

EMERGENCY RULE ADOPTION

DEPARTMENT OF REVENUE

Marijuana Enforcement Division

MEDICAL MARIJUANA RULES

1 CCR 212-1

M 100 Series – General Applicability

Basis and Purpose – 103

The statutory authority for this rule includes but is not limited to sections 44-11-104, 44-11-202(10)(b), 44-11-202(2)(a), 44-11-202(2)(a)(XXIV), 44-12-103, 44-12-202(2)(b), and 44-12-202(3)(c)(VIII), C.R.S., and all of the Medical Code and Retail Code. The purpose of this rule is to provide necessary definitions of terms used throughout the rules. Defined terms are capitalized where they appear in the rules, to let the reader know to refer back to these definitions. When a term is used in a conventional sense, and not intended to be a defined term, it is not capitalized.

103 – Definitions

Definitions. The following definitions of terms, in addition to those set forth in section 44-11-104, C.R.S., apply to all rules promulgated pursuant to the Medical Code, unless the context requires otherwise:

“Acquire,” when used in connection with the acquisition of an Owner’s Interest of a Regulated Marijuana Business, means obtaining ownership, Control, power to vote, or sole power of disposition of the Owner’s Interest, directly or indirectly through one or more transactions or subsidiaries, through purchase, assignment, transfer, exchange, succession or other means.

“Acting in Concert” means knowing participation in a joint activity or interdependent conscious parallel action toward a common goal, whether or not pursuant to an express agreement.

“Advertising” means the act of providing consideration for the publication, dissemination, solicitation, or circulation, of visual, oral, or written communication, to induce directly or indirectly any Person to patronize a particular Regulated Marijuana Business, or to purchase particular Regulated Marijuana or a Regulated Marijuana Product. “Advertising” includes marketing, but does not include packaging and labeling. “Advertising” proposes a commercial transaction or otherwise constitutes commercial speech.

“Affiliate” of, or Person affiliated with, a specified Person, means a Person that directly or indirectly through one or more intermediaries, Controls or is Controlled by, or is under common Control with, the Person specified.

“Alarm Installation Company” means a Person engaged in the business of selling, providing, maintaining, servicing, repairing, altering, replacing, moving or installing a Security Alarm System in a Licensed Premises.

“Alternative Use Designation” means a designation approved by the State Licensing Authority, permitting a Medical Marijuana-Infused Products Manufacturer to manufacture and Transfer Alternative Use Product.

“Alternative Use Product” means Regulated Marijuana or Regulated Marijuana Product that has at least one intended use that is not included in the list of intended uses in Rule M 1003-1(B) and Rule R 1003-1(B). Alternative Use Product may raise public health concerns that outweigh approval of the Alternative Use Product, or that require additional safeguards and oversight. Alternative Use Product cannot be Transferred except as permitted by Rule M 607 or Rule R 607 after obtaining an Alternative Use Designation. Rule M 607 permits a Medical Marijuana-Infused Products Manufacturer to Transfer Alternative Use Product to a Medical Marijuana Testing Facility prior to receiving an Alternative Use Designation. Rule R 607 permits a Retail Marijuana Products Manufacturer to Transfer Alternative Use Product to a Retail Marijuana Testing Facility prior to receiving an Alternative Use Designation. Except where the context otherwise clearly requires, rules applying to Medical Marijuana Concentrate, Retail Marijuana Concentrate, or Regulated Marijuana Product apply to Alternative Use Product.

“Applicant” means a Person that has submitted an application for licensure, registration, or permit, or for renewal of licensure, registration, or permit, pursuant to these rules that was accepted by the Division for review but has not been approved or denied by the State Licensing Authority.

“Approved Training Program” means a responsible vendor program that received approval from the Division prior to being offered to a Licensee.

“Audited Product” means a Regulated Marijuana Product with an intended use of: (1) metered dose nasal spray, (2) pressurized metered dose inhaler, (3) vaginal administration, or (4) rectal administration. Audited Product types may raise public health concerns requiring additional safeguards and oversight. These product types may only be manufactured and Transferred by a Medical Marijuana-Infused Products Manufacturer in strict compliance with Rule M 607 and by a Retail Marijuana Products Manufacturer in strict compliance with Rule R 607. Prior to the first Transfer of an Audited Product to a Medical Marijuana Center, Retail Marijuana Store, or Optional Premises Cultivation Operation or Retail Marijuana Cultivation Facility that has obtained a Centralized Distribution Permit, the Medical Marijuana-Infused Products Manufacturer or Retail Marijuana Products Manufacturer must submit to the Division and to the local licensing authority an independent third-party audit verifying compliance with Rule M 607 or Rule R 607. All rules regarding Regulated Marijuana Product apply to Audited Product except where Rules M 607, 712, 1002-1, and 1003-1, and Rules R 607, 712, 1002-1, and 1003-1 apply different requirements.

“Bad Actor” means a Person who:

- a. Has been convicted, within the previous ten years (or five years, in the case of issuers, their predecessors and affiliated issuers), of any felony or misdemeanor:
 - i. In connection with the purchase or sale of any Security;
 - ii. Involving the making of any false filing with the Federal Securities Exchange Commission; or
 - iii. Arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser or paid solicitor of purchasers of Securities;
- b. Is subject to any order, judgment or decree of any court of competent jurisdiction, entered within the previous five years, that restrains or enjoins such Person from engaging or continuing to engage in any conduct or practice:
 - i. In connection with the purchase or sale of any Security;

- ii. Involving the making of any false filings with the Federal Securities Exchange Commission; or
 - iii. Arising out of conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser or paid solicitor of purchasers of Securities:
- c. Is subject to a final order of a state securities commission (or an agency or officer of a state performing like functions); a state authority that supervises or examines banks, savings associations, or credit unions; a state insurance commission (or an agency or officer of a state performing like functions); an appropriate federal banking agency; the U.S. Commodity Futures Trading Commission; or the National Credit Union Administration that:
 - i. Bars the Person from:
 - A. Association with an Entity regulated by such commission, authority, agency, or officer;
 - B. Engaging in the business of Securities, insurance or banking; or
 - C. Engaging in savings association or credit union activities; or
 - ii. Constitutes a final order based on a violation of any law or regulation that prohibits fraudulent, manipulative, or deceptive conduct entered within the previous ten years;
- d. Is subject to an order of the Federal Securities Exchange Commission entered pursuant to section 15(b) or 15B(c) of the Securities Exchange Act of 1934, or section 203(e) or (f) of the Investment Advisers Act of 1940 that:
 - i. Suspends or revokes such Person's registration as a broker, dealer, municipal securities dealer or investment adviser;
 - ii. Places limitations on the activities, functions or operations of such Person; or
 - iii. Bars such Person from being associated with any Entity, or from participating in the offering of any Penny Stock;
- e. Is subject to any order of the Federal Securities Exchange Commission entered within the previous five years that orders the Person to cease and desist from committing or causing a violation or future violation of:
 - i. Any scienter-based anti-fraud provision of the federal securities laws, including without limitations section 17(a)(1) of the Securities Act of 1933, section 10(b) of the Securities Exchange Act of 1934 and 17 C.F.R. 240.10b-5, section 15(c)(1) of the Securities Exchange Act of 1934 and section 206(1) of the Investment Advisers Act of 1940, or any other rule or regulation thereunder; or
 - ii. Section 5 of the Securities Act of 1933.
- f. Is suspended or expelled from membership in, or suspended or barred from association with a member of, a registered national securities exchange or a

registered national or affiliated securities association for any act or omission to act constituting conduct inconsistent with just and equitable principles of trade;

- g. Has filed (as a registrant or issuer), or was named as an underwriter in, any registration statement or Regulation A offering statement filed with the federal Securities Exchange Commission that, within the previous five years, was the subject of a refusal order, stop order, or order suspending the Regulation A exemption, or is the subject of an investigation or proceeding to determine whether a stop order or suspension order should be issued; or
- h. Is subject to a United States Postal Service false representation order entered with the previous five years, or is subject to a temporary restraining order or preliminary injunction with respect to conduct alleged by the United States Postal Service to constitute a scheme or device for obtaining money or property through the mail by means of false representations.

“Batch Number” means any distinct group of numbers, letters, or symbols, or any combination thereof, assigned by a Medical Marijuana Optional Premises Cultivation Operation or Medical Marijuana-Infused Products Manufacturer to a specific Harvest Batch or Production Batch of Medical Marijuana, or by a Retail Marijuana Cultivation Facility or Retail Marijuana Products Manufacturer to a specific Harvest Batch or Production Batch of Retail Marijuana.

“Beneficial Owner” includes the terms “beneficial ownership”, or “beneficially owns” and means:

- a. any Person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares:
 - i. Voting power which includes the power to vote, or to direct the voting of, an Owner’s Interest; and/or,
 - ii. Investment power which includes the power to dispose, or to direct the disposition of, an Owner’s Interest.
- b. Any Person who, directly or indirectly, creates or uses a trust, proxy, power of attorney, pooling arrangement or any other contract, arrangement, or device with the purpose or effect of divesting such Person of beneficial ownership of an Owner’s Interest or preventing the vesting of such beneficial ownership as part of a plan or scheme to evade the reporting requirements of section 13(d) or (g) of the Securities Act of 1933 shall be deemed for purposes of such sections to be the beneficial owner of such Owner’s Interest.
- c. All Owner’s Interests of the same class beneficially owned by a Person, regardless of the form which such beneficial ownership takes, shall be aggregated in calculating the number of shares beneficially owned by such Person.
- d. Notwithstanding the provisions of paragraphs (a) and (c) of this rule:
 - i.
 - A. A Person shall be deemed to be the beneficial owner of an Owner’s Interest, subject to the provisions of paragraph (b) of this rule, if that Person has the right to acquire beneficial ownership of such Owner’s Interest, as defined in Rule 13d-3(a) (§ 240.13d-3(a)) within sixty days, including but not limited to any

right to acquire: (1) Through the exercise of any option, warrant or right; (2) through the conversion of an Owner's Interest; (3) pursuant to the power to revoke a trust, discretionary account, or similar arrangement; or (4) pursuant to the automatic termination of a trust, discretionary account or similar arrangement; provided, however, any person who acquires an Owner's Interest or power specified in paragraphs (d)(i)(A)(1), (2) or (3), of this section, with the purpose or effect of changing or influencing the control of the issuer, or in connection with or as a participant in any transaction having such purpose or effect, immediately upon such acquisition shall be deemed to be the beneficial owner of the Owner's Interests which may be acquired through the exercise or conversion of such Owner's Interests or power. Any Owner's Interests not outstanding which are subject to such options, warrants, rights or conversion privileges shall be deemed to be outstanding for the purpose of computing the percentage of outstanding Owner's Interests of the class owned by such Person but shall not be deemed to be outstanding for the purpose of computing the percentage of the class by any other Person.

- B. Paragraph (d)(i)(A) of this section remains applicable for the purpose of determining the obligation to file with respect to the underlying Owner's Interests even though the option, warrant, right or convertible Owner's Interests is of a class of equity Owner's Interest, as defined in § 240.13d-1(i), and may therefore give rise to a separate obligation to file.
- ii. A member of a national securities exchange shall not be deemed to be a beneficial owner of an Owner's Interest held directly or indirectly by it on behalf of another Person solely because such member is the record holder of such Owner's Interests and, pursuant to the rules of such exchange, may direct the vote of such Owner's Interests, without instruction, on other than contested matters or matters that may affect substantially the rights or privileges of the holders of the Owner's Interests to be voted, but is otherwise precluded by the rules of such exchange from voting without instruction.
- iii. A person who in the ordinary course of his business is a pledgee of Owner's Interests under a written pledge agreement shall not be deemed to be the beneficial owner of such pledged Owner's Interests until the pledgee has taken all formal steps necessary which are required to declare a default and determines that the power to vote or to direct the vote or to dispose or to direct the disposition of such pledged Owner's Interests will be exercised, provided, that:
- A. The pledgee agreement is bona fide and was not entered into with the purpose nor with the effect of changing or influencing the control of the issuer, nor in connection with any transaction having such purpose or effect, including any transaction subject to Rule 13d-3(b);
- B. The pledgee is a Person specified in Rule 13d-1(b)(ii), including Persons meeting the conditions set forth in paragraph (G) thereof; and

- C The pledgee agreement, prior to default, does not grant to the pledgee;
 - 1. The power to vote or to direct the vote of the pledged Owner's Interests; or
 - 2. The power to dispose or direct the disposition of the pledged Owner's Interests, other than the grant of such power(s) pursuant to a pledge agreement under which credit is extended subject to regulation T (12 CFR 220.1 to 220.8) and in which the pledgee is a broker or dealer registered under section 15 of the Securities Act of 1933.
- iv. A Person engaged in business as an underwriter of Owner's Interests who acquires Owner's Interests through his participation in good faith in a firm commitment underwriting registered under the Securities Act of 1933 shall not be deemed to be the beneficial owner of such Owner's Interests until the expiration of forty days after the date of such acquisition.

"Blank Check Company" means an Entity that:

- a. Is a development stage company that has no specific business plan or purpose or has indicated that its business plan is to engage in a merger or acquisition with an unidentified company or companies, or other Entity or Person; and
- b. Is issuing Penny Stock.

"Cannabinoid" means any of the chemical compounds that are the active principles of marijuana.

"Centralized Distribution Permit" means a permit issued to an Optional Premises Cultivation Operation pursuant to section 44-11-403, C.R.S., or a Retail Marijuana Cultivation Facility pursuant to section 44-12-403, C.R.S., authorizing temporary storage of Medical Marijuana Concentrate and Medical Marijuana-Infused Product received from a Medical Marijuana-Infused Products Manufacturer or Retail Marijuana Concentrate and Retail Marijuana Product received from a Retail Marijuana Products Manufacturer for the sole purpose of Transfer to commonly owned Medical Marijuana Centers or Retail Marijuana Stores. For purposes of a Centralized Distribution Permit only, the term "commonly owned" means at least one natural person has a minimum of five percent ownership in both the Optional Premises Cultivation Operation possessing the Centralized Distribution Permit and the Medical Marijuana Center, or in both the Retail Marijuana Cultivation Facility possessing the Centralized Distribution Permit.

"Child-Resistant" means special packaging that is:

- a. Designed or constructed to be significantly difficult for children under five years of age to open and not difficult for normal adults to use properly as defined by 16 C.F.R. 1700.15 (1995) and 16 C.F.R. 1700.20 (1995). Note that this rule does not include any later amendments or editions to the Code of Federal Regulations. The Division has maintained a copy of the applicable federal regulations, which is available to the public;
- b. Opaque so that the packaging does not allow the product to be seen without opening the packaging material; and

- c. Resealable for any product intended for more than a single use or containing multiple servings.

“Commercially Reasonable Royalty” means a right to compensation in the form of a royalty payment for the use of intellectual property with a direct nexus to the cultivation, manufacture, Transfer, or testing of Medical Marijuana, Medical Marijuana Concentrate, or Medical Marijuana-Infused Product. A Commercially Reasonable Royalty must be limited to specific intellectual property the Commercially Reasonable Royalty holder owns or is otherwise authorized to license or to a product or line of products. A Commercially Reasonable Royalty must not cause reasonable consumer confusion or violate any federal copyright, trademark, or patent law or regulation. To determine whether the Commercially Reasonable Royalty is reasonable, the Division will consider the totality of the circumstances, including but not limited to the following factors:

- a. The percentage of royalties received by the recipient for the licensing of the intellectual property.
- b. The rates paid by the Licensee for the use of other intellectual property.
- c. The nature and scope of the license, as exclusive or non-exclusive; or as restricted or non-restricted in terms of territory or with respect to whom the product may be sold.
- d. The licensor’s established policy and marketing program to maintain his intellectual property monopoly by not licensing others or by granting licenses under special conditions designed to preserve that monopoly.
- e. The commercial relationship between the recipient and Licensee, such as, whether they are competitors in the same territory in the same line of business.
- f. The effect of selling the intellectual property in promoting sales of other products of the Licensee; the existing value of the intellectual property to the recipient as a generator of sales of his non-intellectual property items; and the extent of such derivative sales.
- g. The duration of the term of the license for use of the intellectual property.
- h. The established or projected profitability of the product made using the intellectual property; its commercial success; and its current popularity.
- i. The utility and advantages of the intellectual property over products or businesses without the intellectual property.
- j. The nature of the intellectual property; the character of the commercial embodiment of it as owned and produced by the licensor; and the benefits to those who have used the intellectual property.
- k. The portion of the profit or of the selling price that may be customary in the particular business or in comparable businesses to allow for the use of the intellectual property.
- l. The portion of the realizable profit that should be credited to the intellectual property as distinguished from non-intellectual property elements, the manufacturing process, business risks, or significant features or improvements added by the Licensee.

“Container” means the receptacle directly containing Regulated Marijuana or Regulated Marijuana Product that is labeled according to the requirements in Rules M 1001-1 *et seq.* or Rules R 1001-1 *et seq.*

“Control” means the possession, direct or indirect, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting Owner’s Interests, by contract, or otherwise. This definition of Control includes Controls, Controlled, Controlling, Controlled by, and under common Control with.

“Controlling Beneficial Owner” means a Person that satisfies one or more of the following criteria:

- a. A natural person, an Entity that is organized under the laws of and for which its principal place of business is located in one of the states or territories of the United States or District of Columbia, a Publicly Traded Corporation, or a Qualified Private Fund that is not a Qualified Institutional Investor:
 - i. Acting alone or Acting In Concert, that owns or Acquires Beneficial Ownership of ten percent or more of the Owner’s Interest of a Regulated Marijuana Business;
 - ii. That is an Affiliate that Controls a Regulated Marijuana Business and includes, without limitation, any Manager; or
 - iii. That is otherwise in a position to Control the Regulated Marijuana Business except as authorized in section 44-11-407 or 44-12-407, C.R.S.; or
- b. A Qualified Institutional Investor acting alone or Acting In Concert that owns or Acquires Beneficial Ownership of more than thirty percent of the Owner’s Interest of a Regulated Marijuana Business.
- c. Unless the context otherwise requires, the defined term Controlling Beneficial Owner includes Direct Beneficial Interest Owner.

“Court Appointee” means a Person appointed by a court as a receiver, personal representative, executor, administrator, guardian, conservator, trustee, or similarly situated Person; acting in accordance with section 44-11-401(1.5), C.R.S., and these rules; and authorized by court order to take possession of, operate, manage, or control a Regulated Marijuana Business.

“Covered Securities” means:

- a. A Security designated as qualified for trading in the national market system pursuant to section 78k-1(a)(2) of the Securities Act of 1933 that is listed, or authorized for listing, on a national securities exchange (or tier or segment thereof); or a Security of the same issuer that is equal in seniority or that is a senior Security to a Security designated as qualified for trading in the national market system.
- b. A Security issued by an investment company that is registered, or that has filed a registration statement under the federal Investment Company Act of 1940.
- c. A Security as defined by the Federal Securities Exchange Commission by rule pursuant to 15 U.S.C. §77r(b)(3).
- d. A Security pursuant to 15 U.S.C. §77r(b)(4).

“Denied Applicant” means any Person whose application for licensure, permit, or registration pursuant to the Medical Code or the Retail Code has been denied, any Person whose application for a responsible vendor program has been denied, or any Licensee whose application for any of the following non-exhaustive list has been denied: An initial license application pursuant to Rule 220-1, a renewal application pursuant to Rule 225-1, the request for a finding of suitability pursuant to Rule 235-1, a change of owner pursuant to Rule 245-1, a change of location of the Licensed Premises pursuant to Rule 255-1, or a change, alteration, or modification of the Licensed Premises pursuant to Rule M 303 or Rule R 303; or a production management class increase application pursuant to Rule M 507 or Rule R 506.

“Department” means the Colorado Department of Revenue.

“Director” means the Director of the Marijuana Enforcement Division.

“Division” means the Marijuana Enforcement Division.

“Edible Medical Marijuana-Infused Product” means any Medical Marijuana-Infused Product for which the intended use is oral consumption, including but not limited to, any type of food, drink, or pill.

“Edible Retail Marijuana Product” means any Retail Marijuana Product for which the intended use is oral consumption, including but not limited to, any type of food, drink, or pill.

“Employee License” means a license granted by the State Licensing Authority pursuant to sections 44-11-401 or 44-12-401 to a natural person who is not a Controlling Beneficial Owner. Any person who possesses, cultivates, manufactures, tests, dispenses, sells, serves, transports, or delivers Regulated Marijuana or Regulated Marijuana Products, who is authorized to input data into a Regulated Marijuana Business’s Inventory Tracking System or point-of-sale system, or who has unescorted access in the Restricted Access Area or Limited Access Area must hold an Employee License. Employee License includes both Key Licenses and Support Licenses.

“Entity” means a domestic or foreign corporation, cooperative, general partnership, limited liability partnership, limited liability company, limited partnership, limited liability limited partnership, limited partnership association, nonprofit association, nonprofit corporation, or any other organization or association that is formed under a statute or common law of the state of Colorado or any other jurisdiction as to which the laws of this state of Colorado or the laws of any other jurisdiction governs relations among owners and between the owners and the organization or association and that is recognized under the laws of the state of Colorado or the other jurisdiction as a separate legal entity.

“Executive Officer” means the president, any vice president in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policy making function, or any other person who performs similar policy making functions for the Regulated Marijuana Business.

“Exit Package” means an Opaque bag or other similar Opaque covering provided at the point of sale, in which Regulated Marijuana or Regulated Marijuana Product already in a Container is placed. If Regulated Marijuana flower, trim, or seeds are placed into a Container that is not Child-Resistant, then the Exit Package must be Child-Resistant. The Exit Package is not required to be labeled in accordance with Rules R 1001-1 *et seq.*

“Fibrous Waste” means any roots, stalks, and stems from a Regulated Marijuana plant.

“Final Agency Order” means an Order of the State Licensing Authority issued in accordance with the Medical Code or the Retail Code and the State Administrative Procedure Act. The State

Licensing Authority will issue a Final Agency Order following review of the Initial Decision and any exceptions filed thereto or at the conclusion of the declaratory order process. A Final Agency Order is subject to judicial review.

“Finished Marijuana” means post-harvest Medical Marijuana including flower and trim that has been harvested for more than 90 days or that has completed the curing and drying process according to the Optional Premises Cultivation Operation’s written standard operating procedures that were last submitted to the Division. Standard operating procedures for curing and drying may provide a curing and drying period that is longer than 90 days but any such period must be commercially reasonable and cannot exceed 12 months. Among other factors, the Division may consider the Optional Premises Cultivation Operation’s prior business years’ business transactions to determine whether the Optional Premises Cultivation Operation’s standard operating procedures are commercially reasonable.

“Flammable Solvent” means a liquid that has a flash point below 100 degrees Fahrenheit.

“Flowering” means the reproductive state of the Cannabis plant in which there are physical signs of flower or budding out of the nodes in the stem.

“Food-Based Medical Marijuana Concentrate” means a Medical Marijuana Concentrate that was produced by extracting Cannabinoids from Medical Marijuana through the use of propylene glycol, glycerin, butter, olive oil or other typical cooking fats.

“Food-Based Retail Marijuana Concentrate” means a Retail Marijuana Concentrate that was produced by extracting Cannabinoids from Retail Marijuana through the use of propylene glycol, glycerin, butter, olive oil, or other typical cooking fats.

“Foreign Private Issuer” means any foreign issuer other than a foreign government except an issuer meeting the following conditions as of the last business day of its most recently completed second fiscal quarter:

- a. More than 50 percent of the outstanding voting Securities of such issuer are directly or indirectly owned of record by residents of the United States; and
- b. Any of the following:
 - i. The majority of the executive officers or directors are United States citizens or residents;
 - ii. More than 50 percent of the assets of the issuer are located in the United States; or
 - iii. The business of the issuer is administered principally in the United States.

“Good Cause” for purposes of denial of an initial, renewal or reinstatement license, registration, or permit application or certification, or for purposes of discipline of a license or certification, 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 the Medical Code, the Retail Code, any rules promulgated pursuant to the Medical Code or Retail Code, or any supplemental relevant state or local law, rule, or regulation;

- b. The Licensee or Applicant has failed to comply with any special terms or conditions that were placed upon the license pursuant to an order of the State Licensing Authority or the relevant local licensing authority; or
- c. The Licensee's or the Applicant's 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.

"Good Moral Character" means having a criminal history that demonstrates honesty, fairness, and respect for the rights of others and for the law.

"Harvest Batch" means a specifically identified quantity of processed Regulated Marijuana that is uniform in strain, cultivated utilizing the same Pesticide and other agricultural chemicals and harvested at the same time.

