Study H-820 December 6, 2000

First Supplement to Memorandum 2000-78

Mechanic's Liens (General Comment Letters)

The Commission has been receiving letters directed to the California Law "Review" Commission that generally oppose any move to alter, limit, or abolish the mechanic's lien right. The letters are collected in this supplement for your information and are discussed briefly in the main memorandum.

We appreciate the writers' interest and concern, and will keep them informed of the Commission's progress on the mechanic's lien project. The staff is responding to each of the writers to give them an idea of the status of the project.

Respectfully submitted,

Stan Ulrich Assistant Executive Secretary Industrial - Commercial - Lighting - Service

VOLTAIR ELECTRIC

P.O.BOX 225 18001 Sonoma Hwy. Sonoma CA 95476 707 938 8005 Fax 707 938 8213 Lic.#447266

October 26, 2000

California Law Review Commission 4000 Middlefield Rd. Room D-1 Palo Alto CA 94303-4739

RE: Mechanics Lien rights.

Law Revision Commission

OCT 2 7 2000

File:	
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Gentlemen,

It has come to our attention that your body is considering removing the Mechanic's Lien rights afforded to contractors and materials suppliers. We understand that the impetus for this action is from defrauded homeowners who have paid the General Contractor, but who has not paid his subcontractors. We agree that this imbalance must be altered to protect all parties in a contract, but this proposal unfairly puts the burden of financial risk on the subcontractor. We are a small specialty contractor who works for various owners and contractors. On more than one occasion, the general contractor has walked away with funds that were owed to us and other subcontractors. This usually occurred as a result of poor business practices; the general contractor would pay old bills with money coming from new work. When the cash stream slowed or stopped, the newer jobs had no funds available to pay his subcontractors. Our only recourse was the Mechanic's Lien law to try to recoup at least partial payment from the property owner.

With this view, we would like to see some sort of subcontractor protection be put into law. If the Mechanic's Lien protections are given up, then another protective device should be put in its place. We suggest that a possible solution to protect all parties would be that a mandatory performance bond be held by a third party who would guarantee payment to all those who are now protected by those lien rights. The mechanisms for this technique are already in place with Construction Bond Sureties and Construction Escrow companies. Presently, these protections are not used much in private works contracting because of increased costs. However, we believe that wider use of this technique would reduce those costs across the board due to a larger risk base. In addition, if the performance bond were mandatory for every job, the claims process for unpaid subcontract work might be less cumbersome than present.

We urge your body to consider our point of view. We believe that equitable protections could be granted to all parties with a well-thought-out plan for resolution of contract payment disputes.

John Wayson, Fres.



October 27, 2000

Law Revision Commission RECEIVED

OCT 3 0 2000

California Law Review Commission 4000 Middlefield Road, Room D-1 Palo Alto Ca 94303-4739

File:

RE: Mechanics' Lien Process

To Whom It May Concern:

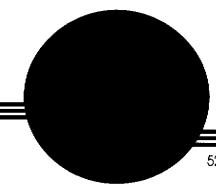
The construction company I work for has been in the same industry for over 40 years. Many changes to the laws have come and gone during that time, some relating to mechanics lien law and payment issues. The construction industry is like that of no other; it is complicated and very competitive. Despite that, there are minimal profit margins compared to the business risks taken. One of those risks is the ability or inability to insure payment for services provided to property owners or other contractors.

The mechanics' lien laws as they are today are the best method if not the only method to ensure a contractors payments rights. I would request that the Commission make no recommendations to change the existing laws.

If you have any questions or comments please contact our office.

Sincerely

Ken Kreischer Kirkwood-Bly, Inc.



Partition Specialty Co.

A DIVISION OF TERCAR INC.

525 N. Tully Turlock, CA 95380 (209) 634-8093 Fax (209) 634-3597 Lic.# 721273

Law Revision Commission RECEIVED

NOV 01 2000

October 30, 2000

California Law Review Commission 4000 Middlefield Road, Room D-1 Palo Alto, CA 94303-4739

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To Whom It May Concern:

Regarding your "Comprehensive Study" on the mechanics lien process. The adverse impact this would have on subcontractors would be disastrous, as it would not give us any recourse to recover our losses if a general contractor withheld our payment. I would be all in favor of any law that would assure payment from the general contractor and punitive punishment on the general contractor but to cut off our only real recovery (which the owner is full aware) would be the end of many (especially the smaller) subcontractors. Working on a 10% profit margin and a \$10,000 loss due to curtailment of our lien rights would mean we would have to do \$100,000 worth of construction to recover (which means we would just break even on this new work). It's a lose-lose proposition. As the owner is made fully aware of the present law and also the one in receipt of the product it would seem they are the most logical to bear the expense.

