MINUTES OF THE JOINT MEETING
OF THE
ASSEMBLY COMMITTEE ON JUDICIARY
AND THE
SENATE COMMITTEE ON JUDICIARY

Seventy-Eighth Session
February 11, 2015

The joint meeting of the Assembly Committee on Judiciary and the Senate Committee on Judiciary was called to order by Chairman Ira Hansen at 8 a.m. on Wednesday, February 11, 2015, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda (Exhibit A), the Attendance Roster (Exhibit B), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website: www.leg.state.nv.us/App/NELIS/REL/78th2015. In addition, copies of the audio or video of the meeting may be purchased, for personal use only, through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Assemblyman Ira Hansen, Chairman
Assemblyman Erven T. Nelson, Vice Chairman
Assemblyman Elliot T. Anderson
Assemblyman Nelson Araujo
Assemblywoman Olivia Diaz
Assemblywoman Michele Fiore
Assemblyman David M. Gardner
Assemblyman Brent A. Jones
Assemblyman James Ohrenschall
Assemblyman P.K. O'Neill
Assemblywoman Victoria Seaman
Assemblyman Tyrone Thompson
Assemblyman Jim Wheeler

SENATE COMMITTEE MEMBERS PRESENT:

Senator Greg Brower, Chair
Senator Becky Harris, Vice Chair

Senator Aaron D. Ford
Senator Scott Hammond
Senator Ruben J. Kihuen
Senator Michael Roberson

COMMITTEE MEMBERS ABSENT:

Senator Tick Segerblom (excused)

GUEST LEGISLATORS PRESENT:

Assemblyman Paul Anderson, Assembly District No. 13
Senator Patricia Farley, Senatorial District No. 8
Assemblywoman Victoria Dooling, Assembly District No. 41

STAFF MEMBERS PRESENT:

Diane Thornton, Assembly Committee Policy Analyst
Brad Wilkinson, Assembly Committee Counsel
Patrick Guinan, Senate Committee Research Analyst
Nick Anthony, Senate Committee Counsel
Nancy Davis, Assembly Committee Secretary
Lynn Hendricks, Senate Committee Secretary
Jaime Tierney, Assembly Committee Assistant

OTHERS PRESENT:

Joshua J. Hicks, representing Nevada Homebuilders Association
Craig A. Marquiz, Marquiz Law Office
Paul J. Georgeson, representing the Nevada Chapter of the Association of General Contractors
Dave Jennings, Division Counsel, D.R. Horton
Jesse Haw, President, Hawco Properties
Darren Wilson, representing Nevada Subcontractors Association
Allison Copening, Private Citizen, Las Vegas, Nevada
Paul J. Moradkhan, Vice President, Government Affairs, Las Vegas Metro Chamber of Commerce
Terry Riedy, representing Nevada Justice Association

Chairman Hansen:
[Roll was taken. Committee rules and protocol were reviewed.] I will start with a disclaimer: I am a licensed Nevada contractor, and I received my license 29 years ago this month. This bill will have no more or no less impact on me than any other licensed contractor. Today I will allow one hour for the proponents of this bill to present their information and one hour for the opposition. I will then allow both sides to briefly have a rebuttal. I will now open the hearing on Assembly Bill 125.

Assembly Bill 125: Revises provisions relating to constructional defects. (BDR 3-588)

Assemblyman Paul Anderson, Assembly District No. 13:
Mr. Chairman, Assembly and Senate Committee members, thank you. I appreciate the opportunity to introduce Assembly Bill 125. I will simply introduce the bill and turn it over to Senator Farley. Assembly Bill 125 is a bill that will bring long-needed reforms to Nevada's construction defect laws found in Chapter 40 of the *Nevada Revised Statutes* (NRS). [Continued to read from prepared testimony (Exhibit C).]

Senator Patricia Farley, Senatorial District No. 8:
I have over 17 years of residential and commercial construction experience in the state of Nevada. I have spent several years working in homebuilding, commercial subcontracting, and now I own a midsized subcontracting firm, serving homebuilders, homeowners, and commercial general contractors. I employ between 40 to 80 employees. I am licensed in the states of Nevada and California, and I am a certified woman-owned business. [Continued to read from prepared testimony (Exhibit D).]

Assemblywoman Victoria Dooling, Assembly District No. 41:
Thank you for allowing me to share my personal story regarding construction defects. Twenty years ago my husband and I bought a home in Boulder City. The builder was Falcon Development and the development was named Key Largo. [Continued to read from prepared testimony (Exhibit E).]

Chairman Hansen:
Are there any questions? Seeing none, we will hear from more proponents.

Joshua J. Hicks, representing Nevada Homebuilders Association:
I will be walking through A.B. 125. The Nevada Homebuilders Association has 23,000 employees and members and 16,000 licensed contractors. This is a bill

we have been working on for quite some time in various iterations. We think this is a very reasonable bill. We have gone through this wondering if everything from NRS Chapter 40 should be repealed or it should be salvaged. As you have heard, there is a real problem out there in terms of the litigation incentives in this case. After doing a lot of thinking, we determined that we wanted to salvage the intent of NRS Chapter 40, which was originally intended to provide a notice and opportunity to repair to builders. That is what builders want to do. They want to get homes fixed. This is also what homeowners want. Everything in this bill is designed to accomplish those goals. Mr. Marquiz will now review the first half of the bill.

Craig A. Marquiz, Marquiz Law Office:
I am general counsel for the Nevada Subcontractors Association, approximately 35 subcontractors here in Nevada. Since 2007 I have had the pleasure of coming before the Legislature to discuss constructional defect issues as well as reform. Over those years the impetus behind some meaningful discussions with respect to reform has centered on several key topics, each of which has been addressed in this bill. The big problem that has divided the construction industry over the years has been the issue of indemnification. At the end of last session it was the first topic that the industry was tasked with from leadership. We were directed to meet and resolve the issue collectively amongst ourselves. That is exactly what we did as our first order of business.

For approximately 18 months, representatives from the builder and developer contingent, as well as the subcontractor contingent, met at least monthly to review all of the logistics. The language that resulted in the resolution among the construction industry was originally prefiled as Assembly Bill 1. That language has been incorporated in its totality in section 2 of A.B. 125. The particular language regarding indemnity addresses primarily the issue of who is responsible for ultimately paying for the particular defects that are at issue. This section is interrelated with several other key sections of the bill that I will be addressing. Since these concepts are very difficult to grasp, I would like to give you a 40,000-foot view of what the indemnification provisions provide, which is the first half of section 2, and then address the issue of owner-controlled insurance programs, which is the second portion of section 2.

In every subcontract agreement that is entered into, the controlling party, the builder or developer, hires subcontractors to perform particular scopes of work. Within those contracts, there are indemnification provisions. Historically there have been different types of indemnification which have been used in the marketplace. You may be familiar with Type I, Type II, or Type III. Type I is

a requirement that a subcontractor holds a controlling party or higher-tiered party indemnified and held harmless for anything that happens on the project, even the controlling party's own fault or responsibility. Type II is a hybrid of that which essentially allows for apportionment of liability on the part of the controlling party, but only for active negligence, where they have actually had some culpability with respect to the issue at hand. Unfortunately, what transpired over the years is that there were many occasions where subcontractors, because of constructional defect issues, were no longer able to continue their operations. There were a lot of insurance policies that burned through limits, so there was a big hole created for being able to collect enough money to satisfy various allegations of defects that have been raised in suits.

As a result of that, one of the issues that surfaced was a reapportionment by the builder or developer to other subcontractors whose work was not implicated, yet they were asked to pay a larger piece of the pie in order to extricate themselves from lawsuits. The market developed into a Type III indemnity environment, which is essentially saying a subcontractor is only responsible to the extent their work causes a particular problem, and the defect at issue arises out of, relates to, or is connected to that subcontractor's scope of work. In other words, the subcontractor is only going to be held responsible for that which they truly do with cause on the project.

Section 2, subsection 1, paragraph (a) addresses the issue that in Nevada, going forward, Type I and Type II indemnity provisions are going to be declared void and unenforceable as against the public policy of the state. Section 2, subsection 1, paragraph (b) is going to enact the Type III indemnity as law, and is appropriate going forward to hold subcontractors responsible for their respective scopes of work. If there is a claim action or causes of action that arise out of a particular scope of work or an omission on the part of a subcontractor, that subcontractor is fully responsible for those issues. Paragraph (c) carves out a limitation. In a construction project there are times when there is an overlapping of trades; sometimes one trade is not finished with a scope of work, or some work gets covered, either by another trade or by the controlling party. That particular portion of work that has been altered or modified is not going to be the responsibility of the initial installing subcontractor who did the work. In other words, if I finished my work, and after I am done, someone else either modifies it or alters it, you cannot come to me, as the subcontractor, to say that I defectively installed it and I am responsible. Under a Type III indemnity, that would be a carve-out and that particular subcontractor would not be responsible. The party that did alter or modify it would be the one held responsible in that limited context.

Section 2, subsection 1, paragraph (d) essentially designates the triggering point for when a subcontractor is responsible for the indemnification and the hold harmless provisions. Under NRS 40.645, which I will address later, the process has been triggered where a claimant, a homeowner through counsel, typically sends the builder a letter to say there are defects in my home. Under NRS 40.646, the builder is required, within 30 days, to send a copy of that notice to each of the subcontractors whose work might be implicated. That notice presuming it is a compliant notice that gives the specificity that is required, from which it can be reasonably determined that the subcontractor's work is in fact implicated becomes the trigger for the subcontractor, under the indemnity provision, to defend and hold harmless the controlling party of the developer or builder. That is just the triggering point.

