

Disclosure Abstract: Separate Disclosure Abstract on ~~the~~ condominium project:

[] Required [X] Not Required - disclosures covered in this report.

Summary of Changes from Earlier Public Reports:

This summary contains a general description of the changes, if any, made by the developer since the last public report was issued. It is not necessarily all inclusive. Prospective buyers should compare this public report with the earlier reports if they wish to know the specific changes that have been made.

[X] The following is a summary of the changes have been made to the sections indicated:

1. The Table of Contents on page 3 was revised to reflect the additional pages for the summary of changes and the new Exhibit "K". A new page 3 is attached.

2. Page 5 of the Final Report was modified to reflect that the people associated with the Project have changed. The condominium management agent shall be Touchstone Properties, Ltd., 567 S. King Street, Suite 178, Honolulu, Hawaii 96813, Phone: 521-6500. The attorney for the Developer is Harold Chu, 333 Queen Street, Suite 400, Honolulu, Hawaii 96813, Phone: 523-7544. A new page 5 is attached.

3. Page 8 of the Final Report was modified to reflect that the lease rent for the entire term is payable up front. The lease rent is \$1.00 per year for 55 year term and is payable at the time of closing. A new page 8 is attached.

4. On page 15 of the Final Public Report, the Home Owner's Warranty and the Appliance Warranty were modified to provide as follows:

(a) Home Owner's warranty.

(i) Seller shall assign to Buyer the home owner's warranty from Residential Warranty Corporation. A copy of said warranty is attached as Exhibit "K".

2. Appliances:

(b) Manufacturer's and Dealer's Warranties. Buyer shall receive a ONE (1) year dealer's warranty on the appliances. The ONE (1) year warranty shall commence on the date Buyer acquires title.

A new page 15 is attached.

5. Page 19 was revised to reflect that this is a Supplementary Report and will be printed on pink paper stock. A new page 19 is attached.

6. Page 20 was modified to delete the reference to the definition of "Eligible Person". A new page 20 is attached.

7. Page 21 is modified to reflect signing of the Supplementary Report by the Developer's representative. A new 21 is attached.

8. Exhibit "E" to the Final Report was modified to provide the reference to additional encumbrances determined in an updated title report. A new Exhibit "E" is attached.

9. A new Exhibit "H" was prepared to reflect the changes to Exhibit "H", the disclosure abstract. The following changes were made:

- A. Touchstone Properties, Ltd. is the managing agent.
- B. Seller is assigning to Buyer the Residential Warranty Corporation warranty. A copy is attached.
- C. Buyer to receive Manufacturing and Dealer's Warranties after Buyer has acquired title.
- D. A new estimated Maintenance Fee Schedule is attached.

A new Exhibit "H" is attached.

10. We have attached a new Exhibit "I". The new terms are as follows:

- A. The lease rent is ONE AND NO/100 DOLLAR (\$1.00) per year for a 55 year term. The lease rent is payable upfront.
- B. If the term of this lease is extended, Lessee shall prepay to Lessor ONE DOLLAR (\$1.00) per year in lease rent for each additional year the term is extended.
- C. In consideration for the fixed amount lease rent, Lessee waives its right to acquire Seller's leased fee interest.

A new Exhibit "I" is attached.

11. Exhibit "J" of the Final Report was substantially modified. The material changes to Exhibit "J" are as follows:

- A. The definition of an "Eligible Person" was revised.
- B. There is no longer a definition for Eligible Retiree.
- C. The determination of Fair Market Value in paragraph (c)(i) was modified to shorten the time period in which the appraisal would be done, to provide that the decision of the appraiser shall be binding, and the Lessee shall pay the cost of the appraisal.
- D. The definition of "qualified appraiser" was further expanded to include other designations.

- E. The definitions of "Permitted Transfers" was revised to further define what transfers are permitted and to provide more flexibility in transfers provided that the Lessee continues to use the premises as his or her principal residence. The Eligible Person or the Lessee (approved in writing by Lessor) may transfer title to his or her spouse or to any of their children.

The occupancy and ownership requirements were modified to provide that the premises must be used as the principal place of residence for the current Lessee or, upon the death of the current Lessee, as the principal place of residence for said Lessee's spouse, children or heir.

