

R 100 Series – General Applicability

Basis and Purpose – R 103

The statutory authority for this rule is found at subsection 12-43.4-202(2)(b), C.R.S. and all of the 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.

With regard to the definition of Child-Resistant, the State Licensing Authority relied extensively upon written commentary provided by a public health agency within a Colorado hospital, which had conducted a health impact assessment of packaging regulations, looking at accidental ingestion of medical marijuana. The assessment was supported by others in the public, including industry representatives and a physician specializing in medical toxicology.

With regard to the definition of Restricted Access Area, the State Licensing Authority relied extensively upon written commentary provided by a consumer advocate.

R 103 – Definitions

Definitions. The following definitions of terms, in addition to those set forth in section 12-43.4-103, C.R.S., shall apply to all rules promulgated pursuant to the Retail Code, unless the context requires otherwise:

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

“Additive” means any substance added to Retail Marijuana Product that is not a common baking or cooking item.

“Agreement” means any unsecured convertible debt option, option agreement, warrant, or at the Division’s discretion, other document that establishes a right for a person to obtain a Permitted Economic Interest that might convert to an ownership interest in a Retail Marijuana Establishment or Medical Marijuana Business.

“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.

“Applicant” means a Person that has submitted an application for licensure or registration pursuant to these rules that was accepted by the Division for review but has not been approved or denied by the State Licensing Authority. The term Applicant includes a Licensee or registrant, or an Applicant or registrant, that has submitted an application for an Indirect Beneficial Interest in a Retail Marijuana Establishment.

“Associated Key License” means an Occupational License for an individual who is a Direct Beneficial Interest Owner ~~an Owner~~ of the Retail Marijuana Establishment, other than a Qualified Limited Passive Investor. Each shareholder, officer, director, managing member, or partner of a Closely Held Business Entity that is a Direct Beneficial Interest Owner must hold an Associated Key License.

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

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

“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. 1700.20 (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 regulation, 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;
- c. Resealable for any product intended for more than a single use or containing multiple servings.

“Closely Held Business Entity” means an “entity” as defined in section 7-90-102, C.R.S., that has no more than fifteen shareholders, members, partners or owners, each of whom are natural persons, each of whom holds an Associated Key License, and each of whom is a United States citizen prior to the date of application. There must be no publicly traded market for interests in the entity. A Closely Held Business Entity is a Direct Beneficial Interest Owner.

“Commercially Reasonable Royalty” means a royalty payment for the use of intellectual property. The royalty payment must be at a reasonable rate, as determined by the following factors:

1. The royalties received by the recipient for the licensing of the intellectual property, proving or tending to prove an established royalty.
2. The rates paid by the Licensee for the use of other intellectual property.
3. 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 manufactured product may be sold.
4. 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.
5. The commercial relationship between the recipient and Licensee, such as, whether they are competitors in the same territory in the same line of business.
6. 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.

7. The duration of the term of the license for use of the intellectual property.

8. The established profitability of the product made using the intellectual property; its commercial success; and its current popularity.

9. The utility and advantages of the intellectual property over products without the intellectual property.

10. 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.

11. The extent to which the Licensee has made use of the intellectual property; and any evidence probative of the value of that use.

12. 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.

13. 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.

14. The opinion testimony of qualified experts.

15. The amount which a prudent Licensee – who desired, as a business proposition, to obtain a license to manufacture and sell a particular article embodying the intellectual property -- would have been willing to pay as a royalty and yet be able to make a reasonable profit and which amount would have been acceptable by a prudent recipient who was willing to grant a license.

“Commercially Reasonable Royalty Interest Holder” means a Person that receives a Commercially Reasonable Royalty in exchange for a Licensee’s use of the Commercially Reasonable Royalty Interest Holder’s intellectual property. A Commercially Reasonable Royalty Interest Holder is an Indirect Beneficial Interest Owner.

“Container” means the sealed package in which Retail Marijuana or a Retail Marijuana Product is placed for sale to a consumer and that has been labeled according to the requirements set forth in Rules R 1002 *et. seq.*

“Denied Applicant” means any Person whose application for licensure pursuant to the Retail Code has been denied.

“Department” means the Colorado Department of Revenue.

“Direct Beneficial Interest Owner” means a natural person or a Closely Held Business entity that owns a share or shares of stock in a licensed Retail Marijuana Establishment, including the officers, directors, managing members, or partners of the licensed Retail Marijuana Establishment or Closely Held Business entity, or a Qualified Limited Passive Investor. Each natural person that is a Direct Beneficial Interest Owner must hold an Associated Key License. Except that a Qualified Limited Passive Investor need not hold an Associated Key License and shall not engage in activities for which an Occupational License is required.

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

“Division” means the Marijuana Enforcement Division.

“Edible Retail Marijuana Product” means any Retail Marijuana Product which is intended to be consumed orally, including but not limited to, any type of food, drink, or pill.

“Executive Director” means the Executive Director of the Department of Revenue.

“Exit Package” means a sealed Container or package provided at the retail point of sale, in which any Retail Marijuana or Retail Marijuana Product already within a Container are placed.

“Final Agency Order” means an Order of the State Licensing Authority issued in accordance with 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.

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

“Flowering” means the reproductive state of *Cannabis* in which the plant is in a light cycle intended to stimulate production of flowers, trichomes, and cannabinoids characteristic of marijuana.

“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.

“Good Cause” for purposes of denial of an initial, renewal, or reinstatement of a license application, 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 Retail Code, any rules promulgated pursuant to it, 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 jurisdiction; or
- c. The Licensee’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 personal 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 Retail 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.

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

"Immature plant" means a nonflowering Retail Marijuana plant that is no taller than eight inches and no wider than eight inches produced from a cutting, clipping or seedling and is in a cultivating container. Plants meeting these requirements are not attributable to a ~~licensee~~Licensee's maximum allowable plant count, but must be fully accounted for in the Inventory Tracking System.

"Indirect Beneficial Interest Owner" means a holder of a Permitted Economic Interest, a recipient of a Commercially Reasonable Royalty associated with the use of intellectual property by a Licensee, a Profit-Sharing Benefit Plan Employee, a Qualified Institutional Investor, or another similarly situated Person as determined by the State Licensing Authority. An Indirect Beneficial Interest Owner is not a Licensee. The Licensee must obtain Division approval for an Indirect Beneficial Interest Owner before the Indirect Beneficial Interest Owner may exercise any of the privileges of the ownership with respect to the Licensee.

"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 an individual 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 individuals shall be sufficient in the cognate sciences to provide the ability and competency to:
 1. 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;
 2. 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;
 3. Prescribe methods to prevent, eliminate, control, or reduce such factors and stresses and their effects.
- B. Any individual 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 individual 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.

"Initial Decision" means a decision of a hearing officer in the Department following a licensing, disciplinary, or other administrative hearing. Either party may file exceptions to the Initial Decision. The State Licensing Authority will review the Initial Decision and any exceptions filed thereto, and will issue a Final Agency Order.

“Inventory Tracking System” means the required seed-to-sale tracking system that tracks Retail Marijuana from either the seed or immature plant stage until the Retail Marijuana or Retail Marijuana Product is sold to a customer at a Retail Marijuana Store or is destroyed.

“Inventory Tracking System Trained Administrator” means an Owner or an occupationally licensed employee of a Retail Marijuana Establishment who has attended and successfully completed Inventory Tracking System training and who has completed any additional training required by the Division.

“Inventory Tracking System User” means an Owner or occupationally licensed Retail Marijuana Establishment employee who is granted Inventory Tracking System User account access for the purposes of conducting inventory tracking functions in the Inventory Tracking System and who has been successfully trained by an Inventory Tracking System Trained Administrator in the proper and lawful use of Inventory Tracking System.

“Licensed Premises” means the premises specified in an application for a license pursuant to the 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, or test Retail Marijuana in accordance with the provisions of the Retail Code and these rules. Licensed Premises includes the premises of an entity that holds a registration pursuant to subsections 12-43.3-401(1)(d) or 12-434-401(1)(e), C.R.S.

“Licensee” means any Person licensed pursuant to the Retail Code or, in the case of an Occupational License Licensee, any individual licensed pursuant to the Retail Code or Medical Code. Licensee also includes any Person that holds a registration pursuant to subsections 12-43.3-401(1)(d) or 12-43.3-401(1)(e), C.R.S.

“Limited Access Area” means a building, room, or other contiguous area upon the Licensed Premises where Retail Marijuana is grown, cultivated, stored, weighed, packaged, sold, or processed for sale, 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 Retail Marijuana Product” means an Edible Retail Marijuana Product that is a liquid beverage or food-based product and intended to be consumed orally, such as a soft drink or cooking sauce.

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

“Medical Code” means the Colorado Medical Marijuana Code found at sections 12-43.3-101 *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.

“Medical Marijuana Business” means a Medical Marijuana Center, a Medical Marijuana-Infused Product Manufacturer, an Optional Premises Cultivation Operation, ~~or~~ a Medical Marijuana Testing Facility, a Medical Marijuana Business Operator or a Medical Marijuana Transporter.

“Medical Marijuana Center” means a Person licensed pursuant to the Medical Code to operate a business as described in section 12-43.3-402, C.R.S., and 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 and Solvent-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 product, 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 12-43.3-404, C.R.S.

“Medical Marijuana Business Operator” means an entity that that is not a Direct Beneficial Interest Owner or an Indirect Beneficial Interest Owner and that is holds a registration from the State Licensing Authority to provide professional operational services to a Medical Marijuana Business for direct remuneration from the Medical Marijuana Business.

“Medical Marijuana Testing Facility” means a public or private laboratory licensed and certified, or approved by the Division, to conduct research and analyze Medical Marijuana, Medical Marijuana-Infused Products, and Medical Marijuana Concentrate for contaminants and potency.

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

“Monitoring” means the continuous and uninterrupted attention to potential alarm signals that could be transmitted from a Security Alarm System located at a Retail Marijuana Establishment 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 security system Monitoring services for the Licensed Premises of a Retail Marijuana Establishment.

“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 shall be considered a Multiple-Serving Edible Retail Marijuana Product.

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

“Occupational License” means a license granted to an individual by the State Licensing Authority pursuant to section 12-43.3-401 or 12-43.4-401, C.R.S.

“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 12-43.3-403, 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” means, ~~except where the context otherwise requires, a the Direct Beneficial Interest Owner, the Person or Persons whose beneficial interest in the license is such that they bear risk of loss other than as an insurer, have an opportunity to gain profit from the operation or sale of the establishment, and have a controlling interest in a Retail Marijuana Establishment license, and includes any other Person that qualifies as an Owner pursuant to Rule R-204. The holder of a suitable Permitted Economic Interest is not an Owner.~~

“Permitted Economic Interest” means an Agreement to obtain an ownership interest in a Retail Marijuana Establishment or Medical Marijuana Business when the holder of such interest 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 and obtaining a license as an owner under the Retail Code or Medical Code. A Permitted Economic Interest holder is an Indirect Beneficial Interest Owner.

“Person” means a natural person, partnership, association, company, corporation, limited liability company, or organization, or a manager, agent, owner, director, servant, officer, or employee thereof; except that “Person” does not include any governmental organization.

“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” shall not include any article that is a “new animal drug” as designated by the United States Food and Drug Administration.

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

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

“Proficiency Testing Samples” means performing the same analyses on the same samples and comparing results to ensure the Samples are homogenous and stable, and also that the set of samples analyzed are appropriate to test and display similarities and differences in results.

“Profit-Sharing Benefit Plan Employee” means an employee holding an Occupational License who receives a share of the profits from an employee benefit plan. A Profit-Sharing Benefit Plan Employee is an Indirect Beneficial Interest Owner.

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

“Qualified Institutional Investor” means (a) A bank as defined in Section 3(a) (6) of the Federal Securities Exchange Act of 1934, as amended; (b) An insurance company as defined in Section 2(a) (17) of the Investment Company Act of 1940, as amended; (c) An investment company registered under Section 8 of the Investment Company Act of 1940, as amended; (d) An investment adviser registered under Section 203 of the Investment Advisers Act of 1940, as amended; (e) Collective trust funds as defined in Section 3(c) (11) of the Investment Company Act of 1940, as amended; (f) An employee benefit plan or pension fund that is subject to the Employee Retirement Income Security Act of 1974, as amended, excluding an employee benefit plan or pension fund sponsored by a licensed or an intermediary or holding company licensee which directly or indirectly owns five percent or more of a licensee. (g) A state or federal government pension plan. (h) A group comprised entirely of persons specified in (a) through (g) of this definition. A Qualified Institutional Investor is an Indirect Beneficial Interest Owner.

“Qualified Limited Passive Investor” means a natural person who is a United States citizen and is a passive investor who owns less than a five percent share or shares of stock in a licensed Retail Marijuana Entity. A Qualified Limited Passive Investor is a Direct Beneficial Interest Owner.

“RFID” means Radio Frequency Identification.

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

“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.

“Restricted Access Area” means a designated and secure area within a Licensed Premises in a Retail Marijuana Store where Retail Marijuana 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 12-43.4-101 *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 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.

“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 and Solvent-Based Retail Marijuana Concentrate.

“Retail Marijuana Cultivation Facility” means an entity licensed to cultivate, prepare, and package Retail Marijuana and sell Retail Marijuana to Retail Marijuana Establishments, but not to consumers.

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

“Retail Marijuana Establishment Operator” means an entity or person that is not an Owner and that is licensed to provide professional operational services to a Retail Marijuana Establishment for direct remuneration from the Retail Marijuana Establishment.

“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 sell Retail Marijuana and Retail Marijuana Product only to other Retail Marijuana Products Manufacturing Facilities and Retail Marijuana Stores.

