Snell & Wilmer L.L.P.

UNDER CONSTRUCTION

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contents

Message from the Editor:

As head of Snell & Wilmer's construction practice, I would like to take this opportunity to welcome Fidelis Garcia to the firm. Mr. Garcia brings a unique perspective to the construction group as Arizona's former Registrar of Contractors. Please join me in welcoming Fidelis!

In this edition of Under Construction, several topics will be discussed. The first article describes navigating through the Arizona Registrar of Contractors process and when a contractor's license bond is effective in Arizona. Next, we address a new Colorado Court of Appeals's opinion and the statute of repose regarding Colorado's Construction Defect Action Reform Act. Our third article should be of interest because it presents information on improving collection methods to protect your company during the pending economic downturn. The article includes a chart that highlights Arizona, California, Colorado, Nevada, and Utah's collection rights. The last article addresses foreign students in F-1 status and their ability to extend their Optional Practical Training, as well as information regarding the "no-match" rule from the Department of Homeland Security.

These topics can serve as a reference to provide awareness of updates in the construction industry throughout our regional practice area. Under Construction is provided as a service to highlight legal trends and issues commonly faced. Please contact us if you have any questions or suggestions on how we can improve this publication to provide added value to you.

Jim Sienicki is a partner with Snell & Wilmer in Phoenix, Arizona, where he is the head of the firm's construction practice group. His practice has been concentrated on a wide variety of construction matters since 1983. Jim is a member of many construction trade associations and can be reached at 602.382.6351 or jsienicki@swlaw.com.

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A Regulator's Perspective

by Fidelis V. Garcia

As a former member of the Governor's Cabinet and judge, I was pleased to recently join Snell & Wilmer's construction practice group. During my tenure as Arizona's Registrar of Contractors, I oversaw 60,000 contractor licenses, eleven statewide offices, a twenty-six million dollar budget, the Residential Contractors' Recovery Fund, and served as the agency's designated lobbyist. I worked closely with state agencies, elected and enforcement officials, and industry and labor associations. Previously, as a judge, I condemned properties and imposed hundreds of thousands of dollars in fines against owners, landlords, and management companies. Through it all, I learned one thing. Few companies progressively integrate exceptional legal services into their business models. Unfortunately, even the simplest business decision can have unforeseen detrimental consequences.

Let's take the following example based on a real experience. Pursuant to A.R.S. 32-1152, Arizona contractors are required to maintain a surety ("license") bond. Contractor X decides to change bonding companies. On January 1, Contractor X purchases a new license bond from Bonding Company B. Bonding Company B issues Contractor X a bond effective February 1. Neither Contractor X nor Bonding Company B takes further action. The same day, Contractor X cancels his current license bond with Bonding Company A. Bonding Company A informs Contractor X that his current bond remains valid through January 31. Contractor X leaves Bonding Company A's office. Later that week, Bonding Company A appropriately notifies the Registrar's office that as of January 31, Contractor X is no longer a customer.

Several weeks later, Contractor X loses a job to a competitor. After investigation, Contractor X finds out that the Registrar's website shows his contractor's license as suspended for lack of bond. He calls the Registrar and demands a correction. Registrar staff informs Contractor X that no proof of a current license bond is on file. Bonding Company B immediately provides proof to the Registrar and his suspension is lifted. Three days later, Contractor X angrily calls me (the Registrar). He argues that our website should not show (permanently) a suspension period for lack of bond. I explain the law. Then, I explain the Registrar's rules which have been adopted pursuant to the law. Specifically, Registrar's Rule R4-9-112(E) provides that, a "license bond is not effective until the licensee files it at a Registrar of Contractors office."

While Contractor X's business decision seemed simple enough, it will have serious financial consequences. This permanent mark on his license will forever be seen by customers, competitors, creditors, and suppliers. From Fortune 500 companies to sole proprietorships, I remain amazed at how lightly most contractors take the Registrar's authority. From license applications to defending complaints, navigating through the Arizona Registrar of Contractors processes should not be taken lightly. Even the simplest mistake could significantly affect your bottom line.

