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HOUSE BILL 26-1421

BY REPRESENTATIVE(S) Mabrey and Caldwell, Brown, Carter, Duran, Garcia, Hamrick, Jackson, Joseph, Lieder, Lindsay, McCormick, Nguyen, Rutinel, Sirota, Titone, Willford, Zokaie, McCluskie, Bacon;
also SENATOR(S) Daugherty and Frizell, Amabile, Benavidez, Kipp, Snyder, Coleman.

CONCERNING PROHIBITING CERTAIN COMPENSATION ARRANGEMENTS IN THE LEGAL PROFESSION, AND, IN CONNECTION THEREWITH, CREATING THE "COLORADO LEGAL PRACTICE INTEGRITY AND FEE-SHARING PROHIBITION ACT".

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. In Colorado Revised Statutes, **add** part 4 to article 93 of title 13 as follows:

PART 4
COLORADO LEGAL PRACTICE INTEGRITY AND
FEE-SHARING PROHIBITION ACT

13-93-401. Short title.

Capital letters or bold & italic numbers indicate new material added to existing law; dashes through words or numbers indicate deletions from existing law and such material is not part of the act.

THE SHORT TITLE OF THIS PART 4 IS THE "COLORADO LEGAL PRACTICE INTEGRITY AND FEE-SHARING PROHIBITION ACT".

13-93-402. Legislative declaration.

(1) THE GENERAL ASSEMBLY FINDS THAT:

(a) THE RULES OF THE COLORADO SUPREME COURT GOVERNING THE PRACTICE OF LAW UNDERScore THAT THE INDEPENDENT PROFESSIONAL JUDGMENT OF LAWYERS IS ESSENTIAL TO THE FAIR ADMINISTRATION OF JUSTICE AND RESTRICT THE SHARING OF LEGAL FEES WITH NONLAWYERS AND NONLAWYER OWNERSHIP OR CONTROL OF A LAW FIRM;

(b) FINANCIAL ARRANGEMENTS THAT PROVIDE NONLAWYERS WITH AN ECONOMIC INTEREST IN LAW FIRMS AND THEIR FEES, REVENUES, OR CASE OUTCOMES, HOWEVER STRUCTURED, THREATEN A LAWYER'S DUTIES OF LOYALTY TO THEIR CLIENT, CONFIDENTIALITY, AND PROFESSIONAL INDEPENDENCE;

(c) EVEN MINIMAL NONLAWYER OWNERSHIP OR PROFIT PARTICIPATION IN LAW FIRMS COMPROMISES PUBLIC TRUST IN THE LEGAL PROFESSION;

(d) ALTERNATIVE BUSINESS STRUCTURES HAVE INCREASINGLY BEEN USED TO CIRCUMVENT LONGSTANDING PROHIBITIONS ON NONLAWYER OWNERSHIP OF LAW FIRMS AND THE CONCOMITANT SHARING OF ATTORNEY FEES; AND

(e) COLORADO HAS A COMPELLING INTEREST IN REGULATING THE PROVISION OF LEGAL SERVICES AFFECTING COLORADO CLIENTS, REGARDLESS OF WHERE A LAWYER OR LAW FIRM IS LOCATED.

(2) THE GENERAL ASSEMBLY THEREFORE DECLARES THAT THE PURPOSES OF THIS PART 4 ARE TO:

(a) PROHIBIT NONLAWYER OWNERSHIP AND FEE SHARING IN THE PROVISION OF LEGAL SERVICES TO THIRD PARTIES;

(b) PREVENT CONTRACTUAL FORMALITIES OR OUT-OF-STATE ENTITIES FROM CIRCUMVENTING THIS PROHIBITION;

(c) PROTECT CLIENTS AND THE INTEGRITY OF THE LEGAL PROFESSION IN COLORADO; AND

(d) PROVIDE EFFECTIVE ADDITIONAL ENFORCEMENT MECHANISMS FOR PROFESSIONALS AND CLIENTS IN COLORADO.