"Harvested Marijuana" means post-Flowering Retail Marijuana not including trim, concentrate, or waste that remains on the premises of the Retail Marijuana Cultivation Facility or its off-premises storage location beyond 60 days from harvest.

"Heat/Pressure-Based Medical Marijuana Concentrate" means a Medical Marijuana Concentrate that was produced by extracting Cannabinoids from Medical Marijuana through the use of heat and/or pressure. The method of extraction may be used by only a Medical Marijuana-infused Products Manufacturer and can be used alone or on a Production Batch that also includes Water-Based Medical Marijuana Concentrate or Solvent-Based Medical Marijuana Concentrate.

"Heat/Pressure-Based Retail Marijuana Concentrate" means a Retail Marijuana Concentrate that was produced by extracting Cannabinoids from Retail Marijuana through the use of heat and/or pressure. This method of extraction may be used by only a Retail Marijuana Products Manufacturer and can be used alone or on a Production Batch that also includes Water-Based Retail marijuana Concentrate or Solvent-Based Retail Marijuana Concentrate.

"Identification Badge" means a physical badge issued to any natural person possessing an Owner License or Employee License, used to verify the identity of the natural persons on the Licensed Premises of a Regulated Marijuana Business.

"Identity Statement" means the name of the business as it is commonly known and used in any Advertising.

"Immature plant" means a nonflowering Regulated Marijuana plant that is no taller than eight inches and no wider than eight inches produced from a cutting, clipping or seedling and that is in a growing container that is no larger than two inches wide and two inches tall that is sealed on the sides and bottom. Plants meeting these requirements are not attributable to a Licensee's maximum allowable plant count, but must be fully accounted for in the Inventory Tracking System.

"Indirect Financial Interest Holder" means a Person that is not an Affiliate, a Controlling Beneficial Owner, or a Passive Beneficial Owner of a Regulated Marijuana Business and that:

- a. Holds a Commercially Reasonable Royalty in exchange for a Regulated Marijuana Business's use of the Person's intellectual property;
- b. Holds a Permitted Economic Interest that was issued prior to January 1, 2020, and that has not been converted into an Owner's Interest or holds any unsecured convertible debt option, option agreement or warrant that establishes a right for a

Person to obtain an interest that might convert to an ownership interest in a Regulated Marijuana Business obtained after January 1, 2020;

- c. Is a contract counterparty with a Regulated Marijuana Business, other than a customary employment agreement, that has a direct nexus to the cultivation, manufacture, sale, or testing of Regulated Marijuana, including, but not limited to, a lease of real property on which the Regulated Marijuana Business operates, a lease of equipment used in the cultivation, manufacture, or testing of Regulated Marijuana, a secured or unsecured financing agreement with the Regulated Marijuana Business, a security contract with the Regulated Marijuana Business, or a management agreement with the Regulated Marijuana Business, provided that no such contract compensates the contract counterparty with a percentage of revenue for profits of the Regulated Marijuana Business.
 - i. [Any secured interest in Regulated Marijuana must expressly provide that it is subject to all required suitability and application requirements.](#)
- d. Unless the context otherwise requires, the defined term Indirect Financial Interest Holder includes Indirect Beneficial Interest Owner.

“Industrial Fiber Products” means intermediate or finished products made from Fibrous Waste that are not intended for human or animal consumption and are not usable or recognizable as Regulated Marijuana. Industrial Fiber Products include, but are not limited to, cordage, paper, fuel, textiles, bedding, insulation, construction materials, compost materials, and industrial materials.

“Industrial Fiber Products Producer” means a Person who produces Industrial Fiber Products using Fibrous Waste.

“Industrial Hemp” means a plant of the genus Cannabis and any part of the plant, whether growing or not, containing a delta-9 tetrahydrocannabinol (THC) concentration of no more than three-tenths of one percent (0.3%) on a dry weight basis.

“Industrial Hygienist” means a natural person who has obtained a baccalaureate or graduate degree in industrial hygiene, biology, chemistry, engineering, physics, or a closely related physical or biological science from an accredited college or university.

- a. The special studies and training of such persons must be sufficient in the cognate sciences to provide the ability and competency to:
 - i. Anticipate and recognize the environmental factors and stresses associated with work and work operations and to understand their effects on individuals and their well-being;
 - ii. Evaluate on the basis of training and experience and with the aid of quantitative measurement techniques the magnitude of such environmental factors and stresses in terms of their ability to impair human health and well-being;
 - iii. Prescribe methods to prevent, eliminate, control, or reduce such factors and stresses and their effects.
- b. Any person who has practiced within the scope of the meaning of industrial hygiene for a period of not less than five years immediately prior to July 1, 1997, is exempt from the degree requirements set forth in the definition above.

- c. Any person who has a two-year associate of applied science degree in environmental science from an accredited college or university and in addition not less than four years practice immediately prior to July 1, 1997, within the scope of the meaning of industrial hygiene is exempt from the degree requirements set forth in the definition above.

“Ineligible Issuer” means:

- a. Any issuer that is required to file reports pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 that has not filed all reports and other materials required to be filed during the preceding 12 months, other than reports on Form 8-K required solely pursuant to an item specified in General Instruction I.A.3(b) of Form S-3;
- b. The issuer is, or during the past three years the issuer or any of its predecessors was:
 - i. A Blank Check Company;
 - ii. A Shell Company;
 - iii. An issuer of an offering of Penny Stock;
- c. The issuer is a limited partnership that is offering and selling its Securities other than through a firm commitment underwriting;
- d. Within the past three years, a petition under the federal bankruptcy laws or any state insolvency law was filed by or against the issuer, or a court appointed a receiver, fiscal agent or similar officer with respect to the business or property of the issuer subject to the following:
 - i. In the case of an involuntary bankruptcy in which a petition was filed against the issuer, ineligibility will occur upon the earlier to occur of:
 - A. 90 days following the date of the filing of the involuntary petition (if the case has not been earlier dismissed); or
 - B. The conversion of the case to a voluntary proceeding under federal bankruptcy or state insolvency laws; and
 - ii. Ineligibility will terminate if an issuer has filed an annual report with audited financial statements subsequent to its emergence from that bankruptcy, insolvency, or receivership process;
- e. Within the past three years, the issuer or any Entity that at the time was a subsidiary of the issuer was convicted of any felony or misdemeanor described in paragraphs (i) through (iv) of section 15(b)(4)(B) of the Securities Exchange Act of 1934;
- f. Within the past three years, the issuer or any Entity that at the time was a subsidiary of the issuer was made the subject of any judicial or administrative decree or order arising out of a governmental action that:
 - i. Prohibits certain conduct or activities regarding, including future violations of, the anti-fraud provisions of the federal securities laws;

- ii. Requires that the Person cease and desist from violating the anti-fraud provisions of the federal securities laws; or
- iii. Determines that the Person violated the anti-fraud provisions of the federal securities laws;
- g. The issuer has filed a registration statement that is the subject of any pending proceeding or examination under section 8 of the Securities Act of 1933 or has been the subject of any refusal order or stop order under section 8 of the Securities Act of 1933 within the past three years; or
- h. The issuer is the subject of any pending proceeding under section 8A of the Securities Act of 1933 in connection with an offering.

“Initial Decision” means a decision of a hearing officer in the Department following a licensing, disciplinary, or other administrative hearing.

“Inventory Tracking System” means the required seed-to-sale tracking system that tracks Regulated Marijuana from either the seed or immature plant stage until the Regulated Marijuana or Regulated Marijuana Product is sold to a patient at a Medical Marijuana Center, sold to a consumer at a Retail Marijuana Store, Transferred to a Medical Marijuana Testing Facility or a Retail Marijuana Testing Facility, Transferred to a Sampling Manager, Transferred to an Industrial Fiber Products Producer, Transferred to a Medical Research Facility, Transferred to a Pesticide Manufacturer, destroyed by a Regulated Marijuana Business, or used in a Research Project by a Licensed Research Business.

“Inventory Tracking System Trained Administrator” means an Owner Licensee of a Regulated Marijuana Business or an Employee Licensee employed by a Regulated Marijuana Business, each of whom has attended and successfully completed Inventory Tracking System training and has completed any additional training required by the Division.

“Inventory Tracking System User” means an Owner Licensee of a Regulated Marijuana Business or an Employee Licensee employed by a Regulated Marijuana Business who is granted Inventory Tracking System User account access for the purposes of conducting inventory tracking functions in the Inventory Tracking System. Each Inventory Tracking System User must have been successfully trained by Inventory Tracking System Trained Administrator(s) in the proper and lawful use of the Inventory Tracking System, and who has completed any additional training required by the Division.

“Key License” means an Employee License for a natural person who performs duties that are central to the Regulated Marijuana Business’ operation. A person holding a Key License has the highest level of responsibility. An example of a Key Licensee includes, but is not limited to, managers.

“Kief” means the resinous crystal-like trichomes that are found on Regulated Marijuana flower and that are accumulated, resulting in a higher concentration of cannabinoids.

“Licensed Premises” means the premises specified in an application for a license pursuant to the Medical Code or Retail Code that are owned or in possession of the Licensee and within which the Licensee is authorized to cultivate, manufacture, distribute, sell, store, transport, test, or research Medical Marijuana in accordance with the provisions of the Medical Code, or to cultivate, manufacture, distribute, sell, store, transport, or test Retail Marijuana in accordance with the provision of the Retail Code, and these rules. Not all areas of the Licensed Premises are Limited Access Areas or Restricted Access Areas.

“Licensed Research Business” means a Marijuana Research and Development Facility or a Marijuana Research and Development Cultivation.

“Licensee” means any Person licensed, registered, or permitted pursuant to the Medical Code or Retail Code, including an Owner Licensee and an Employee Licensee.

“Limited Access Area” means a building, room, or other contiguous area upon the Licensed Premises where Regulated Marijuana is grown, cultivated, stored, weighed, packaged, Transferred, or processed for Transfer, under control of the Licensee.

“Limit of Detection” or “LOD” means the lowest quantity of a substance that can be distinguished from the absence of that substance (a blank value) within a stated confidence limit (generally 1%).

“Limit of Quantitation” or “LOQ” means the lowest concentration at which the analyte can not only be reliably detected but at which some predefined goals for bias and imprecision are met.

“Liquid Edible Medical Marijuana-Infused Product” means an Edible Medical Marijuana-Infused Product that is a liquid beverage or liquid food-based product for which the intended use is oral consumption, such as a soft drink or cooking sauce.

“Liquid Edible Retail Marijuana Product” means an Edible Retail Marijuana Product that is a liquid beverage or liquid food-based product for which the intended use is oral consumption, such as a soft drink or cooking sauce.

“Manager” means:

- a. A member of a limited liability company in which management is not vested in managers rather than members;
- b. A manager of a limited liability company in which management is vested in managers rather than members;
- c. A member of a limited partnership association in which management is not vested in managers rather than members;
- d. A manager of a limited partnership association in which management is vested in managers rather than members;
- e. A general partner;
- f. An officer or director of a corporation, a nonprofit corporation, a cooperative, or a limited partnership association; or
- g. Any Person whose position with respect to an Entity, as determined under the constituent documents and organic statutes of the Entity, without regard to the Person’s title, is the functional equivalent of any of the positions described in this definition.

“Marijuana-Based Workforce Development Training Program” means a program designed to train individuals to work in the legal Medical or Retail Marijuana industry operated by an entity licensed under the Medical Code and/or the Retail Code or by a school that is authorized by the Division of Private Occupational Schools.

“Marketing Layer” means that packaging in addition to the Container that is the outermost layer visible to the consumer at the point of sale. The Marketing Layer is optional, but if used by a Licensee in addition to the required Container, it must be labeled according to the requirements in Rules M 1001-1 *et seq.*, or Rules R 1001-1 *et seq.*

“Marijuana Research and Development Cultivation” means a Person that is licensed pursuant to the Medical Code to grow, cultivate, and possess Medical Marijuana, and to Transfer Medical Marijuana to a Medical Research and Development Facility or another Medical Research and Development Cultivation, all for limited research purposes authorized pursuant to section 44-11-408, C.R.S. A Marijuana Research and Development Cultivation is a Licensed Research Business.

“Marijuana Research and Development Facility” means a Person that is licensed pursuant to the Medical Code to possess Medical Marijuana for limited research purposes authorized pursuant to section 44-11-408, C.R.S. A Marijuana Research and Development Facility is a Licensed Research Business.

“Material Change” means any change that would require a substantive revision to a Regulated Marijuana Business’s standard operating procedures for the cultivation of Regulated Marijuana or the production of a Regulated Marijuana- Product.

“Medical Code” means the Colorado Medical Marijuana Code found at sections 44-11-101 *et seq.*, C.R.S.

“Medical Marijuana” means marijuana that is grown and sold pursuant to the Medical Code and includes seeds and Immature Plants. Unless the context otherwise requires, Medical Marijuana Concentrate is considered Medical Marijuana and is included in the term Medical Marijuana as used in these rules.

“Medical Marijuana Business” means a licensed Medical Marijuana Center, a Medical Marijuana-Infused Products Manufacturer, an Optional Premises Cultivation Operation, a Medical Marijuana Testing Facility, a Medical Marijuana Business Operator, a Medical Marijuana Transporter, a Marijuana Research and Development Facility, or a Marijuana Research and Development Cultivation.

“Medical Marijuana Business Operator” means an entity that holds a registration, license, or permit from the State Licensing Authority to provide professional operational services to one or more Medical Marijuana Businesses, other than Licensed Research Businesses, for direct remuneration from the Medical Marijuana Business(es), which may include compensation based upon a percentage of the profits of the Medical Marijuana Business(es) being operated. A Medical Marijuana Business Operator may contract with Medical Marijuana Business(es) to provide operational services. A Medical Marijuana Business Operator’s contract with a Medical Marijuana Business does not in and of itself constitute ownership. The Medical Code and rules apply to all Medical Marijuana Business Operators regardless of whether such operator holds a registration or license. Any reference to “license” or “licensee” means “registration” or “registrant” when applied to a Medical Marijuana Business Operator that holds a registration issued by the State Licensing Authority.

“Medical Marijuana Center” means a Person that is licensed pursuant to the Medical Code to operate a business as described in section 44-11-402, C.R.S., and that sells Medical Marijuana to registered patients or primary caregivers as defined in Article XVIII, Section 14 of the Colorado Constitution, but is not a primary caregiver.

“Medical Marijuana Concentrate” means a specific subset of Medical Marijuana that was produced by extracting Cannabinoids from Medical Marijuana. Categories of Medical Marijuana

Concentrate include Water-Based Medical Marijuana Concentrate, Food-Based Medical Marijuana Concentrate, Solvent-Based Medical Marijuana Concentrate, and Heat/Pressure-Based Medical Marijuana Concentrate.

“Medical Marijuana-Infused Product” means a product infused with Medical Marijuana that is intended for use or consumption other than by smoking, including but not limited to edible products, ointments, and tinctures. Such products shall not be considered a food or drug for purposes of the “Colorado Food and Drug Act,” part 4 of Article 5 of Title 25, C.R.S.

“Medical Marijuana-Infused Products Manufacturer” means a Person licensed pursuant to the Medical Code to operate a business as described in section 44-11-404, C.R.S.

“Medical Marijuana Testing Facility” means a public or private laboratory licensed and certified, or approved by the Division, to conduct testing and research on Medical Marijuana, Medical Marijuana Concentrate, and Medical Marijuana-Infused Product.

“Medical Marijuana Transporter” means a Person that is licensed to transport Medical Marijuana, Medical Marijuana Concentrate, and Medical Marijuana-Infused Product from one Medical Marijuana Business to another Medical Marijuana Business or to a Medical Research Facility or Pesticide Manufacturer, and to temporarily store the transported Medical Marijuana and Medical Marijuana-Infused Product at its licensed premises, but is not authorized to sell, give away, buy, or receive complimentary Medical Marijuana, Medical Marijuana Concentrate, or Medical Marijuana-Infused Product under any circumstances. A Medical Marijuana Transporter does not include a Licensee that transports its own Medical Marijuana, Medical Marijuana Concentrate, or Medical Marijuana-Infused Product.

“Medical Research Facility” means a Person approved and grant-funded by the State Board of Health pursuant to section 25-1.5-106.5, C.R.S., to conduct Medical Marijuana research. A Medical Marijuana Research Facility is neither a Regulated Marijuana Business nor a Licensee.

“Monitoring” means the continuous and uninterrupted attention to potential alarm signals that could be transmitted from a Security Alarm System located at a Regulated Marijuana Business Licensed Premises, for the purpose of summoning a law enforcement officer to the premises during alarm conditions.

“Monitoring Company” means a Person in the business of providing Monitoring services for a Regulated Marijuana Business.

“Multiple-Serving Edible Retail Marijuana Product” means an Edible Retail Marijuana Product unit for sale to consumers containing more than 10mg of active THC and no more than 100mg of active THC. If the overall Edible Retail Marijuana Product unit for sale to the consumer consists of multiple pieces where each individual piece may contain less than 10mg active THC, yet in total all pieces combined within the unit for sale contain more than 10mg of active THC, then the Edible Retail Marijuana Product will be considered a Multiple-Serving Edible Retail Marijuana Product.

“Non-objecting Beneficial Owner” means a Beneficial Owner who gives permission to a financial intermediary to release their name and address to the company(ies) or issuer(s) in which they have bought Securities.

“Notice of Denial” means a written statement from the State Licensing Authority, articulating the reasons or basis for denial of a license application.

“Opaque” means that the packaging does not allow the product to be seen without opening the packaging material.

“Optional Premises Cultivation Operation” means a Person licensed pursuant to the Medical Code to operate a business as described in section 44-11-403, C.R.S.

“Order to Show Cause” means a document from the State Licensing Authority alleging the grounds for imposing discipline against a Licensee’s license.

“Owner’s Interest” means the shares of stock in a corporation, a membership in a nonprofit corporation, a membership interest in a limited liability company, the interest of a member in a cooperative or in a limited cooperative association, a partnership interest in a limited partnership, a partnership interest in a partnership, and the interest of a member in a limited partnership association.

“Owner License” means a license issued to a Person who is a Controlling Beneficial Owner of a Regulated Marijuana Business or who is a Passive Beneficial Owner electing to be subject to licensure.

“Passive Beneficial Owner” means any Person Acquiring any Owner’s Interest in a Regulated Marijuana Business that is not otherwise a Controlling Beneficial Owner or in Control.

“Penny Stock” means any equity security other than a Security:

- a. That is an National Market System stock, provided that:
 - i. The Security is registered, or approved for registration upon notice of issuance, on a national securities exchange that has been continuously registered as a national securities exchange since April 20, 1992; and the national securities exchange has maintained quantitative listing standards that are substantially similar to or stricter than those listing standards that were in place on that exchange on January 8, 2004; or
 - ii. The Security is registered, or approved for registration upon notice of issuance, on a national securities exchange, or is listed, or approved for listing upon notice of issuance on, an automated quotation system sponsored by a registered national securities association, that:
 - A. Has established initial listing standards that meet or exceed the following criteria:
 1. The issuer shall have: (a) stockholders’ equity of \$5,000,000; (b) market value of listed Securities of \$50 million for 90 consecutive days prior to applying for a listing (market value means the closing bid price multiplied by the number of Securities listed); or (c) net income of \$750,000 (excluding non-recurring items) in the most recently completed fiscal year or in two of the last three most recently completed fiscal years;
 2. The issuer shall have an operating history of at least one year or a market value of listed Securities of \$50 million (market value means the closing bid price multiplied by the number of Securities listed);
 3. The issuer’s stock, common or preferred, shall have a minimum bid price of \$4 per share;

4. In the case of common stock, there shall be at least 300 round lot holders of the Security (a round lot holder means a holder of a normal unit of trading);
 5. In the case of common stock, there shall be at least 1,000,000 publicly held shares and such shares shall have a market value of at least \$5 million (market value means the closing bid price multiplied by the number of publicly held shares, and shares held directly or indirectly by an officer or director of the issuer and by any Person who is the Beneficial Owner of more than 10 percent of the total shares outstanding are not considered to be publicly held);
 6. In the case of a convertible debt security, there shall be a principal amount outstanding of at least \$10 million;
 7. In the case of rights and warrants, there shall be at least 100,000 issued and the underlying security shall be registered on a national securities exchange or listed on an automated quotation system sponsored by a registered national securities association and shall satisfy the requirements of paragraphs (a) or (e) of this definition;
 8. In the case of put warrants (that is, instruments that grant the holder the right to sell to the issuing company a specified number of shares of the company's common stock, at a specified price until a specified period of time), there shall be at least 100,000 issued and the underlying Security shall be registered on a national securities exchange or listed on an automated quotation system sponsored by a registered national securities association and shall satisfy the requirements of paragraphs (a) or (e) of this definition;
 9. In the case of units (that is, two or more Securities traded together), all component parts shall be registered on a national securities exchange or listed on an automated quotation system sponsored by a registered national securities association and shall satisfy the requirements of paragraphs (a) or (e) of this definition; and
 10. In the case of equity Securities (other than common and preferred stock, convertible debt securities, rights and warrants, put warrants, or units), including hybrid products and derivative products, the national securities exchange or registered national securities association shall establish quantitative listing standards that are substantially similar to those found in paragraph (a)(ii) of this definition; and
- B. Has established quantitative continued listing standards that are reasonable related to the initial listing standards set forth in

paragraph (a)(ii) of this definition, and that are consistent with the maintenance of fair and orderly markets;

- b. That is issued by an investment company registered under the Federal Investment Company Act of 1940;
- c. That is a put or call option issued by the Options Clearing Corporation;
- d. That has a price of five dollars or more;
 - i. For purposes of this paragraph (d):
 - A. A Security has a price of five dollars or more for a particular transaction if the Security is purchased or sold in that transaction at a price of five dollars or more, excluding any broker or dealer commission, commission equivalent, mark-up, or mark-down; and
 - B. Other than in connection with a particular transaction, a Security has a price of five dollars or more at a given time if the inside bid quotation is five dollars or more; provided, however, that if there is no such inside bid quotation, a Security has a price of five dollars or more at a given time if the average of three or more interdealer bid quotations at specified prices displayed at that time in an interdealer quotation system, by three or more market makers in the Security, is five dollars or more.
 - C. The term “inside bid quotation” shall mean the highest bid quotation for the Security displayed by a market maker in the Security on an automated interdealer quotation system that has the characteristics set forth in section 17B(b)(2) of the Federal Securities Exchange Act of 1934, or such other automated interdealer quotation system designated by the Federal Securities Exchange Commission for purposes of this definition, at any time in which at least two market makers are contemporaneously displaying on such system bid and offer quotation for the Security at specified prices.
 - ii. If a Security is a unit composed of one or more Securities, the unit price divided by the number of shares of the unit that are not warrants, options, rights, or similar Securities must be five dollars or more as determined in accordance with paragraph (d)(i), and any share of the unit that is a warrant, option, right, or similar security, or a convertible security, must have an exercise price or conversion price of five dollars or more;
- e. That is registered, or approved for registration upon notice of issuance, on a national securities exchange that makes transaction reports available provided that:
 - i. Price and volume of information with respect to transactions in that security is required to be reported on a current and continuing basis and is made available to vendors of market information pursuant to the rules of the national securities exchange;

- ii. The Security is purchased or sold in a transaction that is effected on or through the facilities of the national securities exchange, or that is part of the distribution of the Security; and
- iii. The Security satisfies the requirements of paragraphs (a)(i) or (a)(ii);
- f. That is a security futures product listed on a national securities exchange or an automated quotation system sponsored by a registered national securities association; or
- g. Whose issuer has:
 - i. Net tangible assets in excess of \$2,000,000, if the issuer has been in continuous operation for at least three years, or \$5,000,000 if the issuer has been in continuous operation for less than three years; or
 - ii. Average revenue of at least \$6,000,000 for the last three years.

“Permitted Economic Interest” means an any unsecured convertible debt option, option agreement or warrant that establishes a right for a Person to obtain an interest that might convert to an ownership interest in a Regulated Marijuana Business issued prior to January 1, 2020 where the holder is a natural person who is a lawful United States resident and whose right to convert into an ownership interest is contingent on the holder qualifying as a Controlling Beneficial Owner or Passive Beneficial Owner under the Retail Code or Medical Code. This definition is repealed effective January 1, 2020.

“Person” means a natural person, an estate, a trust, an Entity, or a state or other jurisdiction.

“Pesticide” means any substance or mixture of substances intended for preventing, destroying, repelling or mitigating any pest or any substance or mixture of substances intended for use as a plant regulator, defoliant or desiccant; except that the term “pesticide” does not include any article that is a “new animal drug” as designated by the United States Food and Drug Administration.”