“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 sell 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 research and analyze Retail Marijuana, Retail Marijuana Products and Retail Marijuana Concentrate for contaminants and potency.

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

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

“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).

“Shipping Container” means any container or wrapping used solely for the transport of Retail Marijuana, Retail Marijuana Concentrate or Retail Marijuana Product in bulk to other Retail Marijuana Establishments.

“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 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.

“Standardized Serving Of Marijuana” means a standardized single serving of active THC. The size of a Standardized Serving Of Marijuana shall be no more than 10mg of active THC.

“State Licensing Authority” means the authority created for the purpose of regulating and controlling the licensing of the cultivation, manufacture, distribution, and sale of Medical Marijuana and Retail Marijuana in Colorado, pursuant to section 12-43.3-201, C.R.S.

“Suitable” for Indirect Beneficial Interest Owners and Qualified Limited Passive Investors means that the Person does not have any criminal history, connection with criminal enterprises, gangs and cartels, financial dealings or history or other specific circumstances indicating in the Division’s discretion that the Indirect Beneficial Interest Owner should not participate in the regulated Retail Marijuana market. “Suitable” for other Direct Beneficial Interest Owners means that an individual does not have any criminal history or other background information indicating in the Division’s discretion that the individual is not eligible for licensure as a Direct Beneficial Interest Owner.

~~“Sub-Lingual Edible Retail Marijuana Product” means a specific subset of Edible Retail Marijuana Product that is two ounces or less of liquid per package, contains five milligrams or less of active THC per serving, is intended to be placed under the tongue and is packaged and labeled accordingly, and utilizes a dropper or spray delivery method for consumption. This definition is effective beginning October 1, 2016.~~

“THC” means tetrahydrocannabinol.

“THCA” means tetrahydrocannabinolic acid.

“Test Batch” means a group of Samples that are collectively submitted to a Retail Marijuana Testing Facility for testing purposes. A Test Batch may not be a combination of any two or three of the following: Retail Marijuana, Retail Marijuana Concentrate or Retail Marijuana Product.

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

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

“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 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.

R 200 Series – Licensing and Interests

Basis and Purpose – R 201

The statutory authority for this rule is found at subsections 12-43.4-104(2)(a), 12-43.4-202(2)(b), 12-43.4-202(3)(a)(I), 12-43.4-202(3)(a)(III), 12-43.4-202(3)(a)(XX), 12-43.4-202(3)(b)(IX), 12-43.4-304(1), and 12-43.4-309(2), and sections 12-43.4-103, 12-43.4-312, 12-43.4-306.5, 12-43.4-401, and 24-76.5-101, C.R.S. Authority also exists in the Colorado Constitution at Article XVIII, Subsection 16(5)(a)(III). The purpose of this rule is to establish that only materially complete applications for licenses, accompanied by all required fees, will be accepted and processed by the Division. The purpose of the rule is also to clarify that when an initial application is materially complete and accepted, but the Division determines further information is required before the application can be fully processed, the Applicant must provide the additional requested information within the time frame provided by the Division. Otherwise, the Division cannot act on the application in a timely manner, and the application may be denied.

R 201 –Application Process

A. General Requirements

1. All applications for licenses authorized pursuant to subsections 12-43.4-401(1)(a)-(g), C.R.S., shall be made upon current forms prescribed by the Division.
2. A license issued to a Retail Marijuana Establishment or an individual constitutes a revocable privilege. The burden of proving an Applicant's qualifications for licensure rests at all times with the Applicant.
3. Each application shall identify the relevant local jurisdiction.
4. Applicants must submit a complete application to the Division before it will be accepted or considered.
 - a. All applications must be complete and accurate in every material detail.
 - b. All applications must include all attachments or supplemental information required by the current forms supplied by the Division.
 - c. All applications must be accompanied by a full remittance of the application and relevant license fees for each applicant and each premises. See Rules R 207 - Schedule of Application Fees: Retail Marijuana Establishments, R 208 - Schedule of Business License Fees: Retail Marijuana Establishments and R XXX – Schedule of Application Fees: Individuals.
 - d. All applications must include all information required by the Division related to the Applicant's proposed Direct Beneficial Interest Owners, Indirect Beneficial Interest Owners and Qualified Limited Passive Investors, and all other direct and indirect financial interests in the Applicant.
 - e. At a minimum, each Applicant for a new license shall provide, at the time of application, the following information:

- i. For each Associated Key License Applicant, evidence of proof of lawful presence, citizenship, if applicable, residence, if applicable, and Good Moral Character as required by the current forms prescribed by the Division;
- ii. For each Retail Marijuana Establishment Applicant and each Associated Key License Applicant, all requested information concerning financial and management associations and interests of other Persons in the business;
- iii. If the Applicant for any license pursuant to the Retail Code is a Closely Held Business Entity it shall submit with the application:
 - A. The Associated Key License applications for all of its officers, directors, partners, and owners;
 - B. If the Closely Held Business Entity is a corporation, a copy of its articles of incorporation or articles of organization; evidence of authorization from the Colorado Secretary of State to do business within this State, for each shareholder: his or her name, mailing address, state of residence and certification of Colorado residency for at least one officer and all officers with day-to-day operational control over the business;
 - C. If the Closely Held Business Entity is a limited liability company, a copy of its articles of incorporation and its operating agreement; evidence of authorization from the Colorado Secretary of State to do business within this State, for each member: his or her name, mailing address, state of residence and certification of Colorado residency for at least one officer and all officers with day-to-day operational control over the business;
 - D. If the Closely Held Business Entity is a general partnership, limited partnership, limited liability partnership, or limited liability limited partnership, a copy of the partnership agreement and, for each partner, his or her name, mailing address and state of residency and certification of Colorado residency for at least one officer and all officers with day-to-day operational control over the business.
- iv. For each Retail Marijuana Establishment Applicant and each Associated Key License Applicant, documentation establishing compliant return filing and payment of taxes related to any Medical Marijuana Business or Retail Marijuana Establishment in which such Applicant is, or was, required to file and pay taxes;
- v. For each Retail Marijuana Establishment Applicant and each Associated Key License Applicant, documentation verifying and confirming the funds used to start and/or sustain the operation of the medical or retail marijuana business were derived from legitimate sources (lawfully earned or obtained).

- vi. Accurate floor plans for the premises to be licensed; and
 - viii. The deed, lease, sublease, contract, or other document(s) governing the terms and conditions of occupancy of the premises to be licensed.
 5. All applications to reinstate a license will be deemed applications for new licenses. This includes, but is not limited to, Associated Key licenses that have expired and business licenses that have been expired for more than 90 days, licenses that have been voluntarily surrendered, licenses for which local licensing approval was not obtained within 12 months, and licenses that have been revoked.
 6. The Division may refuse to accept or consider an incomplete application.
- B. Additional Information May Be Required
 1. Upon request by the Division, an Applicant shall provide any additional information required to process and fully investigate the application. The additional information must be provided to the Division no later than seven days after the request is made unless otherwise specified by the Division.
 2. An Applicant's failure to provide the requested information by the Division deadline may be grounds for denial of the application.
- C. Information Must Be Provided Truthfully. All Applicants shall submit information to the Division in a full, faithful, truthful, and fair manner. The Division may recommend denial of an application where the Applicant made misstatements, omissions, misrepresentations or untruths in the application or in connection with the Applicant's background investigation. This type of conduct may be considered as the basis for additional administrative action against the Applicant and it may also be the basis for criminal charges against the Applicant.
- D. Application Forms Accessible. All application forms supplied by the Division and filed by an Applicant for a license, including attachments and any other documents associated with the investigation, may be used for a purpose authorized by the Medical Code, the Retail Code or for any other state or local law enforcement purpose or as otherwise required by law.

~~Application Forms Accessible. All application forms supplied by the Division and filed by an Applicant for a license, including attachments and any other documents associated with the investigation, may be used for a purpose authorized by the Medical Code, the Retail Code or for any other state or local law enforcement purpose. Further, unless the license application is granted, application forms filed by an Applicant may be considered a public record following final action by the State Licensing Authority on the application.~~
- E. Division Application Management and Local Licensure.
 1. The Division will either approve or deny a complete application between 45 days and 90 days of its receipt.
 2. For each application for a new Retail Marijuana Establishment, the Applicant shall submit the original application and one identical copy. The Division will retain the original application for a new Retail Marijuana Establishment and will

send the copy and half the application fee to the relevant local jurisdiction within seven days of receiving the application.

3. If the Division grants a license before the relevant local jurisdiction approves the application or grants a local license, the license will be conditioned upon local approval. Such a condition will not be viewed as a denial pursuant to the Administrative Procedure Act. If the local jurisdiction denies the application, the state license will be revoked.
4. The Applicant has one year from the date of licensing by the State Licensing Authority to obtain approval or licensing through the relevant local jurisdiction. Should the Applicant fail to obtain local jurisdiction approval or licensing within the specified period, the state license shall expire and may not be renewed.
5. An Applicant is prohibited from operating a Retail Marijuana Establishment prior to obtaining all necessary licenses or approvals from both the State Licensing Authority and the relevant local jurisdiction.
6. Each Direct Beneficial Interest Owner and Indirect Beneficial Interest Owner in a Retail Marijuana Establishment is void and of no effect unless and until approved and found Suitable by the Division. A Direct Beneficial Interest Owner or Indirect Beneficial Interest Owner shall not exercise any privilege associated with the proposed ownership interest until approved and/or found Suitable by the Division. Any violation of this requirement may be considered a license violation affecting public safety.

Basis and Purpose – R 201.3

The statutory authority for this rule is found at subsections 12-43.4-103(1), 12-43.4-103(2.5), 12-43.4-103(12.4), 12-43.4-104(2)(a), 12-43.4-202(2)(a), 12-43.4-202(2)(b), 12-43.4-202(3)(a)(I), 12-43.4-202(3)(a)(III), 12-43.4-202(3)(a)(XX), 12-43.4-202(3)(b)(IX), 12-43.4-306.5, and 12-43.4-309(2). Authority also exists in the Colorado Constitution at Article XVIII, Subsection 16(5)(a)(III). The purpose of this rule is to clarify the process to be followed when a Retail Marijuana Establishment applies to obtain financing or otherwise have a relationship with an Indirect Beneficial Interest Owner. The rule establishes that only materially complete Retail Marijuana Establishment applications for Indirect Beneficial Interest Owners, accompanied by all required fees, will be accepted and processed by the Division. The rule also clarifies that when an initial application is materially complete and accepted, but the Division determines further information is required before the application can be fully processed, the Retail Marijuana Establishment Applicant must provide the additional requested information within the time frame provided by the Division. Otherwise, the Division cannot act on the application in a timely manner, and the Retail Marijuana Establishment's application may be denied. The rule clarifies that Indirect Beneficial Interest Owners who are not Suitable will not be permitted. The rule sets forth requirements for the contents of the contract or Agreement between Retail Marijuana Establishments and Indirect Beneficial Interest Owners, which reflect basic legal requirements surrounding the relationship between the parties.

R 201.5 – Applications, Agreements and Contracts Required for Indirect Beneficial Interest Owners: Retail Marijuana Establishments

- A. Retail Marijuana Establishment Initiates Process. The Retail Marijuana Establishment seeking to obtain financing or otherwise establish any type of relationship with an Indirect Beneficial Interest Owner, including a Permitted Economic Interest, a Commercially Reasonable Royalty Interest Holder, a Profit-Sharing Benefit Plan Employee, or a Qualified Institutional Investor, must file all required documents with the Division, including any supplemental documents requested by the Division in the course of its review of the application.

- B. General Requirements. The Retail Marijuana Establishment seeking approval of an Indirect Beneficial Interest Owner must meet the following requirements:
1. All applications for approval of an Indirect Beneficial Interest Owner shall be made upon current forms prescribed by the Division.
 2. The burden of proving that a proposed Indirect Beneficial Interest Owner is Suitable to hold such an interest rests at all times with the Retail Marijuana Establishment submitting the application.
 3. The Retail Marijuana Establishment applying for approval of any type of Indirect Beneficial Interest Owner must submit a complete application to the Division before it will be accepted or considered.
 4. All applications must be complete and accurate in every material detail.
 5. All applications must include all attachments or supplemental information required by the current forms supplied by the Division.
 6. All applications must be accompanied by a full remittance of the required fees.
 7. The Division may refuse to accept an incomplete application.
 8. Additional Information May Be Required
 - a. Upon request by the Division, either a Retail Marijuana Establishment applying to have any type of Indirect Beneficial Interest Owner shall provide any additional information required to process and fully investigate the application. The additional information must be provided to the Division no later than seven days after the request is made unless otherwise specified by the Division.
 - b. Failure to provide the requested information by the Division's deadline may be grounds for denial of the application.
- C. Information Must Be Provided Truthfully. A Retail Marijuana Establishment applying for approval of any type of Indirect Beneficial Interest Owner shall submit information to the Division in a full, faithful, truthful, and fair manner. The Division may recommend denial of an application where either party made misstatements, omissions, misrepresentations or untruths in the application or in connection with the background investigation of the proposed Indirect Beneficial Interest Owner. This type of conduct may be considered as the basis for additional administrative action against the Retail Marijuana Establishment and it may also be the basis for criminal charges against either the Retail Marijuana Establishment Applicant or the Indirect Beneficial Interest Owner.
- D. Application Forms Accessible. All application forms supplied by the Division and filed by an Applicant for a license, including attachments and any other documents associated with the investigation, may be used for a purpose authorized by the Medical Code, the Retail Code or for any other state or local law enforcement purpose or as otherwise required by law.
- E. Approval of Indirect Beneficial Interest Owners. Each Indirect Beneficial Interest Owner in a Retail Marijuana Establishment is void and of no effect unless and until approved by the

Division and found Suitable. Any amendment of and Indirect Beneficial Interest Owner's agreement is also void and of no effect unless and until approved by the Division.