(3) IT IS NOT THE INTENT OF THE GENERAL ASSEMBLY TO:

(a) PROHIBIT OR RESTRICT THE ABILITY OF CREDITORS OR LAWFUL ASSIGNEES OF CLAIMS TO ENFORCE THE CLAIMS, INCLUDING THROUGH THE USE OF LAWYERS; OR

(b) ALTER LONGSTANDING PRACTICES RELATED TO DEBT COLLECTION IF LEGAL SERVICES ARE RENDERED IN COMPLIANCE WITH APPLICABLE RULES OF PROFESSIONAL CONDUCT.

13-93-403. Definitions.

AS USED IN THIS PART 4, UNLESS THE CONTEXT OTHERWISE REQUIRES:

(1) "ALTERNATIVE BUSINESS STRUCTURE" MEANS AN ENTITY OR ORGANIZATIONAL STRUCTURE, WHEREVER ORGANIZED OR DENOMINATED, THAT:

(a) EITHER:

(I) ECONOMICALLY PARTICIPATES IN, PROVIDES, OR HOLDS ITSELF OUT AS PROVIDING LEGAL SERVICES TO THIRD PARTIES OR THAT EXERCISES CONTROL OVER THE PROVISION OF LEGAL SERVICES TO THIRD PARTIES; OR

(II) SHARES IN PROFITS OR PERCENTAGES OF LEGAL FEES OR AMOUNTS AWARDED TO OR RECEIVED BY A LAWYER OR LAW FIRM AS A RESULT OF THE PROVISION OF LEGAL SERVICES, DIRECTLY OR INDIRECTLY, REGARDLESS OF WHETHER THE ENTITY OR ORGANIZATIONAL STRUCTURE EXERCISES ANY CONTROL OVER LEGAL SERVICES; AND

(b) IS OWNED BY, IS CONTROLLED BY, OR ECONOMICALLY PARTICIPATES IN OR IS FEE SHARING WITH, DIRECTLY OR INDIRECTLY, ONE OR MORE NONLAWYERS.

(2) (a) "ECONOMICALLY PARTICIPATES IN" INCLUDES EXERCISING AUTHORITY OR CONTROL OVER LEGAL REPRESENTATION, LEGAL STRATEGY, LEGAL FEE DETERMINATION, SETTLEMENT DECISIONS, OR THE ALLOCATION OF LEGAL FEES; FEE-SHARING ARRANGEMENTS; EQUITY INTERESTS; PROFIT-OR REVENUE-SHARING ARRANGEMENTS; EQUITY OPTIONS; WARRANTS; CONVERTIBLE OR CONTINGENT EQUITY INTERESTS; PHANTOM EQUITY; OR ANY OTHER ARRANGEMENT, HOWEVER STRUCTURED OR DESCRIBED, THAT PROVIDES A NONLAWYER WITH A FINANCIAL INTEREST IN LEGAL FEES, LAW FIRM REVENUE, OR LAW FIRM PROFITABILITY.

(b) "ECONOMICALLY PARTICIPATES IN" DOES NOT INCLUDE A FINANCIAL INTEREST ARISING SOLELY FROM THE OWNERSHIP OR ASSIGNMENT OF A CLAIM IF THE PERSON DOES NOT DIRECT OR CONTROL THE PROFESSIONAL JUDGMENT OF A LAWYER.

(3) (a) "LAW FIRM" MEANS A PARTNERSHIP, PROFESSIONAL COMPANY, SOLE PROPRIETORSHIP, EMPLOYER OF A LAWYER WHO IS DIRECTLY EMPLOYED AS IN-HOUSE COUNSEL OR LICENSED UNDER A SINGLE-CLIENT CERTIFICATION, OR OTHER ENTITY THROUGH WHICH A LAWYER, LLP, OR COMBINATION OF LAWYERS, LLPs, OR BOTH PROVIDE LEGAL SERVICES, WHICH ENTITY:

(I) OPERATES FOR PROFIT IN COMPLIANCE WITH RULE 5.4 OF THE COLORADO RULES OF PROFESSIONAL CONDUCT AND RULE 265 OF THE COLORADO RULES OF CIVIL PROCEDURE; AND

(II) COMPLIES WITH COLORADO LAW AND SUPREME COURT RULES GOVERNING LAW FIRM OWNERSHIP AND FEE SHARING.

