## (Reprinted with amendments adopted on May 21, 2003) SECOND REPRINT A.B. 220

## ASSEMBLY BILL NO. 220-COMMITTEE ON COMMERCE AND LABOR

(ON BEHALF OF THE CONTRACTORS' BOARD)

## FEBRUARY 28, 2003

## Referred to Committee on Commerce and Labor

SUMMARY—Makes various changes to provisions governing contractors. (BDR 54-502)

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

EXPLANATION - Matter in *bolded italics* is new; matter between brackets [omitted material] is material to be omitted.

AN ACT relating to contractors; requiring an applicant for a contractor's license to establish his financial responsibility under certain circumstances; providing for the confidentiality of certain information compiled as a result of an investigation conducted by the State Contractors' Board; authorizing the Board to require a criminal investigator employed by the Board to conduct a background investigation of an applicant for employment with the Board; prohibiting the Board from issuing a private reprimand to a licensee; prohibiting a person from receiving money for the purpose of obtaining or paying for services, labor, materials or equipment under certain circumstances; authorizing a district court in a proceeding for a judicial review of a final decision of the Board to dismiss an agency or person from the proceeding under certain circumstances; expanding the circumstances under which a criminal investigator employed by the Board may exercise the powers of a peace officer; providing penalties; and providing other matters properly relating thereto.

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



**Section 1.** Chapter 624 of NRS is hereby amended by adding 1 2 thereto the provisions set forth as sections 2 to 6, inclusive, of this 3 act

Sec. 2. As used in this chapter, unless the context otherwise 4 5 requires, the words and terms defined in NRS 624.010, 624.020 and section 3 of this act have the meanings ascribed to them in 6 7 those sections.

8 Sec. 3. "Construction control" has the meaning ascribed to it 9 in NRS 627.050.

10 Sec. 4. 1. In addition to any other requirements set forth in this chapter, if an applicant will engage in residential construction 11 12 and the applicant or the natural person qualifying on behalf of the 13 applicant pursuant to NRS 624.260 has not held a contractor's 14 license issued pursuant to this chapter within the 2 years 15 immediately preceding the date that the application is submitted to the Board, the Board shall require the applicant to establish his 16 financial responsibility by submitting to the Board: 17

(a) A financial statement that is prepared by an independent 18 19 certified public accountant; and 20

(b) Any other information required by the Board.

21 2. Before the Board may issue a contractor's license to the 22 applicant, the Board must determine whether, based on the financial information concerning the applicant, it would be in 23 24 the public interest to do any or all of the following:

25 (a) Require the applicant to obtain the services of a 26 construction control with respect to any money that the applicant 27 requires a purchaser of a new residence to pay in advance to make 28 upgrades to the new residence. If the Board imposes such a 29 requirement, the applicant may not:

30 (1) Be related to the construction control or to an employee 31 or agent of the construction control; or

(2) Hold, directly or indirectly, a financial interest in the 32 33 business of the construction control.

(b) Establish an aggregate monetary limit on the contractor's 34 license, which must be the maximum combined monetary limit on 35 36 all contracts that the applicant may undertake or perform as a 37 licensed contractor at any one time, regardless of the number of contracts, construction sites, subdivision sites or clients. If the 38 39 Board establishes such a limit, the Board:

40 (1) Shall determine the period that the limit is in effect; and 41 (2) During that period, may increase or decrease the limit 42 as the Board deems appropriate.

43 3. If the Board issues a contractor's license to an applicant 44 described in subsection 1, for the first 2 years after the issuance of



the license, the licensee must submit to the Board, with each 1 2 application for renewal of the license:

(a) A financial statement that is prepared by an independent 3 certified public accountant; and 4

(b) A statement setting forth the number of building permits 5 issued to and construction projects completed by the licensee 6 7 during the immediately preceding year and any other information 8 required by the Board. The statement submitted pursuant to this 9 paragraph must be provided on a form approved by the Board.

