

SENATE BILL NO. 375—SENATOR FARLEY

MARCH 17, 2015

Referred to Committee on Judiciary

SUMMARY—Revises various provisions governing mechanics’ and materialmen’s liens. (BDR 9-793)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: No.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to liens; requiring certain owners and lessees to obtain the services of an escrow agency and to establish trust accounts for amounts withheld from payment to contractors and subcontractors; requiring those owners and lessees to record a notice of establishment of a trust account and a verification of compliance under certain circumstances; establishing requirements for administering such trust accounts; providing that a lien claimant has a lien against such withheld amounts and trust accounts under certain circumstances; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

1 Under existing law, contractors and subcontractors who provide work, material
2 or equipment for the construction, alteration or repair of property or improvements
3 to property have a lien against the property, improvements and certain
4 disbursement accounts for a certain amount related to that work, material or
5 equipment. (NRS 108.222) **Section 13** of this bill establishes certain limitations and
6 requirements with respect to retention amounts and disputed amounts, which are
7 certain amounts withheld from payment to contractors and subcontractors until the
8 work is completed or defects corrected or materials or equipment are furnished.
9 **Section 14** of this bill requires certain owners and lessees for certain contracts for
10 construction to establish trust accounts for retention amounts and disputed amounts.
11 Specifically, **section 14** requires those owners and lessees to obtain the services of
12 an escrow agency and record a notice of establishment of a trust account if: (1) the
13 total price or estimated budget of the prime contract is \$1,000,000 or more; and (2)
14 the owner or lessee is authorized by the contract to withhold a retention amount or
15 authorized by statute to withhold a disputed amount. **Sections 13 and 15** of this bill
16 establish requirements for retention amounts and disputed amounts, including



17 making clear that such amounts remain the separate property of the prime
18 contractor and lower-tiered subcontractors from whom they are withheld.

19 **Section 15** further requires, with certain exceptions, an owner or lessee who
20 withholds a retention amount or disputed amount to immediately cause the withheld
21 amount to be deposited in a trust account. If the lessee, pursuant to existing law,
22 establishes a construction disbursement account which funds the account in an
23 amount equal to the total cost of the work of improvement, **section 15** requires the
24 retention amount or disputed amount to be transferred from the construction
25 distribution account to the trust account. **Section 15** also provides for a rebuttable
26 presumption that an owner, lessee or escrow agency has breached its fiduciary
27 duties with respect to a retention amount or disputed amount if the owner, lessee or
28 escrow agency uses the retention amount or disputed amount in violation of the
29 provisions of this bill.

30 **Section 16** of this bill provides the manner in which retention amounts and
31 disputed amounts are paid from an owner or lessee to a prime contractor, and from
32 the prime contractor to his or her lower-tiered subcontractors. **Section 16** also
33 authorizes the stoppage of work on, or the termination of a contract for, the
34 construction, alteration or repair of an improvement or work of improvement under
35 certain circumstances. **Section 16** additionally requires an owner, lessee or escrow
36 agency to execute and have recorded a verification of compliance as to the
37 disposition of retention amounts and disputed amounts. Finally, **section 16** provides
38 that a certificate of occupancy cannot be issued until the verification of compliance
39 is recorded.

40 **Section 17** of this bill establishes the requirements for administering such trust
41 accounts, including, without limitation, the requirements for keeping records and
42 the procedures for an accounting of such trust accounts.

43 **Section 22** of this bill provides, with certain exceptions, that contractors or
44 subcontractors who provide work, material or equipment for the construction,
45 alteration or repair of property or improvements to property have a lien against any
46 retention amounts or disputed amounts withheld from them in addition to having a
47 lien against the property and improvements and any construction disbursement
48 account that has been established.

49 Under existing law, certain persons, including, without limitation, certain
50 financial institutions, attorneys rendering services in the performance of their duties
51 as attorneys, and any person doing any act under order of any court, are exempt
52 from the provisions governing escrow agencies and agents. (NRS 645A.015)
53 **Section 36** of this bill provides that those persons are not exempt from the
54 provisions governing escrow agencies and agents if they are administering certain
55 trust accounts established for retention amounts or disputed amounts.

56 Recently, the Nevada Supreme Court, discussing NRS 108.22112, 108.22184
57 and 108.225, held that: (1) pursuant to NRS 108.225, "commencement of
58 construction," as defined in existing law, is required for lien priority; (2) the
59 definition of "commencement of construction" plainly requires visibility of on-site
60 work for a mechanic's lien to take a priority position over a deed of trust; (3) the
61 visible work performed by a contractor who had provided numerous
62 preconstruction services amounted to the placement of a business sign and the
63 removal of power lines; and (4) such preparatory work performed did not constitute
64 "commencement of construction" and, thus, the contractor's mechanic's lien was
65 junior to a bank's deed of trust. (*J.E. Dunn Nw., Inc. v. Corus Constr. Venture, LLC*,
66 127 Nev. Adv. Op. 5, 249 P.3d 501 (Mar. 3, 2011)) **Sections 8, 11, 12, 19**
67 **and 21** of this bill change the existing law upon which the conclusion of the Court
68 in *Dunn* was based, making it such that the visibility of a wider variety of activities
69 and items is sufficient for a mechanic's lien to take a priority lien position.



THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 **Section 1.** Chapter 108 of NRS is hereby amended by adding
2 thereto the provisions set forth as sections 2 to 17, inclusive, of this
3 act.

4 **Sec. 2.** *“Disputed amount” means:*

5 1. *An amount of money that an owner or a lessee or a prime*
6 *contractor is authorized to withhold from a prime contractor or*
7 *lower-tiered subcontractor pursuant to NRS 624.609, 624.620 or*
8 *624.624. Except as otherwise provided in NRS 624.609, 624.620*
9 *or 624.624, the amount may not exceed the sum of the value of:*

10 (a) *Any work or labor that has not been performed or*
11 *materials or equipment that has not been furnished for which*
12 *payment is being sought; and*

13 (b) *Costs and expenses reasonably necessary to correct or*
14 *repair any work which is the subject of the request for payment*
15 *and which is not materially in compliance with the agreement*
16 *between an owner or lessee and a prime contractor or a higher-*
17 *tiered contractor and a lower-tiered contractor; and*

18 2. *The amount of any unpaid change order for which an*
19 *owner or higher-tiered contractor is liable pursuant to NRS*
20 *624.610 or 624.626.*

21 **Sec. 3.** *“Escrow” has the meaning ascribed to it in*
22 *NRS 645A.010.*

23 **Sec. 4.** *“Escrow agency” means a person, firm or entity*
24 *licensed to engage in the business of administering escrows*
25 *pursuant to chapter 645A of NRS.*

26 **Sec. 5.** *“Higher-tiered contractor” means a prime contractor*
27 *or subcontractor who has entered into a contract with a lower-*
28 *tiered subcontractor pursuant to which the lower-tiered*
29 *subcontractor has agreed to provide work, materials or equipment*
30 *for the improvement of property or the construction, alteration or*
31 *repair of any improvement, property or work of improvement.*

32 **Sec. 6.** *“Lessee” means a person, firm or entity which claims*
33 *less than a fee simple estate in the property.*

34 **Sec. 7.** *“Lower-tiered subcontractor” means a subcontractor*
35 *or supplier who has agreed in a contract with a prime contractor*
36 *or higher-tiered contractor to provide work, materials or*
37 *equipment for the improvement of property or the construction,*
38 *alteration or repair of any improvement, property or work of*
39 *improvement.*

40 **Sec. 8.** *“Materials or equipment furnished” includes the*
41 *delivery to, or the placement or installation of materials or*
42 *equipment on or about, the property, including, without limitation,*



1 *appliances, construction fencing, construction signage,*
2 *construction or job-site trailers, machinery, substances, supplies,*
3 *tools, vehicles and other similar materials or equipment, in*
4 *connection with the construction, alteration or repair of any*
5 *improvement, property or work of improvement.*

6 **Sec. 9.** *“Retention amount” means an amount or percentage*
7 *of a contract or of the periodic payments to be made to a prime*
8 *contractor or a lower-tiered subcontractor that an owner, lessee or*
9 *prime contractor is authorized to withhold:*

- 10 1. *Pursuant to the contract;*
- 11 2. *In accordance with the provisions of section 13 of this act;*
12 *and*
- 13 3. *If applicable, in accordance with the requirements of*
14 *sections 14 to 17, inclusive, of this act.*

15 **Sec. 10.** *“Supplier” means a person who provides materials*
16 *or equipment used, consumed or incorporated or to be used,*
17 *consumed or incorporated in the improvement of property or the*
18 *construction, alteration or repair of any improvement, property or*
19 *work of improvement.*