(b) "LAW FIRM" DOES NOT INCLUDE AN ALTERNATIVE BUSINESS STRUCTURE OR MANAGED SERVICES ORGANIZATION.

(4) (a) "LAWYER" MEANS AN INDIVIDUAL WHO IS LICENSED TO PRACTICE LAW IN ANY JURISDICTION IN THE UNITED STATES.

(b) "LAWYER" DOES NOT INCLUDE AN LLP.

(5) (a) "LEGAL FEE" MEANS ANY PAYMENT, COMPENSATION, REMUNERATION, OR OTHER FINANCIAL CONSIDERATION CHARGED, ASSESSED, COLLECTED, OR RECEIVED FOR THE PROVISION OF LEGAL SERVICES,

REGARDLESS OF HOW THE PAYMENT IS DESCRIBED, STRUCTURED, OR ALLOCATED.

(b) "LEGAL FEE" INCLUDES:

(I) CONTINGENT FEES, FLAT FEES, HOURLY FEES, HYBRID FEES, SUCCESS FEES, PERFORMANCE-BASED COMPENSATION, OR ANY OTHER ARRANGEMENT THAT COMPENSATES A LAWYER OR LAW FIRM BASED ON THE PROVISION OF LEGAL SERVICES TO A CLIENT;

(II) ANY PORTION OF A SETTLEMENT, VERDICT, JUDGMENT, AWARD, RECOVERY, OR PAYMENT RECEIVED ON BEHALF OF A CLIENT THAT IS ALLOCATED TO THE LAWYER OR LAW FIRM AS COMPENSATION FOR LEGAL SERVICES;

(III) ANY AMOUNT PAID BY A CLIENT OR THIRD PARTY FOR LEGAL REPRESENTATION, LEGAL COUNSELING, LEGAL ADVOCACY, LEGAL INVESTIGATION, LEGAL ANALYSIS, NEGOTIATION, DEMAND SERVICES, OR LITIGATION-RELATED ACTIVITIES;

(IV) RETAINERS, DEPOSITS, ADVANCED FEES, OR SECURITY AMOUNTS INTENDED TO SECURE PAYMENT FOR LEGAL SERVICES, WHETHER REFUNDABLE OR NONREFUNDABLE; AND

(V) ANY REVENUE OR FINANCIAL BENEFIT DERIVED FROM LEGAL SERVICES, INCLUDING REVENUE COLLECTED THROUGH AFFILIATED ENTITIES, SUBSIDIARIES, TECHNOLOGY PLATFORMS, SERVICE PROVIDERS, OR FEE COLLECTION INTERMEDIARIES.

(c) "LEGAL FEE" DOES NOT INCLUDE:

(I) PAYMENTS MADE SOLELY FOR NONLEGAL GOODS OR SERVICES, INCLUDING PURELY ADMINISTRATIVE, CLERICAL, OR OPERATIONAL SUPPORT, IF THE PAYMENTS ARE REASONABLY SEPARABLE FROM COMPENSATION FOR LEGAL SERVICES;

(II) ORDINARY COURSE REIMBURSEMENTS OF COSTS OR EXPENSES ADVANCED BY THE LAWYER OR LAW FIRM, INCLUDING COURT FILING FEES, EXPERT FEES, TRANSCRIPT COSTS, AND OTHER PASS-THROUGH EXPENSES NOT CONSTITUTING COMPENSATION FOR LEGAL SERVICES;

