

Second Regular Session
Seventy-first General Assembly
STATE OF COLORADO

ENGROSSED

*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 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" 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

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 OF THE MEDICAL
25 MARIJUANA BUSINESS, EXCEPT AS AUTHORIZED BY SECTION 12-43.3-407.

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

1 MEANS:

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

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

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

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

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

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

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

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

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

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

1 MARIJUANA BUSINESS IT OPERATES.

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

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

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

20 (14.2) "PUBLICLY TRADED CORPORATION" MEANS ANY PERSON
21 OTHER THAN AN INDIVIDUAL THAT ISSUES AN EQUITY SECURITY OTHER
22 THAN A PENNY STOCK AS DEFINED BY 17 CFR 240.3a51-1 AND THAT:

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

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

27 (II) ARE QUALIFIED AND LISTED FOR TRADING ON THE OTCQX

1 TIER OF THE OTC MARKETS, OR ANY OTHER ALTERNATIVE TIER OF THE
2 OTC MARKETS OR ALTERNATIVE EXCHANGE DESIGNATED BY THE STATE
3 LICENSING AUTHORITY IN RULE, OR ANY LIKE TIER OF ANY SUCCESSOR TO
4 THE ENTITY, IF THE PERSON IS THEN REQUIRED TO FILE REPORTS WITH THE
5 FEDERAL SECURITIES AND EXCHANGE COMMISSION UNDER THE FEDERAL
6 "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, AS IF THE LISTED
7 SECURITIES CONSTITUTED "COVERED SECURITIES" OR VOLUNTARILY DOES
8 SO;

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

15 (c) IS A COMPANY TRADED ON A "DESIGNATED OFFSHORE
16 SECURITIES MARKET" AS DEFINED IN 17 CFR 230.902 (b) IN THE UNITED
17 STATES, CANADA, THE UNITED KINGDOM, OR FRANCE WITH REPORTING IN
18 ENGLISH; OR

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

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

25 (17) "SECURITY" MEANS ANY NOTE; STOCK; TREASURY STOCK;
26 BOND; DEBENTURE; EVIDENCE OF INDEBTEDNESS; CERTIFICATE OF
27 INTEREST OR PARTICIPATION IN ANY PROFIT-SHARING AGREEMENT;

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

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

21 **12-43.3-202. Powers and duties of state licensing authority -**
22 **rules.** (2) (a) Rules promulgated pursuant to subsection (1)(b) of this
23 section may include, but need not be limited to, the following subjects:

24 (VIII) Development of individual identification cards for ~~owners,~~
25 ~~officers~~ CONTROLLING BENEFICIAL OWNERS, managers, contractors,
26 employees, and other support staff of entities licensed pursuant to this
27 ~~article~~ ARTICLE 43.3, including a fingerprint-based criminal history record

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

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

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

9 (XXIII) OWNERSHIP AND FINANCIAL INTEREST REQUIREMENTS,
10 INCLUDING BUT NOT LIMITED TO:

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

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

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

22 **12-43.3-307. Persons prohibited as licensees.** (1) A license
23 provided by this ~~article~~ ARTICLE 43.3 shall not be issued to or held by:

24 (c) A ~~corporation~~, PERSON OTHER THAN AN INDIVIDUAL if the
25 criminal history of any of its ~~officers, directors, or stockholders~~
26 CONTROLLING BENEFICIAL OWNERS indicates that ~~the officer, director, or~~
27 ~~stockholder~~ A CONTROLLING BENEFICIAL OWNER is not of good moral

1 character AFTER CONSIDERING THE FACTORS IN SECTION 24-5-101 (2), OR
2 ANY PERSON THAT WOULD BE DISQUALIFIED AS A "BAD ACTOR" UNDER
3 RULE 506 (d) PROMULGATED UNDER THE FEDERAL "SECURITIES ACT OF
4 1933";

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

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

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

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

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

24 **12-43.3-307.5. Business and owner requirements - legislative**
25 **declaration.** (1) (a) The general assembly hereby finds and declares that:

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

1 marketplace;