20 **Sec. 11.** *“Work performed” includes the performance of any*
21 *labor or work on or about the property, including, without*
22 *limitation, clearing, demolition, excavating, grading, grubbing,*
23 *filling, landscaping, shoring, staking, installing or connecting a*
24 *temporary source of electricity, trenching and the installation of*
25 *cellars, curbs, public utilities, sewers, sidewalks and vaults, and*
26 *the performance of any labor or work in connection with the*
27 *construction, alteration or repair of any improvement, property or*
28 *work of improvement.*

29 **Sec. 12.** *For the purposes of the term “commencement of*
30 *construction” set forth in NRS 108.22112, a lien, mortgage or*
31 *other encumbrance holder who, pursuant to NRS 108.225, asserts*
32 *priority over a lien provided for in NRS 108.221 to 108.246,*
33 *inclusive, and sections 2 to 17, inclusive, of this act, has the*
34 *burden of proof to establish that any work performed or materials*
35 *or equipment furnished was not visible from a reasonable*
36 *inspection of the property as of the date and time his or her lien,*
37 *mortgage or other encumbrance attached to the property.*

38 **Sec. 13.** *Whether a retention amount or disputed amount is*
39 *withheld pursuant to sections 14 to 17, inclusive, of this act, or*
40 *otherwise:*

- 41 1. *The retention amount must not exceed 10 percent of:*
 - 42 (a) *The total price or estimated budget of the contract or*
43 *agreement; or*
 - 44 (b) *Any periodic payment to be made to the prime contractor*
45 *and the prime contractor’s lower-tiered subcontractors.*



1 2. *The retention amount or disputed amount:*

2 (a) *Is the separate property of the prime contractor or the*
3 *lower-tiered subcontractors from whom it was withheld;*

4 (b) *Must be held in trust by an owner, lessee or escrow agency*
5 *for the benefit of the prime contractor or the lower-tiered*
6 *subcontractors from whom it was withheld; and*

7 (c) *Must be paid by:*

8 (1) *An owner, lessee or escrow agency to the prime*
9 *contractor in the time and manner set forth in subsection 1 of*
10 *NRS 624.620.*

11 (2) *The higher-tiered contractor to a lower-tiered*
12 *subcontractor in the time and manner set forth in subsection 1 of*
13 *NRS 624.624.*

14 3. *The prime contractor and the prime contractor's lower-*
15 *tiered subcontractors have an ownership interest in the retention*
16 *amount or disputed amount equal to:*

17 (a) *The amount withheld from the prime contractor and each*
18 *lower-tiered subcontractor; and*

19 (b) *The respective ownership interest of the prime contractor*
20 *and each lower-tiered subcontractor in the retention amount or*
21 *disputed amount withheld.*

22 **Sec. 14. 1.** *An owner, lessee, higher-tiered contractor,*
23 *lower-tiered subcontractor and escrow agency shall comply with*
24 *the requirements of sections 14 to 17, inclusive, of this act if:*

25 (a) *The owner or lessee and a prime contractor have entered*
26 *into a prime contract for the improvement of property or the*
27 *construction, alteration or repair of any improvement, property or*
28 *work of improvement;*

29 (b) *The total sum, price or estimated budget of the prime*
30 *contract is \$1,000,000 or more; and*

31 (c) *The owner or lessee of property about which the prime*
32 *contract relates is authorized pursuant to:*

33 (1) *The contract to withhold a retention amount; or*

34 (2) *NRS 624.609, 624.620 or 624.624 to withhold a disputed*
35 *amount.*

36 2. *If an owner or lessee and a prime contractor enter into a*
37 *contract described in subsection 1, before the owner or lessee may*
38 *cause the improvement or work of improvement to be constructed,*
39 *altered or repaired, the owner or lessee shall:*

40 (a) *Obtain the services of an escrow agency to hold a retention*
41 *amount or disputed amount in trust pursuant to section 15 of this*
42 *act;*

43 (b) *Record a notice of establishment of a trust account with the*
44 *county recorder of the county where the property is located upon*



1 *which the improvement or work of improvement is or will be*
2 *constructed, altered or repaired; and*

3 *(c) Before the issuance of any permit for the improvement or*
4 *work of improvement, submit a conformed copy of the recorded*
5 *notice of establishment of a trust account to the building inspector*
6 *or other governmental authority having jurisdiction over the*
7 *construction, alteration or repair of the improvement or work of*
8 *improvement.*

9 *3. The notice of establishment of a trust account required*
10 *pursuant to subsection 2 must:*

11 *(a) Identify the name and address of the owner or lessee;*

12 *(b) Identify the name of the improvement or work of*
13 *improvement and the address, legal description and assessor's*
14 *parcel number of the property upon which the improvement or*
15 *work of improvement will be constructed, altered or repaired;*

16 *(c) Describe the nature of the owner or lessee's interest in:*

17 *(1) The property upon which the improvement or work of*
18 *improvement will be constructed, altered or repaired; and*

19 *(2) The improvement or work of improvement on such*
20 *property;*

21 *(d) Identify the name of the governmental authority having*
22 *jurisdiction over the construction, alteration or repair of the*
23 *improvement or work of improvement on such property;*

24 *(e) Identify the name and address of the escrow agency;*

25 *(f) Include the date on which the owner or lessee obtained the*
26 *services of the escrow agency;*

27 *(g) Include the number of the trust account, if any; and*

28 *(h) Be in substantially the following form:*

29
30 *Assessor's Parcel Number of Property:.....*

31
32 **NOTICE OF ESTABLISHMENT**
33 **OF TRUST ACCOUNT**

34
35 *Name and address of property owner:.....*

36 *Nature of owner's interest in the property:*

37 *Nature of owner's interest in the improvement*

38 *or work of improvement:.....*

39 *Name and address of lessee of property, if any:.....*

40 *Nature of interest of lessee, if any, in the*

41 *property:.....*

42 *Nature of interest of lessee, if any, in the*

43 *improvement or work of improvement:*

44 *Name and description of the improvement or*

45 *work of improvement:*



1 *Address of the property upon which the*
2 *improvement or work of improvement is*
3 *located:.....*

4 *Legal description of the improvement or work*
5 *of improvement:.....*

6 *Name of governmental authority having*
7 *jurisdiction over the construction, alteration*
8 *or repair of the improvement or work of*
9 *improvement:.....*

10 *Name and address of escrow agency:.....*

11 *Date of establishment of escrow:.....*

12 *Trust account number:.....*

13
14 *State of Nevada* }
15 }ss.
16 *County of* }

17
18 *..... (print name), being first duly sworn on oath*
19 *according to law, deposes and says:*

20
21 *I am authorized to sign this Notice of Establishment of*
22 *Trust Account on behalf of the owner or lessee of the above-*
23 *identified improvement or work of improvement. Under*
24 *penalty of perjury, I state that I have read the content of this*
25 *Notice, and I know it to be true and correct of my own*
26 *personal knowledge.*

27
28 *Dated this day of, 20.... .*

29
30 *By:.....*
31 *Print name:.....*
32 *Company name:.....*
33 *Title:.....*

34
35 *Subscribed and sworn to before me, a Notary Public, on this*
36 *..... day of the month of of the year*

37
38 *.....*
39 *Notary Public County, Nevada*
40 *My appointment expires:.....*

41
42 *4. The notice of establishment of a trust account required*
43 *pursuant to subsection 2 must be signed and verified under oath*
44 *and penalty of perjury, by the owner or lessee or the owner or*



1 *lessee's authorized representative, that the information contained*
2 *therein is true and correct.*

3 **Sec. 15. 1.** *In addition to the requirements set forth in*
4 *section 13 of this act, a retention amount or disputed amount that*
5 *is withheld pursuant to sections 14 to 17, inclusive, of this act:*

6 *(a) Must be:*

7 *(1) Held in trust by an escrow agency for the benefit of the*
8 *prime contractor or the lower-tiered subcontractors from whom it*
9 *was withheld;*

10 *(2) Deposited by an escrow agency in a financial institution*
11 *that is federally insured or insured by a private insurer approved*
12 *pursuant to NRS 678.755;*

13 *(3) Designated as a trust account or other account*
14 *designated to indicate that the money in the account is not the*
15 *money of the escrow agency; and*

16 *(4) Kept separate from money belonging to the escrow*
17 *agency;*

18 *(b) Is the separate property of the prime contractor or the*
19 *lower-tiered subcontractors from whom it was withheld, regardless*
20 *of whether the retention amount or disputed amount has been*
21 *deposited in a trust account; and*

22 *(c) Is held by an owner, lessee or escrow agency in the*
23 *capacity of a fiduciary.*

