



**COLORADO**  
Department of Revenue  
*Always Help*

**Colorado Department of Revenue  
Marijuana Enforcement Division**

**[HB19-1090](#)**

**MEASURES TO ALLOW GREATER INVESTMENT FLEXIBILITY**

**RULEMAKING WORK GROUP**

**Monday, July 15, 2019**

**1:00 p.m. – 4:00 p.m.**

**1707 Cole Blvd., Ste. 300**

**Lakewood, CO 80401**

*The materials contained herein are for purposes of stakeholder discussion and feedback to inform rulemaking required for implementation of House Bill 19-1090. All summaries, outlines, and proposals reflected herein are subject to amendment.*

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**Department of Revenue, Marijuana Enforcement Division  
Proposed Rules - HB 19-1090 Work Group  
July 15, 2019**

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**Rule 200-1 Series – Applications and Licenses**

**Rule 201-1 – Applicability**

- A. These rules are effective August 1, 2019. Applications requiring a finding of suitability, or involving a Regulated Marijuana Business and either a Publicly Traded Corporation or a Qualified Private Fund may be made on or after November 1, 2019. Applications that do not require a finding of suitability or that do not involve a Publicly Traded Corporation or Qualified Private Fund remain subject to the application submission requirements as of the effective date of these rules.

**Rule 205-1 – Application and License Fees**

[INTENTIONALLY OMITTED – PENDING UPDATES]

**Rule 210-1 – Duties of All Applicants and Licensees**

- A. Duty to Keep Mailing Address Current: All Licensees.
1. Timing of Notification. A Licensee must provide a physical mailing address to the Division and may provide an electronic mailing address to the Division. A Licensee must inform the Division in writing of any change to its physical mailing address and/or electronic mailing address within 28 days of the change. The Division will not change a Licensee's information without explicit written notice from the Licensee or its authorized agent.
  2. Division Communications. Division communications will be sent to the last physical and electronic mailing address, if any, provided to the Division by an Applicant or a Licensee.
  3. State Licensing Authority Communications. The State Licensing Authority will send any correspondence regarding an application, an administrative action, or a notice of hearing to the last mailing address and to the last electronic mailing address, if any, furnished to the Division by the Licensee or Applicant.
  4. Failure to Change Address Does Not Relieve Licensee's or Applicant's Obligations. A Licensee's or Applicant's failure to notify the Division of a change of physical or electronic mailing address does not relieve the Licensee or Applicant from the obligation of responding to a Division communication or a State Licensing Authority communication.
- B. Duty to Report Felony Offenses. An Applicant or Licensee must notify the Division in writing of any felony criminal charge and felony conviction against him or her within seven days of arrest or felony summons, and within seven days of the disposition of any arrest or summons. Failure to make required notification to the Division may be grounds for disciplinary action. The duty to report offenses includes, but is not limited to, deferred sentences or judgments. If the Division lawfully finds a felony charge or conviction and an Applicant asserts the record was sealed, the Division may require the Applicant to provide proof from a court evidencing the sealing of the case.

- C. Duty to Report Any Disqualifying Event. Applicants and Licensees must notify the Division within seven days of any change of fact that would result in the Applicant or Licensee being disqualified from holding a license, permit, or registration pursuant to the Medical Code, the Retail Code, or these Rules.
- D. Duty to Cooperate. Applicants and Licensees must cooperate in any investigation conducted by the Division. Failure to cooperate with a Division investigation may be grounds for denial of an application or for disciplinary action against a Licensee.
- E. Duty to Report Change of Registered Agent. A Regulated Marijuana Business must disclose any change of its registered agent in the State of Colorado within seven days of the change.

### Rule 215-1 – All Application Requirements

This Rule 215-1 applies to all applications submitted to the Division for a license, permit or registration provided by the Medical Code or the Retail Code.

- A. Division Forms Required. All applications for licenses, registrations or permits authorized by subsections 44-11-401(1) and (1.5), or 44-12-401(1) and (1.5), C.R.S., must be made on current Division forms.
- B. Application Fees Required. Applications must be accompanied by full remittance of the required application and license fees. See Rule 205-1.
- C. Complete, Accurate, and Truthful Applications Required. Applications must be complete, accurate and truthful and include all attachments and supplemental information. Incomplete applications may not be accepted by the Division.
- D. Local Licensing Authority/Local Jurisdiction.
  - 1. Each application must identify the applicable local licensing authority or local jurisdiction.
  - 2. For any application requiring approval or licensing from a local licensing authority or local jurisdiction, the Applicant or Licensee must submit the original application and one identical copy to the Division.
- E. Applicant Not Prohibited from Licensure. Applicants must provide information establishing the Applicant is not a Person prohibited from licensure by sections 44-11-306 or 44-12-305, C.R.S. Each natural person required to obtain an Owner License or an Employee License must provide proof of lawful presence or citizenship, and Colorado residency, if required.
- F. Documents Required with Every Regulated Marijuana Business Application. With each initial and renewal application, Regulated Marijuana Business Applicants must provide the following:
  - 1. Financial Statements. The most recent financial statements, which must have been prepared in the preceding 365 days, and which must include a balance sheet, an income statement, and a cash flow statement. If the Applicant or Regulated Marijuana Business is required to have audit financial statements by another regulator (example Securities and Exchange Commission) the financial statements provided to the Division must be audited and must also include all footnotes, schedules, auditors' report(s), and auditor's opinion(s). If the financial statements are publicly available on a website (example EDGAR or SEDAR), the Regulated Marijuana Business may provide notification of the website link where the financial statements can be accessed.
  - 2. Tax Documents.

- a. Documentation establishing compliant return filing and payment of taxes related to any Regulated Marijuana Business in which the Person is, or was, required to file and pay taxes. Such documentation shall at a minimum include the following:
  - i. Last federal income tax return filed with the Internal Revenue Service, or comparable taxing authority of another country, filed by the Regulated Marijuana Business, including all schedules and attachments, and any federal tax liens, where such returns and liens are related to the Regulated Marijuana Business. **[WORK GROUP DISCUSSION]**
- 3. Regulated Marijuana Business and Owner License Applications Required. Every Regulated Marijuana Business application must be accompanied by all required Owner License application(s).

G. Additional Information and Documents May Be Required.

- 1. Upon request by the Division, an Applicant must provide additional information or documents required to process and investigate the application. The additional information or documents must be provided to the Division within seven days of the request, however, this deadline may be extended for a period of time commensurate with the scope of the request.
- 2. An Applicant's failure to provide requested information or documents by the deadline may be grounds for denial of the application.

H. Application Forms Accessible. All application forms provided by the Division and filed by an Applicant for a license, registration, or permit, including attachments and any other documents associated with the investigation, may be used for a purpose authorized by the Medical Code, the Retail Code, for investigation or enforcement of any international, federal, state, or local securities law or regulation, for any other state or local law enforcement purpose, or as otherwise required by law.