Fidelis V. Garcia is Arizona's former Registrar of Contractors. As a member of Governor Janet Napolitano's Cabinet, he served on her Growth Cabinet and Construction Commodities Commission. He was also a judicial officer for the cities of Phoenix and Guadalupe.

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Indemnity and Contribution Tolling Provisions in Colorado's Construction Defect Act Do Not Apply to Six-Year Statute of Repose

by Scott C. Sandberg

The Colorado Court of Appeals recently held that tolling provisions in Colorado's Construction Defect Action Reform Act ("CDARA") do not toll the six-year statute of repose applicable to certain construction professionals.

Colorado law requires that lawsuits against architects, contractors, engineers, inspectors, and other construction professionals be brought within two years of when the claim arises (the statute of limitations) and within six years of substantial completion of construction, regardless of when the claim arises (the statute of repose). The CDARA provides that claims for contribution or indemnity do not "arise" until a settlement or judgment is reached, effectively tolling the limitations period until that time.

On September 18, 2008, the Colorado Court of Appeals issued its opinion in *Thermo Development v. Central Masonry Corp.*, holding that, while CDARA tolls the two-year limitations period for contribution and indemnity claims, CDARA does not toll the six-year statute of repose. In *Thermo*, a condominium developer was sued for defects by an owner's association. The developer settled with the owner's association and filed suit against the construction professionals performing the services leading to the defects, seeking indemnification and contribution. The construction professionals argued that, because the developer filed his suit more than six years after substantial completion of the project, the developer's claim was barred by the statute of repose. The developer argued that the statute of repose was tolled until the developer settled with the owner's association. The Court of Appeals sided with the construction professionals, ruling CDARA's tolling provision does not apply to the statute of repose.

Under the *Thermo* ruling, any party seeking contribution or indemnity from other project participants must file suit within six years of substantial completion of the project, *regardless of whether a settlement or judgment has occurred.* The stated purpose of CDARA's tolling provision was to avoid "shotgun-style" litigation, where a contractor names all of the subcontractors, regardless of liability, to avoid the possible expiration of the statute of limitations or the statute of repose. In keeping with this purpose, defendants in construction defect lawsuits often wait until a judgment or settlement to assert indemnity or contribution claims against other project participants. In light of the *Thermo* ruling, defendants should be cognizant of the six-year statute of repose deadline and file indemnity and contribution claims before that deadline expires.

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Federal Immigration Update

by Rebecca Winterscheidt and Manuel Cairo


Some Foreign Students Can Extend Their Optional Practical Training Period

Following graduation, many foreign students in F-1 status use their Optional Practical Training (OPT) to obtain employment with U.S. companies. Typically the maximum length for OPT is 12 months. The foreign student is then expected to either leave the country or obtain another work visa. The Department of Homeland Security (DHS) recently issued a federal regulation that allows certain F-1 visa holders to extend their OPT by 17 months.

If you are currently employing foreign nationals in F-1 status who are working for you as part of their OPT period (typically just 12 months), these workers may be able to extend their stay by 17 months if: 1) they have completed a degree in science, technology, engineering, or mathematics; and 2) your company has enrolled in the U.S. government program known as E-Verify. Many Arizona employers have already enrolled in E-Verify due to the new state immigration law. Contact your immigration attorney for the qualifying list of degrees and more specifics on this new rule if you have questions.

New Proposed Social Security No-Match Rule

In August 2007, the Department of Homeland Security (DHS) issued a final "no-match" rule outlining steps an employer should take if it received a no-match notification from the Social Security Administration. Following the steps in the final rule promised a "safe harbor" from a finding of intentionally hiring an undocumented worker based on receipt of the no-match notification. However, due to legal challenges to the rule, the Social Security Administration suspended sending out no-match letters until the matter was resolved.