24 **2.** *Except as otherwise provided in subsection 3, if an owner*
25 *or lessee withholds or causes to be withheld a retention amount or*
26 *disputed amount from a payment to be made to a prime contractor*
27 *and the prime contractor's lower-tiered subcontractors, the owner*
28 *or lessee shall cause the withheld amount to be deposited*
29 *immediately in a trust account established pursuant to section 14*
30 *of this act.*

31 **3.** *If a construction disbursement account is established*
32 *pursuant to subsection 1 of NRS 108.2403, the construction*
33 *control shall immediately transfer the retention amount or*
34 *disputed amount from the construction disbursement account to*
35 *the trust account established pursuant to section 14 of this act*
36 *when a progress payment is made from the construction*
37 *disbursement account to the prime contractor and the prime*
38 *contractor's lower-tiered subcontractors.*

39 **4.** *Use by an owner, lessee or escrow agency of a retention*
40 *amount or disputed amount in violation of the provisions of*
41 *sections 14 to 17, inclusive, of this act creates a rebuttable*
42 *presumption, in any action brought by a prime contractor or the*
43 *lower-tiered subcontractors from whom it was withheld and to*
44 *whom it is owed, that the owner, lessee or escrow agency has*



1 *breached its fiduciary duties with respect to the retention amount*
2 *or disputed amount.*

3 *5. As used in this section, "fiduciary" has the meaning*
4 *ascribed to it in NRS 162.020.*

5 **Sec. 16. 1.** *An owner or lessee shall pay, or cause the*
6 *escrow agency to pay, to the prime contractor a retention amount*
7 *or disputed amount as provided in subsection 1 of NRS 624.620*
8 *regardless of whether the retention amount has been deposited in*
9 *a trust account.*

10 *2. A higher-tiered contractor shall pay to a lower-tiered*
11 *subcontractor a retention amount as provided in subsection 1 of*
12 *NRS 624.624.*

13 *3. If an owner or lessee fails to satisfy the requirements of*
14 *sections 14 to 17, inclusive, of this act, the prime contractor who*
15 *has furnished or will furnish materials or equipment for the*
16 *improvement or work of improvement may stop work after giving*
17 *written notice to the owner or lessee. If the prime contractor stops*
18 *work pursuant to this subsection, the prime contractor's lower-*
19 *tiered subcontractors may stop work. If the owner or lessee:*

20 *(a) Satisfies the requirements of sections 14 to 17, inclusive, of*
21 *this act within 25 days after a work stoppage, the prime contractor*
22 *and the prime contractor's lower-tiered subcontractors who*
23 *stopped work shall resume work, and the prime contractor and the*
24 *lower-tiered subcontractors are entitled to compensation from the*
25 *owner or lessee for any reasonable costs and expenses incurred*
26 *because of the delay and remobilization.*

27 *(b) Does not satisfy the requirements of sections 14 to 17,*
28 *inclusive, of this act within 25 days after a work stoppage, the*
29 *prime contractor may terminate the contract relating to the*
30 *improvement or work of improvement, and the prime contractor*
31 *and the prime contractor's lower-tiered subcontractors are entitled*
32 *to recover from the owner or lessee:*

33 *(1) The cost of all work performed or materials or*
34 *equipment furnished, including, without limitation, any overhead*
35 *the prime contractor and the lower-tiered subcontractors incurred,*
36 *and any profit the prime contractor and the lower-tiered*
37 *subcontractors earned, through the date of termination;*

38 *(2) The balance of any profit the prime contractor and the*
39 *lower-tiered subcontractors would have earned if the contract had*
40 *not been terminated;*

41 *(3) Any interest, costs and attorney's fees that the prime*
42 *contractor and the lower-tiered subcontractors are entitled to*
43 *pursuant to the contract or a specific statute; and*

44 *(4) Any other amount awarded by a court or other trier of*
45 *fact.*



1 4. *In addition to the interest, costs and attorney's fees to*
2 *which the prime contractor and the prime contractor's lower-*
3 *tiered subcontractors are entitled pursuant to subsection 3, the*
4 *prime contractor and the lower-tiered subcontractors are entitled*
5 *to recover from an owner or lessee who fails to comply with the*
6 *requirements of sections 14 to 17, inclusive, of this act, the*
7 *interest, costs and attorney's fees incurred by the prime contractor*
8 *and the lower-tiered subcontractors in collecting the retention*
9 *amount.*

10 5. *A building inspector or other governmental authority*
11 *having jurisdiction over the construction, alteration or repair of*
12 *an improvement or work of improvement shall not issue a*
13 *certificate of occupancy for the improvement or work of*
14 *improvement until such time as the owner, lessee or escrow*
15 *agency has:*

16 (a) *Caused a verification of compliance to be recorded with the*
17 *county recorder of the county where the property is located,*
18 *whereby an authorized representative of the owner, lessee or*
19 *escrow agency certifies under oath and subject to penalty of*
20 *perjury that the entire retention amount or disputed amount which*
21 *is the subject of the prime contract has been:*

22 (1) *Deposited and is being held in the trust account as*
23 *required by section 15 of this act;*

24 (2) *Partially paid to the prime contractor and the lower-*
25 *tiered subcontractors to whom it is owed, with the balance of the*
26 *retention amount or disputed amount withheld being deposited*
27 *and held in the trust account as required by section 15 of this act;*
28 *or*

29 (3) *Fully paid to the prime contractor and the lower-tiered*
30 *subcontractors to whom it is owed; and*

31 (b) *Provided a conformed copy of the recorded verification of*
32 *compliance to the building inspector or other governmental*
33 *authority having jurisdiction over the construction, alteration or*
34 *repair of the improvement or work of improvement.*

35 6. *The verification of compliance to be provided and recorded*
36 *by an owner, lessee or escrow agency pursuant to subsection 5*
37 *must:*

38 (a) *Identify the name and address of the owner or lessee;*

39 (b) *Describe the owner's or lessee's interest in:*

40 (1) *The property upon which the improvement or work of*
41 *improvement was constructed, altered or repaired; and*

42 (2) *The improvement or work of improvement constructed,*
43 *altered or repaired on such property;*

44 (c) *Identify the name of the improvement or work of*
45 *improvement and the address, legal description and assessor's*



1 *parcel number of the property upon which the improvement or*
2 *work of improvement was constructed, altered or repaired;*

3 *(d) Identify the name of the governmental authority having*
4 *jurisdiction over the construction, alteration or repair of the*
5 *improvement or work of improvement on the property;*

6 *(e) Identify the permit number, if any, for the improvement or*
7 *work of improvement that was constructed, altered or repaired on*
8 *the property;*

9 *(f) Identify the name and address of the escrow agency;*

10 *(g) Include the date on which the owner or lessee obtained the*
11 *services of the escrow agency;*

12 *(h) Identify the trust account number, if any;*

13 *(i) State that the entire retention amount or disputed amount*
14 *which has been withheld and is the subject of the prime contract*
15 *has been:*

16 *(1) Deposited and is being held in the trust account as*
17 *required by section 15 of this act;*

18 *(2) Partially paid to the prime contractor and the lower-*
19 *tiered subcontractors to whom it is owed, with the balance of the*
20 *retention amount or disputed amount withheld being deposited*
21 *and held in the trust account as required by section 15 of this act;*
22 *or*

23 *(3) Fully paid to the prime contractor and the lower-tiered*
24 *subcontractors to whom it is owed;*

25 *(j) Be signed and verified by an authorized representative of*
26 *the owner, lessee or escrow agency under oath and subject to*
27 *penalty of perjury; and*

28 *(k) Be in substantially the following form:*

29
30 *Assessor's Parcel Number of Property:.....*

31
32 **VERIFICATION OF COMPLIANCE**

33
34 *Name and address of property owner:.....*

35 *Nature of owner's interest in the property:.....*

36 *Nature of owner's interest in the improvement or*
37 *work of improvement:.....*

38 *Name and address of lessee of property, if any:.....*

39 *Nature of interest of lessee, if any, in the property:.....*

40 *Nature of interest of lessee, if any, in the*
41 *improvement or work of improvement:.....*

42 *Name and description of the improvement or work*
43 *of improvement:.....*

44 *Address of property upon which the improvement or*
45 *work of improvement is located:.....*



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[] Partially paid to the prime contractor and the lower-tiered subcontractors to whom it is owed, with the balance of the retention amount or disputed amount withheld being deposited and held in the trust account as required by section 15 of this act;

OR

[] Fully paid to the prime contractor and the lower-tiered subcontractors to whom it is owed.

Dated this day of, 20.....

*By:.....
Print name:.....
Company name:.....
Title:.....*

Subscribed and sworn to before me, a Notary Public, on this day of the month of of the year

*.....
Notary Public..... County, Nevada
My appointment expires:.....*

7. The rights and remedies provided to a prime contractor and the prime contractor's lower-tiered subcontractors pursuant to sections 14 to 17, inclusive, of this act are in addition to any other rights and remedies that may exist at law or in equity, including, without limitation, a lien claimant's right to include a retention amount or disputed amount in the lienable amount of any notice of lien that the lien claimant may record or cause to be recorded pursuant to NRS 108.221 to 108.246, inclusive, and sections 2 to 17, inclusive, of this act.