2 (II) The current regulatory structure for medical marijuana creates

3 a substantial barrier to investment from out-of-state interests AND

4 PUBLICLY TRADED CORPORATIONS;

5 (III) There is insufficient capital in the state to properly fund the

6 capital needs of Colorado medical marijuana businesses;

7 (IV) Colorado medical marijuana businesses need to have ready

8 access to capital from investors in states FROM outside of Colorado; and

9 (IV.5) UNDER CERTAIN CIRCUMSTANCES, PERMITTING PUBLICLY

10 TRADED CORPORATIONS TO HOLD AN INTEREST IN MEDICAL MARIJUANA

11 BUSINESSES WILL BENEFIT COLORADO'S MEDICAL MARIJUANA MARKET;

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

13 the opportunity for those who engage in illegal activity to gain entry into

14 the state's regulated medical marijuana market;

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

16 CONTROL OVER MEDICAL MARIJUANA BUSINESSES BY SUITABLE PERSONS

17 WHO ARE LEGITIMATE, TAXPAYING BUSINESSPEOPLE, AND NOT CRIMINAL

18 ACTORS; PREVENTING REVENUE FROM THE SALE OF MARIJUANA FROM

19 GOING TO CRIMINAL ENTERPRISES, GANGS, AND CARTELS; AND

20 PREVENTING STATE-AUTHORIZED MARIJUANA ACTIVITY FROM BEING USED

21 AS A COVER OR PRETEXT FOR THE TRAFFICKING OF OTHER ILLEGAL DRUGS

22 OR OTHER ILLEGAL ACTIVITY; AND

23 (VII) PUBLICLY TRADED CORPORATIONS OFFERING SECURITIES FOR

24 INVESTMENT IN MEDICAL MARIJUANA BUSINESSES MUST TELL THE PUBLIC

25 THE TRUTH ABOUT THEIR BUSINESS, THE SECURITIES THEY ARE SELLING,

26 AND THE RISKS INVOLVED WITH INVESTING IN MEDICAL MARIJUANA

27 BUSINESSES, AND PEOPLE WHO SELL AND TRADE SECURITIES RELATED TO

1 MEDICAL MARIJUANA BUSINESSES ARE PROHIBITED FROM ENGAGING IN
2 DECEIT, MISREPRESENTATIONS, AND OTHER FRAUD IN THE SALE OF THE
3 SECURITIES.

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

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

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

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

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

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

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

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

26 (3) (a) A medical marijuana business may be comprised of an
27 unlimited number of direct beneficial interest owners that have been

1 ~~residents of Colorado for at least one year prior to the date of the~~
2 ~~application.~~

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

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

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

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

27 (4.5) ~~PRIOR TO SUBMITTING AN APPLICATION, A PERSON THAT~~

1 INTENDS TO BECOME A MEDICAL MARIJUANA BUSINESS OR A CONTROLLING
2 BENEFICIAL OWNER SHALL DISCLOSE TO THE STATE LICENSING AUTHORITY
3 AND THE COLORADO ATTORNEY GENERAL A COMPLETE AND ACCURATE
4 LIST OF THE FOLLOWING:

5 (a) ALL OF ITS BENEFICIAL OWNERS OF FIVE PERCENT OR MORE OF
6 ITS SECURITIES;

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

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

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

27 (b) ~~The state licensing authority shall perform a limited initial~~

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

4 (c) IN ADDITION TO THE REQUIREMENTS OF SUBSECTION (5)(a) OF
5 THIS SECTION, FOLLOWING THE DISCLOSURE REQUIRED BY SUBSECTION
6 (4.5) OF THIS SECTION, THE STATE LICENSING AUTHORITY OPERATING IN
7 COORDINATION WITH THE COLORADO ATTORNEY GENERAL 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 MEDICAL
11 MARIJUANA BUSINESS 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 SHALL OBTAIN ANY REQUIRED FINDING OF
15 SUITABILITY PRIOR TO SUBMITTING A MEDICAL MARIJUANA BUSINESS
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 12-43.3-307.6 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. THE STATE LICENSING AUTHORITY SHALL CREATE
4 BY RULE AN EXPEDITED FEE THAT AN APPLICANT OR LICENSEE COULD PAY
5 TO RECEIVE A TIMELY DETERMINATION OF SUITABILITY.