“Pesticide Manufacturer” means a Person who: (1) manufactures, prepares, compounds, propagates, or processes any Pesticide or device or active ingredient used in producing a Pesticide; (2) who possesses an establishment number with the U.S. Environmental Protection Agency pursuant to the Federal Insecticide, Fungicide, and Rodenticide Act, 7 U.S.C. §§ 136 *et seq.*; (3) who conducts research to establish safe and effective protocols, including but not limited to establishing efficacy and toxicity, for the use of Pesticides on Regulated Marijuana; (4) who has applied for and received any necessary license, registration, certifications, or permits from the Colorado Department of Agriculture pursuant to the Pesticide Act, section 35-9-101 *et seq.*, C.R.S., and/or the Pesticide Applicators’ Act, sections 35-10-101 *et seq.*, C.R.S.; (5) who is authorized to conduct business in the State of Colorado; and (6) who has physical possession of the location in the State of Colorado where its research activities occur. A Pesticide Manufacturer is neither a Regulated Marijuana Business nor a Licensee.

“Production Batch” means (a) any amount of Medical Marijuana Concentrate or Retail Marijuana Concentrate of the same category and produced using the same extraction methods, standard operating procedures and an identical group of Harvest Batch(es) of Medical Marijuana or Retail Marijuana; or (b) any amount of Medical Marijuana Product or Retail Marijuana Product of the same exact type, produced using the same ingredients, standard operating procedures and the same Production Batch(es) of Medical Marijuana Concentrate or Retail Marijuana Concentrate.

“Professional Engineer” means a natural person who is licensed by the State of Colorado as a professional engineer pursuant to sections 12-25-101 *et seq.*, C.R.S.

“Proficiency Testing” means an assessment of the performance of a Medical Marijuana Testing Facility’s or Retail Marijuana Testing Facility’s methodology and processes. Proficiency Testing is also known as inter-laboratory comparison. The goal of Proficiency Testing is to ensure results are accurate, reproducible, and consistent.

“Propagation” means the reproduction of Regulated Marijuana plants by seeds, cuttings or grafting.

“Public Institution”, for purposes of the 1900 Series, means any entity established or controlled by the federal government, a state government, or a local government or municipality, including but not limited to institutions of higher education or public higher education research institutions.

“Public Money”, for purposes of the 1900 Series, means any funds or money obtained by the holder from any governmental entity, including but not limit to research grants.

“Publicly Traded Corporation” means any Person other than an individual that is organized under the laws of and for which its principal place of business is located in one of the states or territories of the United States or District of Columbia or another country that authorizes the sale of marijuana that:

- a. Has a class of Securities registered pursuant to section 12 of the Securities Exchange Act of 1934, as amended, that:
 - i. Constitutes Covered Securities; or
 - ii. Is qualified and quoted on the OTCQX or OTCQB tier of the OTC markets if:
 - A. The Person is then required to file reports and is filing reports on a current basis with the Federal Securities Exchange Commission pursuant to the Federal Securities Exchange Act of 1934, as amended, as if the Securities constituted Covered Securities; and
 - B. The Person has established and is in compliance with corporate governance measures pursuant to corporate governance obligations imposed on Securities qualified and quoted on the OTCQX tier of the OTC markets.
- b. Is an Entity that has a class of Securities listed on the Canadian Securities Exchange, Toronto Stock Exchange, TSX Venture Exchange, or NEO Exchange, if:
 - i. The Entity constitutes a Foreign Private Issuer whose Securities are exempt from registration pursuant to section 12 of the Federal Securities Exchange Act of 1934, as amended, pursuant to Rule 12g3-2(b) promulgated pursuant to the federal Securities Exchange Act of 1934, as amended; and
 - ii. The Entity has been, for the preceding three hundred sixty-five days or since the formation of the Entity, in compliance with all governance and reporting obligations imposed by the relevant exchange on such Entity; or
- c. Publicly Traded Corporation does not include:

- i. An Ineligible Issuer, unless such Publicly Traded Corporation satisfies the definition of Ineligible Issuer solely because it is one or more of the following, and the Person is filing reports on a current basis with the Federal Securities and Exchange Commission pursuant to the Federal Securities Exchange Act of 1934, as amended, as if the Securities constituted Covered Securities, and prior to becoming a Publicly Traded Corporation, the Person for at least two years was licensed by the State Licensing Authority as a Regulated Marijuana Business with a demonstrated history of operations in the state of Colorado, and during such time was not subject to suspension or revocation of the business license:
 - A. a Blank Check Company;
 - B. an issuer in an offering of Penny Stock; or
 - C. a Shell Company.
- ii. A Person disqualified as a Bad Actor.

“Qualified Institutional Investor” means:

- a. A bank as defined in Section 3(a) (6) of the Federal Securities Exchange Act of 1934, as amended, if the bank is current in all applicable reporting and record-keeping requirements under such act and rules promulgated thereunder;
- b. A bank holding company as defined in the Federal Bank Holding Company Act of 1956, as amended, if the bank holding company is registered and current in all applicable reporting and record-keeping requirements under such act and rules promulgated thereunder;
- c. An insurance company as defined in Section 2(a) (17) of the Federal Investment Company Act of 1940, as amended, if the insurance company is current in all applicable reporting and record-keeping requirements under such act and rules promulgated thereunder;
- d. An investment company registered under Section 8 of the Federal Investment Company Act of 1940, as amended, and subject to 15 U.S.C. Sec. 80a-1 to 80a-64, if the investment company is current in all applicable reporting and record-keeping requirements under such act and rules promulgated thereunder;
- e. An employee benefit plan or pension fund subject to the Federal Employee Retirement Income Security Act of 1974, excluding an employee benefit plan or pension fund sponsored by a licensee or an intermediary or holding company licensee which directly or indirectly owns ten percent or more of a licensee;
- f. A state or federal government pension plan; or
- g. A group comprised entirely of persons specified in (a) through (g) of this definition.

“Qualified Private Fund” means an issuer that would be an investment company, as defined in section 3 of the Federal Investment Company Act of 1940, but for the exclusions provided under sections 3(c)(1) or 3(c)(7) of that Act, and that:

- a. Is advised or managed by an investment adviser as defined and registered under sections 80b-1-21, title 15 of the Federal Investment Advisors Act of 1940, and for which the registered investment adviser is current in all applicable reporting and record-keeping requirements under such act and rules promulgated thereunder; and
- b. Satisfies one or more of the following:
 - i. Is organized under the law of a state or the United States;
 - ii. Is organized, operated, or sponsored by a U.S. person, as defined under subsection 17 CFR 230.902(k), as amended; or
 - iii. Sells Securities to a U.S. person, as defined under subsection 17 CFR 230.902(k), as amended.

“R&D Co-Location Permit” means a permit issued to a Licensed Research Business authorizing it to co-locate with a commonly owned Medical Marijuana-Infused Products Manufacturer, Retail Marijuana Products Manufacturing Facility, Optional Premises Cultivation Operation, or Retail Marijuana Cultivation Facility pursuant to Rule M 1901. A separate R&D Co-Location Permit is required for each location at which a Licensed Research Business seeks to share a single Licensed Premises.

“Reasonable Cause” means just or legitimate grounds based in law and in fact to believe that the particular requested action furthers the purposes of the Medical Code and Retail Code or protects the public safety.

“Regulated Marijuana” means Medical Marijuana and Retail Marijuana. If the context requires, Regulated Marijuana includes Medical Marijuana Concentrate, Medical Marijuana-Infused Products, Retail Marijuana Concentrate, and Retail Marijuana Products.

“Regulated Marijuana Business” means Medical Marijuana Businesses and Retail Marijuana Establishments.

“Regulated Marijuana Products” means Medical Marijuana-Infused Products and Retail Marijuana Products.

“Remediation” means the process by which Regulated Marijuana flower or trim, which has failed microbial testing, is processed into Solvent-Based Medical Marijuana Concentrate, or into Solvent-Based Retail Marijuana Concentrate, and retested as required by these rules.

“Resealable” means that the Container maintains its Child-Resistant effectiveness for multiple openings.

“Research Project” means a discrete scientific endeavor to answer a research question or a set of research questions. A Research Project must include a description of a defined protocol, clearly articulated goal(s), defined methods and outputs, and a defined start and end date. The description must demonstrate that the Research Project will comply with all requirements in the M 1900 Series. All research and development conducted by a Licensed Research Business must be conducted in furtherance of an approved Research Project.

“Respondent” means a person who has filed a petition for declaratory order that the State Licensing Authority has determined needs a hearing or legal argument or a Licensee who is subject to an Order to Show Cause.

“Responsible Vendor Program Provider” means a Person offering an Approved Training Program, in accordance with sections 44-11-1101, C.R.S., to Licensees seeking to be designated a responsible vendor.

“Restricted Access Area” means a designated and secure area within a Licensed Premises in 1) a Medical Marijuana Center where Medical Marijuana, Medical Marijuana Concentrate, and Medical Marijuana-Infused Product are sold, possessed for sale, and displayed for sale, and where no one without a valid patient registry card is permitted, and 2) in a Retail Marijuana Store where Retail Marijuana, Retail Marijuana Concentrate, and Retail Marijuana Product are sold, possessed for sale, and displayed for sale, and where no one under the age of 21 is permitted..

“Retail Code” means the Colorado Retail Marijuana Code, found at sections 44-12-101 *et seq*, C.R.S.

“Retail Marijuana” means all parts of the plant of the genus *cannabis* whether growing or not, the seeds thereof, the resin extracted from any part of the plant, and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds, or its resin, including but not limited to Retail Marijuana Concentrate that is cultivated, manufactured, distributed, or sold by a licensed Retail Marijuana Establishment. “Retail Marijuana” does not include industrial hemp, nor does it include fiber produced from stalks, oil, or cake made from the seeds of the plant, sterilized seed of the plant which is incapable of germination, or the weight of any other ingredient combined with marijuana to prepare topical or oral administrations, food, drink, or other product. Unless the context otherwise requires, Retail Marijuana Concentrate is considered Retail Marijuana and is included in the term “Retail Marijuana” as used in these rules.

“Retail Marijuana Concentrate” means a specific subset of Retail Marijuana that was produced by extracting Cannabinoids from Retail Marijuana. Categories of Retail Marijuana Concentrate include Water-Based Retail Marijuana Concentrate, Food-Based Retail Marijuana Concentrate, Solvent-Based Retail Marijuana Concentrate, and Heat/Pressure-Based Retail Marijuana Concentrate.

“Retail Marijuana Cultivation Facility” means an entity licensed to cultivate, prepare, and package Retail Marijuana and Transfer Retail Marijuana to Retail Marijuana Establishments, Medical Research Facilities, and Pesticide Manufacturers, but not to consumers.

“Retail Marijuana Establishment” means a Retail Marijuana Store, a Retail Marijuana Cultivation Facility, a Retail Marijuana Products Manufacturing Facility, a Retail Marijuana Testing Facility, a Retail Marijuana Establishment Operator, or a Retail Marijuana Transporter.

“Retail Marijuana Establishment Operator” means an entity that holds a license from the State Licensing Authority to provide professional operational services to one or more Retail Marijuana Establishments for direct remuneration from the Retail Marijuana Establishment(s), which may include compensation based upon a percentage of the profits of the Retail Marijuana Establishment(s) being operated. A Retail Marijuana Establishment Operator contracts with Retail Marijuana Establishment(s) to provide operational services. A Retail Marijuana Establishment Operator’s contract with a Retail Marijuana Establishment does not in and of itself constitute ownership.

“Retail Marijuana Product” means a product that is comprised of Retail Marijuana and other ingredients and is intended for use or consumption, such as, but not limited to, edible product, ointments and tinctures.

“Retail Marijuana Products Manufacturing Facility” means an entity licensed to purchase Retail Marijuana; manufacture, prepare, and package Retail Marijuana Product; and Transfer Retail Marijuana and Retail Marijuana Product to other Retail Marijuana Products Manufacturing

Facilities, Retail Marijuana Stores, Medical Research Facilities, and Pesticide Manufacturers, but not to consumers.

“Retail Marijuana Store” means an entity licensed to purchase Retail Marijuana from a Retail Marijuana Cultivation Facility and to purchase Retail Marijuana Product from a Retail Marijuana Products Manufacturing Facility and to Transfer Retail Marijuana and Retail Marijuana Product to consumers.

“Retail Marijuana Testing Facility” means a public or private laboratory licensed and certified, or approved by the Division, to conduct testing and research on Retail Marijuana, Retail Marijuana Concentrate, and Retail Marijuana Products.

“Retail Marijuana Transporter” means a Person that is licensed to transport Retail Marijuana, Retail Marijuana Concentrate, and Retail Marijuana Products from one Retail Marijuana Establishment to another Retail Marijuana Establishment or to a Medical Research Facility or Pesticide Manufacturer, and to temporarily store the transported Retail Marijuana, Retail Marijuana Concentrate, and Retail Marijuana Products at its Licensed Premises, but is not authorized to sell, give away, buy, or receive complimentary Retail Marijuana, Retail Marijuana Concentrate, or Retail Marijuana Products under any circumstances. A Retail Marijuana Transporter does not include a Licensee that transports and distributes its own Retail Marijuana, Retail Marijuana Concentrate, or Retail Marijuana Products.

“RFID” means Radio Frequency Identification.

“Sample” means any item collected from a Regulated Marijuana Business and provided to a Medical Marijuana Testing Facility or Retail Marijuana Testing Facility for testing. The following is a non-exhaustive list of types of Samples: Medical Marijuana, Medical Marijuana-Infused Product, Medical Marijuana Concentrate, Retail Marijuana, Retail Marijuana Concentrate, Retail Marijuana Product, soil, growing medium, water, solvent or swab of a counter or equipment.

“Sampling Manager” means an Owner Licensee or Key Licensee designated by an Optional Premises Cultivation Operation, a Medical Marijuana-Infused Products Manufacturer, a Retail Marijuana Cultivation Facility, or a Retail Marijuana Products Manufacturer to receive Transfers of Sampling Units pursuant to Rules M 508 and 606, and Rules R 507 and 606.

“Sampling Unit” means a unit of Regulated Marijuana or Regulated Marijuana Products to a Sampling Manager for purposes of quality control and product development pursuant to Rules M 508 and 606, sections 44-11-403(4) and 44-11-404(12), C.R.S., and Rules R 507 and 606, sections 44-12-403(6) and 44-12-404(10), C.R.S.

“Security(ies)” means any note, stock, treasury stock, security future, security-based swap, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, any put, call, straddle, option, or privilege on any security, certificate of deposit, or group index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or, in general, any interest or instrument commonly known as a “security,” or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.

“Security Alarm System” means a device or series of devices, intended to summon law enforcement personnel during, or as a result of, an alarm condition. Devices may include hard-wired systems and systems interconnected with a radio frequency method such as cellular or

private radio signals that emit or transmit a remote or local audible, visual, or electronic signal; motion detectors, pressure switches, duress alarms (a silent system signal generated by the entry of a designated code into the arming station to indicate that the user is disarming under duress); panic alarms (an audible system signal to indicate an emergency situation); and hold-up alarms (a silent system signal to indicate that a robbery is in progress).

“Shell Company” means a registrant, other than an asset-backed issuer as defined in Item 1101(b) of Regulation AB, that has:

- a. No or nominal operations; and
- b. Either:
 - i. No or nominal operations;
 - ii. Assets consisting solely of cash and cash equivalents; or
 - iii. Assets consisting of any amount of cash and cash equivalents and nominal other assets.

“Shipping Container” means a hard-sided container with a lid or other enclosure that can be secured in place. A Shipping Container is used solely for the transport of Regulated Marijuana or Regulated Marijuana Product between Regulated Marijuana Businesses, a Medical Research Facility, or a Pesticide Manufacturer.

“Single-Serving Edible Retail Marijuana Product” means an Edible Retail Marijuana Product unit for sale to consumers containing no more than 10mg of active THC.

“Solvent-Based Medical Marijuana Concentrate” means a Medical Marijuana Concentrate that was produced by extracting Cannabinoids from Medical Marijuana through the use of a solvent approved by the Division pursuant to Rule M 605.

“Solvent-Based Retail Marijuana Concentrate” means a Retail Marijuana Concentrate that was produced by extracting Cannabinoids from Retail Marijuana through the use of a solvent approved by the Division pursuant to Rule R 605.

“Standardized Graphic Symbol” means a graphic image or small design adopted by a Licensee to identify its business.

“State Licensing Authority” means the authority created for the purpose of regulating and controlling the licensing of the cultivation, manufacture, distribution, and Transfer of Medical Marijuana and Retail Marijuana in Colorado, pursuant to section 44-11-201, C.R.S.

“Support License” means a license for an natural person who performs duties that support the Regulated Marijuana Business’ operations. A Support Licensee is a person with less decision-making authority than a Key Licensee. Examples of persons who need this type of license include, but are not limited to, sales clerks or cooks.

“Temporary Appointee Registration” means a registration issued to a Court Appointee pursuant to section 44-11-401(1.5)(b), C.R.S.

“THC” means tetrahydrocannabinol.

“THCA” means tetrahydrocannabinolic acid.

“Test Batch” means a group of Samples that are derived from a single Harvest Batch, Production Batch, or Inventory Tracking System package, and that are collectively submitted to a Medical Marijuana Testing Facility or a Retail Marijuana Testing Facility for testing purposes.

“Total THC” means the sum of the percentage by weight of THCA multiplied by 0.877 plus the percentage by weight of THC, i.e., Total THC = (% THCA x 0.877) + % THC.

“Transfer(s)(ed)(ing)” means to grant, convey, hand over, assign, sell, exchange, donate, or barter, in any manner or by any means, with or without consideration, any Regulated Marijuana or Regulated Marijuana Product from one Licensee to another Licensee, to a patient, or to a consumer. A Transfer includes the movement of Regulated Marijuana or Regulated Marijuana Product from one Licensed Premises to another, even if both premises are contiguous, and even if both premises are owned by a single Person or group of Persons, and also includes a virtual Transfer that is reflected in the Inventory Tracking System, even if no physical movement of the Regulated Marijuana or Regulated Marijuana Product occurs.

“Universal Symbol” means the image established by the Division and made available to Licensees through the Division’s website indicating the Regulated Marijuana or Regulated Marijuana Product contains marijuana.

“Unrecognizable” means marijuana or *Cannabis* plant material rendered indistinguishable from any other plant material.

“U.S. Person” means:

- a. Any natural person resident in the United States;
- b. Any partnership or corporation organized or incorporated under the laws of the United States;
- c. Any estate of which any executor or administrator is a U.S. natural person;
- d. Any trust of which any trustee is a U.S. natural person;
- e. Any agency or branch of a foreign entity located in the United States;
- f. Any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. natural person;
- g. Any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if a natural person) resident in the United States; and
- h. Any partnership or corporation if:
 - i. Organized or incorporated under the laws of any foreign jurisdiction; and
 - ii. Formed by a U.S. natural person principally for the purpose of investing in Owner’s Interests not registered under the Securities Act of 1933, unless it is organized or incorporated, and owned, by accredited investors (as defined in § 230.501(a)) who are not natural persons, estates or trusts.

“Vegetative” means the state of the *Cannabis* plant during which plants do not produce resin or flowers and are bulking up to a desired production size for Flowering.

“Water-Based Medical Marijuana Concentrate” means a Medical Marijuana Concentrate that was produced by extracting cannabinoids from Medical Marijuana through the use of only water, ice, or dry ice.

“Water-Based Retail Marijuana Concentrate” means a Retail Marijuana Concentrate that was produced by extracting Cannabinoids from Retail Marijuana through the use of only water, ice, or dry ice.

Rule 200-1 Series – Applications and Licenses ~~(effective August 1, 2019)~~

This Rule 200-1 Series is repealed in its entirety effective November 1, 2019

Basis and Purpose – Rule 201-1

~~House Bill 19-1090 includes a safety clause and provides it applies to all applications received on or after November 1, 2019. The purpose of this rule is to clarify the effective date of these rules given the safety clause and November 1, 2019, application date in HB19-1090.~~

Rule 201-1 – Applicability

~~These rules are effective August 1, 2019. Applications requiring a finding of suitability, involving a Publicly Traded Corporation, or involving 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 date these rules are adopted by the State Licensing Authority.~~

Basis and Purpose – Rule 205-1

~~The statutory basis for this rule includes but is not limited to sections 44-11-202(1)(a), 44-11-202(1)(b), 44-11-202(1)(e), 44-11-202(2)(a)(XVII), 44-11-202(2)(a)(XXIV), 44-11-104, 44-11-310, 44-11-401, 44-11-501, 44-11-502, 44-11-1101, 44-11-1102, 44-11-202(2)(a)(XXVI), 44-12-202(2)(a), 44-11-1101, 44-11-1102, 44-12-202(2)(b), 44-12-202(3)(a)(II), 44-12-303(1), 44-12-103, 44-12-401, 44-11-501, 44-11-502, 44-12-501, and 44-12-202(2)(a)(XXII). C.R.S. Authority also exists in the Colorado Constitution at Article XVIII, Subsection 16(5)(a)(II). The purpose of this rule is to establish fees required for applications, licenses fees, permits, and other fees required to accompany applications and submissions to the Division. The Division anticipates evaluating all fees in connection with a fee analysis. The fee analysis could include a recommendation to move to a deposit based finding of suitability fee for some or all Controlling Beneficial Owners. Any recommendations from the fee analysis would be considered during subsequent rulemaking proceedings.~~

Rule 205-1 – Fees

A. Regulated Marijuana Business Initial Application and License Fees.

1. Medical Marijuana Businesses.

<u>License Type</u>	<u>Application Fee</u>	<u>License Fee</u>
<u>Medical Marijuana Center</u>	\$5,000.00	\$2,000.00

<u>Medical Marijuana-Infused Products Manufacturer</u>	\$1,000.00	\$1,500.00
<u>Optional Premises Cultivation Operation</u>	\$1,000.00	\$1,500.00
Class 1 (1-500 plants)		\$1,500.00
Class 2 (501-1,500 plants)		\$1,000.00
Class 3 (1,501-3,000 plants)		\$2,500.00
Expanded Production Management (for each class of 3,000 plants over Class 3)		\$2,500.00 plus an additional \$1,000 for each class of 3,000 plants over Class 3.
<u>Medical Marijuana Testing Facility</u>	\$1,000.00	\$1,500.00
<u>Medical Marijuana Transporter</u>	\$1,000.00	\$4,400.00
<u>Medical Marijuana Business Operator</u>	\$1,000.00	\$2,200.00
<u>Marijuana Research and Development Facility</u>	\$1,000.00	\$1,500.00
<u>Marijuana Research and Development Cultivation</u>	\$1,000.00	\$1,500.00

2. Retail Marijuana Businesses:

<u>License Type</u>	<u>Application Fee</u>	<u>License Fee</u>
<u>Retail Marijuana Store</u>	\$5,000.00	\$2,000.00
<u>Retail Marijuana Products Manufacturing Facility</u>	\$5,000.00	\$1,500.00
<u>Retail Marijuana Cultivation Facility</u>	\$5,000.00	\$1,500.00
Tier 1 (1-1,800 plants)		\$1,000.00
Tier 2 (1,801-3,600 plants)		\$2,000.00
Tier 3 (3,601-6,000 plants)		\$4,000.00
Tier 4 (6,001-10,200 plants)		\$6,000.00

Tier 5 (10,201-13,800 plants) Expanded Production Management (for each additional tier of 3,600 plants over Tier 5)		\$6,000.00 plus an additional \$1,000 for each tier of 3,600 plants over Tier 5
<u>Retail Marijuana Testing Facility</u>	\$1,000.00	\$1,500.00
<u>Retail Marijuana Transporter</u>	\$1,000.00	\$4,400.00
<u>Retail Marijuana Business Operator</u>	\$1,000.00	\$2,200.00

B. Regulated Marijuana Business Renewal Application and Fees.

1. Medical Marijuana Businesses.

<u>License Type</u>	<u>Application Fee</u>	<u>License Renewal Fee</u>
<u>Medical Marijuana Center</u>	\$1,500.00	\$300.00
<u>Medical Marijuana Infused Products Manufacturer</u>	\$1,500.00	
<u>Optional Premises Cultivation Operation</u>	\$1,500.00	
Class 1 (1-500 plants)	\$800.00	
Class 2 (501-1,500 plants)	\$2,000.00	
Class 3 (1,501-3,000 plants) Expanded Production Management (for each class of 3,000 plants over Class 3)	\$2,000.00 plus an additional \$800 for each class of 3,000 plants over Class 3.	
<u>Medical Marijuana Testing Facility</u>	\$1,500.00	
<u>Medical Marijuana Transporter</u>	\$4,400.00	
<u>Medical Marijuana Business Operator</u>	\$2,200.00	
<u>Marijuana Research and Development Facility</u>	\$1,500.00	
<u>Marijuana Research and Development Cultivation</u>	\$1,500.00	

2. Retail Marijuana Businesses.

<u>License Type</u>	<u>Application Fee</u>	<u>License Renewal Fee</u>
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<u>Retail Marijuana Store</u>	\$1,500.00	\$300.00
<u>Retail Marijuana Products Manufacturing Facility</u>	\$1,500.00	
<u>Retail Marijuana Cultivation Facility</u> Tier 1 (1-1,800 plants)	\$1,500.00	
Tier 2 (1,801-3,600 plants)	\$800.00	
Tier 3 (3,601-6,000 plants)	\$1,500.00	
Tier 4 (6,001-10,200 plants)	\$3,000.00	
Tier 5 (10,201-13,800 plants)	\$5,000.00	
Expanded Production Management (for each additional tier of 3,600 plants over Tier 5)	\$5,000.00 plus an additional \$800.00 for each tier of 3,600 plants over Tier 5	
<u>Retail Marijuana Testing Facility</u>	\$1,500.00	
<u>Retail Marijuana Transporter</u>	\$4,400.00	
<u>Retail Marijuana Business Operator</u>	\$2,200.00	

C. Owner Request for a Finding of Suitability, Owner License and Owner Identification Badge – Initial Application and Renewal Fees.