- F. Ongoing Suitability and Violation Affecting Public Safety. If at any time the Division finds that any Indirect Beneficial Interest Owner is no longer Suitable, the Division may require the Retail Marijuana Establishment to terminate its relationship with and financial ties to the Indirect Beneficial Interest Owner within a specified time period. Failure to terminate such relationship and financial ties within the specified time period may constitute a violation affecting public safety and a basis for administrative action against the Retail Marijuana Establishment.
- F. Permitted Economic Interest Holder Requirements. At the time of application, a Retail Marijuana Establishment seeking to obtain approval of a Permitted Economic Interest shall provide evidence to establish that the natural person seeking to become a Permitted Economic Interest holder is a lawful resident of the United States and documentation verifying and confirming the funds used to start and/or sustain the operation of the medical or retail marijuana business were derived from legitimate sources (lawfully earned or obtained).
- G. Permitted Economic Interest Agreement Requirements. The Retail Marijuana Establishment Applicant seeking to obtain financing from a Permitted Economic Interest must submit a copy of the Agreement between the Retail Marijuana Establishment and the person seeking to hold a Permitted Economic Interest. The following requirements apply to all Agreements:
1. The Agreement must be complete, and must fully incorporate all terms and conditions.
 2. The following provisions must be included in the Agreement:
 - a. Any interest in a Retail Marijuana Establishment, whether held by a Permitted Economic Interest or any other person, must be acquired in accordance with the provisions of the Medical Code and/or Retail Code, as applicable, and the rules promulgated thereunder. The issuance of any Agreement or other interest in violation thereof shall be void.
 - b. No Agreement or other interest issued by the Retail Marijuana Establishment and no claim or charge therein or thereto shall be transferred except in accordance with the provisions of the Medical Code and/or Retail Code as applicable, and the rules promulgated thereunder. Any transfer in violation thereof shall be void.
 - c. The Retail Marijuana Establishment and the Permitted Economic Interest holder must sign an affirmation of passive investment on a form approved by the Division.
 - d. The Retail Marijuana Establishment must initiate any process to convert a Permitted Economic Interest to a Direct Beneficial Interest Owner interest and the process to convert the Permitted Economic Interest into a Direct Beneficial Interest Owner must be completed prior to the expiration or termination of the Agreement. The holder of the Permitted Economic Interest must meet all qualifications for licensure and ownership pursuant to the Medical Code and/or Retail Code and any

rules promulgated thereunder prior to conversion of the Permitted Economic Interest to a Direct Beneficial Interest Owner interest.

- e. At the election of the Retail Marijuana Establishment, if the holder of the Permitted Economic Interest is not qualified for licensure as a Direct Beneficial Interest Owner but is Suitable as a holder of the Permitted Economic Interest, and the Permitted Economic Interest is also Suitable, then the Permitted Economic Interest may remain in force and effect for as long as it remains Suitable under the Medical Code and/or Retail Code as applicable, and any rules promulgated thereunder.
- f. The Permitted Economic Interest holder shall disclose in writing to the Division and to the Retail Marijuana Establishment any and all disqualifying events, within ten days after occurrence of the event, that could lead to a finding that the holder is no longer Suitable to hold the Permitted Economic Interest and/or that could lead to a denial of licensure pursuant to the Medical Code and/or Retail Code and any rules promulgated thereunder.
- g. The Retail Marijuana Establishment shall disclose in writing to the Division any and all disqualifying events, within ten days after receiving notice of the event, which could lead to a finding that the holder is no longer Suitable to hold the Permitted Economic Interest and/or that could lead to a denial of licensure pursuant to the Medical Code and/or Retail Code as applicable, and any rules promulgated thereunder.
- h. A Permitted Economic Interest holder's or a Retail Marijuana Establishment's failure to make required disclosures may be grounds for administrative action including but not limited to denial of a subsequent request to convert the Permitted Economic Interest into an ownership interest in the Retail Marijuana Establishment. Failure to make required disclosures may lead to a finding that the Permitted Economic Interest is no longer approved, and a requirement that the Retail Marijuana Establishment terminate its relationship with the Permitted Economic Interest holder.
- i. The Permitted Economic Interest holder agrees and acknowledges that it has no entitlement or expectation of being able to invest in, or have a relationship with, the Retail Marijuana Establishment unless and until the Division determines the Permitted Economic Interest is Suitable. The Permitted Economic Interest holder further agrees and acknowledges that its relationship with the Retail Marijuana Establishment is contingent upon remaining Suitable throughout the entire term of the relationship. The Permitted Economic Interest holder understands and acknowledges that a suitability determination by the Division is wholly discretionary and the Division may, at any time, find that the Permitted Economic Interest is no longer Suitable. The Permitted Economic Interest Holder agrees and acknowledges it has no entitlement to or expectation of a Division finding that it is Suitable. The Permitted Economic Interest holder further agrees that any administrative or judicial review of a determination by the Division regarding whether the Permitted Economic Interest is Suitable will only occur through licensing or enforcement proceedings involving the Retail Marijuana Establishment. THE PERMITTED ECONOMIC INTEREST HOLDER KNOWINGLY, FREELY, AND VOLUNTARILY WAIVES ANY RIGHT OR CLAIM TO SEEK ANY INDEPENDENT REVIEW OF A DETERMINATION BY THE DIVISION THAT IT IS OR IS

NOT SUITABLE, AND EXPRESSLY AGREES THAT THE ONLY ADMINISTRATIVE OR JUDICIAL REVIEW OF SUCH A DETERMINATION WILL OCCUR THROUGH A LICENSING OR ENFORCEMENT PROCEEDING FOR THE RETAIL MARIJUANA ESTABLISHMENT.

- H. Commercially Reasonable Royalty Interest Contract Requirements. A Retail Marijuana Establishment seeking to utilize the intellectual property of a Commercially Reasonable Royalty Interest Holder must submit a copy of the contract between the Retail Marijuana Establishment and the Person seeking to hold a Commercially Reasonable Royalty Interest. The following requirements apply to all such contracts:
1. The contract must be complete, and must fully incorporate all terms and conditions.
 2. The following provisions must be included in the contract:
 - a. Any interest in a Retail Marijuana Establishment, whether held by a Commercially Reasonable Royalty Interest Holder or any other person, must be acquired in accordance with the provisions of the Medical Code and/or Retail Code, as applicable, and the rules promulgated thereunder. The issuance of any contract or other interest in violation thereof shall be void.
 - b. No contract, royalty or other interest issued by the Retail Marijuana Establishment and no claim or charge therein or thereto shall be transferred except in accordance with the provisions of the Medical Code and/or Retail Code as applicable, and the rules promulgated thereunder. Any transfer in violation thereof shall be void.
 - c. The Retail Marijuana Establishment and the Commercially Reasonable Royalty Interest Holder must sign an affirmation of passive investment on a form approved by the Division.
 - d. The Commercially Reasonable Royalty Interest Holder shall disclose in writing to the Division and to the Retail Marijuana Establishment any and all disqualifying events, within ten days after occurrence of the event, that could lead to a finding that the Commercially Reasonable Royalty Interest Holder is no longer Suitable to hold the Commercially Reasonable Royalty Interest.
 - e. The Retail Marijuana Establishment shall disclose in writing to the Division any and all disqualifying events, within ten days after receiving notice of the event, which would lead to a finding that the Commercially Reasonable Royalty Interest Holder is no longer Suitable to hold the Commercially Reasonable Royalty Interest.
 - f. A Commercially Reasonable Royalty Interest Holder's or a Retail Marijuana Establishment's failure to make required disclosures may lead to a finding that the Commercially Reasonable Royalty Interest is no longer approved, and a requirement that the Retail Marijuana Establishment terminate its relationship with the Commercially Reasonable Royalty Interest Holder.

- g. The Commercially Reasonable Royalty Interest Holder agrees and acknowledges that its relationship with the Retail Marijuana Establishment is contingent upon remaining Suitable throughout the entire term of its relationship with the Retail Marijuana Establishment. The Commercially Reasonable Royalty Interest Holder understands and acknowledges that a Suitability determination by the Division is wholly discretionary and the Division may, at any time, find that the Commercially Reasonable Royalty Interest Holder is no longer Suitable. The Commercially Reasonable Royalty Interest Holder agrees and acknowledges it has no entitlement to or expectation to a Division finding that it is Suitable. The Permitted Economic Interest holder further agrees that any administrative or judicial review of a determination by the Division regarding whether the Commercially Reasonable Royalty Interest Holder is Suitable will only occur through licensing or enforcement proceedings involving the Retail Marijuana Establishment. THE COMMERCIALY REASONABLE ROYALTY INTEREST HOLDER KNOWINGLY, FREELY, AND VOLUNTARILY WAIVES ANY RIGHT OR CLAIM TO SEEK ANY INDEPENDENT REVIEW OF A DETERMINATION BY THE DIVISION THAT IT IS OR IS NOT SUITABLE, AND EXPRESSLY AGREES THAT THE ONLY ADMINISTRATIVE OR JUDICIAL REVIEW OF SUCH A DETERMINATION WILL OCCUR THROUGH A LICENSING OR ENFORCEMENT PROCEEDING FOR THE RETAIL MARIJUANA ESTABLISHMENT.
- I. Profit Sharing Benefit Plan Employee Contract. A Retail Marijuana Establishment offering licensed employees a share of the profits through an employee benefit plan must submit a list of all proposed participants in the profit sharing plan along with their names, addresses, social security numbers and occupational license numbers and submit a copy of all documentation regarding the employee benefit plan in connection with the Retail Marijuana Establishment's application:
1. The documents establishing the employee benefit plan must be complete and must fully incorporate all terms and conditions.
 2. The following provisions must be included in the documents establishing the employee benefit plan:
 - a. Any interest in a Retail Marijuana Establishment, whether held by a Profit-Sharing Benefit Plan Employee or any other person, must be acquired in accordance with the provisions of the Medical Code and/or Retail Code, as applicable, and the rules promulgated thereunder. The issuance of any contract or other interest in violation thereof shall be void.
 - b. No contract or other interest issued by the Retail Marijuana Establishment and no claim or charge therein or thereto shall be transferred except in accordance with the provisions of the Medical Code and/or Retail Code as applicable, and the rules promulgated thereunder. Any transfer in violation thereof shall be void.
 - c. REPEAT PARAGRAPHS RE DISCLOSURES AND FINDING NO LONGER SUITABLE FROM ROYALTY INTEREST SECTION.
- J. Qualified Institutional Investor. Before a Retail Marijuana Establishment may permit a Qualified Institutional Investor to own any portion of the Retail Marijuana Establishment,

the Retail Marijuana Establishment must submit the following documentation to the Division in connection with the Retail Marijuana Establishment's application:

1. A description of the Qualified Institutional Investor's business and a statement as to why the Qualified Institutional Investor meets the definition of Qualified Institutional Investor in Rule R 103 and subsection 12-43.4-306.5(7), C.R.S.
2. A certification made under oath and the penalty of perjury that the ownership interests were acquired and are held for investment purposes only and were acquired and are held in the ordinary course of business as a Qualified Institutional Investor and not for the purposes of causing, directly or indirectly, the election of a majority of the board of directors, any change in the corporate charter, bylaws, management, policies, or operations of a Retail Marijuana Establishment. The signatory also shall explain the basis of his authority to sign the certification and to bind the Qualified Institutional Investor to its terms. The certification also shall provide that the Qualified Institutional Investor is bound by and shall comply with the Retail Code and the rules adopted pursuant thereto, is subject to the jurisdiction of the courts of Colorado, and consents to Colorado as the choice of forum in the event any dispute, question, or controversy arises regarding the Qualified Institutional Investor's relationship with the Retail Marijuana Establishment or activities pursuant to the Retail Code and rules adopted pursuant thereto.
3. The name, address, telephone number and any other information requested by the Division as required on its approved forms for the officers and directors, or their equivalent, of the Qualified Institutional Investor as well as those Persons that have direct control over the Qualified Institutional Investor's ownership interest in the Retail Marijuana Establishment.
4. The name, address, telephone number and any other information requested by the Division as required on its approved forms for each Person who has the power to direct or control the Qualified Institutional Investor's voting of its shares in the Retail Marijuana Establishment.
5. The name of each Person that beneficially owns 5 percent or more of the Qualified Institutional Investor's voting securities or other equivalent.
6. A list of the Qualified Institutional Investor's affiliates.
7. A list of all regulatory agencies with which the Qualified Institutional Investor files periodic reports, and the name, address, and telephone number of the individual, if known, to contact at each agency regarding the Qualified Institutional Investor.
8. A disclosure of all criminal or regulatory sanctions imposed during the preceding 10 years and of any administrative or court proceedings filed by any regulatory agency during the preceding 5 years against the Qualified Institutional Investor, its affiliates, any current officer or director, or any former officer or director whose tenure ended within the preceding 12 months. As to a former officer or director, such information need be provided only to the extent that it relates to actions arising out of or during such person's tenure with the Qualified Institutional Investor or its affiliates.
9. A copy of any filing made under 16 U.S.C § 18a with respect to the acquisition or proposed acquisition of an ownership interest in the Retail Marijuana Establishment.

10. Any additional information requested by the Division.
11. REPEAT PARAGRAPHS RE DISCLOSURES AND FINDING NO LONGER SUITABLE FROM ROYALTY INTEREST SECTION.