- F. The definition of "Priority" is new.
- G. The definition of "Transfer" was further defined to specify that Transfer shall not include any Permitted Transfers and that a Deed in Lieu of Foreclosure is not a Permitted Transfer. Any transfers done with the intent to avoid the UH Purchase Option or UH's Right of First Refusal is not a Permitted Transfer. The Lessee has the burden of notifying Lessor of any transfers including Permitted Transfers. Lessee shall be responsible for all damages and costs to the Lessor for non-compliance with this section.
- H. The "U.H. Purchase Option" in Section (f) was modified.
- I. Section F.3 was modified. Exercise of Option was modified to provide that the Fair Market Value shall be at the time of the occurrence of the Option Event.
- J. U.H. Right of First Refusal in Favor of Lessor was modified to further detail the process by which U.H. Right of Refusal would be exercised.

A new Exhibit "J" is attached.

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I. PEOPLE CONNECTED WITH THE PROJECT

Developer: University of Hawaii Phone: (808) 956-6132
Name (Business)
2444 Dole Street
Business Address
Honolulu, Hawaii 96822

Names of officers or general partners of developers who are corporations or partnerships:

Real Estate
Broker: James Kometani, Inc. (R) Phone: (808) 591-8166
1259 South Beretania Street
Business Address
Honolulu, Hawaii 96814

Escrow:
Name Island Title Corporation Phone: (808) 526-9171
1132 Bishop St., Suite 400
Business Address
Honolulu, Hawaii 96813
(Business)

General
Contractor: G. W. Murphy Construction Company, Inc. Phone: (808) 836-0454
Name (Business)
650 Kakoi Street
Business Address
Honolulu, Hawaii 96819

Condominium
Managing
Agent: Touchstone Properties, Ltd. Phone: (808) 521-6500
Name (Business)
567 S. King Street, Suite 178
Business Address
Honolulu, Hawaii 96813

Attorney for
Developer: Harold Chu, Attorney at Law, A Law Corporation Phone: (808) 523-7544
Harold Chu
Name (Business)
333 Queen Street, Suite 400
Business Address
Honolulu, Hawaii 96813

I. THE CONDOMINIUM PROJE

A. Interest to be Conveyed to Buyer:

[] Fee Simple: Individual apartments and the common elements, which include the underlying land, will be in fee simple.

[X] Leasehold or Subleasehold: Individual apartments and the common elements, which includes the underlying land will be leasehold.

Leases for the individual apartments and the underlying land usually require that at the end of the lease term, the lessee (apartment owner/tenant) deliver to the lessor (fee property owner) possession of the leased premises and all improvements, including improvements paid for by the lessee.

Exhibit I contains further explanations regarding the manner in which the renegotiated lease rents will be calculated and a description of the surrender clause provision(s).

Lease Term Expires: 55 years after Commencement Date, subject to Lessee's rights to extend.

Rent Renegotiation Date(s): None

Lease Rent Payable: [] Monthly [] Quarterly [X] Payable at Closing
[] Semi-Annually [] Annually

Lease Rent is One Dollar per year for 55 year term and the rent for the entire 55 year term is payable at the time of closing.

For Subleaseholds:

[] Buyer's sublease may be canceled if the master lease between the sublessor and fee owner is [] Canceled [] Foreclosed

[] As long as the buyer is not in default, the buyer may continue to occupy the apartment and/or land on the same terms contained in the sublease even if the master lease is canceled or foreclosed.

[] Individual Apartment in Fee Simple; Common Interest in the Underlying Land in Leasehold or Subleasehold:

Leases for the underlying land usually require that at the end of the lease term, the lessees (apartment owners/tenants) deliver to the lessor (fee property owner) their interest in the land and that they either (1) remove or dispose of the building(s) and other improvements at the lessee's expense; or (2) convey the building(s) and improvements to the lessor, often at a specified price.

Lease Rent is One Dollar per year for 55 year term and the rent for the entire 55 year term is payable at the time of closing.

Lease Term Expires: _____

Rent Renegotiation Date(s): _____

Lease Rent Payable: [] Monthly [] Quarterly
[] Semi-Annually [] Annually

Exhibit _____ contains a schedule of the lease rent for each apartment per [] Month [] Year.

