

HOUSE COMMITTEE OF REFERENCE AMENDMENT

Committee on Finance.

HB19-1090 be amended as follows:

1 Amend printed bill, strike everything below the enacting clause and  
2 substitute:

3 **"SECTION 1.** In Colorado Revised Statutes, 44-11-104, **amend**  
4 (1), (4), (12), (21), and (23); **add** (1.1), (1.2), (1.3), (1.4), (1.5), (1.6),  
5 (11.5), (19.2), (22.7), (23.5), (25.5), and (27); and **repeal** (20) as follows:

6 **44-11-104. Definitions.** As used in this article 11, unless the  
7 context otherwise requires:

8 (1) ~~"Direct beneficial interest owner" means a person or closely~~  
9 ~~held business entity that owns a share or shares of stock in a licensed~~  
10 ~~medical marijuana business, including the officers, directors, managing~~  
11 ~~members, or partners of the licensed medical marijuana business or~~  
12 ~~closely held business entity, or a qualified limited passive investor~~

13 "ACQUIRE" WHEN USED IN CONNECTION WITH THE ACQUISITION OF A  
14 SECURITY OF A MEDICAL MARIJUANA BUSINESS, MEANS OBTAINING  
15 OWNERSHIP, CONTROL, POWER TO VOTE, OR SOLE POWER OF DISPOSITION  
16 OF SECURITIES, DIRECTLY OR INDIRECTLY OR THROUGH ONE OR MORE  
17 TRANSACTIONS OR SUBSIDIARIES, THROUGH PURCHASE, ASSIGNMENT,  
18 TRANSFER, EXCHANGE, SUCCESSION, OR OTHER MEANS.

19 (1.1) "ACTING IN CONCERT" MEANS KNOWING PARTICIPATION IN  
20 A JOINT ACTIVITY OR INTERDEPENDENT CONSCIOUS PARALLEL ACTION  
21 TOWARD A COMMON GOAL, WHETHER OR NOT PURSUANT TO AN EXPRESS  
22 AGREEMENT.

23 (1.2) "AFFILIATE" OF, OR PERSON "AFFILIATED WITH", A SPECIFIED  
24 PERSON MEANS A PERSON THAT DIRECTLY OR INDIRECTLY THROUGH ONE  
25 OR MORE INTERMEDIARIES, CONTROLS, OR IS CONTROLLED BY, OR IS  
26 UNDER COMMON CONTROL WITH, THE PERSON SPECIFIED.

27 (1.3) BENEFICIAL OWNER OF", "BENEFICIAL OWNERSHIP OF", OR  
28 "BENEFICIALLY OWNS A" SECURITY IS DETERMINED IN ACCORDANCE WITH  
29 SECTION 13(D) OF THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS  
30 AMENDED, AND RULE 13D-3 PROMULGATED THEREUNDER.

31 (1.4) "CONTROL", "CONTROLS", "CONTROLLED", "CONTROLLING",  
32 "CONTROLLED BY", AND "UNDER COMMON CONTROL WITH", MEANS THE  
33 POSSESSION, DIRECT OR INDIRECT, OF THE POWER TO DIRECT OR CAUSE THE  
34 DIRECTION OF THE MANAGEMENT OR POLICIES OF A PERSON, WHETHER  
35 THROUGH THE OWNERSHIP OF VOTING SECURITIES, BY CONTRACT, OR  
36 OTHERWISE.

37 (1.5) "CONTROLLING BENEFICIAL OWNER" IS LIMITED TO A PERSON  
38 THAT SATISFIES ONE OR MORE OF THE FOLLOWING CRITERIA:

39 (a) A NATURAL PERSON, AN ENTITY AS DEFINED IN SECTION  
40 7-90-102 (20) THAT IS ORGANIZED UNDER THE LAWS OF AND FOR WHICH

1 ITS PRINCIPAL PLACE OF BUSINESS IS LOCATED IN ONE OF THE STATES OR  
2 TERRITORIES OF THE UNITED STATES OR DISTRICT OF COLUMBIA, A  
3 PUBLICLY TRADED CORPORATION, OR A QUALIFIED PRIVATE FUND THAT IS  
4 NOT OTHERWISE LICENSED AS A QUALIFIED INSTITUTIONAL INVESTOR:

5 (I) ACTING ALONE OR ACTING IN CONCERT, THAT OWNS OR  
6 ACQUIRES BENEFICIAL OWNERSHIP OF TEN PERCENT OR MORE OF THE  
7 INTERESTS OF A MEDICAL MARIJUANA BUSINESS;

8 (II) THAT IS AN AFFILIATE THAT CONTROLS A MEDICAL MARIJUANA  
9 BUSINESS AND INCLUDES, WITHOUT LIMITATION, ANY EXECUTIVE OFFICER,  
10 MANAGER AS DEFINED IN SECTION 7-90-102 (35.7), TRUSTEE, OR SIMILAR  
11 POSITION; OR

12 (III) THAT IS OTHERWISE IN A POSITION TO CONTROL THE MEDICAL  
13 MARIJUANA BUSINESS EXCEPT AS AUTHORIZED IN SECTION 44-11-407; OR

14 (b) A QUALIFIED INSTITUTIONAL INVESTOR ACTING ALONE OR  
15 ACTING IN CONCERT THAT OWNS OR ACQUIRES BENEFICIAL OWNERSHIP OF  
16 THIRTY PERCENT OR MORE OF THE SECURITIES OF A MEDICAL MARIJUANA  
17 BUSINESS.

18 (1.6) "EXECUTIVE OFFICER" MEANS THE PRESIDENT; ANY VICE  
19 PRESIDENT IN CHARGE OF A PRINCIPAL BUSINESS UNIT, DIVISION, OR  
20 FUNCTION; ANY OTHER OFFICER WHO PERFORMS A POLICY-MAKING  
21 FUNCTION; OR ANY OTHER PERSON WHO PERFORMS SIMILAR  
22 POLICY-MAKING FUNCTIONS.

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

29 "INDIRECT FINANCIAL INTEREST HOLDER" MEANS A PERSON THAT IS NOT  
30 AN AFFILIATE, A CONTROLLING BENEFICIAL OWNER, OR A PASSIVE  
31 BENEFICIAL OWNER OF A MEDICAL MARIJUANA BUSINESS AND THAT:

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

35 (b) HOLDS A PERMITTED ECONOMIC INTEREST THAT WAS ISSUED  
36 PRIOR TO JANUARY 1, 2020, AND THAT HAS NOT BEEN CONVERTED INTO AN  
37 OWNERSHIP INTEREST;

38 (c) IS A CONTRACT COUNTERPARTY WITH A MEDICAL MARIJUANA  
39 BUSINESS, OTHER THAN A CUSTOMARY EMPLOYMENT AGREEMENT , THAT  
40 HAS A DIRECT NEXUS TO THE CULTIVATION, MANUFACTURE, OR SALE OF  
41 MEDICAL MARIJUANA, INCLUDING, BUT NOT LIMITED TO, A LEASE OF REAL  
42 PROPERTY ON WHICH THE MEDICAL MARIJUANA BUSINESS OPERATES, A  
43 LEASE OF EQUIPMENT USED IN THE CULTIVATION OF MEDICAL MARIJUANA,

1 A SECURED OR UNSECURED FINANCING AGREEMENT WITH THE MEDICAL  
2 MARIJUANA BUSINESS, A SECURITY CONTRACT WITH THE MEDICAL  
3 MARIJUANA BUSINESS, OR A MANAGEMENT AGREEMENT WITH THE  
4 MEDICAL MARIJUANA BUSINESS, PROVIDED THAT NO SUCH CONTRACT  
5 COMPENSATES THE CONTRACT COUNTERPARTY WITH A PERCENTAGE OF  
6 REVENUE FOR PROFITS OF THE MEDICAL MARIJUANA BUSINESS; OR

7 (d) IS IDENTIFIED BY RULE BY THE STATE LICENSING AUTHORITY AS  
8 AN INDIRECT FINANCIAL INTEREST HOLDER.

9 (11.5) "MEDICAL MARIJUANA BUSINESS" MEANS ANY OF THE  
10 FOLLOWING ENTITIES LICENSED PURSUANT TO THIS ARTICLE 11: A  
11 MEDICAL MARIJUANA CENTER, A MEDICAL MARIJUANA OPTIONAL PREMISES  
12 CULTIVATION OPERATION, A MEDICAL MARIJUANA-INFUSED PRODUCTS  
13 MANUFACTURER, A MEDICAL MARIJUANA TESTING FACILITY, A MEDICAL  
14 MARIJUANA BUSINESS OPERATOR, A MEDICAL MARIJUANA TRANSPORTER,  
15 A MARIJUANA RESEARCH AND DEVELOPMENT FACILITY, OR A MARIJUANA  
16 RESEARCH AND DEVELOPMENT CULTIVATION FACILITY.

17 (12) "Medical marijuana business operator" means ~~an entity or a~~  
18 ~~person who is not an owner and who~~ THAT IS LICENSED TO PROVIDE  
19 professional operational services to a medical marijuana ~~establishment~~  
20 BUSINESS for direct remuneration from the medical marijuana  
21 ~~establishment~~ BUSINESS. A MEDICAL MARIJUANA BUSINESS OPERATOR IS  
22 NOT, BY VIRTUE OF ITS STATUS AS A MEDICAL MARIJUANA BUSINESS  
23 OPERATOR, A CONTROLLING BENEFICIAL OWNER, OR A PASSIVE BENEFICIAL  
24 OWNER OF ANY MEDICAL MARIJUANA BUSINESS IT OPERATES.

25 (19.2) "PASSIVE BENEFICIAL OWNER" MEANS ANY PERSON  
26 ACQUIRING ANY INTEREST IN A MEDICAL MARIJUANA BUSINESS THAT IS  
27 NOT OTHERWISE A CONTROLLING BENEFICIAL OWNER OR IN CONTROL.

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

35 (21) "Person" means ~~a natural person~~ AN INDIVIDUAL, A  
36 partnership, association, JOINT-STOCK company, corporation, limited  
37 liability company, or ANY OTHER UNINCORPORATED organization; ~~or a~~  
38 ~~manager, agent, owner, director, servant, officer, or employee thereof~~  
39 EXCEPT THAT "PERSON" DOES NOT INCLUDE ANY GOVERNMENTAL  
40 ORGANIZATION.

41 (22.7) "PUBLICLY TRADED CORPORATION" MEANS ANY PERSON  
42 OTHER THAN AN INDIVIDUAL THAT IS ORGANIZED UNDER THE LAWS OF AND  
43 FOR WHICH ITS PRINCIPAL PLACE OF BUSINESS IS LOCATED IN ONE OF THE

1 STATES OR TERRITORIES OF THE UNITED STATES OR DISTRICT OF  
2 COLUMBIA OR ANOTHER COUNTRY THAT AUTHORIZES THE SALE OF  
3 MARIJUANA AND THAT:

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

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

10 (II) IS QUALIFIED AND QUOTED ON THE OTCQX OR OTCQB TIER  
11 OF THE OTC MARKETS IF:

12 (A) THE PERSON IS THEN REQUIRED TO FILE REPORTS AND IS FILING  
13 REPORTS ON A CURRENT BASIS WITH THE FEDERAL SECURITIES AND  
14 EXCHANGE COMMISSION PURSUANT TO THE FEDERAL "SECURITIES  
15 EXCHANGE ACT OF 1934", AS AMENDED, AS IF THE SECURITIES  
16 CONSTITUTED "COVERED SECURITIES" AS DESCRIBED IN SUBSECTION  
17 (22.7)(a)(I) OF THIS SECTION; OR

18 (B) THE PERSON IS QUALIFIED AND QUOTED ON THE OTCQB TIER  
19 OF THE OTC MARKETS AND THE PERSON HAS ESTABLISHED AND IS IN  
20 COMPLIANCE WITH CORPORATE GOVERNANCE MEASURES PURSUANT TO  
21 CORPORATE GOVERNANCE OBLIGATIONS IMPOSED ON SECURITIES  
22 QUALIFIED AND QUOTED ON THE OTCQB TIER OF THE OTC MARKETS.

23 (b) IS A CORPORATION THAT HAS A CLASS OF SECURITIES LISTED ON  
24 THE CANADIAN SECURITIES EXCHANGE, TORONTO STOCK EXCHANGE, OR  
25 OTHER EQUITY SECURITIES EXCHANGE RECOGNIZED BY THE STATE  
26 LICENSING AUTHORITY, IF:

27 (I) THE CORPORATION CONSTITUTES A "FOREIGN PRIVATE ISSUER",  
28 AS DEFINED IN RULE 405 PROMULGATED PURSUANT TO THE FEDERAL  
29 "SECURITIES ACT OF 1933", AS AMENDED, WHOSE SECURITIES ARE EXEMPT  
30 FROM REGISTRATION PURSUANT TO SECTION 12 OF THE FEDERAL  
31 "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, PURSUANT TO RULE  
32 12g 3-2 (b) PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES  
33 EXCHANGE ACT OF 1934", AS AMENDED; AND

34 (II) THE CORPORATION HAS BEEN, FOR THE PRECEDING THREE  
35 HUNDRED SIXTY-FIVE DAYS OR SINCE THE FORMATION OF THE ENTITY, IN  
36 COMPLIANCE WITH ALL GOVERNANCE AND REPORTING OBLIGATIONS  
37 IMPOSED BY THE RELEVANT EXCHANGE ON SUCH CORPORATION; OR

38 (c) IS REASONABLY IDENTIFIED AS A PUBLICLY TRADED  
39 CORPORATION BY RULE BY THE STATE LICENSING AUTHORITY AS A  
40 PUBLICLY TRADED CORPORATION;

41 (d) A "PUBLICLY TRADED CORPORATION" DESCRIBED IN  
42 SUBSECTION (22.7)(a), (22.7)(b), OR (22.7)(c) OF THIS SECTION DOES NOT  
43 INCLUDE:

1 (I) AN "INELIGIBLE ISSUER", AS DEFINED IN RULE 405  
2 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933",  
3 AS AMENDED, UNLESS SUCH PUBLICLY TRADED CORPORATION SATISFIES  
4 THE DEFINITION OF INELIGIBLE ISSUER SOLELY BECAUSE IT IS ONE OR MORE  
5 OF THE FOLLOWING AND THE PERSON IS REQUIRED TO FILE REPORTS AND  
6 IS FILING REPORTS ON A CURRENT BASIS WITH THE FEDERAL SECURITIES  
7 AND EXCHANGE COMMISSION PURSUANT TO THE FEDERAL "SECURITIES  
8 EXCHANGE ACT OF 1934", AS AMENDED, AS IF THE SECURITIES  
9 CONSTITUTED "COVERED SECURITIES" AS DESCRIBED IN SUBSECTION  
10 (22.7)(a)(I) OF THIS SECTION:

11 (A) A "BLANK CHECK COMPANY", AS DEFINED IN RULE 419 (a)(2)  
12 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933",  
13 AS AMENDED;

14 (B) AN ISSUER IN AN OFFERING OF "PENNY STOCK", AS DEFINED IN  
15 RULE 3a 51-1 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES  
16 EXCHANGE ACT OF 1934"; OR

17 (C) A "SHELL COMPANY", AS DEFINED IN RULE 405 PROMULGATED  
18 PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED;  
19 AND

20 (II) A PERSON DISQUALIFIED AS A "BAD ACTOR" UNDER RULE 506  
21 (d) PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF  
22 1933", AS AMENDED.

