NOTE: This bill has been prepared for the signatures of the appropriate legislative officers and the Governor. To determine whether the Governor has signed the bill or taken other action on it, please consult the legislative status sheet, the legislative history, or the Session Laws.

An Act

SENATE BILL 16-040

BY SENATOR(S) Holbert, Aguilar, Baumgardner, Grantham, Heath, Hill, Jahn, Jones, Kefalas, Kerr, Lambert, Lundberg, Marble, Martinez Humenik, Neville T., Scheffel, Steadman, Tate, Woods;
also REPRESENTATIVE(S) Pabon, Duran, Garnett, Kraft-Tharp, Williams.

CONCERNING CHANGES TO THE REQUIREMENTS FOR OWNERS OF A LICENSED MARIJUANA BUSINESS, AND, IN CONNECTION THEREWITH, MAKING AN APPROPRIATION.

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

SECTION 1. In Colorado Revised Statutes, 12-43.3-104, **amend** (1); **repeal** (12.3); and **add** (1.3), (1.7), and (14.3) as follows:

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

(1) ~~"Good cause", for purposes of refusing or denying a license renewal, reinstatement, or initial license issuance, means:~~ "DIRECT BENEFICIAL INTEREST OWNER" MEANS A PERSON OR CLOSELY HELD BUSINESS ENTITY THAT OWNS A SHARE OR SHARES OF STOCK IN A LICENSED MEDICAL MARIJUANA BUSINESS, INCLUDING THE OFFICERS, DIRECTORS,

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Capital letters indicate new material added to existing statutes; dashes through words indicate deletions from existing statutes and such material not part of act.

MANAGING MEMBERS, OR PARTNERS OF THE LICENSED MEDICAL MARIJUANA BUSINESS OR CLOSELY HELD BUSINESS ENTITY, OR A QUALIFIED LIMITED PASSIVE INVESTOR.

~~(a) The licensee or applicant has violated, does not meet, or has failed to comply with any of the terms, conditions, or provisions of this article, any rules promulgated pursuant to this article, or any supplemental local law, rules, or regulations;~~

~~(b) The licensee or applicant has failed to comply with any special terms or conditions that were placed on its license pursuant to an order of the state or local licensing authority;~~

~~(c) The licensed premises have been operated in a manner that adversely affects the public health or welfare or the safety of the immediate neighborhood in which the establishment is located.~~

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

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

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

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

(1.7) "INDIRECT BENEFICIAL INTEREST OWNER" MEANS A HOLDER OF A PERMITTED ECONOMIC INTEREST, A RECIPIENT OF A COMMERCIALLY REASONABLE ROYALTY ASSOCIATED WITH THE USE OF INTELLECTUAL PROPERTY BY A LICENSEE, A LICENSED EMPLOYEE WHO RECEIVES A SHARE OF THE PROFITS FROM AN EMPLOYEE BENEFIT PLAN, A QUALIFIED INSTITUTIONAL INVESTOR, OR ANOTHER SIMILARLY SITUATED PERSON OR

ENTITY AS DETERMINED BY THE STATE LICENSING AUTHORITY.

(12.3) ~~"Owner" means any person having a beneficial interest, as defined by the state licensing authority, in a medical marijuana business other than a holder of a permitted economic interest.~~

(14.3) "QUALIFIED LIMITED PASSIVE INVESTOR" MEANS A NATURAL PERSON WHO IS A UNITED STATES CITIZEN AND IS A PASSIVE INVESTOR WHO OWNS LESS THAN A FIVE PERCENT SHARE OR SHARES OF STOCK IN A LICENSED MEDICAL MARIJUANA BUSINESS.

SECTION 2. In Colorado Revised Statutes, 12-43.3-202, **amend** (2) (a) (XIX) and (2) (a) (XX); and **add** (2) (a) (XXI) as follows:

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

(XIX) Authorization for the department of revenue to issue administrative citations and procedures for issuing, appealing, and creating a citation violation list and schedule of penalties; ~~and~~

(XX) Such other matters as are necessary for the fair, impartial, stringent, and comprehensive administration of this article; AND

(XXI) THE PARAMETERS AND QUALIFICATIONS OF AN INDIRECT BENEFICIAL INTEREST OWNER AND A QUALIFIED LIMITED PASSIVE INVESTOR.

