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Builder Division
8415 Datapoint Dr., Suite 1050
San Antonio, Texas 78229

ATC # 05-41049861 SC # 32.02

STATE OF TEXAS §
COUNTY OF BEXAR §

Homeowners' Declaration and Disclosure Statement

Owner: DENNIS E. FLORES ([collectively,] "Owner")

Seller: KB HOME LONE STAR LP

Property: Lot 103, Block 1, New City Block 34952C, Redland Woods Subdivision, Unit 4, in the City of San Antonio, Bexar County, Texas, according to the map or plat of record in Volume 9532, Pages 40-41, Deed and Plat Records of Bexar County, Texas.

Address: 18739 Corporate Woods
San Antonio, Texas 77259

This Homeowners' Declaration and Disclosure Statement (this "Statement") dated the below-written date, applies to the home and lot described above (the "Property"). The Property has, as of the date of recordation of this Statement, been purchased from the above Seller ("KB Home") by the undersigned Owner.

Owner hereby acknowledges the following:

1. **THE PROPERTY WAS REPURCHASED FROM THE PREVIOUS HOMEOWNER BY KB HOME LONE STAR LP. OWNER IS ON EXPRESS NOTICE THAT THE PROPERTY WAS ORIGINALLY CONSTRUCTED BY KB HOME AND REPURCHASED BY KB HOME FOR SALE TO THE OWNER.**

2. The Property has in the past experienced certain construction defects as follows:

a. There was an issue raised related to minor deflection of the foundation [Construction Analysts & Associates Consulting report dated September 17, 2003].

b. There were issues raised related to various cosmetic damages [Parker Engineering report dated March 30, 2004; Foster report dated May 3, 2004; see Construction Analysts & Associates Consulting report dated September 17, 2003] including cracks in the brick veneer and sheetrock, as well as, doors not closing or latching properly.

c. There was an issue raised to deflection in the lintel supporting the masonry veneer over the overhead door and distress in the exterior brick veneer finish [see Construction Analysts & Associates Consulting report dated September 17, 2003; Parker Engineering report dated March 30, 2004; Foster report dated May 3, 2004].

d. There were issues raised to water damage near windowsills, and on the ceiling in the family room, and the breakfast/kitchen area [see Construction Analysts & Associates Consulting report dated September 17, 2003; Parker Engineering report dated March 30, 2004; Foster report dated May 3, 2004; Argus King Environmental Consultants report dated April 1, 2004].

e. There was an issue raised regarding leaks at the roof to wall on both the front and rear bay areas. The leaking appeared to be due to the horizontal and sloped joints not having adequate flashing [Foster report dated May 3, 2004].

The above matters are more particularly described in the following reports:

- (1) Parker Engineering report dated March 30, 2004
- (2) Foster report dated May 3, 2004
- (3) Construction Analysts & Associates Consulting report dated September 17, 2003
- (4) Argus/King Environmental Consultants, Ltd. report dated April 1, 2004 (collectively, the "Repair Recommendations").

Copies of the above-referenced reports were provided to Owner by KB Home prior to Owner's execution of this Statement.

3. As described above, KB Home repurchased the Property from the original homeowners. Based upon the Repair Recommendations (defined above), KB Home undertook and completed many of the recommended repairs. The repairs and remedial measures consisted generally of the following work:

- a. In regard to the foundation movement noted in paragraph 2.a above, **no foundation repair work was done** [see Parker Engineering report dated March 30, 2004].
- b. In regard to the cosmetic damages noted in paragraph 2.b above, the sheetrock and brick veneer cracks were repaired and doors were adjusted as needed.
- c. In regard to the cracked masonry noted in paragraph 2.c above, the lintel was removed and replaced over the garage. The brick near the lintel was replaced as needed.
- d. In regard to the environmental issues noted in paragraph 2.d above, the areas showing water penetration were cleaned; damaged baseboards/windowsills and sheetrock were replaced as needed. Additionally, no leaks were found after Coastal Leak Consulting conducted a plumbing leak detection report.
- e. In regard to the leak issues raised in paragraph 2.e above, additional flashing was installed as needed.

