesses to access capital from investors
27 in other states AND FROM CERTAIN PUBLICLY TRADED CORPORATIONS

1 PURSUANT TO THIS SECTION AND SECTION 12-43.3-307.6.

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

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

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

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

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

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

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

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

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

12 (a) ALL OF ITS BENEFICIAL OWNERS OF FIVE PERCENT OR MORE OF
13 ITS SECURITIES;

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

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

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 prior to submitting ~~an~~ A MEDICAL MARIJUANA
27 BUSINESS application to the state licensing authority. ~~to be a direct~~

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

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

9 (c) IN ADDITION TO THE REQUIREMENTS OF SUBSECTION (5)(a) OF
10 THIS SECTION, FOLLOWING THE DISCLOSURE REQUIRED BY SUBSECTION
11 (4.5) OF THIS SECTION, THE STATE LICENSING AUTHORITY SHALL
12 DETERMINE WHICH INDIVIDUAL CONTROLLING BENEFICIAL OWNERS AND
13 AFFILIATES OF EACH CONTROLLING BENEFICIAL OWNER ARE REQUIRED TO
14 OBTAIN A FINDING OF SUITABILITY PRIOR TO SUBMISSION OF A MEDICAL
15 MARIJUANA BUSINESS APPLICATION. FAILURE TO PROVIDE ANY
16 INFORMATION REQUESTED IN CONNECTION WITH A FINDING OF SUITABILITY
17 MAY ALSO BE GROUNDS FOR DENIAL OF THAT REQUEST FOR FINDING OF
18 SUITABILITY. ALL INDIVIDUALS SHALL OBTAIN ANY REQUIRED FINDING OF
19 SUITABILITY PRIOR TO SUBMITTING A MEDICAL MARIJUANA BUSINESS
20 APPLICATION TO THE STATE LICENSING AUTHORITY.

21 (5.5) IN ITS REASONABLE DISCRETION, AT ANY TIME, THE STATE
22 LICENSING AUTHORITY MAY REQUIRE ANY PERSON THAT WAS DISCLOSED
23 OR SHOULD HAVE BEEN DISCLOSED UNDER THIS SECTION OR SECTION
24 12-43.3-307.6 TO OBTAIN A FINDING OF SUITABILITY. FAILURE TO PROVIDE
25 ANY INFORMATION REQUESTED IN CONNECTION WITH A FINDING OF
26 SUITABILITY MAY ALSO BE GROUNDS FOR DENIAL OF THAT REQUEST FOR
27 FINDING OF SUITABILITY. FAILURE OF A PERSON TO OBTAIN ANY REQUIRED

1 FINDING OF SUITABILITY MAY BE GROUNDS FOR DENIAL OF AN
2 APPLICATION OR SUSPENSION, REVOCATION, OR OTHER SANCTION OF A
3 LICENSE.

4 (5.7) IF A REQUIRED FINDING OF SUITABILITY IS NOT COMPLETED
5 WITHIN ONE YEAR FROM THE DATE THE FINDING OF SUITABILITY WAS
6 REQUESTED, THE STATE LICENSING AUTHORITY SHALL INFORM THE
7 APPLICANT OR LICENSEE.

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

11 (6.5) A PERSON, OTHER THAN AN INDIVIDUAL, THAT IS A
12 CONTROLLING BENEFICIAL OWNER SHALL APPOINT AND CONTINUOUSLY
13 MAINTAIN A REGISTERED AGENT WHO SATISFIES THE REQUIREMENTS OF
14 SECTION 7-90-701. THE MEDICAL MARIJUANA BUSINESS SHALL INFORM
15 THE STATE LICENSING AUTHORITY OF A CHANGE IN THE REGISTERED
16 AGENT WITHIN TEN DAYS OF THE CHANGE.