The additional provisions which follow in section 2, subsection 1, paragraph (e) are for if there is a commercial general liability policy of insurance in place and the subcontractor is doing work on construction projects that are either insured under two formats or two types of insurance programs, their own commercial general liability policies, or they participate in an owner-controlled insurance program, which is also called a wrap-up insurance policy. If there is a claim, the subcontractor will make a claim on his own particular insurance policy, which typically assigns defense counsel to represent the subcontractor. In the context of a wrap-up policy, in the event of a claim, there is a broker or responsible party that is responsible for all of the claims that are brought, whether against the builder or any of the subcontractors doing work on the project. This section provides that in the event there is a commercial general liability policy in place, the builder or developer will not initiate the process against the subcontractor. This particular provision confirms that the builder is going to wait to pursue subcontractors. The builder or developer is going to pursue the issue of insurance coverage but not let that be the stumbling block that gets in the way of getting timely repairs and inspections to address the homeowner's problems as quickly as possible.

The rest of these provisions address the issue of timing and circumstances for collection on any unsatisfied or unclaimed portion of attorney fees and costs that the builder incurs as a result of his own indemnity rights. As a result of the language in section 2, subsection 1, paragraph (e), subparagraph (3), the builders will not be precluded from participating in an NRS Chapter 40 proceeding or filing of a third-party complaint.

The wrap-up insurance provisions deal with the owner-controlled participation in an insurance program. That is where all of the contractors doing work on

a particular project pay a portion of the cost of the policy. That is called a contribution percentage. There are procedures in place where a builder has certain disclosure obligations to his subcontractors: how much coverage there is and how many projects the policy covers, and in the event that these are multi-year policies, each year when they do work agreements or add additional homes by separate agreements, how much coverage will be left. Those disclosures are set forth in detail in section 2. This section is important because it gives you an understanding of the other provisions and why these particular changes are so important. Because of that fighting that took place between the finger-pointing of who is responsible and for what, we have fixed that problem so we can get to the heart of the issue.

Now I will address section 6 of the bill, which is the definition of constructional defect. The definition of a defect under NRS 40.615 is very broadly defined. Essentially a defect is a defect. Unfortunately, in our industry that does not provide enough clarification, including betterments. Although the code is a certain minimum requirement, most subcontractors and builders are installing way above the code requirements. Under the current law those are considered defects for which NRS Chapter 40 claims could be brought, even though it is an improved installation methodology. The definition that has been set forth in section 6 of the bill is to provide clarity. It defines a defect as one which presents an unreasonable risk of injury to person or property, or it is one which is not completed in a good and workmanlike manner and proximately causes physical damage to the home. The requirement of physical damage to the home and done in a good and workmanlike manner is to ensure that there has to be some manifestation of property damage. There has to be something physically wrong in order for that particular component to be a defect. Rest assured, this is not eliminating any particular issues that may be a life, health, or safety issue for the homeowner. There is coverage in that with respect to the unreasonable risk of injury to person or property. For example, if it is a violation of a fire code or if it is a sewer issue or if it is a gas line issue, anything that would present a risk or concern to the homeowner or the safety and well-being of the occupants is covered under the statutory provisions as proposed in section 6.

Section 8 deals with the specificity in the NRS Chapter 40 notice procedures. Unfortunately, the district courts have upheld the very vagueness of the notice. You may have heard the expression "shotgun notices." Unfortunately, our industry has permitted notices to go to the builder of the particular claimed defect with very little specificity. Under NRS 40.645, the statute is very clear as to what is required; unfortunately, it had never been enforced. The statute requires specificity. The notice should define what is wrong, where it is wrong,

nature, and causes, to the extent that they are known. The shotgun notices about problems with concrete stucco, roofing, or framing, do not provide that specificity. As a result, the industry was required to go out with all the builders' and subcontractors' customer service employees for inspection. Instead of addressing problems, we are forced to go out and do inspections and do the needle-in-a-haystack approach, and re-inspect all their work without being told exactly what is wrong or where it is wrong so they could do a meaningful investigation. The changes that have been incorporated into this particular statute ensure that the specificity is a requirement, and it is to be provided. The exact location of defects will solve tremendous problems with making these claims, tendering them, and doing the investigation as necessary to get the legitimate problems of the homeowners fixed as quickly as possible.

The other provision is a requirement that the homeowner or a homeowners association (HOA) officer or executive board member sign a verification statement essentially validating the issues that are being claimed as a particular defect on a home-by-home basis. The importance of that is traditionally there has been allowed a representative sampling. There may be a particular scenario one hundred homes that are being represented in a particular matter, and only 10 or 20 might be inspected; maybe a couple of each plan type or model and they extrapolate to say the alleged defects they are claiming in these four or five homes are going to be prevalent in each of the other homes throughout this development. That is not going to be allowed anymore. Each home is going to have a specific list of defects so that each home can be inspected and the homeowner's issues addressed rather than done in a representative format.

The issue you may hear in opposition at some point this morning is a concern with the verification process and somehow it is not fair or appropriate. I want to alert the Committee that there are several statutory provisions in Nevada that require verified complaints or verified papers to be submitted in the case of making a claim: adverse possession under NRS 40.090, unlawful detainer actions under NRS 40.300, and wrongful lockout proceedings under NRS 118C.210. The net effect is there are multiple provisions that require verifications of statements, and it is not inappropriate to require a homeowner making a claim on their particular home to do so as well.

The last section I will address deals with inspections under section 11. The key is that when the inspections are done, the homeowner, who is knowledgeable; an expert who has written an expert report; or the expert's designee, should be at the home to walk the subcontractors and the builders through the inspection process to specifically point out the defect allegation and its location to ensure

that these needle-in-the-haystack inspections are not being done, instead of specific inspections to address the particular issues.

Josh Hicks:
I will walk you through the rest of the concepts. One of the other concepts in this bill has to do with the ability of an HOA to bring the NRS Chapter 40 cases. Very few people get involved with these on their own; they are typically solicited through their HOA. We have provided some examples of the solicitation letters for you to consider, not to mention that the enticement is there and at the root of the HOA scandal. We have provided some articles of that as well (Exhibit F). To address that problem, we added section 20, which states that an HOA does not have the standing to bring these kinds of cases for anything other than a common element. It is a very simple concept. There is a whole host of other lineouts throughout the bill in sections 9, 10, 12, 13, and 22. The deletion of NRS 40.6452 in this bill is the same thing. They are all processes for an HOA to bring this type of case, and we are proposing eliminating that. Nothing would stop homeowners from banding together and forming a class action suit, if that was appropriate, but we do not think that an HOA is an appropriate vehicle to do this. [Other exhibits submitted but not discussed include: (Exhibit G) (Exhibit H) (Exhibit I) (Exhibit J) (Exhibit K), and (Exhibit L).]

Senator Brower:
I suspect the rationale behind that last provision, which is precluding HOAs from bringing these cases, relates to the corruption scandal and the criminal investigation that the Department of Justice is pursuing in Clark County. Without getting in the details of it, is that part of the rationale?

Josh Hicks:
Yes, that is exactly the rationale. This system was taken advantage of by some unscrupulous people. The enticements were there under NRS Chapter 40 to steer these construction contracts and these types of cases. That was the heart of that case. We are trying to stop it from happening again.

Senator Brower:
I appreciate you adding that. As you point out, there were more than a few bad actors. I think there have been more than two dozen guilty pleas and two suicides; it is a real mess. I think that it was an isolated incident and that it is not likely to be repeated in light of the prosecution.

Josh Hicks:
Next are sections 3 and 15, which work in conjunction and deal with attorneys' fees. Many of you have heard about this, the uniqueness of these fees being listed as damages in these kinds of cases. That has resulted in what the courts have called an entitlement to these fees. That is where we have seen a lot of these cases being driven by fees instead of by resolution. That has been a real problem. Our proposal has been to restore the American Rule, which is the typical rule that exists in other civil cases where the parties bear their own fees and costs absent of some extraordinary outside issues. We put in language that costs should only be awardable for defects that are actually proven. We do not think the contractor should have to be paying for costs, destructive testing, et cetera, that do not end up resulting in any kind of costs that are proven at trial.

Section 3 of the bill has to do with offers of judgment. Those are typically settlement tools in litigation, but in any civil case you actually have to have a lawsuit. *Nevada Revised Statutes* Chapter 40 is a pre-litigation process, so you cannot make an offer of judgment until the litigation process begins. We want that in there because it gives the homeowner a tool to make settlement offers right from the start. If that is rejected by the homebuilder, he is at serious risk of having to pay all the fees and costs in the case. There is protection to deal with homebuilders who may have caused a real problem and are resistant to work with somebody.

The warranty section, section 14, is a requirement that if there are available home warranties on the home, that those are exhausted prior to going to litigation. The polling we have seen has shown that most people are not always aware that they have a warranty, they do not even think about the warranty, and they go right into litigation. We are trying to exhaust all options before going to litigation; that should be the end result. If there is a warranty, we would like to see the homeowner pursue it, without attorneys or incurring a lot of expenses. There is also a clause in there that will allow the homeowner the right to proceed to court if necessary.

Finally there is a tolling provision in section 16. When NRS Chapter 40 was initially enacted, it was supposed to be a relatively quick process—180 days from start to finish. If it could not be resolved under NRS Chapter 40, then the case would go to court. Time has told that many cases go on much longer than that. We put in a clause that once a year went by, the tolling of the statute of repose would stop. The idea is to encourage the prompt resolution of these cases, get them going, and not have them drag on for years in mediation.

Section 17 is the statute of repose. Currently there are differing periods of repose, which is how long you have to bring an action for defect. That varies from six to ten years. Our proposal is to put that to six to make it consistent with a breach of contract claim. I want to make sure the Committee is aware that we also have a section in here, section 22, that makes these effective on passage and approval.

