

First Regular Session  
Seventy-first General Assembly  
STATE OF COLORADO

REENGROSSED

*This Version Includes All Amendments  
Adopted in the House of Introduction*

LLS NO. 17-1208.01 Jery Payne x2157

SENATE BILL 17-298

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SENATE SPONSORSHIP

Tate,

HOUSE SPONSORSHIP

Kraft-Tharp,

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Senate Committees

Business, Labor, & Technology

House Committees

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A BILL FOR AN ACT

101 CONCERNING THE RELATIONSHIP BETWEEN A MOTOR VEHICLE  
102 MANUFACTURER AND THE MOTOR VEHICLE DEALERS THAT HAVE  
103 FRANCHISE AGREEMENTS WITH THE MANUFACTURER.

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Bill Summary

*(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov>.)*

Current law prohibits a motor vehicle manufacturer (manufacturer) from requiring a motor vehicle dealer (dealer) to substantially alter a facility or premises if the manufacturer required it within the last 7 years at a cost set in statute based on the type of dealer. **Section 1** of the bill extends this prohibition to 15 years. Section 1 also prohibits a

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.

*Capital letters indicate new material to be added to existing statute.*

*Dashes through the words indicate deletions from existing statute.*

SENATE  
Amended 3rd Reading  
May 2, 2017

SENATE  
Amended 2nd Reading  
May 1, 2017

manufacturer from:

- ! Selling a similarly equipped motor vehicle to one dealer at a lower price than to another dealer;
- ! Requiring or enforcing a contract giving the manufacturer a right of first refusal or an option to purchase the dealership;
- ! Using an unreasonable, arbitrary, unfair, or surprise performance standard in determining a dealer's compliance with a franchise agreement; and
- ! Failing, when a manufacturer requires the dealer to stop selling a used motor vehicle due to a technical mechanical issue, to provide parts and a solution within 7 days or to provide compensation to the dealer.

**Section 2** repeals a provision that gives a dealer a right of first refusal for new franchises when the dealer was terminated due to the insolvency of the manufacturer. Section 2 also authorizes a dealer to sue in court to contest a manufacturer adding or moving a dealership to a market with a current dealer when this action would materially and adversely affect the dealer or the public. Such an action may currently be done administratively. Procedures are set for the civil action and an administrative hearing. Standards are set for determining the outcome. A prevailing dealer may get attorney fees and costs.

**Section 3** authorizes a dealer to sue a manufacturer in court to contest whether a termination was for just cause or for failing to provide notice of a termination. Such an action may currently be done administratively. The current process for staying the termination is strengthened. The manufacturer has the burden of proof. A prevailing dealer may get attorney fees and costs.

**Section 4** requires a manufacturer to fulfill warranty, recall, and similar obligations to repair a motor vehicle. Section 4 also requires a manufacturer to timely compensate a dealer at the prevailing retail value the dealer charges for similar work. Standards are set for calculating this value. Procedures are set for the dealer to communicate the dealer's calculations and for the manufacturer to contest the dealer's calculations. The manufacturer has the burden of proving that the calculations are incorrect. The manufacturer is prohibited from requiring the dealer to use different calculations than those provided in the bill.

Section 4 prohibits a manufacturer from:

- ! Establishing a special part or component number for parts used if the change results in lower compensation to the motor vehicle dealer than as calculated in the bill;
- ! Requiring a dealer to implement or change the prices for which it sells parts or labor in nonwarranty repairs;
- ! Taking adverse action against a dealer who seeks to obtain compensation in accordance with the bill or dissuading a

- dealer from doing so;
- ! Implementing a policy affecting a dealer that violates the bill; and
- ! Eliminating flat-rate times, or establishing an unfair or unreasonable flat-rate time.

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

2           **SECTION 1.** In Colorado Revised Statutes, 12-6-120, **amend**  
 3 (1)(x); and **add** (1)(y), (1)(z), and (1)(aa) as follows:

4           **12-6-120. Unlawful acts.** (1) It is unlawful and a violation of this  
 5 part 1 for any manufacturer, distributor, or manufacturer representative:

6           (x) To require, coerce, or attempt to coerce a motor vehicle dealer  
 7 to substantially alter a facility or premises if:

8           (I) The facility or premises has been altered within the last ~~seven~~  
 9 TEN years at a cost of more than two hundred fifty thousand dollars and  
 10 the alteration was required and approved by the manufacturer, distributor,  
 11 or manufacturer representative unless ~~the motor vehicle dealer sells only~~  
 12 ~~motorcycles or motorcycles and powersports vehicles~~ SUBSECTION  
 13 (1)(X)(II) APPLIES TO THE DEALER; except that this ~~paragraph (x)~~  
 14 SUBSECTION (1)(x) does not apply to improvements made to comply with  
 15 health or safety laws, or to IMPROVEMENTS MADE TO accommodate the  
 16 technology requirements necessary to sell or service a line-make, TO  
 17 TECHNOLOGICAL IMPROVEMENTS RELATED TO ELECTRIC, AUTOMATED,  
 18 COMPRESSED NATURAL GAS, AND FUEL-CELL MOTOR VEHICLES, OR TO  
 19 IMPROVEMENTS MADE TO INSTALL OR UPGRADE ELECTRIC VEHICLE  
 20 CHARGING EQUIPMENT; or