SECTION 3. In Colorado Revised Statutes, 12-43.3-307, **amend** (1) (a); **repeal** (1) (m); and **add** (1) (n) as follows:

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

(a) A person until the ~~annual~~ fee therefore has been paid;

(m) ~~An owner, as defined by rule of the state licensing authority, who has not been a resident of Colorado for at least two years prior to the date of the owner's application.~~

(n) A PUBLICLY TRADED COMPANY.

SECTION 4. In Colorado Revised Statutes, **add** 12-43.3-307.5 as follows:

12-43.3-307.5. Business and owner requirements - legislative declaration - definitions. (1) (a) THE GENERAL ASSEMBLY HEREBY FINDS AND DECLARES THAT:

(I) MEDICAL MARIJUANA BUSINESSES NEED TO BE ABLE TO ACCESS CAPITAL IN ORDER TO EFFECTIVELY GROW THEIR BUSINESSES AND REMAIN COMPETITIVE IN THE MARKETPLACE;

(II) THE CURRENT REGULATORY STRUCTURE FOR MEDICAL MARIJUANA CREATES A SUBSTANTIAL BARRIER TO INVESTMENT FROM OUT-OF-STATE INTERESTS;

(III) THERE IS INSUFFICIENT CAPITAL IN THE STATE TO PROPERLY FUND THE CAPITAL NEEDS OF COLORADO MEDICAL MARIJUANA BUSINESSES;

(IV) COLORADO MEDICAL MARIJUANA BUSINESSES NEED TO HAVE READY ACCESS TO CAPITAL FROM INVESTORS IN STATES OUTSIDE OF COLORADO; AND

(V) PROVIDING ACCESS TO LEGITIMATE SOURCES OF CAPITAL HELPS PREVENT THE OPPORTUNITY FOR THOSE WHO ENGAGE IN ILLEGAL ACTIVITY TO GAIN ENTRY INTO THE STATE'S REGULATED MEDICAL MARIJUANA MARKET.

(b) THEREFORE, THE GENERAL ASSEMBLY IS PROVIDING A MECHANISM FOR COLORADO MEDICAL MARIJUANA BUSINESSES TO ACCESS CAPITAL FROM INVESTORS IN OTHER STATES.

(2) A DIRECT BENEFICIAL INTEREST OWNER WHO IS A NATURAL PERSON MUST EITHER:

(a) HAVE BEEN A RESIDENT OF COLORADO FOR AT LEAST ONE YEAR PRIOR TO THE DATE OF THE APPLICATION; OR

(b) BE A UNITED STATES CITIZEN PRIOR TO THE DATE OF THE

APPLICATION.

(3) (a) A MEDICAL MARIJUANA BUSINESS MAY BE COMPRISED OF AN UNLIMITED NUMBER OF DIRECT BENEFICIAL INTEREST OWNERS THAT HAVE BEEN RESIDENTS OF COLORADO FOR AT LEAST ONE YEAR PRIOR TO THE DATE OF THE APPLICATION.

(b) ON AND AFTER JANUARY 1, 2017, A MEDICAL MARIJUANA BUSINESS THAT IS COMPRISED OF ONE OR MORE DIRECT BENEFICIAL INTEREST OWNERS WHO HAVE NOT BEEN COLORADO RESIDENTS FOR AT LEAST ONE YEAR PRIOR TO APPLICATION SHALL HAVE AT LEAST ONE OFFICER WHO HAS BEEN A COLORADO RESIDENT FOR AT LEAST ONE YEAR PRIOR TO APPLICATION AND ALL OFFICERS WITH DAY-TO-DAY OPERATIONAL CONTROL OVER THE BUSINESS MUST BE COLORADO RESIDENTS FOR AT LEAST ONE YEAR PRIOR TO APPLICATION. A MEDICAL MARIJUANA BUSINESS UNDER THIS PARAGRAPH (b) IS LIMITED TO NO MORE THAN FIFTEEN DIRECT BENEFICIAL INTEREST OWNERS, INCLUDING ALL PARENT AND SUBSIDIARY ENTITIES, ALL OF WHOM ARE NATURAL PERSONS.