Paul J. Georgeson, representing the Nevada Chapter of the Association of General Contractors:
Very briefly, NRS Chapter 40 was passed with good intentions, but it has not worked. It has been subject to problems, it has been subject to abuses, it has not helped homeowners, and it has not properly protected the builders. We have taken a step back and looked at how to fix it and get back to the original intentions. We believe A.B. 125 does that.

Dave Jennings, Division Counsel, D.R. Horton:
I have been with D.R. Horton for nine years, and my primary task has been to oversee construction defect litigation. I echo Mr. Georgeson's comments. I think the idea of NRS Chapter 40 is good. I think the idea that builders and subcontractors can fix mistakes is good, but it is clearly broken. I know that from my daily practice.

Assemblyman Elliot T. Anderson:
In looking at section 6, the definition of a constructional defect, this is striking out the code violation. If a house is not built to code, it seems that someone has to be responsible to bring it up to code, and it is probably the homeowner who has to do that. If not, this could hurt the value of his home, leading to an economic loss when sold. Is that fair for the homeowner to have to deal with this when he was not at fault?

Josh Hicks:
I want to make it clear that striking out language about violation of code does not mean that violations of code are not actionable. There is a clause in there about anything with unreasonable risk of injury to persons or property. If you have serious code violations, you have an actionable NRS Chapter 40 item. We are trying to get some of the cosmetic items out of this bill. There are other options homeowners have to deal with the smaller cosmetic items. There are options of contacting the builder and pursuing the existing warranties, and there are contractor board options to file complaints against contractors who do not perform appropriate work. We are trying to get to the things that belong in litigation, which should be much more serious. The existing law for the

violation of a code would actually make something that is done in excess of a code, even better than a code, an actual construction defect.

Assemblywoman Diaz:
My question relates to the statute of limitations. Is it correct that most homeowners have only one year to toll for a construction defect that might be in his home?

Craig Marquiz:
With respect to the tolling provision in NRS Chapter 40, typically what is happening is that although the provisions were for 180 days, these have gone on for years. The impact of this tolling provision is to provide that we will get through NRS Chapter 40 under the proposed language within a year or less. During that year or less that you are participating in the NRS Chapter 40 proceedings, all statutes are tolled. The point of NRS Chapter 40 was to be a pre-litigation process by which people could have legitimate issues addressed, would work through potential warranties and the right to repair, all within a year. If for some reason the matter cannot get amicably resolved, the homeowner has the same recourses he had previously, which is the right to proceed with a lawsuit. It is during the interval period of time that all statutes are tolled during the participation of the NRS Chapter 40 process.

Assemblywoman Diaz:
It seems to me that limiting it to a year is protecting the contractor. There may be genuine defects, and it may take more than a year for the homeowner to discover them. I do not want to make genuine lawsuits hamstrung due to the one-year limitation.

Paul Georgeson:
There is a difference between the statute of repose and the tolling. The statute of repose is six years from the date the house was built. The homeowner has the ability to bring a lawsuit at any time within six years after the house was built. The one-year tolling only applies to the NRS Chapter 40 process after it has been initiated.

Senator Ford:
I appreciate getting into the weeds on this. This is an important issue. The public has a right to understand the changes you are trying to make that will affect the homeowner's rights. I have been corresponding with Mr. Hicks for almost a year working with the League of Builders of America and local home builders trying to forge an effort to fix this problem. Mr. Marquiz'

presentation on section 2 is exactly how it should have been done, 18 months of working together and a compromised piece of work that I have no issue with. The rest of this bill is problematic. One of the issues that I am most concerned about is the verification components that you are talking about. You have highlighted examples already where that is required, but that is not the same thing. We, in our legal jobs, hire experts to discuss defects. You are trying to require, in this bill, a layperson who does not know anything about defects to testify, under penalty of perjury, that they have a defect.

I would also like you to address the issue of the statute of limitations. You want to lower it from ten to six because that is comparable to the breach of contracts. This is not a breach of contract claim. This is a 30-year mortgage, 75 percent of a person's wealth at the end of their work life. I think we have a problem when we lower it to six years.

Craig Marquiz:
With respect to your verification question, under subsection 8 under the NRS Chapter 40 notice, requiring a homeowner to verify the defects that have been alleged in his home is no different than a plaintiff making allegations in a complaint. Ultimately, it is the complainant who is making the allegations. He can rely on an expert to be the basis of that information, as his representation as to the understanding of what the defects are. He can rely upon that particular person's input, whether an expert or some other person. The issue of the verification is that homeowners cannot be required to disclose attorney-client privileged communications. That would not be proper. By requiring the homeowner to do the verification, it is putting the burden back on the person who is making the claim. It is no different than when a homeowner ultimately goes to sell his home. There is a seller's real property disclosure statement that is required to be completed to apprise the potential purchaser as to what, if any, defects are in the home, whether they have been repaired, and if not, they indicate that. That burden of detailing any defects is on the homeowner under Nevada law. It is no different than a verification statement. If he is aware of it, he should disclose it. That is the burden; it forces the homeowner to ensure that when going forward with this process, he is doing so knowingly and intentionally, not to be misled in the process along the way, to have a whole host of claims or allegations made that are not legitimate. This ensures that only legitimate claims go forward. Requiring a homeowner to sign a statement under penalty of perjury is no different than a potential Rule 11 sanction under Nevada Rules of Civil Procedure if they should file a complaint, or in the event of claim of fraud or misrepresentation should a subsequent homebuyer later say he was misled that there was a defect

in the home and you did not disclose it. You took money for it and did not repair it. I do not see that provision as an impetus or a problem. The whole purpose of this modification is to reenergize that communication process between the homeowner, the homebuilder, and the subcontractors to get to the legitimate problems, not to go on for multiple years as has transpired under NRS Chapter 40. Our focus is to make it a year or less process.

Regarding the statute of limitations, states throughout the United States have multiple periods of statutes of repose. They range from four to ten years. Our neighboring states have adopted statutes ranging from six to ten years, Colorado is six, California is ten, et cetera. The net effect is that when you look at the impetus behind this change of reducing it from a ten-year to six-year period, the reality is most constructional defects are going to be known to the homeowner within the first year or so. Most every builder has a one-year customer service walk-though program in place, where at the end of the year, the homebuilder, along with the homeowner, does a walk-through, room- by- room, to identify on a punch list all the particular issues that the homeowner claims is wrong. The homebuilder takes care of it with his subcontractor through the warranty program. With respect to those legitimate defects, whether cosmetic or not, they will be known within the first year or so of the home being owned. If you look at the history of the different lawsuits, most construction defect claims are being filed within a three- to five-year period after substantial completion of the home. By giving a six-year statute of limitations, you are actually giving the homeowner more than enough time to identify those particular problems should they arise, and giving him an opportunity to go through NRS Chapter 40 so that you have a six-year statute of limitations. If for some reason there is a claim that surfaces within the fifth year, somebody can trigger an NRS Chapter 40 notice, and all statutes of limitation are tolled for the year, so the net effect is they will have plenty of time to work through those issues and have them addressed. What is carved out from this particular statute is in the event of a particular product defect claim, and in the event of a product defect claim where there is a serious problem that arises, maybe a potential plumbing failure behind a wall, then there would be other ramifications that can be pursued against the product manufacturer.

Senator Brower:
For clarification, as I read the proposed language, we are not expecting a homeowner to verify the detailed nature of a defect such as an expert might and would do, we are simply requiring that a homeowner verify that he does

have a problem in his home which, as I understand it, has not always been the case in litigation. Is that correct?

Craig Marquiz:
You are correct.

Assemblyman Ohrenschall:
I think we all agree that whether this bill passes or is amended, we all want to see defects repaired as quickly as possible and as painlessly as possible. Have you reached out to the insurers for the subcontractors? Are there commitments that if this bill passes as is, that the premiums for the subcontractors will go down with more of a focus on trying to get the repair done as opposed to dragging it out in litigation? Have your conversations included the insurers, and do you have any commitments that the premiums will go down?

Josh Hicks:
One of the things we have seen is the rising costs of the insurance premiums. One of the real problems is that it has squeezed a lot of the small builders out of the market. I think it is about 340 percent less market share in Nevada than anywhere else in the country. That is a direct result of insurance premiums being very high. I can tell you from the few conversations I have had with some insurers, they have told me that they think this will make things much easier to insure, but I do not have anything specific to give you.

Craig Marquiz:
During the course of this process with the meeting of the builders' representatives, and the subcontractors' representatives, to address indemnity, one of the other pieces of the puzzle was insurance. We did have input from the insurance industry with respect to the modifications that were being proposed. One of the positive signs that came from the insurance industry was that because of the reforms that were going to be proposed and advocated, it would actually improve competition within the marketplace. We have had so many insurance carriers for subcontractors over the years leave the market that there has not been much competition and subcontractors have been required to pay astronomical deductibles and premiums, and it is not the best of coverage. By eliminating many of the nonissues and making this a little more clear and workable in order to make sure the homeowners' problems are addressed on a reduced timeframe, it is saving hundreds of millions, if not billions, of dollars in insurance payments that are being made, mostly because of the attorneys' fees, costs, and prejudgment interest that is accumulated in the lawsuits. This will now be reduced to a one-year period of time because there will now be

a greater emphasis on the builders and subcontractors being afforded their right to repair, and this will encourage the industry to come back in with more competition, better coverage, and better premiums for all parties involved.

Assemblyman Ohrenschall:
You are very optimistic and hopeful that this will lower premiums, but has there been any concrete representation or commitment from the industry that the passage of this will lower premiums for the subcontractors, or lead to repairs more quickly?