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

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

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

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

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

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

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

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

27 ~~(f) An employee benefit plan or pension fund that is subject to the~~

1 federal "Employee Retirement Income Security Act of 1974", as
2 amended, excluding an employee benefit plan or pension fund sponsored
3 by a licensee or an intermediary or holding company licensee that directly
4 or indirectly owns five percent or more of a licensee;

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

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

8 (i) Any other entity identified through rule by the state licensing
9 authority.

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

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

17 (2) (a) A PUBLICLY TRADED CORPORATION THAT IS A MEDICAL
18 MARIJUANA BUSINESS OR A CONTROLLING BENEFICIAL OWNER SHALL
19 REPORT TO THE STATE LICENSING AUTHORITY WITHIN TEN DAYS AFTER THE
20 ELECTION OR APPOINTMENT, OR RESIGNATION OR REMOVAL, OF ANY
21 DIRECTOR OR OFFICER OF THE PUBLICLY TRADED CORPORATION.

22 (b) TO THE EXTENT REQUIRED BY THE STATE LICENSING
23 AUTHORITY, WHENEVER ANY REPORT, PROXY OR INFORMATION
24 STATEMENT, REGISTRATION STATEMENT, SCHEDULE, OR OTHER FILING IS
25 MADE WITH THE FEDERAL SECURITIES AND EXCHANGE COMMISSION OR
26 OTHER APPLICABLE SECURITIES EXCHANGE, OR, IN THE CASE OF A FOREIGN
27 PRIVATE ISSUER, ANY SIMILAR REGULATORY BODY, BY OR WITH RESPECT

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

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

13 (d) TO THE EXTENT REQUIRED BY THE STATE LICENSING
14 AUTHORITY, A PUBLICLY TRADED CORPORATION THAT IS A MEDICAL
15 MARIJUANA BUSINESS OR A CONTROLLING BENEFICIAL OWNER SHALL,
16 WITHIN FIVE DAYS AFTER RECEIVING A COMMENT LETTER OR EXCHANGE
17 NOTICE FROM 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, NOTIFY THE STATE
20 LICENSING AUTHORITY THAT THE COMMENT LETTER OR EXCHANGE NOTICE
21 WAS RECEIVED AND PROVIDE A COPY TO THE STATE LICENSING
22 AUTHORITY.

23 (3) AFTER COMMENCING ANY OFFERING OF A SECURITY, ANY
24 PUBLICLY TRADED CORPORATION THAT IS A MEDICAL MARIJUANA
25 BUSINESS, A CONTROLLING BENEFICIAL OWNER, OR A PASSIVE BENEFICIAL
26 OWNER SHALL NOTIFY THE STATE LICENSING AUTHORITY OF THE PROPOSED
27 OFFERING IN THE TIME AND MANNER REQUIRED BY THE STATE LICENSING

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

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

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

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

1 CORPORATION] CEASES TO BE SUBJECT TO THE JURISDICTION OF THE STATE
2 LICENSING AUTHORITY OR THE STATE LICENSING AUTHORITY, BY
3 AFFIRMATIVE ACTION, VALIDATES SAID TRANSFER OR WAIVES ANY DEFECT
4 IN SAID TRANSFER.

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

27 (5) A PERSON THAT BECOMES A BENEFICIAL OWNER OF FIVE

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

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

24 (7) IT IS GROUNDS FOR DENIAL OF A LICENSE OR DISCIPLINARY
25 ACTION IF ANY PERSON, IN CONNECTION WITH THE PURCHASE OR SALE OF
26 ANY SECURITY ISSUED BY A MEDICAL MARIJUANA BUSINESS OR A
27 CONTROLLING BENEFICIAL OWNER, IS FOUND GUILTY OF, PLEADS NOLO

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

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

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

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

1 PUBLICLY TRADED CORPORATION SHALL COMPLY WITH THE PROVISIONS OF
2 SECTIONS 12-43.3-307.5 AND 12-43.3-307.6.

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

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

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

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

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

9 **SECTION 9.** In Colorado Revised Statutes, 12-43.4-103, **amend**
10 (1), (1.3), (2.5), (13), (17), and (17.5); **repeal** (12.4) and (14.3); and **add**
11 (1.1), (1.2), (1.4), (12.1), (14.2), and (22.5) as follows:

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

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

23 (1.1) "BENEFICIAL OWNER" IS A HOLDER OF A SECURITY IN
24 ACCORDANCE WITH SECTION 13 (d) OF THE FEDERAL "SECURITIES
25 EXCHANGE ACT OF 1934", AS AMENDED, AND RULE 13d-3 PROMULGATED
26 THEREUNDER.