23 ~~(23) "Qualified limited passive investor" means a natural person~~  
24 ~~who is a United States citizen and is a passive investor who owns less~~  
25 ~~than a five percent share or shares of stock in a licensed medical~~  
26 ~~marijuana business. "QUALIFIED INSTITUTIONAL INVESTOR" MEANS:~~

27 (a) A BANK AS DEFINED IN SECTION 3 (a)(6) OF THE FEDERAL  
28 "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, IF THE BANK IS  
29 CURRENT IN ALL APPLICABLE REPORTING AND RECORD-KEEPING  
30 REQUIREMENTS UNDER SUCH ACT AND RULES PROMULGATED  
31 THEREUNDER;

32 (b) A BANK HOLDING COMPANY AS DEFINED IN THE FEDERAL  
33 "BANK HOLDING COMPANY ACT OF 1956", AS AMENDED, IF THE BANK  
34 HOLDING COMPANY IS REGISTERED AND CURRENT IN ALL APPLICABLE  
35 REPORTING AND RECORD-KEEPING REQUIREMENTS UNDER SUCH ACT AND  
36 RULES PROMULGATED THEREUNDER;

37 (c) AN INSURANCE COMPANY AS DEFINED IN SECTION 2 (a)(17) OF  
38 THE FEDERAL "INVESTMENT COMPANY ACT OF 1940", AS AMENDED, IF  
39 THE INSURANCE COMPANY IS CURRENT IN ALL APPLICABLE REPORTING AND  
40 RECORD-KEEPING REQUIREMENTS UNDER SUCH ACT AND RULES  
41 PROMULGATED THEREUNDER;

42 (d) AN INVESTMENT COMPANY REGISTERED UNDER SECTION 8 OF  
43 THE FEDERAL "INVESTMENT COMPANY ACT OF 1940", AS AMENDED, AND

1 SUBJECT TO 15 U.S.C. SEC. 80a-1 TO 80a-64, IF THE INVESTMENT  
2 COMPANY IS CURRENT IN ALL APPLICABLE REPORTING AND  
3 RECORD-KEEPING REQUIREMENTS UNDER SUCH ACT AND RULES  
4 PROMULGATED THEREUNDER;

5 (e) AN EMPLOYEE BENEFIT PLAN OR PENSION FUND SUBJECT TO THE  
6 FEDERAL "EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974",  
7 EXCLUDING AN EMPLOYEE BENEFIT PLAN OR PENSION FUND SPONSORED BY  
8 A LICENSEE OR AN INTERMEDIARY HOLDING COMPANY LICENSEE THAT  
9 DIRECTLY OR INDIRECTLY OWNS TEN PERCENT OR MORE OF A LICENSEE;

10 (f) A STATE OR FEDERAL GOVERNMENT PENSION PLAN;

11 (g) A GROUP COMPRISED ENTIRELY OF PERSONS SPECIFIED IN  
12 SUBSECTIONS (23)(a) TO (23)(f) OF THIS SECTION; OR

13 (h) ANY OTHER ENTITY IDENTIFIED BY RULE BY THE STATE  
14 LICENSING AUTHORITY.

15 (23.5) "REASONABLE CAUSE" MEANS JUST OR LEGITIMATE  
16 GROUNDS TO BELIEVE THAT THE PARTICULAR REQUESTED ACTION IS  
17 NECESSARY TO FULFILL THE PURPOSES OF THIS ARTICLE 11 OR TO PROTECT  
18 PUBLIC SAFETY.

19 (25.5) "SECURITY" MEANS THOSE TERMS AS DEFINED IN SECTION  
20 (2)(1) OF THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED.

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

23 **SECTION 2.** In Colorado Revised Statutes, 44-11-202, **amend**  
24 (1)(d) and (2)(a)(VIII); **repeal** (2)(a)(XXV); and **add** (5) and (6) as  
25 follows:

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

28 (d) Maintain the confidentiality of reports or other information  
29 obtained from a medical or retail licensee containing any individualized  
30 data, information, or records related to the licensee or its operation,  
31 including sales information, financial records, tax returns, credit reports,  
32 cultivation information, testing results, and security information and  
33 plans, or revealing any patient information, or any other records that are  
34 exempt from public inspection pursuant to state law. Such reports or other  
35 information may be used only for a purpose authorized by this article 11  
36 or article 12 of this title 44, FOR INVESTIGATION OR ENFORCEMENT OF ANY  
37 INTERNATIONAL, FEDERAL, STATE, OR LOCAL SECURITIES LAW OR  
38 REGULATIONS, or for any other state or local law enforcement purpose.  
39 Any information released related to patients may be used only for a  
40 purpose authorized by this article 11 or article 12 of this title 44, or to  
41 verify that a person who presented a registry identification card to a state  
42 or local law enforcement official is lawfully in possession of such card.

43 (2) (a) Rules promulgated pursuant to subsection (1)(b) of this

1 section may include but need not be limited to the following subjects:  
2 (VIII) Development of individual identification cards for ~~owners,~~  
3 ~~officers~~ CONTROLLING BENEFICIAL OWNERS AND ANY PERSON EMPLOYED  
4 BY, OPERATING, WORKING IN, OR HAVING UNESCORTED ACCESS TO THE  
5 LIMITED ACCESS AREAS OF THE LICENSED PREMISES OF A MEDICAL  
6 MARIJUANA BUSINESS, ~~managers, contractors, employees, and other~~  
7 ~~support staff of entities licensed pursuant to this article 11~~, including a  
8 fingerprint-based criminal history record check as may be required by the  
9 state licensing authority prior to issuing a card;  
10 (XXV) ~~The parameters and qualifications of an indirect beneficial~~  
11 ~~interest owner; and a qualified limited passive investor;~~  
12 (5) (a) RULES PROMULGATED PURSUANT TO SUBSECTION (1)(b) OF  
13 THIS SECTION MUST INCLUDE THE FOLLOWING SUBJECTS:  
14 (I) OWNERSHIP AND FINANCIAL DISCLOSURE PROCEDURES AND  
15 REQUIREMENTS PURSUANT TO THIS ARTICLE 11;  
16 (II) RECORDS A MEDICAL MARIJUANA BUSINESS IS REQUIRED TO  
17 MAINTAIN REGARDING ITS CONTROLLING BENEFICIAL OWNERS, PASSIVE  
18 BENEFICIAL OWNERS, AND INDIRECT FINANCIAL INTEREST HOLDERS THAT  
19 MAY BE SUBJECT TO DISCLOSURE AT RENEWAL OR AS PART OF ANY OTHER  
20 INVESTIGATION FOLLOWING INITIAL LICENSURE OF A MEDICAL MARIJUANA  
21 BUSINESS;  
22 (III) PROCEDURES AND REQUIREMENTS FOR FINDINGS OF  
23 SUITABILITY PURSUANT TO THIS ARTICLE 11, INCLUDING FEES NECESSARY  
24 TO COVER THE DIRECT AND INDIRECT COSTS OF ANY SUITABILITY  
25 INVESTIGATION;  
26 (IV) PROCEDURES AND REQUIREMENTS CONCERNING THE  
27 DIVESTITURE OF THE BENEFICIAL OWNERSHIP OF A PERSON FOUND  
28 UNSUITABLE BY THE STATE LICENSING AUTHORITY;  
29 (V) PROCEDURES, PROCESSES, AND REQUIREMENTS FOR  
30 TRANSFERS OF OWNERSHIP INVOLVING A PUBLICLY TRADED CORPORATION,  
31 INCLUDING BUT NOT LIMITED TO MERGERS WITH A PUBLICLY TRADED  
32 CORPORATION, INVESTMENT BY A PUBLICLY TRADED CORPORATION, AND  
33 PUBLIC OFFERINGS;  
34 (VI) DESIGNATION OF PERSONS WHO BY VIRTUE OF COMMON  
35 CONTROL CONSTITUTE CONTROLLING BENEFICIAL OWNERS;  
36 (VII) MODIFICATION OF THE PERCENTAGE OF SECURITIES THAT  
37 MAY BE HELD BY A CONTROLLING BENEFICIAL OWNER AND PASSIVE  
38 BENEFICIAL OWNER;  
39 (VIII) DESIGNATION OF PERSONS WHO QUALIFY FOR AN  
40 EXEMPTION FROM AN OTHERWISE REQUIRED FINDING OF SUITABILITY; AND  
41 (IX) DESIGNATION OF INDIRECT FINANCIAL INTEREST HOLDERS  
42 AND QUALIFIED INSTITUTIONAL INVESTORS.  
43 (b) RULES PROMULGATED PURSUANT TO THIS SUBSECTION (5)

1 MUST NOT BE ANY MORE RESTRICTIVE THAN THOSE EXPRESSLY  
2 ESTABLISHED UNDER THIS ARTICLE 11.

3 (6) THE STATE LICENSING AUTHORITY MAY DENY, SUSPEND,  
4 REVOKE, FINE, OR IMPOSE OTHER SANCTIONS AGAINST A PERSON'S LICENSE  
5 ISSUED PURSUANT TO THIS ARTICLE 11 IF THE STATE LICENSING  
6 AUTHORITY FINDS THE PERSON OR THE PERSON'S CONTROLLING  
7 BENEFICIAL OWNER, PASSIVE BENEFICIAL OWNER, OR INDIRECT FINANCIAL  
8 INTEREST HOLDER FAILED TO TIMELY FILE ANY REPORT, DISCLOSURE,  
9 REGISTRATION STATEMENT, OR OTHER SUBMISSION REQUIRED BY ANY  
10 STATE OR FEDERAL REGULATORY AUTHORITY THAT IS RELATED TO THE  
11 CONDUCT OF THEIR BUSINESS.

12 **SECTION 3.** In Colorado Revised Statutes, 44-11-304, **amend**  
13 (1) and (2) as follows:

14 **44-11-304. State licensing authority - application and issuance**  
15 **procedures.** (1) Applications for a state license under the provisions of  
16 this article 11 ~~shall~~ MUST be made to the state licensing authority on  
17 forms prepared and furnished by the state licensing authority and ~~shall~~  
18 MUST set forth such information as the state licensing authority may  
19 require to enable the state licensing authority to determine whether a state  
20 license should be granted. The information ~~shall~~ MUST include the name  
21 and address of the applicant, DISCLOSURES REQUIRED BY SECTION  
22 44-11-307.5, ~~the names and addresses of the officers, directors, or~~  
23 ~~managers~~, and all other information deemed necessary by the state  
24 licensing authority. Each application ~~shall~~ MUST be verified by the oath  
25 or affirmation of such person or persons as the state licensing authority  
26 may prescribe.

27 (2) The state licensing authority shall issue a state license to a  
28 medical marijuana ~~center, an optional premises cultivation operation, or~~  
29 ~~a medical marijuana-infused products manufacturer~~ BUSINESS pursuant to  
30 this section upon satisfactory completion of the applicable criminal  
31 history background check associated with the application, and the state  
32 license is conditioned upon local licensing authority approval. A license  
33 applicant is prohibited from operating a licensed medical marijuana  
34 business without both state and local licensing authority approval. The  
35 denial of an application by the local licensing authority shall be  
36 considered as a basis for the state licensing authority to revoke the  
37 state-issued license.