Basis and Purpose – R 203

The statutory authority for this rule is found at subsections 12-43.4-103(1), 12-43.4-103(2.5), 12-43.4-103(12.4), 12-43.4-202(2)(b) and 12-43.4-202(3)(a)(I) and (XIV.5), and section 12-43.4-310, C.R.S. Authority also exists in the Colorado Constitution at Article XVIII, Subsection 16(5)(a)(I). The purpose of this rule is to establish how licenses can be renewed.

R 203 – Process for Renewing a License: Retail Marijuana Establishments

- A. General Process for License Renewal.
 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 mailing address of record.
 2. A Licensee may apply for the renewal of an existing license not less than 30 days prior to the license's expiration date. If a Licensee timely applies for the renewal of an existing license, the Division may administratively continue the license beyond the expiration date while it completes the renewal licensing process.
 3. If the Licensee files a renewal application within 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 Division may elect to administratively continue the license beyond the expiration date while it completes the renewal licensing process.
 4. An application for renewal will only be accepted if it is accompanied by:
 - a. The requisite licensing fees. See Rule R 209 - Schedule of Business License Renewal Fees: Retail Marijuana Establishments; and
 - b. A copy of the relevant local jurisdiction's approval.
 5. Each Direct Beneficial Interest Owner required to have an Associated Key License must be fingerprinted.
 6. The Division shall perform a limited initial background check on Qualified Limited Passive Investors. If the initial background check provides reasonable cause for additional investigation, the Division may require a full background check.
 7. For each renewal application, the Licensee shall submit the original application and one identical copy. The Division will retain the original renewal application and will send the copy to the relevant local jurisdiction within seven days of receiving the renewal application.
- B. Failure to Receive a Notice for License Renewal. Failure to receive a Notice for License Renewal does not relieve a Licensee of the obligation to renew all licenses as required.

- C. If License Not Renewed Before Expiration or Administratively Continued. A license is immediately invalid upon expiration if the Licensee has not filed a renewal application and remitted all of the required fees.
1. In the event the license is not renewed prior to expiration, a Retail Marijuana Establishment may not operate unless it has been administratively continued.
 2. If a former Licensee files an application within 90 days of expiration of its license with the Division and pays the requisite fees to the Division, the Division may administratively continue the license from the date the application is received until it can complete its renewal application process and investigate the extent to which the Licensee operated with an expired license.
 3. The Division will not renew any license expired over 90 days prior to the Licensee's renewal application. A Licensee whose license expired over 90 days prior to the date of the application must submit an application for a new license.
- D. Licenses Subject to Ongoing Discipline and/or Summary Suspension. Licenses that are the subject of a summary suspension, a disciplinary action, and/or any other administrative action are subject to the requirements of this rule. Licenses that are not timely renewed shall expire. See Rules R 1301 – Disciplinary Process: Non-Summary Suspension and R 1302 – Disciplinary Process: Summary Suspensions.
- E. Closely Held Business Entity Direct Beneficial Interest Owners. Closely Held Business Entity Direct Beneficial Interest Owners must submit a current Division certification form, signed by all Direct Beneficial Interest Owner(s) of the Retail Marijuana Establishment certifying that each Associated Key License owner of the Closely Held Business Entity has maintained, and currently maintains, United States citizenship.
- F. Indirect Beneficial Interest Owners and Qualified Limited Passive Investors. At the time of renewal, a Retail Marijuana Establishment shall disclose any and all Indirect Beneficial Interest Owners and Qualified Limited Passive Investors that hold an interest in the Retail Marijuana Establishment. Additionally, the Retail Marijuana Establishment must present updated information regarding all Indirect Beneficial Interest Owners and Qualified Limited Passive Investors at the time the Retail Marijuana Establishment submits its renewal materials:
1. Current Division Indirect Beneficial Interest Owners and Qualified Limited Passive Investors renewal disclosure forms;
 2. Current Division form, signed by all Direct Beneficial Interest Owner(s) of the Retail Marijuana Establishment, including but not limited to all Qualified Limited Passive Investors, and all Indirect Beneficial Interest Owners, allowing the Indirect Beneficial Interest Owners and Qualified Limited Passive Investors to be investigated by the Division if the Division deems it necessary;
 3. Permitted Economic Interest holders, at the discretion of the Division, may be required to submit new fingerprints; and
 4. Current Division certification form, signed by all Direct Beneficial Interest Owner(s) of the Retail Marijuana Establishment and the particular Qualified Limited Passive Investors or Indirect Beneficial Interest Owners, certifying that the Qualified Limited Passive Investor or Indirect Beneficial Interest Owner remains Suitable and meets all other qualifications.

5. For Permitted Economic Interest Holder, current Division certification form, signed by all Direct Beneficial Interest Owner(s) of the Retail Marijuana Establishment and the particular Permitted Economic Interest holder, certifying that he or she has maintained, and currently maintains, lawful residence in the United States;
6. For Qualified Limited Passive Investors, current Division certification form, signed by all Direct Beneficial Interest Owner(s) of the Retail Marijuana Establishment and the particular Qualified Limited Passive Investor, certifying that he or she has maintained, and currently maintains, United States citizenship.

Basis and Purpose – R 204

The statutory authority for this rule is found at subsections 12-43.4-103(1), 12-43.4-103(2.5), 12-43.4-103(14.3), 12-43.4-202(2)(b), 12-43.4-202(3)(a)(I), 12-43.4-202(3)(a)(XX) and 12-43.4-202(3)(a)(IX), and sections 12-43.4-307.5 and 12-43.4-312, C.R.S. The purpose of this rule is to provide clarity regarding the nature of a Direct Beneficial Interest Owner and an Indirect Beneficial Interest Owner, and to clarify what factors the State Licensing Authority generally considers regarding the same. The Division will review all relevant information to determine ownership of a Retail Marijuana Establishment.

R 204 – Factors Considered When Evaluating Ownership Interests of a License: Retail Marijuana Establishments

- A. Licenses Held By Direct Beneficial Interest Owners. Each Retail Marijuana Establishment License must be held by its Direct Beneficial Interest Owner(s). Each natural person other than a Qualified Limited Passive Investor must hold an Associated Key license.
- B. 100% Ownership.
 1. The sum of the percentages of ownership of all Direct Beneficial Interest Owners of a Retail Marijuana Establishment and Qualified Institutional Investors must equal 100%.
 - a. Qualified Institutional Investors may hold ownership interests, in the aggregate, of 30% or less in the Retail Marijuana Establishment.
 - b. A Qualified Limited Passive Investor must be a natural person and may hold an ownership interest of less than five percent in the Retail Marijuana Establishment.
 - c. Each Direct Beneficial Interest Owner, including but not limited to each officer, director, managing member, or partner of a Retail Marijuana Establishment, must hold a current and valid Associated Key License. See Rule R 233 – Retail Code or Medical Code Occupational Licenses Required. Except that this requirement shall not apply to Qualified Limited Passive Investors.
 - d. Only Direct Beneficial Interest Owners may hold a partnership interest, limited or general, a joint venture interest, a licensing agreement, ownership of a share or shares in a corporation or a limited liability company which is licensed, or having a secured interest in Retail Marijuana or Retail Marijuana Product inventory.
 - e. In the event of the death, disability, disqualification, divestment, termination, or revocation of the license of a Direct Beneficial Interest

Owner or of approval of a Qualified Institutional Investor, a Retail Marijuana Establishment shall have 45 days to submit a change of ownership application to the Division detailing the Licensee's plan for redistribution of ownership among the remaining Direct Beneficial Interest Owners and Qualified Institutional Investors. Such plan is subject to approval by the Division.

- D. At Least One Associated Key License Required. Each Retail Marijuana Establishment Must Have at least one Associated Key Licensee at all times. Any violation of this requirement may be considered a license violation affecting public safety.
- E. Loss Of Occupational License As An Owner Of Multiple Businesses. If an Associated Key License is suspended or revoked as to one Retail Marijuana Establishment or Medical Marijuana Business, that Associated Key License, shall be suspended or revoked as to any other Retail Marijuana Establishment or Medical Marijuana Business in which that Person possesses an ownership interest. See Rule R 233 – Retail Code or Medical Code Occupational Licenses Required.
- F. Management Companies. Any Person contracted to manage the overall operation of a Licensed Premises must hold a Retail Marijuana Operator license.
- G. Role of Managers. Associated Key Licensees may hire managers, and managers may be compensated on the basis of profits made, gross or net. A Retail Marijuana Establishment license may not be held in the name of the manager. A manager must hold a Retail Marijuana Operator license.
- H. Direct and Indirect Financial Interests. Retail Marijuana Establishments must disclose to the Division all direct and indirect financial interests held by any Person, even if that Person is neither a Direct Beneficial Interest Owner nor an Indirect Beneficial Interest Owner. It shall be unlawful to fail to completely report all financial interests in each license issued. It shall be unlawful for a person other than a Direct Beneficial Interest Owner to exercise control over a Retail Marijuana Establishment, except that a Qualified Limited Passive Investor and a Qualified Institutional Investor may vote his or her shares. For example, the Retail Marijuana Establishment must disclose:
1. Any Person who has a secured interest in furniture, fixtures, or equipment used directly in the manufacture or cultivation of Retail Marijuana or Retail Marijuana Product;
 2. Any Person who provides secured notes or loans; and
 3. A landlord who leases Licensed Premises or other business offices to the Retail Marijuana Establishment or any of its owners or employees.

Basis and Purpose – R 205

The statutory authority for this rule is found at subsections 12-43.4-103(12.4), 12-43.4-202(2)(b), 12-43.4-202(3)(a)(III) (XIV.5), 12-43.4-304, 12-43.4-306, 12-43.4-309(2), and sections 12-43.4-308, 12-43.4-406, 12-43.4-407 and 24-76.5-101 *et. seq.*, C.R.S. Authority also exists in the Colorado Constitution at Article XVIII, Subsection 16(5)(a)(I). The purpose of this rule is to establish protocol for ownership transfers. In addition, the rule clarifies that a business cannot use the transfer of ownership process in order to circumvent the administrative disciplinary process and that an ongoing investigation or disciplinary action may: (1) constitute grounds to deny a transfer of ownership request; (2) constitute grounds to delay a transfer of ownership request, or (3) mandate that the new business owner is responsible for any imposed sanction.

R 205 – Transfer of Ownership and Changes in Business Structure: Retail Marijuana Establishments**A. General Requirements**

1. All applications for transfers of Direct Beneficial Interest Owners or changes in corporate structure by licensed Retail Marijuana Establishments authorized pursuant to section 12-43.4-401, C.R.S., shall be made upon current forms prescribed by the Division. Each application shall identify the relevant local jurisdiction.
2. All applications for transfers of ownership and changes in Retail Marijuana Establishments must include application fees, be complete in every material detail, and be filled out truthfully.
3. All applications for transfers of ownership and changes in licensed entities by Retail Marijuana Establishments must be reported to the State Licensing Authority or its designee and relevant local licensing authority at least 30 days prior to any requested transfer or change.
4. Each Applicant for a transfer of ownership shall provide suitable evidence of each natural person's proof of lawful presence, citizenship, residence good character and reputation and verification that funds used to invest in or finance the retail marijuana business were derived from legitimate sources (lawfully earned or obtained) that the Division may request. Each Applicant shall also provide all requested information concerning financial and management associations and interests of other Persons in the business, Department of Revenue tax payment information, the deed, lease, contract, or other document governing the terms and conditions of occupancy of the Licensed Premises. Nothing in this section is intended to limit the Division's ability to request additional information it deems necessary relevant to determining an Applicant's suitability for licensure.
5. Failure to provide such additional information by the deadline specified by the Division may result in denial of the application.
6. The Applicant shall provide the original and one copy of an application for transfer of ownership to the Division. The Division will retain the original application and send copy to the relevant local jurisdiction within seven days of receiving the application. See Rule R 1401 - Instructions for Local Jurisdictions and Law Enforcement Officers.
7. The Division will not approve a transfer of ownership application without first receiving written notification that the Applicant disclosed the transfer of ownership to the relevant local jurisdiction. If a local jurisdiction elects not to approve or deny a transfer of ownership application, the local jurisdiction must provide written notification acknowledging receipt of the application and the State Licensing Authority shall revoke the state-issued license.
8. The Applicant(s), or proposed transferee(s), for any license shall not operate the Retail Marijuana Establishment identified in the transfer of ownership application until the transfer of ownership request is approved in writing by the State Licensing Authority or its designee. A violation of this requirement shall constitute grounds to deny the transfer of ownership request, may be a violation affecting

public safety, and may result in disciplinary action against the Applicant's existing license(s), if applicable.

9. All current Direct Beneficial Interest Owner(s), or proposed transferor(s), of the license(s) at issue retain full responsibility for the Retail Marijuana Establishment identified in the transfer of ownership application until the transfer of ownership request is approved in writing by the Division. A violation of this requirement shall constitute grounds to deny the transfer of ownership request, may be a violation affecting public safety, and may result in disciplinary action against the license(s) of the current Owner(s) and/or the Retail Marijuana Establishment.
10. If a Retail Marijuana Establishment or any of its Direct Beneficial Interest Owners applies to transfer ownership and is involved in an administrative investigation or administrative disciplinary action, the following may apply:
 - a. The transfer of ownership may be delayed or denied until the administrative action is resolved; or
 - b. If the transfer of ownership request is approved in writing by the Division, the transferee may be responsible for the actions of the Retail Marijuana Establishment and its prior Direct Beneficial Interest Owners, and subject to discipline based upon the same.
11. Licensee Initiates Change of Ownership for Permitted Economic Interests. All individuals holding a suitable Permitted Economic Interest who seek to convert to become a Direct Beneficial Interest Owner are subject to this rule R 205. The Retail Marijuana Establishment must initiate the change of ownership process for an individual holding a Suitable Permitted Economic Interest who seeks to convert its interest to become a Direct Beneficial Interest Owner. Permitted Economic Interest holders who are not Suitable shall not be allowed to convert to become a Direct Beneficial Interest Owner.
12. Retail Marijuana Transporters Not Eligible. Retail Marijuana Transporters are not eligible to apply for change of ownership.