Craig Marquiz:
Most insurance companies cannot give you definitive answers because they do not rate through their underwriting programs. They cannot give you pricing for policies until they actually rate a subcontractor or builder and assess the risk for a particular policy. Their comments, however, have been forward-thinking and have given us the indication that it will improve and lead to more competition which will directly lead to better pricing in the market.

Assemblyman Araujo:
If a homeowner were to submit a claim and the defect was severe enough that he had to make alternative living arrangements while the defect was being rectified, who would cover those costs?

Josh Hicks:
That is covered as one of the damages under NRS Chapter 40. Your loss of use is covered there.

Chairman Hansen:
Thank you for your testimony. The next group of proponents will be limited to three minutes each.

Jesse Haw, President, Hawco Properties:
I have been working on this since my daughter was two; she is now in high school. This is a big day for us. Our family has been building in Nevada since the '50s; my grandfather in Henderson, my dad in Winnemucca, and me and my brother in Reno. During the peak, we had over 200 employees. We are down to 4. We saw our insurance premiums go from $37,000 a year to $750,000 per year, without a loss. It has gotten to the point where we have residential lots that we will not build on because of the problems with NRS Chapter 40. I am really excited about the language in A.B. 125, and I can tell you, if that language were to go into effect, if we got everything on there, and the

homeowner has a problem, he can still sue his builder. He can first try to get the problem fixed with the builder, and if that does not work, we have a contractors board who will go after the builder. Then there is a residential recovery fund. So the homeowner is still right where he is today; he can still sue his builder. Contractors want to fix something that is wrong; it will benefit their business. They will have repeat homeowners and repeat buyers. It is nonsensical to think that they do not want to fix the issues. I appreciate your time. We are at the pinnacle of changing something that is going to benefit homeowners, contractors, and employees, and it is going to put people back to work.

Darren Wilson, representing Nevada Subcontractors Association:
I have been coming to this building for the last nine sessions lobbying to work for good reforms, to bring fairness back to our homeowners and fairness back to our subcontracting and contracting industry. I have been an air conditioning contractor in Las Vegas for 28 years. I have seen the boom, and I have seen the bust. Daily, I constantly have new NRS Chapter 40s or litigation letters that I have to go through. I have three people in my office that do nothing but work on NRS Chapter 40. They are not a productive part of any subcontracting business; they work on NRS Chapter 40. The Nevada Subcontractors Association was formed for NRS Chapter 40. We have been united. The last 24 months we have worked with our building community and our partners in the building industry. We have worked together, and we have solved indemnification. I believe we have good reforms in A.B. 125, and I urge you to reach out and look to see if we can come to terms with this and pass it. I know contractors in Arizona, about the same size as my company, who pay between $30,000 and $70,000 per year for insurance; I pay between $300,000 and $700,000 per year. That is being passed on to the consumer. We really need to look at these reforms to bring insurance rates down and to get our state competitive and to create jobs. Our construction industry is important, it has always been important. It is one of the big providers in the state for tax revenues. I urge everyone to help move this forward.

Allison Copening, Private Citizen, Las Vegas, Nevada:
I am here as a constituent and citizen to share my personal experience with construction defect litigation. Between 2002 and 2006, I served as the Director of Public Affairs for Pulte Homes and Del Webb. A primary focus of my job was solving critical issues with our tens of thousands of homeowners. The company prided itself on exceptional customer service, and I worked personally with our homeowners on all major problems with a goal of resolution to the homeowner's satisfaction. [Continued to read from prepared testimony (Exhibit M).]

Chairman Hansen:
By the way, the work of Senator Copening, Senator Schneider, and Senator Care are all rolled up in this bill, and section 2 is the work of Assemblywoman Kirkpatrick.

Paul J. Moradkhan, Vice President, Government Affairs, Las Vegas Metro Chamber of Commerce:
As the state's largest business organization, we believe that it is apparent that there is a justified need to reform state law pertaining to construction defects because of the adverse impact the current state law has on the housing market and to the construction industry which includes single- and multifamily housing. We believe the reform should be focused on the following areas: to restore clarity to the process, encourage prompt resolution of disputes, reduce litigation costs, and provide procedures and processes that are understandable to all interested parties. The current system is a concern for the Las Vegas Metro Chamber of Commerce, and we believe a reform is needed now. Current state laws are hindering the housing market and placing pressure on our state's economic recovery. We believe there needs to be a balanced and fair approach by providing homebuilders the opportunity to make repairs and address claims filed by homeowners. The current system does not encourage resolution between the homebuilder and the homeowner, rather it creates an environment of adversity between the interested parties. We believe that reforming this statute will help assist in the economic recovery of our state and assist the construction sector in their recovery, not just in southern Nevada but throughout our entire state. This bill is also about supporting economic development efforts and creating good paying jobs which will help Nevada's economy grow. We know that construction jobs are important to our economy; the last recession has taught us that. That is why we support A.B. 125.

Chairman Hansen:
I do not have time to take any more testimony of proponents. Any questions?

Senator Ford:
I have heard a lot of horror stories today about attorneys. In my law firm, we defend construction defect litigation. If the question is about frivolous litigation, how come the solution is not as simple as removing only the attorney fees provision and replacing it with the American Rules? The other options we are discussing are onerous and up to debate and in the short time we have had to discuss them, they will not be resolved. We will be discussing these issues again over the next few sessions. Why would simply removing the attorney

fees incentive and replacing it with the American Rules not be sufficient for purposes of handling these issues?

Jesse Haw:
I think that the attorney fees are part of it, but there is a lot more that has happened in the last 15 to 20 years, and specificity is a big part of it. We need to know what is wrong with the house. The ten years to six years, a realistic duration, we need to know how long we should be responsible for that. There are a lot of other points to consider. I do want to thank you, Senator Ford, as you have been great to work with this past year, as well as many other Democrats and Republicans. I really do not feel this is a partisan issue. The majority of my workers are Democrats, but our homebuyers are both parties.

Senator Ford:
I can concede the issue about specificity as well.

Assemblyman Elliot T. Anderson:
We have heard about how NRS Chapter 40 has been the cause of the housing market declining and the new home market declining, but would it not be more fair to say the majority and approximate cause of the housing market tanking was the real estate crisis, the foreclosure crisis, and the associated increase in inventory that tanked the housing market?

Paul Moradkhan:
My remarks were directed toward the recovery. If we are able to construct homes, the housing market would be improved by employing more workers.

Allison Copening:
I would also emphasize some of the points that I made about HOA boards of directors being able to lead people in. This community clearly did not want that, and they had no choice. I think first and foremost that builders and subcontractors just want the right to repair. Even if you take out the entitled attorney fees, it does not address the fact that we need to have some things in statute that make them the first stop. They have lost a lot as a result, reputation-wise, which was undeserving. Subcontractors have gone out of business because they are told by their insurance companies to just settle; you have been named in this, it does not have anything to do with you, we are just going to settle for whatever amount. Meanwhile that subcontractor, on his record, looks like he has settled a construction defect case.

Chairman Hansen:
Thank you. For those of you here to testify in favor of A.B. 125, you can submit your comments in writing. I will now hear the opponents to A.B. 125.

Terry Riedy, representing Nevada Justice Association:
I am also one of those lawyers who represents homeowners in the state of Nevada. I have had the pleasure for the last 20 to 25 years to represent tens of thousands of Nevada citizens who have had problems with shoddy construction in their homes. I bring to you a different perspective than what you have heard here today. I am here to testify against A.B. 125. I have been involved directly or indirectly with NRS Chapter 40 since 1995. *Nevada Revised Statutes* Chapter 40 was always a bipartisan bill meant to help homeowners and contractors alike get complaints taken care of without going to court. I think we have a consensus on that. Over the years, bipartisan adjustments have been made to the law, always through a process of dialogue and negotiations between all interested stakeholders, including Nevada homeowners.

This morning you heard from 12 witnesses including 4 lawyers who indicated they have been working on the passage of A.B. 125 for several months, yet they have never talked to any of the Nevada stakeholders in their development of this piece of legislation. That is unique and represents a change in the way that this body has done business over the last 25 years and perhaps even since statehood. There has always been an opportunity for all interested parties to become involved in the process and state their piece and be given a fair opportunity to present their positions. I also want to note that over the course of 20 to 25 years, since NRS Chapter 40 has been in place, we saw a massive building boom in Nevada. Contractors were able to build homes despite the fact that the existing NRS Chapter 40 was in place. They were able to employ thousands and tens of thousands of workers successfully throughout that period of time with the existing law we have in place. They profited immensely from the sale of their homes during the period of time that NRS Chapter 40 was in place. Over this period of time, again, tens of thousands of homeowners, due to the benefits provided to them under NRS Chapter 40 have been able to successfully resolve their claims with developers and builders. You have heard a lot of outlying situations, but 95 to almost 99 percent of these claims are resolved amicably, peacefully, civilly, and professionally when you have the right people at the helm who are talking to one another.

We got A.B. 125 last week. Yet here we are in a rather extraordinary joint hearing. The message that sends to Nevada homeowners respectfully is not one of cooperative or open government. It seems that the intent of the bill and

the manner in which it is presented is to make it harder, more expensive, and time consuming for homeowners to make claims while concomitantly stripping them of significant legal rights. With that background, I would like to give you an overview of what I believe ordinary homeowners would think about each of the provisions you have heard. I am not going to get into the weeds; I just want to hit the highlights and leave plenty of time for questions.