38 **SECTION 4.** In Colorado Revised Statutes, 44-11-306, **amend**  
39 (1)(c), (1)(m), and (1)(n); **repeal** (1)(e); and **add** (1)(c.1), (1)(c.2), (1)(o),  
40 (1)(p), (1)(q), (1)(r), (1)(s), and (1) (t) as follows:

41 **44-11-306. Persons prohibited as licensees - definition.** (1) A  
42 license provided by this article 11 shall not be issued to or held by:

43 (c) A ~~corporation~~, PERSON OTHER THAN AN INDIVIDUAL if the



1 criminal history of any of its ~~officers, directors, or stockholders~~  
2 CONTROLLING BENEFICIAL OWNERS indicates that ~~the officer, director, or~~  
3 ~~stockholder~~ THE PERSON is not of good moral character AFTER  
4 CONSIDERING THE FACTORS IN SECTION 24-5-101;

5 (c.1) A PERSON THAT IS NOT A PUBLICLY TRADED CORPORATION,  
6 IF THE CRIMINAL HISTORY OF ANY OF ITS PASSIVE BENEFICIAL OWNERS  
7 INDICATES THAT THE PERSON IS NOT OF GOOD MORAL CHARACTER AFTER  
8 CONSIDERING THE FACTORS IN SECTION 24-5-101;

9 (c.2) A PERSON THAT IS A PUBLICLY TRADED CORPORATION, IF THE  
10 CRIMINAL HISTORY OF ANY OF ITS KNOWN PASSIVE BENEFICIAL OWNERS  
11 INDICATES THAT THE PERSON IS NOT OF GOOD MORAL CHARACTER AFTER  
12 CONSIDERING THE FACTORS IN SECTION 24-5-101;

13 (e) ~~A person employing, assisted by, or financed in whole or in~~  
14 ~~part by any other person whose criminal history indicates he or she is not~~  
15 ~~of good character and reputation satisfactory to the respective licensing~~  
16 ~~authority;~~

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

19 (n) A publicly traded ~~company~~ ENTITY THAT DOES NOT  
20 CONSTITUTE A PUBLICLY TRADED CORPORATION AS DEFINED IN THIS  
21 ARTICLE 11;

22 (o) A PERSON THAT IS OR HAS A CONTROLLING BENEFICIAL OWNER,  
23 PASSIVE BENEFICIAL OWNER, OR INDIRECT FINANCIAL INTEREST HOLDER  
24 THAT IS ORGANIZED OR FORMED UNDER THE LAWS OF A COUNTRY  
25 DETERMINED BY THE UNITED STATES SECRETARY OF STATE TO HAVE  
26 REPEATEDLY PROVIDED SUPPORT FOR ACTS OF INTERNATIONAL TERRORISM  
27 OR IS INCLUDED AMONG THE LIST OF "COVERED COUNTRIES" IN SECTION  
28 1502 OF THE FEDERAL "DODD-FRANK WALL STREET REFORM AND  
29 CONSUMER PROTECTION ACT", PUB.L. 111-203;

30 (p) A PERSON THAT IS OR HAS A CONTROLLING BENEFICIAL OWNER  
31 THAT IS AN "INELIGIBLE ISSUER" PURSUANT TO SECTION 44-11-104 (22.7)  
32 (d)(1);

33 (q) A PERSON THAT IS OR HAS A CONTROLLING BENEFICIAL OWNER  
34 THAT IS DISQUALIFIED AS A "BAD ACTOR" UNDER RULE 506 (d)  
35 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933",  
36 AS AMENDED, AND SUBJECT TO 17 CFR 230.406 (d)(1);

37 (r) A PERSON THAT IS NOT A PUBLICLY TRADED CORPORATION  
38 THAT IS DISQUALIFIED AS A "BAD ACTOR" UNDER RULE 506 (d)  
39 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933",  
40 AS AMENDED, AND SUBJECT TO 17 CFR 230.406 (d)(1);

41 (s) A PERSON THAT IS A PUBLICLY TRADED CORPORATION THAT IS  
42 OR HAS A KNOWN PASSIVE BENEFICIAL OWNER OR INDIRECT FINANCIAL  
43 INTEREST HOLDER THAT IS DISQUALIFIED AS A "BAD ACTOR" UNDER RULE

1 506 (d) PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF  
2 1933", AS AMENDED, AND SUBJECT TO 17 CFR 230.406 (d)(1); OR

3 (t) A PERSON THAT IS OR HAS A CONTROLLING BENEFICIAL OWNER,  
4 PASSIVE BENEFICIAL OWNER, OR INDIRECT FINANCIAL INTEREST HOLDER  
5 THAT IS PROHIBITED FROM ENGAGING IN TRANSACTIONS PURSUANT TO  
6 THIS ARTICLE 11 DUE TO ITS DESIGNATION ON THE "SPECIALLY  
7 DESIGNATED NATIONALS AND BLOCKED PERSONS" LIST MAINTAINED BY  
8 THE FEDERAL OFFICE OF FOREIGN ASSETS CONTROL.

9 **SECTION 5.** In Colorado Revised Statutes, 44-11-307, **amend**  
10 (1)(a)(II), (1)(a)(IV), (1)(b), and (3); **repeal** (2), (4), (5), (6), and (7); and  
11 **add** (1)(a)(IV.5) and (1)(a)(VI) as follows:

12 **44-11-307. Business and owner requirements - legislative**  
13 **declaration.** (1) (a) The general assembly hereby finds and declares that:

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

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

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

23 (VI) 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 PERSONS THAT SELL AND TRADE SECURITIES RELATED TO  
28 MEDICAL MARIJUANA BUSINESSES ARE PROHIBITED FROM ENGAGING IN  
29 DECEIT, MISREPRESENTATIONS, AND OTHER FRAUD IN THE SALE OF THE  
30 SECURITIES;

31 (b) Therefore, the general assembly is providing a mechanism for  
32 Colorado medical marijuana businesses to access capital from investors  
33 in other states AND FROM CERTAIN PUBLICLY TRADED CORPORATIONS  
34 PURSUANT TO THIS ARTICLE 11.

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

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

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

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

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

11           ~~(c) Notwithstanding the requirements of subsection (3)(b) of this~~  
12 ~~section, the state licensing authority may review the limitation on the~~  
13 ~~number of direct beneficial interest owners and may increase the number~~  
14 ~~of allowable interests above fifteen based on reasonable considerations~~  
15 ~~such as developments in state and federal financial regulations, market~~  
16 ~~conditions, and the licensee's ability to access legitimate sources of~~  
17 ~~capital A PERSON, OTHER THAN AN INDIVIDUAL, THAT IS A MEDICAL~~  
18 ~~MARIJUANA BUSINESS OR A CONTROLLING BENEFICIAL OWNER SHALL~~  
19 ~~APPOINT AND CONTINUOUSLY MAINTAIN A REGISTERED AGENT THAT~~  
20 ~~SATISFIES THE REQUIREMENTS OF SECTION 7-90-701. THE MEDICAL~~  
21 ~~MARIJUANA BUSINESS SHALL INFORM THE STATE LICENSING AUTHORITY OF~~  
22 ~~A CHANGE IN THE REGISTERED AGENT WITHIN TEN DAYS AFTER THE~~  
23 ~~CHANGE.~~

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

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

31           ~~(5) (a) A person who intends to apply as a direct beneficial~~  
32 ~~interest owner and is not a Colorado resident for at least one year prior to~~  
33 ~~the date of application shall first submit a request to the state licensing~~  
34 ~~authority for a finding of suitability as a direct beneficial interest owner.~~  
35 ~~The person shall receive a finding of suitability prior to submitting an~~  
36 ~~application to the state licensing authority to be a direct beneficial interest~~  
37 ~~owner. Failure to receive a finding of suitability prior to application is~~  
38 ~~grounds for denial by the state licensing authority.~~

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

43           ~~(6) The state licensing authority shall review the medical~~

1 ~~marijuana business's operating documents to ensure compliance with this~~  
2 ~~section.~~

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

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

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

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

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

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

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

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

21 ~~(h) A group comprised entirely of persons specified in subsections~~  
22 ~~(7)(a) to (7)(g) of this section; or~~

23 ~~(i) Any other entity identified through rule by the state licensing~~  
24 ~~authority.~~

25 **SECTION 6.** In Colorado Revised Statutes, **add** 44-11-307.5 and  
26 44-11-307.6 as follows:

27 **44-11-307.5. Business owner and financial interest disclosure**  
28 **requirements.** (1) APPLICANTS FOR THE ISSUANCE OF A STATE LICENSE  
29 SHALL DISCLOSE TO THE STATE LICENSING AUTHORITY THE FOLLOWING:

30 (a) A COMPLETE AND ACCURATE ORGANIZATIONAL CHART OF THE  
31 MEDICAL MARIJUANA BUSINESS REFLECTING THE IDENTITY AND  
32 OWNERSHIP PERCENTAGES OF ITS CONTROLLING BENEFICIAL OWNERS;

33 (b) THE FOLLOWING INFORMATION REGARDING ALL CONTROLLING  
34 BENEFICIAL OWNERS OF THE MEDICAL MARIJUANA BUSINESS:

35 (I) IF THE CONTROLLING BENEFICIAL OWNER IS A PUBLICLY  
36 TRADED CORPORATION, THE APPLICANT SHALL DISCLOSE THE  
37 CONTROLLING BENEFICIAL OWNERS' EXECUTIVE OFFICERS, MEMBERS OF ITS  
38 BOARD OF DIRECTORS, AND ANY BENEFICIAL OWNERS THAT DIRECTLY OR  
39 INDIRECTLY BENEFICIALLY OWN TEN PERCENT OR MORE OF THE SECURITIES  
40 IN A MEDICAL MARIJUANA BUSINESS;

41 (II) IF THE CONTROLLING BENEFICIAL OWNER IS NOT A PUBLICLY  
42 TRADED CORPORATION AND IS NOT A QUALIFIED PRIVATE FUND, THE  
43 APPLICANT SHALL DISCLOSE THE CONTROLLING BENEFICIAL OWNERS'

1 EXECUTIVE OFFICERS, MANAGERS AS DEFINED IN SECTION 7-90-102 (35.7),  
2 AND ANY BENEFICIAL OWNERS THAT DIRECTLY OR INDIRECTLY  
3 BENEFICIALLY OWN TEN PERCENT OR MORE OF THE SECURITIES IN A  
4 MEDICAL MARIJUANA BUSINESS;

5 (III) IF THE CONTROLLING BENEFICIAL OWNER IS A QUALIFIED  
6 PRIVATE FUND, THE APPLICANT SHALL DISCLOSE A COMPLETE AND  
7 ACCURATE ORGANIZATIONAL CHART OF THE QUALIFIED PRIVATE FUND  
8 REFLECTING THE IDENTITY AND OWNERSHIP PERCENTAGES OF THE  
9 QUALIFIED PRIVATE FUNDS' EXECUTIVE OFFICERS, MANAGERS AS DEFINED  
10 IN SECTION 7-90-102 (35.7), INVESTMENT ADVISERS, INVESTMENT ADVISER  
11 REPRESENTATIVES, ANY TRUSTEE OR EQUIVALENT, AND ANY OTHER  
12 PERSON THAT CONTROLS THE INVESTMENT IN, OR MANAGEMENT OR  
13 OPERATIONS OF, THE MEDICAL MARIJUANA BUSINESS;

14 (IV) IF THE CONTROLLING BENEFICIAL OWNER IS A NATURAL  
15 PERSON, THE APPLICANT SHALL DISCLOSE THE NATURAL PERSON'S  
16 IDENTIFYING INFORMATION;

17 (c) ANY PASSIVE BENEFICIAL OWNER THAT IS ALSO AN INDIRECT  
18 FINANCIAL INTEREST HOLDER IN THE MEDICAL MARIJUANA BUSINESS; AND

19 (d) ANY INDIRECT FINANCIAL INTEREST HOLDER THAT HOLDS TWO  
20 OR MORE INDIRECT FINANCIAL INTERESTS IN THE MEDICAL MARIJUANA  
21 BUSINESS.

22 (2) THE STATE LICENSING AUTHORITY MAY REQUEST THAT THE  
23 MEDICAL MARIJUANA BUSINESS DISCLOSE THE FOLLOWING:

24 (a) EACH BENEFICIAL OWNER AND AFFILIATE OF AN APPLICANT,  
25 MEDICAL MARIJUANA BUSINESS, OR CONTROLLING BENEFICIAL OWNER  
26 THAT IS NOT A PUBLICLY TRADED CORPORATION OR A QUALIFIED PRIVATE  
27 FUND; AND

28 (b) EACH AFFILIATE OF A CONTROLLING BENEFICIAL OWNER THAT  
29 IS A QUALIFIED PRIVATE FUND.

30 (3) FOR REASONABLE CAUSE, THE STATE LICENSING AUTHORITY  
31 MAY REQUIRE DISCLOSURE OF:

32 (a) A COMPLETE AND ACCURATE LIST OF EACH NONOBJECTING  
33 BENEFICIAL INTEREST OWNER OF AN APPLICANT, LICENSEE, OR  
34 CONTROLLING BENEFICIAL OWNER THAT IS A PUBLICLY TRADED  
35 CORPORATION;

36 (b) PASSIVE BENEFICIAL OWNERS OF THE MEDICAL MARIJUANA  
37 BUSINESS, AND FOR ANY PASSIVE BENEFICIAL INTEREST OWNER THAT IS  
38 NOT A NATURAL PERSON, THE MEMBERS OF THE BOARD OF DIRECTORS,  
39 GENERAL PARTNERS, MANAGING MEMBERS, OR MANAGERS OR EXECUTIVE  
40 OFFICERS AND TEN PERCENT OR MORE OWNERS OF THE PASSIVE BENEFICIAL  
41 OWNER;

42 (c) A LIST OF EACH BENEFICIAL OWNER IN A QUALIFIED PRIVATE  
43 FUND THAT IS A CONTROLLING BENEFICIAL OWNER;

1 (d) ALL INDIRECT FINANCIAL INTEREST HOLDERS OF THE MEDICAL  
2 MARIJUANA BUSINESS, AND FOR ANY INDIRECT FINANCIAL INTEREST  
3 HOLDER THAT IS NOT A NATURAL PERSON, THE MEMBERS OF THE BOARD OF  
4 DIRECTORS, GENERAL PARTNERS, MANAGING MEMBERS, OR MANAGERS OR  
5 EXECUTIVE OFFICERS AND TEN PERCENT OR MORE BENEFICIAL OWNERS OF  
6 THE INDIRECT FINANCIAL INTEREST HOLDER.

7 (4) AN APPLICANT OR MEDICAL MARIJUANA BUSINESS THAT IS NOT  
8 A PUBLICLY TRADED CORPORATION SHALL AFFIRM UNDER PENALTY OF  
9 PERJURY THAT IT EXERCISED REASONABLE CARE TO CONFIRM THAT ITS  
10 PASSIVE BENEFICIAL OWNERS, INDIRECT FINANCIAL INTEREST HOLDERS,  
11 AND QUALIFIED INSTITUTIONAL INVESTORS ARE NOT PERSONS PROHIBITED  
12 PURSUANT TO SECTION 44-11-306, OR OTHERWISE RESTRICTED FROM  
13 HOLDING AN INTEREST UNDER THIS ARTICLE 11. AN APPLICANT'S OR  
14 LICENSEE'S FAILURE TO EXERCISE REASONABLE CARE IS A BASIS FOR  
15 DENIAL, FINE, SUSPENSION, REVOCATION, OR OTHER SANCTION BY THE  
16 STATE LICENSING AUTHORITY.