B. As It Relates to Corporations and Limited Liability Companies

1. If the Applicant is a corporation or limited liability company, it shall submit with the application the names, mailing addresses, and background forms of all of its officers, directors, and Direct and Indirect Beneficial Interest Owners; a copy of its articles of incorporation or articles of organization; and evidence of its authorization to do business within this State. In addition, each Applicant shall submit the names, mailing addresses, and, where applicable, certifications of residency or citizenship for all Persons owning any of the outstanding or issued capital stock or holding a membership interest.
2. Any proposed transfer of capital stock, regardless of the number of shares of capital stock transferred, shall be reported and approved by the State Licensing Authority or its designee and the relevant local jurisdiction at least 30 days prior to such transfer or change. If a local jurisdiction elects not to approve or deny this activity, the local jurisdiction must provide written notification acknowledging receipt of the application.

C. As It Relates to Partnerships. If the Applicant is a general partnership, limited partnership, limited liability partnership, or limited liability limited partnership, it shall submit with the

application the names, mailing addresses, background forms and, where applicable, certification of residency or citizenship for all of its partners and a copy of its partnership agreement.

- D. As It Relates to Entity Conversions. Any Licensee that qualifies for an entity conversion pursuant to sections 7-90-201, C.R.S., *et. seq.*, shall not be required to file a transfer of ownership application pursuant to section 12-43.4-308, C.R.S., upon statutory conversion, but shall submit a report containing suitable evidence of its intent to convert at least 30 days prior to such conversion. Such evidence shall include, but not be limited to, any conversion documents or agreements for conversion at least ten days prior to the date of recognition of conversion by the Colorado Secretary of State. The Licensee shall submit to the Division the names and mailing addresses of any officers, directors, general or managing partners, and all Direct and Indirect Beneficial Owners.
- E. Approval Required. It may be considered a license violation affecting public safety if a Licensee engages in any transfer of ownership without prior approval from the Division and the relevant local jurisdiction.
- F. Applications for Reinstatement Deemed New Applications. The Division will not accept an application for transfer of ownership if the license to be transferred is expired for more than 90 days, is voluntarily surrendered, or is revoked. See Rule R 202 - Process for Issuing a New License: Retail Marijuana Establishments.

Basis and Purpose – R 206

The statutory authority for this rule is found at subsections 12-43.4-202(2)(b), 12-43.4-202(2)(e), and 12-43.4-202(3)(a)(I), C.R.S. Authority also exists in the Colorado Constitution at Article XVIII, Subsection 16(5)(a)(I). The purpose of this rule is to clarify the application process for changing location of a Licensed Premises.

R 206 – Changing Location of Licensed Premises: Retail Marijuana Establishments

- A. Application Required to Change Location of Licensed Premises
1. An Owner or other authorized representative of a Retail Marijuana Establishment must make application to the Division for permission to change location of its Licensed Premise.
 2. Such application shall:
 - a. Be made upon current forms prescribed by the Division;
 - b. Be complete in every material detail and include remittance of all applicable fees;
 - c. Be submitted at least 30 days prior to the proposed change;
 - d. Explain the reason for requesting such change;
 - e. Be supported by evidence that the application complies with the relevant local jurisdiction requirements; and
 - f. Contain a report of the relevant local jurisdiction(s) in which the Retail Marijuana Establishment is to be situated, which report shall demonstrate the approval of the local jurisdiction(s) with respect to the

new location. If the relevant local jurisdiction elects not to approve or deny a change of location of Licensed Premises application, the local jurisdiction must provide written notification acknowledging receipt of the application.

B. Permit Required Before Changing Location

1. No change of location shall be permitted until after the Division considers the application, and such additional information as it may require, and issues to the Applicant a permit for such change.
2. The permit shall be effective on the date of issuance, and the Licensee shall, within 120 days, change the location of its business to the place specified therein and at the same time cease to operate a Retail Marijuana Establishment at the former location. At no time may a Retail Marijuana Establishment operate or exercise any of the privileges granted pursuant to the license in both locations. For good cause shown, the 120 day deadline may be extended for an additional 90 days. If the Licensee does not change the location of its business within the time period granted by the Division, including any extension, the Licensee shall submit a new application, pay the requisite fees and receive a new permit prior to completing any change of the location of the business.
3. The permit shall be conspicuously displayed at the new location, immediately adjacent to the license to which it pertains.

C. General Requirements

1. An application for change of location to a different local jurisdiction shall follow the same procedures as an application for a new Retail Marijuana Establishment license, except that licensing fees will not be assessed until the license is renewed. See Rule R 202 - Process for Issuing a New License: Retail Marijuana Establishments.
2. An Applicant for change of location within the same local jurisdiction shall file a change of location application with the Division and pay the requisite change of location fee. See Rule R 207 - Schedule of Application Fees: Retail Marijuana Establishments.

Basis and Purpose – R 207

The statutory authority for this rule is found at subsections 12-43.4-202(2)(b), 12-43.4-104(1)(a)(I), and 12-43.4-202(3)(a)(II), 12-43.4-202(3)(a)(XIV.5), and sections 12-43.3-501, 12-43.3-502 and 12-43.4-501, 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 clarify the schedules of application fees for new retail business Licensees.

R 207 – Schedule of Application Fees: Retail Marijuana Establishments

A. Application Fee for Existing Medical Marijuana Licensees in Good Standing and Qualified Applications.

1. A Person licensed pursuant to the Medical Code, section 12-43.3-401, and that meets the requirements of 12-43.4-104, C.R.S., shall pay a \$500 application fee, for each application submitted, to operate a Retail Marijuana Establishment if the following are met:

- a. The Licensee is operating; and
 - b. The Licensee's license is in good standing. A license in good standing has complied consistently with the provisions of the Medical Code and the regulations adopted thereto and is not subject to a disciplinary action at the time of the application.
- B. Application Fee for New Applicants - Retail Marijuana Store, Cultivation Facility, or Product Manufacturer. Applicants that do not meet the criteria in Part A. of this rule are required to pay a \$5,000 application fee that must be submitted with each application before it will be considered.
- C. Retail Marijuana Testing Facility Application Fee - \$1,000.00
- D. When Application Fees Are Due. All application fees are due at the time an application is submitted. An Applicant must follow Division policies regarding payment to local jurisdictions.

Basis and Purpose – R 208

The statutory authority for this rule is found at subsections 12-43.4-202(2)(b), 12-43.4-202(3)(a)(II), and 12-43.4-304(1), and sections 12-43.3-501, 12-43.3-502, 12-43.4-305, and 12-43.4-501, 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 basic requirements for all Division applications and help the regulated community understand procedural licensing requirements.

R 208 – Schedule of Business License Fees: Retail Marijuana Establishments

- A. License Fees - Medical Marijuana Business Converting To or Adding a Retail Marijuana Establishment Pursuant to 12-43.4-104(1)(a)(I).
- 1. Medical Marijuana Center Applying For A Retail Marijuana Store License – \$2,000.00
 - 2. Retail Marijuana Cultivation Facility License (Tier 1: 1 – 1,800 plants) – \$1,500.00
 - 3. Expanded Production Management Fees for Applicants with an increased production management tier approved by the Division pursuant to rule R 506(E):
 - a. Expanded Production Management Fee for Tier 2 (1,801 – 3,600 plants) - \$1,000.00
 - b. Expanded Production Management Fee for Tier 3 (3,601 – 6,000 plants) - \$2,000.00
 - c. Expanded Production Management Fee for Tier 4 (6,001 – 10,200 plants) - \$4,000.00
 - d. Expanded Production Management Fee for Tier 5 (10,201 – 13,800 plants) - \$6,000.00
 - e. Expanded Production Management Fee for each additional tier of 3,600 plants over Tier 5 - \$1,000.00

4. Retail Marijuana Products Manufacturing License – \$1,500.00
- B. License Fees - New Retail Marijuana Establishment Applicants That Have Applied Pursuant To 12-43.4-104(1)(b)(II).
1. Retail Marijuana Store License - \$2,000.00
 2. Retail Marijuana Cultivation Facility License (Tier 1: 1 – 1,800 plants) - \$1,500.00
 3. Expanded Production Management Fees for Applicants with an increased production management tier approved by the Division pursuant to rule R 506(E):
 - a. Expanded Production Management Fee for Tier 2 (1,801 – 3,600 plants) - \$1,000.00
 - b. Expanded Production Management Fee for Tier 3 (3,601 – 6,000 plants) - \$2,000.00
 - c. Expanded Production Management Fee for Tier 4 (6,001 – 10,200 plants) - \$4,000.00
 - d. Expanded Production Management Fee for Tier 5 (10,201 – 13,800 plants) - \$6,000.00
 - e. Expanded Production Management Fee for each additional tier of 3,600 plants over Tier 5 - \$1,000.00
 4. Retail Marijuana Products Manufacturing License - \$1,500.00
 5. Retail Marijuana Testing Facility License - \$1,500.00
 6. Retail Marijuana Operator License -
 7. Retail Marijuana Transporter License -
- C. When License Fees Are Due. All license fees are due at the time an application is submitted.
- D. If Application is Denied. If an application is denied, an Applicant may request that the State Licensing Authority refund the license fee after the denial appeal period has lapsed or after the completion of the denial appeal process, whichever is later.

Basis and Purpose – R 209

The statutory authority for this rule is found at subsections 12-43.4-202(2)(b), 12-43.4-202(3)(a)(II), and 12-43.4-304(1), 12-43.4-310(2)(a) and sections 12-43.4-501, 12-43.3-502, 12-43.4-305, and section 12-43.4-501, 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 basic requirements for all Division applications and help the regulated community understand procedural licensing requirements.

R 209 – Schedule of Business License Renewal Fees: Retail Marijuana Establishments

- A. Renewal Fee Amount and Due Date. The renewal fee shall be \$300 for each renewal application. Renewal license and processing fees are due at the time the renewal application is submitted for each licensed premise.

- B. Late Renewal Application and Fee Pursuant to 12-43.4-310(2)(a), C.R.S. A Licensee whose license has been expired for no more than 90 days may file a late renewal application upon payment of a late renewal fee. The late renewal fee is non-refundable and shall be \$500. This late renewal fee must be paid in addition to the \$300 renewal fee required pursuant to paragraph A of this rule R 209.
- C. Renewal License Fees.
1. Retail Marijuana Store – \$1,500.00
 2. Retail Marijuana Cultivation Facility License (Tier 1: 1 – 1,800 plants) – \$1,500.00
 3. Expanded Production Management Renewal Fees for Applicants with an increased production management tier approved by the Division pursuant to rule R 506(E):
 - a. Expanded Production Management Renewal Fee for Tier 2 (1,801 – 3,600 plants) - \$800.00
 - b. Expanded Production Management Renewal Fee for Tier 3 (3,601 – 6,000 plants) - \$1,500.00
 - c. Expanded Production Management Renewal Fee for Tier 4 (6,001 – 10,200 plants) - \$3,000.00
 - d. Expanded Production Management Renewal Fee for Tier 5 (10,201 – 13,800 plants) - \$5,000.00
 - e. Expanded Production Management Renewal Fee for each additional tier of 3,600 plants over Tier 5 - \$800.00
 4. Retail Marijuana Products Manufacturing License – \$1,500.00
 5. Retail Marijuana Testing Facility License – \$1,500.00
 6. Retail Marijuana Operator License - XXXXX
 7. Retail Marijuana Transporter License - XXXXX
- D. If Renewal Application is Denied. If an application for renewal is denied, an Applicant may request that the State Licensing Authority refund the license fee after the denial appeal period has lapsed or after the completion of the denial appeal process, whichever is later.

Basis and Purpose – R 210

The statutory authority for this rule is found at subsections 12-43.3-1101, 12-43.3-1102, 12-43.4-202(2)(b), 12-43.4-202(3)(a)(II), and 12-43.4-304(1), and sections 12-43.3-501, 12-43.3-502 and 12-43.4-501, 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 basic requirements for all Division applications and help the regulated community understand procedural licensing requirements.

R 210 – Schedule of Licensing Administrative Service Fees: All Licensees

- A. Administrative Service Fees. Administrative service fees shall be as follows:
1. Transfer of Ownership - New Direct Beneficial Interest Owners - \$1,600.00
 2. Transfer of Ownership - Reallocation of Ownership - \$1,000.00
 3. Change of Corporation or LLC Structure - \$800.00/Person
 4. Change of Trade Name - \$50.00
 5. Change of Location Application Fee - Same Local Jurisdiction Only - \$500.00
 6. Modification of Licensed Premises - \$100.00
 7. Duplicate Business License - \$20.00
 8. Duplicate Occupational License - \$20.00
 9. Indirect Beneficial Interest Owner Background Investigations
 10. Qualified Limited Passive Investor Background Investigations
 11. Off Premises Storage Permit - \$1,500.00
 12. Subpoena Fee - See Rule R 106 – Subpoena Fees.
 13. Responsible Vendor Program Provider Application Fee: \$850.00
 14. Responsible Vendor Program Provider Renewal Fee: \$350.00
 15. Responsible Vendor Program Provider Duplicate Certificate Fee: \$50.00
- B. When Administrative Service Fees Are Due. All administrative service fees are due at the time each applicable request is made.