10 4. Before the Board may renew the contractor's license of the licensee, the Board must determine whether, based on 11 the financial information concerning the licensee, it would be in 12 13 the public interest to do any or all of the following:

14 (a) Require the licensee to obtain the services of a construction 15 control with respect to any money that the licensee requires a purchaser of a new residence to pay in advance to make upgrades 16 to the new residence. If the Board imposes such a requirement, the 17 18 licensee may not:

19 (1) Be related to the construction control or to an employee or agent of the construction control; or 20

21 (2) Hold, directly or indirectly, a financial interest in the 22 business of the construction control.

23 (b) Establish an aggregate monetary limit on the contractor's 24 license, which must be the maximum combined monetary limit on 25 all contracts that the licensee may undertake or perform as a licensed contractor at any one time, regardless of the number of 26 contracts, construction sites, subdivision sites or clients. If the 27 28 Board establishes such a limit, the Board:

29 (1) Shall determine the period that the limit is in effect; and 30 (2) During that period, may increase or decrease the limit 31 as the Board deems appropriate.

32 Sec. 5. 1. In addition to any other requirements set forth in 33 this chapter, if an investigation is conducted against a licensee and the Board determines that there is cause to proceed with a 34 35 formal disciplinary proceeding against the licensee, the Board shall require the licensee to submit to the Board: 36

37 (a) A financial statement that is prepared by an independent 38 certified public accountant; and

39 (b) A statement setting forth the number of building permits 40 issued to and construction projects completed by the licensee 41 during the immediately preceding year and any other information 42 required by the Board. The statement submitted pursuant to this 43

paragraph must be provided on a form approved by the Board.

44 2. After providing the licensee with notice and an opportunity to be heard, the Board must determine whether, based on the 45



financial information concerning the licensee, it would be in the
 public interest to do any or all of the following:

(a) Require the licensee to obtain the services of a construction
control with respect to any money that the licensee requires a
purchaser of a new residence to pay in advance to make upgrades
to the new residence. If the Board imposes such a requirement, the

7 licensee may not:

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8 (1) Be related to the construction control or to an employee 9 or agent of the construction control; or

10 (2) Hold, directly or indirectly, a financial interest in the 11 business of the construction control.

12 (b) Establish an aggregate monetary limit on the contractor's 13 license, which must be the maximum combined monetary limit on 14 all contracts that the licensee may undertake or perform as a 15 licensed contractor at any one time, regardless of the number of 16 contracts, construction sites, subdivision sites or clients. If the 17 Board establishes such a limit, the Board:

(1) Shall determine the period that the limit is in effect; and
 (2) During that period, may increase or decrease the limit
 as the Board deems appropriate.

21 3. The provisions of this section do not limit the authority of 22 the Board to take disciplinary action against the licensee.

23 Sec. 6. 1. Except as otherwise provided in this section, a 24 complaint filed with the Board, all documents and other 25 information filed with the complaint and all documents and other 26 information compiled as a result of the investigation conducted to 27 determine whether to initiate disciplinary action are confidential.

28 2. The complaint or other document filed by the Board to 29 initiate disciplinary action and all documents and information 30 considered by the Board when determining whether to impose 31 discipline are public records.

**Sec. 7.** NRS 624.010 is hereby amended to read as follows:

624.010 [As used in this chapter,] "Board" means the State
Contractors' Board.

**Sec. 8.** NRS 624.020 is hereby amended to read as follows:

36 624.020 [For the purposes of this chapter, unless the context 37 otherwise requires:]

1. "Contractor" is synonymous with "builder."

2. A contractor is any person, except a registered architect or a licensed professional engineer, acting solely in his professional capacity, who in any capacity other than as the employee of another with wages as the sole compensation, undertakes to, offers to undertake to, purports to have the capacity to undertake to, or submits a bid to, or does himself or by or through others, construct, alter, repair, add to, subtract from, improve, move, wreck or



demolish any building, highway, road, railroad, excavation or other 1 2 structure, project, development or improvement, or to do any part thereof, including the erection of scaffolding or other structures or 3 works in connection therewith. Evidence of the securing of any 4 permit from a governmental agency or the employment of any 5 person on a construction project must be accepted by the Board or 6 7 any court of this state as prima facie evidence that the person securing that permit or employing any person on a construction 8 9 project is acting in the capacity of a contractor pursuant to the 10 provisions of this chapter.