Section 2 is interesting with the discussion we had regarding contracts and indemnity rights between contractors and subcontractors. There was always a point in time where I thought the conservatives did not want to get involved in regulating private contracts between sophisticated commercial parties, but apparently this is an exception to the rule where the government feels it is necessary to get involved in those kinds of private transactions between sophisticated parties like contractors and subcontractors because they believe there is an apparent economic disadvantage in that relationship. Yet where in this law does it reflect in any way the economic disadvantage that homeowners face when trying to negotiate a home purchase agreement? For the most part, people sit in a room, they have everything they own in a U-Haul trailer outside, and they are presented at closing with a stack of legal documents that they cannot possibly read. They are not given a choice at all regarding signing that document, because if they do not sign the document, they have no place to live. In a sense, if we are going to get involved in a balanced bill that talks about regulating contracts between interested parties in this debate, I would like the people here today to consider the same sort of balance be provided to homeowners. Aside from that, I do not necessarily disagree with section 2, but it certainly reflects an interest of certain stakeholders without naturally reflecting the same interest for the same types of economic disadvantages faced by millions of Nevada homeowners.

Section 3 regarding offers of judgment is rather interesting. I do not necessarily oppose this particular provision in the bill, but my guess is that if you were to go to your friends and families, regular Nevada homeowners, and tell them they had this arrow in their quiver called an offer of judgment and if they made this claim upon their builder to fix their homes that they could make an offer of judgment. It took years of law school and almost 25 years of practice to even understand how that device worked. You are placing a scalpel in the hands of children who do not know how to use it. If you ask a normal homeowner what an offer of judgment is, their eyes are going to spin. They are not going to know what it is, and they are not going to know how to effectively use it, yet on the other hand, the people who can effectively use it offensively against them would be the contractors with their teams of lawyers who understand the

concept of an offer of judgment. If you are presenting this bill to a regular homeowner, and you say, now you have this device called an offer of judgment, what do you think his response is going to be? Will he really understand what it means to navigate the intricacies of Nevada Rule of Civil Procedure 68? I would also like to point out that this particular section of the bill appears to have been modeled after Nevada Rule 68, yet there appears to be at least one scrivener's error in subsection 4, paragraph (c) insofar as the taxable costs are prosecuted from the inception of the claim instead of from the timing of the offer.

We oppose section 14 of the bill because it requires homeowners to make futile claims on hollow warranty contracts which only serve to delay their constitutional right to timely access to the courts. For those of you who have read a typical homeowner warranty, what you will notice first is that it is more form than substance. They are typically providing some coverage for the first year of the home, far less for the second, and almost nothing for the period that is remaining. These are largely used as sales devices to sell homeowners on a warranty that they get, but the terms they get are largely illusory, and in my 20 years of practice, I can only count on my hands the number of times that these warranty claims have been honored in any way, shape, or form. Although I have heard it said that most of the problems in a home should arise within the first year, that does not meet with my experience. If you have six years or ten years, depending on where you stand, you have to expect there will be legitimate claims that arise not only in the first year, but in years number two, three, four, five, and six. These warranties provide little or no coverage whatsoever during that period of time. A homeowner cannot even begin to approach the builder until they have tried to process the warranty claim. That is going to take another three to six months because there is nothing in the statute that says that company has to timely respond. I have oftentimes made claims upon these warranty companies, and at their own discretion they decide whether they are going to investigate or respond. What kind of delay are we talking about on what we almost already know to be a formless, shapeless, illusory warranty policy? I am not sure. Plus no consideration has been given to subsequent owners of homes with respect to this section. If you are an original homeowner, you might get your homeowner's warranty paperwork from your builder, but what if you sold your home between years one and six? Most subsequent owners do not have that particular paperwork. At the very least, there needs to be a mechanism in place within this law that provides that the contractor needs to give the subsequent owner a copy of that warranty policy, otherwise he does not know who to send it to.

We oppose section 6 of the bill because it invites contractors to violate minimum building code requirements by striking that as a defined constructional defect. Assemblyman Elliott T. Anderson put his finger directly on it. He asked a pointed question and said, does this not mean that people have a reasonable expectation that their homes were built in compliance with the minimum floors that are established by our building codes? One of the things that sets our country and developed countries apart from others is that we actually have minimum building code standards. They provide a floor, a safety net, and reasonable expectations so that a homeowner can say whenever he purchases a home, he does not have to think twice about whether it meets the minimum requirements. That has been struck from this law. When asked what happened to it, what we heard was maybe there are some building code violations that can be ignored, and maybe some that cannot, if they are serious enough. I am telling you, if you just purchased a new automobile and you found that there was a large scratch on your brand new paint job, and you took it into the shop and asked them to fix that warranty item and you were told the car still runs so they are not going to fix it, I know how most Nevada citizens would feel about that. There are no insignificant building code violations. When a contractor pulls a permit, they make a promise to the building authorities and a promise to the people of the state of Nevada that they will build a home to that standard. This law stripped that provision out. They can say how it will be applied, but the way it is written, it is gone. They may say there is some back door for it, maybe, but why take that chance when that is the one thing that most homeowners do understand when they purchase a home—that there are building department inspections, there are building department regulations, and that they should be complied with.

We oppose sections 8 and 11 because it makes it harder for ordinary citizens to make a claim to a builder. It requires them to be experts in construction and threatens them with civil and criminal penalties if the contractor disagrees with them about what is wrong with their homes. Senator Ford hit this nail on the head. Laypeople, ordinary homeowners, should be able to get on the phone, contact their builder, and say, I am not exactly sure why the sewage is coming from my toilet, but can you come help me figure out what the problem is. If he thought that he had to verify under oath, in advance, that the nature of that problem was underground or in their pipes or somewhere else before he felt comfortable making a claim to the builder, you are not going to have more homes repaired; you are going to have more homeowners turning away from the process because they feel threatened by this punitive measure. There are things we could probably do to ameliorate that, perhaps taking out the more punitive aspects, but as it stands right now, this is going to chill Nevada

homeowners' desire to make claims to builders. You are basically putting the homeowner in a position to testify against himself and be subject to civil or harsh criminal penalties.

We oppose section 15 of the law regarding attorneys' fees because it discourages homeowners from seeking legal or expert assistance because they cannot afford it. I want to address Senator Copening's comments. She said maybe one of you should ask a trial lawyer a question about this. Let me tell you how it works. It is very simple math. If it costs $100 to fix a problem and you have to pay your lawyer $25, you are only going to have $75 to fix your roof. That is the math. As a result of the public policy that has been in place since 1995, we have been able to successfully represent hundreds of thousands of Nevadans such that they had equal access to justice and put them on parity with some rather well-heeled defendants: large national homebuilders with teams of lawyers. That is what you saw today—teams of lawyers. This is what I see every day: Me sitting alone at a table on behalf of Nevada citizens who are not familiar with the legal process, facing teams of well-paid lawyers. I guess it is a matter of public policy what you want to do with the attorneys' fee provision, but it has provided tremendous amounts of benefits. I would also like to comment that when this law was originally passed in 1995, there was a trade-off, a bipartisan agreement. Right now, one side of that agreement wants to re-trade that deal. Instead of allowing homeowners, as a matter of public policy, to seek legal assistance on what are complicated procedures for filing and making claims, you want to make it even more difficult and hard for them to understand. The homeowners gave up substantial legal rights to the contractors, including claims for noneconomic damages, punitive damages, and so forth. One of the questions I heard the panel ask was, what happens if this construction defect puts me out of my home? Will I be compensated for that? The answer is no. If the repair that has to be made will put you out of the house, yes, the law provides for that. But there is a long way between making the claim and getting someone to agree with it. There were trade-offs that were made and today we are seeing, in this bill, a re-trading of the deal, without any further benefits being provided to the homeowners.

We oppose sections 16 and 17, in regard to the statutes of limitations and repose because it takes four years of existing homeowners' rights away from them without due process while shortening the time for new homeowners to make claims. Let me make this immediately clear. Homeowners who purchased their homes between 2005 and 2009 are going to have a one-year grace period in which to make a claim. I believe it was Assemblywoman Diaz who commented about what the one year meant. There is a one-year grace

period that is being given to these people. The first thing that is being taken away is that when a person purchases a home, according to existing law, he believes he has upwards of 10 years for a warranty. You are taking 4 years away, or 40 percent, of what that warranty is, but you are giving him a grace period of one year. With what due process? You and I are familiar with what this law is about to do, but are the 10,000 to 40,000 people who fit within that time frame going to figure it out? Are the contractors going to tell the homeowner he had better get his act together in the next year, or he is going to lose three or four years of his warranty? Who is going to tell him that? Who is going to be the Pied Piper who goes out and tells that number of constituents that their legal rights have just been traded? Imagine if you purchased a ten-year warranty on your car and in the sixth year you learn that the Legislature had just taken four years away. That is what is going to happen for most of these people. They might discover a problem in the sixth, seventh, or eighth year, they might approach a lawyer, they may approach a friend, or they may approach you and say I would like to make a claim. You say sorry, we changed that. They say I did not know about that. You say well, I guess you should read every change in the law that is made by the Legislature. I have some due process problems with that, but they can be worked with.

These are not insurmountable problems, but I want to point out something that is even worse. What is worse is that homeowners are only being given six years to make claims even if the contractor engaged in fraud that the owner did not discover. It used to be that we separated normal workmanship issues or defects in construction from fraud, which is a separate species unto itself. There was a six-year statute for patent defects, eight years for latent defects, maybe ten years for what a builder knew, or should have known. But there never was a statute of limitations if you could demonstrate reckless disregard for the safety of Nevada homeowners or willful neglect of building codes in the construction of a home or just simple outright lies and fraud. They have now collapsed the fraud statute, which was unlimited, into a part of the six-year statute. That is going to be hard to explain to the Nevada homeowners.