Blanket Liens:

A blanket lien is an encumbrance (such as a mortgage) on the entire condominium project that secures some type of monetary debt (such as a loan) or other obligation. A blanket lien is usually released on an apartment-by-apartment basis upon payment of specified sums so that individual apartments can be conveyed to buyers free and clear of the lien.

[X] There are no blanket liens affecting title to the individual apartments.

[] There are blanket liens which may affect title to the individual apartments.

Blanket liens (except for improvement district or utility assessments) must be released before the developer conveys the apartment to a buyer. The Buyer's interest will be affected if the developer defaults and the lien is foreclosed prior to conveying the apartment to buyer.

<u>Type of Lien</u>	<u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u>
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F. Construction Warranties:

Warranties for individual apartments and the common elements, including the beginning and ending dates for each warranty, are as follows:

1. Building and Other Improvements:

Home Owner's Warranty.

(i) Seller shall assign to Buyer the home owner's warranty from Residential Warranty Corporation. A copy of said warranty is attached as Exhibit "K".

2. Appliances:

(b) Manufacturer's and Dealer's Warranties. Buyer shall receive a ONE (1) year dealer's warranty on the appliances. The ONE (1) year warranty shall commence on the date Buyer acquires title.

2. Rights Under the Sale Contract: Before signing the sale contract, prospective buyers should ask to see and carefully review all documents relating to the project. If these documents are not in final form, the buyer should ask to see the most recent draft. These include but are not limited to the:

- A) Condominium Public Reports issued by the Developer which have been given an effective date by the Hawaii Real Estate Commission.
- B) Declaration of Condominium Property Regime.
- C) Bylaws of the Association of Apartment Owners.
- D) House Rules.
- E) Condominium Map.
- F) Escrow Agreement.
- G) Hawaii's Condominium Law (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules, Chapter 16-107, adopted by the Real Estate Commission, as amended).
- H) Other _____

Copies of the condominium and sales documents and amendments made by the developer are available for review through the developer and are on file at the Department of Commerce and Consumer Affairs. Reprints of Hawaii's Condominium Property Act (Chapter 514A, HRS) and Hawaii Administrative Rules, Chapter 16-107) are available at the Cashier's Office, Department of Department of Commerce and Consumer Affairs, 1010 Richards Street, 3rd Floor, Honolulu, Hawaii, mailing address: P.O. Box 541 Honolulu, HI 96809, at a nominal cost.

This Public Report is a part of Registration No. 3231 filed with the Real Estate Commission on November 21, 1994.

Reproduction of Report. When reproduced, this report must be on:

[] yellow paper stock [] white paper stock [X] pink paper stock

C. Additional Information I Covered Above

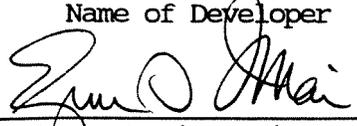
Each Apartment in the Project is subject to the right of the University of Hawaii to repurchase the Apartment. A summary of those rights in favor of University of Hawaii are set forth in the Apartment Lease, Exhibit A to the Leasehold Condominium Deposit, Receipt and Sales Agreement and Exhibit J of this Public Report.

D. The developer hereby certifies that all the information contained in this Report and the Exhibits attached to this Report and all documents to be furnished by the developer to buyers concerning the project have been reviewed by the developer and are, to the best of the developer's knowledge, information and belief, true, correct and complete.

UNIVERSITY OF HAWAII

Name of Developer

By


Duly Authorized Signatory

July 25, 1996

Date

EUGENE S. IMAI, Senior Vice-President for Administration

print name & title of person signing above

Distribution:

Department of Finance, City and County of Honolulu
Planning Department, City and County of Honolulu
Federal Housing Administration

EXHIBIT "I"

EXPLANATION OF NO LEASE RENT AND A DESCRIPTION OF THE SURRENDER CLAUSE PROVISION

Lessee shall pay Lessor rent of ONE DOLLAR (\$1.00) per year or a total of FIFTY-FIVE AND NO/100 DOLLARS (\$55.00) for the entire term of the lease. This lease rent is payable as follows:

a. Lessee shall prepay the lease rent for the fifty-five (55) year term at the commencement of this lease. The rent shall be deemed to have been prepaid with the payment of the aforesaid \$55.00 and no further rent shall be payable during the term of this lease, except if the term of this lease is extended.