8. The duty of an owner, lessee or higher-tiered contractor to comply with the provisions of NRS 108.221 to 108.246, inclusive, and sections 2 to 17, inclusive, of this act is mandatory and may not be waived, modified or released by contract or otherwise.

Sec. 17. 1. *An escrow agency shall keep detailed and complete records of all transactions with respect to a trust account, including, without limitation, the retention amount or disputed amount received from the owner or lessee and any amounts paid from the trust account.*



1 2. *Within 5 days after an owner, lessee or escrow agency*
2 *receives a request for an accounting of the trust account from a*
3 *prime contractor or lower-tiered subcontractor, the owner, lessee*
4 *or escrow agency shall comply with the request. The accounting*
5 *must be in writing and must include the following information:*

6 (a) *The amount and date on which any retention amount or*
7 *disputed amount was received and deposited in the trust account;*

8 (b) *The amount, date and payee of any retention amount or*
9 *disputed amount withdrawn and paid from the trust account; and*

10 (c) *The retention amount or disputed amount held in the trust*
11 *account as of the date on which the owner, lessee or escrow*
12 *agency complied with the request.*

13 **Sec. 18.** NRS 108.221 is hereby amended to read as follows:

14 108.221 As used in NRS 108.221 to 108.246, inclusive, *and*
15 *sections 2 to 17, inclusive, of this act* unless the context otherwise
16 requires, the words and terms defined in NRS 108.22104 to
17 108.22188, inclusive, *and sections 2 to 11, inclusive, of this act*
18 have the meanings ascribed to them in those sections.

19 **Sec. 19.** NRS 108.22112 is hereby amended to read as
20 follows:

21 108.22112 “Commencement of construction” means the date
22 on which ~~†~~

23 ~~1. Work~~ *any work* performed ~~†~~ or

24 ~~2. Materials~~ *materials* or equipment furnished in connection
25 with a work of improvement ~~†~~

26 ~~†~~ *that is subject to a lien pursuant to NRS 108.221 to 108.246,*
27 *inclusive, and sections 2 to 17, inclusive, of this act* is visible from
28 a reasonable inspection of the ~~site~~ *property.*

29 **Sec. 20.** NRS 108.22132 is hereby amended to read as
30 follows:

31 108.22132 “Lien” means the statutory rights and security *or*
32 *ownership* interest in ~~†~~:

33 1. *A construction disbursement account established pursuant to*
34 *NRS 108.2403* ~~†~~;

35 2. *A retention amount;*

36 3. *A disputed amount;* or ~~property~~

37 4. *Property* or any improvements thereon provided to a lien
38 claimant by NRS 108.221 to 108.246, inclusive ~~†~~, *and sections 2*
39 *to 17, inclusive, of this act.*

40 **Sec. 21.** NRS 108.22188 is hereby amended to read as
41 follows:

42 108.22188 “Work of improvement” means the entire structure
43 or scheme of improvement as a whole, including, without limitation,
44 all work, materials and equipment to be used in or for the
45 construction, alteration or repair of the property or any improvement



1 thereon, whether under multiple prime contracts or a single prime
2 contract except as follows:

3 1. If a scheme of improvement consists of the construction of
4 two or more separate buildings and each building is constructed
5 upon a separate legal parcel of land and pursuant to a separate prime
6 contract for only that building, then each building shall be deemed a
7 separate work of improvement; and

8 2. If the improvement of the site is provided for in a prime
9 contract that is separate from all prime contracts for the construction
10 of one or more buildings on the property, and if the improvement of
11 the site ~~was contemplated by the contracts to be a separate work of~~
12 ~~improvement to be completed before the commencement of~~ *is*
13 *unrelated to* the construction of the buildings, the improvement of
14 the site shall be deemed a separate work of improvement from the
15 construction of the ~~buildings and the commencement of~~
16 ~~construction of the improvement of the site does not constitute the~~
17 ~~commencement of construction of the~~ buildings. As used in this
18 subsection, "improvement of the site" ~~means the development or~~
19 ~~enhancement of the property, preparatory to the commencement of~~
20 ~~construction of a building, and~~ includes:

21 (a) The demolition or removal of improvements, trees or other
22 vegetation;

23 (b) The drilling of test holes;

24 (c) Grading, grubbing, filling or excavating;

25 (d) Constructing or installing sewers or other public utilities; or

26 (e) Constructing a vault, cellar or room under sidewalks or
27 making improvements to the sidewalks in front of or adjoining the
28 property.

29 **Sec. 22.** NRS 108.222 is hereby amended to read as follows:

30 108.222 1. Except as otherwise provided in subsection 2, a
31 lien claimant has a lien upon the property, any improvements for
32 which the work, materials and equipment were furnished or to be
33 furnished, *any retention amount or disputed amount* and any
34 construction disbursement account established pursuant to NRS
35 108.2403, for:

36 (a) If the parties agreed, by contract or otherwise, upon a
37 specific price or method for determining a specific price for some or
38 all of the work, material and equipment furnished or to be furnished
39 by or through the lien claimant, the unpaid balance of the price
40 agreed upon for such work, material or equipment, as the case may
41 be, whether performed, furnished or to be performed or furnished at
42 the instance of the owner or the owner's agent; and

43 (b) If the parties did not agree, by contract or otherwise, upon a
44 specific price or method for determining a specific price for some or
45 all of the work, material and equipment furnished or to be furnished



1 by or through the lien claimant, including, without limitation, any
2 additional or changed work, material or equipment, an amount equal
3 to the fair market value of such work, material or equipment, as the
4 case may be, including a reasonable allowance for overhead and a
5 profit, whether performed, furnished or to be performed or furnished
6 at the instance of the owner or at the instance of the owner's agent.

7 2. If a contractor or professional is required to be licensed
8 pursuant to the provisions of NRS to perform the work, the
9 contractor or professional will only have a lien pursuant to
10 subsection 1 if the contractor or professional is licensed to perform
11 the work.

12 **Sec. 23.** NRS 108.245 is hereby amended to read as follows:

13 108.245 1. Except as otherwise provided in subsection 5,
14 every lien claimant, other than one who performs only labor, who
15 claims the benefit of NRS 108.221 to 108.246, inclusive, *and*
16 *sections 2 to 17, inclusive, of this act* shall, at any time after the
17 first delivery of material or performance of work or services under a
18 contract, deliver in person or by certified mail to the owner of the
19 property a notice of right to lien in substantially the following form:

20 NOTICE OF RIGHT TO LIEN

21 To:
22 (Owner's name and address)
23
24

25 The undersigned notifies you that he or she has supplied
26 materials or equipment or performed work or services as follows:
27

28
29 (General description of materials, equipment, work or services)
30 for improvement of property identified as (property description or
31 street address) under contract with (general contractor or
32 subcontractor). This is not a notice that the undersigned has not been
33 or does not expect to be paid, but a notice required by law that the
34 undersigned may, at a future date, record a notice of lien as provided
35 by law against the property if the undersigned is not paid.
36

37
38 (Claimant)
39

40 A subcontractor or ~~equipment or material~~ supplier who gives such
41 a notice must also deliver in person or send by certified mail a copy
42 of the notice to the prime contractor for information only. The
43 failure by a subcontractor to deliver the notice to the prime
44 contractor is a ground for disciplinary proceedings against the



1 subcontractor under chapter 624 of NRS but does not invalidate the
2 notice to the owner.

3
4 2. Such a notice does not constitute a lien or give actual or
5 constructive notice of a lien for any purpose.

6 3. No lien for materials or equipment furnished or for work or
7 services performed, except labor, may be perfected or enforced
8 pursuant to NRS 108.221 to 108.246, inclusive, **and sections 2 to**
9 **17, inclusive, of this act** unless the notice has been given.

10 4. The notice need not be verified, sworn to or acknowledged.

11 5. A prime contractor or other person who contracts directly
12 with an owner or sells materials directly to an owner is not required
13 to give notice pursuant to this section.

14 6. A lien claimant who is required by this section to give a
15 notice of right to lien to an owner and who gives such a notice has a
16 right to lien for materials or equipment furnished or for work or
17 services performed in the 31 days before the date the notice of right
18 to lien is given and for the materials or equipment furnished or for
19 work or services performed anytime thereafter until the completion
20 of the work of improvement.

