
SUBSTITUTE SENATE BILL 5773

State of Washington

59th Legislature

2005 Regular Session

By Senate Committee on Labor, Commerce, Research & Development
(originally sponsored by Senators Fraser, Fairley, Kohl-Welles,
Rockefeller, Kline and Pridemore)

READ FIRST TIME 03/02/05.

1 AN ACT Relating to protecting homeowners who hire contractors to
2 remodel or build their homes; amending RCW 60.04.021, 60.04.091,
3 60.04.250, 18.27.020, 60.04.035, 60.04.011, 60.04.031, 18.27.030, and
4 18.27.040; adding new sections to chapter 60.04 RCW; creating a new
5 section; and prescribing penalties.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 NEW SECTION. **Sec. 1.** The legislature finds that the vast majority
8 of contractors and subcontractors engaged in the business of
9 constructing or remodeling owner-occupied single-family homes are both
10 technically proficient in their trade and able to manage their business
11 dealings in accordance with the highest standards. The legislature
12 also finds, however, that in those relatively few, but all-too-
13 frequent, instances where prime contractors on such construction or
14 remodeling projects intentionally or unintentionally mismanage payments
15 received from homeowners that are intended for subcontractors,
16 suppliers, and others, existing provisions are inadequate to protect
17 homeowners. Additionally, the toll on an individual homeowner's
18 personal economic and emotional condition that such financial
19 mismanagement by this small fraction of prime contractors is not

1 adequately balanced against the responsibilities, obligations, and
2 possible penalties that contractors bear for such mismanagement.
3 Consequently, the legislature finds that it is necessary to (1) clearly
4 establish that prime contractors have a duty to properly manage funds
5 received from or on behalf of homeowners that are intended for
6 suppliers, subcontractors, and others, and to hold those who fail in
7 this duty personally responsible for such financial mismanagement; (2)
8 increase awareness by homeowners to the potential for liens against
9 their residence if contractors fail to pay suppliers and subcontractors
10 as promised; (3) clarify the right of homeowners to require that prime
11 contractors maintain deposits and other similar payments in a trust
12 account for the homeowner, when the homeowner elects to do so; and (4)
13 increase opportunities for homeowners to become better educated about
14 ways to protect themselves from financial mismanagement by those few
15 contractors who are unable or unwilling to meet the financial
16 management standards set by the vast majority of residential
17 contractors in this state.

18 It is the intent of the legislature that liabilities of contractors
19 and subcontractors arising from mismanagement of funds received from or
20 for the benefit of homeowners should be disfavored by courts addressing
21 whether or not such liabilities should be dischargeable in bankruptcy.
22 If the mismanagement rises to the level of criminal conduct, nothing in
23 this act is intended to interfere with criminal prosecution.

24 NEW SECTION. **Sec. 2.** A new section is added to chapter 60.04 RCW
25 to read as follows:

26 (1) For the purposes of this section, RCW 60.04.021, 60.04.250, and
27 section 6 of this act, "prime residential contractor" means (a) a prime
28 contractor as defined in RCW 60.04.011; (b) the prime contractor's
29 principals, partners, officers, directors, vice principals, authorized
30 purchasing agents, and management employees who have managerial,
31 supervisory, physical, or actual control over the accounting or
32 disbursement of funds received by the prime residential contractor from
33 or on behalf of residential homeowners; and (c) if different from those
34 persons identified in (b) of this subsection, the six persons who
35 received or are entitled to receive the most compensation from the
36 prime residential contractor, regardless of whether the compensation is

1 provided as salary, wages, profits, or otherwise, during the term of
2 the contractor's registration.

3 (2)(a) A contractor, including a prime residential contractor, has
4 the duty to act in the best interest of a residential homeowner in the
5 receipt, management, and disbursement of all amounts paid by or on
6 behalf of the homeowner to the prime residential contractor for labor,
7 professional services, materials, or equipment supplied by a potential
8 lien claimant. A prime residential contractor shall defend the
9 homeowner against all such lien claims for which the homeowner paid the
10 prime residential contractor.

11 (b) A contractor, including a prime residential contractor, shall
12 maintain accurate and complete accounting records and books adequate to
13 identify all moneys received from or on behalf of a residential
14 homeowner and the use or application of such moneys for the payment of
15 the contract price for services, materials, or equipment supplied by
16 any entity having a potential lien claim right against the residential
17 homeowner.

18 (3)(a) Except as provided in (b) of this subsection, all funds paid
19 to a prime residential contractor by or on behalf of a residential
20 homeowner for application toward the contract price for labor,
21 professional services, materials, or equipment supplied by a potential
22 lien claimant other than the prime residential contractor shall not be
23 used by the prime residential contractor for any other purpose unless
24 all amounts owed on the potential lien claimant's contract price have
25 been paid in full.

26 (b) All funds paid to a prime residential contractor by or on
27 behalf of a residential homeowner shall be presumed to be for
28 application toward the contract price for labor, professional services,
29 materials, or equipment supplied by potential lien claimants other than
30 the prime residential contractor unless, before accepting payment from
31 a residential homeowner, a prime residential contractor provides
32 written notice to the homeowner identifying:

33 (i) The potential lien claimants, if any, to which payment is owed,
34 or to which the prime residential contractor intends to apply part or
35 all of the homeowner's payment; and

36 (ii) Which of such potential lien claimants, if any, the prime
37 residential contractor does not intend to fully pay from the
38 homeowner's payment, and the reason for less than full payment.

1 (4) A prime residential contractor shall be personally liable for
2 the full amount of any lien claim recorded pursuant to RCW 60.04.091
3 if:

4 (a) Funds paid to the prime residential contractor by a residential
5 homeowner for application toward the contract price for labor,
6 professional services, materials, or equipment supplied by a potential
7 lien claimant other than the prime residential contractor are not paid
8 as provided by this section to a potential lien claimant are withheld
9 from a potential lien claimant or otherwise diverted in violation of
10 this section;

11 (b) The prime residential contractor had or should have had
12 knowledge of such use of funds, unless the prime residential contractor
13 shows, by a preponderance of the evidence in defending against the
14 claimed lien, that he or she actually did not know and had no
15 reasonable opportunity to know of such use of funds; and

16 (c) A notice of claim of lien is recorded, pursuant to RCW
17 60.04.091, against the homeowner by a potential lien claimant to which
18 payment was due when the prime residential contractor received payment
19 from the homeowner for the services, materials, or equipment supplied
20 by the lien claimant.