If the term of this lease is extended, Lessee shall prepay to Lessor ONE DOLLAR (\$1.00) per year in lease rent for each additional year the term is extended.

The lease rent of ONE DOLLAR (\$1.00) per year is substantially below market rent and is a waiver of Lessor's right to increase the annual lease rent in the future. In consideration for the fixed lease rent and Lessor's waiver of its right to increase the amount of the annual lease rent, Lessee agrees to the following: A) Lessee shall release and waive all right it may have had, may have or may in the future have to acquire a leased fee interest in the Project for any portion of that certain parcel of land more particularly described in Exhibit "A" and B) of the Sales Contract and the Lessee accepts the terms, conditions and restrictions set forth in the Lease. If the Lease is assigned to a person who is not an Eligible Person, then the following provisions apply:

2. Determination of Fair Market Value of Land. In ascertaining the fair market value of the Land, the arbitrators shall assume for purposes of their appraisal that (i) the Land is vacant of all improvements, and (ii) the Land may be used only for the same use and density to which the Land is actually being put as of the negotiation date.

3. Description of Surrender Clause Provisions in the Apartment Lease.

3.1 At the end of the term or other sooner termination of the Apartment Lease, the Apartment Owner must deliver to the Lessor possession of the Apartment, free and clear of all liens, claims, charges and encumbrances, in good repair, order and condition except for reasonable wear and tear and as otherwise provided under the Apartment Lease.

END OF EXHIBIT "I"

EXHIBIT "E"

ENCUMBRANCES AGAINST TITLE

1. Title to all minerals and metallic mines reserved to the State of Hawaii.

2. AS TO PARCEL SECOND ONLY:

Easement D-5, for drainage purposes, in favor of the City and County of Honolulu, over, under, across and through a portion of the land herein described, containing an area of 5,878 square feet, more or less, as shown on survey map prepared by Alden S. Kajioka, Licensed Land Surveyor, Certificate No. LS-6605, dated September 29, 1993.

3. Condominium Map No. 1052, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, and Condominium File Plan 2138, filed in the Bureau of Conveyances of the State of Hawaii.

4. Covenants, conditions, restrictions, reservations, agreements, obligations, provisions and easements set forth in the Declaration of Condominium Property Regime dated October 24, 1994, filed November 4, 1994 in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Land Court Document No. 2193391 and also recorded November 4, 1994 in the Bureau of Conveyances of the State of Hawaii as Document No. 94-181939, as amended by instrument dated December 6, 1994, filed December 9, 1994 in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Land Court Document No. 2202546, and also recorded December 9, 1994 in the Bureau of Conveyances of the State of Hawaii as Document No. 94-201434.

5. Terms and provisions contained in the By-Laws of the Association of Apartment Owners of Kau'iokahaloa Iki dated October 24, 1994, filed November 4, 1994, in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Land Court Document No. 2193392 and also recorded November 4, 1994 in the Bureau of Conveyances of the State of Hawaii as Document No. 94-181940.

6. An easement for utility purposes, in favor of Hawaiian Electric Company, Inc., a Hawaii corporation, dated January 11, 1996, recorded February 28, 1996, in the Bureau of Conveyances of the State of Hawaii as Document No. 96-026953.

Said easement was assigned as Additional Security in instrument recorded in said Bureau as Document No. 96-026954.

7. Any and all covenants, conditions, restrictions, and easements encumbering the apartment herein mentioned, and/or the common interest appurtenant thereto, as created by or mentioned in said Declaration, as amended, and/or said Apartment Lease, and/or as delineated on said Condominium Map and Condominium File Plan.

END OF EXHIBIT "E"

EXHIBIT "H"

DISCLOSURE ABSTRACT

1. (a) PROJECT: KAU'IOKAHALOA IKI
3030 Lowrey Avenue
Honolulu, Hawaii 96822
 - (b) DEVELOPER: UNIVERSITY OF HAWAII
2444 Dole Street
Honolulu, Hawaii 96822
Telephone: (808) 956-6132
 - (c) MANAGING AGENT: Touchstone Properties, Ltd.
567 S. King Street, Suite 178
Honolulu, Hawaii 96813
Telephone: (808) 521-6500
2. Breakdown of annual maintenance fees and monthly estimate costs for each unit are more fully described in Exhibit "1" attached hereto (revised and updated every twelve (12) months and certified to have been based on generally accepted accounting principles).
3. DESCRIPTION OF ALL WARRANTIES COVERING THE UNITS AND COMMON ELEMENTS:
1. Buildings and Other Improvements:
 - (a) Home Owner's Warranty.