3. A contractor includes a subcontractor or specialty contractor, 11 but does not include anyone who merely furnishes materials or 12 supplies without fabricating them into, or consuming them in the 13 14 performance of, the work of a contractor.

15 4. A contractor includes a construction manager who performs management and counseling services on a construction project for a 16 17 professional fee.

**Sec. 9.** NRS 624.110 is hereby amended to read as follows:

19 624.110 1. The Board may maintain offices in as many 20 localities in the State as it finds necessary to carry out the provisions of this chapter, but it shall maintain one office in which there must 21 22 be at all times open to public inspection a complete record of applications, licenses issued, licenses renewed and all revocations, 23 24 cancellations and suspensions of licenses.

2. [Credit] Except as otherwise required in section 6 of this 25 act, credit reports, references, [investigative memoranda,] financial 26 27 information and data pertaining to a licensee's net worth are 28 confidential and not open to public inspection. 29

**Sec. 10.** NRS 624.115 is hereby amended to read as follows:

30 624.115 1. The Board may employ attorneys, investigators 31 and other professional consultants and clerical personnel necessary 32 to the discharge of its duties.

33 2. The Board may require criminal investigators who are 34 employed by the Board pursuant to NRS 624.112 to: 35

(a) Conduct a background investigation of [a]:

(1) A license or an applicant for a contractor's license; or

(2) An applicant for employment with the Board;

(b) Locate and identify persons who:

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39 (1) Engage in the business or act in the capacity of a 40 contractor within this state in violation of the provisions of this 41 chapter;

42 (2) Submit bids on jobs situated within this state in violation 43 of the provisions of this chapter; or

44 (3) Otherwise violate the provisions of this chapter or the regulations adopted pursuant to this chapter; [and] 45



1 (c) Investigate any alleged occurrence of constructional fraud; 2 and

3 (*d*) Issue a misdemeanor citation prepared manually or 4 electronically pursuant to NRS 171.1773 to a person who violates a 5 provision of this chapter that is punishable as a misdemeanor. A 6 criminal investigator may request any constable, sheriff or other 7 peace officer to assist him in the issuance of such a citation.

Sec. 11. NRS 624.165 is hereby amended to read as follows:

9 624.165 1. The Board shall:

(a) Designate one or more of its employees for the investigationof constructional fraud;

12 (b) Cooperate with other local, state or federal investigative and 13 law enforcement agencies, and the Attorney General;

14 (c) Assist the Attorney General or any official of an 15 investigative or a law enforcement agency of this state, any other 16 state or the Federal Government who requests assistance in 17 investigating any act of constructional fraud; and

(d) Furnish to those officials any information concerning itsinvestigation or report on any act of constructional fraud.

20 2. The Board may obtain records of a law enforcement agency 21 or any other agency that maintains records of criminal history, 22 including, without limitation, records of:

23 (a) Arrests;

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- 24 (b) Guilty pleas;
- 25 (c) Sentencing;
- 26 (d) Probation;
- 27 (e) Parole;
- 28 (f) Bail; 29 (g) Com
  - (g) Complaints; and
- 30 (h) Final dispositions,

31 for the investigation of constructional fraud.

32 3. For the purposes of this section, constructional fraud occurs 33 if a person engaged in construction knowingly:

(a) Misapplies money under the circumstances described in
 NRS 205.310;

(b) Obtains money, property or labor by false pretense asdescribed in NRS 205.380;

(c) Receives payments and fails to state his own true name, or
 states a false name, contractor's license number, address or
 telephone number of the person offering a service;

41 (d) [Commits] Diverts money or commits any act of theft, 42 forgery, fraud or embezzlement, in connection with a construction 43 project, that violates a criminal statute of this state:

44 (e) Acts as a contractor without:



(1) Possessing a contractor's license issued pursuant to this 1 2 chapter; or

(2) Possessing any other license required by this state or a 3 4 political subdivision of this state; or 5

(f) Otherwise fails to disclose a material fact.