Upon completion of the repairs and remedial measures, the Property was inspected by Argus King Environmental Consultants which confirmed that certain repairs met the specifications set forth in the Repair Recommendations. A copy of the letter of Clearance Report from Argus King Environmental Consultants dated October 5, 2005, is attached hereto as **Exhibit B** and incorporated herein for all purposes.

The above matters are more particularly described in the following reports:

- (1) Argus King Environmental, Inc. report dated October 5, 2005
- (2) Coastal Leak Consulting report dated September 26, 2005

Copies of the above-referenced reports were provided to Owner by KB Home prior to Owner's execution of this Statement.

4. In addition to the above remedial measures, the following renovations/maintenance items were made to refresh the home:

- a. Exhaust fans in the powder bathroom and the hall bathroom were replaced
- b. Tile was replaced on the tubs in the master bathroom and in the hall bathroom
- c. All air ducts and the air conditioning return vents were cleaned
- d. New French doors were installed
- e. All carpet and padding was replaced throughout the house
- f. Interior of home was repainted
- g. The exterior paint on the home was touched up on the front door, the garage door, and on the French door.
- h. New vinyl was installed in the front entry way, the powder bathroom, the hall bathroom, and the master bathroom.

5. Owner and future owners of the Property should be aware of the following with respect to their future use of the Property: It is recommended that Owner and future owners of the property maintain a soaker hose around the perimeter of the foundation to maintain moisture next to and under the perimeter to help minimize future foundation movements. [The purpose of a soaker hose is to maintain constant moisture levels around the home.]

6. OWNER HEREBY ACKNOWLEDGES AND AGREES THAT THE PROPERTY WAS REPURCHASED FROM THE PREVIOUS HOMEOWNER BY KB HOME, AND THAT OWNER IS ON EXPRESS NOTICE THAT THE PROPERTY WAS ORIGINALLY CONSTRUCTED BY KB HOME AND HAS SINCE BEEN REPURCHASED BY KB HOME FOR SALE TO THE OWNER. OWNER ACKNOWLEDGES AND AGREES THAT OWNER HAS HAD AN OPPORTUNITY TO INSPECT THE PROPERTY AND IS PURCHASING THE PROPERTY BASED ON SAID INSPECTIONS AND WITH FULL KNOWLEDGE OF THE PRIOR REPAIRS AND REMEDIAL WORK, OR LACK THEREOF AS APPLICABLE, AND OTHER MATTERS RELATING TO THE PROPERTY DESCRIBED IN THIS STATEMENT. OWNER FURTHER ACKNOWLEDGES AND AGREES THAT, NOTWITHSTANDING ANY

PROVISION CONTAINED IN THIS STATEMENT OR IN ITS CONTRACT TO THE CONTRARY, EXCEPT FOR (W) THE WARRANTY OF TITLE TO BE CONTAINED IN THE DEED TO OWNER AND (X) EXPRESS WARRANTIES CONTAINED IN THE KB HOME LIMITED WARRANTY, AS SUCH WARRANTY IS AMENDED AND SUPPLEMENTED BY THIS PARAGRAPH 6 (AS DESCRIBED BELOW, THE "WARRANTY") AND ANY OTHER EXPRESS WARRANTIES THAT MAY BE CONTAINED IN THE CONTRACT, KB HOME MAKES **NO REPRESENTATION OR WARRANTY WHATSOEVER**, WHETHER EXPRESS, IMPLIED, STATUTORY, OR ARISING BY OPERATION OF LAW OR OTHERWISE, WITH RESPECT TO THE PROPERTY, INCLUDING WITHOUT LIMITATION AS TO ITS CONDITION, HABITABILITY, MERCHANTABILITY OR SUITABILITY AND/OR FITNESS FOR A PARTICULAR PURPOSE OR USE. EXCEPT FOR THE MATTERS SET FORTH IN (W) AND (X) ABOVE, SALE OF THE PROPERTY IS MADE ON AN "AS IS," "WHERE IS" AND "WITH ALL FAULTS" BASIS. IN ADDITION, OWNER HEREBY ACKNOWLEDGES AND AGREES THAT OWNER HAS INSPECTED THE PROPERTY TO ITS SATISFACTION, IS PURCHASING THE PROPERTY IN RELIANCE ONLY UPON ITS INSPECTIONS OF THE PROPERTY AND UPON THOSE ITEMS SET FORTH IN SUBSECTIONS (W) AND (X) OF THIS PARAGRAPH ABOVE, AND THAT THE SALE PRICE REFLECTS THE FACT THAT IT IS PURCHASING THE PROPERTY ON AN "AS IS," "WHERE IS," "WITH ALL FAULTS" BASIS (EXCEPT FOR THE LIMITED STRUCTURAL WARRANTY DESCRIBED BELOW). THE PROVISIONS CONTAINED IN THIS PARAGRAPH SHALL SURVIVE THE CLOSING OF OWNER'S PURCHASE OF THE PROPERTY AND SHALL NOT MERGE INTO THE DEED.