(c) NOTWITHSTANDING THE REQUIREMENTS OF PARAGRAPH (b) OF THIS SUBSECTION (3), THE STATE LICENSING AUTHORITY MAY REVIEW THE LIMITATION ON THE NUMBER OF DIRECT BENEFICIAL INTEREST OWNERS AND MAY INCREASE THE NUMBER OF ALLOWABLE INTERESTS ABOVE FIFTEEN BASED ON REASONABLE CONSIDERATIONS SUCH AS DEVELOPMENTS IN STATE AND FEDERAL FINANCIAL REGULATIONS, MARKET CONDITIONS, AND THE LICENSEE'S ABILITY TO ACCESS LEGITIMATE SOURCES OF CAPITAL.

(d) A DIRECT BENEFICIAL INTEREST OWNER THAT IS A CLOSELY HELD BUSINESS ENTITY MUST CONSIST ENTIRELY OF NATURAL PERSONS WHO ARE UNITED STATES CITIZENS PRIOR TO THE DATE OF THE APPLICATION, INCLUDING ALL PARENT AND SUBSIDIARY ENTITIES.

(4) A MEDICAL MARIJUANA BUSINESS MAY INCLUDE QUALIFIED INSTITUTIONAL INVESTORS THAT OWN THIRTY PERCENT OR LESS OF THE MEDICAL MARIJUANA BUSINESS.

(5) (a) A PERSON WHO INTENDS TO APPLY AS A DIRECT BENEFICIAL INTEREST OWNER AND IS NOT A COLORADO RESIDENT FOR AT LEAST ONE YEAR PRIOR TO THE DATE OF APPLICATION SHALL FIRST SUBMIT A REQUEST TO THE STATE LICENSING AUTHORITY FOR A FINDING OF SUITABILITY AS A

DIRECT BENEFICIAL INTEREST OWNER. THE PERSON SHALL RECEIVE A FINDING OF SUITABILITY PRIOR TO SUBMITTING AN APPLICATION TO THE STATE LICENSING AUTHORITY TO BE A DIRECT BENEFICIAL INTEREST OWNER. FAILURE TO RECEIVE A FINDING OF SUITABILITY PRIOR TO APPLICATION IS GROUNDS FOR DENIAL BY THE STATE LICENSING AUTHORITY.

(b) THE STATE LICENSING AUTHORITY SHALL PERFORM A LIMITED INITIAL BACKGROUND CHECK ON QUALIFIED LIMITED PASSIVE INVESTORS. IF THE INITIAL BACKGROUND CHECK PROVIDES REASONABLE CAUSE FOR ADDITIONAL INVESTIGATION, THE STATE LICENSING AUTHORITY MAY REQUIRE A FULL BACKGROUND CHECK.

(6) THE STATE LICENSING AUTHORITY SHALL REVIEW THE MEDICAL MARIJUANA BUSINESS'S OPERATING DOCUMENTS TO ENSURE COMPLIANCE WITH THIS SECTION.

(7) FOR PURPOSES OF THIS SECTION, UNLESS THE CONTEXT OTHERWISE REQUIRES, "INSTITUTIONAL INVESTOR" MEANS:

(a) A BANK AS DEFINED IN SECTION 3(a)(6) OF THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED;

(b) AN INSURANCE COMPANY AS DEFINED IN SECTION 2(a)(17) OF THE FEDERAL "INVESTMENT COMPANY ACT OF 1940", AS AMENDED;

(c) AN INVESTMENT COMPANY REGISTERED UNDER SECTION 8 OF THE FEDERAL "INVESTMENT COMPANY ACT OF 1940", AS AMENDED;

(d) AN INVESTMENT ADVISER REGISTERED UNDER SECTION 203 OF THE FEDERAL "INVESTMENT ADVISERS ACT OF 1940", AS AMENDED;

(e) COLLECTIVE TRUST FUNDS AS DEFINED IN SECTION 3(c)(11) OF THE FEDERAL "INVESTMENT COMPANY ACT OF 1940", AS AMENDED;

