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ASSEMBLY BILL NO. 316

SUMMARY

Purpose: Assembly Bill No. 316 requires certain owners to either provide a payment bond or irrevocable letter of credit or deposit an amount in a construction security escrow account to ensure payment for the construction, alteration, addition to or repair of real property. AB 316 thereby provides financial security to the original contractor against subcontractors' claims when an owner cannot meet its financial obligations.

Section 1, page 1, lines 1-3: AB 316 amends chapter 624 of NRS by adding sections 2-14.

Section 2, page 1, lines 4-7: Incorporates the definitions of a construction contract, owner and prime contractor. The key definition is that of an "owner" set forth in Section 4.

Section 4, page 2, lines 3-22: Restricts the application of this act to a construction project of \$5 million or more when the owner/developer owns the real property and to a construction project of more than \$1 million if the owner/developer is a lessee.

Section 6, pages 2-3, lines 25-44 and 1-11: Exempts residential projects, public works and owner with more than \$50 million in assets from the requirements of this act.

Section 7, page 3, lines 12-24: Allows an owner to substitute a copy of a construction loan document, if applicable, in lieu of a payment bond, letter of credit or security escrow account.

Section 8, pages 3-4, lines 25-44 and 1-4: Requires an owner who is subject to this act to either provide a payment bond or irrevocable letter of credit or deposit an amount in a construction security escrow account to ensure payment for construction.

Section 9, page 4, lines 5-44: Sets forth the requirements for a construction security escrow account if the owner elects to establish such an account.

Section 10, page 5, lines 1-20: Further delineates the rights of the owner and the prime contractor if a construction security escrow account is to be established and provides that construction loan amounts to do not have to be placed in the escrow account.

Section 11, page 5, lines 21-29: Provides a formula for determining the security amount when the construction contract is not for a fixed amount.

Section 12, page 5, lines 30-38: Allows a prime contractor to suspend work if an owner fails to provide or maintain the required security.

Section 13, page 5, lines 39-41: Provides that the rights and remedies provided by this act are in addition to any other rights or remedies.

Section 14, pages 5-6, lines 42-44 and 1-7: Prohibits the waiver or modification of the obligations, rights and remedies set forth in this act.

Section 15, page 6, lines 8-11: Establishes October 1, 2003 as the effective date of this act.

ASSEMBLY COMMERCE & LABOR

DATE: 4/09/03 ROOM: 4100 EXHIBIT X

SUBMITTED BY: Steve Holloway