21           (II) The motor vehicle dealer sells only motorcycles or  
 22 motorcycles and powersports vehicles, the facility or premises has been  
 23 altered within the last ~~seven~~ TEN years at a cost of more than twenty-five

1 thousand dollars, and the alteration was required and approved by the  
2 manufacturer, distributor, or manufacturer representative; except that this  
3 ~~paragraph (x)~~ SUBSECTION (1)(x) does not apply to improvements made  
4 to comply with health or safety laws, or to IMPROVEMENTS MADE TO  
5 accommodate the technology requirements necessary to sell or service a  
6 line-make, TO TECHNOLOGICAL IMPROVEMENTS RELATED TO ELECTRIC,  
7 AUTOMATED, COMPRESSED NATURAL GAS, AND FUEL-CELL MOTOR  
8 MOTORCYCLES AND POWERSPORTS VEHICLES, OR TO IMPROVEMENTS MADE  
9 TO INSTALL OR UPGRADE ELECTRIC VEHICLE CHARGING EQUIPMENT.

10 (y) (I) TO SELL OR OFFER TO SELL NEW MOTOR VEHICLES TO A  
11 FRANCHISED MOTOR VEHICLE DEALER WITH WHOM THE MANUFACTURER  
12 HAS A FRANCHISE AGREEMENT AT A LOWER ACTUAL PRICE THAN THE  
13 ACTUAL PRICE OFFERED TO ANY OTHER MOTOR VEHICLE DEALER WITH  
14 WHOM THE MANUFACTURER HAS A FRANCHISE AGREEMENT FOR THE SAME  
15 MOTOR VEHICLE SIMILARLY EQUIPPED; EXCEPT THAT THIS SUBSECTION  
16 (1)(y) DOES NOT APPLY TO A:

17 (A) RESALE TO ANY GOVERNMENT;     

18 (B) DONATION OR USE BY THE DEALER IN A DRIVER EDUCATION  
19 PROGRAM; OR

20 (C) A PRICE CHANGE MADE IN THE ORDINARY COURSE OF BUSINESS  
21 IF MADE AVAILABLE TO ALL MOTOR VEHICLE DEALERS WHEN THE PRICE  
22 CHANGES.

23 (II) THIS SUBSECTION (1)(y) DOES NOT PROHIBIT A  
24 MANUFACTURER, DISTRIBUTOR, OR MANUFACTURER REPRESENTATIVE  
25 FROM OFFERING INCENTIVE PROGRAMS, SALES-PROMOTION PLANS, OR  
26 OTHER DISCOUNTS IF THE INCENTIVES OR DISCOUNTS ARE REASONABLY  
27 AVAILABLE TO ALL MOTOR VEHICLE DEALERS WITH WHOM THE

1 MANUFACTURER HAS A FRANCHISE AGREEMENT:

2 (z) TO REQUIRE A MOTOR VEHICLE DEALER TO GRANT A  
3 MANUFACTURER, DISTRIBUTOR, OR MANUFACTURER REPRESENTATIVE THE  
4 FOLLOWING OR TO ENFORCE THE FOLLOWING IF THE EXERCISE OF THE  
5 CONTRACTUAL RIGHT WOULD STOP THE TRANSFER OF THE MOTOR VEHICLE  
6 DEALER OWNERSHIP FROM AN OWNER TO AN IMMEDIATE FAMILY MEMBER  
7 OF THE OWNER:

8 (I) A RIGHT OF FIRST REFUSAL TO PURCHASE THE MOTOR VEHICLE  
9 DEALER; OR

10 (II) AN OPTION TO PURCHASE THE MOTOR VEHICLE DEALER;

11 (aa) (I) TO USE AN UNREASONABLE, ARBITRARY, OR UNFAIR  
12 PERFORMANCE STANDARD IN DETERMINING A MOTOR VEHICLE DEALER'S  
13 COMPLIANCE WITH A FRANCHISE AGREEMENT.

14 (II) TO FAIL TO COMMUNICATE, UPON THE REQUEST OF THE  
15 DEALER, ANY PERFORMANCE STANDARD IN A CLEAR AND CONCISE WRITING  
16 TO A MOTOR VEHICLE DEALER BEFORE APPLYING THE STANDARD TO THE  
17 MOTOR VEHICLE DEALER.