(f) AN EMPLOYEE BENEFIT PLAN OR PENSION FUND THAT IS SUBJECT TO THE FEDERAL "EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974", AS AMENDED, EXCLUDING AN EMPLOYEE BENEFIT PLAN OR PENSION FUND SPONSORED BY A LICENSEE OR AN INTERMEDIARY OR HOLDING COMPANY LICENSEE THAT DIRECTLY OR INDIRECTLY OWNS FIVE PERCENT OR MORE OF A LICENSEE;

(g) A STATE OR FEDERAL GOVERNMENT PENSION PLAN;

(h) A GROUP COMPRISED ENTIRELY OF PERSONS SPECIFIED IN SUBSECTIONS (a) TO (g) OF THIS SUBSECTION (7); OR

(i) ANY OTHER ENTITY IDENTIFIED THROUGH RULE BY THE STATE LICENSING AUTHORITY.

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

12-43.3-310. Licensing in general. (6) All ~~officers and~~ managers and employees of a medical marijuana center, optional premises cultivation operation, or medical marijuana-infused products manufacturer shall be residents of Colorado upon the date of their license application. ~~An owner shall meet the residency requirements in section 12-43.3-307 (1) (m).~~ All licenses granted pursuant to this article shall be valid for a period not to exceed two years after the date of issuance unless revoked or suspended pursuant to this article or the rules promulgated pursuant to this article.

SECTION 6. In Colorado Revised Statutes, 12-43.3-311, **add** (1.5) as follows:

12-43.3-311. License renewal. (1.5) THE STATE LICENSING AUTHORITY MAY REQUIRE AN ADDITIONAL FINGERPRINT REQUEST WHEN THERE IS A DEMONSTRATED INVESTIGATIVE NEED.

SECTION 7. In Colorado Revised Statutes, 12-43.4-103, **amend** (1); **repeal** (12); and **add** (1.5), (2.5), and (14.3) as follows:

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

(1) ~~"Executive director" means the executive director of the department of revenue~~ "DIRECT BENEFICIAL INTEREST OWNER" MEANS A PERSON OR CLOSELY HELD BUSINESS ENTITY THAT OWNS A SHARE OR SHARES OF STOCK IN A LICENSED RETAIL MARIJUANA BUSINESS, INCLUDING THE OFFICERS, DIRECTORS, MANAGING MEMBERS, OR PARTNERS OF THE LICENSED RETAIL MARIJUANA BUSINESS OR CLOSELY HELD BUSINESS ENTITY, OR A QUALIFIED LIMITED PASSIVE INVESTOR.

(1.5) "EXECUTIVE DIRECTOR" MEANS THE EXECUTIVE DIRECTOR OF THE DEPARTMENT OF REVENUE.

(2.5) "INDIRECT BENEFICIAL INTEREST OWNER" MEANS A HOLDER OF A PERMITTED ECONOMIC INTEREST, A RECIPIENT OF A COMMERCIALLY REASONABLE ROYALTY ASSOCIATED WITH THE USE OF INTELLECTUAL PROPERTY BY A LICENSEE, A LICENSED EMPLOYEE WHO RECEIVES A SHARE OF THE PROFITS FROM AN EMPLOYEE BENEFIT PLAN, A QUALIFIED INSTITUTIONAL INVESTOR, OR ANOTHER SIMILARLY SITUATED PERSON OR ENTITY AS DETERMINED BY THE STATE LICENSING AUTHORITY.

(12) ~~"Owner" means any person having a beneficial interest, as defined by the state licensing authority, in a retail marijuana establishment other than a holder of a permitted economic interest.~~

(14.3) "QUALIFIED LIMITED PASSIVE INVESTOR" MEANS A NATURAL PERSON WHO IS A UNITED STATES CITIZEN AND IS A PASSIVE INVESTOR WHO OWNS LESS THAN A FIVE PERCENT SHARE OR SHARES OF STOCK IN A LICENSED RETAIL MARIJUANA BUSINESS.