1. Controlling Beneficial Owner Request for a Finding of Suitability.
 - a. Colorado Resident Controlling Beneficial Owner – \$800.00 Per Natural Person
 - b. Non-Resident Controlling Beneficial Owner – \$5,000.00 Per Natural Person
 - c. For a Controlling Beneficial Owner that is an Entity, the Entity’s request for finding of suitability must include either a \$800.00 (Colorado resident) or a \$5,000.00 (non-resident) fee for each of its Executive Officers and any person that indirectly Beneficially Owns ten percent or more of the Regulated Marijuana Business.

2. Owner License and Owner Identification Badge. A Person possessing an Owner License may be issued an Identification Badge. Only Controlling Beneficial Owners and Passive Beneficial Owners can obtain an Owner License.
 - a. Controlling Beneficial Owner and any Passive Beneficial Owner Subject to a Finding of Suitability – License Fee. A Controlling Beneficial Owner or Passive Beneficial Owner who was found suitable after November 1, 2019, and within the preceding 365 days, must pay a license fee of \$75.00 prior to obtaining an Owner Identification Badge.

b. ~~Passive Beneficial Owner Application and License Fee.~~ A Passive Beneficial Owner may, but is not required to, apply for an Owner License and Identification Badge. A Passive Beneficial Owner who has not obtained a finding of suitability after November 1, 2019, and within the preceding 365 days, must pay an initial application and license fee of \$800.00 (Colorado resident) or \$5,000.00 (non-resident) fee for each natural person or, if the Passive Beneficial Owner is an Entity, the Entity must pay the fee for each of its Executive Officers.

i. ~~Of the total Passive Beneficial Owner application and license fee, \$75.00 is the license fee and the remaining \$725.00 (Colorado resident) or \$4,925.00 (non-resident) is the application fee. A Person submitting an application for a Passive Beneficial Owner license may submit the total fee of either \$800.00 or \$5,000.00 in one form of payment.~~

3. ~~Owner License Renewal Fee.~~ All Controlling Beneficial Owners and Licensed Passive Beneficial Owners – \$500.00

D. ~~Employee License – Initial Application and Renewal Fees.~~

1. ~~Key License Initial Application and License Fee – \$250.00~~

a. ~~Of the total Key License application and license fee, \$225.00 is the application fee and \$25.00 is the license fee. A Person submitting an application for a Key License may submit the total fee of \$250.00 in one form of payment.~~

2. ~~Support License Initial Application and License Fee – \$75.00~~

a. ~~Of the total Support License application and license fee, \$50.00 is the application fee and \$25.00 is the license fee. A Person submitting an application for a Support License may submit the total fee of \$75.00 in one form of payment.~~

3. ~~Key and Support License Renewal Fee – \$75.00~~

E. ~~Temporary Appointee Registration – Request for Finding of Suitability Fees~~

1. ~~Natural Person – \$225.00~~

2. ~~Entity – \$800.00~~

F. ~~Other Fees.~~ The following other fees apply:

1. ~~Permits.~~

a. ~~Off Premises Storage Permit – \$1,500.00~~

b. ~~Medical Marijuana Transporter Off Premises Storage Permit – \$2,200.00~~

c. ~~Centralized Distribution Permit Initial and Renewal Fee – \$20.00~~

d. ~~R&D Co Location Permit Initial and Renewal Fee – \$50.00~~

2. ~~Regulated Marijuana Business Changes.~~

a. ~~Change of Controlling Beneficial Owner – Not Involving a Publicly Traded Corporation – New Controlling Beneficial Owner(s) – \$1,600.00~~

- b. ~~Change of Entity Type/Jurisdiction – \$800.00~~
 - c. ~~Change of Trade Name – \$50.00~~
 - d. ~~Change of Location – \$500.00~~
 - e. ~~Modification of Licensed Premises – \$100.00~~
 - 3. ~~Licensed Research Business Research Project Proposal – \$500.00~~
 - 4. ~~Responsible Vendor Provider Applications:~~
 - a. ~~Responsible Vendor Provider Initial Application – \$850.00~~
 - b. ~~Responsible Vendor Provider Renewal Application – \$350.00~~
 - 5. ~~Duplicate License, Identification Badge, or Certificate:~~
 - a. ~~Duplicate Business License – \$20.00~~
 - b. ~~Duplicate Owner or Employee Identification Badge – \$20.00~~
 - c. ~~Responsible Vendor Program Provider Duplicate Certificate – \$50.00~~
- G. ~~When Fees are Due. All fees in this Rule are due at the time the application or request is submitted.~~

~~Basis and Purpose – Rule 210-1~~

~~The statutory basis for this rule includes but is not limited to sections 44-11-202(1)(b), 44-11-202(1)(e), 44-11-202(2)(a)(XVII), 44-11-202(2)(a)(XXIV), 44-11-304(1), 44-12-202(2)(b), 24-4-105(2), and 44-12-601(2), C.R.S. The purpose of this rule is to clarify the duties that Applicants and Licensees have when reporting to the State Licensing Authority information that is necessary for the issuance of a state license. These duties include but are not limited to reporting and keeping a mailing address current, reporting a felony conviction or other disqualifying event, cooperating with the State Licensing Authority and his or her employees, and notifying the State Licensing Authority of any change of registered agent in the State of Colorado.~~

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

- A. ~~Duty to Keep Mailing Address Current: All Licensees:~~
 - 1. ~~Timing of Notification. An Applicant or 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 written notice from the Licensee or its authorized agent.~~
 - 2. ~~State Licensing Authority and Division Communications. The State Licensing Authority and Division will send any formal notifications or determinations regarding any application or an administrative action to the last mailing address and to the last electronic mailing address, if any, furnished to the Division by the Applicant or Licensee.~~
 - 3. ~~Failure to Change Address Does Not Relieve Applicant's or Licensee's Obligations. An Applicant's or Licensee's failure to notify the Division of a change of physical or electronic~~

~~mailing address does not relieve the Applicant or Licensee from the obligation of responding to a Division communication or a State Licensing Authority communication.~~

- ~~B. **Duty to Report Felony Convictions, Deferred Sentences and Judgments.** An Applicant or Licensee must notify the Division in writing of any felony conviction or deferred sentence or judgment regarding a felony against him or her within seven days of the conviction or deferred sentence or judgment. The notification must include disposition documents. Failure to make required notification to the Division may be grounds for administrative action.~~
- ~~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 administrative 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.~~

Basis and Purpose – Rule 215-1

~~The statutory basis for this rule includes but is not limited to sections 44-11-202(1)(b), 44-11-202(2)(a)(XIX), 44-11-202(2)(a)(XXIV), 44-11-202(5)(a)(I) (III), 44-11-304, 44-11-306, 44-11-307, 44-11-309, 44-11-310, 44-11-311, 44-11-313, 44-12-202(2)(b), 44-12-202(3)(a)(I), 44-12-202(3)(a)(III), 44-12-202(3)(a)(XIV), 44-12-202(3)(c)(VII), 44-12-202(3)(c)(VIII), 44-12-202(6)(a)(I) (III), 44-12-303, 44-12-305, 44-12-306, 44-12-308, 44-12-309, and 44-12-312, C.R.S. The purpose of this rule is to clarify the type of information an Applicant or Licensee must provide to the State Licensing Authority to require notification of the applicable local licensing authority or local jurisdiction, a requirement that the Applicant or Licensee establish he or she is not a person prohibited under the Medical or Retail Codes, and to require submission of documents necessary to establish financial history and tax compliance.~~

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. If the local licensing authority or local jurisdiction requires a physical copy of the application, the Applicant or Licensee must submit the original application and one~~~~

~~identical copy to the Division. Otherwise the Applicant or Licensee must submit only the original application 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. 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.~~

~~G. 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.~~

Basis and Purpose – Rule 220-1

~~The statutory basis for this rule includes but is not limited to sections 44-11-202(1)(e), 44-11-202(2)(a)(XVI), 44-11-202(a)(XVII), 44-11-202(5)(a), 44-11-301, 44-11-304, 44-11-310, 44-12-202(2)(b), 44-12-202(2)(e), 44-12-202(3)(a)(XII), 44-12-202(3)(c)(VII), 44-12-202(6)(a), 44-12-303, 44-12-306, 44-12-308, 44-12-309, and 44-12-312, C.R.S. The purpose of this rule is to establish the general requirements and processes for submission of an initial application to the State Licensing Authority.~~

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 a Publicly Traded Corporation must maintain corporate governance documents as required by the securities exchange on which its securities are listed and traded and 44-11-104(22.7)(a)(II)(B) and 4-12-103(19.5)(a)(II)(B), C.R.S., and must provide those corporate governance documents with each initial application.~~
 - b. ~~— A Regulated Marijuana Business that is not a Publicly Traded Corporation is not required to maintain any corporate governance documents. However, if the Regulated Marijuana Business that is not a Publicly Traded Corporation voluntarily maintains corporate governance documents, the Division encourages inclusion of such 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 inches, the Applicant must also provide a .pdf copy of the diagram.~~
 8. ~~— All required findings of suitability issued by the Division.~~
 9. ~~— All required Owner License application(s).~~
 10. ~~— If the applicant is a Publicly Traded Corporation,~~
 - a. ~~— 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; and~~
 - b. ~~— Divestiture plan for any Controlling Beneficial Owner that is a Person prohibited by the Medical Code or the Retail Code, has had her or his Owner License revoked, or has been found unsuitable.~~
 11. ~~— Financial Statements. Consolidated financial statements (which may be prepared on either a calendar or fiscal year basis) that were 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 audited financial statements by another regulator (e.g. United States Securities and Exchange Commission or the Canadian Securities Administrators) 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 (e.g. EDGAR or SEDAR), the Applicant or Regulated Marijuana Business may provide notification of the website link where the financial statements can be accessed in lieu of hardcopy submission.~~
 12. ~~— Tax Documents. 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.~~
- 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. 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.~~
 - ~~b. 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.~~
 - ~~c. 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.~~

~~Basis and Purpose – Rule 225-1~~

~~The statutory basis for this rule includes but is not limited to sections 44-11-202(1)(b), 44-11-202(2)(a)(XVI), 44-11-202(2)(a)(XVII), 44-11-305, 44-11-310, 44-11-311, 44-12-202(2)(b), 44-12-202(3)(c)(VII), 44-12-304, 44-12-309, and 44-12-310, C.R.S. The purpose of this rule is to establish the requirements and procedures for the license renewal process.~~

~~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.~~

1. ~~A Licensee may apply for the renewal of an existing license at least 30 days prior to the license's expiration date. A renewal application filed at least 30 days prior to expiration of the license is timely pursuant to subsection 24-4-104(7), C.R.S., and the Licensee may continue to operate until a Final Agency Order on the renewal application.~~
2. ~~If the Licensee files a renewal application less than 30 days prior to expiration, the Licensee must provide a written explanation detailing the circumstances surrounding the untimely filing. If the Division accepts the application, then the application is deemed timely pursuant to subsection 24-4-104(7), C.R.S., and the Licensee may continue to operate until Final Agency Order on the renewal application.~~

~~D. License Expiration.~~

1. ~~If License Not Renewed Before Expiration. A license is immediately invalid upon expiration if the Licensee has not filed a renewal application and remitted all of the required application and license fees prior to the license expiration date. A Regulated Marijuana Business that fails to file a renewal application and remit all required application and license fees prior to the license expiration date must not operate unless it first obtains a new state license and any required local license.~~
2. ~~Administratively Continued Regulated Marijuana License. In the event of a renewal application filed after the license expiration date, a Regulated Marijuana Business may not operate unless and until the Division informs the Regulated Marijuana Business Licensee that the license has been administratively continued. A Regulated Marijuana Business whose license has been administratively continued may continue to operate until Final Agency Order on the renewal application. Review of the renewal application will include, among other factors, a review of whether the Regulated Marijuana Business operated with an expired license.~~
3. ~~The Division will not accept a renewal application filed more than 90 days after the expiration date of the license. A Regulated Marijuana Business license that expired over 90 days prior to submission of the Regulated Marijuana Business' renewal application may only submit a new initial application to the State Licensing Authority.~~

~~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 approval of any subsequent initial application.~~

~~F. Licenses Subject to Ongoing Administrative Action. Licenses subject to an 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. ~~Any document required by Rule 220-1(A)(1) through (10) that has changed since the document was last submitted to the Division. It is a license violation affecting public safety to fail to submit any document that changed since the last submission for the purpose of circumventing the requirements of the Medical Code, the Retail Code or these Rules;~~

2. ~~A copy of the approval or licensure from the local licensing authority and/or local jurisdiction or documentation demonstrating timely submission of pending local license renewal application;~~
3. ~~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 or the Canadian Securities Administrators.~~
4. ~~A Regulated Marijuana Business operating under a single Entity name with more than one license may submit the following documents only once each calendar year on the first license renewal in lieu of submission with every license renewal in the same calendar year:
 - a. ~~Tax documents and financial statements required by Rule 220-1(A)(11) and (12);~~
 - b. ~~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;~~
 - c. ~~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; and~~
 - d. ~~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).~~~~

Basis and Purpose – Rule 230-1

~~The statutory basis for this rule includes but is not limited to sections 44-11-202(1)(b), 44-11-202(2)(a)(VIII), 44-11-202(2)(a)(IX), 44-11-202(2)(a)(XVI), 44-11-202(2)(a)(XVII), 44-11-307.5, 44-11-313, 44-12-202(3)(c)(IV), 44-12-202(3)(c)(V), 44-12-202(3)(a)(III), 44-12-306.5, and 44-12-313, C.R.S. Sections 44-11-307.5 and 44-12-306.5, C.R.S., establish varying disclosure requirements for Applicants and Licensees regarding disclosure of financial interests and ownership in a Regulated Marijuana Business. The purpose of this rule is to clarify information an Applicant or Licensee must disclose to the State Licensing Authority at the various levels, which include mandatory disclosure, disclosure in the State Licensing Authority's discretion, and disclosure for reasonable cause. This rule also provides factors that will be considered in determining whether a Regulated Marijuana Business exercised reasonable care and whether a Person is in control of a Regulated Marijuana Business.~~

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., must 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; and~~
 - ii. ~~Beneficial Owners of ten percent or more of the Controlling Beneficial Owner.~~
 - b. ~~Natural Persons:~~
 - 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 advisor 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 of the operating capital of the Regulated Marijuana Business or if the calculation yields a negative number. 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 and 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. An updated list of all Non-objecting Beneficial Owners in a Publicly Traded Corporation that is either a Regulated Marijuana Business or a Controlling Beneficial Owner reflecting ownership as of the date of request;~~
 - ~~2. All Passive Beneficial Owners in a Regulated Marijuana Business that is not a Publicly Traded Corporation. If the Passive Beneficial Owner is not a natural person, the members of the board of directors, general partners, managing members, or Managers or Executive Officers and Beneficial Owners of ten percent or more of the Passive Beneficial Owner;~~
 - ~~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 Beneficial Owners of ten percent and more of the Indirect Financial Interest Holder.~~
- ~~D. Affirmation of Reasonable Care:~~
- ~~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 must affirm it exercised reasonable care to confirm its Passive Beneficial Owner(s), including any Qualified Institutional Investors, and Indirect Financial Interest Holder(s) are not Persons prohibited under these Rules, the Medical Code or the Retail Code. A Regulated Marijuana Business exercises reasonable care if it:
 - ~~a. Receives documentation from each Passive Beneficial Owner, including any Qualified Institutional Investor, and each Indirect Financial Interest Holder affirming each is not a Person prohibited by these Rules, or the Medical Code or Retail Code; and~~
 - ~~b. The Regulated Marijuana Business does not know or reasonably should not know facts that would contradict the Passive Beneficial Owner or Indirect Financial Interest Holder's affirmation.~~~~
 - ~~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 must affirm that it exercised reasonable care to confirm its Passive Beneficial Owners, including Qualified Institutional Investors, both of which are Non-Objecting Beneficial Owners, and Indirect Financial Interest Holder(s) are not Persons prohibited by these Rules, the Medical Code or Retail Code. A Regulated Marijuana Business that is a Publicly Traded Corporation exercises reasonable care if it:
 - ~~a. At least annually, checks a list of its Passive Beneficial Owners, including Qualified Institutional Investors, both of which are Non-Objecting Beneficial Owners, against 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 Persons Barred by FINRA to determine if there are any prohibited Persons;~~~~

- b. ~~Receives documentation from its Indirect Financial Interest Holder(s) affirming each is not a Person prohibited these Rules, the Medical Code or the Retail Code; and~~
 - c. ~~The Regulated Marijuana Business does not know or reasonably should not know facts that would contradict the Indirect Financial Interest Holder's affirmation.~~
 - 3. ~~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. An Applicant or Regulated Marijuana Business in compliance with subparagraphs (D)(1)-(2) of this Rule has exercised reasonable care. The State Licensing Authority may consider facts and circumstances beyond those in subparagraphs (D)(1)-(2) in determining whether an Applicant or a Regulated Marijuana Business 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 a Controlling Beneficial Owner by virtue of common control.~~
- 1. ~~Non Exhaustive Factors. Non-exhaustive facts and circumstances that will be considered when evaluating Control include, but are not limited to:~~
 - a. ~~The Person's percentage of ownership, if any;~~
 - b. ~~The Person's ability to influence the decision of the Regulated Marijuana Business;~~
 - c. ~~The Person is a Manager of the Regulated Marijuana Business;~~
 - d. ~~The Person has a close relationship, familial tie or common purpose or motive with one or more Persons in Control of the Regulated Marijuana Business;~~
 - e. ~~The Person has substantial business relationship(s) with the Regulated Marijuana Business;~~
 - f. ~~The Person has the ability to control the proxy machinery or to win a proxy contest;~~
 - g. ~~The Person is a primary creditor of the Regulated Marijuana Business; or~~
 - h. ~~The Person is the original incorporator of the Regulated Marijuana Business.~~
 - 2. ~~Totality of the Evidence. The State Licensing Authority may consider the totality of the evidence when determining whether a Person has Control of a Regulated Marijuana Business or is a Controlling Beneficial Owner by virtue of common control.~~

Basis and Purpose – Rule 235-1

The statutory basis for this rule includes but is not limited to sections 44-11-202(5)(a), 44-11-307.6, 44-11-309(4), 44-11-313, 44-12-202(6)(a), 44-12-306.6, 44-12-308(4), and 44-12-312, C.R.S. For those persons disclosed or who should have been disclosed to the State Licensing Authority, sections 44-11-307.6 and 44-12-306, C.R.S., requires that a Person obtain a finding of suitability from the State Licensing Authority. The purpose of this rule is to explain the conditions under which a Person is subject to either a mandatory finding of suitability, a finding of suitability for reasonable cause, or qualified to

~~obtain an exemption for a finding of suitability and to identify the information and documents that, at a minimum, must be submitted in connection with any Person's request for a finding of suitability.~~

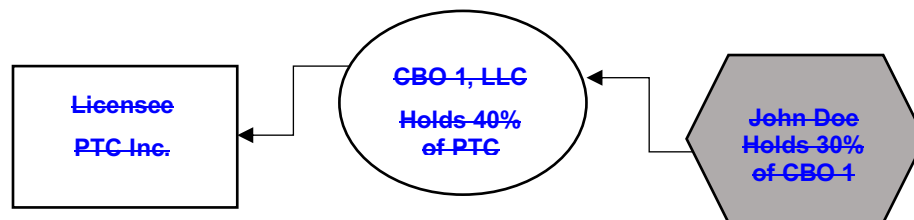
Rule 235-1 – Suitability

~~A. Persons Subject to a Mandatory Finding of Suitability for Regulated Marijuana Businesses that are Not Publicly Traded Corporations.~~

- ~~1. Any Person intending to become a Controlling Beneficial Owner by submitting an initial application for any Regulated Marijuana Business that is not a Publicly Traded Corporation must first submit a request to the State Licensing Authority for a finding of suitability.~~
- ~~2. For a Controlling Beneficial Owner that is an Entity, the Entity's request for finding of suitability must include all information necessary for the State Licensing Authority to determine whether its Executive Officers and any person that indirectly owns ten percent or more of the Owner's Interest in the Regulated Marijuana Business are suitable.~~
- ~~3. Any Person that has not received a finding of suitability after November 1, 2019 and within the preceding 365 days who intends to become a Controlling Beneficial Owner by submitting a change of owner application for a Regulated Marijuana Business must submit a request to the State Licensing Authority for a finding of suitability contemporaneously with the change of owner application.~~

~~B. Persons Subject to a Mandatory Finding of Suitability for Regulated Marijuana Businesses that are Publicly Traded Corporations.~~

- ~~1. The following Persons must apply to the State Licensing Authority for a finding of suitability:
 - ~~a. Any Person that becomes a Controlling Beneficial Owner of any Regulated Marijuana Business that is a Publicly Traded Corporation; and~~
 - ~~b. 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 indirectly owns 12% of the outstanding securities of Licensee PTC Inc., and must apply to the State Licensing Authority for a finding of suitability:~~~~



- ~~2. For a Controlling Beneficial Owner that is an Entity, the Entity's request for finding of suitability must include all information necessary for the State Licensing Authority to determine whether its Executive Officers and any person that indirectly owns ten percent or more of the Owner's Interest in the Regulated Marijuana Business are suitable.~~

- ~~3. Timing of Request for Finding of Suitability Involving Publicly Traded Corporation.~~
- ~~a. Unless exempted under Rule 235-1(E), all Persons that will be a Controlling Beneficial Owner in a Regulated Marijuana Business that is entering into a Publicly Traded Corporation transaction described in Rule 245-1(C)(1) must first obtain a finding of suitability before the transaction can close or the public offering can occur.~~
- ~~b. A Person who becomes a Controlling Beneficial Owner in a Regulated Marijuana Business that is a Publicly Traded Corporation must submit a request for a finding of suitability to the State Licensing Authority within 45 days of becoming a Controlling Beneficial Owner.~~
- ~~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 must 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 must 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 natural 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 Agencies 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 personal 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 one-hundred eighty days for any accounts serving as a source of funding used to acquire the Owner's Interest in the Regulated Marijuana Business; or, if the Person is contributing one or more asset(s) to the Regulated Marijuana Business in exchange for the Owner's Interests, documents establishing the Person has owned such asset(s) for the preceding one-hundred eighty days.~~

~~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 after November 1, 2019, and 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 must 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.~~

Basis and Purpose – Rule 240-1

The statutory basis for this rule includes but is not limited to sections 44-11-104(23.5), 44-11-202(5)(a)(III), 44-11-307.5(3), 44-11-307.6(10), 44-12-103(20.5), 44-12-202(6)(a)(III), 44-12-306.5(3), and 44-12-306.6(10), C.R.S. The purpose of this rule is to clarify the factors the State Licensing Authority will consider when determining whether reasonable cause exists to require disclosure, to require a finding of suitability or to extend the 120 day deadline for granting or denying a request for a finding of suitability.