17 (5) AN APPLICANT OR MEDICAL MARIJUANA BUSINESS THAT IS A  
18 PUBLICLY TRADED CORPORATION SHALL AFFIRM UNDER PENALTY OF  
19 PERJURY THAT IT EXERCISED REASONABLE CARE TO CONFIRM THAT ITS  
20 KNOWN PASSIVE BENEFICIAL OWNERS, KNOWN INDIRECT FINANCIAL  
21 INTEREST HOLDERS, AND QUALIFIED INSTITUTIONAL INVESTORS ARE NOT  
22 PERSONS PROHIBITED PURSUANT TO SECTION 44-11-306, OR OTHERWISE  
23 RESTRICTED FROM HOLDING AN INTEREST UNDER THIS ARTICLE 11. AN  
24 APPLICANT'S OR LICENSEE'S FAILURE TO EXERCISE REASONABLE CARE IS A  
25 BASIS FOR DENIAL, FINE, SUSPENSION, REVOCATION, OR OTHER SANCTION  
26 BY THE STATE LICENSING AUTHORITY.

27 (6) THIS SECTION DOES NOT RESTRICT THE STATE LICENSING  
28 AUTHORITY'S ABILITY TO REASONABLY REQUEST INFORMATION OR  
29 RECORDS AT RENEWAL OR AS PART OF ANY OTHER INVESTIGATION  
30 FOLLOWING INITIAL LICENSURE OF A MEDICAL MARIJUANA BUSINESS.

31 (7) THE SECURITIES COMMISSIONER MAY, BY RULE OR ORDER,  
32 REQUIRE ADDITIONAL DISCLOSURES IF SUCH INFORMATION IS FULL AND  
33 FAIR WITH RESPECT TO THE INVESTMENT OR IN THE INTEREST OF INVESTOR  
34 PROTECTION.

35 **44-11-307.6. Business owner and financial interest suitability**  
36 **requirements.** (1) THIS SECTION APPLIES TO ALL PERSONS REQUIRED TO  
37 SUBMIT A FINDING OF SUITABILITY.

38 (2) ANY PERSON INTENDING TO BECOME A CONTROLLING  
39 BENEFICIAL OWNER OF ANY MEDICAL MARIJUANA BUSINESS, EXCEPT AS  
40 OTHERWISE PROVIDED IN SECTION 44-11-309 (4), SHALL FIRST SUBMIT A  
41 REQUEST TO THE STATE LICENSING AUTHORITY FOR A FINDING OF  
42 SUITABILITY OR AN EXEMPTION FROM AN OTHERWISE REQUIRED FINDING  
43 OF SUITABILITY.

1 (3) FOR REASONABLE CAUSE, ANY OTHER PERSON THAT WAS  
2 DISCLOSED OR THAT SHOULD HAVE BEEN DISCLOSED PURSUANT TO  
3 SECTION 44-11-307.5, INCLUDING BUT NOT LIMITED TO A PASSIVE  
4 BENEFICIAL OWNER, SHALL SUBMIT A REQUEST FOR A FINDING OF  
5 SUITABILITY.

6 (4) FAILURE TO PROVIDE ALL REQUESTED INFORMATION IN  
7 CONNECTION WITH A REQUEST FOR A FINDING OF SUITABILITY IS GROUNDS  
8 FOR DENIAL OF THAT FINDING OF SUITABILITY.

9 (5) FAILURE TO RECEIVE ALL REQUIRED FINDINGS OF SUITABILITY  
10 IS GROUNDS FOR DENIAL OF AN APPLICATION OR FOR SUSPENSION,  
11 REVOCATION, OR OTHER SANCTION AGAINST THE LICENSE BY THE STATE  
12 LICENSING AUTHORITY. FOR INITIAL APPLICATIONS, THE FINDING OF  
13 SUITABILITY SHALL BE REQUIRED PRIOR TO SUBMITTING THE APPLICATION  
14 FOR LICENSURE.

15 (6) ANY PERSON REQUIRED TO OBTAIN A FINDING OF SUITABILITY  
16 SHALL DO SO ON FORMS PROVIDED BY THE STATE LICENSING AUTHORITY  
17 AND THE FORMS MUST CONTAIN SUCH INFORMATION AS THE STATE  
18 LICENSING AUTHORITY MAY REQUIRE. EACH SUITABILITY APPLICATION  
19 MUST BE VERIFIED BY THE OATH OR AFFIRMATION OF THE PERSONS  
20 PRESCRIBED BY THE STATE LICENSING AUTHORITY.

21 (7) A PERSON REQUESTING A FINDING OF SUITABILITY SHALL  
22 PROVIDE THE STATE LICENSING AUTHORITY WITH A DEPOSIT TO COVER THE  
23 DIRECT AND INDIRECT COSTS OF ANY INVESTIGATION NECESSARY TO  
24 DETERMINE ANY REQUIRED FINDING OF SUITABILITY. THE STATE  
25 LICENSING AUTHORITY MAY MAKE FURTHER RULES REGARDING THE  
26 DEPOSIT AND DIRECT AND INDIRECT COSTS THAT MUST BE BILLED AGAINST  
27 THE DEPOSIT.

28 (8) WHEN DETERMINING WHETHER A PERSON IS SUITABLE OR  
29 UNSUITABLE FOR LICENSURE, THE STATE LICENSING AUTHORITY MAY  
30 CONSIDER THE PERSON'S CRIMINAL CHARACTER OR RECORD, LICENSING  
31 CHARACTER OR RECORD, OR FINANCIAL CHARACTER OR RECORD.

32 (9) A PERSON WHO WOULD OTHERWISE BE REQUIRED TO OBTAIN A  
33 FINDING OF SUITABILITY MAY REQUEST AN EXEMPTION FROM THE STATE  
34 LICENSING AUTHORITY AS DETERMINED BY RULE.

35 (10) ABSENT SUBSTANTIAL JUSTIFICATION, THE STATE LICENSING  
36 AUTHORITY SHALL APPROVE OR DENY A REQUEST FOR A FINDING OF  
37 SUITABILITY WITHIN ONE HUNDRED TWENTY DAYS FROM THE DATE OF  
38 SUBMISSION OF THE REQUEST FOR SUCH FINDING.

39 (11) THE STATE LICENSING AUTHORITY MAY DENY, SUSPEND,  
40 REVOKE, FINE, OR IMPOSE OTHER SANCTIONS AGAINST A PERSON'S LICENSE  
41 ISSUED PURSUANT TO THIS ARTICLE 11 IF THE STATE LICENSING  
42 AUTHORITY FINDS THE PERSON OR THE PERSON'S CONTROLLING  
43 BENEFICIAL OWNER, PASSIVE BENEFICIAL OWNER, OR INDIRECT FINANCIAL

1 INTEREST HOLDER TO BE UNSUITABLE PURSUANT TO THIS SECTION.

2 **SECTION 7.** In Colorado Revised Statutes, 44-11-309, **amend**  
3 (2); and **add** (3) and (4) as follows:

4 **44-11-309. Transfer of ownership.** (2) For a transfer of  
5 ownership INVOLVING A CONTROLLING BENEFICIAL OWNER, a license  
6 holder shall apply to the state and local licensing authorities on forms  
7 prepared and furnished by the state licensing authority. In determining  
8 whether to permit a transfer of ownership, the state and local licensing  
9 authorities shall consider only the requirements of this article 11, any  
10 rules promulgated by the state licensing authority, and any other local  
11 restrictions. The local licensing authority may hold a hearing on the  
12 application for transfer of ownership. The local licensing authority shall  
13 not hold a hearing pursuant to this subsection (2) until the local licensing  
14 authority has posted a notice of hearing in the manner described in section  
15 44-11-302 (2) on the licensed medical marijuana center premises for a  
16 period of ten days and has provided notice of the hearing to the applicant  
17 at least ten days prior to the hearing. Any transfer of ownership hearing  
18 by the state licensing authority ~~shall~~ **MUST** be held in compliance with the  
19 requirements specified in section 44-11-302.

20 (3) FOR A TRANSFER OF OWNERSHIP INVOLVING A PASSIVE  
21 BENEFICIAL OWNER, THE LICENSE HOLDER SHALL NOTIFY THE STATE  
22 LICENSING AUTHORITY ON FORMS PREPARED AND FURNISHED BY THE  
23 STATE LICENSING AUTHORITY WITHIN FORTY-FIVE DAYS TO THE EXTENT  
24 DISCLOSURE IS REQUIRED BY SECTION 44-11-307.5.

25 (4) A PERSON THAT BECOMES A CONTROLLING BENEFICIAL OWNER  
26 OF A PUBLICLY TRADED CORPORATION THAT IS A MEDICAL MARIJUANA  
27 BUSINESS OR THAT BECOMES A BENEFICIAL OWNER, THROUGH DIRECT OR  
28 INDIRECT OWNERSHIP OF A CONTROLLING BENEFICIAL OWNER, OF TEN  
29 PERCENT OR MORE OF A MEDICAL MARIJUANA BUSINESS THAT IS A  
30 PUBLICLY TRADED CORPORATION MUST DISCLOSE THE INFORMATION  
31 REQUIRED BY SECTION 44-11-307.5 AND APPLY TO THE STATE LICENSING  
32 AUTHORITY FOR A FINDING OF SUITABILITY OR EXEMPTION FROM A  
33 FINDING OF SUITABILITY PURSUANT TO SECTION 44-11-307.6 WITHIN  
34 FORTY-FIVE DAYS AFTER BECOMING SUCH A CONTROLLING BENEFICIAL  
35 OWNER. A LICENSEE SHALL NOTIFY EACH PERSON THAT IS SUBJECT TO THIS  
36 SUBSECTION (4) OF ITS REQUIREMENTS AS SOON AS THE LICENSEE  
37 BECOMES AWARE OF THE BENEFICIAL OWNERSHIP TRIGGERING THE  
38 REQUIREMENT, PROVIDED THAT THE OBLIGATIONS OF THE PERSON SUBJECT  
39 TO THIS SUBSECTION (4) ARE INDEPENDENT OF, AND UNAFFECTED BY, THE  
40 LICENSEE'S FAILURE TO GIVE THE NOTICE.

41 **SECTION 8.** In Colorado Revised Statutes, 44-11-310, **amend**  
42 (3), (4), (6), and (11) as follows:

43 **44-11-310. 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 owner officer or manager ceases to  
5 work at, manage, own, or otherwise be associated with the operation. The  
6 owner, officer or manager shall surrender to the state licensing authority  
7 any identification card that may have been issued by the state licensing  
8 authority on or before the date of the notification.

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

22 (6) All managers and employees WITH DAY-TO-DAY OPERATIONAL  
23 CONTROL of a medical marijuana center, optional premises cultivation  
24 operation, or medical marijuana-infused products manufacturer shall be  
25 residents of Colorado upon the date of their license application. All  
26 licenses granted pursuant to this article 11 shall be valid for a period not  
27 to exceed two years after the date of issuance unless revoked or  
28 suspended pursuant to this article 11 or the rules promulgated pursuant to  
29 this article 11.

30 (11) EXCEPT FOR A PUBLICLY TRADED CORPORATION, a licensee  
31 shall report each transfer or change of financial interest in the license to  
32 the state and local licensing authorities thirty days prior to any transfer or  
33 change pursuant to section 44-11-309. EXCEPT FOR A PUBLICLY TRADED  
34 CORPORATION, a report shall be required for transfers of ~~capital stock of~~  
35 ~~any corporation~~ OWNER'S INTEREST OF ANY ENTITY regardless of size.

36 **SECTION 9.** In Colorado Revised Statutes, 44-11-313, **amend**  
37 (1); and **repeal** (2) as follows:

38 **44-11-313. Unlawful financial assistance.** (1) The state  
39 licensing authority, by rule, shall require a complete disclosure ~~of all~~  
40 ~~persons having a direct or indirect financial interest, and the extent of~~  
41 ~~such interest, in~~ PURSUANT TO SECTION 44-11-307.5 IN CONNECTION WITH  
42 each license issued under this article 11.

43 (2) ~~A person shall not have an unreported financial interest in a~~

1 ~~license pursuant to this article 11 unless that person has undergone a~~  
2 ~~fingerprint-based criminal history record check as provided for by the~~  
3 ~~state licensing authority in its rules; except that this subsection (2) does~~  
4 ~~not apply to banks or savings and loan associations supervised and~~  
5 ~~regulated by an agency of the state or federal government, or to~~  
6 ~~FHA-approved mortgagees, or to stockholders, directors, or officers~~  
7 ~~thereof.~~

8       **SECTION 10.** In Colorado Revised Statutes, **amend** 44-11-407  
9 as follows:

10       **44-11-407. Medical marijuana business operator license.** A  
11 medical marijuana business operator license may be issued to ~~an entity or~~  
12 A person ~~who~~ THAT operates a medical marijuana ~~establishment~~ BUSINESS  
13 licensed pursuant to this article 11 for ~~an owner~~ ANOTHER MEDICAL  
14 MARIJUANA BUSINESS licensed pursuant to this article 11 and ~~who~~ THAT  
15 may receive a portion of the profits as compensation.

16       **SECTION 11.** In Colorado Revised Statutes, 44-11-901, **add**  
17 (7.5) as follows:

18       **44-11-901. Unlawful acts - exceptions - repeal.** (7.5) (a) IT IS  
19 UNLAWFUL FOR A PERSON TO ENGAGE IN ANY ACT OR OMISSION WITH THE  
20 INTENT TO EVADE DISCLOSURE, REPORTING, RECORD KEEPING, OR  
21 SUITABILITY REQUIREMENTS PURSUANT TO THIS ARTICLE 11, INCLUDING  
22 BUT NOT LIMITED TO THE FOLLOWING:

23       (I) FAILING TO FILE A REPORT REQUIRED UNDER THIS ARTICLE 11  
24 OR CAUSING OR ATTEMPTING TO CAUSE A PERSON TO FAIL TO FILE SUCH A  
25 REPORT;

26       (II) FILING OR CAUSING OR ATTEMPTING TO CAUSE A PERSON TO  
27 FILE A REPORT REQUIRED UNDER THIS ARTICLE 11 THAT CONTAINS A  
28 MATERIAL OMISSION OR MISSTATEMENT OF FACT;

29       (III) MAKING FALSE OR MISLEADING STATEMENTS REGARDING THE  
30 OFFERING OF INTERESTS OF A MEDICAL MARIJUANA BUSINESS; OR

31       (IV) STRUCTURING ANY TRANSACTION WITH THE INTENT TO EVADE  
32 DISCLOSURE, REPORTING, RECORD KEEPING, OR SUITABILITY  
33 REQUIREMENTS PURSUANT TO THIS ARTICLE 11.