SECTION 8. In Colorado Revised Statutes, 12-43.4-202, **amend** (3) (a) (XV) and (3) (a) (XVI); and **add** (3) (a) (XX) as follows:

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

(XV) Compliance with, enforcement of, or violation of any provision of this article, section 18-18-406.3 (7), C.R.S., or any rule issued pursuant to this article, including procedures and grounds for denying, suspending, fining, restricting, or revoking a state license issued pursuant to this article; ~~and~~

(XVI) Establishing a schedule of penalties and procedures for issuing and appealing citations for violation of statutes and rules and issuing administrative citations; AND

(XX) THE PARAMETERS AND QUALIFICATIONS OF AN INDIRECT BENEFICIAL INTEREST OWNER AND A QUALIFIED LIMITED PASSIVE INVESTOR.

SECTION 9. In Colorado Revised Statutes, 12-43.4-306, **amend** (1) (a); **repeal** (1) (k); and **add** (1) (l) as follows:

12-43.4-306. Persons prohibited as licensees - definitions. (1) A license provided by this article shall not be issued to or held by:

(a) A person until the ~~annual~~ fee therefor has been paid;

(k) ~~An owner who has not been a resident of Colorado for at least two years prior to the date of the owner's application.~~

(l) A PUBLICLY TRADED COMPANY.

SECTION 10. In Colorado Revised Statutes, **add** 12-43.4-306.5 as follows:

12-43.4-306.5. Business and owner requirements - legislative declaration - definitions. (1) (a) THE GENERAL ASSEMBLY HEREBY FINDS AND DECLARES THAT:

(I) RETAIL MARIJUANA BUSINESSES NEED TO BE ABLE TO ACCESS CAPITAL IN ORDER TO EFFECTIVELY GROW THEIR BUSINESSES AND REMAIN COMPETITIVE IN THE MARKETPLACE;

(II) THE CURRENT REGULATORY STRUCTURE FOR RETAIL MARIJUANA CREATES A SUBSTANTIAL BARRIER TO INVESTMENT FROM OUT-OF-STATE INTERESTS;

(III) THERE IS INSUFFICIENT CAPITAL IN COLORADO TO PROPERLY FUND THE CAPITAL NEEDS OF COLORADO RETAIL MARIJUANA BUSINESSES;

(IV) COLORADO RETAIL MARIJUANA BUSINESSES NEED TO HAVE READY ACCESS TO CAPITAL FROM INVESTORS IN STATES OUTSIDE OF COLORADO; AND

(V) PROVIDING ACCESS TO LEGITIMATE SOURCES OF CAPITAL HELPS PREVENT THE OPPORTUNITY FOR THOSE WHO ENGAGE IN ILLEGAL ACTIVITY TO GAIN ENTRY INTO COLORADO'S REGULATED RETAIL MARIJUANA MARKET.

(b) THEREFORE, THE GENERAL ASSEMBLY IS PROVIDING A

MECHANISM FOR COLORADO RETAIL MARIJUANA BUSINESSES TO ACCESS CAPITAL FROM INVESTORS IN OTHER STATES.

(2) A DIRECT BENEFICIAL INTEREST OWNER WHO IS A NATURAL PERSON MUST EITHER:

(a) HAVE BEEN A RESIDENT OF COLORADO FOR AT LEAST ONE YEAR PRIOR TO THE DATE OF THE APPLICATION; OR

(b) BE A UNITED STATES CITIZEN PRIOR TO THE DATE OF THE APPLICATION.

(3) (a) A RETAIL MARIJUANA BUSINESS MAY BE COMPRISED OF AN UNLIMITED NUMBER OF DIRECT BENEFICIAL INTEREST OWNERS THAT HAVE BEEN RESIDENTS OF COLORADO FOR AT LEAST ONE YEAR PRIOR TO THE DATE OF THE APPLICATION.

(b) ON AND AFTER JANUARY 1, 2017, A RETAIL MARIJUANA BUSINESS THAT IS COMPRISED OF ONE OR MORE DIRECT BENEFICIAL INTEREST OWNERS WHO HAVE NOT BEEN COLORADO RESIDENTS FOR AT LEAST ONE YEAR PRIOR TO APPLICATION SHALL HAVE AT LEAST ONE OFFICER WHO HAS BEEN A COLORADO RESIDENT FOR AT LEAST ONE YEAR PRIOR TO APPLICATION AND ALL OFFICERS WITH DAY-TO-DAY OPERATIONAL CONTROL OVER THE BUSINESS MUST BE COLORADO RESIDENTS FOR AT LEAST ONE YEAR PRIOR TO APPLICATION. A RETAIL MARIJUANA BUSINESS UNDER THIS PARAGRAPH (b) IS LIMITED TO NO MORE THAN FIFTEEN DIRECT BENEFICIAL INTEREST OWNERS, INCLUDING ALL PARENT AND SUBSIDIARY ENTITIES, ALL OF WHOM ARE NATURAL PERSONS.