OWNER FURTHER ACKNOWLEDGES AND AGREES THAT KB HOME IS NOT RESPONSIBLE FOR, OR BOUND BY, ANY STATEMENT OR AGREEMENT BY A SALESPERSON OR AGENT UNLESS SUCH STATEMENT OR AGREEMENT IS IN WRITING AND IS SIGNED BY THE PRESIDENT OR SALES MANAGER OF KB HOME. IF ANY SALESPERSON HAS MADE A REPRESENTATION TO OWNER, OWNER MUST PUT IT IN WRITING IN THE SPACE PROVIDED BELOW. INSERTING THE WORD "NONE" IN THE SPACE BELOW OR LEAVING THE SPACE BELOW BLANK MEANS THAT OWNER HAS NOT RELIED UPON ANY VERBAL REPRESENTATION FROM KB HOME.

Salesperson's representations to Owner: (If none, so state and initial)

Owner's Initials: D.F.

Owner's Initials: _____

Owner acknowledges that Owner has received and read this Statement. Owner acknowledges and understands that this Statement contains important information affecting Owner's rights and obligations and Owner has familiarized himself/herself with its contents.

Without waiving any rights under law or equity, Owner acknowledges, covenants and agrees that residential construction defect claims regarding any home against KB Home or any homebuilder in Texas are controlled by the Texas Residential Construction Liability Act (Tex. Prop. Code § 27.001 et seq., as amended), which preempts the Texas Deceptive Trade Practices Act (Tex. Bus. & Com. Code § 17.41 et seq., as amended) and any other law.

Owner and KB Home agree as follows with respect to the Warranty:

a. The "Warranty Commencement Date" as set forth in the Warranty shall be **February 23, 1996**, which was the date of the closing of the original sale by KB Home to the original owner. Therefore, the warranty period has expired on all components of the home, including the ten (10) year structural warranty described in Section B.1 of the Warranty, which expired on **February 22, 2006**.

b. Section E of the Warranty is hereby amended as follows:

(i) In the event that there is a Warranty dispute between the homeowner and KB Home that cannot be resolved through meetings and mediation as described in Section E of the Warranty, each party will be required to participate in Arbitration, as

provided in Section E of the Warranty. However, upon the completion of the Arbitration, the homeowner – but not KB Home – will have the right to make a decision either to bind KB Home to the arbitration result *or* to reject the arbitration outcome and pursue litigation against KB Home in court.

(ii) In the event Arbitration is necessary, KB Home agrees to pay all of the fees and expenses of the American Arbitration Association including initiating the arbitration, administrative fees, and arbitrator fees and costs. Each party will pay for its own attorney's fees and other costs in connection with the arbitration.

Except as changed by this Paragraph 6, the Warranty shall remain in full force and effect as drafted.

THE WARRANTY (AS HEREBY AMENDED) IS THE ONLY WARRANTY GIVEN IN CONNECTION WITH THE PURCHASE OF THE PROPERTY. TO THE FULLEST EXTENT PERMITTED BY LAW, ALL OTHER WARRANTIES, EXPRESSED OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, ARE DISCLAIMED, EXCLUDED AND WAIVED.