DHS agreed to address the challenges to the original rule and just recently issued a new proposed rule. Although the expectation was that DHS would significantly revise the earlier rule, in fact, the new proposed rule is essentially the same as the one that was challenged last year. The comment period for the supplemental proposed rule ended April 25, with over 250 comments submitted from immigrant, labor, and business groups. One of the major criticisms is the alleged flaws in the Social Security database which can result in U.S. citizens being the unintended victims of the "no-match" rule.

DHS has not set any timetable for issuing a final no-match rule. In the meantime, employers who sign up for E-Verify can take some comfort in knowing that the new employees who clear the E-Verify system at least have Social Security numbers that match their names. In Arizona, the state law also provides some level of protection against a claim of "knowingly hiring" undocumented workers if the company participates in E-Verify.

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Collections Methods to Protect Your Company During the Economic Crisis

By Josh Grabel[1]

All you need to do today is turn on the television or open a newspaper to learn something that those in the construction industry have known for a while, the economy is in a serious crisis. Today, you are faced with the reality of current market conditions: slow pay or no pay clients, decreasing property values affecting the value of your lien rights, fewer investors for developers, less money for construction improvements, and serious difficulties in obtaining credit.

A critical issue is the need to be paid for your work. This article is designed to provide some guidance on how to best position your company to maximize collectability and succeed in this (or any) economy. While there is no magic bullet, there are a number of common sense ways to possibly avoid some of the more frequently repeated collections issues we see. With a bit more diligence, design professionals, general contractors, subcontractors, and suppliers can all be more successful in increasing the likelihood that they will be paid. This article also highlights some of the differences in laws amongst various states (Arizona, California, Colorado, Nevada, and Utah) regarding specific collection issues—liens, bonds, and stop notices—that can impact a party's ability to obtain payment. In this economy, you need to be diligent in protecting your payment rights to succeed.

An Ounce of Prevention is Worth a Pound of Cure. An important initial issue is the relationship you have with your client or potential client. Parties need to evaluate two things: (1) is the other party the type of entity you want to work with; and (2) what are the specific terms of the agreement. This is because who you contract with is just as important as what your contract says.

Before entering into any contract, conduct appropriate research into the parties you are agreeing to work with to ensure they are financially sound and capable of actually completing performance. Check references, get current financial information, search the internet, and ask questions about work they have done recently. Request confirmation of the current financial status of the project, including information and documents regarding the financing of the project, and be prepared to provide the same downstream. If necessary, request deposits, bonds, or personal guaranties,[2] particularly when you do not have substantial experience with the other party or the project.

If the party you are contracting with is hesitant, unwilling, or unable to provide this information upon request, particularly in this economy, think about whether you really want to enter into the contract. In our office, we often refer to the Frank Snell Rule[3]— the only thing worse than no client is a non-paying client—when considering new clients. This applies in any situation, but especially in this economy. The reason is simple—you are better off with fewer paying clients and using your resources

1 The author would like thank the following attorneys at Snell & Wilmer L.L.P. who contributed to the preparation of this article: Scott Sandberg and Kati Rothgery (Denver), Laura Browning (Las Vegas), Jeff Singletary and Stuart Einbinder (Orange County), and Wade Budge (Salt Lake City).

2 In Arizona, if a person is married, any personal guarantee **must be signed by both spouses** to be effective against their community property. Thus, if you are getting a personal guarantee from an Arizona resident, find out if the person giving it is married, and get both spouses to sign.

3 Frank Snell was one of the founding partners of Snell & Wilmer L.L.P.

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to find other paying work than using your resources on a non-paying client.

Second, make sure that when you enter into an agreement you know what the terms are and that the terms are fair to you. Although it defies common sense, too often a party either does not read, or is unaware of, particular provisions that substantially and negatively impact their rights, such as mandatory arbitration procedures, indemnity obligations, the right to terminate the contract, or the right to seek additional compensation. You must decide if there are provisions that are deal breakers, or alternatively, you must understand what they mean and the associated risk (particularly when the other side does), and price the risk accordingly.