34       (b) THE STATE LICENSING AUTHORITY MAY DENY, SUSPEND,  
35 REVOKE, FINE, OR IMPOSE OTHER SANCTIONS AGAINST A PERSON'S LICENSE  
36 ISSUED UNDER THIS ARTICLE 11 IF THE STATE LICENSING AUTHORITY FINDS  
37 A VIOLATION OF THIS SUBSECTION (7.5) BY THE PERSON, THE PERSON'S  
38 CONTROLLING BENEFICIAL OWNER, PASSIVE BENEFICIAL OWNER, INDIRECT  
39 FINANCIAL INTEREST HOLDER OR ANY AGENT OR EMPLOYEE THEREOF.

40       **SECTION 12.** In Colorado Revised Statutes, 44-12-103, **amend**  
41 (1), (5), (18), (20), (24), and (25); **repeal** (17); and **add** (1.1), (1.2), (1.3),  
42 (1.4), (1.5), (3.2), (5.5), (16.5), (19.5), (20.5), (32.5), and (34) as follows:

43       **44-12-103. Definitions.** As used in this article 12, unless the

1 context otherwise requires:

2 (1) ~~"Direct beneficial interest owner" means a person or closely~~  
3 ~~held business entity that owns a share or shares of stock in a licensed~~  
4 ~~retail marijuana business, including the officers, directors, managing~~  
5 ~~members, or partners of the licensed retail marijuana business or closely~~  
6 ~~held business entity, or a qualified limited passive investor "ACQUIRE"~~  
7 WHEN USED IN CONNECTION WITH THE ACQUISITION OF A SECURITY OF A  
8 RETAIL MARIJUANA BUSINESS, MEANS OBTAINING OWNERSHIP, CONTROL,  
9 POWER TO VOTE, OR SOLE POWER OF DISPOSITION OF SECURITIES, DIRECTLY  
10 OR INDIRECTLY OR THROUGH ONE OR MORE TRANSACTIONS OR  
11 SUBSIDIARIES, THROUGH PURCHASE, ASSIGNMENT, TRANSFER, EXCHANGE,  
12 SUCCESSION, OR OTHER MEANS.

13 (1.1) "ACTING IN CONCERT" MEANS KNOWING PARTICIPATION IN  
14 A JOINT ACTIVITY OR INTERDEPENDENT CONSCIOUS PARALLEL ACTION  
15 TOWARD A COMMON GOAL, WHETHER OR NOT PURSUANT TO AN EXPRESS  
16 AGREEMENT.

17 (1.2) "AFFILIATE" OF, OR PERSON "AFFILIATED WITH", A SPECIFIED  
18 PERSON MEANS A PERSON THAT DIRECTLY OR INDIRECTLY THROUGH ONE  
19 OR MORE INTERMEDIARIES, CONTROLS, OR IS CONTROLLED BY, OR IS  
20 UNDER COMMON CONTROL WITH, THE PERSON SPECIFIED.

21 (1.3) BENEFICIAL OWNER OF", "BENEFICIAL OWNERSHIP OF", OR  
22 "BENEFICIALLY OWNS A" SECURITY IS DETERMINED IN ACCORDANCE WITH  
23 SECTION 13(D) OF THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS  
24 AMENDED, AND RULE 13D-3 PROMULGATED THEREUNDER.

25 (1.4) "CONTROL", "CONTROLS", "CONTROLLED", "CONTROLLING",  
26 "CONTROLLED BY", AND "UNDER COMMON CONTROL WITH", MEANS THE  
27 POSSESSION, DIRECT OR INDIRECT, OF THE POWER TO DIRECT OR CAUSE THE  
28 DIRECTION OF THE MANAGEMENT OR POLICIES OF A PERSON, WHETHER  
29 THROUGH THE OWNERSHIP OF VOTING SECURITIES, BY CONTRACT, OR  
30 OTHERWISE.

31 (1.5) "CONTROLLING BENEFICIAL OWNER" IS LIMITED TO A PERSON  
32 THAT SATISFIES ONE OR MORE OF THE FOLLOWING CRITERIA:

33 (a) A NATURAL PERSON, AN ENTITY AS DEFINED IN SECTION  
34 7-90-102 (20) THAT IS ORGANIZED UNDER THE LAWS OF AND FOR WHICH  
35 ITS PRINCIPAL PLACE OF BUSINESS IS LOCATED IN ONE OF THE STATES OR  
36 TERRITORIES OF THE UNITED STATES OR DISTRICT OF COLUMBIA, A  
37 PUBLICLY TRADED CORPORATION, OR A QUALIFIED PRIVATE FUND THAT IS  
38 NOT OTHERWISE LICENSED AS A QUALIFIED INSTITUTIONAL INVESTOR:

39 (I) ACTING ALONE OR ACTING IN CONCERT, THAT OWNS OR  
40 ACQUIRES BENEFICIAL OWNERSHIP OF TEN PERCENT OR MORE OF THE  
41 INTERESTS OF A RETAIL MARIJUANA BUSINESS;

42 (II) THAT IS AN AFFILIATE THAT CONTROLS A RETAIL MARIJUANA  
43 BUSINESS AND INCLUDES, WITHOUT LIMITATION, ANY EXECUTIVE OFFICER,

1 MANAGER AS DEFINED IN SECTION 7-90-102 (35.7), TRUSTEE, OR SIMILAR  
2 POSITION; OR

3 (III) THAT IS OTHERWISE IN A POSITION TO CONTROL THE RETAIL  
4 MARIJUANA BUSINESS EXCEPT AS AUTHORIZED IN SECTION 44-12-407; OR

5 (b) A QUALIFIED INSTITUTIONAL INVESTOR ACTING ALONE OR  
6 ACTING IN CONCERT THAT OWNS OR ACQUIRES BENEFICIAL OWNERSHIP OF  
7 THIRTY PERCENT OR MORE OF THE SECURITIES OF A RETAIL MARIJUANA  
8 BUSINESS.

9 (3.2) "EXECUTIVE OFFICER" MEANS THE PRESIDENT; ANY VICE  
10 PRESIDENT IN CHARGE OF A PRINCIPAL BUSINESS UNIT, DIVISION, OR  
11 FUNCTION; ANY OTHER OFFICER WHO PERFORMS A POLICY-MAKING  
12 FUNCTION; OR ANY OTHER PERSON WHO PERFORMS SIMILAR  
13 POLICY-MAKING FUNCTIONS.

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

20 "INDIRECT FINANCIAL INTEREST HOLDER" MEANS A PERSON THAT IS NOT  
21 AN AFFILIATE, A CONTROLLING BENEFICIAL OWNER, OR A PASSIVE  
22 BENEFICIAL OWNER OF A RETAIL MARIJUANA BUSINESS AND THAT:

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

26 (b) HOLDS A PERMITTED ECONOMIC INTEREST THAT WAS ISSUED  
27 PRIOR TO JANUARY 1, 2020, AND THAT HAS NOT BEEN CONVERTED INTO AN  
28 OWNERSHIP INTEREST;

29 (c) IS A CONTRACT COUNTERPARTY WITH A RETAIL MARIJUANA  
30 BUSINESS, OTHER THAN A CUSTOMARY EMPLOYMENT AGREEMENT, THAT  
31 HAS A DIRECT NEXUS TO THE CULTIVATION, MANUFACTURE, OR SALE OF  
32 MARIJUANA, INCLUDING, BUT NOT LIMITED TO, A LEASE OF REAL PROPERTY  
33 ON WHICH THE RETAIL MARIJUANA BUSINESS OPERATES, A LEASE OF  
34 EQUIPMENT USED IN THE CULTIVATION OF RETAIL MARIJUANA, A SECURED  
35 OR UNSECURED FINANCING AGREEMENT WITH THE RETAIL MARIJUANA  
36 BUSINESS, A SECURITY CONTRACT WITH THE RETAIL MARIJUANA BUSINESS,  
37 OR A MANAGEMENT AGREEMENT WITH THE RETAIL MARIJUANA BUSINESS,  
38 PROVIDED THAT NO SUCH CONTRACT COMPENSATES THE CONTRACT  
39 COUNTERPARTY WITH A PERCENTAGE OF REVENUE FOR PROFITS OF THE  
40 RETAIL MARIJUANA BUSINESS; OR

41 (d) IS IDENTIFIED BY RULE BY THE STATE LICENSING AUTHORITY AS  
42 AN INDIRECT FINANCIAL INTEREST HOLDER.

43 (16.5) "PASSIVE BENEFICIAL OWNER" MEANS ANY PERSON

1 ACQUIRING ANY INTEREST IN A RETAIL MARIJUANA ESTABLISHMENT THAT  
2 IS NOT OTHERWISE A CONTROLLING BENEFICIAL OWNER OR IN CONTROL.

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

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

14 (19.5) "PUBLICLY TRADED CORPORATION" MEANS ANY PERSON  
15 OTHER THAN AN INDIVIDUAL THAT HAS A CLASS OF SECURITIES  
16 REGISTERED PURSUANT TO SECTION 12 OF THE FEDERAL "SECURITIES  
17 EXCHANGE ACT OF 1934", AS AMENDED, THAT IS ORGANIZED UNDER THE  
18 LAWS OF AND FOR WHICH ITS PRINCIPAL PLACE OF BUSINESS IS LOCATED IN  
19 ONE OF THE STATES OR TERRITORIES OF THE UNITED STATES OR DISTRICT  
20 OF COLUMBIA OR ANOTHER COUNTRY THAT AUTHORIZES THE SALE OF  
21 MARIJUANA AND THAT:

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

25 (I) CONSTITUTES "COVERED SECURITIES" PURSUANT TO SECTION  
26 18 (b)(1)(A) OF THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED;  
27 OR

28 (II) IS QUALIFIED AND QUOTED ON THE OTCQX OR OTCQB TIER  
29 OF THE OTC MARKETS IF:

30 (A) THE PERSON IS THEN REQUIRED TO FILE REPORTS AND IS FILING  
31 REPORTS ON A CURRENT BASIS WITH THE FEDERAL SECURITIES AND  
32 EXCHANGE COMMISSION PURSUANT TO THE FEDERAL "SECURITIES  
33 EXCHANGE ACT OF 1934", AS AMENDED, AS IF THE SECURITIES  
34 CONSTITUTED "COVERED SECURITIES" AS DESCRIBED IN SUBSECTION  
35 (19.5)(a)(I) OF THIS SECTION; OR

36 (B) THE PERSON IS QUALIFIED AND QUOTED ON THE OTCQX TIER  
37 OF THE OTC MARKETS AND THE PERSON HAS ESTABLISHED AND IS IN  
38 COMPLIANCE WITH CORPORATE GOVERNANCE MEASURES PURSUANT TO  
39 CORPORATE GOVERNANCE OBLIGATIONS IMPOSED ON SECURITIES  
40 QUALIFIED AND QUOTED ON THE OTCQX TIER OF THE OTC MARKETS;

41 (b) IS A CORPORATION THAT HAS A CLASS OF SECURITIES LISTED ON  
42 THE CANADIAN SECURITIES EXCHANGE, TORONTO STOCK EXCHANGE , OR  
43 OTHER EQUITY SECURITIES EXCHANGE RECOGNIZED BY THE STATE

1 LICENSING AUTHORITY, IF:

2 (I) THE CORPORATION CONSTITUTES A "FOREIGN PRIVATE ISSUER",  
3 AS DEFINED IN RULE 405 PROMULGATED PURSUANT TO THE FEDERAL  
4 "SECURITIES ACT OF 1933", AS AMENDED, WHOSE SECURITIES ARE EXEMPT  
5 FROM REGISTRATION PURSUANT TO SECTION 12 OF THE FEDERAL  
6 "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, PURSUANT TO RULE  
7 12g 3-2 (b) PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES  
8 EXCHANGE ACT OF 1934", AS AMENDED; AND

9 (II) THE CORPORATION HAS BEEN, FOR THE PRECEDING THREE  
10 HUNDRED SIXTY-FIVE DAYS OR SINCE THE FORMATION OF THE ENTITY, IN  
11 COMPLIANCE WITH ALL GOVERNANCE AND REPORTING OBLIGATIONS  
12 IMPOSED BY THE RELEVANT EXCHANGE ON SUCH CORPORATION;

13 (c) IS REASONABLY IDENTIFIED AS A PUBLICLY TRADED  
14 CORPORATION BY RULE BY THE STATE LICENSING AUTHORITY AS A  
15 PUBLICLY TRADED CORPORATION; OR

16 (d) A "PUBLICLY TRADED CORPORATION" DESCRIBED IN  
17 SUBSECTION (19.5)(a), (19.5)(b), OR (19.5)(c) OF THIS SECTION DOES NOT  
18 INCLUDE:

19 (I) AN "INELIGIBLE ISSUER", AS DEFINED IN RULE 405  
20 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933",  
21 AS AMENDED, UNLESS SUCH PUBLICLY TRADED CORPORATION SATISFIES  
22 THE DEFINITION OF INELIGIBLE ISSUER SOLELY BECAUSE IT IS ONE OR MORE  
23 OF THE FOLLOWING AND SO LONG AS THE PERSON IS REQUIRED TO FILE  
24 REPORTS AND IS FILING REPORTS ON A CURRENT BASIS WITH THE FEDERAL  
25 SECURITIES AND EXCHANGE COMMISSION PURSUANT TO THE FEDERAL  
26 "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, AS IF THE  
27 SECURITIES CONSTITUTED "COVERED SECURITIES" AS DESCRIBED IN  
28 SUBSECTION (19.5)(a)(I) OF THIS SECTION:

29 (A) A "BLANK CHECK COMPANY", AS DEFINED IN RULE 419 (a)(2)  
30 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933",  
31 AS AMENDED;

32 (B) AN ISSUER IN AN OFFERING OF "PENNY STOCK", AS DEFINED IN  
33 RULE 3 a51-1 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES  
34 EXCHANGE ACT OF 1934"; OR

35 (C) A "SHELL COMPANY", AS DEFINED IN RULE 405 PROMULGATED  
36 PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED;  
37 AND

38 (II) A PERSON DISQUALIFIED AS A "BAD ACTOR" UNDER RULE 506  
39 (D) PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF  
40 1933", AS AMENDED.