### Rule 220-1 – Initial Application Requirements for Regulated Marijuana Businesses

- A. Documents and Information Required. Every initial application for a Regulated Marijuana Business license must include all required documents and information including, but not limited to:
  - 1. A copy of the local license application, if required, for a Regulated Marijuana Business.
  - 2. Certificate of Good Standing from the jurisdiction in which the Entity was formed, which must be one of the states of the United States, territories of the United States, District of Columbia or another country that authorizes the sale of marijuana.
  - 3. If the Applicant is an Entity, the identity and physical address of its registered agent in the state of Colorado.
  - 4. Organizational Documents. Articles of incorporation, by-laws, and any shareholder agreement for a corporation; articles of organization and operating agreement for a limited liability company; or partnership agreement for a partnership.
  - 5. Corporate Governance Documents:
    - a. A Regulated Marijuana Business that is not a Publicly Traded Corporation is not required to maintain any corporate governance documents but, if it voluntarily does, the corporate governance documents must be provided with each initial application.

- b. A Regulated Marijuana Business that is a Publicly Traded Corporation must maintain corporate governance documents as required by the securities exchange on which its securities are listed and trade and must provide those corporate governance documents with each initial application.
- 6. The deed, lease, sublease, rental agreement, contract, or any other document(s) establishing the Applicant is, or will be, entitled to possession of the premises for which the application is made.
- 7. Legible and accurate diagram for the facility. The diagram must include a plan for the Licensed Premises and a separate plan for the security/surveillance plan including camera location, number and direction of coverage. If the diagram is larger than 8.5 x 11, the Applicant shall also provide a .pdf copy of the diagram.
- 8. All required findings of suitability issued by the Division.
- 9. If the applicant is a Publicly Traded Corporation, documents establishing the Publicly Traded Corporation qualifies to hold a Regulated Marijuana Business license including but not limited to disclosure of the securities exchange(s) on which its Securities are listed and traded, the stock symbol(s), the identity of all regulators with regulatory oversight over its Securities.

B. Local Licensing/Approval Required.

- 1. Medical Marijuana Business Local Licensing Authority Approval Required.
  - a. If the Division grants a license to a Medical Marijuana Business before the local licensing authority approves the application or grants a local license, the state license will be conditioned upon local approval. If the local licensing authority denies the application, the state license will be revoked.
  - b. An Applicant is prohibited from operating a Medical Marijuana Business prior to obtaining all necessary licenses, registrations, permits or approvals from both the State Licensing Authority and the local licensing authority.
- 2. Retail Marijuana Business Local Jurisdiction Approval Required.
  - a. For each application for a new Retail Marijuana Business, the Applicant must submit the original application and one identical copy to the Division.
  - b. If the Division grants a license for a Retail Marijuana Business before the local jurisdiction approves the application or grants a local license, the license will be conditioned upon local jurisdiction approval. If the local jurisdiction denies the application, the state license will be revoked.
  - c. The Applicant has one year from the date of licensing by the State Licensing Authority to obtain approval or licensing from the local jurisdiction. If the Applicant fails to obtain local jurisdiction approval or licensing within one year from grant of the state license, the state license expires and may not be renewed.
  - d. An Applicant is prohibited from operating a Retail Marijuana Business prior to obtaining all necessary approvals or licenses from both the State Licensing Authority and the local jurisdiction.

## Rule 225–1 – Renewal Application Requirements for All Licensees

- A. License Periods.
1. Regulated Marijuana Business and Owner Licenses are valid for one year from the date of issuance.
  2. Medical Marijuana Transporters, Retail Marijuana Transporters, and Employee Licenses are valid for two years from the date of issuance.
- B. Division Notification Prior to Expiration.
1. The Division will send a notice for license renewal 90 days prior to the expiration of an existing license by first class mail to the Licensee's physical address of record.
  2. Failure to receive the Division notification does not relieve the Licensee of the obligation to timely renew the license.
- C. Renewal Deadline.
- [SUNSET DISCUSSION]
- D. License Expiration.
- [SUNSET DISCUSSION]
- E. Voluntarily Surrendered or Revoked Licenses Not Eligible for Renewal. Any license that was voluntarily surrendered or revoked by a Final Agency Order is not eligible for renewal. Any Licensee who voluntarily surrendered its license or has had its license revoked by a Final Agency Order may only submit an initial application. The State Licensing Authority will consider the voluntary surrender or the Final Agency Order and all related facts and circumstances in determining any subsequent initial application.
- F. Licenses Subject to Ongoing Discipline and/or Summary Suspension. Licenses subject to a summary suspension, a disciplinary action, and/or any other administrative action are subject to the requirements of this Rule. Licenses that are not timely renewed expire.
- G. Documents Required at Renewal. A Regulated Marijuana Business must provide the following documents with every renewal application:
1. All documents required by Rule 215-1(F);
  2. Any document required by Rule 220-1(A) that has changed since the document was last submission to the Division;
  3. A copy of the approval or licensure from the local licensing authority and/or local jurisdiction;
  4. If the Regulated Marijuana Business is a Publicly Traded Corporation, the most recent list of Non-Objecting Beneficial Owners possessed by the Regulated Marijuana Business;
  5. A copy of any management agreement(s) the Regulated Marijuana Business has entered into. For example, management agreements include any agreement between the Regulated Marijuana Business and any Person, regardless of whether that Person is licensed, for the management of the overall operations of the Regulated Marijuana Business or its Licensed Premises or any material portion of the Regulated Marijuana Business or its Licensed Premises;

6. Contracts, agreements, royalty agreements, equipment lease, financing agreement, or security contract for any Indirect Financial Interest Holder that is required to be disclosed by Rule 230-1(A)(3); and
7. A list of any sanctions, penalties, assessments, or cease and desist orders imposed by any securities regulatory agency, including but not limited to the United States Securities and Exchange Commission.

#### Rule 230-1 – Disclosure of Financial Interests in a Regulated Marijuana Business

- A. Mandatory Disclosures. Information required to be disclosed by sections 44-11-307.5 and 44-12-306.5, C.R.S., shall be identified in every initial, renewal and change of owner application. Mandatory disclosures include, but are not limited to:
1. All Regulated Marijuana Businesses (including Publicly Traded Corporations and entities that are not Publicly Traded Corporations) must disclose an organizational chart including the identity and ownership percentages of all Controlling Beneficial Owners;
  2. All Controlling Beneficial Owners.
    - a. For any Controlling Beneficial Owner that is an Entity (including Publicly Traded Corporations and entities that are not Publicly Traded Corporations):
      - i. The Controlling Beneficial Owner's Executive Officers [add to definitions],
      - ii. Ten percent and greater Beneficial Owners of the Controlling Beneficial Owner.
    - b. Individuals:
      - i. Name,
      - ii. Address,
      - iii. Date of birth,
      - iv. Social Security Number or other Federal Government issued identification number.
    - c. Qualified Private Fund: Organizational chart reflecting the identity and ownership percentages of the Qualified Private Fund's Executive Officers, investment advisers, investment adviser representatives, any trustee or equivalent, and any other Person that controls the investment in, or management or operations of, a Regulated Marijuana Business
  3. Any Indirect Financial Interest Holder that:
    - a. Holds two or more indirect financial interests,
    - b. Is also a Passive Beneficial Owner, or
    - c. That is contributing debt financing, secured or unsecured, that has not previously been disclosed and exceeds fifty percent (50%) of the operating capital of the Regulated Marijuana Business. Operating capital is defined as total current and fixed assets less total liabilities (as presented on the balance sheet consistent with the business's past practices), measured as of the nearest month's end prior to the date of the applicable loan document(s).