When entering a new agreement, particularly with someone you do not know well, you should consider engaging an attorney to review the terms and make suggested changes to ensure it is fair and reasonable. The $1,000 to $3,000 spent on the front end can save you tens of thousands, if not hundreds of thousands, in litigation costs later. With that said, we recognize that parties are occasionally unwilling to negotiate terms. If that is the case, then having your attorney review it provides two possible advantages: (1) you can identify what provisions are particularly concerning and/or onerous and make sure you set up procedures to comply with them; and (2) you can decide if you really want to enter a contract with someone who is not willing to renegotiate extremely unfair provisions. Either way, you are better off in the long run.

It is also important that you and all supervisory personnel on a particular job read the entire agreement (and any referenced documents) and that you all know and understand the material terms. If the agreement has prerequisites before pursuing mediation, arbitration, or litigation, unfairly shifts liability for someone else's negligence to you, or has an onerous liquidated damages clause, you need to know about it. If there is a requirement that all Change Order Requests be submitted in writing within 24 hours, you need to know and do your best to comply, even if the other party ignores the provision during the project (because it is likely that the opposing party's attorney will invoke this clause if a dispute arises).

Be Diligent in Performing your "Collections" Work. In better economic times, construction-related companies may be somewhat more flexible regarding the timing of its collections because there was enough money or equity in the project to ensure they would be paid. Today, that is simply not the case, as numerous projects are not only failing, but failing with insufficient equity in the property to pay those who are owed money. In other words, if your lien rights are inferior to the bank's rights under its loan documents, and there is not enough equity in the property to even pay off the bank, your lien has no value in the event of the developer's default under the bank loan.

As a result, owners, design professionals, contractors, subcontractors, and suppliers should be diligent in their collection efforts. Owners should press those working for them to keep costs in line and to demand timely and appropriate information related to how any changes to either the work or schedule will impact the bottom line and budget. Design professionals, contractors, subcontractors, and suppliers should provide (and require) timely change orders, and/or other project documentation, and take all necessary steps to ensure confirmation to perform additional work before they expend substantial resources. All parties should monitor to ensure that those providing work, materials, and/or services are being paid on a timely basis.

In addition, all parties should pay attention to payment schedules and change orders when they anticipate the project is going to be problematic, and if possible, promptly resolve those issues. Parties can

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no longer just sit idly by and hope that issues work themselves out at the end of the project. Moreover, when you see a problem, contact your attorney promptly so you can obtain advice regarding how to proceed and, hopefully, maximize your recovery by taking prompt steps.

Secure Your Lien/Bond/Stop Notice Rights. All parties who have lien/bond/stop notice rights should take adequate and timely steps to enforce those rights. Liens, bonds, and stop notices are alternative and additional methods of securing payment that can greatly benefit any company that uses them wisely. While they are not, in the current market, 100% effective, your chances for quick recovery are substantially greater if you have properly invoked them.

A lien is a statutory right that essentially attaches to the project property for the benefit of anyone that provides services, labor, or materials (depending upon the particular statutory requirements in a particular state). If a party has lien rights, then they have the right to foreclose their lien in the property, subject to other interests on the property that may have priority. They can force a judicial sale and either be paid from the proceeds or, if there are none, become the property owner and then sell the property.

Surety bonds are agreements by bonding companies to pay unpaid claimants (payment bonds). Certain specific types of payment bonds can be provided in lieu of lien rights (e.g., payment bond in lieu of lien rights or lien discharge bond). Until recently, given the nature of most surety companies, these bonds are usually fairly dependable methods of payment, as there is usually money to collect upon if the surety is solvent. That said, surety companies are also very aggressive in defending their rights, and as a result, it is important that someone bringing a claim comply with the bond requirements. Moreover, even sureties may have financial problems in today's economy.

Stop Notices are, essentially, liens on construction funds, meaning a properly prepared and served stop notice can attach directly to funds that are designated for construction on that project. The stop notice remedy is fairly effective, but generally underutilized. A good construction attorney can help you take advantage of this substantial remedy. If used effectively, all three of these tools can greatly enhance your opportunity to collect for work performed.