(III) LAWFUL WAGES, SALARIES, BENEFITS, OR DISCRETIONARY BONUSES PAID TO A NONLAWYER EMPLOYEE OF A LAW FIRM FOR SERVICES RENDERED IN THE ORDINARY COURSE OF THEIR EMPLOYMENT;

(IV) AMOUNTS RECOVERED ON A CLAIM BY A PERSON THAT OWNS OR HAS BEEN ASSIGNED THE CLAIM IF THE RECOVERY DOES NOT CONSTITUTE COMPENSATION FOR LEGAL SERVICES; OR

(V) ANY STATUTORY OR CONTRACTUAL ENTITLEMENT TO ATTORNEY FEE REIMBURSEMENT HELD BY A LAW FIRM'S CLIENT OR DIRECT EMPLOYER.

(6) "LEGAL SERVICES" MEANS ANY OF THE FOLLOWING WHILE ACTING IN A REPRESENTATIVE CAPACITY CONCERNING A LEGAL RIGHT ARISING IN WHOLE OR IN PART IN COLORADO:

(a) PROTECTING, DEFENDING, OR ENFORCING THE LEGAL RIGHTS OR DUTIES OF ANOTHER PERSON;

(b) REPRESENTING ANOTHER PERSON BEFORE A TRIBUNAL OR, ON BEHALF OF ANOTHER PERSON, DRAFTING PLEADINGS OR OTHER PAPERS FOR A PROCEEDING BEFORE A TRIBUNAL;

(c) COUNSELING, ADVISING, OR ASSISTING ANOTHER PERSON IN CONNECTION WITH THAT PERSON'S LEGAL RIGHTS OR DUTIES;

(d) EXERCISING LEGAL JUDGMENT IN PREPARING LEGAL DOCUMENTS FOR ANOTHER PERSON;

(e) EXERCISING LEGAL JUDGMENT TO ADVISE ANOTHER PERSON ABOUT THE LEGAL EFFECT OF A PROPOSED ACTION OR DECISION;

(f) EXERCISING LEGAL JUDGMENT TO ADVISE ANOTHER PERSON ABOUT LEGAL REMEDIES OR POSSIBLE COURSES OF LEGAL ACTION AVAILABLE TO THAT PERSON;

(g) EXERCISING LEGAL JUDGMENT TO SELECT A LEGAL DOCUMENT FOR ANOTHER PERSON OR TO PREPARE A LEGAL DOCUMENT FOR ANOTHER PERSON OTHER THAN SOLELY AS A TYPIST OR SCRIVENER;

(h) EXERCISING LEGAL JUDGMENT TO REPRESENT OR ADVOCATE FOR

ANOTHER PERSON IN A NEGOTIATION, SETTLEMENT, CONFERENCE, MEDIATION, OR ALTERNATIVE DISPUTE RESOLUTION PROCEEDING; AND

(i) SOLICITING FEES FOR SERVICES INVOLVING THE EXERCISE OF LEGAL JUDGMENT.

(7) "LICENSED LEGAL PARAPROFESSIONAL" OR "LLP" MEANS A LICENSED LEGAL PARAPROFESSIONAL LICENSED UNDER PART 3 OF THIS ARTICLE 93.

(8) "MANAGED SERVICES ORGANIZATION" MEANS A PERSON OTHER THAN A LAWYER, LLP, OR LAW FIRM THAT PROVIDES ADMINISTRATIVE, OPERATIONAL, FINANCIAL, MARKETING, MANAGEMENT, OR OTHER NONLEGAL BUSINESS SERVICES TO A LAWYER OR LAW FIRM.

(9) "NONLAWYER" MEANS AN INDIVIDUAL WHO IS NOT LICENSED TO PRACTICE LAW IN ANY UNITED STATES JURISDICTION OR IS NOT AUTHORIZED TO PRACTICE LAW BY THE COLORADO SUPREME COURT.