We oppose section 5 of the law because it seeks to eliminate the ability of homeowners with common problems to work together—a classic divide-and-conquer strategy. Why should homeowners with common problems not be able to join forces? They need to do that. These are people of modest means and that is saying a lot. If they have common problems in their homes, whether it is a townhome, a condominium community, or a single family development, if they are all suffering from the same problems, why not join forces? I have to tell you, we have all seen the magic trick where you put your

hands in a dark bag and you start pulling out jelly beans. If there are one hundred jelly beans in that bag, and the first ten you pull out at random are all red, there are pretty good odds that the remaining jelly beans in the bag are red. Yet this law seems to say that that evidence is insufficient. You have to pull all one hundred jelly beans out of the bag in order to prove your case. That is an insurmountable burden for people, and will tremendously increase the burden and costs when there is no scientific or logical reason for it whatsoever. Every day you and I make decisions about the future based upon pieces of information. The statistics that we heard earlier about what people think, polls that you take, they are not based upon a 100 percent sampling that you get from your constituents. They are based upon reasonable, reliable, and valid samplings. This part of the law is nothing more than an illusory divide-and-conquer strategy, meant to separate one homeowner from his neighbor so that they have to incur, individually, each item of expense, even if the problems are common. This can be corrected as well.

I also want to go back to the statutes of limitations and repose to make another point. Who is to say that a person will discover a latent defect in their home within six years? Why six years? Right now it is eight years. Why not ten years? These determinations are largely arbitrary. The idea that a person can figure out every problem that is hidden behind his walls or that may manifest in the first few years, it is just not reality, and it is not what we see.

We oppose section 20 of the bill because it prevents HOAs from prosecuting claims for property that they share with their members. The concern, I understand, is policy being driven by some singular abuses by a small number of people that have been corrected through provisions in other laws and prosecutions. There is always a fear of that in the future. I think there have been some very good course corrections that have been made by this Legislature, but that is not what this law actually says. Imagine you live in a condominium association or your constituents live in townhomes where the roof or the exterior envelope may be controlled by the HOA, but the interiors are yours. All of the utility lines run from the foundation to the home. What about a plumbing problem where an HOA owns the underground plumbing, but the plumbing runs into a home? Both parties have an interest in the outcome of that dispute, and both of them have to be able to work together in order to solve it. This statute, as written, proposes that unless a construction component only exists within one of those arbitrary spaces, the HOA cannot work with its members to solve a common problem that they both own and they both share. This can be worked out but, as written, I am not sure that it

serves the purpose that you want, and it handicaps a community's ability to solve problems that both interested parties own.

I really liked Assemblyman Ohrenschall's questions about whether he really believes that these changes are going to affect anything with respect to insurance premiums. We have been before this panel on any number of occasions making modifications to NRS Chapter 40, some requested by the builders, and some requested by others. Each time this question gets asked, but we never hear from anyone in the insurance industry willing to give a straight answer to that question. I accept the logic that if you reduce the homeowners' rights to only a certain period of time and you make it so difficult for them to prosecute claims, and you redefine what constitutes a constructional defect such that minimum building code requirements do not satisfy the standard, sure, I guess it stands to reason that insurance premiums are going to go down. They are not going to go down because builders are making repairs, they are not going to go down because the process is any easier, they are going to go down because you prohibited a good number of Nevada homeowners from prosecuting legitimate claims. That is a perspective that I would like you to consider.

I cannot speak for all Nevada homeowners, just a large number of them that I have represented over the years and some that I represent now. But I would be happy to meet with the proponents of this bill on short notice, if necessary, to discuss compromises and amendments that we believe might be able to satisfy everyone. In its present form and in the manner that the bill has been presented, with a few days' notice to Nevada homeowners, which is probably part of the reason that I am the only one here, we oppose those parts of the bill that I mentioned. Again, our ordinary course of action would have you talk to homeowners, not lawyers; I understand, but in three days? Not possible.

Chairman Hansen:
You are the only person signed up to testify in opposition to the bill. There is only one other person who opposes the bill, out of 32 pages of sign-in sheets. Are there any questions?

Senator Ford:
As Mr. Riedy stated, three days' notice makes it hard to get people here to testify. Make no mistake, I disagree with some of Mr. Riedy's statements, but you mentioned that this is a trade. This is not a trade, it is a "cram down." I have heard it referred to as the homeowner protection act; I view this as the homeowner rejection act. I have received hundreds of emails from

homebuilders and I have responded to every single one, telling them the exact same thing: this does not have to be a partisan issue. In fact, ever since last session I have tried not to make it a partisan issue, but the operation that has taken place over the course of the last few days makes this, in fact, a partisan issue. There are several provisions in this version that need to be addressed. I would hope that this body would entertain that discussion. I am willing to put myself on the line and help resolve some of these issues as well. I would like to put that on the record and make it known that this is a "cram down," not a trade, and we need to work toward trying to fix this.

Assemblyman Nelson:
You have mentioned the tens of thousands of clients you have. How do you usually get them? Do they come to you or do you solicit them through some of the form solicitation letters?

Terry Riedy:
I guess I am the exception to the rule, as most of my clients come through referrals from professionals in the industry. For example, a homeowner might approach his board of directors, or he might approach a community manager. That is typically the way I get my clients. I do understand there are others that do blanket solicitations.

Assemblyman Nelson:
Are your clients usually individual homeowners or do you represent HOAs?

Terry Riedy:
Remarkably, it is both. An individual homeowner is not necessarily an ordinary person. It could be a trust, a corporation, or an investment company. Ordinarily it is single-family homeowners. In some cases, it is community associations and others.

Assemblyman Ohrenschall:
Regarding section 17, what has been your experience with homeowners where there has been willful misconduct? How often have you seen a homeowner discover a problem after six years? Have you seen cases like that? If section 17 passes as is, and the homeowner discovers something in the seventh year, what remedies will be available to the homeowner under this bill?

Terry Riedy:
The best answer is that oftentimes defects lay latent within a home and do not actually show themselves for several years after the original construction has

begun. Typically, you do not see the kind of property damage that has now been integrated as a component within the constructional defect definition until the home has been around for a while and has gone through some seasonal changes. The cut-off point at six years is probably going to eliminate a large number of legitimate claims that people will not discover until far after that six-year period.

Assemblyman Ohrenschall:
Should the problem be discovered after the six-year period, what remedies would be available?

Terry Riedy:
There would not be any.

Assemblyman Elliot T. Anderson:
The odds are that if this passes this session, this Committee is going to be called upon to interpret these provisions. Do you think that 2 1/2 hours is enough to vet and explain the intent behind these provisions?

Terry Riedy:
Not if you want to hear from the homeowners. I could explain it as a lawyer, as quickly as I have, but if you want to understand what impact it is going to have from homeowners, it would be difficult to do that in 2 1/2 hours. This process is rather remarkable in the manner in which it is proceeding. That is part of the reason I am alone today.

Assemblyman Wheeler:
I am wondering why it is so hard to get opponents for the bill here in three days when we are filling this room, all of the Las Vegas room, and two overflow rooms with proponents for the bill?

Terry Riedy:
They did not receive notice of the bill three days ago. Apparently, according to counsel, they have been working on it for several months and orchestrating their presentation for you here today. The real answer is that I am not sure I would want to put someone in front of you who has not had a fair opportunity to digest the bill and discuss it. That is rather difficult to expect from a homeowner; it is a rather complex legal matter that needs time to digest. We simply have not been given that time to digest it.

Assemblywoman Diaz:
This is a very complicated bill and the subject matter it addresses is very heavy and very intense. As I was trying to decipher this for myself, I kept asking, where is the Nevada homeowner's access to justice? I kept hearing one side of it, but do not really see where the homeowner fits. What is their recourse, what are the avenues that they could take? Section 3 discusses the time limits in which the homeowners are made an offer and they have to accept the offer, but there is no recourse that is stipulated. What if the homeowner does not want to accept the offer? In what time frame do they then have to live with this construction defect in a home that is probably not functional? How long can that process be dragged out? My concern, again, is where are we leaving the Nevada homeowner?

Terry Riedy:
This bill requires a preliminary process before a person has access to justice, which is a constitutional right and should not be barred by these kinds of impediments. It takes a process that should take place in six months and turns it into a year to a year-and-a-half. The new warranty process has no time limits placed on that process at all. We have existing time frames in place that compel people to do things once the notice is provided to a contractor, and I guess we have some reasonable constraints that the process could last no longer than a year, but now we are talking about what if the process does not work? You are now a year-and-a-half out from the time you originally brought your claim to the attention of the warranty company or the builder before you can even step into a courtroom. I am not aware of any other citizen that is being told by his government that he cannot process or have access to free public court systems for that long. It does not seem to make constitutional sense to me. It has been of some concern to the Nevada Supreme Court in some of their opinions. Even taking a look at the more modest provisions of our existing law, I have serious concerns given the mounting impediments that are being placed with this law upon the homeowner. He has to make even more specific claims, he has to pledge loyalty oaths with the verification, he has to stand out in front of his home, and he has to prosecute warranty claims. Any one of them standing alone probably will not bother you, but when they are put together and you start seeing what impediments there are for someone stepping into the courtroom for the first time, it begins to raise some serious constitutional concerns about access to justice.

Senator Roberson:
You spoke at length with regard to your concerns for Nevada homeowners. I am looking at your law firm's website, wherein you boast of having recovered

$407 million in construction warranty claims, more than any firm in this state. I am curious, how much of that $407 million has gone to your law firm in legal fees?

Terry Riedy:
First, let me correct the record. That is an old website. The name of my law firm is Canepa Riedy Abele and Costello, and we have recovered well in excess of $700 million on behalf of Nevada homeowners in helping them prosecute their legal rights. We are very proud of that record. Yes, a portion of that was paid by the builders' insurance companies as legal fees. In each case, I presented my legal fees pursuant to NRS Chapter 40 to the court, which only approves those fees if I prevail in an action. The word entitlement is a misnomer. There is no entitlement to attorney fees under NRS Chapter 40; it simply provides that if I prevail in an action at the time of trial, the court may, in its discretion, award me attorney's fees. It allows for that because under the typical American Rule, absent of contract or statute, I am not going to be entitled to those. Yes, a significant portion of that number, Senator, is for reasonable attorney's fees. Again, we live in a free-market economy.