18 == == ==

19 **SECTION 2.** In Colorado Revised Statutes, 12-6-120.3, **amend**  
20 (1) introductory portion, (1.5), and (3)(b); **repeal** (3)(c), (4), and (5); and  
21 **add** (6) as follows:

22 **12-6-120.3. New, reopened, or relocated dealer - notice**  
23 **required - grounds for refusal of dealer license - definitions - rules.**

24 (1) No manufacturer ~~or distributor~~ shall      establish an additional ~~new~~  
25 motor vehicle dealer, reopen a previously existing motor vehicle dealer,  
26 or ~~relocate~~ **AUTHORIZE** an existing motor vehicle dealer TO RELOCATE  
27 without first providing at least sixty days' notice to all of its franchised

1 ~~dealers and former dealers whose franchises were terminated, cancelled,~~  
2 ~~or not renewed by a manufacturer distributor, or manufacturer~~  
3 ~~representative in the previous five years due to the insolvency of the~~  
4 ~~manufacturer or distributor within whose relevant market area the new,~~  
5 reopened, or relocated dealer would be located. The notice shall MUST  
6 state:

7 (1.5) A manufacturer shall reasonably approve or disapprove of  
8 a motor vehicle dealer facility initial site location, or relocation, OR  
9 REOPENING request within sixty days after the request or after sending the  
10 notice required by subsection (1) of this section to all of its franchised  
11 dealers, ~~and former dealers whose franchises were terminated, cancelled,~~  
12 ~~or not renewed in the previous five years due to the insolvency of the~~  
13 ~~manufacturer or distributor, whichever is later, but not to exceed one~~  
14 ~~hundred days~~ WHICHEVER IS LATER.

15 (3) As used in this section:

16 (b) "Relevant market area" means the greater of the following:

17 (I) The geographic area of responsibility defined in the franchise  
18 agreement of an existing dealer; or

19 (II) The geographic area within a radius of ~~five~~ TEN miles of any  
20 existing dealer of the same line-make of vehicle ~~that is located in a county~~  
21 ~~with a population of more than one hundred fifty thousand or within a~~  
22 ~~radius of ten miles of an existing dealer of the same line-make of vehicles~~  
23 ~~that is located in a county with a population of one hundred fifty thousand~~  
24 ~~or less.~~ AS THE PROPOSED ADDITIONAL MOTOR VEHICLE DEALER.

25

26 (c) "Right of first refusal area" means a five-mile radius extending  
27 from the location of where a motor vehicle dealer had a franchise

1 terminated, cancelled, or not renewed if the franchise was in a county  
2 with a population of more than one hundred fifty thousand or a ten-mile  
3 radius if the franchise was in a county with a population of one hundred  
4 fifty thousand or less.

5 (4) (a) ~~If a licensee or former licensee whose franchise was~~  
6 ~~terminated, cancelled, or not renewed by the manufacturer, distributor, or~~  
7 ~~manufacturer representative in the previous five years due to the~~  
8 ~~insolvency of the manufacturer or distributor brings an action or~~  
9 ~~proceeding before the executive director or a court pursuant to this part~~  
10 ~~1, the manufacturer shall have the burden of proof on the following~~  
11 ~~issues:~~

12 (I) ~~The size and permanency of investment and obligations~~  
13 ~~incurred by the existing motor vehicle dealers of the same line-make~~  
14 ~~located in the relevant market area;~~

15 (II) ~~Growth or decline in population and new motor vehicle~~  
16 ~~registrations in the relevant market area;~~

17 (III) ~~The effect on the consuming public in the relevant market~~  
18 ~~area and whether the opening of the proposed additional, reopened, or~~  
19 ~~relocated dealer is injurious or beneficial to the public welfare; and~~

20 (IV) ~~Whether the motor vehicle dealers of the same line-make in~~  
21 ~~the relevant market area are providing adequate and convenient customer~~  
22 ~~care for motor vehicles of the same line-make in the relevant market area,~~  
23 ~~including but not limited to the adequacy of sales and service facilities,~~  
24 ~~equipment, parts, and qualified service personnel.~~

25 (b) (I) ~~In addition to the powers specified in section 12-6-105, the~~  
26 ~~executive director has jurisdiction to resolve actions or proceedings~~  
27 ~~brought before the executive director pursuant to this part 1 that allege a~~

1 violation of this part 1 or rules promulgated pursuant to this part 1. The  
2 executive director may promulgate rules to facilitate the administration  
3 of such actions or proceedings, including provisions specifying  
4 procedures for the executive director or the executive director's designee  
5 to:

6 (A) Conduct an investigation pursuant to section 12-6-105 (1)(d)  
7 of an alleged violation of this part 1 or rules promulgated pursuant to this  
8 part 1, including issuance of a notice of violation;

9 (B) Hold a hearing regarding the alleged violation to be held  
10 pursuant to section 24-4-105, C.R.S.;

11 (C) Issue an order, including a cease-and-desist order issued  
12 pursuant to section 12-6-105 (1)(f), to resolve the notice of violation; and

13 (D) Impose a fine pursuant to section 12-6-105 (1)(f)(III).