21 **Sec. 3.** RCW 60.04.021 and 1991 c 281 s 2 are each amended to read
22 as follows:

23 (1) Except as provided in subsections (2) and (3) of this section
24 and RCW 60.04.031, any person furnishing labor, professional services,
25 materials, or equipment for the improvement of real property shall have
26 a lien upon the improvement for the contract price of labor,
27 professional services, materials, or equipment furnished at the
28 instance of the owner, or the agent or construction agent of the owner.

29 (2)(a) With respect to labor, professional services, materials, or
30 equipment for the improvement of an owner-occupied single-family
31 residence where the aggregate lien claims relating to transactions
32 constituting violations of section 2 of this act exceed the amount of
33 the prime residential contractor's bond that is not available to a
34 homeowner, any person furnishing labor, professional services,
35 materials, or equipment for the improvement of an owner-occupied
36 single-family residence shall have a lien:

1 (i) In the amount of the contract price of labor, professional
2 services, materials, or equipment furnished at the instance of the
3 owner, or the agent or construction agent of the owner, upon any real
4 property owned by the prime residential contractor; and

5 (ii) Upon the improvement for no more than one-half of such
6 contract price.

7 (b) No judgment foreclosing a lien against improvement to an owner-
8 occupied single-family residence pursuant to this subsection shall be
9 entered unless: The court hearing a foreclosure or other collection
10 action involving the prime residential contractor finds that the lien
11 claimant seeking the judgment foreclosure has made reasonable efforts
12 to recover its claim from the prime contractor, including the six
13 persons who received or are entitled to receive the most compensation
14 from the prime residential contractor, regardless of whether the
15 compensation is provided as salary, wages, profits, or otherwise,
16 during the term of the contractor's registration, and any other parties
17 liable therefor, personally or otherwise.

18 (c) A lien claimant shall provide to the department a certified
19 copy of any judgment entered in an action commenced under this section
20 if the judgment is entered against any party that was a registered or
21 licensed contractor or subcontractor. The department may establish by
22 rule and charge a reasonable fee for the processing of documents
23 submitted to the department under this section, the cost of which the
24 court shall include in the award of costs to a prevailing party.

25 (3) If a potential lien claimant knew or should have known that a
26 prime residential contractor had been the prime residential contractor
27 or construction agent on a single-family residential improvement
28 project with respect to which:

29 (a) A residential homeowner paid the prime residential contractor
30 for goods or services supplied by the potential lien claimant;

31 (b) The prime residential contractor failed to pay the potential
32 lien claimant's contract price for such goods or services; and

33 (c) The potential lien claimant recorded or otherwise pursued a
34 collection action or claim of lien against the homeowner in the
35 previous three years;

36 the potential lien claimant shall have no lien right upon the
37 improvement for labor, professional services, materials, or equipment
38 furnished on behalf of the homeowner at the instance of the prime

1 residential contractor or construction agent employed by a prime
2 residential contractor unless, before supplying any service, materials,
3 or equipment that may be subject to a lien under this chapter, the
4 potential lien claimant has provided written notice to the homeowner of
5 all circumstances surrounding the filing, pursuit, and resolution of
6 such claim, and the homeowner, in writing, affirmatively instructs the
7 potential lien claimant to supply the requested service, materials, or
8 equipment.

9 NEW SECTION. **Sec. 4.** A new section is added to chapter 60.04 RCW
10 to read as follows:

11 (1) Any potential lien claimant who has not received a payment from
12 a prime residential contractor within fourteen days after the date
13 required by their contract, invoice, or purchase order must, within
14 thirty-five days of the date required for payment of the contract,
15 invoice, or purchase order, give a notice as provided in subsections
16 (2) and (3) of this section of the sums due and to become due, for
17 which a potential lien claimant may claim a lien under this chapter.

18 (2) The notice shall be signed by the potential lien claimant or
19 some person authorized to act on his or her behalf.

20 (3) The notice shall be given in writing to the residential
21 homeowner with a copy given to the prime residential contractor. The
22 notice shall be given by:

23 (a) Mailing the notice by certified or registered mail to the
24 residential homeowner and prime residential contractor; or

25 (b) Delivering or serving the notice personally and obtaining
26 evidence of delivery in the form of a receipt or other acknowledgment
27 signed by the residential homeowner and prime residential contractor or
28 an affidavit of service.

29 (4) The notice shall state in substance and effect as follows:

30 (a) The person, firm, trustee, or corporation filing the notice has
31 furnished labor, professional services, materials, or equipment for
32 which a lien is given by this chapter;

33 (b) The name of the prime residential contractor ordering the same;

34 (c) A common or street address of the real property being improved
35 or the legal description of the real property;

36 (d) The name, business address, and telephone number of the lien
37 claimant.

1 The notice may contain additional information but shall be in
2 substantially the following form:

3 NOTICE TO RESIDENTIAL HOMEOWNER OF LATE PAYMENT

4 (Authorized by RCW)

5 TO:

6 (Name of Homeowner)

7

8 (Street Address)

9

10 (City) (State) (Zip)

11 AND TO:

12 (Prime Residential Contractor)

13 (Name of Laborer, Professional, Materials, or Equipment Supplier)

14 whose business address is, did at the property located
15 at

16 (Check appropriate box) () perform labor () furnish professional
17 services () provide materials () supply equipment as follows:

18
19
20

21 which was ordered by

22 (Name of Person)

23 whose address was stated to be

24

25 The amount owing to the undersigned according to
26 contract or purchase order for labor, supplies, or equipment
27 (as abovementioned) is the sum of Dollars
28 (\$). Said sums became due and owing as of

29

30 (State Date)

31,

32 You are hereby notified that said amount owing is currently past
33 due by not less than fourteen days.

34 IMPORTANT

1 Failure to rectify this payment deficiency may subject the residential
2 homeowner to a lien pursuant to RCW 60.04.021.

3 (5) If a homeowner presents to the department, under penalty of
4 perjury, the original or a true and accurate copy of the notice
5 provided to the homeowner pursuant to this section, and the potential
6 lien claimant commences a lien or other collection action pursuant to
7 RCW 60.04.021(2), the department shall notify the prime residential
8 contractor that it must file, within five business days, a surety bond
9 or other good and sufficient security with the department in the amount
10 of claimed deficient payment, unless the prime residential contractor
11 supplies the department with written documentation that the residential
12 homeowner was informed of the deficient payment pursuant to section
13 2(3)(b)(ii) of this act.