41 (20) ~~"Qualified limited passive investor" means a natural person~~  
42 ~~who is a United States citizen and is a passive investor who owns less~~  
43 ~~than a five percent share or shares of stock in a licensed retail marijuana~~

1 **business. "QUALIFIED INSTITUTIONAL INVESTOR" MEANS:**  
2 (a) A BANK AS DEFINED IN SECTION 3 (a)(6) OF THE FEDERAL  
3 "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED, PROVIDED THE  
4 BANK IS CURRENT IN ALL APPLICABLE REPORTING AND RECORD-KEEPING  
5 REQUIREMENTS UNDER SUCH ACT AND RULES PROMULGATED  
6 THEREUNDER;  
7 (b) A BANK HOLDING COMPANY AS DEFINED IN THE FEDERAL  
8 "BANK HOLDING COMPANY ACT OF 1956", AS AMENDED, IF THE BANK  
9 HOLDING COMPANY IS REGISTERED AND CURRENT IN ALL APPLICABLE  
10 REPORTING AND RECORD-KEEPING REQUIREMENTS UNDER SUCH ACT AND  
11 RULES PROMULGATED THEREUNDER;  
12 (c) AN INSURANCE COMPANY AS DEFINED IN SECTION 2 (a)(17) OF  
13 THE FEDERAL "INVESTMENT COMPANY ACT OF 1940", AS AMENDED,  
14 PROVIDED THE INSURANCE COMPANY IS CURRENT IN ALL APPLICABLE  
15 REPORTING AND RECORD-KEEPING REQUIREMENTS UNDER SUCH ACT AND  
16 RULES PROMULGATED THEREUNDER;  
17 (d) AN INVESTMENT COMPANY REGISTERED UNDER SECTION 8 OF  
18 THE FEDERAL "INVESTMENT COMPANY ACT OF 1940", AS AMENDED, AND  
19 SUBJECT TO 15 U.S.C. SEC. 80a-1 TO 80a-64, IF THE INVESTMENT  
20 COMPANY IS CURRENT IN ALL APPLICABLE REPORTING AND  
21 RECORD-KEEPING REQUIREMENTS UNDER SUCH ACT AND RULES  
22 PROMULGATED THEREUNDER;  
23 (e) AN EMPLOYEE BENEFIT PLAN OR PENSION FUND SUBJECT TO THE  
24 FEDERAL "EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974",  
25 EXCLUDING AN EMPLOYEE BENEFIT PLAN OR PENSION FUND SPONSORED BY  
26 A LICENSEE OR AN INTERMEDIARY HOLDING COMPANY LICENSEE THAT  
27 DIRECTLY OR INDIRECTLY OWNS TEN PERCENT OR MORE OF A LICENSEE;  
28 (f) A STATE OR FEDERAL GOVERNMENT PENSION PLAN;  
29 (g) A GROUP COMPRISED ENTIRELY OF PERSONS SPECIFIED IN  
30 SUBSECTIONS (20)(a) TO (20)(f) OF THIS SECTION; OR  
31 (h) ANY OTHER ENTITY IDENTIFIED BY RULE BY THE STATE  
32 LICENSING AUTHORITY.  
33 (20.5) "REASONABLE CAUSE" MEANS JUST OR LEGITIMATE  
34 GROUNDS TO BELIEVE THAT THE PARTICULAR REQUESTED ACTION IS  
35 NECESSARY TO FULFILL THE PURPOSES OF THIS ARTICLE 12 OR TO PROTECT  
36 PUBLIC SAFETY.  
37 (24) "Retail marijuana establishment" means ANY OF THE  
38 FOLLOWING ENTITIES LICENSED PURSUANT TO THIS ARTICLE 12: A retail  
39 marijuana store, a retail marijuana cultivation facility, a retail marijuana  
40 products manufacturer, ~~or~~ a retail marijuana testing facility, A RETAIL  
41 MARIJUANA ESTABLISHMENT OPERATOR, OR A RETAIL MARIJUANA  
42 TRANSPORTER.  
43 (25) "Retail marijuana establishment operator" means ~~an entity or~~

1 A person ~~who is not an owner and who~~ 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, BY VIRTUE OF ITS STATUS  
5 AS RETAIL MARIJUANA ESTABLISHMENT OPERATOR, A CONTROLLING  
6 BENEFICIAL OWNER, OR A PASSIVE BENEFICIAL OWNER OF ANY RETAIL  
7 MARIJUANA ESTABLISHMENT IT OPERATES.

8 (32.5) "SECURITY" MEANS THOSE TERMS AS DEFINED IN SECTION  
9 (2)(1) OF THE FEDERAL "SECURITIES ACT OF 1933", AS AMENDED.

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

12 **SECTION 13.** In Colorado Revised Statutes, 44-12-202, **amend**  
13 (2)(d) and (3)(c)(IV); **repeal** (3)(a)(XXI); and **add** (6) and (7) as follows:

14 **44-12-202. Powers and duties of state licensing authority -**  
15 **rules.** (2) The state licensing authority has the authority to:

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

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

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

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

34 (IV) Development of individual identification cards for ~~owners,~~  
35 ~~officers~~ CONTROLLING BENEFICIAL OWNERS AND ANY PERSON EMPLOYED  
36 BY, OPERATING, WORKING IN, OR HAVING UNESCORTED ACCESS TO THE  
37 LIMITED ACCESS AREAS OF THE LICENSED PREMISES OF A RETAIL  
38 MARIJUANA ESTABLISHMENT, ~~managers, contractors, employees, and other~~  
39 ~~support staff of entities licensed pursuant to this article 12,~~ including a  
40 fingerprint-based criminal history record check as may be required by the  
41 state licensing authority prior to issuing a card;

42 (6) (a) RULES PROMULGATED PURSUANT TO SUBSECTION (2)(b) OF  
43 THIS SECTION MUST INCLUDE THE FOLLOWING SUBJECTS:



1 (I) OWNERSHIP AND FINANCIAL DISCLOSURE PROCEDURES AND  
2 REQUIREMENTS PURSUANT TO THIS ARTICLE 12;

3 (II) RECORDS A RETAIL MARIJUANA ESTABLISHMENT IS REQUIRED  
4 TO MAINTAIN REGARDING ITS CONTROLLING BENEFICIAL OWNERS, PASSIVE  
5 BENEFICIAL OWNERS, AND INDIRECT FINANCIAL INTEREST HOLDERS THAT  
6 MAY BE SUBJECT TO DISCLOSURE AT RENEWAL OR AS PART OF ANY OTHER  
7 INVESTIGATION FOLLOWING INITIAL LICENSURE OF A RETAIL MARIJUANA  
8 ESTABLISHMENT;

9 (III) PROCEDURES AND REQUIREMENTS FOR FINDINGS OF  
10 SUITABILITY PURSUANT TO THIS ARTICLE 12, INCLUDING FEES NECESSARY  
11 TO COVER THE DIRECT AND INDIRECT COSTS OF ANY SUITABILITY  
12 INVESTIGATION;

13 (IV) PROCEDURES AND REQUIREMENTS CONCERNING THE  
14 DIVESTITURE OF THE BENEFICIAL OWNERSHIP OF A PERSON FOUND  
15 UNSUITABLE BY THE STATE LICENSING AUTHORITY;

16 (V) PROCEDURES, PROCESSES, AND REQUIREMENTS FOR  
17 TRANSFERS OF OWNERSHIP INVOLVING A PUBLICLY TRADED CORPORATION,  
18 INCLUDING BUT NOT LIMITED TO MERGERS WITH A PUBLICLY TRADED  
19 CORPORATION, INVESTMENT BY A PUBLICLY TRADED CORPORATION, AND  
20 PUBLIC OFFERINGS;

21 (VI) DESIGNATION OF PERSONS THAT BY VIRTUE OF COMMON  
22 CONTROL CONSTITUTE CONTROLLING BENEFICIAL OWNERS;

23 (VII) MODIFICATION OF THE PERCENTAGE OF SECURITIES THAT  
24 MAY BE HELD BY A CONTROLLING BENEFICIAL OWNER AND PASSIVE  
25 BENEFICIAL OWNER;

26 (VIII) DESIGNATION OF PERSONS THAT QUALIFY FOR AN  
27 EXEMPTION FROM AN OTHERWISE REQUIRED FINDING OF SUITABILITY; AND

28 (IX) DESIGNATION OF INDIRECT FINANCIAL INTEREST HOLDERS  
29 AND QUALIFIED INSTITUTIONAL INVESTORS.

30 (b) RULES PROMULGATED PURSUANT TO THIS SUBSECTION (6)  
31 SHALL NOT BE ANY MORE RESTRICTIVE THAN THOSE EXPRESSLY  
32 ESTABLISHED UNDER THIS ARTICLE 12.

33 (7) THE STATE LICENSING AUTHORITY MAY DENY, SUSPEND,  
34 REVOKE, FINE, OR IMPOSE OTHER SANCTIONS AGAINST A PERSON'S LICENSE  
35 ISSUED PURSUANT TO THIS ARTICLE 12 IF THE STATE LICENSING  
36 AUTHORITY FINDS THE PERSON OR THE PERSON'S CONTROLLING  
37 BENEFICIAL OWNER, PASSIVE BENEFICIAL OWNER, OR INDIRECT FINANCIAL  
38 INTEREST HOLDER FAILED TO TIMELY FILE ANY REPORT, DISCLOSURE,  
39 REGISTRATION STATEMENT, OR OTHER SUBMISSION REQUIRED BY ANY  
40 STATE OR FEDERAL REGULATORY AUTHORITY THAT IS RELATED TO THE  
41 CONDUCT OF THEIR ESTABLISHMENT.

42 **SECTION 14.** In Colorado Revised Statutes, 44-12-303, **amend**  
43 (1) as follows:

1           **44-12-303. State licensing authority - application and issuance**  
2 **procedures.** (1) Applications for a state license under the provisions of  
3 this article 12 must be made to the state licensing authority on forms  
4 prepared and furnished by the state licensing authority and must set forth  
5 such information as the state licensing authority may require to enable the  
6 state licensing authority to determine whether a state license should be  
7 granted. The information must include the name and address of the  
8 applicant and ~~the names and addresses of the officers, directors, or~~  
9 ~~managers~~ DISCLOSURES REQUIRED BY SECTION 44-11-307.5. Each  
10 application must be verified by the oath or affirmation of such person or  
11 persons as the state licensing authority may prescribe. The state licensing  
12 authority may issue a state license to an applicant pursuant to this section  
13 upon completion of the applicable criminal history background check  
14 associated with the application, and the state license is conditioned upon  
15 local jurisdiction approval. A license applicant is prohibited from  
16 operating a licensed retail marijuana business without state and local  
17 jurisdiction approval. If the applicant does not receive local jurisdiction  
18 approval within one year from the date of state licensing authority  
19 approval, the state license shall expire and may not be renewed. If an  
20 application is denied by the local licensing authority, the state licensing  
21 authority shall revoke the state-issued license.

22           **SECTION 15.** In Colorado Revised Statutes, 44-12-305, **amend**  
23 (1)(c), (1)(j), and (1)(k); and **add** (1)(c.1), (1)(c.2), (1)(l), (1)(m), (1)(n),  
24 (1)(o), (1)(p), and (1)(q) and as follows:

25           **44-12-305. Persons prohibited as licensees - definition.** (1) A  
26 license provided by this article 12 shall not be issued to or held by:

27           (c) A person other than an individual if the criminal history of any  
28 of its ~~officers, directors, stockholders, or owners~~ CONTROLLING  
29 BENEFICIAL OWNERS indicates that ~~the officer, director, stockholder, or~~  
30 ~~owner~~ A CONTROLLING BENEFICIAL OWNER is not of good moral character  
31 after considering the factors in section 24-5-101 (2); ~~C.R.S.~~

32           (c.1) A PERSON THAT IS NOT A PUBLICLY TRADED CORPORATION,  
33 IF THE CRIMINAL HISTORY OF ANY OF ITS PASSIVE BENEFICIAL OWNERS  
34 INDICATES THAT THE PERSON IS NOT OF GOOD MORAL CHARACTER AFTER  
35 CONSIDERING THE FACTORS IN SECTION 24-5-101;

36           (c.2) A PERSON THAT IS A PUBLICLY TRADED CORPORATION, IF THE  
37 CRIMINAL HISTORY OF ANY OF ITS KNOWN PASSIVE BENEFICIAL OWNERS  
38 INDICATES THAT THE PERSON IS NOT OF GOOD MORAL CHARACTER AFTER  
39 CONSIDERING THE FACTORS IN SECTION 24-5-101;

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

42           (k) A publicly traded ~~company~~ ENTITY THAT DOES NOT  
43 CONSTITUTE A PUBLICLY TRADED CORPORATION;

44           (l) A PERSON THAT IS OR HAS A CONTROLLING BENEFICIAL OWNER,

1 PASSIVE BENEFICIAL OWNER, OR INDIRECT FINANCIAL INTEREST HOLDER  
2 THAT IS ORGANIZED OR FORMED UNDER THE LAWS OF A COUNTRY  
3 DETERMINED BY THE UNITED STATES SECRETARY OF STATE TO HAVE  
4 REPEATEDLY PROVIDED SUPPORT FOR ACTS OF INTERNATIONAL TERRORISM  
5 OR INCLUDED AMONG THE LIST OF "COVERED COUNTRIES" IN SECTION 1502  
6 OF THE FEDERAL "DODD-FRANK WALL STREET REFORM AND CONSUMER  
7 PROTECTION ACT", PUB.L. 111-203;

8 (m) A PERSON THAT IS OR HAS A CONTROLLING BENEFICIAL  
9 OWNER, THAT IS AN "INELIGIBLE ISSUER" PURSUANT TO SECTION 44-12-104  
10 (19.5)(d)(1);

11 (n) A PERSON THAT IS OR HAS A CONTROLLING BENEFICIAL OWNER  
12 THAT IS DISQUALIFIED AS A "BAD ACTOR" UNDER RULE 506 (d)(1);

13 (o) A PERSON THAT IS NOT A PUBLICLY TRADED CORPORATION  
14 THAT IS DISQUALIFIED AS A "BAD ACTOR" UNDER RULE 506 (d)  
15 PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF 1933",  
16 AS AMENDED, AND SUBJECT TO 17 CFR 230.406 (d)(1);

17 (p) A PERSON THAT IS A PUBLICLY TRADED CORPORATION THAT IS  
18 OR HAS A KNOWN PASSIVE BENEFICIAL OWNER OR INDIRECT FINANCIAL  
19 INTEREST HOLDER THAT IS DISQUALIFIED AS A "BAD ACTOR" UNDER RULE  
20 506 (d) PROMULGATED PURSUANT TO THE FEDERAL "SECURITIES ACT OF  
21 1933", AS AMENDED, AND SUBJECT TO 17 CFR 230.406 (d)(1); OR

22 (q) A PERSON THAT IS OR HAS A CONTROLLING BENEFICIAL OWNER,  
23 PASSIVE BENEFICIAL OWNER, OR INDIRECT FINANCIAL INTEREST HOLDER  
24 THAT IS PROHIBITED FROM ENGAGING IN TRANSACTIONS PURSUANT TO  
25 THIS ARTICLE 12 DUE TO ITS DESIGNATION ON THE "SPECIALLY  
26 DESIGNATED NATIONALS AND BLOCKED PERSONS" LIST MAINTAINED BY  
27 THE FEDERAL OFFICE OF FOREIGN ASSETS CONTROL.