- B. Discretionary Disclosure. In his or her reasonable discretion, the State Licensing Authority may require disclosure following an initial or renewal application for a Regulated Marijuana Business as follows:
1. For a Regulated Marijuana Business or a Controlling Beneficial Owner, neither of which is a Publicly Traded Corporation, its:
    - a. Affiliates,
    - b. Beneficial Owners of a Controlling Beneficial Owner;
  2. Qualified Private Fund's Affiliates; and
  3. Managers of a Controlling Beneficial Owner.
- C. Reasonable Cause Disclosure. An Applicant will be notified by the State Licensing Authority of Reasonable Cause to require additional disclosure. The State Licensing Authority's notification will identify the facts or law supporting Reasonable Cause for the disclosure and the deadline for disclosure. The following may be required to be disclosed by the State Licensing Authority's notification:
1. A list of all Non-objecting Beneficial Owner's in a Publicly Traded Corporation that is either a Regulated Marijuana Business or a Controlling Beneficial Owner;
  2. All Passive Beneficial Owners in a Regulated Marijuana Business that is not a Publicly Traded Corporation;
  3. A list of all Beneficial Owners of a Qualified Private Fund;
  4. All Indirect Financial Interest Holders of a Regulated Marijuana Business, and, for any Indirect Financial Interest Holder that is an Entity, the ten percent and greater owners of the Indirect Financial Interest Holder.
- D. Affirmation of Reasonable Care. An Applicant and Regulated Marijuana Business shall exercise reasonable care prior to obtaining any new Passive Beneficial Owner, Indirect Financial Interest Holder or Qualified Institutional Investor and shall provide an Affirmation of Reasonable Care with each initial and renewal application.
1. Reasonable Care Affirmation for a Regulated Marijuana Business that is not a Publicly Traded Corporation. A Regulated Marijuana Business that is not a Publicly Traded Corporation shall affirm under penalty of perjury it exercised reasonable care to confirm its Passive Beneficial Owner(s), Indirect Financial Interest Holder(s), and Qualified Institutional Investor(s) are not Persons prohibited under sections 44-11-306 and 44-12-305, C.R.S., these Rules, or otherwise restricted from holding an interest under the Medical Code or Retail Code. A Regulated Marijuana Business exercises reasonable care if it receives documentation from each Passive Beneficial Owner, Indirect Financial Interest Holder and Qualified Institutional Investor affirming each is not a Person prohibited from holding a license by sections 44-11-306 and 44-12-305, these Rules, or the Medical Code or Retail Code and the Regulated Marijuana Business does not know or reasonably should know facts that would contradict the affirmation or inform that the Person is prohibited.
  2. Reasonable Care Affirmation for a Regulated Marijuana Business that is a Publicly Traded Corporation. A Regulated Marijuana Business that is a Publicly Traded Corporation shall affirm under penalty of perjury that it exercised reasonable care to confirm its Passive Beneficial Owner(s) that are Non-Objecting Beneficial Owners, Indirect Financial Interest Holder(s), and Qualified Institutional Investor(s) are not



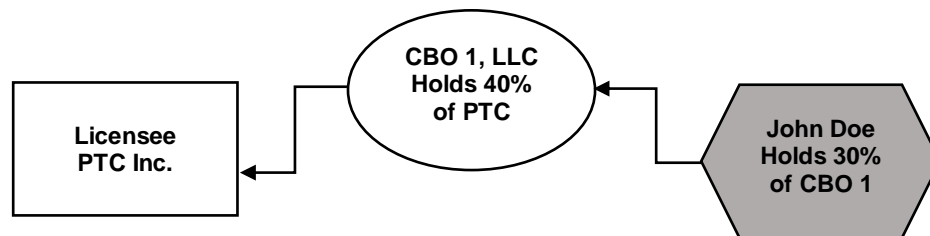
Persons prohibited under sections 44-11-306 and 44-12-305, C.R.S., these Rules, or otherwise restricted from holding an interest under the Medical Code or Retail Code. A Regulated Marijuana Business that is a Publicly Traded Company exercises reasonable care if it:

- a. At least annually, reviews a list of its Passive Beneficial Owners that are Non-Objecting Beneficial Owners to determine if there are any Persons that are prohibited under sections 44-11-306 and 44-12-305, C.R.S., these Rules or the Medical Code or Retail Code. At a minimum, this review shall include a review of the Specially Designated Nationals and Blocked Persons List (SDN List) on the United States Treasury Office of Foreign Assets Control (OFAC) website and the Financial Industry Regulatory Authority (FINRA) website for Individuals Barred by FINRA to determine if there are any prohibited Persons, or any other source designated by the State Licensing Authority; and
  - b. Receives documentation from its Indirect Financial Interest Holder(s) and Qualified Institutional Investor(s) affirming each is not a Person prohibited by sections 44-11-306 and 44-12-305, these Rules, or the Medical Code or Retail Code and the Regulated Marijuana Business does not know or reasonably should know facts that would contradict the affirmation or inform that the Person is prohibited.
3. In addition to the requirements of subparagraphs (D)(1)-(2), upon knowledge of any fact that any Passive Beneficial Owner, Passive Beneficial Owner that is a Non-Objecting Beneficial Owner, Indirect Financial Interest Holder or Qualified Institutional Investor may have become a Person prohibited since the initial application or last renewal application, a Regulated Marijuana Business shall exercise reasonable care to determine whether such Person is prohibited under sections 44-11-306 and 44-12-205, C.R.S., these Rules or the Medical Code or Retail Code.
  4. An Applicant's or a Regulated Marijuana Business's failure to exercise reasonable care is grounds for denial, fine, suspension, revocation, or other sanction by the State Licensing Authority and may constitute a license violation affecting public safety. An Applicant or Regulated Marijuana Business in compliance with subparagraphs (D)(1)-(3) of this Rule has exercised reasonable care.
- E. Control. The State Licensing Authority will consider all facts and circumstances in determining whether a Person has Control of a Regulated Marijuana Business or is Controlling Beneficial Owner by virtue of common control. Non-exhaustive facts and circumstances that will be considered when evaluating Control include, but are not limited to:
1. The Person's percentage of ownership, if any;
  2. The Person's ability to influence the decision of the Regulated Marijuana Business;
  3. The Person is a Manager of the Regulated Marijuana Business;
  4. The Person has a close relationship, familial tie or common purpose or motive with one or more Person's in Control of the Regulated Marijuana Business;
  5. The Person has substantial business relationship(s) with the Regulated Marijuana Business;
  6. The Person has the ability to control the proxy machinery or to win a proxy contest;
  7. The Person is a primary creditor of the Regulated Marijuana Business; or