14 (6) The department shall suspend the registration of any prime
15 residential contractor while sufficient security as required under
16 subsection (5) of this section is not filed. The department may
17 establish by rule and charge a reasonable fee for the processing of
18 documents submitted to the department under this section.

19 **Sec. 5.** RCW 60.04.091 and 1992 c 126 s 7 are each amended to read
20 as follows:

21 Except as provided under subsection (3) of this section, every
22 person claiming a lien under RCW 60.04.021 shall file for recording, in
23 the county where the subject property is located, a notice of claim of
24 lien not later than ninety days after the person has ceased to furnish
25 labor, professional services, materials, or equipment or the last date
26 on which employee benefit contributions were due. (~~The notice of~~
27 ~~claim of lien:~~)

28 (1) The notice of claim of lien shall state in substance and
29 effect:

30 (a) The name, (~~phone~~) telephone number, and address of the
31 claimant;

32 (b) The first (~~and~~) date on which the claimant began to perform
33 labor, provide professional services, or supply material or equipment
34 or the first date on which employee benefits became due;

35 (c) The last date on which the labor, professional services,
36 materials, or equipment was furnished or employee benefit contributions
37 were due;

1 Subscribed and sworn to before me this day of

2

3 The period provided for recording the claim of lien is a period of
4 limitation and no action to foreclose a lien shall be maintained unless
5 the claim of lien is filed for recording within the ninety-day period
6 stated. The lien claimant shall give a copy of the claim of lien to
7 the owner or reputed owner by mailing it by certified or registered
8 mail or by personal service within fourteen days of the time the claim
9 of lien is filed for recording. Failure to do so results in a
10 forfeiture of any right the claimant may have to attorneys' fees and
11 costs against the owner under RCW 60.04.181.

12 (3) The time period during which a potential lien claimant has
13 commenced and is maintaining a lien or other collection action against
14 the prime residential contractor, pursuant to RCW 60.04.021(2), shall
15 not be part of the period limited for the commencement of any action
16 against the homeowner.

17 **Sec. 6.** RCW 60.04.250 and 1990 c 81 s 1 are each amended to read
18 as follows:

19 The department of labor and industries shall prepare master
20 documents that provide informational material about:

21 (1) Construction lien laws and available safeguards against real
22 property lien claims. The material shall include methods of protection
23 against lien claims, including obtaining lien release documents,
24 performance bonds, joint payee checks, the opportunity to require
25 contractor disclosure of all potential lien claimants as a condition of
26 payment, and lender supervision under RCW 60.04.200 and 60.04.210. The
27 material shall also include sources of further information, including
28 the department of labor and industries and the office of the attorney
29 general.

30 (2) The basics of lien law relating to owner-occupied residential
31 improvements and new construction projects, including a list of
32 available safeguards against real property lien claims, which the
33 homeowner must consider, reject, or select. Before any building permit
34 may be issued for the construction of a new owner-occupied
35 single-family residence or for the improvement to an owner-occupied
36 single-family residence for an amount in excess of one thousand

1 dollars, if the construction will involve the services of a prime
2 contractor, the permit issuing agency shall not issue any permit until
3 the homeowner has personally, and not through an agent, acknowledged
4 receipt of the document. When the homeowner completes the document by
5 making selections, as indicated in the document, and submits it to the
6 agency, the permit issuing agency shall maintain a copy of the
7 completed document in the file of the permit issuing agency relating to
8 the homeowner's permit application. The document shall be in
9 substantially the following form and shall also include information
10 describing the scope and limits of state contractor bonding
11 requirements, the provisions of this act, and the availability of
12 further information, including the department of labor and industries
13 and the office of the attorney general.

14 Dear Homeowner:

15 You must complete the items below and select from the options below
16 what protection, if any, you want against potential lien claims on your
17 property as a result of the construction work for which you are
18 contracting. If your contractor fails to pay subcontractors,
19 suppliers, or laborers or neglects to make other legally required
20 payments, those who are owed money can file a lien against your
21 property for payment, even if you have paid your contractor in full.
22 Anyone filing a valid lien claim may force the sale of your property to
23 recover the unpaid amount. This is true if you have hired a contractor
24 to build a new home or are buying a newly built home. It is also true
25 when you remodel or improve your property.

26 People who supply materials or labor ordered by your contractor are
27 permitted by law to file a lien only if they do so within ninety days
28 of cessation of performance or delivery of materials. The time frame
29 is spelled out in RCW 60.04.091.

30 If you enter into a contract to buy a newly built home, you may not
31 receive a notice of a lien based on a claim by a contractor or material
32 handler. Be aware that a lien may be claimed even though you have not
33 received a notice. Before making final payment on the project, obtain
34 a completed lien release form from each contractor and material
35 supplier. A sample of this release of lien form is available from the
36 department of labor and industries, contractor registration section.

37 You have final responsibility for seeing that all bills are paid
38 even if you have paid your contractor in full.

1 If you are dealing with a lending institution, ask your loan
2 officer what precautions the lending institution takes to verify that
3 subcontractors and material suppliers are being paid when mortgage
4 money is paid to your contractor. You may want to request lender
5 supervision if your lending institution is providing interim or
6 construction financing.

7 If you receive a notice to enforce a lien, take the notice
8 seriously. Let your contractor know you have received the notice.
9 Find out what arrangements are being made to pay the sender of the
10 notice.

11 When in doubt, or if you need more details, consult your attorney.
12 When and how to pay your contractor is a decision that requires serious
13 consideration. Washington law, RCW 18.27.114, requires contractors to
14 give you this disclosure statement if your contract exceeds one
15 thousand dollars.

16 Complete the following information, select below how you want to
17 protect yourself from possible lien claims on your property, and inform
18 your contractor of your selections or discuss your selections with your
19 contractor.

20 I, (owner's name),
21 am agreeing to have (contractor's name)
22 perform the following construction work (basic description)
23 at (location of your property using an address, legal description
24 or approximate address)
25 in the amount of \$ including all federal, state,
26 and local taxes, and this amount may be adjusted only if authorized by
27 me in writing.

28 To protect myself against possible lien claims in the future for
29 this work, I (select one):

30 will only issue checks made payable jointly,
31 naming the contractor and the subcontractor or supplier as payees.