(c) NOTWITHSTANDING THE REQUIREMENTS OF PARAGRAPH (b) OF THIS SUBSECTION (3), THE STATE LICENSING AUTHORITY MAY REVIEW THE LIMITATION ON THE NUMBER OF DIRECT BENEFICIAL INTEREST OWNERS AND MAY INCREASE THE NUMBER OF ALLOWABLE INTERESTS ABOVE FIFTEEN BASED ON REASONABLE CONSIDERATIONS SUCH AS DEVELOPMENTS IN STATE AND FEDERAL FINANCIAL REGULATIONS, MARKET CONDITIONS, AND THE LICENSEE'S ABILITY TO ACCESS LEGITIMATE SOURCES OF CAPITAL.

(d) A DIRECT BENEFICIAL INTEREST OWNER THAT IS A CLOSELY HELD BUSINESS ENTITY MUST CONSIST ENTIRELY OF NATURAL PERSONS WHO ARE UNITED STATES CITIZENS PRIOR TO THE DATE OF THE APPLICATION,

INCLUDING ALL PARENT AND SUBSIDIARY ENTITIES.

(4) A RETAIL MARIJUANA BUSINESS MAY INCLUDE QUALIFIED INSTITUTIONAL INVESTORS THAT OWN THIRTY PERCENT OR LESS OF THE RETAIL MARIJUANA BUSINESS.

(5) (a) A PERSON WHO INTENDS TO APPLY AS A DIRECT BENEFICIAL INTEREST OWNER AND IS NOT A COLORADO RESIDENT FOR AT LEAST ONE YEAR PRIOR TO THE DATE OF APPLICATION SHALL FIRST SUBMIT A REQUEST TO THE STATE LICENSING AUTHORITY FOR A FINDING OF SUITABILITY AS A DIRECT BENEFICIAL INTEREST OWNER. THE PERSON SHALL RECEIVE A FINDING OF SUITABILITY PRIOR TO SUBMITTING AN APPLICATION TO THE STATE LICENSING AUTHORITY TO BE A DIRECT BENEFICIAL INTEREST OWNER. FAILURE TO RECEIVE A FINDING OF SUITABILITY PRIOR TO APPLICATION IS GROUNDS FOR DENIAL BY THE STATE LICENSING AUTHORITY.

(b) THE STATE LICENSING AUTHORITY SHALL PERFORM A LIMITED INITIAL BACKGROUND CHECK ON QUALIFIED LIMITED PASSIVE INVESTORS. IF THE INITIAL BACKGROUND CHECK PROVIDES REASONABLE CAUSE FOR ADDITIONAL INVESTIGATION, THE STATE LICENSING AUTHORITY MAY REQUIRE A FULL BACKGROUND CHECK.

(6) THE STATE LICENSING AUTHORITY SHALL REVIEW THE RETAIL MARIJUANA BUSINESS'S OPERATING DOCUMENTS TO ENSURE COMPLIANCE WITH THIS SECTION.

(7) FOR PURPOSES OF THIS SECTION, UNLESS THE CONTEXT OTHERWISE REQUIRES, "INSTITUTIONAL INVESTOR" MEANS:

(a) A BANK AS DEFINED IN SECTION 3(a)(6) OF THE FEDERAL "SECURITIES EXCHANGE ACT OF 1934", AS AMENDED;

(b) AN INSURANCE COMPANY AS DEFINED IN SECTION 2(a)(17) OF THE FEDERAL "INVESTMENT COMPANY ACT OF 1940", AS AMENDED;

(c) AN INVESTMENT COMPANY REGISTERED UNDER SECTION 8 OF THE FEDERAL "INVESTMENT COMPANY ACT OF 1940", AS AMENDED;

(d) AN INVESTMENT ADVISER REGISTERED UNDER SECTION 203 OF THE FEDERAL "INVESTMENT ADVISERS ACT OF 1940", AS AMENDED;