Rule 240-1 – Factors 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;~~

~~Basis and Purpose – Rule 245-1~~

~~The statutory basis for this rule includes but is not limited to sections 44-11-202(5)(a), 44-11-307, 44-11-307.5, 44-11-307.6, 44-11-309, 44-11-310(4), 44-11-202(6)(a), 44-11-306, 44-11-306.5, 44-11-306.6, 44-12-308, and 44-12-309, C.R.S. The purpose of this rule is define the application process and conditions an Applicant or Licensee must meet when changing Beneficial Ownership in a Regulated Marijuana Business.~~

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

- A. ~~Application for Change of Controlling Beneficial Owner(s) – Not a Publicly Traded Corporation.~~
 1. ~~Unless excepted pursuant to subparagraph (B) of this Rule, 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 will not change 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 State Licensing Authority will not approve a change of owner application until:~~
 - a. ~~Local Approval Required. If local approval is required, the proposed Controlling Beneficial Owner(s) demonstrates to the State Licensing Authority that local approval has been obtained;~~
 - i. ~~If a local licensing authority or local jurisdiction requires a change of owner application and that application is denied, the State Licensing Authority will deny the State change of owner application;~~
 - b. ~~No Local Approval Required. If local approval is not required, the proposed Controlling Beneficial Owner(s) demonstrates that such approval is not required and notifies the State Licensing Authority of the date by which the change of~~

~~owner will be completed, which must be within thirty days of the Division's notice that such change of owner application is ready to be approved.~~

- ~~4. If the change of owner application proposes one or more new Controlling Beneficial Owner(s), the proposed new Controlling Beneficial Owner(s) cannot 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 must include the following documents:
 - ~~a. Asset purchase agreement, merger, sales contract, agreement, or any other document necessary to effectuate the change of owner;~~
 - ~~b. Request for a 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 form for the Owner License of 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 and any other documents necessary to verify tax compliance; and~~
 - ~~f. Owner License application(s) for any proposed Controlling Beneficial Owner that does not already hold a valid Owner License.~~~~
- ~~7. Licensee Initiates Change of Owner for Permitted Economic Interests Issued Prior to January 1, 2020. All natural persons holding a Permitted Economic Interest who seek to become a Controlling Beneficial Owner are subject to this Rule. The Regulated Marijuana Business must initiate the change of owner process for a natural person 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 must 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 transfer the entire Beneficial Ownership of their Regulated Marijuana Business.~~

~~B. Exemptions to the Change of Owner Application Requirement.~~

~~1. Entity Conversions. A Regulated Marijuana Business or a Controlling Beneficial Owner may combine with, convert including but not limited to under sections 7-90-201 et seq., C.R.S., or engage in a transaction in which all of its assets are transferred or sold for the exclusive purpose of changing its Entity jurisdiction in one of the states or territories of the United States or the District of Columbia or its Entity type without filing a change of owner application if the Controlling Beneficial Owners and their Owner's Interests will remain the same after the combination, conversion or sale. Within 14 days of the combination, conversion, or sale the Regulated Marijuana Business must submit a written notification to the Division including:~~

~~a. A copy of any transaction documents,~~

~~b. Documents submitted to the Colorado Secretary of State,~~

~~c. Any document submitted to the secretary of state or similar regulator if the Entity is organized under the laws of a state of the United States other than Colorado, territory of the United States or the District of Columbia,~~

~~d. Identification of the Regulated Marijuana Business's or Controlling Beneficial Owner's registered agent,~~

~~e. Identification of any Passive Beneficial Owner and Indirect Financial Interest Holder for which disclosure is required by Rule 230-1.~~

~~2. Reallocation of Owner's Interests Among Controlling Beneficial Owners. A Regulated Marijuana Business may reallocate Owner's Interests among existing Controlling Beneficial Owners holding valid Owner Licenses if it provides notification of the reallocation to the Division with its next renewal application as long as the Controlling Beneficial Owners remain unchanged.~~

~~C. Change of Owner Involving a Publicly Traded Corporation. This Rule applies to transactions involving any Publicly Traded Corporation.~~

~~1. Publicly Traded Corporation Transactions. A Regulated Marijuana Business may transact with a Publicly Traded Corporation in the following ways:~~

~~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, ten percent or more of the 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. Required Finding(s) of Suitability.~~
 - ~~a. Pre-Transaction Findings of Suitability Required. Any Person intending to become a Controlling Beneficial Owner in a Regulated Marijuana Business in connection with any transaction identified in subparagraph (C)(1)(a) through (c) above, must obtain a finding of suitability prior to the Publicly Traded Corporation transaction closing or becoming effective.~~
 - ~~b. Ongoing Suitability Requirements. Any Person who 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 must 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.~~
- ~~3. Mandatory Disclosure of Required, United States Securities and Exchange Commission, Canadian Securities Administrators and/or Securities Exchange Filings. A Regulated Marijuana Business and any Controlling Beneficial Owner that is required to file any document with the United States Securities and Exchange Commission, the Canadian Securities Administrators, any other similar securities regulator 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 United States Securities and Exchange Commission, the Canadian Securities Administrators or the securities exchange.~~
- ~~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.~~
- ~~D. Change of Passive Beneficial Owner. Persons 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.~~
- ~~E. Controlling Beneficial Owner Dispute.~~

- ~~1. In the event of a dispute between Controlling Beneficial Owner(s) not involving divestiture under Rule 275-1 and precluding or otherwise impeding the ability to comply with these Rules, a Regulated Marijuana Business that is not a Publicly Traded Corporation must either submit a change of owner application or initiate mediation, arbitration or a judicial proceeding within 90 days of the dispute. The 90 day period may be extended for an additional 90 days upon a showing of good cause by the Regulated Marijuana Business.~~
- ~~2. A Regulated Marijuana Business that is not a Publicly Traded Corporation must 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 altering the Controlling Beneficial Owner(s) of a Regulated Marijuana Business. Any change of owner application based on a final court order, final arbitration award, or fully executed settlement agreement must include a copy of the order or settlement agreement and remains subject to approval by the Division. In this circumstance, the change of owner application needs to be executed by at least one remaining Controlling Beneficial Owner.~~
- ~~3. 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 Controlling Beneficial Owner(s) of a Regulated Marijuana Business that is not a Publicly Traded Corporation, the Regulated Marijuana Business and its Owner Licensee(s) may be subject to fine, suspension or revocation of their license(s).~~

Basis and Purpose—Rule 250-1

~~The statutory basis for this rule includes but is not limited to sections 44-11-202(5)(a), 44-11-307.5(6), 44-12-202(6)(a), and 44-11-306.5(6), C.R.S. The purpose of this rule is to require notification to the State Licensing Authority of any filing with a securities regulator by an Applicant or Licensee.~~

Rule 250-1—Regulated Marijuana Business that is a Publicly Traded Corporation—Notification of Non-Confidential Securities Filings

- ~~A. A Regulated Marijuana Business that is a Publicly Traded Corporation must provide notice on Division forms within two business days of any non-confidential filing with the United States 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 must 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).~~
- ~~B. In addition to any other administrative or investigative requests or inquiries, the Division may contact a Regulated Marijuana Business that is a Publicly Traded Corporation to obtain clarification of a securities filing.~~
- ~~C. This rule is currently limited to require notice of securities filings that are not confidential. However, this rule may be evaluated during subsequent rulemaking proceedings and/or in connection with development of a policy regarding confidential securities filings.~~

Basis and Purpose—Rule 255-1

~~The statutory basis for this rule includes but is not limited to sections 44-11-202(1)(b), 44-11-202(1)(e), 44-11-202(2)(a)(XVII), 44-11-202(2)(a)(XXIV), 44-11-304, 44-11-310(7), 44-11-310(13), 44-12-202(2)(b), 44-12-202(2)(e), 44-12-202(3)(a)(I), 44-12-309(6), 44-12-309(12) and 44-12-303, C.R.S. The purpose of this rule is to clarify the application process for changing location of a Licensed Premises.~~

Rule 255-1—Change of Location of a Regulated Marijuana Business

- A. ~~Application Required Before Changing Location of Licensed Premises.~~ A Regulated Marijuana Business must apply for and receive Division approval before changing the location of its Licensed Premises.
- B. ~~Application Requirements.~~ A change of location application must include:
- ~~1. At least one signature of a Controlling Beneficial Owner and representation that the signing Controlling Beneficial Owner(s) is/are authorized to submit the application on behalf of the Regulated Marijuana Business.~~
 - ~~2. Evidence the local licensing authority and/or the local jurisdiction in which the Regulated Marijuana Business proposes to move have approved the proposed new location.~~
 - ~~3. The deed, lease, sublease, rental agreement, contract, or any other document(s) establishing the Licensee is, or will be, entitled to possession of the premises for which the application is made.~~
 - ~~4. Legible and accurate floor plans for the proposed Licensed that complies with the requirements of the M/R 300 Series of these Rules. The floor plans must include a plan for the proposed 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 inches, the Applicant must also provide the diagram in a portable document format (.pdf).~~
- C. ~~Change of Location Permit Required.~~
- ~~1. A Regulated Marijuana Business cannot change the location of its Licensed Premises until it receives a change of location permit from the Division.~~
 - ~~2. The permit is effective on the date of issuance, and the Licensee must, within 120 days, change the location of its Regulated Marijuana Business to the place specified in the change of location permit and at the same time cease to operate a Regulated Marijuana Business at the former location. For good cause shown, the 120 day deadline may be extended for an additional 120 days.~~
 - ~~3. A Regulated Marijuana Business cannot operate or exercise any of the privileges of its license(s) in both locations.~~
 - ~~4. If the Regulated Marijuana Business does not change the location of its Licensed Premises within the time period granted by the Division, including any extension, the Regulated Marijuana Business must submit a new application, pay the change of location fee, and receive a new change of location permit prior to changing the location of its Licensed Premises.~~
- D. ~~Violation Affecting Public Safety.~~ It is a violation affecting public safety if a Regulated Marijuana Business changes the location of its Licensed Premises without first obtaining a change of location permit from the Division, and any required approval(s) from the local licensing authority and/or local jurisdiction.

Basis and Purpose—Rule 260-1

The statutory basis for this rule includes but is not limited to sections 44-11-202(1)(b), 44-11-202(1)(e), 44-11-202(2)(a)(VII), 44-11-202(2)(a)(X), 44-11-202(2)(a)(XVII), 44-11-307(2), 44-11-306, 44-11-310(6);

~~44-11-401, 24-76.5-101 et seq., 44-11-601(1), 44-12-202(2)(b), 44-12-202(3)(a), 44-12-202(3)(c)(IV) (V), 44-12-305, 44-12-306(2), 44-12-305, 44-12-309(6), 44-12-401, 44-12-601(1), C.R.S. Historically, natural persons who held an Owner's Interest in a Regulated Marijuana Business were required to hold an Associated Key License. This Rule transitions the Associated Key designation to an Owner License designation after August 1, 2019. The purpose of this rule is to clarify the requirements and procedures a Person must follow when applying for or possessing either an Owner License or an Employee License. This rule also identifies factors the State Licensing Authority will consider in determining whether a natural person is a resident and whether such person possess good moral character.~~

~~Rule 260-1 Owner and Employee License: License Requirements, Applications, Qualifications, and Privileges~~

~~Associated Key Licenses remain valid until the first renewal following August 1, 2019, after which such licenses will be renewed as an Owner License.~~

~~A. Owner Licenses Required.~~

- ~~1. Each Controlling Beneficial Owner must hold a valid Owner License.~~
- ~~2. If a Controlling Beneficial Owner is an Entity, then its Executive Officer(s) and any Person who indirectly holds ten percent or more of the Owner's Interests in the Regulated Marijuana Business must also hold a valid Owner License.~~
- ~~3. A Passive Beneficial Owner who is a natural person may elect to hold an Owner License and obtain an Owner Identification Badge provided that such Person 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 natural persons must possess a valid Owner License and Identification Badge or an Employee License and Identification Badge:~~

- ~~1. Any person 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 person who has access to the Inventory Tracking System or a Regulated Marijuana Business point-of-sale system; and~~
- ~~3. Any person with unescorted access in the Restricted Access Area or Limited Access Area.~~

~~C. Visitor Escort Required. Any natural person in a Restricted Access Area or Limited Access Area that does not have a valid Owner License and Identification Badge or an Employee License and Identification Badge is a visitor and must be escorted at all times by a person who holds a valid Owner License and Identification Badge or Employee License and Identification Badge. Failure by a Regulated Marijuana Business to continuously escort a person who does not have a valid Owner License and Identification Badge or an 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 in a Limited Access Area do not need to be escorted at all times, but must be reasonably monitored.~~

~~D. Employee License Required to Commence or Continue Employment. Any person 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 Persons 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 support 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 the Licensed Premise of 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. A person who is a Colorado resident and who holds an Owner License and Owner 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 Persons 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. A person who holds a current, valid Employee License and Identification Badge issued pursuant to the Medical Code or the Retail Code may work in a 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(H)(1)(a)-(c)~~

~~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 persons who are required to have and maintain Colorado residency. In determining whether a person 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 will 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, residence of spouse and any minor children, 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, will not be deemed to terminate their Colorado residency. A student will 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. A person 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 a Natural Person'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 person's criminal history indicates he or she is not of Good Moral Character, the Division will not consider the following:~~
 - ~~a. The mere fact a person'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 person'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 subparagraph (K)(2) 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 person'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 person'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 person truthfully and fully reported the criminal conduct to the Division;~~
 - ~~v. The person's employment history after conviction or release, including but not limited to whether the person was vetted and approved to hold a state or out-of-state license for the purposes of employment in a regulated industry;~~
 - ~~vi. The person'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.~~~~~~

Basis and Purpose – Rule 265-1

The statutory basis for this rule includes but is not limited to sections 44-11-202(1)(b), 44-11-202(1)(e), 44-11-202(2)(a)(XVII), 44-11-202(2)(a)(XXIV), 44-11-304, 44-11-310(7), 44-11-310(13), 44-12-202(2)(b), 44-12-202(3)(a)(XVI), 44-12-202(3)(a)(XVII), 44-12-304, 24-4-104, and 24-4-105, C.R.S. The purpose of this rule is to clarify the procedures and factors governing the denial process and voluntary withdrawal process for all licenses issued by the State Licensing Authority.

Rule 265-1—Application Denial/Voluntary Withdrawal

- 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~~
- ~~The State Licensing Authority will deny an application for Good Cause.~~
 - ~~The State Licensing Authority will deny an application from an Applicant that is statutorily disqualified from holding a license.~~
 - ~~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~~
- ~~The Division and Applicant may mutually agree to allow the voluntary withdrawal of an application in lieu of a denial proceeding.~~
 - ~~Applicants must first submit a form to the Division requesting the voluntary withdrawal of the application. Applicants will submit the form 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.~~
 - ~~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.~~
 - ~~The Division will notify the Applicant of its acceptance of the voluntary withdrawal and the terms thereof.~~
 - ~~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.

Basis and Purpose—Rule 270-1

~~The statutory basis for this rule includes but is not limited to sections 44-11-202, 44-11-401(1.5), 44-12-202, and 44-12-401(1.5), C.R.S. The purpose of this rule is to establish procedures and requirements for any Person appointed by a court as a receiver, personal representative, executor, administrator, guardian, conservator, trustee, or similarly situated Person acting in accordance with section 44-11-~~

~~401(1.5), and 44-12-401(1.5), C.R.S., and authorized by court order to take possession of, operate, manage, or control a Regulated Marijuana Business.~~

Rule 270-1—Temporary Appointee Registrations for Court Appointees

A. ~~Notice and Application Requirements for All Court Appointees:~~

- ~~1. Notice to the State and Local Licensing Authorities. Within seven days of accepting an appointment as a Court Appointee pursuant to section 44-11-401(1.5), C.R.S., such Court Appointee must file a notice to the State Licensing Authority and the applicable local licensing authority on a form required by the State Licensing Authority which must include at least:
 - ~~a. A copy of the order appointing the Court Appointee;~~
 - ~~b. A statement affirming the Court Appointee complied with the certification required by sections 44-11-401(1.5)(a), and/or 44-12-401(1.5)(a), C.R.S.;~~
 - ~~c. If the Court Appointee is an entity, a list of all natural persons responsible for taking possession of, operating, managing, or controlling the Regulated Marijuana Business; and~~
 - ~~d. A complete list of all Regulated Marijuana Businesses for which the Court Appointee was appointed and the respective dates during which the Court Appointee is currently serving, or has previously served, as a receiver, personal representative, executor, administrator, guardian, conservator, trustee, or similarly situated Person.~~~~
- ~~2. Application for Finding of Suitability. Within 14 days of accepting an appointment as a Court Appointee pursuant to section 44-11-401(1.5), and/or 44-12-401(1.5), C.R.S., each Court Appointee must file an application for a finding of suitability with the State Licensing Authority on forms required by the State Licensing Authority. Each entity and natural person for whom a notice was filed pursuant to Rule 270-1(A) must file an application for a finding of suitability. The Division may in its discretion extend the 14 day deadline to file an application for a finding of suitability upon a showing of good cause. The Division may also in its discretion rely upon a recent licensing background investigation for Court Appointees that currently hold a license or Temporary Appointee Registration issued by the State Licensing Authority, and may waive all or part of the application fee accordingly.~~
- ~~3. Effective date. The Temporary Appointee Registration will issue following the State Licensing Authority's receipt of the notice required by Rule 270-1(A)(1), and is effective as of the date of the court appointment.~~

B. ~~Temporary Appointee Registration.~~

- ~~1. Entities. If the Court Appointee is an entity, the entity and all natural persons responsible for taking possession of, operating, managing, or controlling the Regulated Marijuana Business must receive a Temporary Appointee Registration. Every Court Appointee that is an entity must have at least one natural person with a Temporary Appointee Registration.~~

- ~~2. Temporary Appointee Registrations. Every Temporary Appointee Registration issued to a Person will be treated as an Owner License except where inconsistent with sections 44-11-401(1.5), C.R.S., and/or 44-12-401(1.5), or this Rule.~~
- ~~3. Other employees. Any other person working under the direction of a Court Appointee who possesses, cultivates, manufactures, tests, dispenses, sells, serves, transports, researches, or delivers Regulated Marijuana as permitted by privileges granted under a Regulated Marijuana Business license must have a valid Employee License.~~
- ~~4. Licensed Premises. A Court Appointee cannot establish an independent Licensed Premises, but is authorized to exercise the privileges of the Temporary Appointee Registration in the Licensed Premises of the Regulated Marijuana Business for which it is appointed.~~
- ~~5. Medical Marijuana Business Operators or Retail Marijuana Business Operators. A Court Appointee may retain a Medical Marijuana Business Operator or a Retail Marijuana Business Operator. If the Medical Marijuana Business Operator or Retail Marijuana Business Operator is the Court Appointee, see subparagraph E of this Rule.~~
- ~~6. Medical Code, Retail Code and Rules Applicable. Court Appointees are subject to the requirements of the Medical Code, the Retail Code and the rules promulgated thereto. Except where inconsistent with sections 44-11-401(1.5), or 44-12-401(1.5), C.R.S., or this Rule, the State Licensing Authority may take any action with respect to a Temporary Appointee Registration that it could take with respect to any license issued under the Medical Code and/or the Retail Code. In any action involving a Temporary Appointee Registration, these rules will be read to include the terms “registered”, “registration”, “registrant”, or any other similar terms in lieu of “licensed”, “licensee”, and any other similar terms as the context requires when applied to a Temporary Appointee Registration.~~

~~C. Administrative Actions.~~

- ~~1. Suspension, revocation, fine, or other administrative action regarding a Regulated Marijuana Business. In addition to any other basis for suspension, revocation, fine or other administrative action, a Regulated Marijuana Business’s license may, pursuant to subsections 44-11-202(1)(a), 44-11-401(1.5)(b), 44-11-601(1), 44-12-202(2)(a), 44-12-401(1.5), and 44-12-601(1), C.R.S., be suspended, revoked, or subject to other administrative action based upon its Court Appointee’s violations of the Medical Code, the Retail Code, the rules promulgated pursuant to either the Medical Code or the Retail Code, the terms, conditions, or provisions of the Temporary Appointee Registration issued by the State Licensing Authority, or any order of the State Licensing Authority. Grounds for discipline include, but are not limited to, the Court Appointee’s failure to timely notify the Division of the appointment or failure to timely apply for and obtain a finding of suitability. Such administrative action may occur even after the Temporary Appointee Registration is expired or surrendered, if the action is based upon an act or omission that occurred while the Temporary Appointee Registration was in effect.~~
- ~~2. Suspension, revocation, fine, or other administrative action regarding a Temporary Appointee Registration. In addition to any other basis for suspension, revocation, fine, or other administrative action, a Temporary Appointee Registration may, pursuant to section 44-11-202(1)(a), 44-11-401(1.5)(b), 44-11-601(1), 44-12-202(2)(a), 44-12-401(1.5), and 44-12-601(1), C.R.S., be suspended, revoked, or subject to other administrative action based upon the Court Appointee’s violations of the Medical Code, the Retail Code, the Rules promulgated pursuant to either the Medical Code or the Retail Code, the terms, conditions, or provisions of the Temporary Appointee Registration issued by the State Licensing Authority, or any order of the State Licensing Authority. Grounds for discipline~~

~~include, but are not limited to, the Court Appointee's failure to timely notify the Division of the appointment or failure to timely apply for and obtain a finding of suitability. Such administrative action may occur even after the Temporary Appointee Registration is expired or surrendered, if the action is based upon an act or omission that occurred while the Temporary Appointee Registration was in effect. If a Person holding a Temporary Appointee Registration also holds any other Owner License or Employee License, the Owner License, the Employee License, and the Temporary Appointee Registration may be suspended, revoked or subject to other administrative action for any violations of the Medical Code, the Retail Code, the rules promulgated pursuant to the Medical Code or the Retail Code, the terms, conditions, or provisions of the Temporary Appointee Registration, Owner License and/or Employee License issued by the State Licensing Authority, or any order of the State Licensing Authority.~~

~~3. Suitability. If the State Licensing Authority denies an application for a finding of suitability because the Court Appointee failed to timely apply for a finding of suitability, failed to timely provide all information requested by the Division in connection with an application for a finding of suitability, or was found unsuitable, the State Licensing Authority may also pursue administrative action as set forth in this Rule.~~

~~4. Court Appointee's Responsibility to Notify Appointing Court. The Court Appointee must notify the appointing court of any action taken against the Temporary Appointee Registration by the State Licensing Authority pursuant to sections 44-11-601, 44-12-601, or 24-4-104, C.R.S., within two business days. Such actions include, without limitation, the issuance of an Order to Show Cause, the issuance of an Administrative Hold, the issuance of an Order of Summary Suspension, the issuance of an Initial Decision by the Department's Hearings Division, or the issuance of a Final Agency Order by the State Licensing Authority. The Court Appointee must forward a copy of such notification to the Division at the same time the notification is made to the appointing court.~~

~~D. Expiration and Renewal.~~

~~1. Conclusion of Court Appointment. A Court Appointee's Temporary Appointee Registration expires upon the conclusion of a Court Appointee's court appointment. Each Court Appointee and each Regulated Marijuana Business that has a Court Appointee must notify the State Licensing Authority within two business days of the date on which a Court Appointee's court appointment ends, whether due to termination of the appointment by the court, substitution of another Court Appointee, closure of the court case, or otherwise. For a Court Appointee that is appointed in connection with multiple court cases, the notice must be filed with the State Licensing Authority with respect to each such case.~~

~~2. Annual Renewal. If it has not yet expired pursuant to Rule 270-1(D)(1), each Temporary Appointee Registration is valid for one year, after which it must be subject to annual renewal in accordance with the Medical Code, the Retail Code, and the rules promulgated pursuant to the Medical Code and/or the Retail Code. If a Court Appointee is appointed in connection with multiple court cases, the Temporary Appointee Registration is subject to annual renewal unless all such appointments have ended, whether due to termination of the appointments by the courts, substitution of other Court Appointees, closure of the court cases, or otherwise.~~

~~3. Other Termination. A Temporary Appointee Registration may be valid for less than the applicable term if surrendered, revoked, suspended, or subject to similar action.~~

~~E. Medical Marijuana Business Operators and/or Retail Marijuana Business Operators as Court Appointees. By virtue of its privileges of licensure, a Medical Marijuana Business Operator, a~~

~~Retail Marijuana Business Operator, and their respective Owner Licensees may serve as Court Appointees without a Temporary Appointee Registration subject to the following terms:~~

