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Statement before the State Senate on Bill #AB190

By John B. Douglas

May 7, 2003

Good morning. My name is John B. Douglas. I am a full-time resident of the state of Nevada and a registered voter in Washoe County. I moved to Nevada last fall because of my job re-assignment from New Jersey to Carson City.

My family and I are victims of contractor fraud. Fraud that has been facilitated by the lack of proper regulations governing homebuilders in the State of Nevada, and lack of proper regulations governing The Contractors Board (which is properly named since they benefit the contractors and not the citizens of Nevada).

The proposed changes in AB190 represent the absolute minimum steps forward in protecting new homebuyers in the State of Nevada. I urge this committee to consider the requirement that all funds deposited for new construction be placed in escrow and that performance bonds be required for the full cost of construction on every new home built in the State of Nevada. These are standard practices in many other states. They protect the interests of the citizens without placing a significant burden on homebuilders.

On November 9, 2002, we entered into a contract with Solano Development Company for the construction and purchase of a new home in the ArrowCreek development in Reno. We placed a deposit of \$7,500 in escrow with First American Title Company. Between November 20, 2002 and February 6, 2003, we paid \$33,788 to Solano Development Company for planned upgrades to the home.

On February 16, 2003, we started sending written correspondence to the builder, Walter Stockman, stating our concern over the lack of progress on our home and the missing sub-contractors that had been active during December. In fact, on February 25, 2003, we met with Walter Stockman (the managing partner) and Kent Keith (the CFO) in their offices. Their promises and verbal commitments remain unfulfilled to this date.

On March 9, 2003, we sent a letter to Walter Stockman requesting that he start construction on the house or return our deposits totaling \$41,288. There was no verbal or written response.

On March 17, 2003, we retained a local law firm to represent us. On March 20, 2003, we received a phone call from a Solano Development Company employee who gave us a signed copy of a Cancellation Authorization for \$41,288.

On April 30, 2003, we filed a formal complaint against Solano Development Company, with the Contractors Board. We have been advised that at least 46 other homebuyers have also filed complaints against Solano Development Company and that most of them have been found to be valid.

On Tuesday, of this week we received the \$7,500 deposit from the escrow company. We hope that this amount will cover our legal expenses to date.

We have no idea of when or even if we will ever receive the remaining \$33,788 and yet our legal expenses continue to rise. If we had placed the entire amount in escrow, I wouldn't be here right now.

I find it very difficult to believe that the State of Nevada, where the future economy depends on continued population growth and new home development; would risk sending a message to potential homebuyers to beware of new home developments - their hard earned money is at risk! Today the billboards at our state borders should proclaim, "New Homebuyers beware, we don't protect your rights".

Again, I urge this committee to consider the requirement that all funds deposited for new construction be placed in escrow and that performance bonds be required for the full cost of construction on every new home built in the State of Nevada.

Thank you for listening.