8. The Person is the original incorporator of the Regulated Marijuana Business.

### Rule 235-1 – Suitability

- A. Persons Subject to a Mandatory Finding of Suitability for Regulated Marijuana Businesses that are Not Publicly Traded Corporations. Any Person intending to become a Controlling Beneficial Owner of any Regulated Marijuana Business that is not a Publicly Traded Corporation shall first submit a request to the State Licensing Authority for a finding of suitability.
- B. Persons Subject to a Mandatory Finding of Suitability for Regulated Marijuana Businesses that are Publicly Traded Corporations. The following Persons must apply to the State Licensing Authority for a finding of suitability within 45 days after obtaining an Owner's Interest in a Regulated Marijuana Business that is a Publicly Traded Corporation:
1. Any Person that becomes a Controlling Beneficial Owner of any Regulated Marijuana Business that is a Publicly Traded Corporation; and
  2. Any Person that indirectly beneficially owns ten percent or more of the Regulated Marijuana Business that is a Publicly Traded Corporation through direct or indirect ownership of its Controlling Beneficial Owner. For example, assuming in the scenario depicted below, Licensee PTC Inc. has one-million shares of outstanding securities and CBO 1 owns 400,000 of those securities. John Doe owns 30% of CBO 1. Therefore, John Doe owns 12% of the outstanding securities of Licensee PTC Inc., and must apply to the State Licensing Authority for a finding of suitability:



- C. Finding of Suitability for Reasonable Cause. For Reasonable Cause, any other Person that was disclosed or should have been disclosed pursuant to Articles 44-11-307.5(1) or (2) or 44-12-306.5(1) or (2) or that was required to be disclosed based on previous notification of Reasonable Cause shall submit a request to the State Licensing Authority for a finding of suitability. Any Person required to submit a request for a finding of suitability pursuant to this Rule 235-1(C) shall submit such request within 45 days from notice of the State Licensing Authority's determination of Reasonable Cause for the finding of suitability.
- D. Information Required in Connection with a Request for a Finding of Suitability. When determining whether a Person is suitable or unsuitable for licensure, the State Licensing Authority may consider the Person's criminal character or record, licensing character or record, or financial character or record. To consider a Person's criminal character or record, licensing character or record, and financial character or record, all requests for a finding of suitability must, at a minimum, be accompanied by the following information:
1. Criminal Character or Record:
    - a. A set of the Person's fingerprints for purposes of a fingerprint-based criminal history record check.
  2. Licensing Character or Record:
    - a. Affirmation that the Person is not prohibited from holding a license under 44-11-307 or 44-12-306, C.R.S.

- b. A list of all Colorado Department of Revenue-issued business licenses held in the three years prior to submission of the request for a finding of suitability;
  - b. A list of all Department of Regulatory Agency business, professional or occupational licenses held in the three years prior to submission of the request for a finding of suitability;
  - c. A list of any marijuana business or individual license(s) held in any other state or territory of the United States or District of Columbia or another country, where such license is or was at any time subject to a denial, suspension, revocation, surrender, or equivalent action by the licensing agency, commission, board, or similar authority; and
  - d. Disclosure of any civil lawsuits in which the Person was named as a party where pleadings included allegations involving any Regulated Marijuana Business.
3. Financial Character or Record:
- a. Disclosure of any sanctions, penalties, assessments, or cease and desist orders imposed by any securities regulatory agency other than the United States Securities and Exchange Commission;
  - b. If the Person's request for a finding of suitability is for purposes of acquiring ten percent or more of the Owner's Interest in the Regulated Marijuana Business, copies of the Person's financial account statements for the preceding sixty days for any accounts serving as a source of funding used to acquire the Owner's Interest in the Regulated Marijuana Business.

E. Exemptions from a Finding of Suitability.

- 1. The following Persons are exempt from an otherwise required finding of suitability:
  - a. Any Person that currently possesses an approved license issued by the State Licensing Authority and such license has not, in the preceding 365 days, been subject to suspension or revocation; or
  - b. Any Person that obtained an approved finding of suitability within the preceding 365 days, and the Person submits an affirmation of the following: Since the prior finding of suitability, there has been no material change to information regarding the Person's criminal character or record, licensing character or record, or financial character or record.
- 2. Exemptions from an otherwise required finding of suitability are limited to those listed in this Rule. The State Licensing Authority will consider other factors that may inform amendments to this rule through the Department's formal rulemaking session.

F. Timing to Approve or Deny a Finding of Suitability. Absent Reasonable Cause, the State Licensing Authority shall approve or deny a finding of suitability within 120 days from the date of submission of the request for such finding, where such request was accompanied by all information required under subsection (D) of this Rule.

## Rule 240-1 – Factors to Considered in Determining Reasonable Cause for Disclosure, Finding of Suitability and Extension of 120 Deadline for Finding of Suitability

- A. Non-Exhaustive Factors Informing Reasonable Cause Consideration. The State Licensing Authority may consider the following non-exhaustive factors when evaluating whether Reasonable Cause exists for disclosure, requiring a reasonable cause finding of suitability or extension of time to provide a finding of suitability:
1. The Person provided materially inaccurate or incomplete documents to the Division;
  2. The Person failed to provide required documents to the Division;
  3. The request for a finding of suitability is sufficiently complex such that a determination cannot be completed within the 120 day deadline specified;
  4. Information that an undisclosed Person is controlling or has the ability to control the Regulated Marijuana Business;
  5. Information indicating one or more Persons prohibited holds an interest in the Regulated Marijuana Business;
  6. Inability to obtain documents or information expected to be available from third-parties or publicly available sources;
  7. The Person interfered with, obstructed, or impeded a Division investigation;
  8. The Person failed to make any filing required by a securities regulator or securities exchange that has regulatory oversight over the Person;

### [WORK GROUP DISCUSSION - ADDITIONAL FACTORS]

## Rule 245-1 – Change of Controlling Beneficial Owner Application or Notification

- A. Entity Conversions. Any Licensee that qualifies for an Entity conversion under sections 7-90-201 *et seq.*, C.R.S., is not required to file a change of owner application under sections 44-11-309, or 44-12-308, C.R.S., if all Controlling Beneficial Owners and their Owner's Interests will remain the same after the conversion. Within 14 days of the statutory conversion, the Licensee shall submit a notification to the Division including a copy of any documents submitted to the Colorado Secretary of State to complete the Entity conversion.
- B. Application for Change of Controlling Beneficial Owner(s) – Not a Publicly Traded Corporation.
1. A Regulated Marijuana Business that is not a Publicly Traded Corporation must obtain Division approval before it transfers the Owner's Interests of any Controlling Beneficial Owner(s).
  2. All applications for change of Controlling Beneficial Owner(s) must be executed by every Controlling Beneficial Owner whose Owner's Interests are proposed to change and any Person proposed to become a Controlling Beneficial Owner(s). Controlling Beneficial Owners who's Owner's Interest are not proposed to be changed by the change of owner application are not required to execute the change of owner application; however, at least one Controlling Beneficial Owner and all Persons proposed to become a Controlling Beneficial Owner must execute every change of owner application.
  3. The Division will not approve a change of owner application until it receives written notification the Applicant disclosed the change of owner application to the relevant local licensing authority and/or local jurisdiction. If a local licensing authority or a local

jurisdiction elects not to approve or deny a change of owner application, the local licensing authority or local jurisdiction must provide written notification acknowledging receipt of the application and the State Licensing Authority shall revoke the state-issued license. [WORKGROUP DISCUSSION - REQUIRES LOCAL INPUT]