- ~~1. Notice to the State Licensing Authority of Appointment. The Medical Marijuana Business Operator, the Retail Marijuana Business Operator and its Owner Licensee(s) are responsible for notifying the State Licensing Authority within seven days of any court appointment to serve as a receiver, personal representative, executor, administrator, guardian, conservator, trustee, or similarly situated Person and take possession of, operate, manage, or control a Regulated Marijuana Business. Such notice must be accompanied by a copy of the order making the appointment, and must identify each Regulated Marijuana Business regarding which the Medical Marijuana Business Operator and/or Retail Marijuana Business Operator is appointed.~~
- ~~2. Notice to the Appointing Court of State Licensing Authority Action. The Medical Marijuana Business Operator, the Retail Marijuana Business and its Owner Licensee(s) are responsible for notifying the appointing court of any action taken against the Medical Marijuana Business Operator license, the Retail Marijuana Business Operator license and/or the Owner License by the State Licensing Authority pursuant to sections 44-11-601, 44-12-601 or 24-4-104, C.R.S., within two business days. Such actions include, without limitation, the issuance of an Order to Show Cause, the issuance of an Administrative Hold, the issuance of an Order of Summary Suspension, the issuance of an Initial Decision by the Department's Hearings Division, or the issuance of a Final Agency Order by the State Licensing Authority. The Medical Marijuana Business Operator, the Retail Marijuana Business Operator and its Owner Licensee(s) must forward a copy of such notification to the Division at the same time the notification is made to the appointing court.~~

~~Basis and Purpose—Rule 275-1~~

~~The statutory basis for this rule includes but is not limited to sections 44-11-202(5)(a)(IV), 44-11-307.6(5), 44-11-307.5(11), 44-11-310(8)(a), 44-11-601, 44-12-202(6)(a)(IV), 44-11-306.6(5), 44-11-306.6(11), 44-12-309(7)(a), and 44-12-601 C.R.S. The purpose of this rule is to clarify the conditions and procedures for divestiture of any Person prohibited from holding a license under sections 44-11-306 and 44-12-305, C.R.S., or who is found unsuitable by the State Licensing Authority. This rule also requires that every Regulated Marijuana Business have at least one Controlling Beneficial Owner and provides what happens in the event of suspension of a Regulated Marijuana Business's Controlling Beneficial Owner(s). Finally, this rule provides that Licensees cannot have unlicensed persons take actions on their behalf or for their benefit that the Licensees themselves are prohibited from taking under these rules, the Medical Code or the Retail Code.~~

~~Rule 275-1—Controlling Beneficial Owners that are Persons Prohibited, Unsuitable, Revoked or Suspended; At Least One Controlling Beneficial Owner Holding a Valid Owner License Required; and Prohibited Third-Party Acts~~

~~A. Controlling Beneficial Owners that are Persons Prohibited, Unsuitable or Revoked.~~

- ~~1. Less than 100% of all Controlling Beneficial Owners—Divestiture. If less than 100% of a Regulated Marijuana Business's Controlling Beneficial Owners are or become a Person prohibited by these Rules, the Medical Code or the Retail Code, have his or her Owner License revoked by a Final Agency Order, or are found unsuitable, the Regulated Marijuana Business must divest all of the Beneficial Ownership of that Controlling Beneficial Owner.
 - ~~a. Unless extended for good cause, within 90 days of a Controlling Beneficial Owner becoming a Person prohibited, having his or her Owner License revoked, or being found unsuitable, the Regulated Marijuana Business must either:~~~~

- ~~i. Submit a change of owner application, where required, and any document(s) necessary to transfer all of that Controlling Beneficial Owner's Owner's Interests to one or more Persons that are not prohibited or unsuitable. Any required change of owner application is subject to approval by the Division; or~~
 - ~~ii. Where a change of owner application is not required, transfer all of that Controlling Beneficial Owner's(s) Owner's Interests to one or more Persons that are not a Person prohibited or unsuitable.~~
 - ~~b. In determining whether good cause for an extension exists, the Division will consider whether there is any Owner Interest buy-back provision with the Controlling Beneficial Owner. If mediation, arbitration or a legal proceeding has been initiated regarding the required divestiture, the 90 day deadline is extended until 90 days following execution of a settlement agreement, arbitration order or final judgment concluding the mediation, arbitration or legal proceeding.~~
 - ~~c. A Regulated Marijuana Business that is a Publicly Traded Corporation must have a divestiture plan with its Controlling Beneficial Owners which must be disclosed to the Division pursuant to Rule 220 1(A).~~
 - ~~d. A Regulated Marijuana Business that fails to divest a Controlling Beneficial Owner as required by this Rule may be subject to denial, fine, suspension or revocation of its license(s). The State Licensing Authority may consider aggravating and mitigating factors surrounding measures taken to divest the unsuitable or prohibited person when determining the imposition of a penalty. However, a Regulated Marijuana Business that is unable to divest a Controlling Beneficial Owner that is a person prohibited or found unsuitable is prohibited from being issued or holding a license.~~
- ~~2. All Controlling Beneficial Owners are Unsuitable, Revoked or Persons Prohibited. A Regulated Marijuana Business's License may be revoked if 100% of its Controlling Beneficial Owners are found unsuitable, have his or her Owner's License revoked or are Persons prohibited by these Rules, the Medical Code or the Retail Code.~~
- ~~B. Suspension of Controlling Beneficial Owners.~~
 - ~~1. Suspension of Less than 100% of the Controlling Beneficial Owner(s) of a Regulated Marijuana Business. In the event of the suspension of the Owner License of a Controlling Beneficial Owner, either (i) the Regulated Marijuana Business must 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. Suspension of 100% of the Controlling Beneficial Owners of a Regulated Marijuana Business. A Regulated Marijuana Business cannot operate or Transfer Regulated Marijuana if all Controlling Beneficial Owners are suspended.~~
- ~~C. At Least One Controlling Beneficial Owner Holding a Valid Owner License Required. No Regulated Marijuana Business may operate or be licensed unless it has at least one Controlling Beneficial Owner who holds a valid Owner License.~~
- ~~D. Loss Of Owner License As A 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.~~

~~E. 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.~~

Part 2 – Applications and Licenses – Effective November 1, 2019

2-100 Series – Applicability

Basis and Purpose – 2-105

House Bill 19-1090 includes a safety cause and provides it applies to all applications received on or after November 1, 2019. The purpose of this rule is to clarify the effective date of these rules given the safety clause and November 1, 2019, application date in HB19 1090.

2-105 – Applicability

These rules are effective November 1, 2019. Applications requiring a finding of suitability, involving a Publicly Traded Corporation, or involving 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 date these rules are adopted by the State Licensing Authority.

2-200 Series – Applications and Licenses Rules

Basis and Purpose – 2-205

The statutory basis for this rule includes but is not limited to sections 44-10-103, 44-10-202(1)(b), 44-10-202(1)(c), 44-10-202(1)(e), 44-10-203(1)(j), 44-10-203(1)(i), 44-10-203(2)(b), 44-10-203(2)(h), 44-10-203(2)(q), 44-10-203(2)(w), 44-10-203(2)(dd)(XII), 44-10-303(2)(b), 44-10-310(7), 44-10-313, 44-10-401, 44-10-801, 44-10-802, 44-10-803, 44-10-1201, 44-10-1202. C.R.S. Authority also exists in the Colorado Constitution at Article XVIII, Subsection 16(5)(a)(II). The purpose of this rule is to establish fees required for applications, renewals, licenses fees, permits, and other fees required to accompany applications and submissions to the Division. The Division anticipates evaluating all fees in connection with a fee analysis. Any recommendations from the fee analysis will be considered during subsequent rulemaking proceedings. This Rule 2-205 was previously Rules M 207, 208, 209, 210, 235, and 236, 1 CCR 212-1, and Rules R 207, 208, 209, 210, 234, and 235, 1 CCR 212-2.

2-205 – Fees

A. Regulated Marijuana Business Initial Application and License Fees.

1. Medical Marijuana Businesses.

<u>License Type</u>	<u>Application Fee</u>	<u>License Fee</u>
<u>Medical Marijuana Store</u>	<u>\$5,000.00</u>	<u>\$2,000.00</u>
<u>Medical Marijuana Products Manufacturer</u>	<u>\$1,000.00</u>	<u>\$1,500.00</u>
<u>Medical Marijuana Cultivation Facility</u>	<u>\$1,000.00</u>	<u>\$1,500.00</u>
<u>Class 1 (1-500 plants)</u>		<u>\$1,000.00</u>
<u>Class 2 (501-1,500 plants)</u>		<u>\$2,500.00</u>
<u>Class 3 (1,501-3,000 plants)</u>		<u>\$2,500.00 plus an additional \$1,000 for each class of 3,000 plants over Class 3.</u>
<u>Expanded Production Management (for each class of 3,000 plants over Class 3)</u>		
<u>Medical Marijuana Testing Facility</u>	<u>\$1,000.00</u>	<u>\$1,500.00</u>
<u>Medical Marijuana Transporter</u>	<u>\$1,000.00</u>	<u>\$4,400.00</u>
<u>Medical Marijuana Business Operator</u>	<u>\$1,000.00</u>	<u>\$2,200.00</u>
<u>Marijuana Research and Development Facility</u>	<u>\$1,000.00</u>	<u>\$1,500.00</u>

2. Retail Marijuana Businesses.

<u>License Type</u>	<u>Application Fee</u>	<u>License Fee</u>
<u>Retail Marijuana Store</u>	<u>\$5,000.00</u>	<u>\$2,000.00</u>
<u>Retail Marijuana Products Manufacturer</u>	<u>\$5,000.00</u>	<u>\$1,500.00</u>
<u>Retail Marijuana Cultivation Facility</u>	<u>\$5,000.00</u>	<u>\$1,500.00</u>
<u>Tier 1 (1-1,800 plants)</u>		<u>\$1,000.00</u>
<u>Tier 2 (1,801-3,600 plants)</u>		<u>\$2,000.00</u>
<u>Tier 3 (3,601-6,000 plants)</u>		<u>\$4,000.00</u>

Tier 4 (6,001-10,200 plants)		\$6,000.00
Tier 5 (10,201-13,800 plants)		\$6,000.00 plus an additional \$1,000 for each tier of 3,600 plants over Tier 5
Expanded Production Management (for each additional tier of 3,600 plants over Tier 5)		
Retail Marijuana Testing Facility	\$1,000.00	\$1,500.00
Retail Marijuana Transporter	\$1,000.00	\$4,400.00
Retail Marijuana Business Operator	\$1,000.00	\$2,200.00
Marijuana Hospitality Business	\$1,000.00	\$1,000.00
Retail Marijuana Hospitality and Sales Business	\$5,000.00	\$2,000.00

B. Regulated Marijuana Business Renewal Application and License Renewal Fees.

1. Medical Marijuana Businesses.

<u>License Type</u>	<u>Application Fee</u>	<u>License Renewal Fee</u>
Medical Marijuana Store	\$300.00	\$1,500.00
Medical Marijuana Products Manufacturer	\$300.00	\$1,500.00
Medical Marijuana Cultivation Facility		\$1,500.00
Class 1 (1-500 plants)		\$800.00
Class 2 (501-1,500 plants)	\$300.00	\$2,000.00
Class 3 (1,501-3,000 plants)		\$2,000.00 plus an additional \$800 for each class of 3,000 plants over Class 3.
Expanded Production Management (for each class of 3,000 plants over Class 3)		
Medical Marijuana Testing Facility	\$300.00	\$1,500.00
Medical Marijuana Transporter	\$300.00	\$4,400.00
Medical Marijuana Business Operator	\$300.00	\$2,200.00

Marijuana Research and Development Facility	\$300.00	\$1,500.00
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2. [Retail Marijuana Businesses.](#)

License Type	Application Fee	License Renewal Fee
Retail Marijuana Store	\$300.00	\$1,500.00
Retail Marijuana Products Manufacturer	\$300.00	\$1,500.00
Retail Marijuana Cultivation Facility	\$300.00	\$1,500.00
Tier 1 (1-1,800 plants)		\$800.00
Tier 2 (1,801-3,600 plants)		\$1,500.00
Tier 3 (3,601-6,000 plants)		\$3,000.00
Tier 4 (6,001-10,200 plants)		\$5,000.00
Tier 5 (10,201-13,800 plants)		\$5,000.00 plus an additional \$800.00 for each tier of 3,600 plants over Tier 5
Expanded Production Management (for each additional tier of 3,600 plants over Tier 5)	\$300.00	
Retail Marijuana Testing Facility	\$300.00	\$1,500.00
Retail Marijuana Transporter	\$300.00	\$4,400.00
Retail Marijuana Business Operator	\$300.00	\$2,200.00
Marijuana Hospitality Business	\$300.00	\$750.00
Retail Marijuana Hospitality and Sales Business	\$300.00	\$1,500.00

C. [Owner Request for a Finding of Suitability, Owner License, and Owner Identification Badge – Initial Application and Renewal Fees.](#)

1. [Controlling Beneficial Owner Request for a Finding of Suitability Fee.](#)

- a. [\\$800.00 per Natural Person](#)
- b. [\\$800.00 for an Entity that is not a Publicly Traded Corporation, plus the fee in paragraph \(C\)\(1\)\(a\)](#)
- c. [\\$5,000.00 for a Publicly Traded Corporation, plus the fee in paragraph \(C\)\(1\)\(a\).](#)

2. Passive Beneficial Owner Request for Finding of Suitability. A Passive Beneficial Owner may, but is not required to, apply for an Owner License and Identification Badge and if the Passive Beneficial Owner chooses to do so, must submit the fees required by subparagraph (C)(1).

3. Renewal Fee for an Owner License. All Controlling Beneficial Owners and licensed Passive Beneficial Owners - \$500.00.

D. Employee License – Initial Fees and Renewal Fees.

1. Key Initial Application and License Fee – \$250.00

a. Of the total Key License fee, \$225.00 is the application fee and \$25.00 is the license fee. An applicant for a Key License may submit the total fee of \$250.00 in one form of payment.

2. Support Initial Application and License Fee - \$75.00

b. Of the total Support License fee, \$50.00 is the application fee and \$25.00 is the license fee. An applicant for a Support License may submit the total fee of \$75.00 in one form of payment.

3. Employee License Renewal Fee for Key and Support Licenses – \$75.00

E. Temporary Appointee Registration – Request for Finding of Suitability Fees.

1. Natural Person – \$225.00

2. Entity – \$800.00

F. Other Fees. The following other fees apply:

1. Permits.

a. Off Premises Storage Permit – \$1,500.00

b. Transporter Off Premises Storage Permit – \$2,200.00

c. Centralized Distribution Permit Initial and Renewal Fee – \$20.00

d. R&D Co-Location Permit Initial and Renewal Fee – \$50.00

2. Regulated Marijuana Business Changes. The following fees apply per license:

a. Change of Controlling Beneficial Owner – Not involving a Publicly Traded Corporation – New Controlling Beneficial Owner(s) – \$1,600.00

b. Changes Exempt from Change of Owner Application Requirement – \$800.00

c. Change of Trade Name – \$50.00

d. Change of Location – \$500.00

e. Modification of Licensed Premises – \$100.00

3. Marijuana Research and Development Facility Research Project Proposal – \$500.00
 4. Responsible Vendor Provider Applications.
 - a. Responsible Vendor Program Provider Initial Application – \$850.00
 - b. Responsible Vendor Program Provider Renewal Application – \$350.00
 5. Duplicate License, Identification Badge, or Certificate.
 - a. Duplicate Business License – \$20.00
 - b. Duplicate Owner or Employee Identification Badge – \$20.00
 - c. Responsible Vendor Program Provider Duplicate Certificate – \$50.00
- G. When Fees are Due. All fees in this Rule are due at the time the application or request is submitted.

Basis and Purpose – 2-210

The statutory basis for this rule includes but is not limited to sections 44-10-202(1)(c), 44-10-202(1)(e), 44-10-203(1)(c), 44-10-203(1)(j), 44-10-203(2)(w), 44-10-305, 44-10-901(2), and 24-4-105(2) C.R.S. The purpose of this rule is to clarify the duties that Applicants and Licensees have when reporting to the State Licensing Authority information that is necessary for the issuance of a state license. These duties include but are not limited to reporting and keeping a mailing address current, reporting a felony conviction or other disqualifying event, cooperating with the State Licensing Authority and his or her employees, and notifying the State Licensing Authority of any change of registered agent in the State of Colorado. This rule further provides that all communications or notifications that the State Licensing Authority or Division send an Applicant or Licensee will be sent to the last known address. The Applicant's or Licensee's failure to notify the Division of a change of address does not relieve the Applicant or Licensee from timely responding to any correspondence or notification.

2-210 – Duties of All Applicants and Licensees

- A. Duty to Keep Mailing Address Current: All Applicants and Licensees.
1. Timing of Notification. An Applicant or 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 written notice from the Licensee or its authorized agent.
 2. State Licensing Authority and Division Communications. The State Licensing Authority and Division will send any formal notifications or determinations regarding any application or an administrative action to the last mailing address and to the last electronic mailing address, if any, furnished to the Division by the Applicant or Licensee.
 3. Failure to Change Address Does Not Relieve Applicant's or Licensee's Obligations. An Applicant's or Licensee's failure to notify the Division of a change of physical or electronic mailing address does not relieve the Applicant or Licensee from the obligation of responding to a Division communication or a State Licensing Authority communication.
- B. Duty to Report Felony Convictions, Deferred Sentences and Judgments. An Applicant or Licensee must notify the Division in writing of any felony conviction or deferred sentence or

judgment regarding a felony against him or her within seven days of the conviction or deferred sentence or judgment. The notification must include disposition documents. Failure to make required notification to the Division may be grounds for administrative action.

- 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 Marijuana 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 administrative 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.

Basis and Purpose – 2-215

The statutory basis for this rule includes but is not limited to sections 44-10-202(1)(c), 44-10-203(1)(j), 44-10-203(2)(a), 44-10-203(2)(c), 44-10-203(2)(k), 44-10-203(2)(w), 44-10-305, 44-10-307, 44-10-308, 44-10-309, 44-10-310, 44-10-311, 44-10-312, 44-10-313, 44-10-314 and 44-10-316, C.R.S. The purpose of this rule is to establish requirements for all applications including: required application fees; complete, accurate and truthful applications; notification of the applicable local licensing authority or local jurisdiction; that the Applicant or Licensee establish he, she or it is not a person prohibited from licensure; submission of additional information or documents upon request by the Division; and notification that all application material may be disclosed consistent with the Marijuana Code.

2-215 – All Application Requirements

- A. Applicability. This Rule 2-215 applies to all applications submitted to the Division for a license, permit, or registration provided by the Marijuana Code.
- B. Division Forms Required. All applications for licenses, registrations, or permits authorized by subsections 44-10-401(2) and (3), C.R.S., must be made on current Division forms.
- C. Application Fees Required. Applications must be accompanied by full remittance of the required application and license fees. See Rule 2-205.
- D. 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.
- E. Local Licensing Authority/Local Jurisdiction.
 - 1. Each application must identify the applicable Local Licensing Authority or Local Jurisdiction.
 - 2. If the Local Licensing Authority or Local Jurisdiction requires a physical copy of the application, the Applicant or Licensee must submit the original application and one identical copy to the Division. Otherwise the Applicant or Licensee must submit only the original application to the Division.
- F. Applicant Not Prohibited From Licensure. Applicants must provide information establishing the Applicant is not a Person prohibited from licensure by section 44-10-307, 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.

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 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 Marijuana 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.

Basis and Purpose – 2-220

The statutory basis for this rule includes but is not limited to sections 44-10-202(1)(c), 44-10-202(1)(e), 44-10-203(1)(c), 44-10-203(1)(j), 44-10-203(2)(a), 44-10-203(2)(w), 44-10-203(2)(ee), 44-10-203(7), 44-10-301, 44-10-305, 44-10-307, 44-10-308, 44-10-309, 44-10-310, 44-10-311, 44-10-312, 44-10-313, and 44-10-316, C.R.S. The purpose of this rule is to establish the general requirements and processes for submission of an initial application for a Regulated Marijuana Business to the State Licensing Authority.

2-220 – Initial Application Requirements for Regulated Marijuana Businesses

A. Documents and Information Requested. 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 a Publicly Traded Corporation must maintain corporate governance documents as required by the securities exchange on which its securities are listed and traded, and section 44-10-103(50), C.R.S., and must provide those corporate governance documents with each initial application.
 - b. A Regulated Marijuana Business that is not a Publicly Traded Corporation is not required to maintain any corporate governance documents. However, if the Regulated Marijuana Business that is not a Publicly Traded Corporation

voluntarily maintains corporate governance documents, the Division encourages inclusion of such 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 inches, the Applicant must also provide a copy of the diagram in a portable document format (.pdf).
8. All required findings of suitability issued by the Division.
9. If the Applicant is a Publicly Traded Corporation:
 - a. Documents establishing the Publicly Traded Corporation qualifies to hold a Regulated Marijuana Business license including but not limited to disclosure of 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; and
 - b. Divestiture plan for any Controlling Beneficial Owner that is a Person prohibited by the Marijuana Code, has had her or his Owner License revoked, or has been found unsuitable.
10. Financial Statements. Consolidated financial statements (which may be prepared on either a calendar or fiscal year basis) that were 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 audited financial statements by another regulator (e.g. United States Securities and Exchange Commission or the Canadian Securities Administrators) 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 (e.g. EDGAR or SEDAR), the Applicant or Regulated Marijuana Business may provide notification of the website link where the financial statements can be accessed in lieu of hardcopy submission.
11. Tax Documents. 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.

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. If the Division grants a license for a Retail Marijuana Business before the Local Jurisdiction approves the application or grants a local license, the state license will be conditioned upon Local Jurisdiction approval. If the Local Jurisdiction denies the application, the state license will be revoked.
- b. 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.
- c. An Applicant is prohibited from operating a Retail Marijuana Business prior to obtaining all necessary approvals or licenses from the State Licensing Authority and the Local Jurisdiction.

Basis and Purpose – 2-225

The statutory basis for this rule includes but is not limited to sections 44-10-202(1)(c), 44-10-202(1)(e), 44-10-203(1)(c), 44-10-203(2)(a), 44-10-203(2)(c), 44-10-203(2)(w), 44-10-203(2)(ee), 44-10-203(7), 44-10-307, 44-10-308, 44-10-309, 44-10-313, 44-10-314, and 44-10-316 C.R.S. The purpose of this rule is to establish the requirements and procedures for the license renewal process.

2-225 – 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 of 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.

1. A Licensee must apply for the renewal of an existing license at least 30 days prior to the Licensee's expiration date. A renewal application filed at least 30 days prior to expiration of the license is timely pursuant to subsection 24-4-104(7), C.R.S., and the Licensee may continue to operate until a Final Agency Order on the renewal application.
2. If the Licensee files a renewal application less than 30 days prior to expiration, the Licensee must provide a written explanation detailing the circumstances surrounding the untimely filing. If the Division accepts the application, then the application is deemed timely pursuant to subsection 24-4-104(7), C.R.S., and the Licensee may continue to operate until Final Agency Order on the renewal application.

D. License Expiration.

1. If License Not Renewed Before Expiration. A license is immediately invalid upon expiration if the Licensee has not filed a renewal application and remitted all of the required application and license fees prior to the license expiration date. A Regulated Marijuana Business that fails to file a renewal application and remit all required application and license fees prior to the license expiration date must not operate unless it first obtains a new state license and any required local license
2. Administratively Continued Regulated Marijuana License. In the event of a renewal application filed after the license expiration date, a Regulated Marijuana Business may not operate unless and until the Division informs the Regulated Marijuana Business Licensee that the license has been administratively continued. A Regulated Marijuana Business whose license has been administratively continued may continue to operate until Final Agency Order on the renewal application. Review of the renewal application will include, among other factors, a review of whether the Regulated Marijuana Business operated with an expired license.
3. The Division will not accept a renewal application filed more than 90 days after the expiration date of the license. A Regulated Marijuana Business license that expired over 90 days prior to submission of the Regulated Marijuana Business' renewal application may only submit a new initial license application to the State Licensing Authority.

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 approval of any subsequent initial application.

F. Licenses Subject to Ongoing Administrative Action. Licenses subject to an administrative action are subject to the requirements of this Rule. Licenses that are not timely renewed expire and cannot be renewed.

G. Documents Required at Renewal. A Regulated Marijuana Business must provide the following documents with every renewal application:

1. Any document required by Rule 2-220(A)(1) through (10) that has changed since the document was last submitted to the Division. It is a license violation affecting public safety to fail to submit any document that changed since the last submission for the purpose of circumventing the requirements of the Marijuana Code, or these Rules;
2. A copy of the Local Licensing Authority or Local Jurisdiction approval, licensure, and/or documentation demonstrating timely submission of pending local license renewal application;
3. 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 or the Canadian Securities Administrators;
4. A Regulated Marijuana Business operating under a single Entity name with more than one license may submit the following documents only once each calendar year on the first license renewal in lieu of submission with every license renewal in the same calendar year:

- a. Tax documents and financial statements required by Rule 2-220(A)(11) and (12);
- b. 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;
- c. A copy of all management agreement(s) the Regulated Marijuana Business has entered into regardless of whether the Person is licensed or unlicensed.; and
- d. Contracts, agreements, royalty agreements, equipment leases, financing agreement, or security contract for any Indirect Financial Interest Holder that is required to be disclosed by Rule 2-230(A)(3).