21 **Sec. 24.** NRS 108.2453 is hereby amended to read as follows:

22 108.2453 1. Except as otherwise provided in NRS 108.221 to
23 108.246, inclusive, **and sections 2 to 17, inclusive, of this act**, a
24 person may not waive or modify a right, obligation or liability set
25 forth in the provisions of NRS 108.221 to 108.246, inclusive **⊞** ,
26 **and sections 2 to 17, inclusive, of this act.**

27 2. A condition, stipulation or provision in a contract or other
28 agreement for the improvement of property or for the construction,
29 alteration or repair of a work of improvement in this State that
30 attempts to do any of the following is contrary to public policy and
31 is void and unenforceable:

32 (a) Require a lien claimant to waive rights provided by law to
33 lien claimants or to limit the rights provided to lien claimants, other
34 than as expressly provided in NRS 108.221 to 108.246, inclusive **⊞**
35 **, and sections 2 to 17, inclusive, of this act;**

36 (b) Relieve a person of an obligation or liability imposed by the
37 provisions of NRS 108.221 to 108.246, inclusive **⊞** , **and sections 2**
38 **to 17, inclusive, of this act;**

39 (c) Make the contract or other agreement subject to the laws of a
40 state other than this State;

41 (d) Require any litigation, arbitration or other process for
42 dispute resolution on disputes arising out of the contract or other
43 agreement to occur in a state other than this State; or

44 (e) Require a prime contractor or subcontractor to waive, release
45 or extinguish a claim or right that the prime contractor or



1 subcontractor may otherwise possess or acquire for delay,
2 acceleration, disruption or impact damages or an extension of time
3 for delays incurred, for any delay, acceleration, disruption or impact
4 event which was unreasonable under the circumstances, not within
5 the contemplation of the parties at the time the contract was entered
6 into, or for which the prime contractor or subcontractor is not
7 responsible.

8 **Sec. 25.** NRS 162.020 is hereby amended to read as follows:

9 162.020 1. In NRS 162.010 to 162.140, inclusive, unless the
10 context of subject matter otherwise requires:

11 (a) "Bank" includes any person or association of persons,
12 whether incorporated or not, carrying on the business of banking.

13 (b) "Fiduciary" includes ~~††~~ :

14 (1) *A trustee under any trust, expressed, implied, resulting or*
15 *constructive, executor, administrator, guardian, conservator, curator,*
16 *receiver, trustee in bankruptcy, assignee for the benefit of creditors,*
17 *partner, agent, officer of a corporation, public or private, public*
18 *officer ~~† or any†~~ ;*

19 (2) *An owner or lessee who holds a retention amount or*
20 *disputed amount, or an escrow agency that administers an escrow,*
21 *pursuant to NRS 108.221 to 108.246, inclusive, and sections 2 to*
22 *17, inclusive, of this act; and*

23 (3) *Any other person acting in a fiduciary capacity for any*
24 *person, trust or estate.*

25 (c) "Principal" includes any person to whom a fiduciary as such
26 owes an obligation.

27 2. A thing is done "in good faith" within the meaning of NRS
28 162.010 to 162.140, inclusive, when it is in fact done honestly,
29 whether it is done negligently or not.

30 **Sec. 26.** Chapter 624 of NRS is hereby amended by adding
31 thereto the provisions set forth as sections 27 and 28 of this act.

32 **Sec. 27.** *"Disputed amount" has the meaning ascribed to it*
33 *in section 2 of this act.*

34 **Sec. 28.** *"Retention amount" has the meaning ascribed to it*
35 *in section 9 of this act.*

36 **Sec. 29.** NRS 624.606 is hereby amended to read as follows:

37 624.606 As used in NRS 624.606 to 624.630, inclusive, *and*
38 *sections 27 and 28 of this act, unless the context otherwise*
39 *requires, the words and terms defined in NRS 624.607 to 624.6086,*
40 *inclusive, and sections 27 and 28 of this act have the meanings*
41 *ascribed to them in those sections.*

42 **Sec. 30.** NRS 624.609 is hereby amended to read as follows:

43 624.609 1. Except as otherwise provided in subsections 2 and
44 4 *and NRS 624.620* and subsection 4 of NRS 624.622, if an owner
45 of real property enters into a written or oral agreement with a prime



1 contractor for the performance of work or the provision of materials
2 or equipment by the prime contractor, the owner must:

3 (a) Pay the prime contractor on or before the date a payment is
4 due pursuant to a schedule for payments established in a written
5 agreement; or

6 (b) If no such schedule is established or if the agreement is oral,
7 pay the prime contractor within 21 days after the date the prime
8 contractor submits a request for payment.

9 2. If an owner has complied with subsection 3, the owner may:

10 (a) Withhold from any payment to be made to the prime
11 contractor:

12 (1) ~~Any~~ *Except as otherwise provided in this subparagraph,*
13 *a retention amount that ~~is~~ if the owner is authorized to withhold ~~a~~*
14 *~~retention amount~~ pursuant to ~~the agreement, must not exceed 10~~*
15 *~~percent of the amount of the payment to be made.~~ section 13 of this*
16 *act. With respect to any retention amount described in this*
17 *subparagraph:*

18 (I) *The owner must pay the retention amount to the*
19 *prime contractor in the time and manner required by NRS*
20 *624.620; and*

21 (II) *If applicable, the withholding of the retention*
22 *amount must comply with the requirements of sections 14 to 17,*
23 *inclusive, of this act.*

24 (2) ~~Any~~ *Except as otherwise provided in this subparagraph,*
25 *a disputed amount . ~~equal to the sum of the value of.~~ With respect*
26 *to any disputed amount described in this subparagraph:*

27 (I) ~~Any~~ *The owner may not withhold an amount for*
28 *the value of the* work or labor that has not been performed or
29 materials or equipment that has not been furnished for which
30 payment is being sought, ~~unless~~ *if* the agreement otherwise allows
31 or requires such a payment to be made; ~~and~~

32 (II) ~~Costs~~ *The owner may withhold an amount for the*
33 *value of the costs* and expenses reasonably necessary to correct or
34 repair any work which is the subject of the request for payment and
35 which is not materially in compliance with the agreement *only* to the
36 extent that such costs and expenses exceed 50 percent of the
37 retention amount withheld pursuant to subparagraph (1); ~~and~~

38 (III) *The owner must pay the retention amount to the*
39 *prime contractor in the time and manner required by NRS*
40 *624.620; and*

41 (IV) *If applicable, the withholding of the disputed*
42 *amount must comply with the requirements of sections 14 to 17,*
43 *inclusive, of this act.*

44 (3) The amount the owner has paid or is required to pay
45 pursuant to an official notice from a state agency or employee



1 benefit trust fund, for which the owner is or may reasonably be
2 liable for the prime contractor or his or her lower-tiered
3 subcontractors in accordance with chapter 608, 612, 616A to 616D,
4 inclusive, or 617 of NRS. ~~;~~ and

5 (b) Require as a condition precedent to the payment of any
6 amount due, lien releases furnished by the prime contractor and his
7 or her lower-tiered subcontractors and suppliers in accordance with
8 the provisions of paragraphs (a) and (c) of subsection 5 of
9 NRS 108.2457.

10 3. If, pursuant to subparagraph (2) or (3) of paragraph (a) of
11 subsection 2 or paragraph (b) of subsection 2, an owner intends to
12 withhold any amount from a payment to be made to a prime
13 contractor, the owner must give, on or before the date the payment
14 is due, a written notice to the prime contractor of any amount that
15 will be withheld. The written notice of withholding must:

16 (a) Identify the amount of the request for payment that will be
17 withheld from the prime contractor;

18 (b) Give a reasonably detailed explanation of the condition or
19 the reason the owner will withhold that amount, including, without
20 limitation, a specific reference to the provision or section of the
21 agreement, and any documents relating thereto, and the applicable
22 building code, law or regulation with which the prime contractor has
23 failed to comply; and

24 (c) Be signed by an authorized agent of the owner.

25 4. A prime contractor who receives a notice of withholding
26 pursuant to subsection 3 or a notice of objection pursuant to
27 subparagraph (2) of paragraph (b) may:

28 (a) Give the owner a written notice and thereby dispute in good
29 faith and for reasonable cause the amount withheld, or the condition
30 or reason for the withholding; or

31 (b) Correct any condition or reason for the withholding
32 described in the notice of withholding and thereafter provide written
33 notice to the owner of the correction of the condition or reason for
34 the withholding. The notice of correction must be sufficient to
35 identify the scope and manner of the correction of the condition or
36 reason for the withholding and be signed by an authorized
37 representative of the prime contractor. If an owner receives a written
38 notice from the prime contractor of the correction of a condition or
39 reason for the withholding pursuant to this paragraph, the owner
40 shall:

41 (1) Pay the amount withheld by the owner for that condition
42 or reason for the withholding on or before the date the next payment
43 is due the prime contractor; or

44 (2) Object to the scope and manner of the correction of the
45 condition or reason for the withholding, on or before the date the



1 next payment is due to the prime contractor, in a written statement
2 which sets forth the condition or reason for the objection and which
3 complies with subsection 3. If the owner objects to the scope and
4 manner of the correction of a condition or reason for the
5 withholding, the owner shall nevertheless pay to the prime
6 contractor, along with the payment to be made pursuant to the prime
7 contractor's next payment request, the amount withheld for the
8 correction of the condition or reason for the withholding to which
9 the owner no longer objects.

