

Ladies and Gentlemen:

I am in the process of writing an article on the new rules adopted on September 29 (published on September 30) to implement the federal Corporate Transparency Act. Although these rules are not effective until January 1, 2024 (and in some cases January 1, 2025) and there remain rules to be adopted to fully implement the disclosure requirements of the CTA, a brief understanding of them is important as we proceed along Deputy Secretary Beall's outlined course to accomplish the mission of our working group as defined in C.R.S. 7-90-315.

1. When fully effective, the underlying beneficial ownership of entities formed in Colorado or elsewhere in the United States, and foreign entities doing business in the United States will be on file with the Department of Treasury, Financial Crimes Enforcement Network.
2. As defined and as required to be reported, "beneficial ownership" goes back to the individual owner controlling the ownership interests. It does not stop at the first owner.
3. When the rule becomes effective, these reports disclosing beneficial ownership information ("BOI Reports") will be required within 30 days of forming the entity by a filing with the Secretary of State or other filing office, and changes will be required to be filed within 30 days of any change.
4. Beneficial owners to be reported on BOI reports, include any person who
 - a. Directly or indirectly (as a member of a board of directors, a senior officer, a manager, or in any other capacity) exercises "substantial control" over any reporting company (a term broadly defined), or
 - b. Is directly or indirectly owns or controls at least 25% of the ownership interests of such reporting company.
5. When the next set of rules are adopted (which is expected before the effective date), the information to be filed with FinCEN will be available to law enforcement, regulatory agencies (such as the Secretary of State), and financial institutions for customer due diligence purposes. These will not be generally available but applicants for the information will have to meet some guidelines.
6. There are exemptions from the definition of "reporting companies" including "inactive issuers," but (based on the definitions) these are not likely to be problematic, but likely need to be considered by the working group.

Sincerely yours,
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