(i) Seller shall assign to Buyer the home owner's warranty from Residential Warranty Corporation. A copy of said warranty is attached as Exhibit "B" to this Agreement.
 2. Appliances:
 - (b) Manufacturer's and Dealer's Warranties. Buyer shall receive a ONE (1) year dealer's warranty on the appliances. The ONE (1) year warranty shall commence on the date of Buyer's occupancy. A copy of the extended warranty plan is attached as Exhibit "C" to the Sale Contract.
 - (c) Disclaimer of Warranties. Except for the agreements set forth above, it is expressly understood and agreed by and between Seller and Buyer that there are no warranties which extend beyond the description on the face of this Agreement. SELLER MAKES NO WARRANTIES OR PROMISES OF "MERCHANTABILITY", "HABITABILITY", "WORKMANLIKE CONSTRUCTION" OR "FITNESS FOR A PARTICULAR USE OR PURPOSE" OR ANY OTHER WARRANTIES OR PROMISES OF ANY KIND, EXPRESS

OR IMPLIED, ABOUT THE APARTMENT, OR THE PROJECT (INCLUDING THE COMMON ELEMENTS AND LIMITED COMMON ELEMENTS OF THE PROJECT), OR ABOUT ANY FURNISHINGS, FIXTURES, APPLIANCES OR OTHER CONSUMER PRODUCTS OR ANYTHING ELSE INSTALLED, ATTACHED, AFFIXED OR OTHERWISE CONTAINED IN THE APARTMENT, OR THE PROJECT (INCLUDING THE COMMON ELEMENTS AND LIMITED COMMON ELEMENTS THEREOF).

(d) Except as stated in (a) and (b), there are no warranties.

4. USE OF UNITS. The apartments shall be occupied and used only for residential purposes and such other purposes as shall be permitted by the zoning law applicable thereto. All other uses are prohibited. No apartment shall be used as a tenement or rooming house or for or in connection with the carrying on of any business, trade or profession whatsoever. By way of illustration, but not limitation, an apartment may be used by the owner for consulting practice and related home occupations subject to restrictions imposed by applicable zoning laws. The apartments shall not be rented by the owners thereof for transient or hotel purposes, which shall be defined as (a) rental for any period less than seven (7) consecutive days; or (b) any rental in which the occupants of the apartment are provided customary lodging services, such as room service for food and beverage, maid service, furnishing of laundry and linen, telephone switchboard, and bellboy service.

ESTIMATED OPERATING EXPENSES

For Period January 1, 1996 to December 31, 1996
As Prepared by Developer

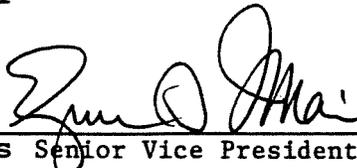
Estimated Annual Expenses and Estimated Monthly Common Expenses

SEE ATTACHED MAINTENANCE FEE SCHEDULE

Developer certifies that the maintenance fees and costs as estimated by the Developer is based on generally accepted accounting principles.

UNIVERSITY OF HAWAII, a public body
corporate and politic of the State of
Hawaii

By


Its Senior Vice President for Administration

"Developer"

KAU'IOKAHALOA IKI CONDOMINIUMS
 MAINTENANCE FEE SCHEDULE

ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS:		MONTHLY EXPENSES	X 12 Mos.	ANNUAL EXPENSE:
Utilities and Service:				
Electricity (common elements only)		\$125.00	12	\$1,500.00
Refuse Collection		\$300.00	12	\$3,600.00
Water and Sewer		\$1,325.00	12	\$15,900.00
Maintenance, Repairs and Supplies:				
Building Repairs & Maintenance		\$150.00	12	\$1,800.00
Grounds - Landscaping & Lighting		\$1,000.00	12	\$12,000.00
Management Expenses:				
Management Fee		\$594.00	12	\$7,128.00
Office Expenses		\$15.00	12	\$180.00
Insurance:				
Insurance (common elements)		\$2,159.42	12	\$25,913.04
Reserves:				
Replacement Reserves		\$543.75	12	\$6,525.00
Taxes and Government Assessments:				
		\$12.00	12	\$144.00
TOTAL		\$6,224.17	12	\$74,690.04
Cost per Unit per Month - Total 30 Units:		\$207.47		