10 5. Except as otherwise allowed in subsections 2, 3 and 4, an
11 owner shall not withhold from a payment to be made to a prime
12 contractor more than the retention amount.

13 **Sec. 31.** NRS 624.620 is hereby amended to read as follows:

14 624.620 1. Except as otherwise provided in this section, *an*
15 *owner shall pay, or cause to be paid, to the prime contractor* any
16 money remaining unpaid for the construction of a work of
17 improvement ~~is payable to the prime contractor~~, *including,*
18 *without limitation, a retention amount and disputed amount,*
19 within 30 days after:

20 (a) *The date on which all the following have been completed:*

21 (1) *The prime contractor completes the performance of*
22 *work or the provision of materials or equipment;*

23 (2) *The prime contractor provides the owner with the*
24 *information and documentation reasonably required by the*
25 *agreement; and*

26 (3) *The prime contractor's work has been inspected and*
27 *approved by the building inspector or other authority, if*
28 *applicable;*

29 (b) Occupancy or use of the work of improvement by the owner
30 or by a person acting with the authority of the owner; or

31 ~~[(b)]~~ (c) The availability of a work of improvement for its
32 intended use. The prime contractor must have provided to the
33 owner:

34 (1) A written notice of availability on or before the day on
35 which the prime contractor claims that the work of improvement
36 became available for use or occupancy; or

37 (2) A certificate of occupancy issued by the appropriate
38 building inspector or other authority ~~[(c)]~~,

39 ~~[(c)]~~ *whichever of paragraph (a), (b) or (c) occurs earlier.*

40 2. If the owner has complied with subsection 3, the owner may:

41 (a) Withhold *from the* payment ~~for the amount; of;~~ *to be made*
42 *to the prime contractor pursuant to subsection 1:*

43 (1) ~~Any work or labor that has not been performed or~~
44 ~~materials or equipment that has not been furnished for which~~
45 ~~payment is sought;~~



~~(2) The costs and expenses reasonably necessary to correct or repair any work that is not materially in compliance with the agreement to the extent that such costs and expenses exceed 50 percent of the amount of retention being withheld pursuant to the terms of the agreement.} *A disputed amount;* and~~

~~{(3)}~~ (2) Money the owner has paid or is required to pay pursuant to an official notice from a state agency, or employee benefit trust fund, for which the owner is liable for the prime contractor or his or her lower-tiered subcontractors in accordance with chapter 608, 612, 616A to 616D, inclusive, or 617 of NRS.

(b) Require, as a condition precedent to the payment of any unpaid amount under the agreement, that lien releases be furnished by the prime contractor and his or her lower-tiered subcontractors and suppliers in accordance with the provisions of paragraphs (a) and (c) of subsection 5 of NRS 108.2457.

3. If, pursuant to paragraph (a) of subsection 2, an owner intends to withhold ~~any~~ *an* amount from a payment to be made to a prime contractor ~~{}~~ *pursuant to subsection 1*, the owner must, on or before the date the payment is due, give written notice to the prime contractor of ~~any~~ *the* amount that will be withheld. The written notice of withholding must:

(a) Identify the amount that will be withheld from the prime contractor;

(b) Give a reasonably detailed explanation of the condition for which or the reason the owner will withhold that amount, including, without limitation, a specific reference to the provision or section of the agreement with the prime contractor, and any documents relating thereto, and the applicable building code, law or regulation with which the prime contractor has failed to comply; and

(c) Be signed by an authorized agent of the owner.

4. A prime contractor who receives a notice of withholding pursuant to subsection 3 may correct any condition or reason for the withholding described in the notice of withholding and thereafter provide written notice to the owner of the correction of the condition or reason for the withholding. The notice of correction must be sufficient to identify the scope and manner of the correction of the condition or reason for the withholding and be signed by an authorized representative of the prime contractor. If an owner receives a written notice from the prime contractor of the correction of a condition or reason for the withholding described in an owner's notice of withholding pursuant to subsection 3, the owner must, within 10 days after receipt of such notice:

(a) Pay the amount withheld by the owner for that condition or reason for the withholding; or



1 (b) Object to the scope and manner of the correction of the
2 condition or reason for the withholding in a written statement that
3 sets forth the reason for the objection and complies with subsection
4 3. If the owner objects to the scope and manner of the correction of
5 a condition or reason for the withholding, the owner shall
6 nevertheless pay to the prime contractor, along with the payment to
7 be made pursuant to the prime contractor's next payment request,
8 the amount withheld for the correction of the condition or reason for
9 the withholding to which the owner no longer objects.

10 5. The partial occupancy or availability of a ~~building~~ *work of*
11 *improvement* requires payment in direct proportion to the value of
12 the part of the ~~building~~ *work of improvement* which is partially
13 occupied or partially available. For works of improvement which
14 involve more than one building, each building must be considered
15 separately in determining the amount of money which is payable to
16 the prime contractor.

17 6. *An owner, lessee or escrow agency shall not withhold from*
18 *the payment to be made to a prime contractor pursuant to*
19 *subsection 1 more than the amounts allowed in paragraph (a) of*
20 *subsection 2 and paragraph (a) of subsection 4, and any*
21 *withholding must:*

22 (a) *Be limited to those reasons for withholding allowed in*
23 *paragraph (a) of subsection 2 and subsection 4; and*

24 (b) *Only be allowed if the owner, lessee or escrow agency has*
25 *complied with subsection 3.*

26 7. *As used in this section:*

27 (a) *"Escrow agency" has the meaning ascribed to it in section*
28 *4 of this act.*

29 (b) *"Lessee" has the meaning ascribed to it in section 6 of this*
30 *act.*

31 (c) *"Work of improvement" has the meaning ascribed to it in*
32 *NRS 108.22188.*

33 **Sec. 32.** NRS 624.624 is hereby amended to read as follows:

34 624.624 1. Except as otherwise provided in this section, if a
35 higher-tiered contractor enters into:

36 (a) A written agreement with a lower-tiered subcontractor that
37 includes a schedule for payments, the higher-tiered contractor shall
38 pay the lower-tiered subcontractor:

39 (1) On or before the date payment is due; or

40 (2) Within 10 days after the date the higher-tiered contractor
41 receives payment for all or a portion of the work, materials or
42 equipment described in a request for payment submitted by the
43 lower-tiered subcontractor,

44 ↪ whichever is earlier.



1 (b) A written agreement with a lower-tiered subcontractor that
2 does not contain a schedule for payments, or an agreement that is
3 oral, the higher-tiered contractor shall pay the lower-tiered
4 subcontractor:

5 (1) Within 30 days after the date the lower-tiered
6 subcontractor submits a request for payment; or

7 (2) Within 10 days after the date the higher-tiered contractor
8 receives payment for all or a portion of the work, labor, materials,
9 equipment or services described in a request for payment submitted
10 by the lower-tiered subcontractor,

11 ↪ whichever is earlier.

12 2. If a higher-tiered contractor has complied with subsection 3,
13 the higher-tiered contractor may:

14 (a) Withhold from any payment owed to the lower-tiered
15 subcontractor:

16 (1) ~~1A~~ *Except as otherwise provided in this subparagraph,*
17 *a retention amount that the higher-tiered contractor is authorized to*
18 *withhold pursuant to ~~the agreement, but the retention amount~~*
19 *~~withheld must not exceed 10 percent of the payment that is required~~*
20 *~~pursuant to subsection 1;~~ section 13 of this act. With respect to any*
21 *retention amount described in this subparagraph:*

22 (I) *The higher-tiered contractor must pay the retention*
23 *amount to the lower-tiered subcontractor in the time and manner*
24 *required by subsection 1; and*

25 (II) *If applicable, the withholding of the retention*
26 *amount must comply with the requirements of sections 14 to 17,*
27 *inclusive, of this act.*

28 (2) ~~1An~~ *Except as otherwise provided in this subparagraph,*
29 *a disputed amount. ~~equal to the sum of the value of;~~ With respect*
30 *to any disputed amount described in this subparagraph:*

31 (I) ~~1Any~~ *The owner may not withhold an amount for*
32 *the value of the work or labor that has not been performed or*
33 *materials or equipment that has not been furnished for which*
34 *payment is being sought, ~~unless~~ if the agreement otherwise allows*
35 *or requires such a payment to be made; ~~and~~*