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

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

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

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

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

27 ~~(e) Collective trust funds as defined in section 3(c)(11) of the~~

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

12 **SECTION 5.** In Colorado Revised Statutes, **add** 12-43.3-307.6

13 as follows:

14 **12-43.3-307.6. Licensure and investment requirements for**

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

16 OF SECTION 12-43.3-307.5, ANY LICENSEE OR CONTROLLING BENEFICIAL

17 OWNER THAT IS A PUBLICLY TRADED CORPORATION SHALL COMPLY WITH

18 THIS SECTION.

19 (2) (a) A PUBLICLY TRADED CORPORATION THAT IS A MEDICAL

20 MARIJUANA BUSINESS OR A CONTROLLING BENEFICIAL OWNER SHALL

21 REPORT TO THE STATE LICENSING AUTHORITY WITHIN TEN DAYS AFTER THE

22 ELECTION OR APPOINTMENT, OR RESIGNATION OR REMOVAL, OF ANY

23 DIRECTOR OR OFFICER OF THE PUBLICLY TRADED CORPORATION.

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

25 AUTHORITY, WHENEVER ANY REPORT, PROXY OR INFORMATION

26 STATEMENT, REGISTRATION STATEMENT, SCHEDULE, OR OTHER FILING IS

27 MADE WITH THE FEDERAL SECURITIES AND EXCHANGE COMMISSION OR

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

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

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

25 (3) AFTER COMMENCING ANY OFFERING OF A SECURITY, ANY
26 PUBLICLY TRADED CORPORATION THAT IS A MEDICAL MARIJUANA
27 BUSINESS, A CONTROLLING BENEFICIAL OWNER, OR A PASSIVE BENEFICIAL

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

9 (4) A PUBLICLY TRADED CORPORATION THAT IS A MEDICAL
10 MARIJUANA BUSINESS OR A CONTROLLING BENEFICIAL OWNER OF FIFTY
11 PERCENT OR MORE OF THE SECURITIES OF A MEDICAL MARIJUANA BUSINESS
12 SHALL INCLUDE IN ITS BYLAWS THE FOLLOWING PROVISIONS:

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

23 (b) NO SECURITY ISSUED BY THE [NAME OF THE PUBLICLY TRADED
24 CORPORATION] AND NO INTEREST, CLAIM, OR CHARGE THEREIN OR
25 THERETO SHALL BE TRANSFERRED IN ANY MANNER WHATSOEVER EXCEPT
26 IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 43.3 OF TITLE 12,
27 COLORADO REVISED STATUTES, AND THE RULES PROMULGATED

1 PURSUANT TO THAT ARTICLE 43.3. ANY TRANSFER IN VIOLATION THEREOF
2 SHALL BE VOID UNTIL THE [NAME OF THE PUBLICLY TRADED
3 CORPORATION] CEASES TO BE SUBJECT TO THE JURISDICTION OF THE STATE
4 LICENSING AUTHORITY OR THE STATE LICENSING AUTHORITY, BY
5 AFFIRMATIVE ACTION, VALIDATES SAID TRANSFER OR WAIVES ANY DEFECT
6 IN SAID TRANSFER.

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

1 IN EXCHANGE FOR THE SECURITY AS PROVIDED IN THIS SUBSECTION (4)(c).

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

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

26 (7) IT IS GROUNDS FOR DENIAL OF A LICENSE OR DISCIPLINARY
27 ACTION IF ANY PERSON, IN CONNECTION WITH THE PURCHASE OR SALE OF

1 ANY SECURITY ISSUED BY A MEDICAL MARIJUANA BUSINESS OR A
2 CONTROLLING BENEFICIAL OWNER, IS FOUND GUILTY OF, PLEADS NOLO
3 CONTENDERE TO, IS SUBJECT TO A FINAL CEASE AND DESIST ORDER WITH
4 RESPECT TO A PERMANENT INJUNCTION OR ORDER OF PERMANENT
5 INJUNCTION ISSUED ON THE BASIS OF, OR IS THE SUBJECT OF A SIMILAR
6 FINAL ACTION TAKEN ON THE BASIS OF, A VIOLATION OF RULE 10b-5
7 PROMULGATED BY THE FEDERAL SECURITIES AND EXCHANGE COMMISSION
8 UNDER SECTION 10 (b) OF THE "SECURITIES EXCHANGE ACT OF 1934", AS
9 AMENDED, OR SECTION 11-51-501.

