

WARRANTIES AND PERFORMANCE STANDARDS

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Ten-Year Warranty on Structural Components

Foundations and Slabs

Slab Foundation

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General Provisions

There are minimum standards of performance in the building industry for the various elements or components of a home. Independent third-party inspectors may be hired to inspect alleged defects and to make recommendations for repair or replacement of those components of a home that do not meet these standards during the warranty period.

Warranties

New home construction, home improvements changing the square footage of the home's living area and interior remodeling projects exceeding \$20,000 are covered by warranties and performance standards. The warranties and performance standards apply to a completed home or remodeling project, not the homeowner. Any remaining warranty period is transferred automatically to the new homeowner when a home is sold. Projects below \$20,000 in value will have a 1 year warranty on labor & applicable manufacturer's warranty on installed components.

The length of the warranty coverage depends on the type of component. The length of each of the warranties is as follows:

- Warranty of habitability: *ten years*
- Major structural components: *ten years*
- Plumbing, electrical, heating, air-conditioning and ventilation delivery systems: *two years*
- All other components of a home: *one year*

The warranty of habitability covers a construction defect in a component that is otherwise covered by one of the other warranties, but was not discoverable by a reasonable prudent inspection during the original warranty period, and the defect has made the home unsafe or unfit for humans to inhabit. For example, a pipe under a new

home's foundation is leaking but it is not reasonably discoverable by a homeowner during the two-year warranty period on plumbing systems.

After the expiration of the two-year warranty, the pipe leak causes the home's slab foundation to crack in several places making the house unfit or unsafe for human habitation. Although the pipe leak warranty has expired, the fact that it led to an unsafe or unfit condition within ten years of the completion of the home makes the defect subject to the warranty of habitability.

Major structural components are warranted for ten years. Major structural components include the load-bearing elements of the home. These elements include the footings, foundations, beams, columns, load-bearing walls, roof framing systems and other components that support the home. The delivery portion of the plumbing, electrical, heating, air-conditioning and ventilation system is covered by a two-year warranty. All other components of the home are covered by a one-year warranty.

Effective Date of Warranties

The warranties covering a new home begin either when the original homeowner occupies the home or on the day the title to the home is transferred to the initial homeowner from the builder/ remodeler, whichever is earlier. Warranties that cover improvements or remodeling projects to an existing home begin on the day the improvements are substantially completed. Substantial completion means that the improvement can be used for the purpose intended. The original homeowner and the builder/remodeler may provide for a different effective date of the warranties by written agreement.

Time Limits for Reporting

For a defect to be covered, it must be reported to the builder/remodeler within two years of the date it is first discovered, but in no event more than 30 days after the applicable warranty period expires or ten years after the original warranty took effect.

Exclusive Warranties

The warranties and performance standards supersede all other implied warranties for new home construction, improvements and remodeling projects. The warranties and performance standards may not be waived, modified or reduced to limit the protection offered. However, a builder/remodeler or manufacturer may provide longer warranty periods and/or more stringent performance standards.

Manufacturer's Warranties

A home consists of many components that are manufactured and installed in the home without significant modification. These components are known as "manufactured products."

Some common examples of manufactured products include the home's water heater, air conditioner, carpet and light fixtures. Many manufacturers of these products offer warranties that may provide different types of protection in addition to those provided by the builder/remodeler. All manufactured products shall be installed and used according to the manufacturer's instructions and specifications. Only new manufactured products and parts may be installed unless the parties agree otherwise in writing.

The manufacturer's warranty for all manufactured products will be transferred to the homeowner at substantial completion of the project. If a manufactured product fails to operate properly, the manufacturer is responsible for repair or replacement. The builder/remodeler is required to assist the homeowner in coordinating the necessary repairs by the manufacturer. If the manufacturer does not comply with its warranty within a reasonable period of time, the builder/remodeler is required to remedy the defect to comply with the warranties and performance standards.