4. If the change of owner application proposes one or more new Controlling Beneficial Owner(s), the proposed new Controlling Beneficial Owner(s) shall not operate the Regulated Marijuana Business identified in the change of owner application until the application is approved in writing by the Division. Controlling Beneficial Owners that have already been approved in connection with ownership of the Regulated Marijuana Business may continue to operate the Regulated Marijuana Business. A violation of this requirement is grounds for denial of the change of owner application, may be a violation affecting public safety, and may result in disciplinary action against the Applicant's existing license(s).
5. If a Regulated Marijuana Business or any of its Controlling Beneficial Owner(s) apply for a change of owner and is involved in an administrative investigation or administrative action, the following may apply:
  - a. The change of owner application may be delayed or denied until the administrative action is resolved; or
  - b. If the change of owner application is approved by the Division, the transferor, the transferee, or both of them may be responsible for the actions of the Regulated Marijuana Business and its prior Controlling Beneficial Owners, and subject to discipline based upon the same
6. Documents Required. Any change of owner application regarding a Controlling Beneficial Owner of a Regulated Marijuana Business that does not involve a Publicly Traded Corporation shall include the following documents:
  - a. Asset purchase agreement, merger, sales contract, agreement, or any other document necessary to effectuate the change of owner;
  - b. Finding of suitability for each proposed Controlling Beneficial Owner(s);
  - c. Operating agreement, by-laws, partnership agreement or other governing document as will apply to the Regulated Marijuana Business if the change of owner application is approved;
  - d. Request for voluntary surrender of the Owner License for any Controlling Beneficial Owner that will not remain a Controlling Beneficial Owner, or Passive Beneficial Owner electing to hold an Owner License in a Regulated Marijuana Business if the change of owner application is approved;
  - e. Copy of current Medical or Retail Marijuana State Sales Tax or Wholesale license.
7. Licensee Initiates Change of Owner for Permitted Economic Interests Issues Prior to January 1, 2020. All individuals holding a Permitted Economic Interest who seek to become a Controlling Beneficial Owner are subject to this Rule 245-1. The Regulated Marijuana Business must initiate the change of owner process for an individual holding a Permitted Economic Interest who seeks to convert its interest and become a Controlling Beneficial Owner in a Regulated Marijuana Business. Prior to submitting a change of owner application, the Permitted Economic Interest holder shall obtain a finding of suitability pursuant to Rule 235-1 including any required criminal history record check. Permitted Economic Interest holders who fail to obtain a finding of suitability to become a Controlling Beneficial Owner may remain as a Permitted Economic Interest holder.

8. Medical Marijuana Transporters and Retail Marijuana Transporters Not Eligible for Change of Owner. Medical Marijuana Transporters and Retail Marijuana Transporters are not eligible to apply for a change of owner.

C. Change of Owner Involving a Publicly Traded Corporation.

1. Notification At Least Seven Days Prior to Transaction. A Regulated Marijuana Business that is not a Publicly Traded Corporation that intends to enter any transaction with a Publicly Traded Corporation, including but not limited to the following, shall notify the Division on Division forms at least seven days prior to the transaction closing:
  - a. Merger with a Publicly Traded Corporation. A Regulated Marijuana Business that intends or that has a Controlling Beneficial Owner that intends to receive, directly or indirectly, an investment from, or intends to merge or consolidate with a Publicly Traded Corporation, whether by way of merger, combination, exchange, consolidation, reorganization, sale of assets or otherwise, including but not limited to any shell company merger.
  - b. Investment by a Publicly Traded Corporation. A Regulated Marijuana Business that intends or that has a Controlling Beneficial Owner that intends to transfer, directly or indirectly, Securities in the Regulated Marijuana Business to a Publicly Traded Corporation, whether by sale or other transfer of outstanding Securities, issuance of new Securities, or otherwise.
  - c. Public Offering. A Regulated Marijuana Business that intends or that has a Controlling Beneficial Owner that intends to become, directly or indirectly, a Publicly Traded Corporation, whether by effecting a primary or secondary offering of its Securities, uplisting of outstanding Securities, or otherwise.
2. Post Change of Owner Disclosure of Required, Securities and Exchange Commission and/or Securities Exchange Filings. A Regulated Marijuana Business and any Controlling Beneficial Owner that is required to file any document with the Securities and Exchange Commission or any securities exchange regarding any change of owner in subparagraphs (C)(1)(a) through (c) above must also provide a notice to the Division at the same time as the filing with the Securities and Exchange Commission and/or the securities exchange.
3. Post Change of Owner Suitability Requirements. Any Person who was not a Controlling Beneficial Owner before any change of owner identified in subparagraphs (C)(1)(a) through (c) above but who becomes a Controlling Beneficial Owner following the change of owner shall apply for a finding of suitability pursuant to Rule 235-1 within forty-five days of becoming a Controlling Beneficial Owner.
4. Ordinary Broker Transactions. Resales or transfers of Securities of a Publicly Traded Corporation that is a Regulated Marijuana Business or Controlling Beneficial Owner or Passive Beneficial Owner in ordinary broker transactions through an established trading market do not require a change of owner application or prior approval from the State Licensing Authority.
5. Ongoing Suitability Requirements. Any Person becomes a Controlling Beneficial Owner of a Publicly Traded Corporation that is a Regulated Marijuana Business must apply to the State Licensing Authority for a finding of suitability or an exemption from a finding of a suitability pursuant to Rule 235-1 within forty-five days of becoming a Controlling Beneficial Owner. A Publicly Traded Corporation that is a Regulated Marijuana Business shall notify any Person that becomes a Controlling Beneficial Owner of the suitability requirements as soon as the Regulated Marijuana Business becomes aware of the ownership subjecting the Person to this requirement; however, the Controlling Beneficial

Owner's obligation to timely request the required finding of suitability is independent of, and unaffected by, the Regulated Marijuana Business's failure to make the notification.

- D. Change of Passive Beneficial Owner. Passive Beneficial Owners are not required to submit an application or obtain prior approval of their ownership if: (1) the Person will remain a Passive Beneficial Owner after the acquisition of Owner's Interests is complete, and (2) disclosure is not otherwise required by sections 44-11-307.5 or 44-12-306.5, C.R.S, or Rule 230-1.

#### **Rule 250-1 – Regulated Marijuana Business that is a Publicly Traded Corporation – Notification of Securities Filings**

- A. A Regulated Marijuana Business that is a Publicly Traded Corporation shall provide notice on Division forms within two business days of any filing with the Securities and Exchange Commission, the Canadian Securities Administrators, any other securities regulator, or any security exchange on which the Securities are listed or traded. The notice shall identify the title of the document and include a hyperlink to the website where the document is publicly available (example EDGAR or SEDAR link for the Publicly Traded Corporation).