(10) (a) "NONPROFIT ORGANIZATION" MEANS A CHARITABLE ORGANIZATION, AS DEFINED IN SECTION 39-26-102 (2.5).

(b) A NONPROFIT ORGANIZATION IS NOT AN ALTERNATIVE BUSINESS STRUCTURE AND DOES NOT ECONOMICALLY PARTICIPATE IN THE PROVISION OF LEGAL SERVICES SOLELY BY VIRTUE OF THE NONPROFIT ORGANIZATION'S RELATIONSHIP WITH A LAWYER OR LAW FIRM, INCLUDING WHERE THE LAWYER OR LAW FIRM EARNS LEGAL FEES.

(11) "SUBSTANTIAL BUSINESS IN COLORADO" MEANS THAT A LAW FIRM GENERATES MORE THAN TEN PERCENT OF THE LAW FIRM'S ANNUAL REVENUE FROM LEGAL SERVICES PERFORMED FOR CLIENTS.

13-93-404. Prohibition on nonlawyer ownership and fee sharing with nonlawyers.

(1) A LAWYER OR LAW FIRM SHALL NOT, IN CONNECTION WITH PROVIDING LEGAL SERVICES:

(a) SHARE WITH, PAY TO, ALLOCATE TO, DISTRIBUTE TO, OR PROVIDE ANY PORTION OF LEGAL FEES OR REVENUES, WHETHER GROSS OR NET, OR

ANY OTHER FINANCIAL BENEFIT DERIVED FROM LEGAL SERVICES, DIRECTLY OR INDIRECTLY, HOWEVER DENOMINATED OR STRUCTURED, TO ANY ALTERNATIVE BUSINESS STRUCTURE OR NONLAWYER, OTHER THAN LAWFUL WAGES, SALARIES, BENEFITS, OR DISCRETIONARY BONUSES PAID TO NONLAWYER EMPLOYEES OF THE LAW FIRM FOR SERVICES RENDERED IN THE ORDINARY COURSE OF THEIR EMPLOYMENT;

(b) ENTER INTO ANY FINANCIAL, CONTRACTUAL, OWNERSHIP, MANAGEMENT, MARKETING, CO-COUNSEL, REFERRAL, OR FEE-ALLOCATION ARRANGEMENT WITH AN ALTERNATIVE BUSINESS STRUCTURE, WHICH ARRANGEMENT RELATES TO PROVIDING LEGAL SERVICES;

(c) FORM A PARTNERSHIP, LIMITED LIABILITY COMPANY, CORPORATION, OR OTHER ENTITY RECOGNIZED UNDER COLORADO LAW WITH A NONLAWYER IF ANY OF THE ACTIVITIES OF THE ENTITY CONSIST OF PROVIDING LEGAL SERVICES; OR

(d) PRACTICE WITH OR IN THE FORM OF A PROFESSIONAL COMPANY THAT IS AUTHORIZED TO PROVIDE LEGAL SERVICES FOR PROFIT IF:

(I) A NONLAWYER OWNS ANY INTEREST IN THE PROFESSIONAL COMPANY; EXCEPT THAT A FIDUCIARY REPRESENTATIVE OF THE ESTATE OF A LAWYER OR LLP MAY HOLD THE STOCK OR INTEREST OF THE LAWYER OR LLP FOR A REASONABLE TIME DURING ADMINISTRATION OF THE ESTATE; OR

(II) A NONLAWYER HAS THE RIGHT TO DIRECT OR CONTROL THE PROFESSIONAL JUDGMENT OF A LAWYER.

(2) HOW A COMPENSATION ARRANGEMENT IS CHARACTERIZED DOES NOT AFFECT WHETHER THIS SECTION APPLIES TO THE COMPENSATION ARRANGEMENT.

