



Construction Arbitration Services, Inc.

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Rules for the Arbitration of Home Warranty Disputes

1. Agreement of Parties

These rules shall apply whenever the parties have agreed to utilize them, or under any warranty, insurance or similar dispute settlement program providing for administration by Construction Arbitration Services, Inc. (CAS). These rules shall be applied as set forth in the application for home enrollment, certificate of participation, insurance policy or other applicable warranty documents. They apply to the extent that they are not inconsistent with applicable statutes or with the agreement of the parties. The parties shall be deemed to have agreed to these rules in the form in effect when the request for arbitration is received by CAS and shall be acknowledged and confirmed by the participation of the parties in the CAS process.

2. Initiation of Proceedings

Arbitration is initiated by the filing of a request for arbitration with CAS in accordance with the applicable warranty documents or as set forth under the application for home enrollment, certificate of participation, insurance policy or other applicable warranty documents. After initiation of the proceeding, no new or different claim may be added without compliance with all pre-arbitration notice requirements, written agreement of all parties and the consent of the arbitrator.

3. Appointment of Arbitrator

Construction Arbitration Services, Inc. shall appoint arbitrators from its panel of persons knowledgeable in residential construction.

4. Qualifications of an Arbitrator

A person appointed as arbitrator shall disclose to CAS any circumstances likely to affect impartiality, including any bias or any financial or personal interest in the result of the arbitration or any past or present relationship with the parties or their counsel. Upon receipt of such information from the arbitrator or another source, CAS shall communicate the information to the parties and, if it deems appropriate to do so, to the arbitrator. Upon objection of a party to the service of an arbitrator, CAS shall determine whether the arbitrator should be disqualified and shall inform the parties of its decision, which shall be conclusive.

5. Vacancy

Construction Arbitration Services, Inc. is authorized to appoint another arbitrator if a vacancy occurs or if an appointed arbitrator is unable to serve promptly. The arbitrator shall be subject to disqualification for the reasons specified in Section 4.

6. Time and Place of Hearing

The arbitrator shall fix the date, time and location of the hearing, notice of which must be given to the parties at least ten (10) calendar days in advance. The hearing will be held at the house site whenever possible to allow the arbitrator and the parties to consider the claimed defects. If this is not possible, the hearing will be held at such other suitable place or in such other suitable manner as the arbitrator may designate.

7. Representation

Any party to the proceeding may attend the hearing or be represented at the hearing by another person. In the case of representation by an attorney, in the interest of fairness to all parties, the party retaining counsel or their attorney must advise CAS and the other parties of the identity of their representative at least five (5) calendar days prior to the date of the hearing. Failure to follow this rule with regard to notice may result in an

adjournment of the scheduled hearing and the applicable adjournment fee being due and payable by the party failing to follow this provision.

8. Attendance at Hearings

All persons who are parties to the arbitration agreement, as well as representatives are entitled to attend hearings. Witnesses may attend the hearing subject to the Arbitrator authority to limit attendance or sequester witnesses during all or part of the hearing. The arbitrator shall determine whether any other person may attend the hearing.

9. Postponements

Hearings shall be postponed by the arbitrator only for good cause. All requests for postponements shall be communicated to the arbitrator through CAS.

10. Confidentiality

The proceedings are intended to be confidential. As an informal proceeding, there is no requirement that a stenographic record be taken of the hearing. Any party who wishes to, may make such a provision for a certified court stenographer at that party's own expense. A copy of the transcript must be provided to the arbitrator and a copy made available for the review of the other party. The transcript is agreed by the parties to be confidential. The parties may make appropriate notes of the proceedings, but audio or video recordings are strictly prohibited.

11. Proceedings and Communication with Arbitrator

The hearing shall be conducted by the arbitrator in any manner which will permit full and expeditious presentation of the case by both parties. Normally the hearing shall be completed in one day but the arbitrator may, for good cause, schedule an additional hearing, normally within five (5) calendar days of the date of the initial hearing. There shall be no direct communications between the parties and the arbitrator other than at the hearing except when initiated by the arbitrator pursuant to Section 6 and limited to the time or place of the hearing. In addition, the parties agree to protect the Arbitrator from involuntary communications or testimony, other than the actual time and place of the hearing, in any other forum. The parties or their representative may speak with any other party or that party's representative at any time.

12. Arbitration in the Absence of a Party

Unless the law provides to the contrary, the arbitration may proceed in the absence of any party or representative who, after due notice, fails to be present or fails to obtain an adjournment. An award shall not be made solely on the absence of a party. The arbitrator shall require the party who is present to submit such evidence as the arbitrator may require for the making of an award.