32 will only issue checks to the contractor and
33 subcontractors in the amounts equal to the amounts for which lien
34 releases that release all lien rights to those amounts, as provided by
35 RCW 60.04.071, have been provided to me by each lien claimant
36 requesting payment.

37 want the contractor to post a bond to assure both
38 performance of this construction work and payment to all subcontractors

1 and suppliers in the amount of (select one) . . . the total contract
2 amount . . . in the amount of \$ (Note: Your contractor
3 may add the cost of this bond to your contract price.)

4 will be using as an escrow agent
5 to disburse construction funds and to protect my interests. (NOTE:
6 Before making this selection, find out whether the escrow agent you
7 plan to use will protect you against liens when disbursing payments.
8 If you are interested in using this alternative, consult your
9 attorney.)

10 want this contractor to set up a trust account for
11 all funds I pay to this contractor, and the trust funds must be
12 disbursed in accordance with our construction agreement to
13 subcontractors and suppliers.

14 DO NOT want any of the above protections from
15 potential lien claims against my property as a result of this
16 construction work.

17 In addition to the above selection, I choose ONE of the following:
18 . . . WANT . . . DO NOT WANT the prime residential contractor to
19 disclose all potential lien claimants as a condition of payment.
20 (NOTE: A lien claimant must, under RCW 60.04.091(2), mail by certified
21 or registered mail or by personal service a copy of the claim of lien
22 to the owner within fourteen days of the time the lien is recorded.
23 While an action is ongoing, the law, RCW 60.04.151, allows an owner to
24 withhold from this prime residential contractor the amount of money for
25 which a claim is recorded by a subcontractor, supplier, or laborer.)

26 More information about contractors is available by visiting the
27 department of labor and industries on the Internet at
28 www.LNI.wa.gov/SCS/contractors/ or by calling the contractor
29 registration hotline at 1-800-647-0982. You may also call your local
30 department of labor and industries office. See listings under
31 "Washington state of" in the government section or the white pages of
32 the telephone book.

33 Signed by (property owner):
34 Date signed:

35 **Sec. 7.** RCW 18.27.020 and 1997 c 314 s 3 are each amended to read
36 as follows:

- 37 (1) Every contractor shall register with the department.
38 (2) It is a gross misdemeanor for any contractor to:

1 (a) Advertise, offer to do work, submit a bid, or perform any work
2 as a contractor without being registered as required by this chapter;

3 (b) Advertise, offer to do work, submit a bid, or perform any work
4 as a contractor when the contractor's registration is suspended or
5 revoked;

6 (c) Use a false or expired registration number in purchasing or
7 offering to purchase an advertisement for which a contractor
8 registration number is required; or

9 (d) Transfer a valid registration to an unregistered contractor or
10 allow an unregistered contractor to work under a registration issued to
11 another contractor.

12 (3) It is not unlawful for a general contractor to employ an
13 unregistered contractor who was registered at the time he or she
14 entered into a contract with the general contractor, unless the general
15 contractor or his or her representative has been notified in writing by
16 the department of labor and industries that the contractor has become
17 unregistered.

18 (4) All (~~misdemeanor~~) actions under this chapter shall be
19 prosecuted in the county where the infraction occurs.

20 (5) A person is guilty of a separate gross misdemeanor for each day
21 worked if, after the person receives a citation from the department,
22 the person works while unregistered, or while his or her registration
23 is suspended or revoked, or works under a registration issued to
24 another contractor. A person is guilty of a separate gross misdemeanor
25 for each worksite on which he or she violates subsection (2) of this
26 section. Nothing in this subsection applies to a registered
27 contractor.

28 (6) The director by rule shall establish a two-year audit and
29 monitoring program for a contractor not registered under this chapter
30 who becomes registered after receiving an infraction or conviction
31 under this chapter as an unregistered contractor. The director shall
32 notify the departments of revenue and employment security of the
33 infractions or convictions and shall cooperate with these departments
34 to determine whether any taxes or registration, license, or other fees
35 or penalties are owed the state.

36 **Sec. 8.** RCW 60.04.035 and 1992 c 126 s 3 are each amended to read
37 as follows:

1 (1) The legislature finds that acts of coercion or attempted
2 coercion, including threats to withhold future contracts, made by a
3 contractor or developer to discourage a contractor, subcontractor, or
4 material or equipment supplier from giving an owner the notice of right
5 to claim a lien required by RCW 60.04.031, or from filing a claim of
6 lien under this chapter are matters vitally affecting the public
7 interest for the purpose of applying the consumer protection act,
8 chapter 19.86 RCW.

9 (2) The legislature further finds that acts of coercion or
10 attempted coercion by a lien claimant or potential lien claimant
11 against a residential homeowner, including but not limited to the lien
12 claimant or potential lien claimant threatening to include or actually
13 including in the principal amount of the lien claimed any interest,
14 collection costs, or any amount other than the actual principal balance
15 owed to the lien claimant for the goods and services provided to the
16 homeowner, are matters vitally affecting the public interest for the
17 purpose of applying the consumer protection act, chapter 19.86 RCW.
18 Nothing in this section is intended to reduce or remove the authority
19 of a court or arbitrator to award interest, costs, fees, and reasonable
20 expenses, as provided in RCW 60.04.181(3) or otherwise.

21 (3) The legislature further finds that acts of coercion or
22 attempted coercion by a lien claimant against a residential homeowner,
23 including but not limited to the lien claimant or potential lien
24 claimant threatening to file or actually filing a lien claim against
25 the homeowner's property when the lien claimant knew or with ordinary
26 diligence should have known that there existed a title insurance policy
27 protecting the homeowner from such lien, are matters vitally affecting
28 the public interest for the purpose of applying the consumer protection
29 act, chapter 19.86 RCW.

30 (4) These acts of coercion are not reasonable in relation to the
31 development and preservation of business. These acts of coercion shall
32 constitute an unfair or deceptive act or practice in trade or commerce
33 for the purpose of applying the consumer protection act, chapter 19.86
34 RCW.

35 **Sec. 9.** RCW 60.04.011 and 1992 c 126 s 1 are each amended to read
36 as follows:

1 Unless the context requires otherwise, the definitions in this
2 section apply throughout this chapter.

3 (1) "Construction agent" means any registered or licensed
4 contractor, registered or licensed subcontractor, architect, engineer,
5 or other person having charge of any improvement to real property, who
6 shall be deemed the agent of the owner for the limited purpose of
7 establishing the lien created by this chapter.