14 (H) The court of appeals has initial jurisdiction to review all final  
15 actions and orders that are subject to judicial review of the executive  
16 director made pursuant to this subsection (4). Such proceedings shall be  
17 conducted in accordance with section 24-4-106, C.R.S.

18 (5) (a) No manufacturer, distributor, or manufacturer  
19 representative shall offer or award a person a franchise or permit the  
20 relocation of an existing franchise to the right of first refusal area unless  
21 the manufacturer, distributor, or manufacturer representative has  
22 complied with paragraph (b) of this subsection (5) or unless paragraph (b)  
23 of this subsection (5) does not apply.

24 (b) If a manufacturer, distributor, or manufacturer representative,  
25 or the predecessor thereof, has terminated, cancelled, or not renewed a  
26 motor vehicle dealer's franchise for a line-make within the right of first  
27 refusal area due to the insolvency of the manufacturer or distributor that



1 was held by the motor vehicle dealer immediately prior to the franchise  
2 being terminated, cancelled, or not renewed within the amount of time the  
3 right of first refusal is granted under paragraph (c) of this subsection (5);  
4 the manufacturer, distributor, or manufacturer representative, or the  
5 successor thereof, shall offer the former motor vehicle dealer whose  
6 franchise was terminated, cancelled, or not renewed a franchise within the  
7 first refusal area prior to making the offer to any other person for the  
8 same line-make unless the former motor vehicle dealer elects to receive  
9 the payments required by section 12-6-120 (1)(l) and (1)(r) in lieu of the  
10 right of first refusal or the motor vehicle dealer has accepted  
11 compensation from the manufacturer, distributor, or manufacturer  
12 representative for the termination, cancellation, or nonrenewal of the  
13 franchise agreement.

14 (c) The duration of the right of first refusal granted in paragraph  
15 (b) of this subsection (5) is equal to five years after the franchise is  
16 terminated, cancelled, or not renewed.

17 (d) If a manufacturer, distributor, or manufacturer representative,  
18 or the predecessor thereof, has made any payment to the motor vehicle  
19 dealer in consideration for the termination, cancellation, or nonrenewal  
20 of a franchise agreement and the motor vehicle dealer obtains a new  
21 franchise agreement through this subsection (5), the motor vehicle dealer  
22 shall reimburse the manufacturer, distributor, or manufacturer  
23 representative for such payments. The motor vehicle dealer may  
24 reimburse the manufacturer, distributor, or manufacturer representative  
25 with a commercially reasonable repayment installment plan.

26 (e) The right of first refusal survives a court voiding the payments  
27 required by section 12-6-120 (1)(l) and (1)(r).

1           ~~(f) (I) The right of first refusal survives a manufacturer,~~  
2           ~~distributor, or manufacturer representative, or predecessor thereof,~~  
3           ~~awarding a franchise within the same right of first refusal for the same~~  
4           ~~line-make to a person or entity other than the former motor vehicle dealer~~  
5           ~~whose franchise was terminated, cancelled, or not renewed.~~

6           ~~(H) If a manufacturer, distributor, or manufacturer representative,~~  
7           ~~or predecessor thereof, has awarded the franchise to another motor~~  
8           ~~vehicle dealer in the same right of first refusal area without granting the~~  
9           ~~right of first refusal under this section, the former motor vehicle dealer~~  
10           ~~may elect to either receive a franchise agreement in the same area or the~~  
11           ~~payments required by section 12-6-120 (1)(l) and (1)(r) from the~~  
12           ~~manufacturer, distributor, or manufacturer representative unless the~~  
13           ~~manufacturer, distributor, or manufacturer representative, or predecessor~~  
14           ~~thereof, has paid compensation in consideration of the initial termination,~~  
15           ~~cancellation, or nonrenewal of the franchise agreement.~~

16           (6) (a) AN EXISTING MOTOR VEHICLE DEALER ADVERSELY  
17           AFFECTED BY A REOPENING OR RELOCATION OF AN EXISTING SAME  
18           LINE-MAKE MOTOR VEHICLE DEALER OR THE ADDITION OF A SAME  
19           LINE-MAKE MOTOR VEHICLE DEALER MAY, WITHIN NINETY DAYS AFTER  
20           RECEIPT OF THE NOTICE REQUIRED IN SUBSECTION (1) OF THIS SECTION,  
21           FILE A LEGAL ACTION IN A DISTRICT COURT OF COMPETENT JURISDICTION  
22           OR FILE AN ADMINISTRATIVE COMPLAINT WITH THE EXECUTIVE DIRECTOR  
23           TO PREVENT OR ENJOIN THE RELOCATION, REOPENING, OR ADDITION OF  
24           THE PROPOSED MOTOR VEHICLE DEALER. AN EXISTING MOTOR VEHICLE  
25           DEALER IS ADVERSELY IMPACTED IF:

26           (I) THE DEALER IS LOCATED WITHIN THE RELEVANT MARKET AREA  
27           OF THE PROPOSED RELOCATED, REOPENED, OR ADDITIONAL DEALERSHIP

1 DESCRIBED IN THE NOTICE REQUIRED IN SUBSECTION (1); OR

2 (II) THE EXISTING DEALER OR DEALERS OF THE SAME LINE-MAKE  
3 SHOW THAT, DURING ANY TWELVE-MONTH PERIOD OF THE THIRTY-SIX  
4 MONTHS PRECEDING THE RECEIPT OF THE NOTICE REQUIRED IN SUBSECTION  
5 (1), THE DEALER OR DEALERS, OR A DEALER'S PREDECESSOR, MADE AT  
6 LEAST TWENTY-FIVE PERCENT OF THE DEALER'S RETAIL SALES OF NEW  
7 MOTOR VEHICLES TO PERSONS WHOSE ADDRESSES ARE LOCATED WITHIN  
8 TEN MILES OF THE LOCATION OF THE PROPOSED RELOCATED, REOPENED, OR  
9 ADDITIONAL DEALERSHIP.

10 (b) THE EXECUTIVE DIRECTOR SHALL REFER A COMPLAINT FILED  
11 UNDER THIS SECTION TO AN ADMINISTRATIVE LAW JUDGE WITH THE OFFICE  
12 OF ADMINISTRATIVE COURTS FOR FINAL AGENCY ACTION.

13 (c) IN ANY COURT OR ADMINISTRATIVE ACTION, THE  
14 MANUFACTURER HAS THE BURDEN OF PROOF ON EACH OF THE FOLLOWING  
15 ISSUES:

16 ==

17 (I) THE CHANGE IN POPULATION;

18 (II) THE RELEVANT VEHICLE BUYER PROFILES;

19 (III) THE RELEVANT HISTORICAL \_\_\_\_\_ NEW MOTOR VEHICLE  
20 REGISTRATIONS FOR THE LINE-MAKE OF VEHICLES VERSUS THE  
21 MANUFACTURER'S ACTUAL COMPETITORS IN THE RELEVANT MARKET  
22 AREA;

23 (IV) WHETHER THE OPENING OF THE PROPOSED ADDITIONAL,  
24 REOPENED, OR RELOCATED MOTOR VEHICLE DEALER IS MATERIALLY  
25 BENEFICIAL TO THE PUBLIC INTEREST, THE CONSUMERS, OR EXISTING SAME  
26 LINE-MAKE DEALERS IN THE RELEVANT MARKET AREA;

27 (V) WHETHER THE MOTOR VEHICLE DEALERS OF THE SAME

1 LINE-MAKE IN THE RELEVANT MARKET AREA ARE PROVIDING ADEQUATE  
2 REPRESENTATION AND CONVENIENT CUSTOMER CARE, INCLUDING THE  
3 ADEQUACY OF SALES AND SERVICE FACILITIES, EQUIPMENT, PARTS, AND  
4 QUALIFIED SERVICE PERSONNEL, FOR MOTOR VEHICLES OF THE SAME  
5 LINE-MAKE IN THE RELEVANT MARKET AREA; AND

6 (VI) THE REASONABLY EXPECTED MARKET PENETRATION OF THE  
7 LINE-MAKE, GIVEN THE FACTORS AFFECTING PENETRATION; AND

8 (VII) WHETHER THE ADDITIONAL, REOPENED, OR RELOCATED  
9 DEALERSHIP IS REASONABLE AND JUSTIFIABLE BASED ON EXPECTED  
10 ECONOMIC AND MARKET CONDITIONS WITHIN THE RELEVANT MARKET  
11 AREA.

