

Second Regular Session
Seventy-first General Assembly
STATE OF COLORADO

SECOND ENGRAVED

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

LLS NO. 18-0325.01 Michael Dohr x4347

HOUSE BILL 18-1011

HOUSE SPONSORSHIP

Pabon and Van Winkle,

SENATE SPONSORSHIP

Neville T. and Jahn,

House Committees

Finance
Appropriations

Senate Committees

A BILL FOR AN ACT

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

Bill Summary

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

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

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

HOUSE
Amended 2nd Reading
April 30, 2018

HOUSE
Amended 2nd Reading
April 19, 2018

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 MEANS:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 (II) A PERSON THAT CONSTITUTES AN "INELIGIBLE ISSUER", AS
26 DEFINED IN 17 CFR 230.405, UNLESS THE PUBLICLY TRADED
27 CORPORATION CONSTITUTES AN INELIGIBLE ISSUER SOLELY AS A RESULT

1 OF EITHER:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7 (I) A person APPLYING for a license for a location that is currently
8 licensed as a retail food establishment or wholesale food registrant; or
9 (n) A publicly traded company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 ~~subsidiary entities.~~

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

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

- 10 (a) ALL OF ITS OFFICERS, DIRECTORS, AND AFFILIATES;
- 11 (b) ALLOFFICERS, DIRECTORS, AND GREATER-THAN-FIVE-PERCENT
12 BENEFICIAL OWNERS OF ANY OF ITS AFFILIATES;
- 13 (c) IF IT IS A PUBLICLY TRADED CORPORATION, ALL OF ITS
14 BENEFICIAL OWNERS OF FIVE PERCENT OR MORE OF ITS SECURITIES; AND
- 15 (d) IF IT IS NOT A PUBLICLY TRADED CORPORATION, ALL OF ITS
16 BENEFICIAL OWNERS.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27 (i) Any other entity identif

1 authority.

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

3 as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"CONTROLLING BENEFICIAL OWNER" MEANS A PERSON THAT:

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

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

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

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

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

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

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

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

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

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

1 ESTABLISHMENT.

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

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

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

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

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

19 (B) ARE QUALIFIED AND QUOTED ON THE OTCQX TIER OF THE
20 OTC MARKETS, OR ANY LIKE TIER OF ANY SUCCESSOR TO THE
21 ENTITY, IF THE PERSON IS THEN REQUIRED TO FILE REPORTS AND IS FILING
22 REPORTS ON A CURRENT BASIS WITH THE FEDERAL SECURITIES AND
23 EXCHANGE COMMISSION UNDER THE FEDERAL "SECURITIES EXCHANGE

24 ACT OF 1934", AS AMENDED, AS IF THE SECURITIES CONSTITUTED
25 "COVERED SECURITIES" AS DESCRIBED IN SUBSECTION (14.2)(a)(I)(A) OF
26 THIS SECTION;

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

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

6 [REDACTED]

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

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

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

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

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

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

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

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

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

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

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

13 **12-43.4-202. Powers and duties of state licensing authority -**
14 **rules.** (2) The state licensing authority has the authority to:
15 (d) Maintain the confidentiality of reports or other information
16 obtained from a licensee containing any individualized data, information,
17 or records related to the licensee or its operation, including sales
18 information, financial records, tax returns, credit reports, cultivation
19 information, testing results, and security information and plans, or
20 revealing any customer information, or any other records that are exempt
21 from public inspection pursuant to state law. Such reports or other
22 information may be used only for a purpose authorized by this **article**
23 **ARTICLE 43.4, FOR INVESTIGATION OR ENFORCEMENT OF ANY**
24 **INTERNATIONAL, FEDERAL, STATE, OR LOCAL SECURITIES, or for any other**
25 **state or local law enforcement purpose. Any customer information may**
26 **be used only for a purpose authorized by this **article** ARTICLE 43.4.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12-43.4-306.5. Business and owner requirements - legislative

12 **declaration.** (1) (a) The general assembly hereby finds and declares that:

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

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

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

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

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

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

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

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

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

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

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

27 (b) Therefore, the general assembly is providing a mechanism for

1 Colorado retail marijuana ~~businesses~~ ESTABLISHMENTS to access capital
2 from investors in other states AND FROM CERTAIN PUBLICLY TRADED
3 CORPORATIONS PURSUANT TO THIS SECTION AND SECTION 12-43.4-306.6.

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

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

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

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

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

23 (c) ~~Notwithstanding the requirements of paragraph (b) of this~~
24 ~~subsection (3), the state licensing authority may review the limitation on~~
25 ~~the number of direct beneficial interest owners and may increase the~~
26 ~~number of allowable interests above fifteen based on reasonable~~
27 ~~considerations such as developments in state and federal financial~~

1 regulations, market conditions, and the licensee's ability to access
2 legitimate sources of capital.

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

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

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

14 (a) ALL OF ITS OFFICERS, DIRECTORS, AND AFFILIATES;
15 (b) ALLOFFICERS, DIRECTORS, AND GREATER-THAN-FIVE-PERCENT
16 BENEFICIAL OWNERS OF ANY OF ITS AFFILIATES;

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

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

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

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

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

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

27 (5.5) (a) IN ITS REASONABLE DISCRETION, AT ANY TIME, THE STATE

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

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

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

1 APPLICANT OR LICENSEE.

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

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

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

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

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

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

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

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

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

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

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

7 **12-43.4-306.6. Licensure and investment requirements for**
8 **publicly traded corporations.** (1) IN ADDITION TO THE REQUIREMENTS
9 OF SECTION 12-43.4-306.5, ANY APPLICANT, LICENSEE, OR CONTROLLING
10 BENEFICIAL OWNER THAT IS A PUBLICLY TRADED CORPORATION SHALL
11 COMPLY WITH THIS SECTION.