Sincerely,

Terry McSweeney

DYNAMIC

PRECAST CO., INC.

SOUNDWALLS - RETAINING WALLS - CUSTOM PRECAST PRODUCTS
385 MORRIS ST., SEBASTOPOL, CA 95472 PHONE 707-829-2664
FAX 707-823-5009

OCTOBER 30, 2000

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CALIFORNIA LAW REVIEW COMMISSION 4000 MIDDLEFIELD RD., ROOM D-1 PALO ALTO, CA 94303-4739

REF: MECHANICS LIEN LAWS

DEAR COMMISSION:

WE ARE A SMALL CONTRACTOR AND ENGAGE IN THE PRACTICE OF FILING A MECHANICS LIEN ON ALL THE PROJECTS WE HAVE EVER CONTRACTED WHERE IT WAS PRACTICAL TO DO SO. NO OWNER AS EVER HAD TO PAY TWICE, AND WE HAVE ONLY LOST OUR MONEY ON ONE CONTRACT FOR \$10,000, WHERE THE PERFECTED LIEN FINALLY GOT US MOST OF THE MONEY OWED.

THE MECHANICS LIEN SYSTEM WORKS! PRIOR TO THE MECHANICS LIEN LAWS, CONTRACTORS REFUSED WORK MUCH MORE OFTEN DUE TO LACK OF A SUFFICIENT ASSURANCE TO BE PAID. ALSO, THERE WERE MANY MORE UNSCRUPULOUS PEOPLE IN THE INDUSTRY WHO WOULD COLLECT FROM THE OWNER, AND THEN NOT PAY SUPPLIERS, WAGES, ETC.. LETS NOT GO BACK TO THOSE TIMES!!

RESPECTFULLY,

GUENTER MEIBURG

unte Meiburg



PO. BOX 1330 • YUBA CITY, CALIFORNIA 95992 • PHONE (530) 673-8501 • FAX (530) 673-5571

BRANCH OFFICE: P.O. BOX 3156 • CHICO, CALIFORNIA 95927 • PHONE (530) 345-2401 • FAX (530) 345-2801

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November 3, 2000

File:____

Kutummy

California Law Review Commission 4000 Middlefield Road, Room D-1 Palo Alto, California 94303-4739

Subject: Comprehensive study of the Mechanics Lien Process

To Whom It May Concern:

It would be greatly detrimental to the supply industry if any dramatic changes are made to the mechanic lien laws currently in effect. These laws are the only protection we have if the prime contractor does not pay us.

Years ago, all we had to do was file a lien if we were not paid. Currently we must file a preliminary notice and serve it on all persons involved in the project, including the owner. It was our understanding this was to put the owner on notice so that he could make sure everyone involved was paid. This way, some of the responsibility lies with the owner, not just the prime contractor, and there should be no surprises at the conclusion of the job.

Any departure from the current system used would leave those of us who supply material to a job at great risk.

Sincerely,

Walter H. Christiansen

President

OF SACRAMENTO

P.O. BOX 13676, SACRAMENTO, CA 95853-3676 • PHONE (916) 487-8484 • FAX (916) 487-1380 3010 ORANGE GROVE AVENUE, NORTH HIGHLANDS, CA 95660

Law Revision Commission RECEIVED

NOV 07 2000

November 3, 2000	File:
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California Law Review Commission 4000 Middlefield Road, Room D-1 Palo Alto, California 94303-4739

Subject: Comprehensive study of the Mechanics Lien Process

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Sincerely,

Steve Harbison Vice President



P.O. BOX 4620 • MODESTO, CA 95352 • (209) 521-1151 • FAX (209) 521-6301 BRANCH OFFICE: P.O. BOX 939 • STOCKTON, CA 95201 • (209) 466-0871 • FAX (209) 941-8821