13. Evidence

The parties may offer such evidence as is relevant and material to the controversy and shall produce such additional evidence as the arbitrator may deem necessary to an understanding and determination of the dispute. An arbitrator authorized by law to subpoena witnesses or documents may do so upon the request of any party. A party requesting a subpoena shall be responsible for its preparation and service in accordance with applicable law. The arbitrator shall be the judge of the relevance and materiality of the evidence offered, and conformity to legal rules of evidence shall not be necessary. All evidence shall be taken in the presence of the parties, except as provided under Section 12 and Section 14. The expense of witnesses, expert witnesses or reports for either side shall be paid by the party producing such witnesses and reports.

14. Evidence by Filing of Documents

The Arbitrator(s) may receive and consider documentary evidence. Documents to be considered by the Arbitrator may be submitted prior to the hearing, at the hearing or as directed by the Arbitrator provided a copy is simultaneously transmitted to all other parties and to CAS for transmittal to the Arbitrator.

15. Closing of Hearings

The arbitrator shall determine whether parties have any further proofs to offer or witnesses to be heard. When satisfied that the record is complete, the arbitrator shall declare the hearings closed.

16. Waiver of Rules

Any party who proceeds and who fails to state an objection in writing before the hearing is concluded, regarding any alleged noncompliance with any requirement of these rules or of the process, shall be deemed to have waived the right to any such objection.

17. Serving of Notice

Each party shall be deemed to have consented that any papers, notices or process necessary or proper for the initiation or continuation of an arbitration under these rules or any court action in connection therewith or for the entry of judgment on any award made under these rules may be served on such parties by mail addressed to the party, or the party's attorney, at the last known address or by personal service, in or outside the state where the arbitration is to be held. The mailing requirements may be met by courier service or facsimile machine, telex, telegram or other written forms of electronic communication.

18. Time of Award

The award shall be rendered promptly by the arbitrator and, unless otherwise agreed by the parties, not later than thirty (30) calendar days from the date of the closing of the hearing.

19. Scope of Award

The arbitrator may make any award that is just and equitable within the scope of the warranty or other applicable documents. Where applicable, the award shall determine the existence of an eligible and non-excluded defect covered by the warranty and the time in which the builder or insurer will perform corrective action. If the applicable warranty so provides, the arbitrator, in the award, shall assess arbitration fees and expenses in favor of any party and, in the event that any administration fees or expenses are due to CAS in favor of CAS. Unless otherwise provided, each party shall bear its own attorney's fees.

20. Form of Award

The award shall be in writing and shall be signed by the arbitrator. It shall be executed in the manner required by law.

21. Delivery of Award to Parties

Parties shall accept as legal delivery of the award, the placing of the award or a true copy thereof, in the mail addressed to a party or the party's attorney at the last known address, personal service of the decision or the filing of the award in any other manner that may be permitted by law.

22. Modification and/or Clarification

Within twenty (20) calendar days of the date of mailing of the award, either party may request modification and/or clarification of the award. To be effective, application for modification and/or clarification must be received by CAS within the twenty (20) day timeframe, for transmittal to the arbitrator and all other parties and must be accompanied by the proper administrative fee. A request for Modification and/or Clarification must set forth the specific portion or portions of the award which are subject to the request. The arbitrator is not empowered to redetermine the merits of any claim already decided, but may modify the award if the arbitrator finds that the award is not within the scope of the warranty or its coverage. Written objections to modification and/or clarification request must be received by CAS within ten (10) calendar days of the application for transmittal to the arbitrator and simultaneously sent to all parties. The arbitrator shall dispose of an application for modification and/or clarification within ten (10) calendar days from receipt of an objection or the expiration of time to make objections, whichever is earlier.

23. Arbitration Appeals

Either party to this arbitration may seek an appeal of the arbitrator's decision provided the warranty program under which the arbitration was initiated allows for such appeals. In such a circumstance, the following rules apply:

(a) Within twenty (20) days of the date of mailing of the award or disposition of a request under Section 22, any party may appeal the award or any portion thereof.

(b) To be effective, appeals must be in writing and received within the twenty (20) calendar day period and must be accompanied by the proper administrative fee. It shall set forth the specific portion of the award being appealed.

(c) An Appellate Arbitrator, meeting the qualifications set forth in Section 4, shall be appointed by CAS.