**Sec. 12.** NRS 624.300 is hereby amended to read as follows:

7 624.300 1. Except as otherwise provided in subsection 3, the 8 Board may:

9 (a) Suspend or revoke licenses already issued;

10 (b) Refuse renewals of licenses;

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(c) Impose limits on the field, scope and monetary limit of the 11 12 license:

(d) Impose an administrative fine of not more than \$10,000;

14 (e) Order a licensee to repay to the account established pursuant to NRS 624.470, any amount paid out of the account pursuant to 15 NRS 624.510 as a result of an act or omission of that licensee; 16

(f) Order the licensee to take action to correct a condition 17 resulting from an act which constitutes a cause for disciplinary 18 19 action, at the licensee's cost, that may consist of requiring the 20 licensee to:

(1) Perform the corrective work himself;

22 (2) Hire and pay another licensee to perform the corrective 23 work: or

(3) Pay to the owner of the construction project a specified 24 25 sum to correct the condition; or

(g) [Reprimand] Issue a public reprimand or take other less 26 27 severe disciplinary action, including, without limitation, increasing 28 the amount of the surety bond or cash deposit of the 29 licensee.

30 if the licensee commits any act which constitutes a cause for 31 disciplinary action.

32 2. If the Board suspends or revokes the license of a contractor for failure to establish financial responsibility, the Board may, in 33 addition to any other conditions for reinstating or renewing the 34 license, require that each contract undertaken by the licensee for a 35 period to be designated by the Board, not to exceed 12 months, be 36 separately covered by a bond or bonds approved by the Board and 37 38 conditioned upon the performance of and the payment of labor and materials required by the contract. 39

40 3. If a licensee violates the provisions of NRS 624.3014 or 41 subsection 3 of NRS 624.3015, the Board may impose an 42 administrative fine of not more than \$20,000.

43 If a licensee commits a fraudulent act which is a cause for 4. 44 disciplinary action under NRS 624.3016, the correction of any



condition resulting from the act does not preclude the Board from 1 2 taking disciplinary action.

5. If the Board finds that a licensee has engaged in repeated 3 acts that would be cause for disciplinary action, the correction of 4 any resulting conditions does not preclude the Board from taking 5 disciplinary action pursuant to this section. 6

6. The expiration of a license by operation of law or by order 7 8 or decision of the Board or a court, or the voluntary surrender of a 9 license by a licensee, does not deprive the Board of jurisdiction to 10 proceed with any investigation of, or action or disciplinary proceeding against, the licensee or to render a decision suspending 11 or revoking the license. 12

13 7. If discipline is imposed pursuant to this section, including 14 any discipline imposed pursuant to a stipulated settlement, the costs of the proceeding, including investigative costs and attorney's fees, 15 may be recovered by the Board. 16

8. The Board shall not issue a private reprimand to a 17 18 licensee.

9. An order that imposes discipline and the findings of fact 19 and conclusions of law supporting that order are public records. 20

10. All fines collected pursuant to this section must be 21 deposited with the State Treasurer for credit to the Construction 22 Education Account created pursuant to NRS 624.580. 23

Sec. 13. NRS 624.335 is hereby amended to read as follows:

624.335 1. The Investigations Office of the Board shall:

26 (a) Upon the receipt of a complaint against a licensee, initiate an 27 investigation of the complaint.

(b) Within 10 days after receiving such a complaint, notify the 28 licensee and, if known, the person making the complaint of the 29 30 initiation of the investigation, and provide a copy of the complaint 31 to the licensee.

32 (c) Upon the completion of its investigation of a complaint, provide the licensee and, if known, the person making the complaint 33 34 with written notification of any action taken on the complaint and 35 the reasons for taking that action.

2. The Investigations Office of the Board may attempt to 36 37 resolve the complaint by:

38 (a) Meeting and conferring with the licensee and the person making the complaint; and 39 40

(b) Requesting the licensee to provide appropriate relief.