12 (d) IN ANY COURT OR ADMINISTRATIVE ACTION, THE MOTOR  
13 VEHICLE DEALER HAS THE BURDEN OF PROOF ON EACH OF THE FOLLOWING  
14 ISSUES:

15 (I) WHETHER THE MANUFACTURER HAS ENGAGED IN ANY ACTION  
16 OR OMISSION THAT, DIRECTLY OR INDIRECTLY, DENIED THE EXISTING  
17 MOTOR VEHICLE DEALER OF THE SAME LINE-MAKE THE OPPORTUNITY FOR  
18 REASONABLE GROWTH OR MARKET EXPANSION; \_\_\_

19 (II) WHETHER THE MANUFACTURER HAS COERCED OR ATTEMPTED  
20 TO COERCE ANY EXISTING MOTOR VEHICLE DEALER OR DEALERS INTO  
21 CONSENTING TO ADDITIONAL OR RELOCATED FRANCHISES OF THE SAME  
22 LINE-MAKE IN THE COMMUNITY OR TERRITORY OR RELEVANT MARKET  
23 AREA; AND

24 (III) THE SIZE AND PERMANENCY OF THE INVESTMENT OF AND  
25 OBLIGATIONS INCURRED BY THE EXISTING MOTOR VEHICLE DEALERS OF  
26 THE SAME LINE-MAKE LOCATED IN THE RELEVANT MARKET AREA.

27 (e) (I) IN A LEGAL OR ADMINISTRATIVE ACTION CHALLENGING THE

1 RELOCATING, REOPENING, OR ADDITION OF A MOTOR VEHICLE DEALER, THE  
2 DISTRICT COURT OR ADMINISTRATIVE LAW JUDGE SHALL MAKE A  
3 DETERMINATION OF WHETHER THE RELOCATION, REOPENING, OR ADDITION  
4 OF A MOTOR VEHICLE DEALER IS, BASED ON THE FACTORS IDENTIFIED IN  
5 SUBSECTIONS (6)(c) AND (6)(d) OF THIS SECTION:

6 (A) IN THE PUBLIC INTEREST; AND

7 (B) FAIR AND EQUITABLE TO THE EXISTING MOTOR VEHICLE  
8 DEALERS.

9 (II) THE DISTRICT COURT OR THE EXECUTIVE DIRECTOR SHALL  
10 DENY ANY PROPOSED RELOCATING, REOPENING, OR ADDITION OF A MOTOR  
11 VEHICLE DEALER UNLESS THE MANUFACTURER SHOWS BY A  
12 PREPONDERANCE OF THE EVIDENCE THAT THE EXISTING MOTOR VEHICLE  
13 DEALER OR DEALERS OF THE SAME LINE-MAKE IN THE RELEVANT MARKET  
14 AREA OF THE PROPOSED DEALERSHIP ARE NOT PROVIDING ADEQUATE  
15 REPRESENTATION OF THE LINE-MAKE MOTOR VEHICLES. A DETERMINATION  
16 TO DENY, PREVENT, OR ENJOIN THE RELOCATING, REOPENING, OR ADDITION  
17 OF A MOTOR VEHICLE DEALER IS EFFECTIVE FOR AT LEAST EIGHTEEN  
18 MONTHS.

19 **SECTION 3.** In Colorado Revised Statutes, **amend** 12-6-131 as  
20 follows:

21 **12-6-131. Termination appeal.** (1) A motor vehicle dealer who  
22 has reason to believe that a manufacturer, distributor, or manufacturer  
23 representative has violated section 12-6-120 (1)(d) or (1)(w) may appeal  
24 to the board by filing a complaint with:

25 (a) The executive director; OR

26 (b) A DISTRICT COURT IF NEITHER THE EXECUTIVE DIRECTOR NOR  
27 THE ADMINISTRATIVE LAW JUDGE, APPOINTED IN ACCORDANCE WITH THIS

1 SECTION, HOLDS A HEARING CONCERNING THE COMPLAINT WITHIN SIXTY  
2 DAYS AFTER THE COMPLAINT WAS FILED.

3 (2) Upon ~~receiving the~~ FILING OF A VERIFIED complaint ~~and upon~~  
4 ~~a showing of specific facts that a violation has occurred, the executive~~  
5 ~~director shall summarily issue a cease-and-desist order under section~~  
6 ~~12-6-105 (1)(f) staying~~ ALLEGING WITH SPECIFIC FACTS THAT A VIOLATION  
7 HAS OCCURRED UNDER THIS SECTION, the termination, elimination,  
8 modification, or nonrenewal of the franchise agreement IS  
9 AUTOMATICALLY STAYED, WITHOUT THE MOTOR VEHICLE DEALER POSTING  
10 A BOND, UNTIL A FINAL DETERMINATION IS MADE ON EACH ISSUE RAISED  
11 IN THE COMPLAINT; EXCEPT THAT THE EXECUTIVE DIRECTOR,  
12 ADMINISTRATIVE LAW JUDGE, OR COURT MAY CANCEL THE STAY UPON  
13 FINDING THAT THE CANCELLATION, TERMINATION, OR NONRENEWAL OF  
14 THE FRANCHISE AGREEMENT WAS FOR ANY OF THE REASONS SPECIFIED IN  
15 SECTION 12-6-120 (1)(d)(III). THE AUTOMATIC STAY MAINTAINS ALL  
16 RIGHTS UNDER THE FRANCHISE AGREEMENT UNTIL THE FINAL  
17 DETERMINATION OF THE ISSUES RAISED IN THE VERIFIED COMPLAINT. THE  
18 MANUFACTURER, DISTRIBUTOR, OR MANUFACTURER REPRESENTATIVE  
19 SHALL NOT NAME A REPLACEMENT MOTOR VEHICLE DEALER FOR THE  
20 MARKET OR LOCATION UNTIL A FINAL, --- ORDER IS ENTERED.