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

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

1 requirements specified in section 12-43.3-302.

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

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

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

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

1 the required identification prior to being associated with, managing,
2 owning, or working at the operation.

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

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

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

14 **12-43.4-103. Definitions.** As used in this article 43.4, unless the
15 context otherwise requires:

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

25 (1.1) **"BENEFICIAL OWNER" IS A HOLDER OF A SECURITY IN**
26 **ACCORDANCE WITH SECTION 13 (d) OF THE FEDERAL "SECURITIES**
27 **EXCHANGE ACT OF 1934", AS AMENDED, AND RULE 13d-3 PROMULGATED**

1 THEREUNDER.

2 (1.2) "CONTROL", INCLUDING THE TERMS "CONTROLS",
3 "CONTROLLED", "CONTROLLING", AND "CONTROLLED BY AND UNDER
4 COMMON CONTROL WITH", MEANS THE POSSESSION, DIRECT OR INDIRECT,
5 OF THE POWER TO DIRECT OR CAUSE THE DIRECTION OF THE MANAGEMENT
6 OR POLICIES OF A PERSON, WHETHER THROUGH THE OWNERSHIP OF VOTING
7 SECURITIES, BY CONTRACT, OR OTHERWISE.

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

13 "CONTROLLING BENEFICIAL OWNER" MEANS A PERSON THAT:

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

16 (b) IS AN AFFILIATE, WHICH INCLUDES WITHOUT LIMITATION ANY
17 OFFICER, DIRECTOR, MANAGING MEMBER, GENERAL PARTNER, OR TRUSTEE
18 OF A RETAIL MARIJUANA ESTABLISHMENT OR OF ANY OTHER CONTROLLING
19 BENEFICIAL OWNER OF A RETAIL MARIJUANA ESTABLISHMENT; OR

20 (c) IS OTHERWISE IN A POSITION TO EXERCISE CONTROL OF THE
21 RETAIL MARIJUANA ESTABLISHMENT, EXCEPT AS AUTHORIZED BY SECTION
22 12-43.4-407.

23 (1.4) "ESCORTED" MEANS APPROPRIATELY CHECKED INTO THE
24 LIMITED ACCESS AREA AND ACCOMPANIED BY A PERSON LICENSED BY THE
25 STATE LICENSING AUTHORITY; EXCEPT THAT TRADE CRAFTSPEOPLE NOT
26 NORMALLY ENGAGED IN THE BUSINESS OF CULTIVATING, PROCESSING, OR
27 SELLING RETAIL MARIJUANA NEED NOT BE ACCOMPANIED ON A FULL-TIME

1 BASIS, BUT ONLY REASONABLY MONITORED.

2 (2.5) ~~"Indirect beneficial interest owner" means a holder of a~~
3 ~~permitted economic interest, a recipient of a commercially reasonable~~
4 ~~royalty associated with the use of intellectual property by a licensee, a~~
5 ~~licensed employee who receives a share of the profits from an employee~~
6 ~~benefit plan, a qualified institutional investor, or another similarly~~
7 ~~situated person or entity as determined by the state licensing authority.~~

8 "INDIRECT FINANCIAL INTEREST HOLDER" MEANS A PERSON THAT IS NOT
9 AN AFFILIATE OF A RETAIL MARIJUANA ESTABLISHMENT AND IS NOT
10 OTHERWISE IN A POSITION TO EXERCISE CONTROL OVER THE RETAIL
11 MARIJUANA ESTABLISHMENT AND THAT:

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

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

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

1 CONTRACT COUNTERPARTY WITH A PERCENTAGE OF REVENUE OR PROFITS
2 OF THE RETAIL MARIJUANA ESTABLISHMENT.

3 (12.1) "PASSIVE BENEFICIAL OWNER" MEANS A PERSON THAT IS
4 NOT AN AFFILIATE OF A RETAIL MARIJUANA ESTABLISHMENT, IS NOT
5 OTHERWISE IN A POSITION TO EXERCISE CONTROL OVER THE RETAIL
6 MARIJUANA ESTABLISHMENT, AND IS THE BENEFICIAL OWNER OF LESS
7 THAN FIVE PERCENT OF THE SECURITIES OF THE RETAIL MARIJUANA
8 ESTABLISHMENT.

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

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

20 (14.2) "PUBLICLY TRADED CORPORATION" MEANS ANY PERSON
21 OTHER THAN AN INDIVIDUAL THAT:

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

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

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

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

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

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

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

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

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

24 (17.5) "Retail marijuana establishment operator" means ~~an entity
25 or~~ A person ~~that is not an owner and~~ that is licensed to provide
26 professional operational services to a retail marijuana establishment for
27 direct remuneration from the retail marijuana establishment. A RETAIL

1 MARIJUANA ESTABLISHMENT OPERATOR IS NOT A CONTROLLING
2 BENEFICIAL OWNER, A PASSIVE BENEFICIAL OWNER, OR AN INDIRECT
3 FINANCIAL INTEREST HOLDER OF ANY RETAIL MARIJUANA ESTABLISHMENT
4 IT OPERATES.

5 (22.5) "SECURITY" MEANS ANY NOTE; STOCK; TREASURY STOCK;
6 BOND; DEBENTURE; EVIDENCE OF INDEBTEDNESS; CERTIFICATE OF
7 INTEREST OR PARTICIPATION IN ANY PROFIT-SHARING AGREEMENT;
8 COLLATERAL-TRUST CERTIFICATE; PREORGANIZATION CERTIFICATE OF
9 SUBSCRIPTION; TRANSFERABLE SHARE; INVESTMENT CONTRACT; VIATICAL
10 SETTLEMENT INVESTMENT; VOTING-TRUST CERTIFICATE; CERTIFICATE OF
11 DEPOSIT FOR A SECURITY; CERTIFICATE OF INTEREST OR PARTICIPATION IN
12 AN OIL, GAS, OR MINING TITLE OR LEASE OR IN PAYMENTS OUT OF
13 PRODUCTION UNDER SUCH A TITLE OR LEASE; OR, IN GENERAL, ANY
14 INTEREST OR INSTRUMENT COMMONLY KNOWN AS A "SECURITY" OR ANY
15 CERTIFICATE OF INTEREST OR PARTICIPATION IN, TEMPORARY OR INTERIM
16 CERTIFICATE FOR, GUARANTEE OF, OR WARRANT OR RIGHT TO SUBSCRIBE
17 TO OR PURCHASE ANY OF THE FOREGOING. "SECURITY" DOES NOT INCLUDE
18 ANY INSURANCE OR ENDOWMENT POLICY OR ANNUITY CONTRACT UNDER
19 WHICH AN INSURANCE COMPANY PROMISES TO PAY A SUM OF MONEY
20 EITHER IN A LUMP SUM OR PERIODICALLY FOR LIFE OR SOME OTHER
21 SPECIFIED PERIOD. FOR PURPOSES OF THIS ARTICLE 43.4, AN "INVESTMENT
22 CONTRACT" NEED NOT INVOLVE MORE THAN ONE INVESTOR NOR BE
23 LIMITED TO THOSE CIRCUMSTANCES WHEREIN THERE ARE MULTIPLE
24 INVESTORS WHO ARE JOINT PARTICIPANTS IN THE SAME ENTERPRISE.

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

1 **12-43.4-202. Powers and duties of state licensing authority -**

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

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

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

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

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

16 (XXI) OWNERSHIP AND FINANCIAL INTEREST REQUIREMENTS,
17 INCLUDING BUT NOT LIMITED TO:

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

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

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

1 subjects:

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

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

11 12-43.4-306. Persons prohibited as licensees - definitions.