27 (1.2) "CONTROL", INCLUDING THE TERMS "CONTROLS",

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

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

11 "CONTROLLING BENEFICIAL OWNER" MEANS A PERSON THAT:

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

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

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

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

27 (2.5) "Indirect beneficial interest owner" means a holder of a

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

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

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

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

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

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

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

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

18 (14.2) "PUBLICLY TRADED CORPORATION" MEANS ANY PERSON
19 OTHER THAN AN INDIVIDUAL THAT ISSUES AN EQUITY SECURITY OTHER
20 THAN A PENNY STOCK AS DEFINED BY 17 CFR 240.3a51-1 AND 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 OF THE OTC MARKETS, OR ANY OTHER ALTERNATIVE TIER OF THE
27 OTC MARKETS OR ALTERNATIVE EXCHANGE DESIGNATED BY THE STATE

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

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

13 (c) IS A COMPANY TRADED ON A "DESIGNATED OFFSHORE
14 SECURITIES MARKET" AS DEFINED IN 17 CFR 230.902 (b) IN THE UNITED
15 STATES, CANADA, THE UNITED KINGDOM, OR FRANCE WITH REPORTING IN
16 ENGLISH; OR

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

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

23 (17) "Retail marijuana establishment" means a retail marijuana
24 store, a retail marijuana cultivation facility, a retail marijuana products
25 manufacturer, or a retail marijuana testing facility, A RETAIL MARIJUANA
26 ESTABLISHMENT OPERATOR, OR A RETAIL MARIJUANA TRANSPORTER.

27 (17.5) "Retail marijuana establishment operator" means an entity

1 ~~or~~ A person ~~that is not an owner and~~ that is licensed to provide
2 professional operational services to a retail marijuana establishment for
3 direct remuneration from the retail marijuana establishment. A RETAIL
4 MARIJUANA ESTABLISHMENT OPERATOR IS NOT A CONTROLLING
5 BENEFICIAL OWNER, A PASSIVE BENEFICIAL OWNER, OR AN INDIRECT
6 FINANCIAL INTEREST HOLDER OF ANY RETAIL MARIJUANA ESTABLISHMENT
7 IT OPERATES.

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

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

4 **12-43.4-202. Powers and duties of state licensing authority -**
5 **rules.** (3) (a) Rules promulgated pursuant to subsection (2)(b) of this
6 section must include, but need not be limited to, the following subjects:

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

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

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

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

19 (XXI) OWNERSHIP AND FINANCIAL INTEREST REQUIREMENTS,
20 INCLUDING BUT NOT LIMITED TO:

21 (A) PARAMETERS OF, QUALIFICATIONS OF, DISCLOSURE OF,
22 REQUIREMENTS FOR, AND SUITABILITY OF A CONTROLLING BENEFICIAL
23 OWNER, A PASSIVE BENEFICIAL OWNER, AND AN INDIRECT FINANCIAL
24 INTEREST HOLDER; AND

25 (B) PARAMETERS OF, QUALIFICATIONS OF, DISCLOSURE OF,
26 REQUIREMENTS FOR, AND SUITABILITY OF A PUBLICLY TRADED
27 CORPORATION THAT IS A RETAIL MARIJUANA ESTABLISHMENT OR THAT IS