Below is a quick reference chart related to these remedies for certain jurisdictions in the southwest United States. This chart is only a generalized reference guide. In each state, each of these topics is an article/seminar itself. This chart is not a substitute for necessary legal advice from an attorney.

That said, there are some consistent general issues in each jurisdiction. You should familiarize yourself with the requirements to record a lien or make a bond claim or serve a stop notice at the outset of a project, and make sure you comply with those requirements. You should also be aware of the deadlines for preparing, recording and/or foreclosing on a lien, stop notice, or bond. Liens/Stop Notices/Bonds are created by statute, and failure to comply with the statute may wipe out this remedy. (*See* attached chart.) In most cases, a lien is either valid, or it is not, and it is either timely, or it is not. Therefore, early involvement of legal counsel regarding these remedies is prudent. While you can develop your own system to prepare and perfect liens/stop notices/bond claims, it is our experience that many of our more difficult lien-related cases involve instances in which a contractor/design professional/subcontractor/supplier prepared a lien itself (usually through its credit department). To be cost effective, you may consider using a lien service to prepare these documents, and have your counsel review the more significant ones well before the time to record the liens is exhausted.

Chart Providing Broad Overview of Lien/Bond/Stop Notice Rights

SUBJECT	ARIZONA	CALIFORNIA	COLORADO	NEVADA	UTAH
Liens Allowed	Yes – Anyone who provides Professional Services, Labor or Materials to Improve Property. A.R.S. § 33-981	Yes – Prime contractors, subcontractors, materialmen, mechanic's, lessors of equipment, artisans, architects, licensed land surveyors, machinists, builders, teamsters, draymen, laborers, express trust funds, and claimants making site improvements. Cal. Civ. Code §§ 3110, 3111, 3112	Yes – Anyone who has supplied equipment, materials, labor, tools, etc. to improve property. C.R.S. § 38-22-101	Yes – Anyone who provides work, material, or equipment with value of $500 or more to improve property. NRS 108.2214	Yes – Anyone providing services, material, or equipment to improve property. U.C.A. § 38-1-3.
Pre-Lien Requirement	Yes – Within 20 Days of *Starting* Work on Project. Can serve late (but then only lien for last 20 days). Must state amount of work on project, within 120%. A.R.S. § 33-992.01	Yes – All subcontractors and suppliers must file a Preliminary 20-day notice. Cal. Civ. Code §§ 3097 and 3098.	Yes – Notice of Intent must be served at least 10 days before filing a lien statement. C.R.S. § 38-22-109(3).	Yes – Anytime after first delivery of material or performance of work, notice only goes back 31 days of date of notice. NRS 108.245	Yes – a "Preliminary Notice" must be filed with the State Construction Registry (SCR) by all subcontractors and suppliers and the timing of the filing relates to the filing of a Notice of Commencement with the SCR. U.C.A. § 38-1-32.
Licensing Requirement	Design Professional must be registered, Contractor must be ROC licensed to have lien rights. N/A to material supplier.	Yes – Failure to be duly and properly licensed at all times during performance of the act or contract is a bar to compensation and gives the owner a claim for reimbursement. Cal. Bus. & Prof. Code § 7031	None. C.R.S. § 38-22-101	Contractor or professional must be licensed to perform work to have lien rights. NRS 108.222(2)	If the work for which a lien is recorded requires licensure, a license is required to foreclose a lien. U.C.A. § 58-55-604.

Only a reference guide. It should only be used in conjunction with appropriate legal advice from an attorney.