Basis and Purpose - R 211

The statutory authority for this rule is found at subsections 12-43.4-202(2)(b), 12-43.4-202(3)(a)(I-II), 12-43.4-202(3)(b)(IX), and 12-43.4-202(4)(a) and (b) and sections 12-43.4-103, 12-43.4-104, and 12-43.4-501, C.R.S. The purpose of this rule is to clarify that, with the exception of a Medical Marijuana Testing Facility, an existing Medical Marijuana Business may apply to convert a Medical Marijuana Business License to a Retail Marijuana Establishment License or may apply to obtain one additional license to operate a Retail Marijuana Establishment. It is important to note that the State Licensing Authority considers each license issued as separate and distinct. Each license, whether it is in the same location or not, is fully responsible to maintain compliance with all statutes and rules promulgated regardless of whether or not they are located in a shared address.

A Medical Marijuana Business may only obtain one Retail Marijuana Establishment License, whether it converts the Medical Business License or obtains a Retail Marijuana Establishment License, for each Medical Marijuana Business License it holds. In order to ensure all Retail Marijuana and Retail Marijuana Product are tracked in the Inventory Tracking System and as a condition of licensure, a Medical Marijuana Business must declare in the Inventory Tracking System all Medical Marijuana and Medical Marijuana Infused-Product that are converted for sale as Retail Marijuana or Retail Marijuana Product prior to initiating or allowing any sales. This declaration may be made only once, in part, due to the excise tax issues that may be implicated if a Licensee makes multiple conversions from Medical Marijuana or

Medical Marijuana-Infused Product to Retail Marijuana or Retail Marijuana Product. Beginning July 1, 2016, the only allowed transfer of marijuana between a Medical Marijuana Business and Retail Marijuana Establishment is the transfer of Medical Marijuana and Medical Marijuana Concentrate that was produced at the Optional Premises Cultivation Operation, from the Optional Premises Cultivation Operation to a Retail Marijuana Cultivation Facility. The marijuana subject to the one-time transfer is subject to the excise tax upon the first transfer from the Retail Marijuana Cultivation Facility to another Retail Marijuana Establishment.

The State Licensing Authority received several comments from stakeholders who requested lower fees for Medical Marijuana Businesses that were either converting a Medical Marijuana Business license to a Retail Marijuana Establishment license or obtaining an additional Retail Marijuana Establishment license while retaining the existing Medical Marijuana Business license. The adopted permanent regulations reflect changes to address this concern. Under the rules as adopted Medical Marijuana Businesses that apply to convert to a Retail Marijuana Establishment license will be required to pay an application fee, but no license fees will be charged until such time as the renewal fees would have been due under the Medical Marijuana Business license term. The Retail Marijuana Establishment license, if approved, would assume the balance of the license term from the Medical Marijuana Business license and have the same expiration date.

This rule also informs existing and prospective licensees of production management conditions. The State Licensing Authority intends to replace or revise this rule's production management provisions as early as January 2017 by transitioning to an output-based production management model. Existing and prospective licensees should be on notice that the new or revised regulations may impact the production limits provided for in this rule. Additionally, throughout the rulemaking process stakeholders expressed concern over ensuring an adequate amount of licensed Retail Marijuana Stores exist to sell the amount of Retail Marijuana being produced at licensed Retail Marijuana Cultivation Facilities. Scaling the number of interests a person may hold in Retail Marijuana Cultivation Facility licenses relative to the number of controlling interests the person has in Retail Marijuana Store(s) has been incorporated in the production management rules as a means to address this production management concern.

R 211 – Conversion - Medical Marijuana Business to Retail Marijuana Establishment Pursuant to 12-43.4-104(1)(a)(I), C.R.S.

- A. Medical Marijuana Business Applying for a Retail Marijuana Establishment License.
Except for a Medical Marijuana Testing Facility, a Medical Marijuana Business Operator or a Medical Marijuana Business Transporter, a Medical Marijuana Business in good standing or who had a pending application as of December 10, 2012 that has not yet been denied, and who has paid all applicable fees may apply for a Retail Marijuana Establishment license in accordance with the Retail Code and these rules on or after October 1, 2013. A Medical Marijuana Business meeting these conditions may apply to convert a Medical Marijuana Business license to a Retail Marijuana Establishment license or may apply for a single Retail Marijuana Establishment of the requisite class of license in the Medical Marijuana Code for each Medical Marijuana Business License not converted.
- B. Retail Marijuana Establishment Expiration Date.
 - 1. A Medical Marijuana Business converting its license to a Retail Marijuana Establishment license shall not be required to pay a license fee at the time of application for conversion.
 - 2. If a Medical Marijuana Business licensee is scheduled to renew its license during the processing of its conversion to a Retail Marijuana Establishment license, the Medical Marijuana Business must complete all renewal applications and pay the requisite renewal licensing fees.

3. A Retail Marijuana Establishment license that was fully converted from a Medical Marijuana Business license will assume the balance of licensing term previously held by the surrendered Medical Marijuana Business license.

C. Retail Marijuana Establishment Licenses Conditioned

1. It shall be unlawful for a Retail Marijuana Establishment to operate without being issued a Retail Marijuana Establishment license by the State Licensing Authority and receiving all relevant local jurisdiction approvals. Each Retail Marijuana Establishment license issued shall be conditioned on the Licensee's receipt of all required local jurisdiction approvals and licensing, if required.
2. Each Retail Marijuana Establishment license issued shall be conditioned on the Medical Marijuana Business' declaration of the amount of Medical Marijuana or Medical Marijuana-Infused Product it intends to transfer from the requisite Medical Marijuana Business for sale as Retail Marijuana or Retail Marijuana Product. A Licensee that converts to a Retail Marijuana Establishment shall not exercise any of the rights or privileges of a Retail Marijuana Establishment until such time as all such Medical Marijuana and Medical Marijuana-Infused Product are fully transferred and declared in the Inventory Tracking System as Retail Marijuana and Retail Marijuana Product. See also, Rule R 309 –Inventory Tracking System. Beginning July 1, 2016, the only allowed transfer of marijuana between a Medical Marijuana Business and Retail Marijuana Establishment is the transfer of Medical Marijuana and Medical Marijuana Concentrate that was produced at the Optional Premises Cultivation Operation, from the Optional Premises Cultivation Operation to a Retail Marijuana Cultivation Facility.

D. One-Time Transfer

1. This rule R 211(D)(1) is repealed effective July 1, 2016. Prior to July 1, 2016, once a Retail Marijuana Establishment has declared Medical Marijuana and Medical Marijuana-Infused Product as Retail Marijuana or Retail Marijuana Product in the Inventory Tracking System and begun exercising the rights and privileges of the license, no additional Medical Marijuana or Medical Marijuana-Infused Product can be transferred from the Medical Marijuana Business to the relevant Retail Marijuana Establishment at any time.
- 1.5. Beginning July 1, 2016, the only allowed transfer of marijuana between a Medical Marijuana Business and a Retail Marijuana Establishment is the transfer of Medical Marijuana and Medical Marijuana Concentrate that was produced at the Optional Premises Cultivation Operation, from the Optional Premises Cultivation Operation to a Retail Marijuana Cultivation Facility. All other transfers are prohibited, including but not limited to transfers from a Medical Marijuana Center or Medical Marijuana-Infused Products Manufacturer to any Retail Marijuana Establishment. Once a Retail Marijuana Establishment has declared Medical Marijuana and Medical Marijuana Concentrate as Retail Marijuana or Retail Marijuana Concentrate in the Inventory Tracking System and begun exercising the rights and privileges of the license, no additional Medical Marijuana or Medical Marijuana Concentrate can be transferred from the Medical Marijuana Business to the relevant Retail Marijuana Establishment at any time.

E. Additional Application Disclosures.

1. At the time of application for a Retail Marijuana Store license an Applicant must designate the Medical Marijuana Center license intended to be used to obtain the Retail Marijuana Store license, whether or not that license will be converted, by providing its business license number.
 2. At the time of application for a Retail Marijuana Products Manufacturing Facility license an Applicant must designate the Medical Marijuana Infused-Products Manufacturing Business license intended to be used to obtain the Retail Marijuana Products Manufacturing license, whether or not that license will be converted, by providing its business license number.
 3. At the time of application for a Retail Marijuana Cultivation Facility license an Applicant must designate the Optional Premises Cultivation Operation license intended to be used to obtain the Retail Marijuana Cultivation Facility license, whether or not that license will be converted, by providing its business license number.
- F. One Retail Cultivation License per Licensed Premises.
1. Only one Retail Marijuana Cultivation Facility License shall be permitted at each licensed premises. Each licensed premises must be located at a distinct address recognized by the local jurisdiction. Each licensed premise must have its own public entrance and be securely and physically separated from any other address located within the same structure.
 2. Existing Retail Marijuana Cultivation Facilities that have Multiple Cultivation Licenses at the Licensed Premises. Upon the first renewal at the Retail Marijuana Cultivation Facility, all of the Retail Marijuana Cultivation Facility's licenses will be collapsed into one surviving license, and fees shall be prorated for the non-expiring licenses. The maximum authorized plant count shall also collapse into the surviving license. See rule R 506 – Retail Marijuana Cultivation Facility: Production Management.
- G. Authorized Plant Count and Associated Fees.
1. All Retail Marijuana Cultivation Facility licenses granted on or after November 30, 2015 shall be authorized to cultivate no more than 1,800 plants at any given time and are subject to the production management requirements of rule R 506 – Retail Marijuana Cultivation Facility: Production Management. See rule R 506 – Retail Marijuana Cultivation Facility: Production Management.
 2. All Retail Marijuana Cultivation Facility licenses granted before November 30, 2015 are subject to the production management requirements of rule R 506 – Retail Marijuana Cultivation Facility: Production Management.
 3. As of November 30, 2015, a Retail Marijuana Cultivation Facility license that was associated with a Retail Marijuana Products Manufacturing Facility shall be authorized to cultivate no more than 1,800 plants at any given time. If such a Retail Marijuana Cultivation Facility licensee submitted a plant count waiver application prior to August 31, 2015 and it was subsequently approved, the license shall be authorized to cultivate the maximum number of plants at any given time in the corresponding production management tier pursuant to rule R 506 – Retail Marijuana Cultivation Facility: Production Management.

4. Upon demonstrating certain conditions, the Owner/s of an existing Retail Marijuana Cultivation Facility license may apply to the Division for a production management tier increase to be authorized to cultivate the number of plants in the next highest production management tier. See rule R 506 – Retail Marijuana Cultivation Facility: Production Management. If the application is approved, the Licensee shall pay the applicable expanded production management tier fee prior to cultivating the additional authorized plants. See rule R 208 – Schedule of Business License Fees: Retail Marijuana Establishments.
5. At renewal, a Licensee that is authorized to cultivate more than 1,800 plants shall pay the requisite Retail Marijuana Cultivation Facility licensee fee and the applicable expanded production management tier fee. See rule R 209 – Schedule of Business License Renewal Fees: Retail Marijuana Establishments.
6. At renewal, the Division will review a Licensee’s maximum authorized plant count and may reduce it pursuant to the requirements of rule R 506.
7. The State Licensing Authority, at its sole discretion, may adjust any of the plant limits described in this rule on an industry-wide aggregate basis for all Retail Marijuana Cultivation Facility Licensees subject to that limitation.

H. Maximum Allowed Retail Marijuana Cultivation Facility Licenses.

1. A Person with an Interest in Three or More Retail Marijuana Cultivation Facility Licenses. For every multiple of three Retail Marijuana Cultivation Facility licenses a person has an interest in, the person must have a controlling interest in at least one Retail Marijuana Store. For example: (1) a person with an interest in three, four, or five Retail Marijuana Cultivation Facility licenses also must have a controlling interest in at least one Retail Marijuana Store; (2) a person with an interest in six, seven, or eight Retail Marijuana Cultivation Facility licenses also must have a controlling interest in at least two Retail Marijuana Stores; (3) a person with an interest in nine, ten, or eleven Retail Marijuana Cultivation Facility licenses also must have a controlling interest in at least three Retail Marijuana Stores; etc.
2. A Person with an Interest in Less than Three Retail Marijuana Cultivation Facility Licenses. The person shall not be required to have an interest in a Retail Marijuana Store.

Basis and Purpose – R 212

The statutory authority for this rule is found at subsections 12-43.4-202(2)(b), 12-43.4-202(3)(a)(I-II), 12-43.4-202(3)(b)(IX), and 12-43.4-202(4)(a) and (b); and sections 12-43.4-103, 12-43.4-104, and 12-43.4-501, C.R.S. This rule also informs existing and prospective licensees licensed pursuant to 12-43.4-104(1)(b)(II), C.R.S. of licensing and production management conditions. The State Licensing Authority intends to replace or revise this rule’s production management provisions as early as January 2017 by transitioning to an output-based production management model. Existing and prospective licensees should be on notice that the new or revised regulations may impact the production limits provided for in this rule. Additionally, throughout the rulemaking process stakeholders expressed concern over ensuring an adequate amount of licensed Retail Marijuana Stores exist to sell the amount of Retail Marijuana being produced at licensed Retail Marijuana Cultivation Facilities. Scaling the number of interests a person may hold in Retail Marijuana Cultivation Facility licenses relative to the number of controlling interests the person has in Retail Marijuana Store(s) has been incorporated in the production management rules as a means to address this production management concern.

Rule R 212 – New Applicant Retail Marijuana Cultivation Facilities Licensed Pursuant To 12-43.4-104(1)(b)(II), C.R.S.