8 (2) "Contract price" means the amount, including overhead and
9 profit, agreed upon by the contracting parties, or if no amount is
10 agreed upon, then the customary and reasonable charge therefor, but in
11 no case shall "contract price" include any amount payable under the
12 contract, or otherwise, in the event of nonpayment or late payment.

13 (3) "Draws" means periodic disbursements of interim or construction
14 financing by a lender.

15 (4) "Furnishing labor, professional services, materials, or
16 equipment" means the performance of any labor or professional services,
17 the contribution owed to any employee benefit plan on account of any
18 labor, the provision of any supplies or materials, and the renting,
19 leasing, or otherwise supplying of equipment for the improvement of
20 real property.

21 (5) "Improvement" means: (a) Constructing, altering, repairing,
22 remodeling, demolishing, clearing, grading, or filling in, of, to, or
23 upon any real property or street or road in front of or adjoining the
24 same; (b) planting of trees, vines, shrubs, plants, hedges, or lawns,
25 or providing other landscaping materials on any real property; and (c)
26 providing professional services upon real property or in preparation
27 for or in conjunction with the intended activities in (a) or (b) of
28 this subsection.

29 (6) "Interim or construction financing" means that portion of money
30 secured by a mortgage, deed of trust, or other encumbrance to finance
31 improvement of, or to real property, but does not include:

32 (a) Funds to acquire real property;

33 (b) Funds to pay interest, insurance premiums, lease deposits,
34 taxes, assessments, or prior encumbrances;

35 (c) Funds to pay loan, commitment, title, legal, closing,
36 recording, or appraisal fees;

37 (d) Funds to pay other customary fees, which pursuant to agreement

1 with the owner or borrower are to be paid by the lender from time to
2 time;

3 (e) Funds to acquire personal property for which the potential lien
4 claimant may not claim a lien pursuant to this chapter.

5 (7) "Labor" means exertion of the powers of body or mind performed
6 at the site for compensation. "Labor" includes amounts due and owed to
7 any employee benefit plan on account of such labor performed.

8 (8) "Mortgagee" means a person who has a valid mortgage of record
9 or deed of trust of record securing a loan.

10 (9) "Owner-occupied" means a single-family residence occupied by
11 the owner as his or her principal residence.

12 (10) "Payment bond" means a surety bond issued by a surety licensed
13 to issue surety bonds in the state of Washington that confers upon
14 potential claimants the rights of third party beneficiaries.

15 (11) "Potential lien claimant" means any person or entity entitled
16 to assert lien rights under this chapter who has otherwise complied
17 with the provisions of this chapter and is registered or licensed if
18 required to be licensed or registered by the provisions of the laws of
19 the state of Washington.

20 (12) "Prime contractor" includes all contractors, general
21 contractors, and specialty contractors, as defined by chapter 18.27 or
22 19.28 RCW, or who are otherwise required to be registered or licensed
23 by law, who contract directly with a property owner or their common law
24 agent to assume primary responsibility for the creation of an
25 improvement to real property, and includes property owners or their
26 common law agents who are contractors, general contractors, or
27 specialty contractors as defined in chapter 18.27 or 19.28 RCW, or who
28 are otherwise required to be registered or licensed by law, who offer
29 to sell their property without occupying or using the structures,
30 projects, developments, or improvements for more than one year.

31 (13) "Professional services" means surveying, establishing or
32 marking the boundaries of, preparing maps, plans, or specifications
33 for, or inspecting, testing, or otherwise performing any other
34 architectural or engineering services for the improvement of real
35 property.

36 (14) "Real property lender" means a bank, savings bank, savings and
37 loan association, credit union, mortgage company, or other corporation,

1 association, partnership, trust, or individual that makes loans secured
2 by real property located in the state of Washington.

3 (15) "Residential homeowner" or "homeowner" means the owner or
4 potential owner who occupies or has entered into a contract with a
5 contractor, builder, or developer to occupy a single-family residence
6 at the completion of the new construction, repair, alteration, or
7 remodel of the single-family residence or garage appurtenant to the
8 residence.

9 (16) "Site" means the real property which is or is to be improved.

10 ((+16+)) (17) "Subcontractor" means a general contractor or
11 specialty contractor as defined by chapter 18.27 or 19.28 RCW, or who
12 is otherwise required to be registered or licensed by law, who
13 contracts for the improvement of real property with someone other than
14 the owner of the property or their common law agent.

15 **Sec. 10.** RCW 60.04.031 and 1992 c 126 s 2 are each amended to read
16 as follows:

17 (1) Except as otherwise provided in this section, every person
18 furnishing professional services, materials, or equipment for the
19 improvement of real property shall give the owner or reputed owner
20 notice in writing of the right to claim a lien. If the prime
21 contractor is in compliance with the requirements of RCW 19.27.095,
22 60.04.230, and 60.04.261, this notice shall also be given to the prime
23 contractor as described in this subsection unless the potential lien
24 claimant has contracted directly with the prime contractor. The notice
25 may be given at any time but only protects the right to claim a lien
26 for professional services, materials, or equipment supplied after the
27 date which is sixty days before:

28 (a) Mailing the notice by certified or registered mail to the owner
29 or reputed owner; or

30 (b) Delivering or serving the notice personally upon the owner or
31 reputed owner and obtaining evidence of delivery in the form of a
32 receipt or other acknowledgement signed by the owner or reputed owner
33 or an affidavit of service.

34 In the case of new construction, repair, alteration, or remodel of
35 a single-family residence or garage appurtenant to a single-family
36 residence, the notice of a right to claim a lien may be given at any

1 time but only protects the right to claim a lien for professional
2 services, materials, or equipment supplied after a date which is ten
3 days before the notice is given as described in this subsection.

4 (2) Notices of a right to claim a lien shall not be required of:

5 (a) Persons who contract directly with the owner or the owner's
6 common law agent;

7 (b) Laborers whose claim of lien is based solely on performing
8 labor; or

9 (c) Subcontractors who contract for the improvement of real
10 property directly with the prime contractor, except as provided in
11 subsection (3)(b) of this section.