(d) CAS shall mail a copy of the Appeal to each other party. Any party may submit to CAS and the other parties, in writing, their arguments in connection with the Appeal within ten (10) calendar days from the date of mailing by CAS.

(e) The Appeal and any replies shall be transmitted by CAS to the Appellate Arbitrator who shall hear and determine the Appeal in any fair and expeditious manner. If the Appellate Arbitrator deems it desirable or necessary, an additional hearing may be scheduled pursuant to Section 6. At such hearing the Appellate Arbitrator may hear arguments, inspect the home and review the evidence submitted at the initial hearing.

(f) The Appellate hearing is not a hearing de novo and the Appellate Arbitrator may not hear any new claims or review evidence not produced at the initial hearing. The standard for appeal is whether a reasonable Arbitrator could reach the conclusion based upon the evidence presented.

(g) The Appellate Arbitrator shall render an award within ten (10) calendar days of receipt of the Appeal and any opposition documents transmitted by CAS or fifteen (15) calendar days from the date of any hearing. The award shall be sent to the parties by CAS and shall be final.

24. Applications to Court and Exclusion of Liability

By agreeing to these rules or proceeding in any manner under these rules, each party agrees:

(a) No judicial proceeding by a party relating to the subject matter of the arbitration shall be deemed a waiver of the party's right to arbitrate.

(b) Neither CAS nor any arbitrator in a proceeding under these rules is a necessary party in judicial proceedings relating to the arbitration.

(c) Unless the applicable law or the warranty program, insurance policy or another applicable document provides otherwise, the parties to these rules shall be deemed to have consented that judgment upon any arbitration award may be entered in any federal or state court having jurisdiction thereof.

(d) Neither CAS nor any arbitrator shall be liable to any party for any act or omission in connection with any arbitration conducted under these rules.

25. Interpretation and Application of Rules

The arbitrator shall interpret and apply these rules insofar as they relate to the arbitrator's powers and duties. All other rules shall be interpreted and applied by CAS, as administrator.

26. Arbitration Fee Schedule

a. Administration Case Fees

Cases filed with CAS may be "Single" award cases (such as initial determinations of whether a warrantable defect exists, or a determination of method of repair or a determination of cost of repair) or "combined" award cases (where both determinations of the existence of warrantable defects and a method or cost of repair are considered). Either type of case can also be "complex" based upon the issues, number of parties or other considerations.

Single Arbitration Case Fee	\$1,350.00
Combined Arbitration Case Fee	\$1,700.00

These fees are inclusive of arbitrator compensation except as provided in Section (b). Complex cases may involve additional administrative services which will be billed on an hourly rate of \$125.00 per hour deductible from an advance deposit by the parties of \$5,000.00. [See also section (b)]

Arbitration case fees are due and payable when the request for arbitration is filed with CAS. No refund of the arbitration case fees will be made if the case is withdrawn after the Request for Arbitration is filed with CAS.

b. Additional Fees

\$450.00 is payable by the arbitrating parties for each additional day of hearing scheduled after the first day. Additional fees are due if the number of items to be arbitrated are excessive.

The following is a schedule for payment:

51—100	\$175.00	Additional payment
101—150	\$275.00	Additional payment
151—200	\$375.00	Additional payment
201 or above	\$475.00	Additional payment

In the event the arbitration is more than fifty (50) miles from the Arbitrator's residence, additional fees will be assessed based on travel. In addition, the Arbitrator may be entitled to reimbursement for reasonable expenses incurred in connection with the arbitration.

c. Modification and/or Clarification Fee

An administrative fee of \$100.00 will be advanced by the party making application for Modification and/or Clarification and paid to CAS at the time the application for Modification and/or Clarification is transmitted to CAS.

d. Appeal Fee

An arbitration fee of \$1,350.00 will be advanced by the party making application for the appeal and paid to CAS at the time the application for appeal is transmitted to CAS.

e. Compliance Inspection Fee

\$1,350.00 per case payable to CAS and due with the request for a compliance inspection.

f. Climatic Deferral Fee

\$450.00 per case payable to CAS and due with the request for a climatic deferral of item(s) to be resubmitted.

g. Adjournment Fees

\$150.00 is payable to CAS by any party causing an adjournment of any scheduled hearing more than forty-eight (48) hours in advance. \$300.00 is payable to CAS by any party causing an adjournment at or less than forty-eight (48) hours before any scheduled hearing. Such party shall also pay any reasonably incurred expenses of the arbitrator in connection with the scheduled hearing.

*** (a), (b) and (f) fees are not applicable to New Jersey Homeowners in accordance with State Statute.**