Law Revision Commission RECEIVED

NOV 0 9 2000

November 3, 2000

File:_____

California Law Review Commission 4000 Middlefield Road, Room D-1 Palo Alto, California 94303-4739

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Sincerely,

Bill Raley Vice President



P.O. BOX 4620 • MODESTO, CA 95352 • (209) 521-1151 • FAX (209) 521-6301 BRANCH OFFICE: P.O. BOX 939 • STOCKTON, CA 95201 • (209) 466-0871 • FAX (209) 941-8821

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NOV 0 9 2000

November 3, 2000

File:_____

California Law Review Commission 4000 Middlefield Road, Room D-1 Palo Alto, California 94303-4739

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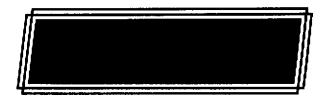
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Any departure from the current system used would leave those of us who supply material to a job at great risk.

Sincerely,

Morris Grass

Branch Manager



November 7, 2000

Law Revision Commission RECEIVED

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California Law Review Commission 4000 Middlefield Road, Room D-1 Palo Alto, CA 94303-4739

Re: Comprehensive Study of the Mechanics Lien Processes

As a small, but rapidly expanding landscape business, I have been forced to rely on the current Mechanics' Lien laws several times. In all these cases, the General Contractor was withholding money from several of their subcontractors simply because they wished to make a larger profit. They had the money, were happy with all our work, but still refused to pay us our agreed upon price.

As a subcontractor, we do not have armies of corporate attorneys at our disposal like many of the larger general contractors. If a general contractor neglects to pay us, we have no other way of collecting our money than the Mechanics Lien laws. The Mechanics Lien Laws are the only thing that protects subcontractors from "losing their shirts" and going out of business.

I urge you not to bend to the pressure of large developers or general contractors and continue to protect small California business! Please don't curtail the ONLY real protection we have against unscrupulous developers and general contractors—the current Mechanics' Lien laws.

Please contact me at (805) 349-8830 if you need further clarification of the small businessman's perspective on the current Mechanics' Lien process.

Sincerely.

Joseph Garges, President

Landmark Landscape Company, Inc.

JAMES H. EMLEY GENERAL CONTRACTORS 732 South Chestnut Street Escondido, California 92025-5261

California Law Review Commission 4000 Middlefield Road, Room D-1 Palo Alto, California 94303-4739 Law Revision Commission RECEIVED

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To Whom It May Concern:

As a contractor licensed by the state of California to conduct business as a general contractor I feel that my profession and my company would be incurring damages if my rights were altered in the slightest to record a Mechanic's Lien. The amounts of materials and labor for contracting projects are far greater amounts on single projects than the normal retail sales companies experience. Liability, Workers Compensation, and Auto Insurance are just a few items of general overhead are paid out even before estimates are presented to clients.

We all bear risks, homeowner and contractor alike. If one does not honor a contract the homeowner can forward court proceedings. On the other hand the contractor has no recourse other than the Mechanic's Lien.

We urge you to not jeopardize our field of business.

Sincerely,

James H. Emley, Owner.

JACOBSON FENCE CO. INC. PO BOX 6025 SANTA ROSA, CA 95406 (707) 544-8475 FAX (707) 544-8477 License No. 515709

Oct.30, 2000

TO; California Law Review Commission 400 Middlefield Rd. Rm. D-1 Palo Alto, CA. 94303 Law Revision Commission RECEIVED

NOV 27 2000

FM; Larry Ingham

Sirs; it has come to my attention that the mechanics lien rights are going to be reviewed and possibly changed. I am a sub contractor and in business for over twenty years with a very good reputation for customer satisfaction and I have also been able to collect every penny owed to me due to the fact that I use the CA. Lien Laws as they are presently in place. Although I have never had to go any farther than the courthouse steps with a lien the laws in place have served me well. In almost 99% of hard collection situations the pre-lien notice and the threat of lien as outlined in the pre-lien notice encourages payment. Being a sub contractor the laws as written are probably the only tools I have to prevent bankruptcy.