28 **SECTION 16.** In Colorado Revised Statutes, 44-12-306, **amend**  
29 (1)(a)(II), (1)(a)(IV), (1)(b), and (3); **repeal** (2), (4), (5), (6), and (7); and  
30 **add** (1)(a)(IV.5) and (1)(a)(VI), as follows:

31 **44-12-306. Business and owner requirements - legislative**  
32 **declaration - definition.** (1) (a) The general assembly hereby finds and  
33 declares that:

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

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

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

43 (VI) PUBLICLY TRADED CORPORATIONS OFFERING SECURITIES FOR  
44 INVESTMENT IN RETAIL MARIJUANA ESTABLISHMENTS MUST TELL THE

1 PUBLIC THE TRUTH ABOUT THEIR BUSINESS, THE SECURITIES THEY ARE  
2 SELLING, AND THE RISKS INVOLVED WITH INVESTING IN RETAIL MARIJUANA  
3 ESTABLISHMENTS, AND PEOPLE THAT SELL AND TRADE SECURITIES  
4 RELATED TO RETAIL MARIJUANA ESTABLISHMENTS ARE PROHIBITED FROM  
5 ENGAGING IN DECEIT, MISREPRESENTATIONS, AND OTHER FRAUD IN THE  
6 SALE OF THE SECURITIES;

7 (b) Therefore, the general assembly is providing a mechanism for  
8 Colorado retail marijuana ~~businesses~~ ESTABLISHMENTS to access capital  
9 from investors in other states AND FROM CERTAIN PUBLICLY TRADED  
10 CORPORATIONS PURSUANT TO THIS SECTION AND SECTION 44-12-306.5.

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

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

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

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

20 ~~(b) On and after January 1, 2017, A retail marijuana business that~~  
21 ~~is composed of one or more direct beneficial interest owners who have~~  
22 ~~not been Colorado residents for at least one year prior to application~~  
23 ~~ESTABLISHMENT shall have at least one EXECUTIVE officer who has been~~  
24 ~~IS a Colorado resident for at least one year prior to ON THE DATE OF~~  
25 ~~application, and all officers NATURAL PERSONS with day-to-day~~  
26 ~~operational control over the business must be Colorado residents. for at~~  
27 ~~least one year prior to application. A retail marijuana business under this~~  
28 ~~subsection (3)(b) is limited to no more than fifteen direct beneficial~~  
29 ~~interest owners, including all parent and subsidiary entities, all of whom~~  
30 ~~are natural persons.~~

31 ~~(c) Notwithstanding the requirements of subsection (3)(b) of this~~  
32 ~~section, the state licensing authority may review the limitation on the~~  
33 ~~number of direct beneficial interest owners and may increase the number~~  
34 ~~of allowable interests above fifteen based on reasonable considerations~~  
35 ~~such as developments in state and federal financial regulations, market~~  
36 ~~conditions, and the licensee's ability to access legitimate sources of~~  
37 ~~capital~~ A PERSON, OTHER THAN AN INDIVIDUAL, THAT IS A RETAIL  
38 MARIJUANA ESTABLISHMENT OR A CONTROLLING BENEFICIAL OWNER  
39 SHALL APPOINT AND CONTINUOUSLY MAINTAIN A REGISTERED AGENT  
40 THAT SATISFIES THE REQUIREMENTS OF SECTION 7-90-701. THE RETAIL  
41 MARIJUANA ESTABLISHMENT SHALL INFORM THE STATE LICENSING  
42 AUTHORITY OF A CHANGE IN THE REGISTERED AGENT WITHIN TEN DAYS  
43 AFTER THE CHANGE.

44 ~~(d) A direct beneficial interest owner that is a closely held~~

1 business entity must consist entirely of natural persons who are United  
2 States citizens prior to the date of the application, including all parent and  
3 subsidiary entities.

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

6 (5) (a) A person who intends to apply as a direct beneficial interest  
7 owner and is not a Colorado resident for at least one year prior to the date  
8 of application shall first submit a request to the state licensing authority  
9 for a finding of suitability as a direct beneficial interest owner. The  
10 person shall receive a finding of suitability prior to submitting an  
11 application to the state licensing authority to be a direct beneficial interest  
12 owner. Failure to receive a finding of suitability prior to application is  
13 grounds for denial by the state licensing authority.

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

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

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

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

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

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

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

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

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

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

38 (h) A group comprised entirely of persons specified in subsections  
39 (7)(a) to (7)(g) of this section; or

40 (i) Any other entity identified through rule by the state licensing  
41 authority.

42 **SECTION 17.** In Colorado Revised Statutes, add 44-12-306.5  
43 and 44-12-306.6 as follows:

44 **44-12-306.5. Business owner and financial interest disclosure**

1 **requirements.** (1) APPLICANTS FOR THE ISSUANCE OF A STATE LICENSE  
2 SHALL DISCLOSE TO THE STATE LICENSING AUTHORITY THE FOLLOWING:

3 (a) A COMPLETE AND ACCURATE ORGANIZATIONAL CHART OF THE  
4 RETAIL MARIJUANA ESTABLISHMENT REFLECTING THE IDENTITY AND  
5 OWNERSHIP PERCENTAGES OF ITS CONTROLLING BENEFICIAL OWNERS;

6 (b) THE FOLLOWING INFORMATION REGARDING ALL CONTROLLING  
7 BENEFICIAL OWNERS OF THE RETAIL MARIJUANA ESTABLISHMENT:

8 (I) IF THE CONTROLLING BENEFICIAL OWNER IS A PUBLICLY  
9 TRADED CORPORATION, THE APPLICANT SHALL DISCLOSE THE  
10 CONTROLLING BENEFICIAL OWNERS' EXECUTIVE OFFICERS, MEMBERS OF ITS  
11 BOARD OF DIRECTORS, AND ANY BENEFICIAL OWNERS THAT DIRECTLY OR  
12 INDIRECTLY BENEFICIALLY OWN TEN PERCENT OR MORE OF THE SECURITIES  
13 IN A RETAIL MARIJUANA ESTABLISHMENT;

14 (II) IF THE CONTROLLING BENEFICIAL OWNER IS NOT A PUBLICLY  
15 TRADED CORPORATION AND IS NOT A QUALIFIED PRIVATE FUND, THE  
16 APPLICANT SHALL DISCLOSE THE CONTROLLING BENEFICIAL OWNERS'  
17 EXECUTIVE OFFICERS, MANAGERS AS DEFINED IN SECTION 7-90-102 (35.7),  
18 AND ANY BENEFICIAL OWNERS THAT DIRECTLY OR INDIRECTLY  
19 BENEFICIALLY OWN TEN PERCENT OR MORE OF THE SECURITIES IN A RETAIL  
20 MARIJUANA ESTABLISHMENT;

21 (III) IF THE CONTROLLING BENEFICIAL OWNER IS A QUALIFIED  
22 PRIVATE FUND, THE APPLICANT SHALL DISCLOSE A COMPLETE AND  
23 ACCURATE ORGANIZATIONAL CHART OF THE QUALIFIED PRIVATE FUND  
24 REFLECTING THE IDENTITY AND OWNERSHIP PERCENTAGES OF THE  
25 QUALIFIED PRIVATE FUNDS' EXECUTIVE OFFICERS, MANAGERS AS DEFINED  
26 IN SECTION 7-90-102 (35.7), INVESTMENT ADVISERS, INVESTMENT ADVISER  
27 REPRESENTATIVES, ANY TRUSTEE OR EQUIVALENT, AND ANY OTHER  
28 PERSON THAT CONTROLS THE INVESTMENT IN, OR MANAGEMENT OR  
29 OPERATIONS OF, THE RETAIL MARIJUANA ESTABLISHMENT;

30 (IV) IF THE CONTROLLING BENEFICIAL OWNER IS A NATURAL  
31 PERSON, THE APPLICANT SHALL DISCLOSE THE NATURAL PERSON'S  
32 IDENTIFYING INFORMATION;

33 (c) ANY PASSIVE BENEFICIAL OWNER THAT IS ALSO AN INDIRECT  
34 FINANCIAL INTEREST HOLDER IN THE RETAIL MARIJUANA ESTABLISHMENT;  
35 AND

36 (d) ANY INDIRECT FINANCIAL INTEREST HOLDER THAT HOLDS TWO  
37 OR MORE INDIRECT FINANCIAL INTERESTS IN THE RETAIL MARIJUANA  
38 ESTABLISHMENT.

39 (2) THE STATE LICENSING AUTHORITY MAY REQUEST THAT THE  
40 RETAIL MARIJUANA ESTABLISHMENT DISCLOSE THE FOLLOWING:

41 (a) EACH BENEFICIAL OWNER AND AFFILIATE OF AN APPLICANT,  
42 RETAIL MARIJUANA ESTABLISHMENT, OR CONTROLLING BENEFICIAL  
43 OWNER THAT IS NOT A PUBLICLY TRADED CORPORATION OR A QUALIFIED  
44 PRIVATE FUND; AND

1 (b) EACH AFFILIATE OF A CONTROLLING BENEFICIAL OWNER THAT  
2 IS A QUALIFIED PRIVATE FUND.

3 (3) FOR REASONABLE CAUSE, THE STATE LICENSING AUTHORITY  
4 MAY REQUIRE DISCLOSURE OF:

5 (a) A COMPLETE AND ACCURATE LIST OF EACH NONOBJECTING  
6 BENEFICIAL INTEREST OWNER OF AN APPLICANT, LICENSEE, OR  
7 CONTROLLING BENEFICIAL OWNER THAT IS A PUBLICLY TRADED  
8 CORPORATION;

9 (b) PASSIVE BENEFICIAL OWNERS OF THE RETAIL MARIJUANA  
10 ESTABLISHMENT, AND FOR ANY PASSIVE BENEFICIAL INTEREST OWNER  
11 THAT IS NOT A NATURAL PERSON, THE MEMBERS OF THE BOARD OF  
12 DIRECTORS, GENERAL PARTNERS, MANAGING MEMBERS, MANAGERS OR  
13 EXECUTIVE OFFICERS AND TEN PERCENT OR MORE OWNERS OF THE PASSIVE  
14 BENEFICIAL OWNER;

15 (c) A LIST OF EACH BENEFICIAL OWNER IN A QUALIFIED PRIVATE  
16 FUND THAT IS A CONTROLLING BENEFICIAL OWNER;

17 (d) ALL INDIRECT FINANCIAL INTEREST HOLDERS OF THE RETAIL  
18 MARIJUANA ESTABLISHMENT, AND FOR ANY INDIRECT FINANCIAL INTEREST  
19 HOLDER THAT IS NOT A NATURAL PERSON, THE MEMBERS OF THE BOARD OF  
20 DIRECTORS, GENERAL PARTNERS, MANAGING MEMBERS, MANAGERS OR  
21 EXECUTIVE OFFICERS AND TEN PERCENT OR MORE BENEFICIAL OWNERS OF  
22 THE INDIRECT FINANCIAL INTEREST HOLDER.

23 (4) AN APPLICANT OR RETAIL MARIJUANA ESTABLISHMENT THAT  
24 IS NOT A PUBLICLY TRADED CORPORATION SHALL AFFIRM UNDER PENALTY  
25 OF PERJURY THAT IT EXERCISED REASONABLE CARE TO CONFIRM THAT ITS  
26 PASSIVE BENEFICIAL OWNERS, INDIRECT FINANCIAL INTEREST HOLDERS,  
27 AND QUALIFIED INSTITUTIONAL INVESTORS ARE NOT PERSONS PROHIBITED  
28 PURSUANT TO SECTION 44-12-305, OR OTHERWISE RESTRICTED FROM  
29 HOLDING AN INTEREST UNDER THIS ARTICLE 12. AN APPLICANT'S OR  
30 LICENSEE'S FAILURE TO EXERCISE REASONABLE CARE IS A BASIS FOR  
31 DENIAL, FINE, SUSPENSION, REVOCATION, OR OTHER SANCTION BY THE  
32 STATE LICENSING AUTHORITY.

33 (5) AN APPLICANT OR RETAIL MARIJUANA ESTABLISHMENT THAT  
34 IS A PUBLICLY TRADED CORPORATION SHALL AFFIRM UNDER PENALTY OF  
35 PERJURY THAT IT EXERCISED REASONABLE CARE TO CONFIRM THAT ITS  
36 KNOWN PASSIVE BENEFICIAL OWNERS, KNOWN INDIRECT FINANCIAL  
37 INTEREST HOLDERS, AND QUALIFIED INSTITUTIONAL INVESTORS ARE NOT  
38 PERSONS PROHIBITED PURSUANT TO SECTION 44-12-305, OR OTHERWISE  
39 RESTRICTED FROM HOLDING AN INTEREST UNDER THIS ARTICLE 12. AN  
40 APPLICANT'S OR LICENSEE'S FAILURE TO EXERCISE REASONABLE CARE IS A  
41 BASIS FOR DENIAL, FINE, SUSPENSION, REVOCATION, OR OTHER SANCTION  
42 BY THE STATE LICENSING AUTHORITY.