12 (3) Persons who furnish professional services, materials, or
13 equipment in connection with the new construction, repair, alteration,
14 or remodel of (~~(an existing owner occupied)~~) a single-family residence
15 or appurtenant garage:

16 (a) Who contract directly with the (~~(owner occupier or their)~~)
17 owner or the owner's common law agent shall not be required to send a
18 written notice of the right to claim a lien and shall have a lien for
19 the full amount due under their contract, as provided in RCW 60.04.021;
20 or

21 (b) Who do not contract directly with the (~~(owner occupier or~~
22 ~~their)~~) owner or the owner's common law agent shall give notice of the
23 right to claim a lien to the (~~(owner occupier)~~) owner. (~~(Liens of~~
24 ~~persons furnishing professional services, materials, or equipment who~~
25 ~~do not contract directly with the owner occupier or their common law~~
26 ~~agent may only be satisfied from amounts not yet paid to the prime~~
27 ~~contractor by the owner at the time the notice described in this~~
28 ~~section is received, regardless of whether amounts not yet paid to the~~
29 ~~prime contractor are due. For the purposes of this subsection~~
30 ~~"received" means actual receipt of notice by personal service, or~~
31 ~~registered or certified mail, or three days after mailing by registered~~
32 ~~or certified mail, excluding Saturdays, Sundays, or legal holidays.)~~)

33 (4) The notice of right to claim a lien described in subsection (1)
34 of this section, shall include but not be limited to the following
35 information and shall substantially be in the following form, using
36 lower-case and upper-case ten-point type where appropriate.

37 NOTICE TO OWNER

38 IMPORTANT: READ BOTH SIDES OF THIS NOTICE

1 CAREFULLY.

2 PROTECT YOURSELF FROM PAYING TWICE

3 To: Date:

4 Re: (description of property: Street address or general location.)

5 From:

6 AT THE REQUEST OF: (Name of person ordering the professional
7 services, materials, or equipment)

8 THIS IS NOT A LIEN--THIS NOTICE IS MEANT TO PROVIDE YOU WITH
9 INFORMATION NECESSARY TO PROPERLY MANAGE YOUR CONSTRUCTION PROJECT:

10 This notice is sent to you to tell you who is providing professional
11 services, materials, or equipment for the improvement of your property
12 and to advise you of the rights of these persons and your
13 responsibilities. Also take note that laborers on your project may
14 claim a lien without sending you a notice.

15 OWNER/OCCUPIER OF EXISTING
16 RESIDENTIAL PROPERTY AND/OR
17 NEW RESIDENTIAL PROPERTY
18

19 Under Washington law, those who furnish labor, professional services,
20 materials, or equipment for the repair, remodel, or alteration of your
21 owner-occupied principal residence and who are not paid, have a right
22 to enforce their claim for payment against your property. This claim
23 is known as a construction lien.

24 The law limits the amount that a lien claimant can claim against your
25 property. (~~Claims may only be made against that portion of the~~
26 ~~contract price you have not yet paid to your prime contractor as of the~~
27 ~~time this notice was given to you or three days after this notice was~~
28 ~~mailed to you.)) If the improvement to your property is new
29 construction, repair, alteration, or remodel of a single-family
30 residence or its appurtenant garage, a lien may be claimed for some or
31 all professional services, materials, or equipment furnished after a
32 date that is ten days before this notice was given to you or mailed to
33 you. Review the back of this notice for more information and ways to
34 avoid lien claims.~~

35 COMMERCIAL (~~AND/OR NEW~~)

RESIDENTIAL)) PROPERTY

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We have or will be providing professional services, materials, or equipment for the improvement of your commercial (~~or new residential~~) project. In the event you or your contractor fail to pay us, we may file a lien against your property. A lien may be claimed for all professional services, materials, or equipment furnished after a date that is sixty days before this notice was given to you or mailed to you(~~, unless the improvement to your property is the construction of a new single family residence, then ten days before this notice was given to you or mailed to you~~)).

Sender:
Address:
Telephone:

Brief description of professional services, materials, or equipment provided or to be provided:

IMPORTANT INFORMATION
ON REVERSE SIDE

IMPORTANT INFORMATION
FOR YOUR PROTECTION

This notice is sent to inform you that we have or will provide professional services, materials, or equipment for the improvement of your property. We expect to be paid by the person who ordered our services, but if we are not paid, we have the right to enforce our claim by filing a construction lien against your property.

LEARN more about the lien laws and the meaning of this notice by discussing them with your contractor, suppliers, Department of Labor and Industries, the firm sending you this notice, your lender, or your attorney.

COMMON METHODS TO AVOID CONSTRUCTION LIENS: There are several methods available to protect your property from construction liens. The following are two of the more commonly used methods.

DUAL PAYCHECKS (Joint Checks): When paying your contractor for services or materials, you may make checks payable jointly to the contractor and the firms furnishing you this notice.

LIEN RELEASES: You may require your contractor to provide lien

1 releases signed by all the suppliers and subcontractors from
2 whom you have received this notice. If they cannot obtain lien
3 releases because you have not paid them, you may use the dual
4 payee check method to protect yourself.

5 YOU SHOULD TAKE APPROPRIATE STEPS TO PROTECT YOUR PROPERTY FROM LIENS.
6 YOUR PRIME CONTRACTOR AND YOUR CONSTRUCTION LENDER ARE REQUIRED BY LAW
7 TO GIVE YOU WRITTEN INFORMATION ABOUT LIEN CLAIMS. IF YOU HAVE NOT
8 RECEIVED IT, ASK THEM FOR IT.

9 * * * * *

10 (5) Every potential lien claimant providing professional services
11 where no improvement as defined in RCW 60.04.011(5) (a) or (b) has been
12 commenced, and the professional services provided are not visible from
13 an inspection of the real property may record in the real property
14 records of the county where the property is located a notice which
15 shall contain the professional service provider's name, address,
16 telephone number, legal description of the property, the owner or
17 reputed owner's name, and the general nature of the professional
18 services provided. If such notice is not recorded, the lien claimed
19 shall be subordinate to the interest of any subsequent mortgagee and
20 invalid as to the interest of any subsequent purchaser if the mortgagee
21 or purchaser acts in good faith and for a valuable consideration
22 acquires an interest in the property prior to the commencement of an
23 improvement as defined in RCW 60.04.011(5) (a) or (b) without notice of
24 the professional services being provided. The notice described in this
25 subsection shall be substantially in the following form:

26 NOTICE OF FURNISHING
27 PROFESSIONAL SERVICES

28 That on the (day) day of (month and year) , (name of
29 provider) began providing professional services upon or for the
30 improvement of real property legally described as follows:

31 [Legal Description
32 is mandatory]

33 The general nature of the professional services provided is . . .
34 The owner or reputed owner of the real property is
35

1
2 (Signature)
3
4 (Name of Claimant)
5
6 (Street Address)
7
8 (City, State, Zip Code)
9
10 (Phone Number)

11 (6) A lien authorized by this chapter shall not be enforced unless
12 the lien claimant has complied with the applicable provisions of this
13 section.

