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**CIVIL CODE - CIV**

**DIVISION 4. GENERAL PROVISIONS [3274 - 9566]** ( *Heading of Division 4 amended by Stats. 1988, Ch. 160, Sec. 16.*  )

**PART 6. WORKS OF IMPROVEMENT [8000 - 9566]** ( *Part 6 added by Stats. 2010, Ch. 697, Sec. 20.*  )

**TITLE 2. PRIVATE WORKS OF IMPROVEMENT [8160 - 8848]** ( *Title 2 added by Stats. 2010, Ch. 697, Sec. 20.*  )

**CHAPTER 5. Stop Payment Notice [8500 - 8560]** ( *Chapter 5 added by Stats. 2010, Ch. 697, Sec. 20.*  )

**ARTICLE 4. Priorities [8540 - 8544]** ( *Article 4 added by Stats. 2010, Ch. 697, Sec. 20.*  )

**8540.** (a) Funds withheld pursuant to a stop payment notice shall be distributed in the following order of priority:

(1) First, to pay claims of persons that have given a bonded stop payment notice. If funds are insufficient to pay the claims of those persons in full, the funds shall be distributed pro rata among the claimants in the ratio that the claim of each bears to the aggregate of all claims for which a bonded stop payment notice is given.

(2) Second, to pay claims of persons that have given an unbonded stop payment notice. If funds are insufficient to pay the claims of those persons in full, the funds shall be distributed among the claimants in the ratio that the claim of each bears to the aggregate of all claims for which an unbonded stop payment notice is given.

(b) Pro rata distribution under this section shall be made among the persons entitled to share in the distribution without regard to the order in which the person has given a stop payment notice or commenced an enforcement action.

(*Added by Stats. 2010, Ch. 697, Sec. 20. (SB 189) Effective January 1, 2011. Operative July 1, 2012, by Sec. 105 of Ch. 697 and by Section 8052.*)

**8542.** Notwithstanding Section 8540:

(a) If funds are withheld pursuant to a stop payment notice given to a construction lender by a direct contractor or subcontractor, the direct contractor or subcontractor may recover only the net amount due the direct contractor or subcontractor after deducting any funds that are withheld by the construction lender pursuant to the claims of subcontractors and material suppliers that have given a stop payment notice for work done on behalf of the direct contractor or subcontractor.

(b) In no event is the construction lender required to withhold, pursuant to a stop payment notice, more than the net amount provided in subdivision (a). Notwithstanding any other provision of this chapter, a construction lender is not liable for failure to withhold more than that net amount on receipt of a stop payment notice.

(*Added by Stats. 2010, Ch. 697, Sec. 20. (SB 189) Effective January 1, 2011. Operative July 1, 2012, by Sec. 105 of Ch. 697 and by Section 8052.*)

**8544.** The rights of a claimant who gives a construction lender a stop payment notice are not affected by an assignment of construction loan funds made by the owner or direct contractor, and the stop payment notice has priority over the assignment, whether the assignment is made before or after the stop payment notice is given.

(*Added by Stats. 2010, Ch. 697, Sec. 20. (SB 189) Effective January 1, 2011. Operative July 1, 2012, by Sec. 105 of Ch. 697 and by Section 8052.*)