36 (II) ~~1Costs~~ *The owner may withhold an amount for the*
37 *value of the costs and expenses reasonably necessary to correct or*
38 *repair any work which is the subject of the request for payment and*
39 *which is not materially in compliance with the agreement **only** to the*
40 *extent that such costs and expenses exceed 50 percent of the*
41 *retention amount withheld pursuant to subparagraph (1); ~~and~~*

42 (III) *The higher-tiered contractor must pay the disputed*
43 *amount to the lower-tiered subcontractor in the time and manner*
44 *required by subsection 1; and*



1 *(IV) If applicable, the withholding of the disputed*
2 *amount must comply with the requirements of sections 14 to 17,*
3 *inclusive, of this act.*

4 (3) The amount the owner or higher-tiered contractor has
5 paid or is required to pay pursuant to an official notice from a state
6 agency or employee benefit trust fund, for which the owner or
7 higher-tiered contractor is or may reasonably be liable for the lower-
8 tiered subcontractor or his or her lower-tiered subcontractors in
9 accordance with chapter 608, 612, 616A to 616D, inclusive, or 617
10 of NRS . ~~f- and~~

11 (b) Require as a condition precedent to the payment of any
12 amount due, lien releases furnished by the lower-tiered
13 subcontractor and his or her lower-tiered subcontractors and
14 suppliers in accordance with the provisions of paragraphs (a) and (c)
15 of subsection 5 of NRS 108.2457.

16 3. If, pursuant to subparagraph (2) or (3) of paragraph (a) of
17 subsection 2 or paragraph (b) of subsection 2, a higher-tiered
18 contractor intends to withhold any amount from a payment to be
19 made to a lower-tiered subcontractor, the higher-tiered contractor
20 must give, on or before the date the payment is due, a written notice
21 to the lower-tiered subcontractor of any amount that will be
22 withheld and give a copy of such notice to all reputed higher-tiered
23 contractors and the owner. The written notice of withholding must:

24 (a) Identify the amount of the request for payment that will be
25 withheld from the lower-tiered subcontractor;

26 (b) Give a reasonably detailed explanation of the condition or
27 the reason the higher-tiered contractor will withhold that amount,
28 including, without limitation, a specific reference to the provision or
29 section of the agreement with the lower-tiered subcontractor, and
30 any documents relating thereto, and the applicable building code,
31 law or regulation with which the lower-tiered subcontractor has
32 failed to comply; and

33 (c) Be signed by an authorized agent of the higher-tiered
34 contractor.

35 4. A lower-tiered subcontractor who receives a notice of
36 withholding pursuant to subsection 3 or a notice of objection
37 pursuant to subparagraph (2) of paragraph (b) may:

38 (a) Give the higher-tiered contractor a written notice and thereby
39 dispute in good faith and for reasonable cause the amount withheld
40 or the conditions or reasons for the withholding; or

41 (b) Correct any condition or reason for the withholding
42 described in the notice of withholding and thereafter provide written
43 notice to the higher-tiered contractor of the correction of the
44 condition or reason for the withholding. The notice of correction
45 must be sufficient to identify the scope and manner of the correction



1 of the condition or reason for the withholding and be signed by an
2 authorized representative of the lower-tiered subcontractor. If a
3 higher-tiered contractor receives a written notice from the lower-
4 tiered subcontractor of the correction of a condition or reason for the
5 withholding pursuant to this paragraph, the higher-tiered contractor
6 shall:

7 (1) Pay the amount withheld by the higher-tiered contractor
8 for that condition or reason for the withholding on or before the date
9 the next payment is due the lower-tiered subcontractor; or

10 (2) Object to the scope and manner of the correction of the
11 condition or reason for the withholding, on or before the date the
12 next payment is due to the lower-tiered subcontractor, in a written
13 statement which sets forth the condition or reason for the objection
14 and which complies with subsection 3. If the higher-tiered
15 contractor objects to the scope and manner of the correction of a
16 condition or reason for the withholding, the higher-tiered contractor
17 shall nevertheless pay to the lower-tiered subcontractor, along with
18 payment to be made pursuant to the lower-tiered subcontractor's
19 next payment request, the amount withheld for the correction of the
20 conditions or reasons for the withholding to which the higher-tiered
21 contractor no longer objects.

22 5. Except as otherwise allowed in subsections 2, 3 and 4, a
23 higher-tiered contractor shall not withhold from a payment to be
24 made to a lower-tiered subcontractor more than the retention
25 amount.

26 **Sec. 33.** Chapter 627 of NRS is hereby amended by adding
27 thereto a new section to read as follows:

28 *1. Any person, firm or entity who acts in the capacity of a*
29 *construction control and who undertakes to hold or disburse*
30 *construction funds in payment of work, labor or materials,*
31 *including, without limitation, a retention amount:*

32 *(a) Is acting in the capacity of an escrow agency pursuant to*
33 *chapter 645A of NRS;*

34 *(b) Is acting in the capacity of a fiduciary pursuant to chapter*
35 *669 of NRS; and*

36 *(c) Shall, if applicable, comply with the requirements of*
37 *sections 14 to 17, inclusive, of this act.*

38 *2. As used in this section:*

39 *(a) "Escrow agency" has the meaning ascribed to it in*
40 *NRS 645A.010.*

41 *(b) "Fiduciary" has the meaning ascribed to it in*
42 *NRS 669.045.*

43 *(c) "Retention amount" has the meaning ascribed to it in*
44 *section 9 of this act.*



1 **Sec. 34.** NRS 645.8795 is hereby amended to read as follows:

2 645.8795 1. Except as otherwise provided in subsection 2, a
3 claim that is recorded pursuant to the provisions of NRS 645.8775
4 has priority over any other encumbrance, claim or lien, if the claim
5 of the real estate broker is recorded before the encumbrance, claim
6 or lien.

7 2. The provisions of subsection 1 do not apply to a lien
8 recorded pursuant to the provisions of NRS 108.221 to 108.246,
9 inclusive ~~H~~, *and sections 2 to 17, inclusive, of this act.*

10 **Sec. 35.** NRS 645A.010 is hereby amended to read as follows:

11 645A.010 As used in this chapter, unless the context otherwise
12 requires:

13 1. "Commissioner" means the Commissioner of Mortgage
14 Lending.

15 2. "Construction control" has the meaning ascribed to it in
16 NRS 627.050.

17 3. "Division" means the Division of Mortgage Lending of the
18 Department of Business and Industry.

19 4. "Escrow" means any transaction wherein one person, for the
20 purpose of effecting the sale, transfer, encumbering or leasing of
21 real or personal property to another person, *or for the purposes set*
22 *forth in NRS 108.221 to 108.246, inclusive, and sections 2 to 17,*
23 *inclusive, of this act,* delivers any written instrument, money,
24 evidence of title to real or personal property, or other thing of value
25 to a third person until the happening of a specified event or the
26 performance of a prescribed condition, when it is then to be
27 delivered by such third person to a grantee, grantor, promisee,
28 promisor, obligee, obligor, bailee, bailor, *prime contractor, lower-*
29 *tiered subcontractor, supplier, lien claimant* or any agent or
30 employee of any of ~~the latter~~ *those persons.* The term includes the
31 collection of payments and the performance of related services by a
32 third person in connection with a loan secured by a lien on real
33 property. ~~and the performance of the services of a construction~~
34 ~~control.~~ *As used in this subsection:*

35 (a) "Lien claimant" has the meaning ascribed to it in
36 NRS 108.2214.

37 (b) "Lower-tiered subcontractor" has the meaning ascribed to
38 it in section 7 of this act.

39 (c) "Prime contractor" has the meaning ascribed to it in
40 NRS 108.22164.

41 (d) "Supplier" has the meaning ascribed to it in section 10 of
42 this act.

43 5. "Escrow agency" means:

44 (a) Any person who employs one or more escrow agents; or



1 (b) An escrow agent who administers escrows on his or her own
2 behalf.

3 6. "Escrow agent" means any person engaged in the business
4 of administering escrows for compensation.

5 **Sec. 36.** NRS 645A.015 is hereby amended to read as follows:

6 645A.015 ~~¶¶he~~

7 *1. Except as otherwise provided in subsection 2, the*
8 *provisions of this chapter do not apply to:*

9 ~~¶¶~~ (a) Any person:

10 ~~¶(a)~~ (1) Doing business under the laws of this State or the
11 United States relating to banks, mutual savings banks, trust
12 companies, savings and loan associations, common and consumer
13 finance companies or industrial loan companies; or

14 ~~¶(b)~~ (2) Licensed pursuant to chapter 692A of NRS.