(3) NOTHING IN THIS SECTION:

(a) PREVENTS A CLIENT FROM DIRECTING THE CLIENT'S LAWYER;

(b) PROHIBITS AN ARRANGEMENT IN WHICH ALL OF THE FOLLOWING ARE SATISFIED:

(I) THE CONTRACT FOR THE ARRANGEMENT PROVIDES FOR A

SPECIFIC, PREDETERMINED DOLLAR AMOUNT FOR CLEARLY DEFINED LEGAL SERVICES;

(II) A PAYMENT IS NOT MADE, DIRECTLY OR INDIRECTLY, FOR THE REFERRAL OF LEGAL SERVICES OR THE PURCHASE OF A LEAD FOR A POTENTIAL CLIENT OR CASE;

(III) THE FEE UNDER THE ARRANGEMENT IS NOT CONTINGENT UPON, TIED TO, OR OTHERWISE DEPENDENT ON THE ECONOMIC OUTCOME OF ANY MATTER OR THE AMOUNT RECOVERED AND IS NOT ADJUSTED, REFUNDED, CREDITED, OR OTHERWISE MODIFIED BASED ON THE ECONOMIC OUTCOME OR RECOVERY;

(IV) THE PRIMARY PURPOSE OF THE ARRANGEMENT IS NOT THE PURSUIT OR RECOVERY OF MONETARY DAMAGES ON BEHALF OF A CLIENT; AND

(V) THE FEE UNDER THE ARRANGEMENT IS SOLELY FOR IDENTIFIED SERVICES AND IS NOT PART OF, CONDITIONED UPON, OR COMBINED WITH ANY OTHER ARRANGEMENT THAT PROVIDES FOR COMPENSATION BASED ON REFERRALS, CASE OUTCOMES, OR THE CLIENT'S RECOVERY; OR

(c) LIMITS OR REDUCES THE RIGHT OF A CLIENT OR EMPLOYER OF A LAWYER TO SEEK AND COLLECT OR SETTLE A PAYMENT ON ACCOUNT OF A STATUTORY OR CONTRACTUAL ENTITLEMENT TO ATTORNEY FEE REIMBURSEMENT.

13-93-405. Restrictions on arrangements with managed services organizations.

(1) A LAWYER OR LAW FIRM PROVIDING LEGAL SERVICES SHALL NOT COMPENSATE OR ENGAGE A MANAGED SERVICES ORGANIZATION IN ANY MANNER UNLESS THE COMPENSATION PAID TO THE MANAGED SERVICES ORGANIZATION IS NOT CONTINGENT UPON OR CALCULATED AS A PERCENTAGE OF LEGAL FEES, REVENUES, OR PROFITS AND IS NOT DETERMINED BY REFERENCE TO RECOVERIES, SETTLEMENTS, JUDGMENT AWARDS, OR CASE OUTCOMES.

(2) NOTHING IN THIS SECTION PROHIBITS COMPENSATION, INCLUDING FLAT FEE OR HOURLY PAYMENTS, OR ENGAGEMENT OF MANAGED SERVICES

ORGANIZATIONS THAT IS NOT EXPRESSLY PROHIBITED BY THIS SECTION.

13-93-406. Enforcement - private right of action - remedies.

(1) A PERSON DESCRIBED IN SUBSECTION (2) OF THIS SECTION MAY ENFORCE THIS PART 4 BY BRINGING A CIVIL ACTION IN A COURT OF COMPETENT JURISDICTION.

(2) THE FOLLOWING PERSONS MAY ENFORCE THIS PART 4:

(a) A PERSON TO WHOM A LAWYER OR LAW FIRM PROVIDES LEGAL SERVICES, WHICH LEGAL SERVICES ARE ALLEGED TO BE IN VIOLATION OF THIS PART 4; OR

(b) EXCEPT AS SET FORTH IN SUBSECTION (3) OF THIS SECTION, A LAW FIRM DOING SUBSTANTIAL BUSINESS IN COLORADO THAT HAS SUFFERED OR MAY SUFFER A LOSS IN REVENUE DUE TO VIOLATIONS OF THIS PART 4 BY ANOTHER LAW FIRM, WHICH LAW FIRM DOING SUBSTANTIAL BUSINESS IN COLORADO MAY ONLY SEEK INJUNCTIVE OR DECLARATORY RELIEF AND DISGORGEMENT PURSUANT TO SUBSECTION (5)(b) OF THIS SECTION.