43 (6) THIS SECTION DOES NOT RESTRICT THE STATE LICENSING  
44 AUTHORITY'S ABILITY TO REASONABLY REQUEST INFORMATION OR

1 RECORDS AT RENEWAL OR AS PART OF ANY OTHER INVESTIGATION  
2 FOLLOWING INITIAL LICENSURE OF A RETAIL MARIJUANA ESTABLISHMENT.

3 (7) THE SECURITIES COMMISSIONER MAY, BY RULE OR ORDER,  
4 REQUIRE ADDITIONAL DISCLOSURES IF SUCH INFORMATION IS FULL AND  
5 FAIR WITH RESPECT TO THE INVESTMENT OR IN THE INTEREST OF INVESTOR  
6 PROTECTION.

7 **44-12-306.6. Business owner and financial interest suitability**  
8 **requirements.** (1) THIS SECTION APPLIES TO ALL PERSONS REQUIRED TO  
9 SUBMIT A FINDING OF SUITABILITY.

10 (2) ANY PERSON INTENDING TO BECOME A CONTROLLING  
11 BENEFICIAL OWNER OF ANY RETAIL MARIJUANA ESTABLISHMENT, EXCEPT  
12 AS OTHERWISE PROVIDED IN SECTION 44-12-308 (4), SHALL FIRST SUBMIT  
13 A REQUEST TO THE STATE LICENSING AUTHORITY FOR A FINDING OF  
14 SUITABILITY OR AN EXEMPTION FROM AN OTHERWISE REQUIRED FINDING  
15 OF SUITABILITY.

16 (3) FOR REASONABLE CAUSE, ANY OTHER PERSON THAT WAS  
17 DISCLOSED OR THAT SHOULD HAVE BEEN DISCLOSED PURSUANT TO  
18 SECTION 44-12-306.5, INCLUDING BUT NOT LIMITED TO A PASSIVE  
19 BENEFICIAL OWNER, SHALL SUBMIT A REQUEST FOR A FINDING OF  
20 SUITABILITY.

21 (4) FAILURE TO PROVIDE ALL REQUESTED INFORMATION IN  
22 CONNECTION WITH A REQUEST FOR A FINDING OF SUITABILITY IS GROUNDS  
23 FOR DENIAL OF THAT FINDING OF SUITABILITY.

24 (5) FAILURE TO RECEIVE ALL REQUIRED FINDINGS OF SUITABILITY  
25 IS GROUNDS FOR DENIAL OF AN APPLICATION OR FOR SUSPENSION,  
26 REVOCATION, OR OTHER SANCTION AGAINST THE LICENSE BY THE STATE  
27 LICENSING AUTHORITY. FOR INITIAL APPLICATIONS, THE FINDING OF  
28 SUITABILITY SHALL BE REQUIRED PRIOR TO SUBMITTING THE APPLICATION  
29 FOR LICENSURE.

30 (6) ANY PERSON REQUIRED TO OBTAIN A FINDING OF SUITABILITY  
31 SHALL DO SO ON FORMS PROVIDED BY THE STATE LICENSING AUTHORITY  
32 AND MUST CONTAIN SUCH INFORMATION AS THE STATE LICENSING  
33 AUTHORITY MAY REQUIRE. EACH SUITABILITY APPLICATION MUST BE  
34 VERIFIED BY THE OATH OR AFFIRMATION OF THE PERSONS PRESCRIBED BY  
35 THE STATE LICENSING AUTHORITY.

36 (7) A PERSON REQUESTING A FINDING OF SUITABILITY SHALL  
37 PROVIDE THE STATE LICENSING AUTHORITY WITH A DEPOSIT TO COVER THE  
38 DIRECT AND INDIRECT COSTS OF ANY INVESTIGATION NECESSARY TO  
39 DETERMINE ANY REQUIRED FINDING OF SUITABILITY. THE STATE  
40 LICENSING AUTHORITY MAY MAKE FURTHER RULES REGARDING THE  
41 DEPOSIT AND DIRECT AND INDIRECT COSTS THAT SHALL BE BILLED  
42 AGAINST THE DEPOSIT.

43 (8) WHEN DETERMINING WHETHER A PERSON IS SUITABLE OR  
44 UNSUITABLE FOR LICENSURE, THE STATE LICENSING AUTHORITY MAY



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

3 (9) A PERSON THAT WOULD OTHERWISE BE REQUIRED TO OBTAIN  
4 A FINDING OF SUITABILITY MAY REQUEST AN EXEMPTION FROM THE STATE  
5 LICENSING AUTHORITY AS DETERMINED BY RULE.

6 (10) ABSENT SUBSTANTIAL JUSTIFICATION, THE STATE LICENSING  
7 AUTHORITY SHALL APPROVE OR DENY A REQUEST FOR A FINDING OF  
8 SUITABILITY WITHIN ONE HUNDRED TWENTY DAYS FROM THE DATE OF  
9 SUBMISSION OF THE REQUEST FOR SUCH FINDING.

10 (11) THE STATE LICENSING AUTHORITY MAY DENY, SUSPEND,  
11 REVOKE, FINE, OR IMPOSE OTHER SANCTIONS AGAINST A PERSON'S LICENSE  
12 ISSUED PURSUANT TO THIS ARTICLE 12 IF THE STATE LICENSING  
13 AUTHORITY FINDS THE PERSON OR THE PERSON'S CONTROLLING  
14 BENEFICIAL OWNER, PASSIVE BENEFICIAL OWNER, OR INDIRECT FINANCIAL  
15 INTEREST HOLDER TO BE UNSUITABLE PURSUANT TO THIS SECTION.

16 **SECTION 18.** In Colorado Revised Statutes, 44-12-308, **amend**  
17 **(2); and add (3) and (4) as follows:**

18 **44-12-308. Transfer of ownership.** (2) For a transfer of  
19 ownership INVOLVING A CONTROLLING BENEFICIAL OWNER, a license  
20 holder shall apply to the state licensing authority on forms prepared and  
21 furnished by the state licensing authority. Upon receipt of an application  
22 for transfer of ownership, the state licensing authority shall submit, within  
23 seven days, a copy of the application to the local jurisdiction to determine  
24 whether the transfer complies with local restrictions on transfer of  
25 ownership. In determining whether to permit a transfer of ownership, the  
26 state licensing authority shall consider only the requirements of this  
27 article 12, any rules promulgated by the state licensing authority, and any  
28 other local restrictions. The local jurisdiction may hold a hearing on the  
29 application for transfer of ownership. The local jurisdiction shall not hold  
30 a hearing pursuant to this subsection (2) until the local jurisdiction has  
31 posted a notice of hearing in the manner described in section 44-12-302  
32 (1) on the licensed premises for a period of ten days and has provided  
33 notice of the hearing to the applicant at least ten days prior to the hearing.  
34 Any transfer of ownership hearing by the state licensing authority ~~shall~~  
35 MUST be held in compliance with the requirements specified in section  
36 44-12-303.

37 (3) FOR A TRANSFER OF OWNERSHIP INVOLVING A PASSIVE  
38 BENEFICIAL OWNER, THE LICENSE HOLDER SHALL NOTIFY THE STATE  
39 LICENSING AUTHORITY ON FORMS PREPARED AND FURNISHED BY THE  
40 STATE LICENSING AUTHORITY WITHIN FORTY-FIVE DAYS TO THE EXTENT  
41 DISCLOSURE IS REQUIRED BY SECTION 44-12-306.5.

42 (4) A PERSON THAT BECOMES A CONTROLLING BENEFICIAL OWNER  
43 OF A PUBLICLY TRADED CORPORATION THAT IS A RETAIL MARIJUANA  
44 ESTABLISHMENT OR THAT BECOMES A BENEFICIAL OWNER, THROUGH

1 DIRECT OR INDIRECT OWNERSHIP OF A CONTROLLING BENEFICIAL OWNER,  
2 OF TEN PERCENT OR MORE OF A RETAIL MARIJUANA ESTABLISHMENT THAT  
3 IS A PUBLICLY TRADED CORPORATION MUST DISCLOSE THE INFORMATION  
4 REQUIRED BY SECTION 44-12-306.5 AND APPLY TO THE STATE LICENSING  
5 AUTHORITY FOR A FINDING OF SUITABILITY OR EXEMPTION FROM A  
6 FINDING OF SUITABILITY PURSUANT TO SECTION 44-12-306.6 WITHIN  
7 FORTY-FIVE DAYS AFTER BECOMING SUCH A CONTROLLING BENEFICIAL  
8 OWNER. A LICENSEE SHALL NOTIFY EACH PERSON THAT IS SUBJECT TO THIS  
9 SUBSECTION (4) OF ITS REQUIREMENTS AS SOON AS THE LICENSEE  
10 BECOMES AWARE OF THE BENEFICIAL OWNERSHIP TRIGGERING THE  
11 REQUIREMENT, PROVIDED THAT THE OBLIGATIONS OF THE PERSON SUBJECT  
12 TO THIS SUBSECTION (4) ARE INDEPENDENT OF, AND UNAFFECTED BY, THE  
13 LICENSEE'S FAILURE TO GIVE THE NOTICE.

14 **SECTION 19.** In Colorado Revised Statutes, 44-12-309, **amend**  
15 (3), (5), and (10) as follows:

16 **44-12-309. Licensing in general.** (3) A retail marijuana  
17 establishment THAT IS NOT A PUBLICLY TRADED CORPORATION shall notify  
18 the state licensing authority in writing of the name, address, and date of  
19 birth of ~~an~~ A CONTROLLING BENEFICIAL owner OR officer ~~or manager~~  
20 before the new CONTROLLING BENEFICIAL owner or officer ~~or manager~~  
21 begins managing, owning, or associating with the operation. The  
22 CONTROLLING BENEFICIAL owner, officer, ~~manager~~, or employee must  
23 pass a fingerprint-based criminal history record check as required by the  
24 state licensing authority and obtain the required identification prior to  
25 being associated with, managing, owning, or working at the operation.  
26 THE STATE LICENSING AUTHORITY MAY FOR REASONABLE CAUSE REQUIRE  
27 A PASSIVE BENEFICIAL OWNER TO PASS A FINGERPRINT-BASED CRIMINAL  
28 HISTORY CHECK.

29 (5) All managers and employees WITH DAY-TO-DAY OPERATIONAL  
30 CONTROL of a retail marijuana establishment shall be residents of  
31 Colorado upon the date of their license application. All licenses granted  
32 pursuant to this article 12 are valid for a period of one year after the date  
33 of issuance unless revoked or suspended pursuant to this article 12 or the  
34 rules promulgated pursuant to this article 12.

35 (10) EXCEPT FOR A PUBLICLY TRADED CORPORATION, a licensee  
36 shall report each transfer or change of financial interest in the license to  
37 the state and local licensing authorities and receive approval prior to any  
38 transfer or change pursuant to section 44-12-308. EXCEPT FOR A PUBLICLY  
39 TRADED CORPORATION, a report is required for transfers of ~~capital stock~~  
40 ~~of any corporation~~ OWNER'S INTEREST OF ANY ENTITY regardless of size.

41 **SECTION 20.** In Colorado Revised Statutes, 44-12-312, **amend**  
42 (1) as follows:

43 **44-12-312. Unlawful financial assistance.** (1) The state  
44 licensing authority shall require a complete disclosure ~~of all persons~~

1 ~~having a direct or indirect financial interest, and the extent of such~~  
2 ~~interest, in~~ PURSUANT TO SECTION 44-12-306.5 WITH each license issued  
3 under this article 12.

4 **SECTION 21.** In Colorado Revised Statutes, **amend** 44-12-407  
5 as follows:

6 **44-12-407. Retail marijuana business operator license.** A retail  
7 marijuana business operator license may be issued to a person ~~who~~ THAT  
8 operates a retail marijuana establishment licensed pursuant to this article  
9 12, for ~~an owner~~ ANOTHER RETAIL MARIJUANA ESTABLISHMENT licensed  
10 pursuant to this article 12, and who may receive a portion of the profits  
11 as compensation.

12 **SECTION 22.** In Colorado Revised Statutes, 44-12-901, **add** (6)  
13 as follows:

14 **44-12-901. Unlawful acts - exceptions.** (6) (a) IT IS UNLAWFUL  
15 FOR A PERSON TO ENGAGE IN ANY ACT OR OMISSION WITH THE INTENT TO  
16 EVADE DISCLOSURE, REPORTING, RECORD KEEPING, OR SUITABILITY  
17 REQUIREMENTS PURSUANT TO THIS ARTICLE 12, INCLUDING BUT NOT  
18 LIMITED TO THE FOLLOWING:

19 (I) FAILING TO FILE A REPORT REQUIRED UNDER THIS ARTICLE 12  
20 OR CAUSING OR ATTEMPTING TO CAUSE A PERSON TO FAIL TO FILE SUCH A  
21 REPORT;

22 (II) FILING OR CAUSING OR ATTEMPTING TO CAUSE A PERSON TO  
23 FILE A REPORT REQUIRED UNDER THIS ARTICLE 12 THAT CONTAINS A  
24 MATERIAL OMISSION OR MISSTATEMENT OF FACT;

25 (III) MAKING FALSE OR MISLEADING STATEMENTS REGARDING THE  
26 OFFERING OF INTERESTS OF A RETAIL MARIJUANA ESTABLISHMENT; OR

27 (IV) STRUCTURING ANY TRANSACTION WITH THE INTENT TO EVADE  
28 DISCLOSURE, REPORTING, RECORD KEEPING, OR SUITABILITY  
29 REQUIREMENTS PURSUANT TO THIS ARTICLE 12.

30 (b) THE STATE LICENSING AUTHORITY MAY DENY, SUSPEND,  
31 REVOKE, FINE, OR IMPOSE OTHER SANCTION AGAINST A PERSON'S LICENSE  
32 ISSUED UNDER THIS ARTICLE 12 IF THE STATE LICENSING AUTHORITY FINDS  
33 A VIOLATION OF THIS SUBSECTION (6) BY THE PERSON, THE PERSON'S  
34 CONTROLLING BENEFICIAL OWNER, PASSIVE BENEFICIAL OWNER, INDIRECT  
35 FINANCIAL INTEREST HOLDER, OR ANY AGENT OR EMPLOYEE THEREOF.

36 **SECTION 23. Applicability.** This act applies to applications  
37 made on or after November 1, 2019.

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

\*\* \*\*\* \*\* \*\*\* \*\*