1 A CONTROLLING BENEFICIAL OWNER OR PASSIVE BENEFICIAL OWNER.

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

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

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

14 **12-43.4-306. Persons prohibited as licensees - definitions.**

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

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

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

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

27 (m) A PERSON WHOSE CONTROLLING BENEFICIAL OWNER OR

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

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

13 **SECTION 12.** In Colorado Revised Statutes, 12-43.4-306.5,
14 **amend** (1), (3), and (5); **repeal** (2), (4), (6), and (7); and **add** (4.5), (5.5),
15 (5.7), and (6.5) as follows:

16 **12-43.4-306.5. Business and owner requirements - legislative**
17 **declaration.** (1) (a) The general assembly hereby finds and declares that:

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

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

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

26 (IV) Colorado retail marijuana ~~businesses~~ ESTABLISHMENTS need
27 to have ready access to capital from investors ~~in states~~ FROM outside of

1 Colorado; and

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

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

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

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

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

1 ENFORCEMENT ACCESS TO GRANTS FROM THE GRAY AND BLACK MARKET
2 MARIJUANA ENFORCEMENT GRANT PROGRAM CREATED IN SECTION
3 24-32-119, INCLUDING:

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

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

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

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

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

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

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

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

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

1 control over the business must be Colorado residents for at least one year
2 prior to application. A retail marijuana business under this paragraph (b)
3 is limited to no more than fifteen direct beneficial interest owners,
4 including all parent and subsidiary entities, all of whom are natural
5 persons.

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

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

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

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

24 (a) ALL OF ITS BENEFICIAL OWNERS OF FIVE PERCENT OR MORE OF
25 ITS SECURITIES;

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

27 (c) ALL OFFICERS, DIRECTORS, AND GREATER-THAN-FIVE-PERCENT

1 BENEFICIAL OWNERS OF ANY OF ITS AFFILIATES.

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

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

23 (c) IN ADDITION TO THE REQUIREMENTS OF SUBSECTION (5)(a) OF
24 THIS SECTION, FOLLOWING THE DISCLOSURE REQUIRED BY SUBSECTION
25 (4.5) OF THIS SECTION, THE STATE LICENSING AUTHORITY OPERATING IN
26 COORDINATION WITH THE COLORADO ATTORNEY GENERAL SHALL
27 DETERMINE WHICH INDIVIDUAL CONTROLLING BENEFICIAL OWNERS AND

1 AFFILIATES OF EACH CONTROLLING BENEFICIAL OWNER ARE REQUIRED TO
2 OBTAIN A FINDING OF SUITABILITY PRIOR TO SUBMISSION OF A RETAIL
3 MARIJUANA ESTABLISHMENT APPLICATION. FAILURE TO PROVIDE ANY
4 INFORMATION REQUESTED IN CONNECTION WITH A FINDING OF SUITABILITY
5 MAY ALSO BE GROUNDS FOR DENIAL OF THAT REQUEST FOR FINDING OF
6 SUITABILITY. ALL INDIVIDUALS MUST OBTAIN ANY REQUIRED FINDING OF
7 SUITABILITY PRIOR TO SUBMITTING A RETAIL MARIJUANA ESTABLISHMENT
8 APPLICATION TO THE STATE LICENSING AUTHORITY.

9 (5.5) IN ITS REASONABLE DISCRETION, AT ANY TIME, THE STATE
10 LICENSING AUTHORITY MAY REQUIRE ANY PERSON THAT WAS DISCLOSED
11 OR SHOULD HAVE BEEN DISCLOSED UNDER THIS SECTION OR SECTION
12 12-43.4-306.6 TO OBTAIN A FINDING OF SUITABILITY. FAILURE TO PROVIDE
13 ANY INFORMATION REQUESTED IN CONNECTION WITH A FINDING OF
14 SUITABILITY MAY ALSO BE GROUNDS FOR DENIAL OF THAT REQUEST FOR
15 FINDING OF SUITABILITY. FAILURE OF A PERSON TO OBTAIN ANY REQUIRED
16 FINDING OF SUITABILITY MAY BE GROUNDS FOR DENIAL OF AN
17 APPLICATION OR SUSPENSION, REVOCATION, OR OTHER SANCTION OF A
18 LICENSE.