21 (3) ~~The cease-and-desist order remains in effect until the hearing~~  
22 ~~required by section 12-6-105 (1)(f) is held. If a determination is made at~~  
23 ~~the hearing required by section 12-6-105 (1)(f) that a violation occurred,~~  
24 ~~the executive director shall make the cease-and-desist order permanent~~  
25 ~~and take any actions authorized by section 12-6-104 (3). A motor vehicle~~  
26 ~~dealer who appeals to the executive director maintains all rights under the~~  
27 ~~franchise agreement until the later of the executive director issuing a~~

1 ~~decision or ninety days after the manufacturer, distributor, or~~  
2 ~~manufacturer's representative provides the notice of termination unless~~  
3 ~~the executive director finds that the termination, cancellation, or~~  
4 ~~nonrenewal was for fraud, a misrepresentation, or committing a crime~~  
5 ~~within the scope of the franchise agreement or in the operation of the~~  
6 ~~dealership, in which case the franchise rights terminate immediately~~ IF A  
7 VERIFIED COMPLAINT IS FILED WITH THE EXECUTIVE DIRECTOR, THE  
8 EXECUTIVE DIRECTOR SHALL REFER THE COMPLAINT TO AN  
9 ADMINISTRATIVE LAW JUDGE WITH THE OFFICE OF ADMINISTRATIVE  
10 COURTS FOR FINAL AGENCY ACTION.

11 (4) IN RESOLVING A TERMINATION COMPLAINT, THE  
12 MANUFACTURER, DISTRIBUTOR, OR MANUFACTURER REPRESENTATIVE HAS  
13 THE BURDEN OF PROVING ANY CLAIM MADE THAT THE FACTORS LISTED IN  
14 SECTION 12-6-120 (1)(d)(II) APPLY TO THE TERMINATION, CANCELLATION,  
15 OR NONRENEWAL.

16 (5) THE PREVAILING PARTY IN A CLAIM THAT A TERMINATION,  
17 CANCELLATION, OR NONRENEWAL VIOLATES SECTION 12-6-120 (1)(d) OR  
18 (1)(w) IS ENTITLED TO RECOVER ATTORNEY FEES AND COSTS, INCLUDING  
19 EXPERT WITNESS FEES, INCURRED IN THE TERMINATION PROTEST.

20  
21 **SECTION 4.** In Colorado Revised Statutes, **add 12-6-132 as**  
22 follows:

23 **12-6-132. Stop-sale directives - used motor vehicles -**  
24 **definition.** (1) AS USED IN THIS SECTION, UNLESS THE CONTEXT  
25 OTHERWISE REQUIRES:

26 (a) "AVERAGE TRADE-IN VALUE" MEANS THE VALUE OF A USED  
27 MOTOR VEHICLE AS ESTABLISHED BY A GENERALLY ACCEPTED, PUBLISHED,

1 THIRD-PARTY USED VEHICLE RESOURCE.

2 (b) "STOP-SALE DIRECTIVE" MEANS AN UNCONDITIONAL DIRECTIVE  
3 FROM A MANUFACTURER OR DISTRIBUTOR TO A MOTOR VEHICLE DEALER  
4 TO STOP SELLING A TYPE OF MOTOR VEHICLE MANUFACTURED BY THE  
5 MANUFACTURER OR DISTRIBUTED BY THE DISTRIBUTOR BECAUSE OF A  
6 SAFETY DEFECT.

7 (2) A MANUFACTURER OR DISTRIBUTOR SHALL REIMBURSE A  
8 MOTOR VEHICLE DEALER IN ACCORDANCE WITH SUBSECTION (3) OF THIS  
9 SECTION IF:

10 (a) THE MANUFACTURER OR DISTRIBUTOR ISSUES A STOP-SALE  
11 DIRECTIVE FOR A MOTOR VEHICLE MANUFACTURED OR DISTRIBUTED BY  
12 THE ISSUER OF THE STOP-SALE DIRECTIVE;

13 (b) THE MOTOR VEHICLE DEALER HOLDS AN ACTIVE SALES,  
14 SERVICE, AND PARTS AGREEMENT WITH THE MANUFACTURER OR  
15 DISTRIBUTOR FOR THE LINE-MAKE OF THE USED MOTOR VEHICLE COVERED  
16 BY THE STOP-SALE DIRECTIVE;