Senator Roberson:
So it is over $700 million. Ballpark, did you receive 40 percent of that?

Terry Riedy:
Far less than that.

Senator Roberson:
Is it 30 percent, $210 million?
Terry Riedy:

Probably a little less than that too, but you are pretty close. To finish what I was going to say, it has enabled tens of thousands of Nevada homeowners to have access to free public justice against all odds. A reference was made earlier to a case, but you were not told everything about that case. You were told about a case going to trial; I took it to trial, along with others. The attorneys were awarded millions of dollars for their efforts, but what you were not told is that NRS Chapter 40 notice was given to the manufacturer of that defective product long before any of those attorney's fees had been incurred. That manufacturer decided to make a stand. They decided to prove a point, and they lost. They probably spent double the amount of money trying to pound those homeowners into the sand over a $600,000 demand. They could have fixed that problem, and there would not have been a drop of

attorney's fees. What they decided to do was draw a line in the sand and use their overwhelming economic power against those people, and we spent six-and-a-half months in a trial, and a jury of Nevada peers came out with that decision. The judge, exercising her discretion, awarded those attorneys' fees because she saw that was the only way those people were ever going to get justice. That is the case that I remember.

Senator Brower:
I have to emphasize that this three-day excuse is a bit curious to me. I have received hundreds of emails, and as Assemblyman Wheeler pointed out, we have rooms full of people. If it was intentional, as you suggested, that you be alone today, that is fine, but let us not suggest that no one knows what is going on. In fact, I think the world that is involved in this hearing has known for months there would be a construction defect reform bill of some type this session. Apparently there have been negotiations and discussions. Believe me when I tell you that I have more meetings on my schedule than I can attend, and I am not inviting any more, but I have not been approached by a single person who is opposed to the bill, to the concept of reform, or to the idea in general. Not a single person has asked for a meeting, has met with me, has expressed any dissatisfaction or concern whatsoever. The idea that this is somehow a partisan bill and someone is being ambushed here and it is unfair to homeowners, that has not been my experience over the last three or four months, and certainly not over the last week.

You mentioned section 3, the offer of judgment provision. In your testimony you asked who is going to explain to the homeowner what an offer of judgment means. Is it not true that that is your job? Just like it is the job for the homebuilder's lawyer to explain what the offer of judgment means? Is it not the plaintiff's lawyer's job to explain it to the homeowner?

Terry Riedy:
Number one, when NRS Chapter 40 was originally enacted, it was so that homeowners would not need to hire a lawyer in order to prosecute a claim. So 50 percent of the people you are talking about do not have a lawyer in the first place.

Senator Brower:
Let me suggest to you that would be a great system. And we may not be here but for the irresistible gravy train that the plaintiffs' lawyers saw with NRS Chapter 40. That is why we are here; $740 million in recoveries—the percentage that you acknowledge is going to the lawyers. That is more than

five times the annual budget of the Department of Public Safety. It is staggering. My question again is, you question the workability of section 3 because you posed the rhetorical question of who will explain to the plaintiff how it works. My pointed, specific, narrow question to you is, is it not your job?

Terry Riedy:
Assuming this bill will allow homeowners to retain lawyers.

Senator Brower:
Why would it not?

Terry Riedy:
You are taking away their entitlement to reasonable attorney's fees. They are going to have to pay someone out of pocket. If you have a roof that takes $1,000 to fix, that is a lot of money. But to walk into a lawyer's office and pay them a retainer, even a modest one, cuts into that recovery for them.

Senator Brower:
Mr. Riedy, you know that when you engage clients like this, you do not require them to pay a retainer. You tell them they do not have to pay you anything until and unless you recover for them. Is that not how it works?

Terry Riedy:
That is how it works under the existing law.

Senator Brower:
Why would it not work under this proposed change? Let me qualify that with one further comment. It is true, is it not, that when a homeowner recovers under NRS Chapter 40 by way of settlement or judgment, that the homeowner is not required to spend any of that money on repairs?

Terry Riedy:
That is correct. If someone is involved in an automobile accident, and they recover money for pain and suffering, but they have not been able to pay the bills to stay in their own home, they have choices to make, I understand that. We always recommend that our clients use the funds to make repairs.

Senator Brower:
But there is no requirement that they do so.

Terry Riedy:
If they choose to ignore the advice of counsel, I cannot stop them. Just like yourself, I do not tell you what to do with the money you get because I do not know all the priorities that exist in your situation. Do you have rent to pay, children to feed, child support, I do not know. However, we do always recommend they use the money for the purpose in which it is intended.

Senator Brower:
Mr. Riedy, you mentioned you had a problem with section 8. I think you described it as being punitive. I really do not want to open this up to another one-hour-long soliloquy full of exaggerated hyperbole. What exactly do you think is punitive about the reasonable requirement that a homeowner at least acknowledge that he has the alleged defect in his home, that he is aware of it, that he can see it, not that he can articulate with expertise exactly what is causing the defect, but to simply state that he has water damage in his home? What is punitive about that?

Terry Riedy:
You left out the part about subject to penalties of civil and criminal contempt.

Senator Brower:
Why not? If someone is going to lie about that fact, why not subject him to some kind of penalty?

Terry Riedy:
I am not sure if I made this analogy before, but imagine a situation where you are sick and you go to a doctor. Do you really think that an ordinary homeowner understands all of the reasons that they might have to certify in advance under penalties of civil or criminal conspiracy or perjury, or whatever you want to call it, that they have a particular type of illness before they can get the builder out to fix their home before they can get the doctor to see them. I think that smacks of a punitive nature.

Senator Brower:
I have to differ with you on that as well. No one goes to the doctor with an expectation on the part of the doctor that the patient can articulate with expertise exactly what is wrong with him. You go to the doctor and say it hurts here. That is all we are asking of the homeowner, to acknowledge that he has a problem in his home. It is not an idea that some plaintiff's lawyer cooked up and suggested I say on the record, but I am actually swearing that I have a problem, as vague and as general as it may be, and I have it in my home. I just do not see anything punitive about that.

Section 20, you pointed out that, if I understood you correctly, you seemed to suggest that because of the proposed change to section 20, a problem with what you might call common issues or common infrastructure could not be brought on behalf of an association, but the final clause of section 20, subsection 1, paragraph (d) reads "unless the action pertains exclusively to common elements." Can you clarify that for the Committee?

Terry Riedy:
Perhaps you can clarify for me what the term "exclusively" means in that particular statute. As I pointed out before, some of these construction components thread through both common areas and within individual unit areas. They are shared in common by both sets. If this law says that an HOA can only bring a claim when the construction component exists exclusively in some arbitrary air space defined by the covenants, codes, and restrictions, then you are shutting out the HOA's right to fix their own property. That is how I saw the term exclusively, and it is that word that gives me the most concern.

Senator Brower:
I have to respectfully disagree with you. I think that is a great example of the problem that has brought us to this point. In the past, common sense efforts to reform NRS Chapter 40 have been met with efforts to obfuscate, exaggerate, and distort what the reform efforts are all about. With all due respect to my colleague from the Assembly, this is not complicated. As the Chairman of the Senate Judiciary Committee, I deal with bills that I believe are very complicated. I try to look at them with a layperson's point of view. We do deal with some complicated issues, and it is challenging, even for the lawyers. This is not a complicated problem. This bill in my view is not a complicated solution. I commend you on what would have been a great closing statement in a trial, but frankly, that kind of rhetoric does not help us here. We are trying to solve real problems for real Nevadans, and I am a little surprised that you are here by yourself, that no one has asked to meet with me. I am not inviting a line out

my door, but I am happy to talk with you or anyone else in detail, the kind of detail we do not have time for today. This has been unpersuasive to say the least.

Assemblyman Elliot T. Anderson:
We have heard a lot about attorney finances and, truth be told, I do not think there is any attorney on any side of the bar who gets into law so that they cannot make a lot of money. I think it is only fair, since we have heard about the plaintiff's bar and how much the plaintiff's bar makes, do defense lawyers representing homebuilders make a good living as well?

Terry Riedy:
I agree with you, but this is not about me, it is about Nevada homeowners and what is best for them. That is where the argument needs to be. Of course, the lawyers we saw today are all being paid to be here today. I do not want the argument to focus on them; I do not want the argument to focus on me; I am here to focus on the rights of Nevada citizens. This is a bad bill for them.

Senator Kihuen:
I have listened to both sides of the issue. First of all, it is incomprehensible to me why we are speeding up this process. I have been here five sessions, and this is the fastest I have ever seen a bill get through. That is not how to make important pieces of legislation here in the Legislature. It is incomprehensible to me; this is a policy that we are trying to establish long term. Inevitably, two or four years from now we are going to be back here at the Legislature, and we will be dealing with this issue once again, regardless of what happens here. I want to see a long-lasting piece of legislation go through, a bipartisan piece of legislation, a piece of legislation that has been compromised on, that has been talked about on both sides, that has been debated thoroughly. That is how we have done the job here at the Legislature. I have been here since Bill Raggio was here, since Barbara Buckley was here, when they used to give it weeks before they made a final decision. It is incomprehensible to me why we have to do this on the third day of the second week, regardless of how you feel about this issue. Obviously it is a very complex issue, it is a tough issue for a lot of us, but at the end of the day, we are here to protect our constituents; we are here to represent our constituents. With all due respect to the Chairman of the Senate Judiciary, this is very complex stuff. You try explaining this to my constituent Maria Perez on 28th Street, and I guarantee you she will not understand this piece of legislation.