- A. Applicability. This rule R 212 shall apply to all new applicant Retail Marijuana Cultivation Facility Licenses granted after September 30, 2014 pursuant to 12-43.4-104(1)(b)(II), C.R.S.
- B. One Retail Cultivation License per Licensed Premises.
1. Only one Retail Marijuana Cultivation Facility License shall be permitted at each licensed premises. Each licensed premises must be located at a distinct address recognized by the local jurisdiction.
 2. Existing Retail Marijuana Cultivation Facilities that have Multiple Cultivation Licenses at the Licensed Premises. Upon the first renewal at the Retail Marijuana Cultivation Facility, all of the Retail Marijuana Cultivation Facility's licenses will be collapsed into one surviving license, and fees shall be prorated for the non-expiring licenses. The maximum authorized plant count shall also collapse into the surviving license. See rule R 506 – Retail Marijuana Cultivation Facility: Production Management.
- C. Authorized Plant Count and Associated Fees.
1. All Retail Marijuana Cultivation Facility licenses granted on or after November 30, 2015 shall be authorized to cultivate no more than 1,800 plants at any given time and are subject to the production management requirements of rule R 506 – Retail Marijuana Cultivation Facility: Production Management.
 2. All Retail Marijuana Cultivation Facility licenses granted before November 30, 2015 are subject to the production management requirements of rule R 506 – Retail Marijuana Cultivation Facility: Production Management.
 3. As of November 30, 2015, a Retail Marijuana Cultivation Facility license that was associated with a Retail Marijuana Products Manufacturing Facility shall be authorized to cultivate no more than 1,800 plants at any given time. If such a Retail Marijuana Cultivation Facility licensee submitted a plant count waiver application prior to August 31, 2015 and it was subsequently approved, the license shall be authorized to cultivate the maximum number of plants at any given time in the corresponding production management tier pursuant to rule R 506 – Retail Marijuana Cultivation Facility: Production Management.
 4. Upon demonstrating certain conditions, the Direct Beneficial Interest Owner/s of an existing Retail Marijuana Cultivation Facility license may apply to the Division for a production management tier increase to be authorized to cultivate the number of plants in the next highest production management tier. See rule R 506 – Retail Marijuana Cultivation Facility: Production Management. If the application is approved, the Licensee shall pay the applicable expanded production management tier fee prior to cultivating the additional authorized plants. See rule R 208 – Schedule of Business License Fees: Retail Marijuana Establishments.
 5. At renewal, a Licensee that is authorized to cultivate more than 1,800 plants shall pay the requisite Retail Marijuana Cultivation Facility licensee fee and the

applicable expanded production management tier fee. See rule R 209 – Schedule of Business License Renewal Fees: Retail Marijuana Establishments.

6. At renewal, the Division will review a Licensee's maximum authorized plant count and may reduce it pursuant to the requirements of rule R 506.
7. The State Licensing Authority, at its sole discretion, may adjust any of the plant limits described in this rule on an industry-wide aggregate basis for all Retail Marijuana Cultivation Facility Licensees subject to that limitation.

D. Maximum Allowed Retail Marijuana Cultivation Facility Licenses.

1. A Person with an Interest in Three or More Retail Marijuana Cultivation Facility Licenses. For every multiple of three Retail Marijuana Cultivation Facility licenses a person has an interest in, the person must have a controlling interest in at least one Retail Marijuana Store. For example: (1) a person with an interest in three, four, or five Retail Marijuana Cultivation Facility licenses also must have a controlling interest in at least one Retail Marijuana Store; (2) a person with an interest in six, seven, or eight Retail Marijuana Cultivation Facility licenses also must have a controlling interest in at least two Retail Marijuana Stores; (3) a person with an interest in nine, ten, or eleven Retail Marijuana Cultivation Facility licenses also must have a controlling interest in at least three Retail Marijuana Stores; etc.
2. A Person with an Interest in Less than Three Retail Marijuana Cultivation Facility Licenses. The person shall not be required to have an interest in a Retail Marijuana Store.

Basis and Purpose – R 231

The statutory authority for this rule is found at subsections 12-43.3-201(4), 12-43.4-202(2)(b), 12-43.4-202(3)(a)(III), and 24-18-105(3), and sections 12-43.4-103, 12-43.4-305, 12-43.4-306 12-43.3-306.5, and 24-76.5-101 *et. seq.*, C.R.S. Authority also exists in the Colorado Constitution at Article XVIII, Subsection 16(5)(a)(III). The purpose of this rule is to clarify the qualifications for licensure, including, but not limited to, the requirement for a fingerprint-based criminal history record check for all Owners, officers managers, contractors, employees, and other support staff of licensed entities.

R 231 – Qualifications for Licensure and Residency

A. Other Licensing Requirements

1. Other Documents May Be Required. Any Applicant may be required to establish his or her identity and age by any document required for a determination of Colorado residency, United States citizenship or lawful presence.
2. Maintaining Ongoing Suitability For Licensing: Duty to Report Offenses. An Applicant or Licensee shall notify the Division in writing of any felony criminal charge and felony conviction against such person within ten days of such person's arrest or felony summons, and within ten days of the disposition of any arrest or summons. Failure to make proper notification to the Division may be grounds for disciplinary action. Applicants and Licensees shall notify the Division within ten days of any other event that renders the Applicant or Licensee no longer Suitable. Licensees shall cooperate in any investigation conducted by the Division. This duty to report includes, but is not limited to, deferred sentences or judgments that are not sealed. If the Division lawfully finds a disqualifying event

and an Applicant asserts that the record was sealed, the Division may require the Applicant to provide proof from a court evidencing the sealing of the case.

3. Application Forms Accessible to Law Enforcement and Licensing Authorities. All application forms supplied by the Division and filed by an Applicant for license shall be accessible by the State Licensing Authority, local jurisdictions, and any state or local law enforcement agent.
- B. Associated Key Licenses. Each Direct Beneficial Interest Owner who is a natural person, including but not limited to each officer, director, managing member or partner of a Closely Held Business Entity, must apply for and hold at all times a valid Associated Key License. Except that these criteria shall not apply to Qualified Limited Passive Investors, who are not required to hold Associated Key Licenses. Each such Direct Beneficial Interest Owner must establish that he or she meets the following criteria before receiving an Associated Key License:
1. The Applicant has paid the annual application and licensing fees;
 2. The Applicant's criminal history indicates that he or she is of Good Moral Character;
 3. The Applicant is not employing, or financed in whole or in part, by any other Person whose criminal history indicates that he or she is not of Good Moral Character;
 4. The Applicant is at least 21 years of age;
 5. The Applicant has paid all taxes, interest, or penalties due the Department of Revenue relating to a Retail Marijuana Establishment or Medical Marijuana Business, if applicable;
 6. The Applicant is not currently subject to and has not discharged a sentence for a conviction of a felony in the five years immediately preceding his or her application date;
 7. The Applicant meets qualifications for licensure that directly and demonstrably relate to the operation of a Retail Marijuana Establishment.
 8. The Applicant is not currently subject to or has not discharged a sentence for a conviction of a felony pursuant to any state or federal law regarding the possession, distribution, manufacturing, cultivation, or use of a controlled substance in the ten years immediately preceding his or her application date or five years from May 28, 2013, whichever is longer, except that the State Licensing Authority may grant a license to a Person if the Person has a state felony conviction based on possession or use of marijuana or marijuana concentrate that would not be a felony if the Person were convicted of the offense on the date he or she applied for a license;
 9. The Applicant does not employ another person who does not have a valid Occupational License issued pursuant to either the Retail Code or the Medical Code.
 10. The Applicant is not a sheriff, deputy sheriff, police officer, or prosecuting officer, or an officer or employee of the State Licensing Authority or a local jurisdiction;

11. The Applicant has not been a State Licensing Authority employee with regulatory oversight responsibilities for individuals, Retail Marijuana Establishments and/or Medical Marijuana Businesses licensed by the State Licensing Authority in the six months immediately preceding the date of the Applicant's application;
 12. The premises that the Applicant proposes to be licensed is not currently licensed as a retail food establishment or wholesale food registrant; and
 13. The Applicant either:
 - a. Has been a resident of Colorado for at least one year prior to the date of the application, or
 - b. Has been a United States citizen since a date prior to the date of the application and has been found to be Suitable by the Division prior to filing the application. See Rule R 232 – Factors Considered When Determining Residency and Citizenship: Individuals.
 14. For Associated Key Licensees who are owners of a Closely Held Business Entity, the Applicant is a United States citizen.
- C. Occupational Licenses. An Occupational License Applicant who is not applying for an Associated Key License must establish that he or she meets the following criteria before receiving an Occupational License:
1. The Applicant has paid the annual application and licensing fees;
 2. The Applicant's criminal history indicates that he or she is of Good Moral Character;
 3. The Applicant is at least 21 years of age;
 4. The Applicant is currently a resident of Colorado. See Rule R 232 – Factors Considered When Determining Residency: Individuals.
 5. The Applicant is not currently subject to and has not discharged a sentence for a conviction of a felony in the five years immediately preceding his or her application date;
 6. The Applicant is not currently subject to and has not discharged a sentence for a conviction of a felony pursuant to any state or federal law regarding the possession, distribution, manufacturing, cultivation, or use of a controlled substance in the ten years immediately preceding his or her application date or five years from May 28, 2013, whichever is longer, except that the State Licensing Authority may grant a license to a person if the person has a state felony conviction based on possession or use of marijuana or marijuana concentrate that would not be a felony if the person were convicted of the offense on the date he or she applied for a license;
 7. The Applicant is not a sheriff, deputy sheriff, police officer, or prosecuting officer, or an officer or employee of the State Licensing Authority or a local jurisdiction; and
 8. The Applicant has not been a State Licensing Authority employee with regulatory oversight responsibilities for occupational licensees, Retail Marijuana

Establishments and/or Medical Marijuana Businesses licensed by the State Licensing Authority in the six months immediately preceding the date of the Applicant's application.

- D. Current Medical Marijuana Occupational Licensees.
1. An individual who holds a current, valid Occupational License issued pursuant to the Medical Code may also work in a Retail Marijuana Establishment; no separate Occupational License is required.
 2. An individual who holds a current, valid Occupational License issued pursuant to the Retail Code and these rules shall only work at licensed premises that are exclusively a Retail Marijuana Establishment and shall not work at a Medical Marijuana Business unless he or she also holds a current, valid Occupational License issued pursuant to the Medical Code.
- E. Associated Key License Privileges. A person who holds an Associated Key License must apply to associate that license separately with each Retail Marijuana Establishment or Medical Marijuana Business with which the person is associated. A person who holds an Associated Key License may exercise the privileges of a licensed employee in any licensed Retail Marijuana Establishment or Medical Marijuana Business in which they are not an owner so long as the person does not exercise privileges of ownership.
- F. Qualified Limited Passive Investor. An Applicant who wishes to be a Qualified Limited Passive Investor and hold an interest in a Retail Marijuana Establishment as a Direct Beneficial Interest Owner must establish that he or she meets the following criteria before the ownership interest will be approved:
1. He or she is a natural person;
 2. The Division determined the Applicant is Suitable ;
 3. He or she has been a United States citizen since a date prior to the date of the application, and
 4. He or she has signed an affirmation of passive investment.

Basis and Purpose – R 231.5

The statutory authority for this rule is found at subsections 12-43.4-103(1), 12-43.3-201(4), 12-43.4-202(2)(b) and 24-18-105(3), 12-43.4-202(3)(a)(XX), and sections 12-43.4-305, 12-43.4-306.5 and 24-76.5-101 et. seq., C.R.S. Authority also exists in the Colorado Constitution at Article XVIII, Subsection 16(5)(a)(III). The purpose of this rule is to clarify the qualifications for Direct Beneficial Interest Owners.

R 231.5 – Suitability, Residency and Reporting Requirements for Direct Beneficial Interest Owners

- A. Suitable Finding – Non-Resident Direct Beneficial Interest Owners. A natural person or owner, shareholder, director, officer, member or partner of an entity that intends to apply to become a Direct Beneficial Interest Owner who has not been a resident of Colorado for at least one year prior to the application shall first submit a request to the State Licensing Authority for a finding that such natural persons are Suitable to apply to become a Direct Beneficial Interest Owner as follows:
1. A request for a determination that a non-resident natural person is Suitable shall be submitted on the forms proscribed by the State Licensing Authority.

2. A natural person or all owners, shareholders, directors, officers, members or partners of an entity who have not been a resident of Colorado for at least one year shall obtain a determination that they are Suitable prior to submitting an application to become a Direct Beneficial Interest Owner to the State Licensing Authority. A non-Colorado resident's failure to obtain a finding that they are Suitable before submitting an application to become a Direct Beneficial Interest Owner to the State Licensing Authority shall be grounds for denial of the application.
- B. Number of Permitted Direct Beneficial Interest Owners.
1. A Retail Marijuana Establishment may be comprised of an unlimited number of Direct Beneficial Interest Owners that have been residents of Colorado for at least one year prior to the date of the application.
 2. On and after January 1, 2017, a Retail Marijuana Establishment that is comprised of one or more Direct Beneficial Interest Owners who have not been Colorado residents for at least one year is limited to no more than fifteen Direct Beneficial Interest Owners, each of whom is a natural person. Further, a Retail Marijuana Establishment that is comprised of one or more Direct Beneficial Interest Owners who have not been Colorado residents for at least one year shall have at least one officer who is a Colorado resident. All officers with day-to-day operational control over a Retail Marijuana Establishment must be Colorado residents for at least one year, must maintain their Colorado residency during the period while they have day-to-day operational control over the Retail Marijuana Establishment and shall be licensed as required by the Retail Code. Rule 231 – Qualifications for Licensure: Individuals.
- C. Notification of Change of Residency. A Retail Marijuana Establishment with more than fifteen Direct Beneficial Interest Owners shall provide thirty days prior notice to the Division of any Direct Beneficial Interest Owners' intent to change their residency to a residency outside Colorado. A Retail Marijuana Establishment with no more than fifteen Direct Beneficial Interest Owners shall notify the Division of the change of residency of any Direct Beneficial Interest Owner at the time of its license renewal.

