

STATE OF COLORADO

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John W. Hickenlooper
Governor

June 5, 2018

The Honorable Colorado House of Representatives
State Capitol
200 E. Colfax Ave.
Denver, CO 80203

Dear Members of the Colorado House of Representatives:

Today, I vetoed House Bill 18-1011, "Concerning Measures to Allow Greater Investment Flexibility in Marijuana Businesses" at 4:56pm House Bill 18-1011 ("HB 18-1011") modifies the statutory ownership and investment definitions for medical and retail marijuana licensees and allows publicly traded corporations to invest in marijuana businesses.

Since the passage of Amendment 64 in 2012, this Administration has remained focused on ensuring recreational marijuana legalization was coupled with strong regulation to safeguard public safety, while not unnecessarily or arbitrarily limiting growth of a new industry. Throughout the legislative session, we held numerous conversations with sponsors and proponents of HB 18-1011. Their efforts to stimulate new capital investment in this growing industry are both well-intentioned and commendable. While recreational and medical marijuana are legal under Colorado law, however, federal law constraints continue to exist. With such uncertainty, expansion of capital availability to this industry must be done methodically and incrementally. Once the U.S. Congress acts to address the need for proper banking services for marijuana companies and updates federal securities and banking laws, the provisions of HB 18-1011 will be more appropriate. For now, HB 18-1011 is premature.

Furthermore, due to continued federal illegality, the industry still lacks universal access to banking services. Opening the door to a much larger pool of capital from publicly traded corporations made up of largely anonymous investors demands a level of financial oversight the State is unable to perform if the industry lacks universal access to banking services. Until we have federal clarity on this issue, our regulatory system is better served by postponing the vision laid out in HB 18-1011.

Equally important, recent changes to the Dodd-Frank Act modified the definition of Covered Securities as that term is used throughout HB 18-1011. The new, broader definition allows access to publicly traded marketplaces that historically have had higher levels of association with fraudulent activities, stock price manipulation, minimal financial reporting and light regulation. We have significant concerns about this broader access to capital markets, particularly as it relates to our responsibility to keep criminal enterprises out of the regulated marketplace.

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The marijuana industry is organically expanding. While we wish to encourage business opportunity, we must approach capital expansion in the market in a way that is consistent with our federal oversight, and not degrade the robust regulatory system that Colorado worked so hard to establish. Accordingly, House Bill 18-1011 is vetoed.

Sincerely,

A handwritten signature in black ink, reading "John W. Hickenlooper". The signature is written in a cursive, flowing style with a large initial "J".

John W. Hickenlooper

Governor