41 3. If the subject matter of the complaint is not within the 42 jurisdiction of the Board, for if the Board or the Investigations

Office is unable to resolve the complaint after exhausting all 43

reasonable remedies and methods of resolution.] the Board or its 44

designee [shall:] may: 45

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(a) Forward the complaint, together with any evidence or other 1 2 information in the possession of the Board concerning the complaint, to any public or private agency which, in the opinion of 3 the Board, would be effective in resolving the complaint; and 4 (b) Notify the person making the complaint of its action 5 pursuant to paragraph (a) and of any other procedures which may be 6 7 available to resolve the complaint. **Sec. 14.** NRS 624.470 is hereby amended to read as follows: 8 9 624.470 1. Except as otherwise provided in subsection 3, in 10 addition to the annual fee for a license required pursuant to NRS 624.280, a residential contractor shall pay to the Board an annual 11 assessment **in** *not to exceed* the following amount, if the monetary 12 13 limit on his license is: 14 15 Not more than \$1,000,000..... \$100 16 Unlimited...... 500 17 18 19 2. The Board shall administer and account separately for the 20 money received from the annual assessments collected pursuant to 21 subsection 1. The Board may refer to the money in the account as 22 the "Recovery Fund." 3. The Board shall [suspend the collection of] reduce the 23 24 *amount of the* assessments *collected* pursuant to subsection 1 when the balance in the account reaches 150 percent of the largest balance 25 in the account during the previous fiscal year. 26 27 4. Except as otherwise provided in NRS 624.540, the money in 28 the account must be used to pay claims made by owners who are damaged by the failure of a residential contractor to perform 29 30 qualified services adequately, as provided in NRS 624.400 to 31 624.560, inclusive. 32 **Sec. 15.** NRS 624.750 is hereby amended to read as follows: 624.750 1. It is unlawful for a person to commit any act or 33 omission described in subsection 1 of NRS 624.3012, subsection 2 34 of NRS 624.3013, NRS 624.3014 or subsection 1, 3 or 7 of 35 NRS 624.3016. 36 2. Unless a greater penalty is otherwise provided by *a* specific 37 statute, any person who violates subsection 1, NRS 624.305, 38 subsection 1 of NRS 624.700 or NRS 624.720 or 624.740: 39 40 (a) For a first offense, is guilty of a misdemeanor and shall be 41 punished by a fine of not more than \$1,000, and may be further 42 punished by imprisonment in the county jail for not more than 6 43 months. 44 (b) For the second offense, is guilty of a gross misdemeanor and shall be punished by a fine of not less than \$2,000 nor more than 45 

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\$4,000, and may be further punished by imprisonment in the county
 jail for not more than 1 year.

3 (c) For the third or subsequent offense, is guilty of a [class] 4 category E felony and shall be punished by a fine of not less than 5 \$5,000 nor more than \$10,000 and may be further punished by 6 imprisonment in the state prison for not less than 1 year and not 7 more than 4 years.

8 3. It is unlawful for a person to receive money for the 9 purpose of obtaining or paying for services, labor, materials or 10 equipment if the person:

11 (a) Willfully fails to use that money for that purpose by failing 12 to complete the improvements for which the person received the 13 money or by failing to pay for any services, labor, materials or 14 equipment provided for that construction; and

15 (b) Wrongfully diverts that money to a use other than that for 16 which it was received.

*4.* Unless a greater penalty is otherwise provided by a specific
statute, any person who violates subsection 3:

19 (a) If the amount of money wrongfully diverted is \$1,000 or 20 less, is guilty of a gross misdemeanor and shall be punished by a 21 fine of not more than \$2,000 nor more than \$4,000, and may be 22 further punished by imprisonment in the county jail for not more 23 than 1 year.

(b) If the amount of money wrongfully diverted is more than
\$1,000, is guilty of a category E felony and shall be punished by a
fine of not less than \$5,000 nor more than \$10,000, and may be
further punished by imprisonment in the state prison for not less
than 1 year and not more than 4 years.

5. Imposition of a penalty provided for in this section is not precluded by any disciplinary action taken by the Board against a contractor pursuant to the provisions of NRS 624.300 to 624.305, inclusive.

**Sec. 16.** NRS 627.175 is hereby amended to read as follows:

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34 627.175 1. Except as otherwise provided in subsection 2, the 35 following shall not be a construction control or subject to the 36 provisions of this chapter:

(a) A contractor licensed under the laws of the State of Nevada,
paying a subcontractor, supplier of material, laborer or other person
for bills incurred in the construction, repair, alteration or
improvement of any premises.