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Chart Providing Broad Overview of Lien/Bond/Stop Notice Rights

SUBJECT	ARIZONA	CALIFORNIA	COLORADO	NEVADA	UTAH
Necessary to Perfect and Record	Must meet all statutory requirements listed in A.R.S. § 33-993(B).	Must meet statutory requirements listed in Cal. Civ. Code §§ 3115 and 3116	Must meet statutory requirements set out in C.R.S. § 38-22-109.	Must meet statutory requirements listed in NRS 108.226 and NRS 108.227.	Must meet statutory requirements, including the recording of a timely lis pendens.
Time to Record Lien	Must record with appropriate County Recorder within 120 days of Project Completion. Completion is 30 days from Certificate of Occupancy or 60 days from cessation of work. A.R.S. § 33-993(C).	Must record with appropriate county within 60 or 90 days of completion depending on whether a Notice of Completion has been recorded. Cal. Civ. Code §§ 3115 and 3116.	Must record with the County Recorder within 120 days of project completion. C.R.S. § 38-22-109(5).	Must record with appropriate County Recorder within timeframes in NRS 108.226(1).	Must record the lien with the appropriate county recorder within 180 days if no "Notice of Completion" has been filed with the SCR and within 90 days if one has been filed with the SCR. U.C.A. § 38-1-7.
Time to Foreclose	An attorney must foreclose "within six months" of recording lien. A.R.S. § 33-998.	Must hire an attorney to foreclose within 90 days of recording lien. Cal. Civ. Code § 3144.	Within 6 months from the last day work was done by anyone. C.R.S. § 38-22-110.	Must foreclose "within six months" of recording lien. NRS 108.239 and NRS 108.2275	A foreclosure lawsuit must be instituted and a lis pendens recorded with the County Recorder within 180 days of recording a Notice of Lien Claim. U.C.A. § 38-1-11.
Lis Pendens Requirement	Yes – Within 5 days of filing foreclosure complaint. A.R.S. § 12-1191.	Not required, but always good practice. Cal. Civ. Code § 3146.	Must be recorded within the 6 month foreclosure time frame C.R.S. § 38-22-110	Yes – "at the time of filing the complaint and issuing the summons". NRS 108.239(2)	*See* above.
Private Payment Bonds in Lieu of Lien Rights	A.R.S. § 33-1003—Bond in Lieu of Lien. Must be recorded, contain legal description of land, and must comply with A.R.S. § 34-221 *et. seq.* requirements for Little Miller Act. Prevents liens from being recorded. A.R.S. § 33-1004—	Allowed under California law and required for certain large projects exceeding $5 million. Cal. Civ. Code §§3235-3237 and 3110.5	Allowed under Colorado law. Must be taken out at the beginning of construction project in amount of 150% of contract price. C.R.S. § 38-22-129(1).	Allowed under Nevada law. Must record, be in "an amount equal to 1.5 times the amount of the prime contract," and serve on all lien claimants or prospective lien claimants. NRS 108.2413 and 108.2415	Payment bond required for all private projects exceeding $50,000 in work. U.C.A. § 14-2-1.

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Chart Providing Broad Overview of Lien/Bond/Stop Notice Rights

SUBJECT	ARIZONA	CALIFORNIA	COLORADO	NEVADA	UTAH
	Discharge bond on lien. Must be 1 ½ times the amount of lien claimed, solely for protection of lien claimant, must be recorded and list legal description and docket number of lien being discharged				
Public Payment Bonds	"**Little Miller Act"**— Must have provided 20-Day Preliminary Notice and 90-day notice; file complaint within one-year. A.R.S. § 34-221 *et seq.*	**Yes** – Must either give preliminary 20-day notice or written notice of a claim on a public payment bond within 15 days after recordation of Notice of Completion or 75 days of completion of work. Must file suit within six months after expiration of the period to file stop notices. Cal. Civ. Code §§ 3279 and 3252	Actions on public payment bonds must be commenced within six months after completion of work. C.R.S. § 38-26-105. Suppliers may serve a verified statement of claim before final settlement and commence suit and file lis pendens on verified statement within 90 days of final settlement. C.R.S. § 38-26-107.	Only 3rd tier subcontractors and suppliers. Must have provided 30-day preliminary notice; serve bond claim within 90 days after last supplying material or labor, and file suit no later than 1 year after last supply.	Payment bond required for all public projects. U.C.A. § 14-1-19.
Stop Notices	**Yes** – Must have provided 20-Day Preliminary Notice. Notice must meet statutory requirements. A.R.S. §§ 33-1051 to -1067.	**Yes** – Subcontractors, materialmen, mechanic's, lessors of equipment, artisans, architects, licensed land surveyors, machinists, builders, teamsters, draymen, laborers, express trust funds, and claimants making site improvements. Cal. Civ. Code §§ 3110, 3111, 3112	**Yes** – (Referred to as notices to the disperser). May be made after the completion of a particular piece of work which incurs a liability on part of contractor. C.R.S. § 38-22-126(4)	**Yes** – For both prime contractors and subcontractors. Must comply with statutory notice and timing requirements in NRS 624.606 through 624.630 et seq. Does not apply to prime contracts on residential or public bodies.	N/A