Other Codes and Standards

In addition to complying with these warranties and performance standards, the builder/remodeler is also required to comply with the International Residential Code (IRC) for all non-electrical work and the National Electrical Code (NEC) for all electrical work. Compliance with the IRC and the NEC also include compliance with any amendments adopted by the local municipality. Other codes and standards that may apply include those of the Federal Housing Administration, the Department of Veterans Affairs, U.S. Department of Housing and Urban Development, the American National Standard Institute (ANSI) and the American Society of Heating, Refrigerating and Air-conditioning Engineers (ASHRAE). In the event of a conflict between the various codes and standards, the most restrictive will apply.

Notifying Your Builder/Remodeler

We hope that you are happy with your new home or remodeling project. The construction of a new home or a remodeled home consists of the assembly of different materials by various types of tradesmen essentially "from scratch." Given this, it is not entirely unusual for issues to arise that may need your builder/remodeler's attention during the months following completion of your project. We hope that with a clear understanding by both the builder/remodeler and homeowner of the appropriate way to notify and respond to issues such as these, all issues will be resolved to everyone's satisfaction in a timely manner.

Be sure to review your warranty or speak with your builder/remodeler to determine if there is a preferred method to request warranty work. While each builder/remodeler may have different ways that they would like to be informed of warranty issues, the following is a general procedure for notifying your builder/remodeler of warranty issues.

- Always request warranty work in writing. Even if your builder/remodeler accepts warranty requests verbally, be sure to follow-up in writing.
- Be sure that your written request provides a reasonably detailed description of each issue in need of repair.
- Allow your builder/remodeler an opportunity to inspect the issue(s) and, if necessary, determine the appropriate method(s) of repair.

Your Builder/Remodeler's Responsibilities

There may be instances where a builder/remodeler and a homeowner do not agree whether a particular issue is covered under warranty or what is an appropriate method of repair of a warranty issue. The Owner and Builder agree that disputes shall be submitted to binding arbitration. The Parties will attempt to resolve any dispute through informal discussions, and the dispute may be submitted to non-binding mediation under the Construction Industry Mediation Rules of the American Arbitration Association

("AAA"). In the event that one or both Parties do not desire to mediate, or the Dispute is not resolved by direct discussions and/or mediation, the Dispute shall be submitted to the AAA for binding arbitration in accordance with the Construction Industry Arbitration Rules of the AAA. The Parties will share equally all filing fees and administrative costs of the arbitration; however, any Award rendered may equitably reallocate those costs. The arbitration shall be governed by Texas law and the U.S. Arbitration Act, 9 U.S.C. §§ 1-16, to the exclusion of any provisions of state law that are inconsistent with the application of the Federal Act. In rendering the Award, the arbitrator shall state the reasons therefor, including any computations of actual damages or offsets, if applicable. The Parties agree to abide by and fully perform in accordance with any Award rendered by the arbitrator. If the non-prevailing Party fails to comply with all aspects of the Award within thirty (30) days following issuance of the Award, then the prevailing Party shall be entitled to seek enforcement of the Award in any court of competent jurisdiction. If such enforcement becomes necessary, the prevailing Party in such proceeding shall recover its necessary and reasonable attorney's fees, in addition to any other relief to which that Party is entitled.

Builders/remodelers are responsible for all work performed under their direction. Work performed under the direction of the builder/remodeler includes any work performed by their subcontractors and suppliers. For example, the builder/remodeler is responsible for the work performed by their plumbing subcontractor and for the performance of the water pipes installed in the home. The builder/remodeler is not responsible for work performed by anyone not under the builder's direction and control. For example, if the homeowner contracted directly with a third party for installation of the water heater, the builder/remodeler would not be responsible for improper installation of the water heater. However, the builder/remodeler is responsible for items selected by the homeowner for installation in the home if the builder/remodeler pays for those items (allowances) as a part of the contract.