The best explanation is that as often as not the owner/customer is a contractor or developer, which presents a conflict of interest when it comes to protecting material suppliers and sub contractors. Some owners start projects with every intention of not paying the agreed price on time or in full, or maybe never. The only recourse is locking up the courts in endless lawsuits and litigation or force every job to have performance and payment bonds in place. An escrow account would be another option but what bank would be involved unless they were owners. As far as the homeowners are concerned they would be liable for larger costs to cover every individual on the job because as sub contractors we no longer could trust every general contractor to do the right thing.

Note; the courts would be full of nuisance cases involving contractors and owners to no end, a lot of these cases would be unfair due to the fact that the courts have a preconceived notion that the owner is always right and the contractor is a crook of some sort., a stigma I might add that has also plagued the legal profession. Remember many of these owners are contractors.

If you wish to change anything make the prelien due in 30 days not 20 days a lot of us do not take upfront money and do not expect payment for 30 days. To protect the consumer add a clause that if a contractor is using uninsured or illegal aliens for a labor force that contractor has no lien rights or stop notice rights.

THANK YOU FOR YOUR TIME

They I

mission clay products

A DIVISION OF MCP INDUSTRIES, INC.

GENERAL OFFICES:

1655 E. SIXTH ST. A5a • CORONA, CALIFORNIA 91719 P.O. BOX 1839 • CORONA, CALIFORNIA 91718-1839

(909) 736-1881 • FAX (909) 549-8280

SOUTHERN SALES OFFICE - CORONA, CALIFORNIA (909) 277-4600 NORTHERN SALES
OFFICE - OAKLAND, CALIFORNIA
(510) 568-0800



November 27, 2000

California Law Review Commission 4000 Middlefield Road, Room D-1 Palo Alto, CA 94303-4739 Law Revision Commission RECEIVED

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RE: Proposed changes to the California Mechanics Lien Law

Dear Commission Members:

Mission Clay Products, a Division of MCP Industries, Inc., manufacturers and sells to contractors sewer pipe and related materials. MCP Industries, Inc. currently has approximately 450-500 employees.

The contractors then install this pipe for the owner/developer in their project. As work progresses payments are made to everyone concerned.

When we sell to contractors, under the current California Mechanics Lien Laws, we notify the owner/developer and the lender, of our material being supplied to the project. This protects us from not being paid by the contractor. Prior to releasing funds, the owner/developer requests amounts that are due for our material and usually payments are made jointly to the contractor and us. Projects we normally deliver to are single family residents being developed and are usually several hundred units.

After mailing notice under the current California Mechanics Lien Laws, should we not be paid we have the right to foreclose on the project and retire our debt. This ability insures that the Owner/Developer pays not only the subcontractor, but also us as a material supplier. The lender also has an interest in the project and will assist in insuring that all contractors, laborers, and suppliers are paid.

Changing the laws to disallow these current statues would create an extreme burden on the contractor, owner/developer as suppliers would require payment up front, prior to delivery. This up front payment in most instances could be several thousand dollars creating an extreme burden on the project.

I strongly urge you to very carefully review any changes to the Lien Laws insuring protection for suppliers, laborers and contractors.

Respectfully.

David Kula Credit Manager

DK/pc

cc: file



Law Revision Commission RECEIVED

NOV 3 0 2000

November 27, 2000

File:_____

To: California Law Review Commission 4000 Middlefield Road, Room D-1 Palo Alto, CA 94303-4739

Dear Sirs & Madams,

I understand that you are currently reviewing proposed changes to the California Mechanics' Lien Process. Please be aware of how vital this tool is for us "Subcontractors" in collecting payment for our work. Very often we would not be able to get Contractors or Property Owners to pay their bill without the threat of a Mechanics' Lien. We have been in business for 18 years, have 30 employees and service the Santa Barbara, Ventura and Los Angeles counties. The right to record a Mechanics' Lien serves as a real protection against the growing number of dishonest individuals within our community. If we can't get paid for our services we won't be able to pay our employees.

My sincere thanks for your attention,

Deena Butler, Accounts Receivable Dept. Independent Concrete Cutting, Inc.