7. In consideration of KB Home's sale of the Property to Owner, ON BEHALF OF OWNER AND ON BEHALF OF ANY SUCCESSOR PURCHASERS OR OTHER TRANSFEREES OF THE PROPERTY, OWNER HEREBY FULLY RELEASES KB HOME AND ITS AFFILIATES, PARTNERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS (INCLUDING REAL ESTATE BROKERS, AGENTS, AND/OR SALESPERSONS), AND REPRESENTATIVES FROM ALL OTHER LIABILITY AND RESPONSIBILITY WHATSOEVER WITH RESPECT TO THE PROPERTY, EXCEPT FOR THE LIMITED STRUCTURAL WARRANTY AS DESCRIBED IN PARAGRAPH 6 ABOVE. IN SO RELEASING KB HOME, THE UNDERSIGNED ARE ACTING ON THEIR OWN BEHALF AND ON BEHALF OF ALL SUBSEQUENT PURCHASERS AND TRANSFEREES OF THE PROPERTY OR ANY PORTION THEREOF. THIS RELEASE IS INTENDED TO BE AND SHALL BE BINDING UPON OWNER AND ALL SUBSEQUENT PURCHASERS AND TRANSFEREES OF THE PROPERTY OR ANY PORTION THEREOF.

This Homeowners' Declaration and Disclosure Statement is intended to place the undersigned Owner and all subsequent purchasers, lenders, and transferees of the Property on notice of the Property's history and the full release of KB Home from further liability in connection with the Property, except for the Warranty as described in Paragraph 6 above.

OWNER:

Date: December 22, 2005

Dennis E. Flores
Printed Name: Dennis E. Flores

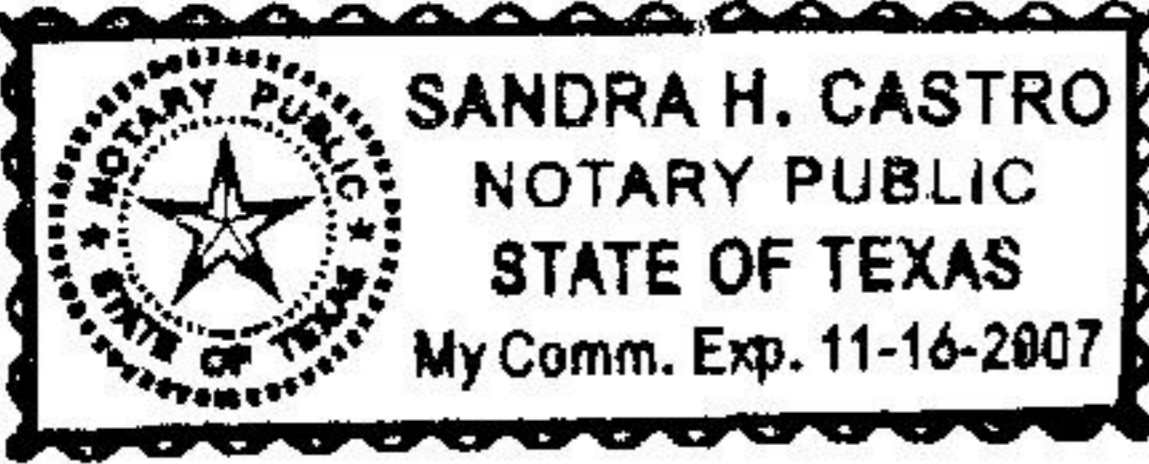
Date: _____, 2005

Printed Name: _____

THE STATE OF TEXAS §
 §
COUNTY OF BEXAR §

Before me the undersigned authority, a notary public in the State of Texas, on this day personally appeared Dennis E. Flores, individually.

Given under my hand and seal of office this the 22nd day of December, 2005.
Sandra A. Castro
Notary Public in and for the State of Texas



My commission expires: _____

After recording, please return to:

KB HOME Lone Star LP
4800 Fredericksburg Road
San Antonio, Texas 78229
Attn: Legal Department

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COUNTY OF BEXAR
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Gerry Rickhoff