15 ~~¶2-~~ (b) An attorney at law rendering services in the
16 performance of his or her duties as attorney at law, except an
17 attorney actively engaged in conducting an escrow agency.

18 ~~¶3-~~ (c) Any firm or corporation which lends money on real or
19 personal property and is subject to licensing, supervision or auditing
20 by an agency of the United States or of this State.

21 ~~¶4-~~ (d) Any person doing any act under order of any court.

22 *2. The provisions of this chapter apply to any person engaged*
23 *in the business of administering an escrow pursuant to NRS*
24 *108.221 to 108.246, inclusive, and sections 2 to 17, inclusive, of*
25 *this act.*

26 **Sec. 37.** Chapter 662 of NRS is hereby amended by adding
27 thereto a new section to read as follows:

28 *1. The proceeds of any loan, mortgage or other pledge of*
29 *money to be used to pay for the construction, alteration or repair*
30 *of a work of improvement must be used to satisfy and pay the*
31 *prime contractor and the prime contractor's lower-tiered*
32 *subcontractors for the work, materials or equipment they have*
33 *furnished or may furnish for the construction, alteration or repair*
34 *of the work of improvement.*

35 *2. Use by a bank of such proceeds in violation of this section*
36 *creates a rebuttable presumption, in any action brought by a prime*
37 *contractor or the lower-tiered subcontractors to whom such money*
38 *is owed, that the bank has breached its fiduciary duties with*
39 *respect to such proceeds.*

40 *3. As used in this section:*

41 (a) "Lower-tiered subcontractor" has the meaning ascribed to
42 it in section 7 of this act.

43 (b) "Prime contractor" has the meaning ascribed to it in
44 NRS 108.22164.



1 *(c) “Work of improvement” has the meaning ascribed to it in*
2 *NRS 108.22188.*

3 **Sec. 38.** NRS 662.231 is hereby amended to read as follows:

4 662.231 As used in NRS 662.231 to 662.245, inclusive, *and*
5 *section 37 of this act*, “business of a trust company” or “trust
6 company business” has the meaning ascribed to it in NRS 669.029.

7 **Sec. 39.** NRS 662.235 is hereby amended to read as follows:

8 662.235 1. Any bank organized under this title may state in
9 its articles of incorporation that it will carry on a trust company
10 business in connection with the banking business, and in addition to
11 the powers conferred upon banks may:

12 (a) Act as trustee under any mortgage or bond of any person,
13 firm or corporation, or of any municipality or body politic.

14 (b) Accept and execute any municipal, corporate or individual
15 trust not inconsistent with the laws of this State.

16 (c) Act under the order or appointment of any court as guardian,
17 commissioner, receiver or trustee.

18 (d) Act as executor or trustee under any will.

19 (e) Act as fiscal or transfer agent of any state, municipality,
20 body politic or corporation, and in a capacity to receive and disburse
21 money and register, transfer and countersign certificates of stock,
22 bonds and other evidences of indebtedness.

23 (f) Act as local or registered agent of foreign corporations.

24 2. Any such bank holding any asset as a fiduciary shall:

25 (a) Segregate all such assets from any other assets of the bank
26 and from the assets of any other trust, except as may be expressly
27 provided otherwise by law or by the writing creating the trust.

28 (b) Record such assets in a separate set of books maintained for
29 fiduciary activities.

30 *3. Any bank organized under this title that undertakes to hold*
31 *or secure a disputed amount, as defined in section 2 of this act, or*
32 *a retention amount, as defined in section 9 of this act:*

33 *(a) Is acting in the capacity of a fiduciary and shall comply*
34 *with the provisions of subsection 2;*

35 *(b) Is acting in the capacity of an escrow agency pursuant to*
36 *chapter 645A of NRS; and*

37 *(c) Shall, if applicable, comply with the requirements of*
38 *sections 14 to 17, inclusive, of this act.*

39 **Sec. 40.** NRS 669.045 is hereby amended to read as follows:

40 669.045 1. “Fiduciary” means ~~††~~:

41 *(a) A* trustee, executor, administrator, guardian of an estate,
42 personal representative, conservator, assignee for the benefit of
43 creditors, receiver, depository or person that receives on deposit
44 money or property from a public administrator under any provision
45 of this chapter or from another fiduciary ~~††~~; *or*



1 ***(b) An owner or lessee who holds a retention amount, or an***
2 ***escrow agency that administers an escrow, pursuant to NRS***
3 ***108.221 to 108.246, inclusive, and sections 2 to 17, inclusive, of***
4 ***this act.***

5 2. As used in this section, “administrator” includes servicers or
6 administrators of individual retirement accounts within the meaning
7 of section 408(a) of the Internal Revenue Code of 1986, 26 U.S.C. §
8 408(a), where the servicer or administrator holds itself out to the
9 public for performance of such services and holds or maintains an
10 ownership interest in the servicing rights of such accounts, or
11 possesses or controls any of the assets of such accounts, including
12 cash.

13 **Sec. 41.** NRS 669.080 is hereby amended to read as follows:

14 669.080 1. ~~{This}~~ ***Except as otherwise provided in***
15 ***subsection 3, this*** chapter does not apply to a person who:

16 (a) Does business under the laws of this State, the United States
17 or another state relating to banks, savings banks, savings and loan
18 associations or thrift companies, but if the trust company business
19 conducted in this State is not subject to supervision by a regulatory
20 authority of another jurisdiction, the person must be licensed
21 pursuant to this chapter before engaging in such business in this
22 State;

23 (b) Is appointed as a fiduciary pursuant to NRS 662.245;

24 (c) Is acting in the performance of his or her duties as an
25 attorney at law;

26 (d) Acts as a trustee under a deed of trust;

27 (e) Acts as a registered agent for a domestic or foreign
28 corporation, limited-liability company, limited partnership or
29 limited-liability partnership;

30 (f) Acts as a trustee of a trust holding real property for the
31 primary purpose of facilitating any transaction with respect to real
32 estate if he or she is not regularly engaged in the business of acting
33 as a trustee for such trusts;

34 (g) Engages in the business of a collection agency pursuant to
35 chapter 649 of NRS;

36 (h) Engages in the business of an escrow agency, escrow agent
37 or escrow officer pursuant to the provisions of chapter 645A or
38 692A of NRS;

39 (i) Acts as a trustee of a trust created for charitable or nonprofit
40 purposes if he or she is not regularly engaged in the business of
41 acting as trustee for such trusts;

42 (j) Receives money or other property as a real estate broker
43 licensed under chapter 645 of NRS on behalf of a principal;

44 (k) Engages in transactions as a broker-dealer or sales
45 representative pursuant to chapter 90 of NRS;



- 1 (l) Acts as a fiduciary under a court trust;
- 2 (m) Does business as an insurer authorized to issue policies of
- 3 life insurance and annuities or endowment contracts in this State and
- 4 is subject to regulation and control of the Commissioner of
- 5 Insurance;
- 6 (n) Acts as a fiduciary as an individual;
- 7 (o) Acts as a family trust company, unless the family trust
- 8 company is licensed under this chapter. A family trust company
- 9 which is not licensed under the provisions of this chapter shall be
- 10 deemed not to be engaged in trust company business for the
- 11 purposes of this chapter; or
- 12 (p) Except as otherwise provided in chapter 669A of NRS, is a
- 13 family trust company, as defined in NRS 669A.080.
- 14 2. A bank, savings bank, savings and loan association or thrift
- 15 company claiming an exemption from this chapter pursuant to
- 16 paragraph (a) of subsection 1 must notify the Commissioner of
- 17 Financial Institutions of its intention to engage in the business of a
- 18 trust company in this State and present proof satisfactory to the
- 19 Commissioner of Financial Institutions that its fiduciary activities in
- 20 this State will be subject to regulation by another jurisdiction.
- 21 **3. *The provisions of this chapter apply to an owner or lessee***
- 22 ***who holds a retention amount or a disputed amount, or a person,***
- 23 ***firm or entity that administers an escrow, pursuant to sections 14***
- 24 ***to 17, inclusive, of this act. As used in this subsection:***
- 25 (a) ***“Disputed amount” has the meaning ascribed to it in***
- 26 ***section 2 of this act.***
- 27 (b) ***“Lessee” has the meaning ascribed to it in section 6 of this***
- 28 ***act.***
- 29 (c) ***“Owner” has the meaning ascribed to it in NRS 108.22148.***
- 30 (d) ***“Retention amount” has the meaning ascribed to it in***
- 31 ***section 9 of this act.***
- 32 **Sec. 42.** 1. This section and sections 1, 8, 11, 12, 19 and 21
- 33 of this act become effective upon passage and approval.
- 34 2. Sections 2 to 7, inclusive, 9, 10, 13 to 18, inclusive, 20 and
- 35 22 to 41, inclusive, of this act become effective on July 1, 2015.