TRUCKING CA-2385

P.O. BOX 388 SANTA PAULA, CA 93061

November 28, 2000

Law Revision Commission RECEIVED

NOV 3 0 2000

California Law Review Commission 4000 Middlefield Road, Room D-1 Palo Alto, Ca 94303-4739 File:_____

To Whom It May Concern:

I understand that you have been appointed to review the mechanic's lien process. We are a small crane and trucking service company established in 1979. And the mechanic's lien process is very important to our business. This process in its current form allows me, as a single person running an office, to file the appropriate forms to help protect our rights to payment on projects. I utilize this process very often, and it has proven very effective in helping to keep all involved informed of who is still owed monies.

I hope that you will consider how important the mechanic's lien process is to everyone involved. Please do not limit our rights to fair and timely payments. In a small business, such as ours, a job done without being paid can mean the demise of our organization very quickly.

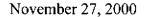
Thank you for your time and consideration to not reducing any of our rights allowed by the mechanic's lien process.

Sincerely,

Mickelle L. Piña

Ventura Crane, Inc.

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California Law Review Commission 4000 Middlefield Road, Room D-1 Palo Alto, Ca 94303-4739 Law Revision Commission RECEIVED DEC 01 2000

File:

To Whom It May Concern:

Trendex Corporation is a commercial drywall contracting company. We have been in business for 38 years. Currently we employ approximately 50 hangers and tapers.

The ISDC Lein Writer software program has been an enormous help to our office staff. It is a very efficient and easy to use program. Our company uses the program on a bi-weekly basis, therefore we do rely heavily on the use of Lein Writer.

For many years we had to type up all preliminary work from scratch and it took up a tremendous amount of time. When we started with the Lein Writer program this enabled us to use our office time much more efficiently. We feel that the ISDC software should not be changed because, as it was said earlier, it is a very valuable program to our company.

**Please feel free to call me if there are any questions – (818) 881-3300.

Yours Truly,

Samantha Port

Preliminary Administrator

Trendex Corporation



11/27/00

Law Revision Commission RECEIVED

DEC 01 2000

California Law Review Commission 4000 Middlefield Road, Room D-1 Palo Alto, CA 94303-47339

Dear Sirs & Madams;

This is a letter of protest re: the proposed changes to our rights on the Mechanic's Lien Rights in California.

This is the only avenue in which we have to collect debt owed to us. Do not change the existing law. If our client does not pay us, we proceed to file a Mechanic's Lien and therefore establish our right for payment. It is needles to say that if we don't get paid, it puts a hardship not only us, but also our suppliers and employees (35+) and their families. It rolls right down the line.

This is not the best thing to do for our industry. We have been in business since 1974 and these rights are necessary to continue to operate.

Sincerely,

Catherine L. Evans

CFO

SLO Plastering, Inc.

Established 1990

Evans Plastering, Inc.

Established 1974

TCA Scaffolding

Established 1984

L. E. BOYD ROOF STRUCTURES

3221 FITZGERALD ROAD • RANCHO CORDOVA, CA 95670

(916) 858-2091 FAX 858-2095

CA LIC NO 317591 ovember 28, 2000

NEV. LIC. NO. 13530

HAWAII LIC. NO. C-08710

To: California Law Review Commission 4000 Middlefield Road, Room D Palo Alto, CO 94303-4739

Law Revision Commission RECEIVED

DEC 01 2000

Re: Mechanic's Lien Laws

File:_____

To whom it may concern:

We have been informed that your organization is under taking a review of proposed changes in mechanics lien laws in this state.

As a sub-contractor with 28 years experience collecting payments from general contractors and owners, I can say that without strong lien rights protection many small contractors would be in constant jeopardy of financial failure. It is the only tool that evens the playing field for the little guy who cannot afford to undertake protracted litigation.

If anything, we would like to see the laws strengthen. A requirement that owners inform all contractors on a job that a notice of completion has been filed would be a matter of basic fairness.

Thank you for your attention.

Sincerely,

L.E. Boyd Roof Structures

arry Boyd



Pavement Recycling Systems, Inc.

RIVERSIDE MAIN Phone: (909) 682-1091 FAX: (909) 682-1094

(760) 747-8879 (760) 599-1993 FAX

November 28, 2000

California Law Review Commission 4000 Middlefield Road, Room D-1 Palo Alto, CA 94303-4739

Re: Mechanics Lien Rights

Law Revision Commission RECEIVED

DEC 04 2000

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To Whom It May Concern:

We have been advised that you are looking at suggesting amendments to the lien laws now in place to protect materialmen, suppliers, and subcontractors from non-payment or underpayment by property owners or general contractors.