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

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

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

23 (l) A publicly traded company.

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

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

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

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

13 **12-43.4-306.5. Business and owner requirements - legislative**
14 **declaration.** (1) (a) The general assembly hereby finds and declares that:

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

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

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

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

26 (IV.5) UNDER CERTAIN CIRCUMSTANCES, PERMITTING PUBLICLY
27 TRADED CORPORATIONS TO HOLD AN INTEREST IN RETAIL MARIJUANA

1 ESTABLISHMENTS WILL BENEFIT COLORADO'S RETAIL MARIJUANA MARKET;

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

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

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

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

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

27 (a) Have been a resident of Colorado for at least one year prior to

1 ~~the date of the application; or~~

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

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

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

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

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

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

3 (4.5) PRIOR TO SUBMITTING AN APPLICATION, A PERSON THAT
4 INTENDS TO BECOME A RETAIL MARIJUANA ESTABLISHMENT OR A
5 CONTROLLING BENEFICIAL OWNER SHALL DISCLOSE TO THE STATE
6 LICENSING AUTHORITY A COMPLETE AND ACCURATE LIST OF THE
7 FOLLOWING:

8 (a) ALL OF ITS BENEFICIAL OWNERS OF FIVE PERCENT OR MORE OF
9 ITS SECURITIES;

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

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

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

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

5 (c) IN ADDITION TO THE REQUIREMENTS OF SUBSECTION (5)(a) OF
6 THIS SECTION, FOLLOWING THE DISCLOSURE REQUIRED BY SUBSECTION
7 (4.5) OF THIS SECTION, THE STATE LICENSING AUTHORITY SHALL
8 DETERMINE WHICH INDIVIDUAL CONTROLLING BENEFICIAL OWNERS AND
9 AFFILIATES OF EACH CONTROLLING BENEFICIAL OWNER ARE REQUIRED TO
10 OBTAIN A FINDING OF SUITABILITY PRIOR TO SUBMISSION OF A RETAIL
11 MARIJUANA ESTABLISHMENT APPLICATION. FAILURE TO PROVIDE ANY
12 INFORMATION REQUESTED IN CONNECTION WITH A FINDING OF SUITABILITY
13 MAY ALSO BE GROUNDS FOR DENIAL OF THAT REQUEST FOR FINDING OF
14 SUITABILITY. ALL INDIVIDUALS MUST OBTAIN ANY REQUIRED FINDING OF
15 SUITABILITY PRIOR TO SUBMITTING A RETAIL MARIJUANA ESTABLISHMENT
16 APPLICATION TO THE STATE LICENSING AUTHORITY.

17 (5.5) IN ITS REASONABLE DISCRETION, AT ANY TIME, THE STATE
18 LICENSING AUTHORITY MAY REQUIRE ANY PERSON THAT WAS DISCLOSED
19 OR SHOULD HAVE BEEN DISCLOSED UNDER THIS SECTION OR SECTION
20 12-43.4-306.6 TO OBTAIN A FINDING OF SUITABILITY. FAILURE TO PROVIDE
21 ANY INFORMATION REQUESTED IN CONNECTION WITH A FINDING OF
22 SUITABILITY MAY ALSO BE GROUNDS FOR DENIAL OF THAT REQUEST FOR
23 FINDING OF SUITABILITY. FAILURE OF A PERSON TO OBTAIN ANY REQUIRED
24 FINDING OF SUITABILITY MAY BE GROUNDS FOR DENIAL OF AN
25 APPLICATION OR SUSPENSION, REVOCATION, OR OTHER SANCTION OF A
26 LICENSE.