H. Controlling Beneficial Owner Signature. At least one Controlling Beneficial Owner shall sign the renewal application. However, other Controlling Beneficial Owners may be required to sign authorizations and/or requests to release information.

Basis and Purpose – 2-230

The statutory basis for this rule includes but is not limited to sections 44-10-202(1)(c), 44-10-202(1)(e), 44-10-203(1)(c), 44-10-203(1)(j), 44-10-203(2)(c), 44-10-203(2)(t), 44-10-203(2)(u), 44-10-203(2)(w), 44-10-203(2)(ee), 44-10-203(7), 44-10-308, 44-10-309, and 44-10-316, C.R.S. Section 44-10-309, C.R.S., establishes varying disclosure requirements for Applicants and Licensees regarding disclosure of financial interests and ownership in a Regulated Marijuana Business. The purpose of this rule is to clarify information an Applicant or Licensee must disclose to the State Licensing Authority at the various levels, which include mandatory disclosure, disclosure in the State Licensing Authority's discretion, and disclosure for reasonable cause. This rule also provides factors that will be considered in determining whether a Regulated Marijuana Business exercised reasonable care and whether a Person is in control of a Regulated Marijuana Business.

2-230 – Disclosure of Financial Interests in a Regulated Marijuana Business

- A. Mandatory Disclosures. Information required to be disclosed by section 44-10-309, C.R.S., must be identified in every initial, renewal, and change of owner application. Mandatory disclosures include, but are not limited:
- 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; and
 - ii. Beneficial Owners of ten percent or more of the Controlling Beneficial Owner.
 - b. Natural persons:
 - 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 of the operating capital of the Regulated Marijuana Business or if the calculation yields a negative number. 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 and 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. An updated list of all Non-objecting Beneficial Owners in a Publicly Traded Corporation that is either a Regulated Marijuana Business or a Controlling Beneficial Owner reflecting ownership as of the date of request;
 - 2. All Passive Beneficial Owners in a Regulated Marijuana Business that is not a Publicly Traded Corporation. If the Passive Beneficial Owner is not a natural person, the members of the board of directors, general partners, managing members, or Managers or Executive Officers and Beneficial Owners of ten percent or more of the Passive Beneficial Owner;

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 Beneficial Owners of ten percent or more of the Indirect Financial Interest Holder.

D. Affirmation of Reasonable Care.

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 must affirm it exercised reasonable care to confirm its Passive Beneficial Owner(s), including any Qualified Institutional Investor(s), and Indirect Financial Interest Holder(s) are not Persons prohibited from holding a license under these Rules or the Marijuana Code. A Regulated Marijuana Business exercises reasonable care if it:
 - a. Receives documentation from each Passive Beneficial Owner, including any Qualified Institutional Investor, and each Indirect Financial Interest Holder affirming each is not a Person prohibited from holding a license by these Rules or the Marijuana Code; and
 - b. The Regulated Marijuana Business does not know or reasonably should not know facts that would contradict the Passive Beneficial Owner or Indirect Financial Interest Holder's affirmation.
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 must affirm it exercised reasonable care to confirm its Passive Beneficial Owners, including any Qualified Institutional Investor(s), both of which are Non-Objecting Beneficial Owners, and Indirect Financial Interest Holder(s) are not Person prohibited from holding a license by these Rules and the Marijuana Code. A Regulated Marijuana Business that is a Publicly Traded Corporation exercises reasonable care if it:
 - a. At least annually, checks a list of its Passive Beneficial Owners, including any Qualified Institutional Investor(s), both of which are Non-Objecting Beneficial Owners, against 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 Persons Barred by FINRA to determine if there are any prohibited Persons;
 - b. Receives documentation from its Indirect Financial Interest Holder(s) affirming each is not a Person prohibited from holding a license by these Rules or the Marijuana Code; and
 - c. The Regulated Marijuana Business does not know or reasonably should not know facts that would contradict the Indirect Financial Interest Holder's affirmation.

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 a Controlling Beneficial Owner by virtue of common control.

1. Non-Exhaustive Factors. Non-exhaustive facts and circumstances that will be considered when evaluating Control include, but are not limited to:
 - a. The Person's percentage of ownership, if any;

- b. The Person's ability to influence the decision of the Regulated Marijuana Business;
 - c. The Person is a Manager of the Regulated Marijuana Business;
 - d. The Person has a close relationship, familial tie, or common purpose or motive with one or more Persons in Control of the Regulated Marijuana Business;
 - e. The Person has substantial business relationship(s) with the Regulated Marijuana Business;
 - f. The Person has the ability to control the proxy machinery or to win a proxy contest;
 - g. The Person is a primary creditor of the Regulated Marijuana Business; or
 - h. The Person is the original incorporator of the Regulated Marijuana Business.
2. Totality of the Evidence. The State Licensing Authority may consider the totality of the evidence when determining whether a Person has Control of a Regulated Marijuana Business or is a Controlling Beneficial Owner by virtue of common control.

Basis and Purpose – 2-235

The statutory basis for this rule includes but is not limited to sections 44-10-202(1)(e), 44-10-203(2)(c), 44-10-203(2)(ee), 44-10-309, 44-10-310, and 44-10-312(4), C.R.S. Section 44-10-310, C.R.S., requires that persons disclosed or who should have been disclosed to the State Licensing Authority obtain a finding of suitability from the State Licensing Authority. The purpose of this rule is to explain the conditions under which a Person is subject to either a mandatory finding of suitability or a finding of suitability for reasonable cause, to identify exemptions from an otherwise required finding of suitability and to identify the information and documents that, at a minimum, must be submitted in connection with any Person's request for a finding of suitability.

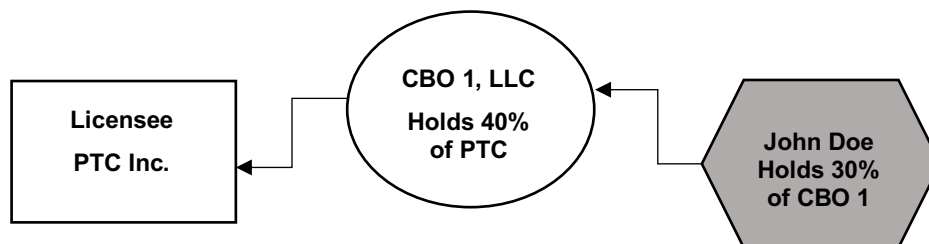
2-235 – Suitability

- A. Persons Subject to a Mandatory Finding of Suitability for Regulated Marijuana Businesses That Are Not Publicly Traded Corporations.
- 1. Except as provided in subparagraph (A)(1)(a), any Person intending to become a Controlling Beneficial Owner by submitting an initial application for any Regulated Marijuana Business that is not a Publicly Traded Corporation must first submit a request to the State Licensing Authority for a finding of suitability.
 - a. An individual who is a Controlling Beneficial Owner because he or she is a member of the board of directors or an Executive Officer of a Regulated Marijuana Business or is Controlling a Regulated Marijuana Business but who does not possess ten percent or more of the Owner's Interest in a Regulated Marijuana Business must submit a request for a finding of suitability to the State Licensing Authority within 45 days of becoming such a Controlling Beneficial Owner.
 - b. Whether an individual is an Executive Officer required to obtain a mandatory finding of suitability is based on the definition in these rules and the facts and circumstances. In determining whether an individual is an Executive Officer, the State Licensing Authority will consider the following, non-exhaustive factors:

- i. Title is not dispositive, however, the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, president, the General Counsel, and any individual with similar policy making authority are Executive Officers.
 - ii. The level of decision making authority the individual possess.
 - iii. The Controlling Beneficial Owner and/or Regulated Marijuana Business's organizational chart.
 - iv. Any relevant guidance from the United States Securities and Exchange Commission or similar securities regulator, securities rules or securities case law.
2. For a Controlling Beneficial Owner that is an Entity, the Entity's request for finding of suitability must include all information necessary for the State Licensing Authority to determine whether its Executive Officers and any Person that indirectly owns ten percent or more of the Owner's Interest in the Regulated Marijuana Business are suitable.
 3. Any Person that has not received a finding of suitability after November 1, 2019 and within the preceding 365 days who intends to become a Controlling Beneficial owner by submitting a change of owner application for a Regulated Marijuana Business must submit a request to the State Licensing Authority for a finding of suitability contemporaneously with the change of owner application.

B. Persons Subject to a Mandatory Finding of Suitability for Regulated Marijuana Businesses That Are Publicly Traded Corporations.

1. The following Persons must apply to the State Licensing Authority for a finding of suitability:
 - a. Any Person that becomes a Controlling Beneficial Owner of any Regulated Marijuana Business that is a Publicly Traded Corporation; and
 - b. 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 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 indirectly owns 12% of the outstanding securities of Licensee PTC Inc., and must apply to the State Licensing Authority for a finding of suitability.



2. For a Controlling Beneficial Owner that is an Entity, the Entity's request for finding of suitability must include all information necessary for the State Licensing Authority to

determine whether its Executive Officers and any Person that indirectly owns ten percent or more of the Owner's Interest in the Regulated Marijuana Business are suitable.

3. Timing of Request for Finding of Suitability Involving Publicly Traded Corporation.

- a. Unless exempted under Rule 2-235(E), all Persons that will be a Controlling Beneficial Owner in a Regulated Marijuana Business that is entering into a Publicly Traded Corporation transaction described in Rule 2-245(C)(1) must first obtain a finding of suitability by the State Licensing Authority before the transaction can close or the public offering can occur.
- b. A Person who becomes a Controlling Beneficial Owner in a Regulated Marijuana Business that is a Publicly Traded Corporation must submit a request for a finding of suitability to the State Licensing Authority within 45 days of becoming a Controlling Beneficial Owner.
- c. An individual who is a Controlling Beneficial Owner because he or she is a member of the board of directors or an Executive Officer of a Regulated Marijuana Business or is Controlling a Regulated Marijuana Business but who does not possess ten percent or more of the Owner's Interest in a Regulated Marijuana Business must submit a request for a finding of suitability to the State Licensing Authority within 45 days of becoming such a Controlling Beneficial Owner.

C. Finding of Suitability for Reasonable Cause. For Reasonable Cause, any other Person that was disclosed or should have been disclosed pursuant to subsections 44-10-309(1) or (2) or that was required to be disclosed based on previous notification of Reasonable Cause must 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 must 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 natural 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 section 44-10-307, 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;
- c. A list of all Department of Regulatory Agencies business, professional, or occupational licenses held in the three years prior to submission of the request for a finding of suitability;

d. A list of any marijuana business or personal 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

e. Disclosure of any civil lawsuits in which the Person was named 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 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 one-hundred eighty days for any accounts serving as a source of funding used to acquire the Owner's Interest in the Regulated Marijuana Business; or, if the Person is contributing one or more asset(s) to the Regulated Marijuana Business in exchange for the Owner's Interests, documents establishing the Person has owned such asset(s) for the preceding one-hundred eighty days.

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 Owner License issued by the State Licensing Authority and such Owner 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 after November 1, 2019, and 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 Request for Finding of Suitability. Absent Reasonable Cause, the State Licensing Authority must approve or deny a request for 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.

Basis and Purpose – 2-240

The statutory basis for this rule includes but is not limited to sections 44-10-103(53), 44-10-203(2)(ee)(C), 44-10-309(3), and 44-10-310(10), C.R.S. The purpose of this rule is to clarify factors the State Licensing Authority will consider when determining whether reasonable cause exists to require disclosure, to require a finding of suitability or to extend the 120 day deadline for granting or denying a request for a finding of suitability.

2-240 – Factors Considered in Determining Reasonable Cause for Disclosure, Finding of Suitability, and Extension of 120 Day Deadline for Finding of Suitability

- A. Non-Exhaustive Factors Informing Reasonable Cause Considerations. 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; or
 8. The Person failed to make any filing required by a securities regulator or securities exchange that has regulatory oversight over the Person.

Basis and Purpose – 2-245

The statutory basis for this rule includes but is not limited to sections 44-10-202(1)(e), 44-10-203(1)(d), 44-10-203(1)(j), 44-10-203(2)(ee)(I)(A) and (E), 44-10-203(7), 44-10-308(3)(b), 44-10-309, 44-10-310, 44-10-311, and 44-10-312, C.R.S. The purpose of this rule is to define the application process and conditions an Applicant or Licensee must meet when changing Beneficial Ownership in a Regulated Marijuana Business. This rule further describes requirements in the event of a dispute between the Controlling Beneficial Owners of a Regulated Marijuana Business.

2-245 – Change of Controlling Beneficial Owner Application or Notification

- A. Application for Change of Controlling Beneficial Owner(s) – Not a Publicly Traded Corporation.
1. Unless excepted pursuant to subparagraph (B) of this Rule, 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 whose Owner's Interest will not change 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. Upon completion of the investigation of a change of owner application, the State Licensing Authority will issue a contingent approval letter. However, the State Licensing Authority will not issue the state licensing until:
 - a. Local Approval Required. If local approval is required, the proposed Controlling Beneficial Owner(s) demonstrates to the State Licensing Authority that local approval has been obtained and notifies the State Licensing Authority of the date by which the change of owner will be completed, which must be within thirty days of the notification that local approval was obtained;
 - i. If a Local Licensing Authority or Local Jurisdiction requires a change of owner application and that application is denied, the State Licensing Authority will deny the State change of owner application;
 - b. No Local Approval Required. If local approval is not required, the proposed Controlling Beneficial Owner(s) demonstrates that such approval is not required and notifies the State Licensing Authority of the date by which the change of owner will be completed, which must be within thirty days of the of the notification. However, the proposed Controlling Beneficial Owner's notification to the Division must be made within 365 days of issuance of the Division's contingent approval letter.
4. If the change of owner application proposes one or more new Controlling Beneficial Owner(s), the proposed new Controlling Beneficial Owner(s) cannot 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 may be responsible for the actions of the Regulated Marijuana Business and its prior Controlling Beneficial Owner(s), 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 must include the following documents:
 - a. Asset purchase agreement, merger, sales contract, agreement, or any other document necessary to effectuate the change of owner;
 - b. Request for a finding of suitability for each proposed Controlling Beneficial Owner(s);

- c. Operating agreement, by-laws, partnership agreement, or other governing document(s) as will apply to the Regulated Marijuana Business if the change of owner application is approved;
 - d. Request for voluntary surrender form of the Owner License of 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 Marijuana or Retail Marijuana State Sales Tax or Wholesale license and any other documents necessary to verify tax compliance; and
 - f. Finding of suitability for any proposed Controlling Beneficial Owner that does not already hold a valid Owner License.
7. Licensee Initiates Change of Owner for Permitted Economic Interests Issued Prior to January 1, 2020. All natural persons holding a Permitted Economic Interest who seek to become a Controlling Beneficial Owner are subject to this Rule. The Regulated Marijuana Business must initiate the change of owner process for a natural person 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 must obtain a finding of suitability pursuant to Rule 2-235 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 transfer the entire Beneficial Ownership of their Regulated Marijuana Business.
- B. Change of Owner Involving a Publicly Traded Corporation. This Rule applies to transactions involving any Publicly Traded Corporation.
- 1. Publicly Traded Corporation Transactions. A Regulated Marijuana Business may transact with a Publicly Traded Corporation in the following ways:
 - 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, ten percent or more of the 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. Required Finding(s) of Suitability.

- a. Pre-Transaction Findings of Suitability Required. Any Person intending to become a Controlling Beneficial Owner in a Regulated Marijuana Business in connection with any transaction identified in subparagraph (B)(1)(a) through (c) above, must obtain a finding of suitability prior to the Publicly Traded Corporation transaction closing or becoming effective
- b. Ongoing Suitability Requirements. Any Person who 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 2-235 within forty-five days of becoming a Controlling Beneficial Owner. A Publicly Traded Corporation that is a Regulated Marijuana Business must 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.

3. Change of Owner Application Required. A Licensee entering into a transaction permitted in subparagraph (B)(1)(a)-(c) above with Publicly Traded Corporation must submit a change of owner application to the Division prior to the transaction closing. The change of owner application may be submitted simultaneously with the requests for finding(s) of suitability required by subparagraph (B)(2) or after the or after the request(s) for findings of suitability were submitted to the Division.

4. Mandatory Disclosure of Required, United States Securities and Exchange Commission, Canadian Securities Administrators and/or Securities Exchange Filings. A Regulated Marijuana Business and any Controlling Beneficial Owner that is required to file any document with the United States Securities and Exchange Commission, the Canadian Securities Administrators, any other similar securities regulator 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 United States Securities and Exchange Commission, the Canadian Securities Administrators or the securities exchange.

5. 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.

C. Exemptions to the Change of Owner Application Requirement.

1. Entity Conversions or Change of Legal Name. A Regulated Marijuana Business or a Controlling Beneficial Owner may combine with or convert, including but not limited to under sections 7-90-201 et seq., C.R.S., for the exclusive purpose of changing its Entity jurisdiction to one of the states or territories of the United States or the District of Columbia, its Entity type or change the legal name of an Entity without filing a change of owner application. These exemptions apply only if the Controlling Beneficial Owners and their Owner's Interests will remain the same after the combination, conversion, or change of legal name, and there will not be any new Controlling Beneficial Owners (individuals or Entities). Within fourteen days of the combination, conversion, or change of legal name the Regulated Marijuana Business must submit the following to the Division:

- a. A copy of the transaction documents;
 - b. Documents submitted to the Colorado Secretary of States;
 - c. Any document submitted to the secretary of state or similar regulator if the Entity is organized under the laws of a state of the United States other than Colorado, a territory of the United States, or the District of Columbia;
 - d. Identification of the Regulated Marijuana Business's or Controlling Beneficial Owner's registered agent;
 - e. Identification of any Passive Beneficial Owner and Indirect Financial Interest Holder for which disclosure is required by Rule 2-230; and
 - f. The fee required by Rule 2-205(F)(2)(b).
2. Reallocation of Owner's Interests Among Controlling Beneficial Owners. A Regulated Marijuana Business may reallocate Owner's Interests among existing Controlling Beneficial Owners holding valid Owner Licenses if it provides notification of the reallocation to the Division with its next application submission as long as there are no new Controlling Beneficial Owners. A reallocation under this rule is subject to the following requirements:
- a. All Owner's Interests of a Controlling Beneficial Owner may be reallocated to other existing Controlling Beneficial Owners;
 - b. If any Controlling Beneficial Owner will not hold any Owner's Interest in a Regulated Marijuana Business following the reallocation, that Controlling Beneficial Owner shall voluntarily surrender his or her Owner's License and identification badge within 30 days of the reallocation;
 - c. All Controlling Beneficial Owners remain responsible for all actions of the Regulated Marijuana Business while they were a Controlling Beneficial Owner and are subject to administrative action based on the same regardless of the reallocation; and
 - d. Disclosure and submission of the fee required by Rule 2-205(F)(2)(b) at the next application submission which shall not be longer than 365 days.
3. Passive Beneficial Owner Licensed Prior to August 1, 2019. A Passive Beneficial Owner who was issued an Owner License prior to August 1, 2019, and who has continuously maintained that license, is not required to submit a change of owner application if he or she becomes a Controlling Beneficial Owner in the business license(s) with which the Owner License is associated but must disclose and submit the fee required by Rule 2-205(F)(2)(b) at the next application submission which shall not be longer than 365 days.
4. Change of Executive Officer or Member of the Board of Directors. A change of owner application is not required for any new Controlling Beneficial Owner that does not possess ten percent or more of the Owner's Interest in a Regulated Marijuana Business and who is a member of the board of directors or Executive Officer of a Regulated Marijuana Business or is Controlling a Regulated Marijuana Business. Any such Controlling Beneficial Owner must submit a request for a finding of suitability as required by Rule 235-1 or, if exempt from a finding of suitability pursuant to Rule 235-1((E), then the Regulated Marijuana Business must provide notice of the new Controlling Beneficial Owner within forty-five days.

- D. Change of Passive Beneficial Owner. Persons 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 section 44-10-309, C.R.S., or Rule 2-230.
- E. Refundable and Nonrefundable Deposits Permitted. A proposed Controlling Beneficial Owner may provide a selling Controlling Beneficial Owner with a refundable or nonrefundable deposit in connection with a change of owner application.
- F. Controlling Beneficial Owner Dispute.
1. In the event of a dispute between Controlling Beneficial Owner(s) not involving divestiture under Rule 2-275 and precluding or otherwise impeding the ability to comply with these Rules, a Regulated Marijuana Business that is not a Publicly Traded Corporation must submit a change of owner application, notification pursuant to subparagraph (C) of this Rule, or initiate mediation, arbitration, or a judicial proceeding within 90 days of the dispute. The 90-day period may be extended for an additional 90 days upon a showing of good cause by the Regulated Marijuana Business.
 2. A Regulated Marijuana Business that is not a Publicly Traded Corporation must submit a change of owner application or notification pursuant to subparagraph (C) of this Rule within forty-five days of entry of a final court order, final arbitration award, or full execution of a settlement agreement altering the Controlling Beneficial Owner(s) of a Regulated Marijuana Business. Any change of owner application or notification based on a final court order, final arbitration award, or fully executed settlement agreement must include a copy of the order or settlement agreement and remains subject to approval by the Division. In this circumstance, the change of owner application or notification needs to be executed by at least one remaining Controlling Beneficial Owner.
 3. If mediation, arbitration, or a judicial proceeding is not timely initiated, or if a change of owner application or notification pursuant to subparagraph (C) of this Rule is not timely submitted following entry of a final court order, final arbitration award, or full execution of a settlement agreement altering the Controlling Beneficial Owner(s) of a Regulated Marijuana Business that is not a Publicly Traded Corporation, the Regulated Marijuana Business and its Owner Licensee(s) may be subject to fine, suspension, or revocation of their license(s).

Basis and Purpose – 2-250

The statutory basis for this rule includes but is not limited to sections 44-10-202(1)(e), 44-10-203(2)(ee)(I), 44-10-203(7), and 44-10-309(6), C.R.S. The purpose of this rule is to require notification to the State Licensing Authority of any filing with a securities regulator by an Applicant or Licensee.

2-250 – Regulated Marijuana Business that is a Publicly Traded Corporation – Notification of Non-Confidential Securities Filings

- A. A Regulated Marijuana Business that is a Publicly Traded Corporation must provide notice on Division forms within two business days of any non-confidential filing with the United States 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 must 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).

- B. In addition to any other administrative or investigative requests or inquiries, the Division may contact a Regulated Marijuana Business that is a Publicly Traded Corporation to obtain clarification of a securities filing.
- C. This Rule is currently limited to require notice of securities filings that are not confidential. However, this Rule may be evaluated during subsequent rulemaking proceedings and/or in connection with development of a policy regarding confidential securities filings.

Basis and Purpose – 2-255

The statutory basis for this rule includes but is not limited to sections 44-10-202(1)(c), 44-10-202(1)(e), 44-10-203(1)(j), 44-10-203(2)(a), 44-10-203(2)(e), 44-10-203(2)(w), 44-10-203(2)(cc), 44-10-305, 44-10-313(8), and 44-10-313(13), C.R.S. The purpose of this rule is to clarify the application process for changing location of a Licensed Premises.

2-255 – Change of Location of a Regulated Marijuana Business

- A. Application Required Before Changing Location of Licensed Premises. A Regulated Marijuana Business must apply for and receive Division approval before changing the location of its Licensed Premises.
- B. Application Requirements. A change of location application must include:
1. At least one signature of a Controlling Beneficial Owner and representation that the signing Controlling Beneficial Owner(s) is/are authorized to submit the application on behalf of the Regulated Marijuana Business.
 2. Evidence the Local Licensing Authority and/or Local Jurisdiction in which the Regulated Marijuana Business proposes to move have approved the proposed new location.
 3. The deed, lease, sublease, rental agreement, contract, or any other document(s) establishing the Licensee is, or will be, entitled to possession of the premises for which the application is made.
 4. Legible and accurate diagram for the proposed licensed Premises that complies with the requirements of the 3-200 Series Rules. The diagram must include a plan for the proposed 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 inches x 11 inches, the Applicant must also provide the diagram in a portable document format (.pdf).
- C. Change of Location Permit Required.
1. A Regulated Marijuana Business cannot change the location of its Licensed Premises until it receives a change of location permit from the Division.
 2. The permit is effective on the date of issuance, and the Licensee must, within 120 days, change the location of its Regulated Marijuana Business to the place specified in the change of location permit and at the same time cease to operate a Regulated Marijuana Business at the former location. For good cause shown, the 120-day deadline may be extended an additional 120 days.
 3. If the Regulated Marijuana Business does not change the location of its Licensed Premises within the time period granted by the Division, including any extension, the Regulated Marijuana Business must submit a new application, pay the change of location

fee, and receive a new change of location permit prior to changing the location of its Licensed Premises.