Basis and Purpose – R 231.6

The statutory authority for this rule is found at subsections 12-43.4-103(2.5), 12-43.3-201(4), 12-43.4-202(2)(b) and 24-18-105(3), 12-43.4-202(3)(a)(XX), and sections 12-43.4-305, 12-43.4-306.5 and 24-76.5-101 et. seq., C.R.S. Authority also exists in the Colorado Constitution at Article XVIII, Subsection 16(5)(a)(III). The purpose of this rule is to clarify the qualifications for an Indirect Beneficial Interest Owner other than a Permitted Economic Interest.

R 231.6 – Qualifications for Indirect Beneficial Interest Owners

- A. General Requirements
1. An Applicant applying to become an Indirect Beneficial Interest Owner shall submit information to the Division in a full, faithful, truthful, and fair manner. The Division may recommend denial of an application where the Applicant made misstatements, purposeful omissions, misrepresentations, or untruths in the application. This type of conduct may be considered as the basis of additional administrative action against the Applicant and the Retail Marijuana Establishment.

2. An Indirect Beneficial Interest Owner must be Suitable as determined by the Division in its discretion.
 3. The Division may deny the application when the Applicant fails to provide any requested information by the Division's deadline.
 4. The Division's determination that an Indirect Beneficial Interest Owner is Suitable constitutes a revocable privilege held by the Retail Marijuana Establishment. The burden of proving the Indirect Beneficial Interest Owner is Suitable rests at all times with the Retail Marijuana Establishment Applicant. Indirect Beneficial Interest Owners are not separately licensed by the Division. Any administrative action regarding an Indirect Beneficial Interest Owner may be taken directly against the Retail Marijuana Establishment.
- B. Maintaining a Suitable Determination:
1. An Indirect Beneficial Interest Owner shall notify the Division in writing of any felony criminal charge and felony conviction against such person within ten days of such person's arrest or felony summons, and within ten days of the disposition of any arrest or summons. Failure to make proper notification to the Division may be grounds for disciplinary action. This duty to report includes, but is not limited to, deferred sentences, prosecutions, or judgments that are not sealed. If the Division lawfully finds a disqualifying event and the individual asserts that the record was sealed, the Division may require the individual to provide proof from a court evidencing the sealing of the case
 2. An Indirect Beneficial Interest Owner and Retail Marijuana Establishment shall cooperate in any investigation into whether an Indirect Beneficial Interest Owner continues to be Suitable that may be conducted by the Division.
- C. Divestiture of Indirect Beneficial Interest Owner. If the Division determines a previously Suitable Indirect Beneficial Interest Owner is no longer Suitable, the Retail Marijuana Establishment shall have 60 days from such determination to divest the Indirect Beneficial Interest Owner. If the Retail Marijuana Establishment fails to divest any Indirect Beneficial Interest Owner the Division determines is not Suitable within 60 days, the Retail Marijuana Establishment may face administrative action against its license or denial of its license. Additionally, failure to divest an Indirect Beneficial Interest Owner the Division determines is not Suitable within 60 days may further result in administrative action against the Retail Marijuana Establishment's Associated Key Licensee.

Basis and Purpose – R 232

The statutory authority for this rule is found at subsections 12-43.4-202(2)(b), (3)(a)(I) and (3)(a)(XX), 12-43.4-306.5(2)(a)-(b), and 12-43.4-309(5), C.R.S. The purpose of this rule is to interpret residency requirements set forth in the Retail Code.

R 232 – Factors Considered When Determining Residency and Citizenship: Individuals

This rule applies to individual Applicants who are trying to obtain licenses issued pursuant to the Retail Code. This rule does not apply to patrons of Retail Marijuana Stores. When the State Licensing Authority determines whether an Applicant is a resident, the following factors will be considered:

- A. Primary Home Defined. The location of an Applicant's principal or primary home or place of abode ("primary home") may establish Colorado residency. An Applicant's primary home is that home or place in which a person's habitation is fixed and to which the

person, whenever absent, has the present intention of returning after a departure or absence therefrom, regardless of the duration of such absence. A primary home is a permanent building or part of a building and may include, by way of example, a house, condominium, apartment, room in a house, or manufactured housing. No rental property, vacant lot, vacant house or cabin, or other premises used solely for business purposes shall be considered a primary home.

- B. 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.
1. Evidence of business pursuits, place of employment, income sources, residence for income or other tax purposes, age, residence of parents, spouse, and children, if any, leaseholds, situs of personal and real property, existence of any other residences outside of Colorado and the amount of time spent at each such residence, and any motor vehicle or vessel registration;
 2. 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
 3. Other types of reliable evidence.
- C. 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 will not necessarily be determinative.
- D. Other Considerations for Residency. The State Licensing Authority may consider the following circumstances:
1. 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;
 2. Personnel in the diplomatic service of any nation recognized by the United States who are assigned to duty in Colorado and their spouses; and
 3. Full-time students who are enrolled in any accredited trade school, college, or university in Colorado. The temporary absence of such student from Colorado, while the student is still enrolled at any such trade school, college, or university, shall not be deemed to terminate their residency. A student shall be deemed "full-time" if considered full-time pursuant to the rules or policy of the educational institution he or she is attending.
- E. Entering Armed Forces Does Not Terminate Residency. An individual who is a Colorado resident pursuant to this rule does not terminate Colorado residency upon entering the armed services of the United States. A member of the armed services on active duty who resided in Colorado at the time the person entered military service and the person's spouse are presumed to retain their status as residents of Colorado throughout the member's active duty in the service, regardless of where stationed or for how long.

- F. Determination of Lawful Citizenship. Whenever these rules require that an individual be a United States citizen, such evidence can be established by any of the following
1. Colorado driver license or permit (expired less than 10 years);
 2. Colorado identification card (expired less than 10 years);
 3. Unexpired out of State driver license or permit with enhancement indicator;
 4. Unexpired United States passport;
 5. Certificate of Naturalization with photograph that is less than 20 years old;
 6. Certificate of Citizenship with photograph.

Basis and Purpose – R 233

The statutory authority for this rule is found at subsections 12-43.4-202(2)(b) and 12-43.4-401(1)(e), C.R.S. The purpose of this rule is to clarify when an individual must be licensed or registered with the Division before commencing any work activity at a licensed Retail Marijuana Establishment. The rule also sets forth the process for obtaining a license or registration and explains what information may be required before obtaining such license or registration.

R 233 – Retail Code or Medical Code Occupational Licenses Required

- A. Retail Code or Medical Code Occupational Licenses and Identification Badges
1. Any person who possesses, cultivates, manufactures, tests, dispenses, sells, serves, transports or delivers Retail Marijuana or Retail Marijuana Product as permitted by privileges granted under a Retail Marijuana Establishment license must have a valid Occupational License.
 2. Any person who has the authority to access or input data into the Inventory Tracking System or a Retail Marijuana Establishment point of sale system must have a valid Occupational License.
 3. Any person within a Restricted Access Area or Limited Access Area that does not have a valid Occupational License shall be considered a visitor and must be escorted at all times by a person who holds a valid Associated Key License or other Occupational License. Failure by a Retail Marijuana Establishment to continuously escort a person who does not have a valid Occupational License within a Limited Access Area may be considered a license violation affecting the public safety. See Rule R 1307 – Penalties; see also Rule R 301 – Limited Access Areas. Nothing in this provision alters or eliminates a Retail Marijuana Establishment's obligation to comply with the Occupational License requirements of paragraph (A) of this rule R 233. Trade craftspeople not normally engaged in the business of cultivating, processing, or selling Retail Marijuana do not need to be accompanied at all times, and instead only reasonably monitored.
- B. Occupational License Required to Commence or Continue Employment. Any person required to be licensed pursuant to these rules shall obtain all required approvals and obtain a Division-issued identification badge before commencing activities permitted by his or her Retail Code or Medical Code Occupational License. See Rules R 231 –

Qualifications for Licensure: Individuals; Rule R 204 – Factors Considered When Evaluating Ownership of a License: Retail Marijuana Establishments; and R 301 – Limited Access Areas.

- C. Identification Badges Are Property of State Licensing Authority. All identification badges shall remain the property of the State Licensing Authority, and all identification badges shall be returned to the Division upon demand of the State Licensing Authority or the Division. The Licensee shall not alter, obscure, damage, or deface the badge in any manner.

Basis and Purpose – R 234

The statutory authority for this rule is found at subsections 12-43.4-202(2)(b), 12-43.4-202(2)(e), 12-43.4-202(3)(b)(VIII), 12-43.4-202(3)(b)(IX), 12-43.4-309(6), 12-43.4-401(1)(e), and 12-43.3-501(1), C.R.S. The purpose of this rule is to establish licensing fees for individuals.

R 234 – Schedule of License Fees: Individuals

- A. Individual License Fees
1. Occupational Key License - \$250.00
 2. Associated Key License Fee - \$800.00
 3. Occupational Support License - \$100.00
- B. When Fees Are Due. License fees are due at the time Applicant submits application.

Basis and Purpose – R 235

The statutory authority for this rule is found at subsections 12-43.4-202(2)(b), 12-43.4-202(2)(e), 12-43.4-202(3)(b)(VIII), 12-43.4-202(3)(b)(IX), 12-43.4-309(6), 12-43.4-401(1)(e), and 12-43.3-501(1), C.R.S. The purpose of this rule is to establish renewal license fees for individuals.

R 235 – Schedule of Renewal Fees: Individuals

- A. Individual Renewal License Fees
1. Associated Key License - \$500.00
 2. Occupational License. \$75.00
- B. When Fees Are Due. Renewal license fees are due at the time Applicant submits application for renewal.

Basis and Purpose – R 250

The statutory authority for this rule is found at subsections 12-43.4-202(2)(b), 24-4-105(2), and 12-43.4-601(2), C.R.S. The purpose of this rule is to clarify that a Licensee must keep its mailing address current with the Division.

R 250 – Licensee Required to Keep Mailing Address Current with the Division: All Licensees

- A. Timing of Notification. A Licensee shall inform the Division in writing of any change to its mailing address within 30 days of the change. The Division will not change a Licensee's

information without explicit written notification provided by the Licensee or its authorized agent.

- B. Division Communications. Division communications are sent to the last mailing address furnished by an Applicant or Licensee to the Division.
- C. Failure to Change Address Does Not Relieve Licensee's or Applicant's Obligation. Failure to notify the Division of a change of mailing address does not relieve a Licensee or Applicant of the obligation to respond to a Division communication.
- D. Disciplinary Communications. The State Licensing Authority will send any disciplinary or sanction communication, as well as any notice of hearing, to the mailing address contained in the license and, if different, to the last mailing address furnished to the Division by the Licensee.

Basis and Purpose – R 251

The statutory authority for this rule is found at subsections 12-43.4-202(2)(b), 12-43.4-202(3)(a)(XV), 12-43.4-202(3)(a)(XVI), and 12-43.4-305, and sections 24-4-104 and 24-4-105, C.R.S. Authority also exists in the Colorado Constitution at Article XVIII, Subsections 16(5)(a)(I). The purpose of this rule is to establish what factors the State Licensing Authority will consider when denying an application for licensure.

R 251 – Application Denial and Voluntary Withdrawal: All Licensees

- A. Applicant Bears Burden of Proving It Meets Licensing Requirements
 - 1. At all times during the application process, an Applicant must be capable of establishing that it is qualified to hold a license.
 - 2. An Applicant that does not cooperate with the Division during the application phase may be denied as a result. For example, if the Division requests additional evidence of suitability and the Applicant does not furnish such evidence by the date requested, the Applicant's application may be denied.
- B. Applicants Must Provide Accurate Information
 - 1. An Applicant must provide accurate information to the Division during the entire Application process.
 - 2. If an Applicant provides inaccurate information to the Division, the Applicant's application may be denied.
- C. Grounds for Denial
 - 1. The State Licensing Authority will deny an application from an Applicant that forms a business including but not limited to a sole proprietorship, corporation, or other business enterprise, with the purpose or intent, in whole or in part, of transporting, cultivating, processing, transferring, or distributing Retail Marijuana or Retail Marijuana Product without receiving prior approval from all relevant local jurisdictions.
 - 2. The State Licensing Authority will deny an application for Good Cause, as defined in subsection 12-43.4-305(1), C.R.S., of the Retail Code.

3. The State Licensing Authority will deny an Applicant's application that is statutorily disqualified from holding a license.

D. Voluntary Withdrawal of Application

1. The Division and Applicant may mutually agree to allow the voluntary withdrawal of an application for licensing in lieu of a denial proceeding.
2. Applicants must first submit a notice to the Division requesting the voluntary withdrawal of the application. In such instances, an Applicant waives his or her right to a hearing in the matter 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 and relevant local jurisdiction 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. An Applicant May Appeal a Denial

1. An Applicant may appeal an application denial pursuant to the Administrative Procedure Act.
2. See *also* Rules R 1304 – Administrative Hearings, R 1305 – Administrative Subpoenas, and R 1306 – Administrative Hearing Appeals.

Basis and Purpose – R 252

The statutory authority for this rule is found at subsections 12-43.4-202(2)(b) and 12-43.4-309(5), C.R.S. The purpose of this rule is to clarify that Retail Marijuana Establishment licenses are valid for one year unless suspended, revoked, or otherwise disciplined.

R 252 – License Must Be Renewed Each Year: All Licensees Except Retail Marijuana Transporters

- A. All Retail Code Licenses. All licenses issued pursuant to the Retail Code and these rules are valid for one year, except that a Retail Marijuana Transporter license and an Occupational License are valid for two years.
- B. License May Be Valid for Less Than One Year. A License may be valid for less than one year if surrendered, or if revoked, suspended, or otherwise disciplined.