17 (c) THE USED MOTOR VEHICLE COVERED BY THE STOP-SALE  
18 DIRECTIVE IS HELD IN THE INVENTORY OF THE MOTOR VEHICLE DEALER ON  
19 THE DATE THE STOP-SALE DIRECTIVE IS ISSUED OR TAKEN BY THE DEALER  
20 AS A TRADE-IN VEHICLE ON A CONSUMER PURCHASE OF THE SAME  
21 LINE-MAKE; AND

22 (d) THE MANUFACTURER OR DISTRIBUTOR HAS NOT PROVIDED A  
23 REMEDY PROCEDURE OR MADE PARTS AVAILABLE TO REPAIR THE USED  
24 MOTOR VEHICLE FOR MORE THAN THIRTY DAYS AFTER THE STOP-SALE  
25 DIRECTIVE IS ISSUED.

26 (3) IF THE CONDITIONS IN SUBSECTION (2) OF THIS SECTION ARE  
27 MET, THE MANUFACTURER OR DISTRIBUTOR SHALL, UPON APPLICATION BY



1 THE MOTOR VEHICLE DEALER, PAY OR CREDIT THE DEALER ONE AND  
2 ONE-HALF PERCENT PER MONTH OF THE AVERAGE TRADE-IN VALUE OF THE  
3 USED MOTOR VEHICLE'S MODEL PRORATED FROM THIRTY DAYS AFTER THE  
4 STOP-SALE DIRECTIVE WAS ISSUED TO THE EARLIER OF:

5 (a) THE DATE WHEN THE MANUFACTURER OR DISTRIBUTOR  
6 PROVIDES THE MOTOR VEHICLE DEALER WITH A REMEDY PROCEDURE AND  
7 ANY NECESSARY PARTS FOR ORDERING TO REPAIR THE USED MOTOR  
8 VEHICLE; OR

9 (b) THE DATE THE MOTOR VEHICLE DEALER TRANSFERS THE  
10 MOTOR VEHICLE.

11 (4) A MANUFACTURER OR DISTRIBUTOR MAY DETERMINE A  
12 REASONABLE MANNER AND METHOD REQUIRED FOR A MOTOR VEHICLE  
13 DEALER TO DEMONSTRATE THE INVENTORY STATUS OF A USED MOTOR  
14 VEHICLE TO DETERMINE ELIGIBILITY FOR REIMBURSEMENT.

15 (5) (a) THIS SECTION APPLIES ONLY TO USED MOTOR VEHICLES.

16 (b) THIS SECTION IS NOT INTENDED TO PREVENT A MANUFACTURER  
17 OR DISTRIBUTOR FROM REQUIRING THAT A MOTOR VEHICLE NOT BE  
18 SUBJECT TO AN OPEN RECALL OR STOP-SALE DIRECTIVE FOR THE MOTOR  
19 VEHICLE TO BE QUALIFIED OR SOLD AS A CERTIFIED PREOWNED VEHICLE OR  
20 SUBSTANTIALLY SIMILAR DESIGNATION.

21 (c) THIS SECTION DOES NOT REQUIRE A MANUFACTURER OR  
22 DISTRIBUTOR TO PROVIDE TOTAL COMPENSATION TO A MOTOR VEHICLE  
23 DEALER THAT WOULD EXCEED THE TOTAL AVERAGE WHOLESALE  
24 VALUATION OF THE AFFECTED USED MOTOR VEHICLE.

25 (d) THIS SECTION DOES NOT PRECLUDE A MOTOR VEHICLE DEALER  
26 AND A MANUFACTURER OR DISTRIBUTOR FROM AGREEING TO  
27 REIMBURSEMENT TERMS THAT DIFFER FROM THOSE SPECIFIED IN THIS

1     SECTION.

2             (e) COMPENSATION PROVIDED TO A MOTOR VEHICLE DEALER  
3     UNDER THIS SECTION IS EXCLUSIVE AND MAY NOT BE COMBINED WITH ANY  
4     OTHER REMEDY UNDER STATE OR FEDERAL LAW.

5             **SECTION 5. Act subject to petition - effective date -**  
6     **applicability.** (1) This act takes effect at 12:01 a.m. on the day following  
7     the expiration of the ninety-day period after final adjournment of the  
8     general assembly (August 9, 2017, if adjournment sine die is on May 10,  
9     2017); except that, if a referendum petition is filed pursuant to section 1  
10    (3) of article V of the state constitution against this act or an item, section,  
11    or part of this act within such period, then the act, item, section, or part  
12    will not take effect unless approved by the people at the general election  
13    to be held in November 2018 and, in such case, will take effect on the  
14    date of the official declaration of the vote thereon by the governor.

15             (2) This act applies to acts committed on or after the applicable  
16    effective date of this act.