Chairman Hansen:
The reality is this is a hearing. We are not calling for a vote. We still have opportunities on the Senate and our side to do that. This is not the final vote, this is a hearing for this bill. Please get to your question.

Senator Kihuen:
I would hope you would have given me the same amount of time that you have given your other colleagues.

My question is, how much compromise has there been on this bill? How much work, how accessible has the other side been to some of your possible amendments or suggestions?

Terry Riedy:
Not much at this point, but I do believe that we have begun to open the dialogue. I am just hopeful that time will be given to this complex matter. A sufficient amount of time to bring all interested stakeholders, particularly the most important ones, Nevada homeowners, to the table. I believe that this bill, if we do what you recommended, can be a win-win for everyone. I do not want to close the door on further dialogue; I want to open it.

Chairman Hansen:
I have been involved with this issue as a legislator, and as to the idea that this has not been thoroughly vetted—we have been denied, the people who are proponents of this bill have been denied even a hearing for at least two full sessions. The last hearing we had was held when I made the request of Chairman William Horne in Judiciary two full sessions ago. The idea that everyone wants a bipartisan opportunity to solve this problem has been absolutely denied to those of us who are proponents of this bill for at least two sessions. I do not accept that this is some new, out-of-the-blue thing, and there is an unfair factor being applied. It just is not true. In fact, this is the first fair opportunity that the people sitting in this audience have had for at least four years to vent their concerns. I want that on the record.

Assemblyman Ohrenschall:
Earlier Senator Brower discussed section 8 regarding the sworn statement under penalty of perjury from the homeowner and he talked about needing that to try to prevent a plaintiff's attorney from cooking up a claim. Are there not already serious penalties from the courts and the bar association for any plaintiff attorney who might attempt to do that? I wish you would talk about that.

Terry Riedy:
The answer is yes, there are laws and procedures in effect for penalizing people who file frivolous claims or lawsuits.

Assemblyman Ohrenschall:
Which can result in fines from the court and penalties from the bar association up to and including the potential loss of the ability to practice, correct?

Terry Riedy:
That is just for the lawyers. There are also protections in place if an owner or a litigant brings a claim to court that they know to be frivolous. There are significant penalties for those people as well.

Assemblyman Thompson:
I would like to state that I have been quiet because I was really looking forward to having the bill completely walked through. It is incumbent on me as a representative for my constituents to ensure I have as much information as possible and that I understand that information in order to help them. Regarding section 8, I am wondering where the balance is with the homebuilder and/or the subcontractor as far as perjury, or denial of claims, et cetera. Where do we see the balance for the constituent's sake on both ends?

Terry Riedy:
Actually there is very little balance in this bill because there is very little consideration for what the homeowners need. We have advocated for some time that there should be some sort of a homeowner bill of rights, a certain minimum set of standards that homeowners can expect from laws like this. A minimum requirement for access to justice and access to a right to trial by jury. This is much like the Golden Rule principle in that if the shoe were on the other foot and we had such oaths that had to be taken by contractors and insurance companies, that they would participate in the process in good faith, then I think you would hear a lot of the same arguments that I am making. The balance is missing. What we are seeing here are some measures that are making it more difficult, expensive, and burdensome for the homeowner to prosecute a claim, but there does not seem to be any further carrots with respect to a developer or builder's conduct with respect to the process. We heard today that builders are denied the right to repair, but I have presented any number of notices, hundreds of notices to builders. The first thing that happens is that they turn it over to their insurance companies. Insurance companies are not in the business of making repairs; they just will not do it. There are

cooperation clauses in the contracts that bind or tie builders or contractors. Where are their obligations to homeowners to act in good faith?

Chairman Hansen:
Is there anyone else here or in Clark County to testify in opposition to this bill? Is there anyone else here whose firm or business has made over $200 million in construction defects? I do not see any. Is there anyone who would like to testify in the neutral position? [There was no one.] For those of you in Clark County who are in opposition to A.B. 125, will you please stand up. [There was no one.] All those in favor of A.B. 125 in Clark County, please stand up. [Everyone stood.] Same for this room, anyone in opposition, stand up. [There was one.] Is there anyone here who wants A.B. 125 to pass, please stand. [Everyone stood.] Thank you, I think that says a lot. At this time I will bring back Mr. Hicks for closing remarks.

Josh Hicks:
I think this Committee has heard both sides of this bill. We are certainly open to further discussions from any Committee members; please reach out to us and we can explain it in more detail. This is something that is considered long overdue by the homeowner industry, and we think this will restore NRS Chapter 40 to what it was intended to be: get homes fixed, improve jobs, and improve the economy. That is why we are supporting the bill.

Senator Kihuen:
I would like to say thank you for your presentation. Would you be willing to continue talking to the opposition of this bill in the coming weeks to work on a good compromised bill that could be long-lasting policy?

Josh Hicks:
We have always been open. I have been doing this for about three years. The first time I have been approached by the opposition on this was 16 minutes before this hearing.

Assemblyman Araujo:
I have a question regarding constituents' or homeowners' attempts to recover their loss should the defect be so severe that they have to find alternative housing. I want to put it on the record that I was looking for more of an understanding of how the homeowner would get recovery if the claim were not to be entered into NRS Chapter 40. Who would be financially responsible for that burden?

Josh Hicks:
If you are talking about a warranty claim outside of NRS Chapter 40, I suppose it would depend if the warranty covered the defect. The contractors board has the ability to award up to $35,000 to someone under the residential recovery fund.

Assemblyman Araujo:
Moving forward, I would like more clarification on what the homeowners have to look forward to, or may not have the right to should this bill pass.

Senator Brower:
Just as a clarification, I referenced the Department of Public Safety's budget. The total estimated amount of recoveries from construction defect litigation has been $2 billion. That number is more than five times the annual budget of the Department of Public Safety.

Chairman Hansen:
So you would multiply that by 40 percent to indicate what the take was by a typical law firm?

Senator Brower:
I do not purport to know the details of exactly how each and every construction defect plaintiff's lawyer is paid, but my understanding is that the typical 30 to 40 percent contingent fee is not the norm in this context. In the typical construction defect case under NRS Chapter 40, oftentimes the attorney's fees exceed what the homeowner recovers. It is not a fraction of what the homeowner gets, it exceeds that amount, is that correct?

Josh Hicks:
That is correct. We actually provided an exhibit that showed there was a case where the attorney's fees, costs, and interest were 16 times more than what the homeowners got. We put that in to show an actual record.

Senator Ford:
It is clear to me that, based on this last conversation, to some folks this is not about the homeowner, it is about the attorney's fees. I recall you cannot recover attorney fees unless you win in court, which means there was a defect,

which means homeowners were taken care of under that circumstance. I want to be sure that the record is completely clear; you said that you heard from the opposition to this bill for the first time 16 minutes before this hearing. You and I have been working on this for almost a year, Mr. Hicks. I approached you the minute I found out about this bill on Friday, not 16 minutes before this hearing. There are terms in this bill that I agree with, the specificity, for example. The attorney fees we can talk about. I have spoken to you, the Chairman of this Committee, the bill sponsors, trying to convince you all to come back to the table and find a reasonable solution to this.

Josh Hicks:
Thank you for that clarification; you are absolutely right. My comments were with respect to being approached by the trial lawyers themselves. Senator Ford, I want to echo your remarks, you have been nothing but accessible and approachable on this subject, and we very much appreciate that. We are very encouraged that you continue to talk to us regarding this issue. [Also provided but not mentioned are the following letters of support for A.B. 125: (Exhibit N), (Exhibit O), (Exhibit P) (Exhibit Q), (Exhibit R), (Exhibit S); and one letter in opposition to A.B. 125: (Exhibit T).

Chairman Hansen:
I will now close the hearing on A.B. 125, and open it up to public comment. Is there anyone who would like to comment? [There was no one.] This hearing is adjourned [at 10:27 a.m.].

RESPECTFULLY SUBMITTED:

_____
Nancy Davis
Committee Secretary

APPROVED BY:

_____
Assemblyman Ira Hansen, Chairman

DATE: _____

_____
Senator Greg Brower, Chairman

DATE: _____

EXHIBITS

Committee Name: Committee on Judiciary

Date: February 11, 2015 **Time of Meeting: 8 a.m.**

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
A.B. 125	C	Assemblyman Paul Anderson	Prepared Testimony
A.B. 125	D	Senator Patricia Farley	Prepared Testimony
A.B. 125	E	Assemblywoman Victoria Dooling	Prepared Testimony
A.B. 125	F	Nevada Home Builders Association	Solicitation Letters
A.B. 125	G	Nevada Home Builders Association	Letter of Support
A.B. 125	H	Nevada Home Builders Association	Nevada Housing Market Presentation
A.B. 125	I	Nevada Home Builders Association	Construction Defect Newspaper Articles
A.B. 125	J	Nevada Home Builders Association	Clark County District Court Case
A.B. 125	K	Nevada Home Builders Association	Survey of Homeowners Presentation
A.B. 125	L	Nevada Home Builders Association	Construction Defect Article
A.B. 125	M	Allison Copening	Prepared Testimony
A.B. 125	N	Builders Alliance of Western Nevada	Letter of Support
A.B. 125	O	Nevada Association of Realtors	Letter of Support
A.B. 125	P	The Chamber, Reno, Sparks, Northern Nevada	Letter of Support
A.B. 125	Q	Mark Turner	Letter of Support

A.B. 125	R	National Association of Mutual Insurance Companies	Letter of Support
A.B. 125	S	Commercial Real Estate Development Association	Letter of Support
A.B. 125	T	Leach Johnson Song & Gruchow	Letter in Opposition