- D. Violation Affecting Public Safety. It is a violation affecting public safety if a Regulated Marijuana Business changes the location of its Licensed Premises without first obtaining a change of location permit from the Division, and any required approval(s) from the Local Licensing Authority and/or Local Jurisdiction.

Basis and Purpose – 2-260

The statutory authority for this rule includes but is not limited to sections 44-10-202(1)(c), 44-10-203(1)(c), 44-10-203(1)(e), 44-10-203(1)(j), 44-10-203(2)(a), 44-10-203(2)(h), 44-10-203(2)(w), 44-10-305, 44-10-313(8)(b), and 44-10-313(2) C.R.S. The purpose of this rule is to establish guidelines for changing, altering, modifying, or transitioning the Licensed Premises. This Rule 2-260 was previously Rules M and R 303, 1 CCR 212-1 and 1 CCR 212-2.

2-260 – Changing, Altering, or Modifying Licensed Premises

- A. Application Required to Change, Alter, or Modify Licensed Premises. After obtaining a license, the Licensee shall make no physical change, alteration, or modification of the Licensed Premises that materially or substantially alters the Licensed Premises or the usage of the Licensed Premises from the plans originally approved, without the Division's prior written approval and, written approval or written acknowledgement from the relevant Local Licensing Authority or Local Jurisdiction. The Licensee whose Licensed Premises are to be materially or substantially changed is responsible for filing an application for approval on current forms provided by the Division. Changes to the Licensed Premises which do not require an application must be disclosed on a floorplan submitted with the Licensee's renewal application.
- B. What Constitutes a Material Change. This Rule does not exempt Licensees from complying with any Local Licensing Authority or Local Jurisdiction requirements regarding material or substantial changes, alterations, or modifications to the Licensed Premises. Material or substantial changes, alterations, or modifications requiring Division approval include, but are not limited to, the following:
1. Any increase or decrease in the total physical size or capacity of the Licensed Premises;
 2. The sealing off, creation of or relocation of a common entryway, doorway, passage or other such means of public ingress and/or egress, when such common entryway, doorway or passage alters or changes Limited Access Areas, such as the cultivation, harvesting, manufacturing, testing, or sale of Regulated Marijuana within the Licensed Premises; or
 3. Any physical modification of the Licensed Premises which would require the installation of additional video surveillance cameras. See Rule 3-225 – Video Surveillance.
- C. Attachments to Application. The Division and relevant Local Licensing Authority or Local Jurisdiction may grant approval for the types of changes, alterations, or modifications described herein upon the filing of an application by the Licensee and payment of any applicable fee. The Licensee must submit all information requested by the Division, including but not limited to, documents that verify the following:
1. The Licensee will continue to have possession of the Licensed Premises, as changed, by ownership, lease, or rental agreement; and

2. The proposed change conforms to any local restrictions related to the time, manner, and place of Regulated Marijuana Business regulation.

Basis and Purpose – 2-265

The statutory basis for this rule includes but is not limited to sections 44-10-202(1)(c), 44-10-202(1)(e), 44-10-203(2)(b)-(c), 44-10-203(2)(e), 44-10-203(2)(t)-(u), 44-10-203(2)(w), 44-10-307, 44-10-308(2), 44-10-313(6), 44-10-401(2)(c), 44-10-901(1), and 24-76.5-101 et seq., C.R.S. Historically, natural persons who held an Owner's Interest in a Regulated Marijuana Business were required to hold an Associated Key License. This Rule transitions the Associated Key designation to an Owner License designation after August 1, 2019. The purpose of this rule is to clarify the requirements and procedures a Person must follow when applying for or possessing either an Owner License or an Employee License. This rule also identifies factors the State Licensing Authority will consider in determining whether a natural person is a resident and whether such person possess good moral character.

2-265 – Owner and Employee License: License Requirements, Applications, Qualifications, and Privileges

- A. Associated Key Licenses. Associated Key licenses remain valid until the first renewal following August 1, 2019, after which such licenses will be renewed as an Owner License.
- B. Owner Licenses Required.
 1. Each Controlling Beneficial Owner must hold a valid Owner License.
 2. If a Controlling Beneficial Owner is an Entity, then its Executive Officer(s) and any natural person who indirectly holds ten percent or more of the Owner's Interests in the Regulated Marijuana Business must also hold a valid Owner's License.
 3. A Passive Beneficial Owner who is a natural person may elect to hold an Owner License and obtain an Owner Identification Badge provided that such Person agrees to be disclosed as holding an Owner's Interest in the Regulated Marijuana Business.
 4. Only Controlling Beneficial Owners and Passive Beneficial Owners can obtain an Owner License.
- C. Owner License and Identification Badge or Employee License and Identification Badge Required. The following natural persons must possess a valid Owner License and Identification Badge or an Employee License and Identification Badge:
 1. Any natural person 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 natural person who has access to the Inventory Tracking System or a Regulated Marijuana Business point-of-sale system; and
 3. Any natural person with unescorted access in the Limited Access Area.
- D. Escort or Monitoring Required.
 1. Any natural person in a Limited Access Area that does not have a valid Owner License and Identification Badge or an Employee License and Identification Badge is a visitor and must be escorted at all times by a person 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 an Employee License and Identification Badge in the Limited Access Area is a license violation affecting public safety.

2. Patients and consumers in a Restricted Access Area and third-party vendors in a Limited Access Area do not need to be escorted at all times, but must be reasonably monitored to ensure compliance with these rules.
- E. Employee License Required to Commence or Continue Employment. Any natural person required to obtain an Employee License by these rules must obtain such license before commencing activities permitted by his or her Employee License.
- F. Owner License and Employee License Identification Badges Are Property of the State Licensing Authority. All Owner Licenses and Employee Licenses, and all Identification Badges are property of the State Licensing Authority.
- G. Owner and Employee Initial and Renewal Applications Required. Owner Licensees and Employee Licensees must submit initial license applications and renewal applications on Division forms and in accordance with this Rule and Rules 2-215, 2-220, and 2-225.
- H. 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 section 44-10-307, C.R.S.;
 - b. The Applicant has not been a State Licensing Authority employee with regulatory oversight responsibilities for Persons 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 support 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 on the Licensed Premises of a Regulated Marijuana Business must possess an Identification Badge and must establish and maintain Colorado residency. A Controlling Beneficial Owner will not be deemed to exercise day-to-day operational control by reason of holding a title defined as an Executive Officer.
 2. Owner License Exercising Privileges of an Employee License. A natural person who is a Colorado resident and holds an Owner License and Identification Badge may exercise the privileges of an Employee License in any Regulated Marijuana Business.

3. Business License Required. A natural person cannot hold an Owner License without holding a Regulated Marijuana Business license, or without at least submitting an application for a Regulated Marijuana Business license.

I. Employee License Qualifications and Privileges.

1. Employee License Qualifications and 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 section 44-10-307, C.R.S.;
- b. The Applicant has not been a State Licensing Authority employee with regulatory oversight responsibilities for Persons 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 support enforcement agency.
- d. Employee Licensees working in a Regulated Marijuana Business must be Colorado Residents at the time of initial license 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. A natural person who holds a current, valid Employee License and Identification Badge issued pursuant to the Marijuana Code may work in any 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 Division approved forms;
- b. Establish she or he meets the licensing criteria of this Rule 2-265(H)(1)(a)-(c);
- c. Provide evidence of proof of lawful presence; and
- d. Provide a complete Workforce Training or Development Affirmation form executed under penalty of perjury.

J. Owner Licensees 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.

K. Factors Considered when Determining Residency and Citizenship. This Rule applies to natural persons who are required to have and maintain Colorado residency. In determining whether a natural person 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 will 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, residence of spouse and any minor children, 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 Evidence. The State Licensing Authority will review the totality of the evidence, and any single 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, will not be deemed to terminate their Colorado residency. A student will be deemed "full-time" if considered full-time pursuant to the rules or policy of the educational institution he or she is attending.
- L. Evaluating a Natural Person's Good Moral Character Based on Criminal History.
1. In evaluating whether a Person is prohibited from holding a license pursuant to sections subsections 44-10-307(1)(b) or (c), C.R.S., based on a determination that the person's

criminal history indicates she or he is not of Good Moral Character, the Division will not consider the following:

- a. The mere fact a person'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 Applicant/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 from holding a license pursuant to subsections 44-10-307(1)(b) or (c), C.R.S., based on a determination that the person'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 subparagraph (K)(2) 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 Marijuana Code;
- b. Any information provided to the Division regarding the person'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 person's most recent criminal conviction and the application for a state license;
 - iii. Successful participation in an alcohol and drug treatment program;
 - iv. That the person truthfully and fully reported the criminal conduct to the Division;
 - v. The person's employment history after conviction or release, including but not limited to whether the person was vetted and approved to hold a state or out-of-state license for the purposes of employment in a regulated industry;

- vi. The person'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.

Basis and Purpose – 2-270

The statutory basis for this rule includes but is not limited to sections 44-10-202(1)(c), 44-10-202(1)(e), 44-10-203(1)(j), 44-10-203(2)(a), 44-10-203(2)(l)-(m), 44-10-203(2)(w), 44-10-305, 44-10-306, 44-10-307, 44-10-313(8), 24-4-104, and 24-4-105, C.R.S. The purpose of this rule is to clarify the procedures and factors governing the denial process and voluntary withdrawal process for all licenses issued by the State Licensing Authority. This Rule 2-270 is similar to the previous Rules M and R 251, 1 CCR 212-1 and 1 CCR 212-2.

2-270 – Application Denial and Voluntary Withdrawal

- A. Applicant Bears the 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 form to the Division requesting the voluntary withdrawal of the application. Applicants will submit the form 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.

Basis and Purpose – 2-275

The statutory basis for this rule includes but is not limited to sections 44-10-202(1)(b)-(c), 44-10-203(1)(j), 44-10-203(2)(q), 44-10-203(2)(t), 11-10-310, 44-10-401(3)(a)-(d), C.R.S. The purpose of this rule is to establish procedures and requirements for any Person appointed by a court as a receiver, personal representative, executor, administrator, guardian, conservator, trustee, or similarly situated Person acting in accordance with sections 44-10-401(3)(a)-(d), C.R.S., and authorized by court order to take possession of, operate, manage, or control a Regulated Marijuana Business. This Rule 2-275 was previously Rules M and R 253, 1 CCR 212-1 and 1 CCR 212-2.

2-275 – Temporary Appointee Registrations for Court Appointees

A. Notice and Application Requirements for All Court Appointees.

1. Notice to the State and Local Licensing Authorities. Within seven days of accepting an appointment as a Court Appointee pursuant to sections 44-10-401(3), C.R.S., such Court Appointee must file a notice to the State Licensing Authority and the applicable Local Licensing Authority on a form required by the State Licensing Authority which must include at least:

a. A copy of the order appointing the Court Appointee;

b. A statement affirming the Court Appointee complied with the certification required by section 44-10-401(3)(a), C.R.S.;

c. If the Court Appointee is an entity, a list of all natural persons responsible for taking possession of, operating, managing, or controlling the Regulated Marijuana Business; and

d. A complete list of all Regulated Marijuana Businesses for which the Court Appointee was appointed and the respective dates during which the Court Appointee is currently serving, or has previously served, as a receiver, personal representative, executor, administrator, guardian, conservator, trustee, or similarly situated Person.

2. Application for Finding of Suitability. Within 14 days of accepting an appointment as a Court Appointee pursuant to section 44-10-401(3), C.R.S., each Court Appointee must file an application for a finding of suitability with the State Licensing Authority on forms required by the State Licensing Authority. Each entity and natural person for whom a notice was filed pursuant to Rule 2-275(A) must file an application for a finding of suitability. The Division may in its discretion extend the 14 day deadline to file an application for a finding of suitability upon a showing of good cause. The Division may also in its discretion rely upon a recent licensing background investigation for Court Appointees that currently hold a license or Temporary Appointee Registration issued by the State Licensing Authority, and may waive all or part of the application fee accordingly.

3. Effective Date. The Temporary Appointee Registration will issue following the State Licensing Authority's receipt of the notice required by Rule 2-275(A)(1), and is effective as of the date of the court appointment.

B. Temporary Appointee Registration.

1. Entities. If the Court Appointee is an entity, the entity and all natural persons responsible for taking possession of, operating, managing, or controlling the Regulated Marijuana Business must receive a Temporary Appointee Registration. Every Court Appointee that is an entity must have at least one natural person with a Temporary Appointee Registration.
2. Temporary Appointee Registrations. Every Temporary Appointee Registration issued to a Person will be treated as an Owner License except where inconsistent with section 44-10-401(3), C.R.S., or this Rule.
3. Other employees. Any other person working under the direction of a Court Appointee who possesses, cultivates, manufactures, tests, dispenses, sells, serves, transports, researches, or delivers Regulated Marijuana as permitted by privileges granted under a Regulated Marijuana Business license must have a valid Employee License.
4. Licensed Premises. A Court Appointee cannot establish an independent Licensed Premises, but is authorized to exercise the privileges of the Temporary Appointee Registration in the Licensed Premises of the Regulated Marijuana Business for which it is appointed.
5. Medical Marijuana Business Operators or Retail Marijuana Business Operators. A Court Appointee may retain a Medical Marijuana Business Operator or a Retail Marijuana Business Operator. If the Medical Marijuana Business Operator or Retail Marijuana Business Operator is the Court Appointee, see subparagraph E of this Rule.
6. Marijuana Code and Rules Applicable. Court Appointees are subject to the requirements of the Marijuana Code and the rules promulgated thereto. Except where inconsistent with section 44-10-401(3), C.R.S., or this Rule, the State Licensing Authority may take any action with respect to a Temporary Appointee Registration that it could take with respect to any license issued under the Marijuana Code. In any action involving a Temporary Appointee Registration, these rules will be read to include the terms "registered", "registration", "registrant", or any other similar terms in lieu of "licensed", "licensee", and any other similar terms as the context requires when applied to a Temporary Appointee Registration.

C. Administrative Actions.

1. Suspension, Revocation, Fine, or Other Administrative Action Regarding a Regulated Marijuana Business. In addition to any other basis for suspension, revocation, fine, or other administrative action, a Regulated Marijuana Business's license may, pursuant to subsections 44-10-202(1)(b), 44-10-401(3)(b), and 44-10-901(1), C.R.S., be suspended, revoked, fined, or subject to other administrative action based upon its Court Appointee's violations of the Marijuana Code, the rules promulgated pursuant to the Marijuana Code, the terms, conditions, or provisions of the Temporary Appointee Registration issued by the State Licensing Authority, or any order of the State Licensing Authority. Grounds for discipline include, but are not limited to, the Court Appointee's failure to timely notify the Division of the appointment or failure to timely apply for and obtain a finding of suitability. Such administrative action may occur even after the Temporary Appointee Registration is

expired or surrendered, if the action is based upon an act or omission that occurred while the Temporary Appointee Registration was in effect.

2. Suspension, Revocation, Fine, or Other Administrative Action Regarding a Temporary Appointee Registration. In addition to any other basis for suspension, revocation, fine, or other administrative action, a Temporary Appointee Registration may, pursuant to subsections 44-10-202(1)(b), 44-10-401(3)(b), and 44-10-901(1), C.R.S., be suspended, revoked, or subject to other administrative action based upon the Court Appointee's violations of the Marijuana Code or the Rules promulgated pursuant to the Marijuana Code, the terms, conditions, or provisions of the Temporary Appointee Registration issued by the State Licensing Authority, or any order of the State Licensing Authority. Grounds for discipline include, but are not limited to, the Court Appointee's failure to timely notify the Division of the appointment or failure to timely apply for and obtain a finding of suitability. Such administrative action may occur even after the Temporary Appointee Registration is expired or surrendered, if the action is based upon an act or omission that occurred while the Temporary Appointee Registration was in effect. If a Person holding a Temporary Appointee Registration also holds any other Owner License or Employee License, the Owner License, the Employee License, and the Temporary Appointee Registration may be suspended, revoked, fined, or subject to other administrative action for any violations of the Marijuana Code or the rules promulgated pursuant to the Marijuana Code, the terms, conditions, or provisions of the Temporary Appointee Registration, Owner License, and/or Employee License issued by the State Licensing Authority, or any order of the State Licensing Authority.
3. Suitability. If the State Licensing Authority denies an application for a finding of suitability because the Court Appointee failed to timely apply for a finding of suitability, failed to timely provide all information requested by the Division in connection with an application for a finding of suitability, or was found unsuitable, the State Licensing Authority may also pursue administrative action as set forth in this Rule.
4. Court Appointee's Responsibility to Notify Appointing Court. The Court Appointee must notify the appointing court of any action taken against the Temporary Appointee Registration by the State Licensing Authority pursuant to sections 44-10-901 or 24-4-104, C.R.S., within two business days. Such actions include, without limitation, the issuance of an Order to Show Cause, the issuance of an Administrative Hold, the issuance of an Order of Summary Suspension, the issuance of an Initial Decision by the Department's Hearings Division, or the issuance of a Final Agency Order by the State Licensing Authority. The Court Appointee must forward a copy of such notification to the Division at the same time the notification is made to the appointing court.

D. Expiration and Renewal.

1. Conclusion of Court Appointment. A Court Appointee's Temporary Appointee Registration expires upon the conclusion of a Court Appointee's court appointment. Each Court Appointee and each Regulated Marijuana Business that has a Court Appointee must notify the State Licensing Authority within two business days of the date on which a Court Appointee's court appointment ends, whether due to termination of the appointment by the court, substitution of another Court Appointee, closure of the court case, or otherwise. For a Court Appointee that is appointed in connection with multiple court cases, the notice must be filed with the State Licensing Authority with respect to each such case.
2. Annual Renewal. If it has not yet expired pursuant to Rule 2-270(D)(1), each Temporary Appointee Registration is valid for one year, after which it must be subject to annual renewal in accordance with the Marijuana Code and the rules promulgated pursuant to the Marijuana Code. If a Court Appointee is appointed in connection with multiple court

cases, the Temporary Appointee Registration is subject to annual renewal unless all such appointments have ended, whether due to termination of the appointments by the courts, substitution of other Court Appointees, closure of the court cases, or otherwise.

3. Other Termination. A Temporary Appointee Registration may be valid for less than the applicable term if surrendered, revoked, suspended, or subject to similar action.

E. Medical Marijuana Business Operators and/or Retail Marijuana Business Operators as Court Appointees. By virtue of its privileges of licensure, a Medical Marijuana Business Operator, a Retail Marijuana Business Operator, and their respective Owner Licensees may serve as Court Appointees without a Temporary Appointee Registration subject to the following terms:

1. Notice to the State Licensing Authority of Appointment. The Medical Marijuana Business Operator or the Retail Marijuana Business Operator, and its Owner Licensee(s) are responsible for notifying the State Licensing Authority within seven days of any court appointment to serve as a receiver, personal representative, executor, administrator, guardian, conservator, trustee, or similarly situated Person and take possession of, operate, manage, or control a Regulated Marijuana Business. Such notice must be accompanied by a copy of the order making the appointment, and must identify each Regulated Marijuana Business regarding which the Medical Marijuana Business Operator and/or Retail Marijuana Business Operator is appointed.

2. Notice to the Appointing Court of State Licensing Authority Action. The Medical Marijuana Business Operator or the Retail Marijuana Business, and its Owner Licensee(s) are responsible for notifying the appointing court of any action taken against the Medical Marijuana Business Operator license, the Retail Marijuana Business Operator license and/or the Owner License by the State Licensing Authority pursuant to sections 44-10-901 or 24-4-104, C.R.S., within two business days. Such actions include, without limitation, the issuance of an Order to Show Cause, the issuance of an Administrative Hold, the issuance of an Order of Summary Suspension, the issuance of an Initial Decision by the Department's Hearings Division, or the issuance of a Final Agency Order by the State Licensing Authority. The Medical Marijuana Business Operator, the Retail Marijuana Business Operator and its Owner Licensee(s) must forward a copy of such notification to the Division at the same time the notification is made to the appointing court.

Basis and Purpose – 2-280

The statutory basis for this rule includes but is not limited to sections 44-10-203(2)(c), 44-10-203(2)(l), 44-10-203(2)(t), 44-10-203(2)(ee)(D), 44-10-203(7), 44-10-307, 44-10-309(4)-(5), 44-10-310(5) and (11), 44-10-313(8)(a), and 44-10-901, C.R.S. The purpose of this rule is to clarify the conditions and procedures for divestiture of any Person prohibited from holding a license under section 44-10-307, C.R.S., or who is found unsuitable by the State Licensing Authority. This rule also requires that every Regulated Marijuana Business have at least one Controlling Beneficial Owner and provides what happens in the event of suspension of a Regulated Marijuana Business's Controlling Beneficial Owner(s). Finally, this rule provides that Licensees cannot have unlicensed persons take actions on their behalf or for their benefit that the Licensees themselves are prohibited from taking under these rules or the Marijuana Code.

2-280 – Controlling Beneficial Owners that are Persons Prohibited, Unsuitable, Revoked, or Suspended; At Least One Controlling Beneficial Owner Holding a Valid Owner License Required; and Prohibited Third-Party Acts

- A. Controlling Beneficial Owners That Are Persons Prohibited, Unsuitable, or Revoked.

1. Less than 100% of all Controlling Beneficial Owners – Divestiture. If less than 100% of a Regulated Marijuana Business's Controlling Beneficial Owners are or become a Person prohibited from holding a license by these Rules or the Marijuana Code, have his or her Owner License revoked by a Final Agency Order, or are found unsuitable, the Regulated Marijuana Business must divest all of the Beneficial Ownership of that Controlling Beneficial Owner.
 - a. Unless extended for good cause, within 90 days of a Controlling Beneficial Owner becoming a Person prohibited from holding a license, having his or her Owner License revoked, or being found unsuitable, the Regulated Marijuana Business must either:
 - i. Submit a change of owner application, where required, and any document(s) necessary to transfer all of that Controlling Beneficial Owner's Interests to one or more Persons that are not prohibited from holding a license or unsuitable. Any required change of owner application is subject to approval by the Division; or
 - ii. Where a change of owner application is not required, transfer all of that Controlling Beneficial Owner's Interests to one or more Persons that are not a Person prohibited from holding a license or unsuitable.
 - b. In determining whether good cause for an extension exists, the Division will consider whether there is any Owner Interest buy-back provision with the Controlling Beneficial Owner. If mediation, arbitration, or a legal proceeding has been initiated regarding the required divestiture, the 90 day deadline is extended until 90 days following execution of a settlement agreement, arbitration order, or final judgment concluding the mediation, arbitration, or legal proceeding.
 - c. A Regulated Marijuana Business that is a Publicly Traded Corporation must have a divestiture plan with its Controlling Beneficial Owners which must be disclosed to the Division pursuant to Rule 2-220(A).
 - d. A Regulated Marijuana Business that fails to divest a Controlling Beneficial Owner as required by this Rule may be subject to denial, fine, suspension, or revocation of its license(s). The State Licensing Authority may consider aggravating and mitigating factors surrounding measures taken to divest the unsuitable or Person prohibited from holding a license when determining the imposition of a penalty. However, a Regulated Marijuana Business that is unable to divest a Controlling Beneficial Owner that is a Person prohibited from holding a license or found unsuitable is prohibited from being issued or holding a license.
2. All Controlling Beneficial Owners are Unsuitable, Revoked, or Persons Prohibited From Holding a License. A Regulated Marijuana Business's License may be revoked if 100% of its Controlling Beneficial Owners are found unsuitable, have his or her Owner's License revoked, or are Persons prohibited from holding a license by these Rules or the Marijuana Code.

B. Suspension of Controlling Beneficial Owners.

1. Suspension of Less than 100% of the Controlling Beneficial Owner(s) of a Regulated Marijuana Business. In the event of the suspension of the Owner License of a Controlling Beneficial Owner, either (i) the Regulated Marijuana Business must comply with all requirements of rule 8-210 – 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. Suspension of 100% of the Controlling Beneficial Owners of a Regulated Marijuana Business. A Regulated Marijuana Business cannot operate or Transfer Regulated Marijuana if all Controlling Beneficial Owners are suspended.
- C. At Least One Controlling Beneficial Owner Holding a Valid Owner License Required. No Regulated Marijuana Business may operate or be licensed unless it has at least one Controlling Beneficial Owner who holds a valid Owner License.
- D. Loss Of Owner License As A 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.
- E. 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.