19 (5.7) IF A REQUIRED FINDING OF SUITABILITY IS NOT COMPLETED
20 WITHIN ONE YEAR FROM THE DATE THE FINDING OF SUITABILITY WAS
21 REQUESTED, THE STATE LICENSING AUTHORITY SHALL INFORM THE
22 APPLICANT OR LICENSEE. THE STATE LICENSING AUTHORITY SHALL CREATE
23 BY RULE AN EXPEDITED FEE THAT AN APPLICANT OR LICENSEE COULD PAY
24 TO RECEIVE A TIMELY DETERMINATION OF SUITABILITY.

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

27 (6.5) A PERSON, OTHER THAN AN INDIVIDUAL, THAT IS A

1 CONTROLLING BENEFICIAL OWNER SHALL APPOINT AND CONTINUOUSLY
2 MAINTAIN A REGISTERED AGENT WHO SATISFIES THE REQUIREMENTS OF
3 SECTION 7-90-701. THE RETAIL MARIJUANA ESTABLISHMENT SHALL
4 INFORM THE STATE LICENSING AUTHORITY OF A CHANGE IN THE
5 REGISTERED AGENT WITHIN TEN DAYS OF THE CHANGE.

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

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

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

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

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

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

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

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

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

26 (i) Any other entity identified through rule by the state licensing
27 authority.

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

3 **12-43.4-306.6. Licensure and investment requirements for**
4 **publicly traded corporations.** (1) IN ADDITION TO THE REQUIREMENTS
5 OF SECTION 12-43.4-306.5, ANY LICENSEE OR CONTROLLING BENEFICIAL
6 OWNER THAT IS A PUBLICLY TRADED CORPORATION SHALL COMPLY WITH
7 THIS SECTION.

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

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

27 (c) THE STATE LICENSING AUTHORITY MAY AT ANY TIME REQUIRE

1 ANY APPLICANT, LICENSEE, OR CONTROLLING BENEFICIAL OWNER TO
2 DISCLOSE A COMPLETE AND ACCURATE LIST OF ALL BENEFICIAL OWNERS
3 TO THE EXTENT KNOWN.

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

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

25 (4) A PUBLICLY TRADED CORPORATION THAT IS A RETAIL
26 MARIJUANA ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER OF
27 FIFTY PERCENT OR MORE OF THE SECURITIES OF A RETAIL MARIJUANA

1 ESTABLISHMENT SHALL INCLUDE IN ITS BYLAWS THE FOLLOWING
2 PROVISIONS:

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

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

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

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

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

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

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

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

27 **SECTION 14.** In Colorado Revised Statutes, 12-43.4-308,

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

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

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

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

27 **12-43.4-309. Licensing in general.** (3) A retail marijuana

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

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

13 **12-43.4-407. Retail marijuana business operator license.** A
14 retail marijuana business operator license may be issued to a person ~~who~~
15 THAT operates a retail marijuana establishment licensed pursuant to this
16 ~~article~~ ARTICLE 43.4, for ~~an owner~~ ANOTHER RETAIL MARIJUANA
17 ESTABLISHMENT licensed pursuant to this ~~article~~ ARTICLE 43.4, and who
18 may receive a portion of the profits as compensation.

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

21 **12-43.3-306. Denial of application.** (1) The state licensing
22 authority shall deny a state license if the premises on which the applicant
23 proposes to conduct its business does not meet the requirements of this
24 article or for reasons set forth in section 12-43.3-104 ~~(1.3)(e)~~ (1.4)(c) or
25 12-43.3-305, and the state licensing authority may deny a license for good
26 cause as defined by section 12-43.3-104 ~~(1.3)(a) or (1.3)(b)~~ (1.4)(a) OR
27 (1.4)(b).

1 **SECTION 18. Appropriation.** (1) For the 2018-19 state fiscal
2 year, \$1,028,722 is appropriated to the department of revenue. This
3 appropriation is from the marijuana cash fund created in section
4 12-43.3-501 (1)(a), C.R.S. To implement this act, the department may use
5 this appropriation as follows:

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

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

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

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

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

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

1 department of revenue.

2 **SECTION 19. Safety clause.** The general assembly hereby finds,
3 determines, and declares that this act is necessary for the immediate
4 preservation of the public peace, health, and safety.