14 **Sec. 11.** RCW 18.27.030 and 2001 c 159 s 2 are each amended to read
15 as follows:

16 (1) An applicant for registration as a contractor shall submit an
17 application under oath upon a form to be prescribed by the director and
18 which shall include the following information pertaining to the
19 applicant:

20 (a) Employer social security number.

21 (b) Unified business identifier number, if required by the
22 department of revenue.

23 (c) Evidence of workers' compensation coverage for the applicant's
24 employees working in Washington, as follows:

25 (i) The applicant's industrial insurance account number issued by
26 the department;

27 (ii) The applicant's self-insurer number issued by the department;
28 or

29 (iii) For applicants domiciled in a state or province of Canada
30 subject to an agreement entered into under RCW 51.12.120(7), as
31 permitted by the agreement, filing a certificate of coverage issued by
32 the agency that administers the workers' compensation law in the
33 applicant's state or province of domicile certifying that the applicant
34 has secured the payment of compensation under the other state's or
35 province's workers' compensation law.

1 (d) Employment security department number.

2 (e) State excise tax registration number.

3 (f) Unified business identifier (UBI) account number may be
4 substituted for the information required by (c) of this subsection if
5 the applicant will not employ employees in Washington, and by (d) and
6 (e) of this subsection.

7 (g) Type of contracting activity, whether a general or a specialty
8 contractor and if the latter, the type of specialty, and whether the
9 contractor engages or intends to engage in the new construction,
10 repair, alteration, or remodel of the single-family residence or
11 appurtenant garage of any residential homeowner, as defined in RCW
12 60.04.011.

13 (h)(i) The name and address of each partner if the applicant is a
14 firm or partnership, or the name and address of the owner if the
15 applicant is an individual proprietorship, or the name and address of
16 the corporate officers and statutory agent, if any, if the applicant is
17 a corporation or the name and address of all members of other business
18 entities.

19 (ii) The name and address of the six persons who received or are
20 entitled to receive the most compensation from the prime residential
21 contractor, regardless of whether the compensation is provided as
22 salary, wages, profits, or otherwise, during the term of the
23 contractor's registration; and, if different, each principal, partner,
24 officer, director, vice principal, authorized purchasing agent, and
25 management employee who has physical or actual control over the
26 accounting or disbursement of funds received by the contractor from
27 residential homeowners if the applicant is a contractor engaging in the
28 new construction, repair, alteration, or remodel of the single-family
29 residence or appurtenant garage of any residential homeowner, as
30 defined in RCW 60.04.011. An applicant shall update information
31 required under this section no less frequently than once every six
32 months if there is a change in the persons required to be identified
33 under this section.

34 (iii) A business engaging in the new construction, repair,
35 alteration, or remodel of the single-family residence or appurtenant
36 garage of any residential homeowner, as defined in RCW 60.04.011, shall
37 not be required to provide the names and other information specified in

1 (h)(ii) of this subsection if the business increases the amount of the
2 surety bond filed with the department pursuant to RCW 18.27.040(1) to
3 two hundred fifty thousand dollars.

4 (iv) The information contained in such application is a matter of
5 public record and open to public inspection.

6 (2) The department may verify the workers' compensation coverage
7 information provided by the applicant under subsection (1)(c) of this
8 section, including but not limited to information regarding the
9 coverage of an individual employee of the applicant. If coverage is
10 provided under the laws of another state, the department may notify the
11 other state that the applicant is employing employees in Washington.

12 (3)(a) The department shall deny an application for registration
13 if: (i) The applicant has been previously performing work subject to
14 this chapter as a sole proprietor, partnership, corporation, or other
15 entity and the department has notice that the applicant has an
16 unsatisfied final judgment against him or her in an action based on
17 this chapter or the applicant owes the department money for penalties
18 assessed or fees due under this chapter as a result of a final
19 judgment; (ii) the applicant was a principal or officer of a
20 partnership, corporation, or other entity that either has an
21 unsatisfied final judgment against it in an action that was incurred
22 for work performed subject to this chapter or owes the department money
23 for penalties assessed or fees due under this chapter as a result of a
24 final judgment; or (iii) the applicant does not have a valid unified
25 business identifier number, if required by the department of revenue.

26 (b) The department shall suspend an active registration if (i) the
27 department has notice that the registrant is a sole proprietor or a
28 principal or officer of a registered contractor that has an unsatisfied
29 final judgment against it for work within the scope of this chapter; or
30 (ii) the applicant does not maintain a valid unified business
31 identifier number, if required by the department of revenue.

32 (4) The department shall not deny an application or suspend a
33 registration because of an unsatisfied final judgment if the
34 applicant's or registrant's unsatisfied final judgment was determined
35 by the director to be the result of the fraud or negligence of another
36 party.

1 **Sec. 12.** RCW 18.27.040 and 2001 c 159 s 3 are each amended to read
2 as follows:

3 (1) Each applicant shall file with the department a surety bond
4 issued by a surety insurer who meets the requirements of chapter 48.28
5 RCW in the sum of twelve thousand dollars if the applicant is a general
6 contractor and six thousand dollars if the applicant is a specialty
7 contractor. If no valid bond is already on file with the department at
8 the time the application is filed, a bond must accompany the
9 registration application. The bond shall have the state of Washington
10 named as obligee with good and sufficient surety in a form to be
11 approved by the department. The bond shall be continuous and may be
12 canceled by the surety upon the surety giving written notice to the
13 director. A cancellation or revocation of the bond or withdrawal of
14 the surety from the bond automatically suspends the registration issued
15 to the registrant until a new bond or reinstatement notice has been
16 filed and approved as provided in this section. The bond shall be
17 conditioned that the applicant will pay all persons performing labor,
18 including employee benefits, for the contractor, will pay all taxes and
19 contributions due to the state of Washington, and will pay all persons
20 furnishing labor or material or renting or supplying equipment to the
21 contractor and will pay all amounts that may be adjudged against the
22 contractor by reason of breach of contract including negligent or
23 improper work in the conduct of the contracting business. A change in
24 the name of a business or a change in the type of business entity shall
25 not impair a bond for the purposes of this section so long as one of
26 the original applicants for such bond maintains partial ownership in
27 the business covered by the bond.