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Chart Providing Broad Overview of Lien/Bond/Stop Notice Rights

SUBJECT	ARIZONA	CALIFORNIA	COLORADO	NEVADA	UTAH
Stop Notice Effective on Construction Lender	**Yes** – Must serve 20-Day on Construction Lender and must be bonded stop notice to obligate lender to withhold funds to pay. A.R.S. § 33-1056.	**Yes** – Construction lender must withhold funds if the stop notice is filed by the prime contractor or if a subcontractor or other claimant files a bonded stop notice. Cal. Civ. Code §§ 3159 and 3162	**Yes** – C.R.S. § 38-22-126(1) (providing that a disperser is "any lender" who disperses funds from time to time for work "upon a structure or other improvement progresses…")	N/A	N/A
Time to File Complaint	Cannot file until 10 days after Stop Notice served, must file within 3 months of deadline to record a lien. A.R.S. §§ 33-1056; -1063	Must file within 10-days after serving the stop notice and within 90 days after expiration to record mechanic's lien or serve stop notice. Cal. Civ. Code §§ 3172 and 3210.	No timing requirements. C.R.S. § 38-22-126(4)	N/A	N/A
Impact of Stop Notice	Owners—Must hold construction funds for Stop Notice holder. A.R.S. 33-1057. Banks—If Bonded, Stop Notices, must hold construction funds for Stop Notice holder. A.R.S. 33-1058.	Construction lender must withhold funds if the stop notice is filed by the prime contractor or if a subcontractor or other claimant files a bonded stop notice. Cal. Civ. Code §§ 3159 and 3162	Disperser must hold sufficient monies to pay the subcontractor, materialman, or laborer and pay him directly or hold the funds pending a judicial determination. C.R.S. § 38-22-126(4)	Owner can be held liable for cost of all work, labor, materials, etc. performed by prime and sub, balance of profit that prime or sub would have received, interest, and reasonable fees and costs. NRS 624.610 and 624.626.	N/A

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Contacts

Denver

Jim Kilroy
303.634.2005 | jkilroy@swlaw.com

Scott Sandberg
303.634.2010 | ssandberg@swlaw.com

Las Vegas

Cynthia LeVasseur
702.784.5234 | clevasseur@swlaw.com

Leon F. Mead II
702.784.5239 | lmead@swlaw.com

Orange County

Stuart Einbinder
714.427.7530 | seinbinder@swlaw.com

Steve Graham
714.427.7002 | sgraham@swlaw.com

Sean Sherlock
714.427.7036 | ssherlock@swlaw.com

Phoenix

Jim Sienicki
602.382.6351 | jsienicki@swlaw.com

Ron Messerly
602.382.6251 | rmesserly@swlaw.com

Jason Ebe
602.382.6240 | jebe@swlaw.com

Salt Lake City

Mark Morris
801.257.1904 | mmorris@swlaw.com

Cary Jones
801.257.1811 | cjones@swlaw.com

Tucson

Bill Poorten
520.882.1226 | bpoorten@swlaw.com

Mark Konrad
520.882.1220 | mkonrad@swlaw.com

Jeffrey Willis
520.882.1231 | jwillis@swlaw.com

Snell & Wilmer L.L.P. LAW OFFICES

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