(3) A LAW FIRM DESCRIBED IN SUBSECTION (2)(b) OF THIS SECTION MAY BRING A CIVIL ACTION TO ENFORCE THIS PART 4 ONLY IF THE LAW FIRM HAS PROVIDED WRITTEN NOTICE OF THE ALLEGED VIOLATION TO THE ATTORNEY GENERAL AND THE ATTORNEY GENERAL HAS NOT COMMENCED A CIVIL ACTION AGAINST THE ALLEGED VIOLATOR BEFORE OR WITHIN SIXTY DAYS AFTER RECEIPT OF THE NOTICE.

(4)(a) THE FOLLOWING REMEDIES ARE AVAILABLE FOR VIOLATIONS OF THIS PART 4:

(I) FOR A PERSON DESCRIBED IN SUBSECTION (2)(a) OF THIS SECTION, AND IN ADDITION TO ANY OTHER REMEDIES AVAILABLE FOR A VIOLATION OF THIS PART 4, ECONOMIC DAMAGES IN THE AMOUNT OF THE LEGAL FEES PAID TO THE LAWYER, LAW FIRM, OR OTHER PERSON IN VIOLATION OF THIS PART 4;

(II) INJUNCTIVE RELIEF;

(III) DECLARATORY RELIEF; AND

(IV) ANY OTHER RELIEF THE CIRCUMSTANCES MAY REQUIRE.

(b) A PREVAILING PLAINTIFF IS ENTITLED TO RECOVER ANY REASONABLE ATTORNEY FEES AND COSTS PAID TO ENFORCE A VIOLATION OF THIS PART 4.

(5) (a) A LAWYER, LAW FIRM, OR OTHER PERSON THAT RECEIVES OR PAYS FUNDS IN VIOLATION OF THIS PART 4 IS LIABLE FOR DAMAGES IN THE AMOUNT OF THE FUNDS RECEIVED OR PAID IN VIOLATION OF THIS PART 4.

(b) IF A COURT DETERMINES THAT A LAWYER, LAW FIRM, OR OTHER PERSON HAS VIOLATED THIS PART 4, THE COURT SHALL ORDER THE FUNDS DESCRIBED IN SUBSECTION (5)(a) OF THIS SECTION TO BE DISGORGED AND PAID TO THE STATE TREASURER FOR DEPOSIT INTO THE GENERAL FUND; EXCEPT THAT ANY AMOUNTS AWARDED AS ECONOMIC DAMAGES TO A PLAINTIFF PURSUANT TO THIS SECTION SHALL BE OFFSET AGAINST THE AMOUNT OF DISGORGEMENT.

(6) A CONTRACT OR AGREEMENT IN VIOLATION OF THIS PART 4 IS DEEMED VOID.

13-93-407. Applicability - repeal.

(1) NOTHING IN THIS PART 4 SHALL BE CONSTRUED TO PROHIBIT:

(a) THE PLEDGING OF FUTURE REVENUES, LEGAL FEES, OR RECOVERIES AS COLLATERAL FOR A LOAN; OR

(b) LAWFUL WAGES, SALARIES, BENEFITS, OR DISCRETIONARY BONUSES PAID TO NONLAWYER EMPLOYEES OF A LAW FIRM FOR SERVICES RENDERED IN THE ORDINARY COURSE OF THEIR EMPLOYMENT;

(c) NONRECOURSE FUNDING PROVIDED TO A LAWYER OR LAW FIRM WITH RESPECT TO SPECIFIC, IDENTIFIED LEGAL REPRESENTATIONS, IN WHICH:

(I) THE FUNDING IS PROVIDED SOLELY FOR THE FEES OR EXPENSES OF SPECIFIC, IDENTIFIED LEGAL REPRESENTATIONS THAT HAVE COMMENCED OR FOR WHICH THE LAWYER OR LAW FIRM HAS BEEN RETAINED AND NOT FOR THE SOLICITATION OR ACQUISITION OF FUTURE CLIENTS OR MATTERS;

(II) THE RETURN OF THE PERSON PROVIDING THE FUNDING IS LIMITED TO A MULTIPLE OF THE FUNDED AMOUNT OR A RATE OF INTEREST ON THE FUNDED AMOUNT AND DOES NOT CONSTITUTE A SHARE OF LEGAL FEES, LAW FIRM REVENUE, AND LAW FIRM PROFITS; AND

(III) THE PERSON PROVIDING THE FUNDING HAS NO RIGHT TO PARTICIPATE IN OR RECEIVE ANY PORTION OF LEGAL FEES, LAW FIRM REVENUE, OR LAW FIRM PROFITS EXCEPT FROM THE PROCEEDS OF THE SPECIFIC, IDENTIFIED LEGAL REPRESENTATIONS; OR

(d) THE PROVISION OF LEGAL SERVICES PROVIDED SOLELY IN CONNECTION WITH ADMINISTRATIVE MATTERS ARISING UNDER FEDERAL LAW OR BEFORE A FEDERAL AGENCY.

(2) NOTHING IN THIS PART 4 LIMITS THE COLORADO SUPREME COURT'S RULE-MAKING, DECISIONAL, OR ENFORCEMENT AUTHORITY AS TO THE PRACTICE OF LAW IN COLORADO, INCLUDING AS TO THE UNAUTHORIZED PRACTICE OF LAW AND PROFESSIONAL INDEPENDENCE OF LAWYERS AND LLPS.

(3) (a) NOTHING IN THIS PART 4 PROHIBITS A LAWYER OR LAW FIRM THAT PROVIDES LEGAL SERVICES TO A NONPROFIT ORGANIZATION OR INDIVIDUALS WHO RECEIVE BENEFITS FROM THE NONPROFIT ORGANIZATION FROM REMITTING TO A NONPROFIT ORGANIZATION THAT PROVIDES OR SUPPORTS LEGAL SERVICES OR ACCESS-TO-JUSTICE SERVICES ANY FEES OR REVENUES EARNED FROM ITS REPRESENTATION.

(b) A NONPROFIT ORGANIZATION THAT PROVIDES OR SUPPORTS LEGAL SERVICES OR ACCESS-TO-JUSTICE SERVICES IS NOT SUBJECT TO THIS PART 4.

(4) THIS PART 4 IS REPEALED, EFFECTIVE SEPTEMBER 1, 2029.

SECTION 2. Act subject to petition - effective date - applicability. (1) This act takes effect at 12:01 a.m. on the day following the expiration of the ninety-day period after final adjournment of the general assembly (August 12, 2026, if adjournment sine die is on May 13, 2026); except that, if a referendum petition is filed pursuant to section 1 (3) of article V of the state constitution against this act or an item, section, or part of this act within such period, then the act, item, section, or part will

not take effect unless approved by the people at the general election to be held in November 2026 and, in such case, will take effect on the date of the official declaration of the vote thereon by the governor.

(2) This act applies to conduct occurring and contracts and agreements entered into or renewed on or after the applicable effective date of this act.

Julie McCluskie
SPEAKER OF THE HOUSE
OF REPRESENTATIVES

James Rashad Coleman, Sr.
PRESIDENT OF
THE SENATE

Vanessa Reilly
CHIEF CLERK OF THE HOUSE
OF REPRESENTATIVES

Esther van Mourik
SECRETARY OF
THE SENATE

APPROVED _____
(Date and Time)

Jared S. Polis
GOVERNOR OF THE STATE OF COLORADO