28 (2) At the time of initial registration or renewal, the contractor
29 shall provide a bond or other security deposit as required by this
30 chapter and comply with all of the other provisions of this chapter
31 before the department shall issue or renew the contractor's certificate
32 of registration. Any contractor registered as of July 1, 2001, who
33 maintains that registration in accordance with this chapter is in
34 compliance with this chapter until the next renewal of the contractor's
35 certificate of registration.

36 (3) Any person, firm, or corporation having a claim against the
37 contractor for any of the items referred to in this section may bring
38 suit upon the bond or deposit in the superior court of the county in

1 which the work was done or of any county in which jurisdiction of the
2 contractor may be had. The surety issuing the bond shall be named as
3 a party to any suit upon the bond. Action upon the bond or deposit
4 brought by a residential homeowner for breach of contract by a party to
5 the construction contract shall be commenced by filing the summons and
6 complaint with the clerk of the appropriate superior court within two
7 years from the date the claimed contract work was substantially
8 completed or abandoned. Action upon the bond or deposit brought by any
9 other authorized party shall be commenced by filing the summons and
10 complaint with the clerk of the appropriate superior court within one
11 year from the date the claimed labor was performed and benefits
12 accrued, taxes and contributions owing the state of Washington became
13 due, materials and equipment were furnished, or the claimed contract
14 work was substantially completed or abandoned. Service of process in
15 an action against the contractor, the contractor's bond, or the deposit
16 shall be exclusively by service upon the department. Three copies of
17 the summons and complaint and a fee adopted by rule of not less than
18 twenty dollars to cover the costs shall be served by registered or
19 certified mail, or other delivery service requiring notice of receipt,
20 upon the department at the time suit is started and the department
21 shall maintain a record, available for public inspection, of all suits
22 so commenced. Service is not complete until the department receives
23 the fee and three copies of the summons and complaint. The service
24 shall constitute service on the registrant and the surety for suit upon
25 the bond or deposit and the department shall transmit the summons and
26 complaint or a copy thereof to the registrant at the address listed in
27 the registrant's application and to the surety within two days after it
28 shall have been received.

29 (4) The surety upon the bond shall not be liable in an aggregate
30 amount in excess of the amount named in the bond nor for any monetary
31 penalty assessed pursuant to this chapter for an infraction. The
32 liability of the surety shall not cumulate where the bond has been
33 renewed, continued, reinstated, reissued or otherwise extended. The
34 surety upon the bond may, upon notice to the department and the
35 parties, tender to the clerk of the court having jurisdiction of the
36 action an amount equal to the claims thereunder or the amount of the
37 bond less the amount of judgments, if any, previously satisfied
38 therefrom and to the extent of such tender the surety upon the bond

1 shall be exonerated but if the actions commenced and pending at any one
2 time exceed the amount of the bond then unimpaired, claims shall be
3 satisfied from the bond in the following order:

4 (a) Employee labor and claims of laborers, including employee
5 benefits;

6 (b) Claims for breach of contract by a party to the construction
7 contract;

8 (c) Registered or licensed subcontractors, material, and equipment;

9 (d) Taxes and contributions due the state of Washington;

10 (e) Any court costs, interest, and (~~attorney's~~ [attorneys'])
11 attorneys' fees plaintiff may be entitled to recover. The surety is
12 not liable for any amount in excess of the penal limit of its bond.

13 A payment made by the surety in good faith exonerates the bond to
14 the extent of any payment made by the surety.

15 (5) The total amount paid from a bond or deposit required of a
16 general contractor by this section to claimants other than residential
17 homeowners must not exceed one-half of the bond amount. The total
18 amount paid from a bond or deposit required of a specialty contractor
19 by this section to claimants other than residential homeowners must not
20 exceed one-half of the bond amount or four thousand dollars, whichever
21 is greater.

22 (6) The prevailing party in an action filed under this section
23 against the contractor and contractor's bond or deposit, for breach of
24 contract by a party to a construction contract, is entitled to costs,
25 interest, and reasonable attorneys' fees. The surety upon the bond is
26 not liable in an aggregate amount in excess of the amount named in the
27 bond nor for any monetary penalty assessed pursuant to this chapter for
28 an infraction.

29 (7) If a final judgment impairs the liability of the surety upon
30 the bond so furnished that there is not in effect a bond in the full
31 amount prescribed in this section, the registration of the contractor
32 is automatically suspended until the bond liability in the required
33 amount unimpaired by unsatisfied judgment claims is furnished.

34 (8) In lieu of the surety bond required by this section the
35 contractor may file with the department a deposit consisting of cash or
36 other security acceptable to the department.

37 (9) Any person having filed and served a summons and complaint as
38 required by this section having an unsatisfied final judgment against

1 the registrant for any items referred to in this section may execute
2 upon the security held by the department by serving a certified copy of
3 the unsatisfied final judgment by registered or certified mail upon the
4 department within one year of the date of entry of such judgment. Upon
5 the receipt of service of such certified copy the department shall pay
6 or order paid from the deposit, through the registry of the superior
7 court which rendered judgment, towards the amount of the unsatisfied
8 judgment. The priority of payment by the department shall be the order
9 of receipt by the department, but the department shall have no
10 liability for payment in excess of the amount of the deposit.

11 (10) The director (~~may~~) shall require an applicant applying to
12 renew or reinstate a registration or applying for a new registration to
13 file a bond of (~~up to three~~) at least two times, but not more than
14 five times the normally required amount, if the director determines
15 that:

16 (a) An applicant, or a previous registration of a corporate
17 officer, owner, or partner of a current applicant, has had in the past
18 five years a total of six final judgments in actions under this chapter
19 involving a residential single-family dwelling on two or more different
20 structures; or

21 (b) The applicant engages in the new construction, repair,
22 alteration, or remodel of the single-family residence or appurtenant
23 garage of any residential homeowner, as defined in RCW 60.04.011, and
24 the applicant or any of the applicant's principals, partners, officers,
25 directors, vice principals, authorized purchasing agents, or management
26 employees who have physical or actual control over the accounting or
27 disbursement of funds received by the contractor from residential
28 homeowners have been party to collection action or lien action
29 instituted pursuant to RCW 60.04.021(2)(a)(i), where the claims against
30 parties other than the residential homeowner were insufficient to
31 satisfy the lien.

32 (11) The director may adopt rules necessary for the proper
33 administration of the security.

--- END ---