27 (5.7) IF A REQUIRED FINDING OF SUITABILITY IS NOT COMPLETED

1 ~~WITHIN ONE YEAR FROM THE DATE THE FINDING OF SUITABILITY WAS~~
2 ~~REQUESTED, THE STATE LICENSING AUTHORITY SHALL INFORM THE~~
3 ~~APPLICANT OR LICENSEE.~~

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

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

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

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

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

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

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

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

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

- 1 ~~or indirectly owns five percent or more of a licensee;~~
- 2 ~~(g) A state or federal government pension plan;~~
- 3 ~~(h) A group comprised entirely of persons specified in subsections~~
- 4 ~~(a) to (g) of this subsection (7); or~~
- 5 ~~(i) Any other entity identified through rule by the state licensing~~
- 6 ~~authority.~~

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

9 **12-43.4-306.6. Licensure and investment requirements for**
10 **publicly traded corporations.** (1) IN ADDITION TO THE REQUIREMENTS
11 OF SECTION 12-43.4-306.5, ANY LICENSEE OR CONTROLLING BENEFICIAL
12 OWNER THAT IS A PUBLICLY TRADED CORPORATION SHALL COMPLY WITH
13 THIS SECTION.

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

19 (b) TO THE EXTENT REQUIRED BY THE STATE LICENSING
20 AUTHORITY, WHENEVER ANY REPORT, PROXY OR INFORMATION
21 STATEMENT, REGISTRATION STATEMENT, SCHEDULE, OR OTHER FILING IS
22 MADE WITH THE FEDERAL SECURITIES AND EXCHANGE COMMISSION OR
23 OTHER APPLICABLE SECURITIES EXCHANGE, OR, IN THE CASE OF A FOREIGN
24 PRIVATE ISSUER, ANY SIMILAR REGULATORY BODY, BY OR WITH RESPECT
25 TO A PUBLICLY TRADED CORPORATION THAT IS A RETAIL MARIJUANA
26 ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER, THE PUBLICLY
27 TRADED CORPORATION SHALL NOTIFY THE STATE LICENSING AUTHORITY

1 THAT A FILING HAS TAKEN PLACE AND DISCLOSE A COPY OF THE FILING
2 WITHIN FIVE DAYS AFTER THE FILING WITH THE FEDERAL SECURITIES AND
3 EXCHANGE COMMISSION OR OTHER APPLICABLE SECURITIES EXCHANGE,
4 OR, IN THE CASE OF A FOREIGN PRIVATE ISSUER, ANY SIMILAR
5 REGULATORY BODY.

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

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

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

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

4 (4) A PUBLICLY TRADED CORPORATION THAT IS A RETAIL
5 MARIJUANA ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER OF
6 FIFTY PERCENT OR MORE OF THE SECURITIES OF A RETAIL MARIJUANA
7 ESTABLISHMENT SHALL INCLUDE IN ITS BYLAWS THE FOLLOWING
8 PROVISIONS:

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

19 (b) NO SECURITY ISSUED BY THE [NAME OF THE PUBLICLY TRADED
20 CORPORATION] AND NO INTEREST, CLAIM, OR CHARGE THEREIN OR
21 THERETO SHALL BE TRANSFERRED IN ANY MANNER WHATSOEVER EXCEPT
22 IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 43.4 OF TITLE 12,
23 COLORADO REVISED STATUTES, AND THE RULES PROMULGATED
24 PURSUANT TO THAT ARTICLE 43.3. ANY TRANSFER IN VIOLATION THEREOF
25 SHALL BE VOID UNTIL THE [NAME OF THE PUBLICLY TRADED
26 CORPORATION] CEASES TO BE SUBJECT TO THE JURISDICTION OF THE STATE
27 LICENSING AUTHORITY OR THE STATE LICENSING AUTHORITY, BY

1 AFFIRMATIVE ACTION, VALIDATES SAID TRANSFER OR WAIVES ANY DEFECT
2 IN SAID TRANSFER.

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

25 (5) A PERSON THAT BECOMES A BENEFICIAL OWNER OF FIVE
26 PERCENT OR MORE OF ANY CLASS OF SECURITY IN A PUBLICLY TRADED
27 CORPORATION THAT IS A RETAIL MARIJUANA ESTABLISHMENT OR A

