

LEGAL UPDATES

PUBLISHED: MARCH 6, 2019

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Colorado Poised to Pass Major Marijuana-Related Legislation

On Monday, March 4, bipartisan legislation unanimously passed the House Committee on Finance that would allow for an increase in marijuana investment in Colorado. The legislation seeks to address the need for investment dollars while maintaining strict regulations and oversight of the industry. The legislation removes the statutory requirement of background checks for owners of less than 10% of a marijuana business, thus opening the state's marijuana market to outside investors as well allowing marijuana businesses to offer their employees equity in the company. In addition, the legislation outlines requirements for publicly traded companies to both invest in licensed marijuana businesses and to hold Colorado marijuana licenses. The legislation will next face a floor vote, where it is widely believed to have the support needed to pass, then it will go to the Senate and if passed, on to the state's governor for final passage.

Similar legislation was passed by the Colorado legislature last year, but former Governor John Hickenlooper ultimately vetoed the bill. This year's effort is more comprehensive and likely to yield a different result as new Governor Jared Polis has shown support for both local businesses, increase in capital to the state and the marijuana industry. Investors and operators should prepare now for what could be a landmark change in Colorado's marijuana industry.

What This Means for You

The proposed law will address one of the major issues facing the Colorado marijuana industry—a limited access to capital and capital markets. In its current draft state the bill would:

Open up investment from both public and private entities for marijuana businesses

Allow publicly traded companies, listed on approved exchanges, to own marijuana licenses

Eliminate pre-suitability and background checks that are currently performed for owners with less than 10% of a regulated business (the state licensing authority maintains discretion to background check those owners, if there is reasonable cause to do so)

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This legislation would constitute the most comprehensive legislation on this topic in the country. While other states allow for similar investments, the statutes and rules do not fully address such investments. The proposed new law in Colorado would incorporate specific reporting requirements, restrictions on entities, and a list of exchanges that are acceptable, among other provisions.

Members of Husch Blackwell's Cannabis Law team have worked closely with industry participants and Colorado policymakers in helping to develop the draft legislation.

Contact Us

If you have questions about how this proposed legislation will impact investments in the Colorado cannabis industry—or industry operations inside of Colorado—contact Steve Levine or Meghan Brennan.