(b) A subcontractor licensed to do business under the laws of the
State of Nevada, paying a subcontractor, supplier of material,
laborer or other person for bills incurred in the construction, repair,
alteration or improvement of any premises.



(c) An owner-contractor paying a contractor, subcontractor, 1 2 supplier of material, laborer or other person for bills incurred in the construction, repair, alteration or improvement of any premises. 3

(d) A lender of construction loan money, provided that he 4 disburses the money directly to a contractor authorized by the 5 borrower to do the work, or disburses the money directly to the 6 7 owner of the premises.

8 (e) A lender of construction loan money, to an owner of a 9 residential property or to an owner of not more than four units if the loan is made to repair or improve such property and the construction 10 costs are \$10,000 or less, or 35 percent of the appraised value of the 11 improvements and repairs, whichever is greater. 12

13 2. The provisions of this chapter apply to a contractor who is 14 required to obtain the services of a construction control pursuant to the provisions of NRS 597.7196 - or section 4 or 5 of this act. 15

**Sec. 17.** NRS 233B.130 is hereby amended to read as follows: 16 17 233B.130 1. Any party who is:

(a) Identified as a party of record by an agency in an 18 administrative proceeding; and 19 20

(b) Aggrieved by a final decision in a contested case,

is entitled to judicial review of the decision. Where appeal is 21 provided within an agency, only the decision at the highest level is 22 reviewable unless a decision made at a lower level in the agency 23 24 is made final by statute. Any preliminary, procedural or intermediate 25 act or ruling by an agency in a contested case is reviewable if review 26 of the final decision of the agency would not provide an adequate 27 remedy.

2. Petitions for judicial review must:

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(a) Name as respondents the agency and all parties of record to 29 30 the administrative proceeding;

(b) Be instituted by filing a petition in the district court in and 31 for Carson City, in and for the county in which the aggrieved party 32 resides or in and for the county where the agency proceeding 33 34 occurred; and

(c) Be filed within 30 days after service of the final decision of 35 36 the agency.

Cross-petitions for judicial review must be filed within 10 days 37 38 after service of a petition for judicial review.

3. The agency and any party desiring to participate in the 39 40 judicial review must file a statement of intent to participate in the 41 petition for judicial review and serve the statement upon the agency 42 and every party within 20 days after service of the petition.

4. A petition for rehearing or reconsideration must be filed 43 44 within 15 days after the date of service of the final decision. An order granting or denying the petition must be served on all parties 45



at least 5 days before the expiration of the time for filing the petition
 for judicial review. If the petition is granted, the subsequent order
 shall be deemed the final order for the purpose of judicial review.

5. The petition for judicial review and any cross-petitions for judicial review must be served upon the agency and every party within 45 days after the filing of the petition, unless, upon a showing of good cause, the *district* court extends the time for such service. If the proceeding involves a petition for judicial review or cross-petition for judicial review of a final decision of the State Contractors' Board, the district court may, on its own motion or

11 the motion of a party, dismiss from the proceeding any agency 12 or person who:

(a) Is named as a party in the petition for judicial review or
 cross-petition for judicial review; and

(b) Was not a party to the administrative proceeding for which
the petition for judicial review or cross-petition for judicial review
was filed.

18 6. The provisions of this chapter are the exclusive means of 19 judicial review of, or judicial action concerning, a final decision in 20 a contested case involving an agency to which this chapter applies.

21 Sec. 18. NRS 289.300 is hereby amended to read as follows:

22 289.300 1. A person employed as an investigator by the
23 Private Investigator's Licensing Board pursuant to NRS 648.025 has
24 the powers of a peace officer.

25 2. A person employed as a criminal investigator by the State
26 Contractors' Board pursuant to NRS 624.112 has the powers of a
27 peace officer to carry out his duties pursuant to subsection 2 of NRS

28 624.115 . [, for the limited purpose of obtaining and exchanging 29 information on persons who hold a contractor's license or are

30 applying for a contractor's license.]

31 Sec. 19. This act becomes effective upon passage and 32 approval.

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