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

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

22 (7) IT IS GROUNDS FOR DENIAL OF A LICENSE OR DISCIPLINARY
23 ACTION IF ANY PERSON, IN CONNECTION WITH THE PURCHASE OR SALE OF
24 ANY SECURITY ISSUED BY A RETAIL MARIJUANA ESTABLISHMENT OR A
25 CONTROLLING BENEFICIAL OWNER, IS FOUND GUILTY OF, PLEADS NOLO
26 CONTENDERE TO, IS SUBJECT TO A FINAL CEASE AND DESIST ORDER WITH
27 RESPECT TO A PERMANENT INJUNCTION OR ORDER OF PERMANENT

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

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

8 **12-43.4-308. Transfer of ownership.** (2) For a transfer of
9 ownership, OTHER THAN TRANSFERS OF SECURITIES BY A BENEFICIAL
10 OWNER OF SECURITIES OF A PUBLICLY TRADED CORPORATION, a license
11 holder shall apply to the state licensing authority on forms prepared and
12 furnished by the state licensing authority. Upon receipt of an application
13 for transfer of ownership, the state licensing authority shall submit, within
14 seven days, a copy of the application to the local jurisdiction to determine
15 whether the transfer complies with local restrictions on transfer of
16 ownership. In determining whether to permit a transfer of ownership, the
17 state licensing authority shall consider only the requirements of this
18 ~~article~~ ARTICLE 43.4, any rules promulgated by the state licensing
19 authority, and any other local restrictions. The local jurisdiction may hold
20 a hearing on the application for transfer of ownership. The local
21 jurisdiction shall not hold a hearing pursuant to this subsection (2) until
22 the local jurisdiction has posted a notice of hearing in the manner
23 described in section 12-43.4-302 (1) on the licensed premises for a period
24 of ten days and has provided notice of the hearing to the applicant at least
25 ten days prior to the hearing. Any transfer of ownership hearing by the
26 state licensing authority shall be held in compliance with the requirements
27 specified in section 12-43.4-304.

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

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

6 **12-43.4-309. Licensing in general.** (3) A retail marijuana
7 establishment THAT IS NOT A PUBLICLY TRADED CORPORATION shall notify
8 the state licensing authority in writing of the name, address, and date of
9 birth of ~~an~~ A CONTROLLING BENEFICIAL owner, PASSIVE BENEFICIAL
10 OWNER, officer, or manager before the new CONTROLLING BENEFICIAL
11 owner, PASSIVE BENEFICIAL OWNER, officer, or manager begins managing,
12 owning, or associating with the operation. The CONTROLLING BENEFICIAL
13 owner, PASSIVE BENEFICIAL OWNER, officer, manager, or employee must
14 pass a fingerprint-based criminal history record check as required by the
15 state licensing authority and obtain the required identification prior to
16 being associated with, managing, owning, or working at the operation.

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

19 **12-43.4-407. Retail marijuana business operator license.** A
20 retail marijuana business operator license may be issued to a person ~~who~~
21 THAT operates a retail marijuana establishment licensed pursuant to this
22 ~~article~~ ARTICLE 43.4, for ~~an owner~~ ANOTHER RETAIL MARIJUANA
23 ESTABLISHMENT licensed pursuant to this ~~article~~ ARTICLE 43.4, and who
24 may receive a portion of the profits as compensation.

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

27 **12-43.3-306. Denial of application.** (1) The state licensing

1 authority shall deny a state license if the premises on which the applicant
2 proposes to conduct its business does not meet the requirements of this
3 article or for reasons set forth in section 12-43.3-104 ~~(1.3)(e)~~ (1.4)(c) or
4 12-43.3-305, and the state licensing authority may deny a license for good
5 cause as defined by section 12-43.3-104 ~~(1.3)(a) or (1.3)(b)~~ (1.4)(a) OR
6 (1.4)(b).

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