Please be advised that changing the rules in any way that will reduce the rights of those who have performed improvements or supplied material or labor to a project will be used to the full advantage of owners and general contractors. We don't like having to file preliminary lien notices, or bond claims, or stop notices, or any of the other myriad actions we must take to protect our investment in a project, but we have learned, the hard way, that not taking all legal action virtually assures we will not be paid.

We would like a simpler system, too. But we ask that you be mindful that the "little guy" is the one who will be hurt if an unscrupulous owner or general contractor can find a way not to pay. (We filed a small claims suit against a general contractor several years ago for non-payment. In court the judge found that we had not filed the required preliminary notice. The defendant acknowledged that we had completed the work as ordered. But because there was no preliminary lien notice filed, the judge dismissed our claim. The general contractor knew he had no liability because we had failed to file).

We ask that you consider all ramifications to any recommendations you may make. Thank you for your consideration.

Pavement Recycling Systems, Inc.

Richard Gove, President

A2.1 ic. 087423

CA Lic. 569352

NV Lic. 0036228



December 1, 2000

Law Revision Commission RECEIVED

DEC 05 2000

File: 4-820

Mr. Stan Ulrich California Law Review Commission 4000 Middlefield Road, Room D-1 Palo Alto, CA 94303-4739

Re: Contractor's Mechanics' Lien Rights

Dear Mr. Ulrich:

We read in the Marin Builders Exchange Weekly Bulletin dated November 29, 2000 that the California Law Review Commission (CLRC) has been assigned the task of reviewing lien laws and making a recommendation to the legislature regarding the continuance of lien laws.

We are a small business and General Contractor in San Rafael, CA. Although it is rare that we are put in the position to use this service, nonetheless, when we have utilized it we were left with a measure of relief knowing our means of getting paid was somewhat secured. We can't emphasize enough the importance of the lien rights to a contractor and supplier. It would be a bias gesture on the part of the CLRC to determine that if someone should bear the risk of a loss, it should be the contractor or material supplier and not the owner.

We anticipate that the commission will implore a practicable solution to this problem, if there is one.

Please don't take away one of the few means we have to collect for work we have accomplished but have not been paid.

Thank you for your consideration to the above matter.

Sincerely,

FORSTER PUMP & ENGINEERING, INC.

Aymono P. Lorson

Raymond P. Forster

President

RF:ps

Lic. #426152

DANIEL A. GAMER ATTORNEY AT LAW

ASSOCIATE COUNSEL
GLENN D. KABANUCK

55 PROFESSIONAL CENTER PARKWAY, SUITE H 5AN RAFAEL, CALIFORNIA 94903-2702 (415) 472-6655

FACSIMILE: (415) 472-3940

December 4, 2000

Stan Ulrich California Law Review Commission 4000 Middlefield Road, Room D-1 Palo Alto, CA 94303-4739

Dear Mr. Ulrich:

Law Revision Commission RECEIVED

DEC 05 2000

File: 4-820

I was admitted to practice in 1969 and have represented contractors, subcontractors, material suppliers and owners in construction-related disputes throughout my career. It is my understanding that the California Law Review Commission is conducting a comprehensive study of the mechanics' lien process and that there is an undefined public momentum for elimination of the mechanics' lien remedy which currently exists under California law.

It is my opinion that the mechanics' lien remedy currently provided by law is absolutely essential for the protection of those in the construction trades. Property owners have available to them under existing law the ability to protect themselves from an inequitable financial result. On the other hand, contractors, subcontractors and all others entitled to the benefit of the mechanics' lien remedy would be left without legal protection on private works of improvement if the mechanics' lien remedy was eliminated.

It is my further opinion that the recent amendments to the mechanics' lien law were ill conceived and produced uncertainty rather than clarity. Every law presents the opportunity for an inequitable result. Publicized examples of owner hardship have appeal to the public at large. However, the construction industry is entitled to fair consideration and minimum levels of protection. I strongly believe that the preservation of the mechanics' lien remedy is a necessary protection for the financial interests of those involved in the construction industry.

I appreciate your consideration of my views in this matter.

Very truly yours.

DANIEL A. GAMER

DAG:p