#### **Rule 255-1 – Change of Location of a Regulated Marijuana Business**

[INTENTIONALLY OMITTED]

#### **Rule 260-1 –Owner and Employee License: License Requirements, Applications, Qualifications, and Privileges**

Associated Key, Key and Support Licenses remain valid until the first renewal following August 1, 2019, after which such licenses will be renewed as either an Owner License or an Employee Licensee.

- A. Owner Licenses Required.
- a. Each Controlling Beneficial Owner who is a natural person must hold a valid Owner License.
  - b. A Passive Beneficial Owner who is a natural person may elect to hold an Owner License and obtain an identification badge provided that such Person expressly agrees to be disclosed as holding an Owner's Interest in the Regulated Marijuana Business.
- B. Owner License and Identification Badge or Employee License and Identification Badge Required. The following individuals must possess either a valid Owner License and identification badge or an Employee License and identification badge:
- 1. Any individual who possesses, cultivates, manufactures, tests, dispenses, sells, serves, transports, or delivers Regulated Marijuana or Regulated Marijuana Products as permitted by privileges of a Regulated Marijuana Business license;
  - 2. Any individual who has access to the Inventory Tracking System or a Regulated Marijuana Business point of sale system; and
  - 3. Any individual with unescorted access in the Restricted Access Area or Limited Access Area.
- C. Visitor Escort Required. Any individual in a Restricted Access Area or Limited Access Area that does not have a valid Owner License and identification badge or Employee License and identification badge is a visitor and must be escorted at all times by an individual who holds a valid Owner License and identification badge or Employee License and identification badge. Failure by a Regulated Marijuana Business to continuously escort an individual who does not have a valid Owner License and identification badge or Employee License and identification

badge in the Limited Access Area is a license violation affecting public safety. Customers in a Restricted Access Area and third-party vendors not engaged in the business of cultivating, processing, or selling Regulated Marijuana or Regulated Marijuana Products do not need to be escorted at all times, but must be reasonably monitored.

- D. Employee License Required to Commence or Continue Employment. Any individual required to obtain an Employee License by these rules must obtain such a license before commencing activities permitted by his or her Employee License.
- E. Owner and Employee License Identification Badges Are Property of State Licensing Authority. All Owner and Employee License identification badges are property of the State Licensing Authority.
- F. Owner and Employee Initial and Renewal Applications Required. Owner and Employee Licensees must submit initial and renewal applications on Division forms and in accordance with this Rule and Rules 215-1, 220-1 and 225-1.
- G. Owner License Qualifications and Privileges.
  - 1. Owner License Qualifications. Each Controlling Beneficial Owner, or Passive Beneficial Owner who elects to be subject to disclosure and licensure, must meet the following criteria before receiving an Owner License:
    - a. The Applicant is not prohibited from licensure pursuant to 44-11-306, C.R.S., or 44-12-305, C.R.S.;
    - b. The Applicant has not been a State Licensing Authority employee with regulatory oversight responsibilities for individuals or Regulated Marijuana Businesses licensed by the State Licensing Authority in the six months immediately preceding the date of the Applicant's application;
    - c. The Division has not received notice that the Applicant has failed to comply with a court or administrative order for current child support, child support debt, retroactive child support, or child support arrearages. If the Division receives notice of the Applicant's noncompliance pursuant to sections 24-35-116 and 26-13-126, C.R.S., the application may be denied or delayed until the Applicant has established compliance with the order to the satisfaction of the state child enforcement agency.
    - d. Each Controlling Beneficial Owner required to hold an Owner License, and any Passive Beneficial Owner that elects to hold an Owner License, must be fingerprinted at least once every two years, and may be fingerprinted more often at the Division's discretion.
    - e. An Owner Licensee who exercises day-to-day operational control over a Regulated Marijuana Business must possess an identification badge and must establish and maintain Colorado residency.
  - 2. Owner License Exercising Privileges of an Employee License. An individual who is a Colorado resident and who holds an Owner License and identification badge may exercise the privileges of an Employee License in any Regulated Marijuana Business.
- H. Employee Licensee Qualifications, and Privileges.
  - 1. Employee License Qualifications Requirements. An Employee License Applicant must meet the following criteria before receiving an Employee License:



- a. The Applicant is not prohibited from licensure pursuant to 44-11-306, C.R.S., or 44-12-305, C.R.S.;
  - b. The Applicant has not been a State Licensing Authority employee with regulatory oversight responsibilities for individuals or Regulated Marijuana Businesses licensed by the State Licensing Authority in the six months immediately preceding the date of the Applicant's application.
  - c. The Division has not received notice that the Applicant has failed to comply with a court or administrative order for current child support, child support debt, retroactive child support, or child support arrearages. If the Division receives notice of the Applicant's noncompliance pursuant to section 24-35-116 and 26-13-126, C.R.S., the application may be denied or delayed until the Applicant has established compliance with the order to the satisfaction of the state child support enforcement agency.
  - d. Employee Licensees working in a Regulated Marijuana Business must be Colorado Residents at the time of initial application and must maintain residency during the period of licensure, unless they are applying for a workforce training or development residency exempt license.
2. Medical and Retail Employee Licenses. An individual who holds a current, valid Employee License issued pursuant to the Medical Code or the Retail Code may work in Regulated Marijuana Business.
  3. Workforce Training or Development Residency Exempt License. An Applicant who wishes to obtain a workforce development or training exemption to the license residency requirement may apply for an Employee License and must:
    - a. Submit a complete application on the Division's approved forms;
    - b. Establish she or he meets the licensing criteria of this Rule 260-1(H1)(a)-(d)
    - c. Provide evidence of proof of lawful presence; and
    - d. Provide a complete Workforce Training or Development Affirmation form executed under penalty of perjury.
- I. Owner and Employee Licensees Required to Maintain Licensing Qualification. An Owner Licensee or Employee Licensee's failure to maintain qualifications for licensure may constitute grounds for discipline, including but not limited to suspension, revocation, or fine.
  - J. Factors Considered when Determining Residency and Citizenship. This Rule applies to Applicants for an Owner License and identification badge with day-to-day operational control over a Regulated Marijuana Business or an Employee License who are required to have and maintain Colorado residency. In determining whether an Applicant is a Colorado resident, the State Licensing Authority will consider the following factors:
    1. Primary Home Defined. The location of an Applicant's principal or primary home or place of abode ("primary home") may establish Colorado residency. An Applicant's primary home is that home or place in which a person's habitation is fixed and to which the person, whenever absent, has the present intention of returning after a departure or absence therefrom, regardless of the duration of such absence. A primary home is a permanent building or part of a building and may include, by way of example, a house, condominium, apartment, room in a house, or manufactured housing. No rental property, vacant lot, vacant house or cabin, or other premises used solely for business purposes shall be considered a primary home.