(e) COLLECTIVE TRUST FUNDS AS DEFINED IN SECTION 3(c)(11) OF THE FEDERAL "INVESTMENT COMPANY ACT OF 1940", AS AMENDED;

(f) AN EMPLOYEE BENEFIT PLAN OR PENSION FUND THAT IS SUBJECT TO THE FEDERAL "EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974", AS AMENDED, EXCLUDING AN EMPLOYEE BENEFIT PLAN OR PENSION FUND SPONSORED BY A LICENSEE OR AN INTERMEDIARY OR HOLDING COMPANY LICENSEE THAT DIRECTLY OR INDIRECTLY OWNS FIVE PERCENT OR MORE OF A LICENSEE;

(g) A STATE OR FEDERAL GOVERNMENT PENSION PLAN;

(h) A GROUP COMPRISED ENTIRELY OF PERSONS SPECIFIED IN SUBSECTIONS (a) TO (g) OF THIS SUBSECTION (7); OR

(i) ANY OTHER ENTITY IDENTIFIED THROUGH RULE BY THE STATE LICENSING AUTHORITY.

SECTION 11. In Colorado Revised Statutes, 12-43.4-309, **amend** (5) as follows:

12-43.4-309. Licensing in general. (5) All ~~officers,~~ managers and employees of a retail marijuana establishment shall be residents of Colorado upon the date of their license application. ~~An owner shall meet the residency requirements in section 12-43.4-306 (1) (k).~~ All licenses granted pursuant to this article are valid for a period of one year after the date of issuance unless revoked or suspended pursuant to this article or the rules promulgated pursuant to this article.

SECTION 12. In Colorado Revised Statutes, 12-43.4-310, **add** (1.5) as follows:

12-43.4-310. License renewal. (1.5) THE STATE LICENSING AUTHORITY MAY REQUIRE AN ADDITIONAL FINGERPRINT REQUEST WHEN THERE IS A DEMONSTRATED INVESTIGATIVE NEED.

SECTION 13. Appropriation. (1) For the 2016-17 state fiscal year, $995,738 is appropriated to the department of revenue. This appropriation is from the marijuana cash fund created in section 12-43.3-501 (1) (a), C.R.S. To implement this act, the department may use

this appropriation as follows:

(a) $900,709 for marijuana enforcement, which amount is based on an assumption that the department will require an additional 9.8 FTE;

(b) $71,258 for the purchase of legal services;

(c) $15,296 for the purchase of identification services from the Colorado bureau of investigation;

(d) $4,950 for vehicle lease payments; and

(e) $3,525 for use by the executive director's office for operating expenses.

(2) For the 2016-17 state fiscal year, $71,258 is appropriated to the department of law. This appropriation is from reappropriated funds received from the department of revenue under paragraph (b) of subsection (1) of this section and is based on an assumption that the department of law will require an additional 0.4 FTE. To implement this act, the department of law may use this appropriation to provide legal services for the department of revenue.

(3) For the 2016-17 state fiscal year, $15,296 is appropriated to the department of public safety for use by the Colorado bureau of investigation. This appropriation is from reappropriated funds received from the department of revenue under paragraph (c) of subsection (1) of this section. To implement this act, the bureau may use this appropriation for personal services and operating expenses related to identification.

(4) For the 2016-17 state fiscal year, $4,950 is appropriated to the department of personnel. This appropriation is from reappropriated funds received from the department of revenue under paragraph (d) of subsection (1) of this section. To implement this act, the department of personnel may use this appropriation for vehicle replacement lease/purchase.

SECTION 14. Applicability. This act applies to applications made on or after January 1, 2017.

SECTION 15. Safety clause. The general assembly hereby finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, and safety.

Bill L. Cadman PRESIDENT OF THE SENATE	Dickey Lee Hullinghorst SPEAKER OF THE HOUSE OF REPRESENTATIVES
Effie Ameen SECRETARY OF THE SENATE	Marilyn Eddins CHIEF CLERK OF THE HOUSE OF REPRESENTATIVES

APPROVED_____

John W. Hickenlooper
GOVERNOR OF THE STATE OF COLORADO