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

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

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

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

8 (d) TO THE EXTENT REQUIRED BY THE STATE LICENSING
9 AUTHORITY, A PUBLICLY TRADED CORPORATION THAT IS A RETAIL
10 MARIJUANA ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER
11 SHALL, WITHIN FIVE DAYS AFTER RECEIVING A COMMENT LETTER OR
12 EXCHANGE NOTICE FROM 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,
15 NOTIFY THE STATE LICENSING AUTHORITY THAT THE COMMENT LETTER OR
16 EXCHANGE NOTICE WAS RECEIVED AND PROVIDE A COPY TO THE STATE
17 LICENSING AUTHORITY.

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

1 CASE OF A FOREIGN PRIVATE ISSUER, ANY SIMILAR REGULATORY BODY.

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

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

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

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

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

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

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

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

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

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

6 **12-43.4-308. Transfer of ownership.** (2) For a transfer of
7 ownership, OTHER THAN RESALES OR TRANSFERS OF SECURITY IN
8 ORDINARY BROKER TRANSACTIONS BY A BENEFICIAL OWNER OF
9 SECURITIES OF A PUBLICLY TRADED CORPORATION THROUGH AN
10 ESTABLISHED TRADING MARKET, a license holder shall apply to the state
11 licensing authority on forms prepared and furnished by the state licensing
12 authority. Upon receipt of an application for transfer of ownership, the
13 state licensing authority shall submit, within seven days, a copy of the
14 application to the local jurisdiction to determine whether the transfer
15 complies with local restrictions on transfer of ownership. In determining
16 whether to permit a transfer of ownership, the state licensing authority
17 shall consider only the requirements of this ~~article~~ ARTICLE 43.4, any rules
18 promulgated by the state licensing authority, and any other local
19 restrictions. The local jurisdiction may hold a hearing on the application
20 for transfer of ownership. The local jurisdiction shall not hold a hearing
21 pursuant to this subsection (2) until the local jurisdiction has posted a
22 notice of hearing in the manner described in section 12-43.4-302 (1) on
23 the licensed premises for a period of ten days and has provided notice of
24 the hearing to the applicant at least ten days prior to the hearing. Any
25 transfer of ownership hearing by the state licensing authority shall be held
26 in compliance with the requirements specified in section 12-43.4-304.

27 (3) ANY TRANSFER OF SECURITIES BY A BENEFICIAL OWNER OF A

1 PUBLICLY TRADED CORPORATION SHALL COMPLY WITH THE PROVISIONS OF
2 SECTIONS 12-43.4-306.5 AND 12-43.4-306.6.

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

5 **12-43.4-309. Licensing in general.** (3) A retail marijuana
6 establishment THAT IS NOT A PUBLICLY TRADED CORPORATION shall notify
7 the state licensing authority in writing of the name, address, and date of
8 birth of ~~an~~ A CONTROLLING BENEFICIAL owner, PASSIVE BENEFICIAL
9 OWNER, officer, or manager before the new CONTROLLING BENEFICIAL
10 owner, PASSIVE BENEFICIAL OWNER, officer, or manager begins managing,
11 owning, or associating with the operation. The CONTROLLING BENEFICIAL
12 owner, PASSIVE BENEFICIAL OWNER, officer, manager, or employee must
13 pass a fingerprint-based criminal history record check as required by the
14 state licensing authority and obtain the required identification prior to
15 being associated with, managing, owning, or working at the operation.

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

18 **12-43.4-407. Retail marijuana business operator license.** A
19 retail marijuana business operator license may be issued to a person who
20 THAT operates a retail marijuana establishment licensed pursuant to this
21 ~~article~~ ARTICLE 43.4, for ~~an~~ owner ANOTHER RETAIL MARIJUANA
22 ESTABLISHMENT licensed pursuant to this ~~article~~ ARTICLE 43.4, and who
23 may receive a portion of the profits as compensation.

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

26 **12-43.3-306. Denial of application.** (1) The state licensing
27 authority shall deny a state license if the premises on which the applicant

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

6 **SECTION 18. Appropriation.** (1) For the 2018-19 state fiscal
7 year, \$1,028,722 is appropriated to the department of revenue. This
8 appropriation is from the marijuana cash fund created in section
9 12-43.3-501 (1)(a), C.R.S. To implement this act, the department may use
10 this appropriation as follows:

11 (a) \$867,780 for marijuana enforcement, which amount is based
12 on an assumption that the department will require an additional 7.0 FTE;
13 (b) \$16,020 for vehicle lease payments; and
14 (c) \$144,922 for the purchase of legal services.

15 (2) For the 2018-19 state fiscal year, \$16,020 is appropriated to
16 the department of personnel. This appropriation is from reappropriated
17 funds received from the department of revenue under subsection (1)(b)
18 of this section. To implement this act, the department of personnel may
19 use this appropriation for vehicle replacement lease/purchase in fleet
20 management program and motor pool services.

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

27 (4) For the 2018-19 state fiscal year, \$144,922 is appropriated to

1 the department of law. This appropriation is from reappropriated funds
2 received from the department of revenue under subsection (1)(c) of this
3 section and is based on an assumption that the department of law will
4 require an additional 0.8 FTE. To implement this act, the department of
5 law may use this appropriation to provide legal services for the
6 department of revenue.

7 **SECTION 19. Effective date.** This act takes effect on January 1,
8 2019; except that sections 1, 2, 9, and 10 of this act take effect upon
9 passage.

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