2. Reliable Indicators That an Applicant's Primary Home is in Colorado. The State Licensing Authority considers the following types of evidence to be generally reliable indicators that a person's primary home is in Colorado.
  - a. Evidence of business pursuits, place of employment, income sources, residence for income or other tax purposes, age, residence of parents, spouse, and children, if any, leaseholds, situs of personal and real property, existence of any other residences outside Colorado and the amount of time spent at each such residence, and any motor vehicle or vessel registration;
  - b. Duly authenticated copies of the following documents may be taken into account: A current driver's license with address, recent property tax receipts, copies of recent income tax returns where a Colorado mailing address is listed as the primary address, current voter registration cards, current motor vehicle or vessel registrations, and other public records evidencing place of abode or employment; and
  - c. Other types of reliable evidence.
3. Totality of the Evidence. The State Licensing Authority will review the totality of the evidence, and any single piece of evidence regarding the location of a person's primary home is not necessarily determinative.
4. Other Considerations for Residency. The State Licensing Authority may consider the following circumstances:
  - a. Members of the armed services of the United States or any nation allied with the United States who are on active duty in this state under permanent orders and their spouses;
  - b. Personnel in the diplomatic service of any nation recognized by the United States who are assigned to duty in Colorado and their spouses; and
  - c. Full-time students who are enrolled in any accredited trade school, college, or university in Colorado. The temporary absence of such student from Colorado, while the student is still enrolled at any such trade school, college, or university, shall not be deemed to terminate their Colorado residency. A student shall be deemed "full-time" if considered full-time pursuant to the rules or policy of the educational institution he or she is attending.
5. Entering Armed Forces Does Not Terminate Residency. An individual who is a Colorado resident pursuant to this rule does not terminate Colorado residency upon entering the armed services of the United States. A member of the armed services on active duty who resided in Colorado at the time the person entered military service and the person's spouse are presumed to retain their status as residents of Colorado throughout the member's active duty in the service, regardless of where stationed or for how long.

K. Evaluating an Individual's Good Moral Character Based on Criminal History

1. In evaluating whether a Person is prohibited as a licensee pursuant to subsections 44-11-306(1)(b) or (c), or 44-12-305(1)(b) or (c) C.R.S., based on a determination that the individual's criminal history indicates he or she is not of Good Moral Character, the Division will not consider the following:
  - a. The mere fact an individual's criminal history contains an arrest(s) or charge(s) of a criminal offense that is not actively pending;

- b. A conviction of a criminal offense in which the application/licensee received a pardon;
  - c. A conviction of a criminal offense which resulted in the sealing or expungement of the record; or
  - d. A conviction of a criminal offense in which a court issued an order of collateral relief specific to the application for state licensure.
2. In evaluating whether a Person is prohibited as a licensee pursuant to subsections 44-11-306(1)(b) or (c), or 44-12-305(1)(b) or (c) C.R.S., based on a determination that the individual's criminal history indicates he or she is not of Good Moral Character, the Division may consider the following history:
- a. Any felony conviction(s);
  - b. Any conviction(s) of crimes involving moral turpitude;
  - c. Pertinent circumstances connected with the conviction(s); and
  - d. Conduct underlying arrest(s) or charge(s) or a criminal offense for which the criminal case is not actively pending.
3. When considering criminal history in subparagraphs A and B above, the Division will consider:
- a. Whether there is a direct relationship between the conviction(s) and the duties and responsibilities of holding a state license issued pursuant to the Medical Code or the Retail Code;
  - b. Any information provided to the Division regarding the individual's rehabilitation, which may include but is not limited to the following non-exhaustive considerations:
    - i. Character references;
    - ii. Educational, vocational, and community achievements, especially those achievements occurring during the time between the individual's most recent criminal conviction and the application for a state license;
    - iii. Successful participation in an alcohol or drug treatment program;
    - iv. That the individual truthfully and fully reported the criminal conduct to the Division;
    - v. The individual's employment history after conviction or release, including but not limited to whether the individual was vetted and approved to hold a state or out-of-state license for the purposes of employment in a regulated industry;
    - vi. The individual's successful compliance with any conditions of parole or probation imposed after conviction or release; or
    - vii. Any other facts or circumstances tending to show the Applicant has been rehabilitated and is ready to accept the responsibilities of a law-abiding and productive member of society.

## Rule 265–1 – Application Denial/Voluntary Withdraw

- A. Applicant Bears Burden of Proving It Meets Licensure Requirements. A license, registration, or permit issued to a Person or a Regulated Marijuana Business is a revocable privilege. At all times during the application process, an Applicant must be capable of establishing it is qualified to hold a license.
- B. Applicants must provide information to the Division in a full, faithful, truthful, and fair manner. An application may be denied where the Applicant made misstatements, omissions, misrepresentations, or untruths in the application or in connection with the Applicant's suitability investigation. Providing misstatements, misrepresentations, omissions or untruths to the Division may be the basis for administrative action, or the basis of criminal charges against the Applicant.
- C. Grounds for Denial
1. The State Licensing Authority will deny an application for Good Cause.
  2. The State Licensing Authority will deny an application from an Applicant that is statutorily disqualified from holding a license.
  3. The State Licensing Authority will deny an application where the Applicant failed to provide all required information or documents, failed to obtain all required findings of suitability prior to submitting the application, provided inaccurate, incomplete, or untruthful information or documents, or failed to cooperate with the Division.
- D. Voluntary Withdrawal of Application
1. The Division and Applicant may mutually agree to allow the voluntary withdrawal of an application in lieu of a denial proceeding.
  2. Applicants must first submit a notice to the Division requesting the voluntary withdrawal of the application. Applicants will submit the notice with the understanding that they were not obligated to request the voluntary withdrawal and that any right to a hearing in the matter is waived once the voluntary withdrawal is approved.
  3. The Division will consider the request along with any circumstances at issue with the application in making a decision to accept the voluntary withdrawal. The Division may at its discretion grant the request with or without prejudice or deny the request.
  4. The Division will notify the Applicant of its acceptance of the voluntary withdrawal and the terms thereof.
  5. If the Applicant agrees to a voluntary withdrawal granted with prejudice, then the Applicant is not eligible to apply again for licensing or approval until after expiration of one year from the date of such voluntary withdrawal.
- E. A Denied Applicant May Appeal a Denial. A Denied Applicant may appeal a denial pursuant to the Administrative Procedure Act.

## Rule 270–1 – Temporary Appointee Registrations for Court Appointees

[INTENTIONALLY OMITTED]

## Rule 275–1 – Divestiture, Unsuitability, Revocation, Suspension, and Prohibited Third-Party Acts

### A. Divestiture, Revocation, Suspension, Unsuitability, and Ownership Dispute.

1. Less than 100% of All Controlling Beneficial Owners in a Regulated Marijuana Business. In the event of an ownership dispute or unsuitability, revocation, or suspension of less than all Controlling Beneficial Owners, the following applies:

a. Divestiture. In the event of revocation of the Owner License of a Controlling Beneficial Owner or a denial of a finding of suitability of a Controlling Beneficial Owner, a Regulated Marijuana Business has 90 days, unless extended after a showing of good cause by the Regulated Marijuana Business, to submit a change of owner application to the Division identifying the proposed distribution of ownership among the remaining Controlling Beneficial Owners, a change of owner of the revoked or unsuitable Controlling Beneficial Owner to a new proposed Controlling Beneficial Owner, or other divestiture of the Owner's Interest of the revoked or unsuitable Controlling Beneficial Owner. The change of owner application is subject to approval by the Division. If a change of owner application is not timely submitted, the Regulated Marijuana Business and/or their Owner Licensee(s) may be subject to fine, suspension or revocation of their license(s).

*[WORK GROUP DISCUSSION – Summary of Gaming Divestiture Language – Requiring the issuer of securities to purchase the securities from any person deemed unsuitable at the lesser of (i) the cash equivalent of such person's investment; or (ii) the current market price as of the date of the finding of unsuitability or revocation, unless such securities are transferred to a suitable person within 60 days].*

i. In determining whether good cause for an extension exists, the Division will consider any securities buy-back agreement, charter provision, bylaws, voting agreement, convertible note purchase agreement, shareholder agreement, or equivalent agreement requiring divestiture.

b. Ownership Dispute. A Regulated Marijuana Business shall either submit a change of owner application or initiate mediation, arbitration or a judicial proceeding within ninety (90) days of any ownership dispute regarding the Regulated Marijuana Business. This ninety (90) day period may be extended for an additional ninety (90) days upon a showing of good cause by the Regulated Marijuana Business. A Regulated Marijuana Business shall submit a change of owner application within forty-five days of entry of a final court order, final arbitration award or full execution of a settlement agreement that alters the owner structure of the Regulated Marijuana Business. Any change of owner application based on a final court order, final arbitration award, or fully executed settlement agreement shall include a copy of the order or settlement agreement and remains subject to approval by the Division. If mediation, arbitration or a judicial proceeding is not timely initiated or a change of owner application is not timely submitted following entry of a final court order, final arbitration award or full execution of a settlement agreement altering the owner structure, the Regulated Marijuana Business and their Owner Licensee(s) may be subject to fine, suspension or revocation of their license(s).

c. Suspension. In the event of the suspension of the Owner License of a Controlling Beneficial Owner, either (i) the Regulated Marijuana Business shall comply with all requirements of Rule M/R 1302 – Disciplinary Process: Summary Suspensions, or (ii) the non-suspended Owner Licensee(s) must control the Regulated Marijuana Business without participation from the suspended Controlling Beneficial Owner(s).

2. 100% of Controlling Beneficial Interest Owners in a Regulated Marijuana Business. A Regulated Marijuana Business shall not operate or Transfer Regulated Marijuana if all Controlling Beneficial Owners are found unsuitable or if all of the Regulated Marijuana Business's Controlling Beneficial Owner's Owner Licenses are suspended or revoked. See Rule M/R 1302 – Disciplinary Process: Summary Suspensions.
  3. Divestiture of Passive Beneficial Owners and Qualified Institutional Investors – Regulated Marijuana Business that is not a Publicly Traded Company. A Regulated Marijuana Business that is not a Publicly Traded Company must divest the Beneficial Ownership of any Passive Beneficial Owner or Qualified Institutional Investor that is a Person prohibited under sections 44-11-306 and 44-12-305, C.R.S., these Rules or the Medical Code or Retail Code. The divestiture must occur within 90 days from the Regulated Marijuana Business independently learning or being notified by the State Licensing Authority that the Passive Beneficial Owner or Qualified Institutional Investor is a Person prohibited. If the Passive Beneficial Owner or Qualified Institutional Investor refuses to comply with the required divestiture, the Regulated Marijuana Business will be in compliance with this Rule if it takes reasonable steps to secure divestiture of the Owner's Interests of the prohibited Passive Beneficial Owner or Qualified Institutional Investor, including initiating mediation, arbitration or litigation within 180 days after demanding voluntary divestiture of the prohibited Person. If pre-suit demand, pre-suit mediation, or other condition precedent to arbitration or litigation is required, the Regulated Marijuana Business will be in compliance with this Rule if it commences such condition precedent within 90 days of learning or being notified by the State Licensing Authority of the prohibited Person, and
  4. Divestiture of Passive Beneficial Owners and Qualified Institutional Investors – Regulated Marijuana Business that is a Publicly Traded Company. A Regulated Marijuana Business that is a Publicly Traded Company must pursue all lawful efforts to divest a Passive Beneficial Owner or Qualified Institutional Investor within 90 days of independently learning or notification from the State Licensing Authority that such Person is prohibited by sections 44-11-306 and 44-12-305, C.R.S., these Rules or the Medical Code or Retail Code. A Regulated Marijuana Business that is a Publicly Traded Company shall:
    - a. complete the purchase of its shares for cash at the fair market value;
    - b. submit any applicable filing to the Securities and Exchange Commission or other securities regulatory body to divest the prohibited Person of their shares in the Regulated Marijuana Business that is a Publicly Traded Company; and
    - c. commence legal action including mediation, arbitration, litigation, and pursue such action in a good within 180 days of learning or notification from the State Licensing Authority that the Person is prohibited by sections 44-11-306 and 44-12-305, C.R.S. If pre-suit demand, pre-suit mediation, or other condition precedent to arbitration or litigation is required, the Regulated Marijuana Business will be in compliance with this Rule if it commences such condition precedent within 90 days of learning or being notified by the State Licensing Authority of the prohibited Person.
  5. A Regulated Marijuana Business that pursues divestiture of any Passive Beneficial Owner or Qualified Institutional Investor that is a Person prohibited pursuant to subparagraphs (B)(3) through (4) shall not be subject to suspension or revocation of its license because of such prohibited Person.
- B. At Least One Owner License Required. No Regulated Marijuana Business may operate or be licensed unless it has at least one Owner Licensee that is a Controlling Beneficial Owner. Any violation of this requirement may be a license violation affecting public safety.

- C. Loss Of Owner License As An Controlling Beneficial Owner Of Multiple Businesses. If an Owner License is suspended, revoked, or found unsuitable as to one Regulated Marijuana Business, that Owner License is automatically suspended, revoked, or found unsuitable as to any other Regulated Marijuana Business in which that Person is a Controlling Beneficial Owner.
- D. Prohibited Third-Party Acts. No Licensee may employ, contract with, hire, or otherwise retain any Person, including but not limited to an employee, agent, or independent contractor, to perform any act or conduct on the Licensee's behalf or for the Licensee's benefit if the Licensee is prohibited by law or these rules from engaging in such conduct itself.
1. A Licensee may be held responsible for all actions and omissions of any Person the Licensee employs, contracts with, hires, or otherwise retains, including but not limited to an employee, agent, or independent contractor, to perform any act or conduct on the Licensee's behalf or for the Licensee's benefit.
  2. A Licensee may be subject to license denial or administrative action, including but not limited to fine, suspension, or revocation of its license(s), based on the act and/or omissions of any Person the Licensee employs, contracts with, hires, or otherwise retains, including but not limited to an employee, agent, or independent contractor, to perform any act or conduct on the Licensee's behalf or for the Licensee's benefit.