EXHIBIT "J"

The following are provisions from Sections D, E, F, G, and H of the Apartment Lease relating to the Lessor's rights to repurchase the Apartment:

D. DEFINITIONS APPLICABLE TO SPECIAL PROVISIONS.

The following definitions shall apply to Sections E, F, G, and H of this Apartment Lease.

(a) "Day" shall mean a calendar day.

(b) "Eligible Person" shall mean a natural person who, at the time of purchase, is a full time appointee of the University of Hawaii Board of Regents, employed on an Oahu Campus of the University of Hawaii and whose work place is on Oahu. At the discretion of the President of the University of Hawaii, an Eligible Person may also be a person, partnership or corporation, who purchases the premises and who shall allow the premises to be occupied by an Eligible Person throughout its ownership and shall comply with the terms and conditions of this Lease.

(c) "Fair Market Value" means the fair market value of the premises as of the date of the Option Event as agreed upon by the Lessor and Lessee or if they fail to agree, then as determined by an appraisal undertaken in the following manner:

(i) Within ten (10) days of the occurrence of any Option Event (as hereinafter defined), Lessor and Lessee shall select a independent qualified appraiser to prepare a written appraisal of the fair market value of the premises within 10 days after being selected. The premises shall be appraised as though it were to be purchased by an Eligible Person. The appraisal shall include the value of any improvements, including any that Lessee may have added to the premises after the date of the Apartment Lease. The decision of the appraiser shall be binding upon both Lessor and Lessee. The Lessee shall pay the cost of this appraisal.

(ii) For purposes hereof, a "qualified appraiser" shall mean an appraiser licensed in the State of Hawaii having one or more of the following qualifications: (i) Federal National Mortgage Association approved appraiser; (ii) Society of Real Estate Appraisers ("SREA") appraiser; (iii) Society of Residential Appraisers ("SRA") appraiser; or (iv) a member of the American Institute of Real Estate Appraisers, ("M.A.I.") appraiser.

(d) "Lessor and "Lessee" shall mean Lessor and Lessee under this Lease and their respective successors and assigns.

(e) "Notice" shall mean the giving of notices hereunder by one party to the other. Any such notice shall be in writing, and presumed to have been given on the same day if telexed or telefaxed or on the fifth (5th) day after the date upon which any such notice was mailed, postage prepaid, by certified or registered mail, return receipt requested, properly addressed to Lessor or Lessee at the address set forth in the Apartment Lease (or assignment thereof) or to such other address as a party shall have subsequently notified the other in writing.

(f) "Permitted Transfer" shall mean any of the following:

(i) The creation of a lien or other encumbrance shall be permitted provided it does not involve the transfer of occupancy of the Premises;

(ii) If the Lessee is an Eligible Person, a transfer by devise, descent, or operation of law on the death of said Eligible Person shall be permitted provided the heir, devisee or beneficiary of the Eligible Person becomes the surviving owner of the premises and shall continue to use the premises as his or her principal place of residence;

(iii) If the Lessee is a Non-Eligible Person (approved in writing by the Lessor) a transfer by devise, descent, or operation of law on the death said Non-Eligible Person shall be permitted provided the heir, devisee or beneficiary of said Non-Eligible Person becomes the surviving owner of the premises and shall continue to use the premises as his or her principal place of residence.

(iv) A transfer by devise, descent or operation of law upon the death of the Lessee (approved in writing by Lessor) is permitted provided the heir, devisee, or beneficiary of said Lessee become the surviving owner and shall continue to use the premise as his or her principal place of residence.

(v) A transfer by an Eligible Person to the Eligible Person's spouse or to a child of the Eligible Person is permitted provided the Eligible Person continues to use the premises as his or her principal place of residence after the transfer;

(vi) A transfer by a Non-Eligible Person (approved in writing by the Lessor) to the spouse or a child of said Non-Eligible Person is permitted provided said Non-Eligible Person continues to use the premises as his or her principal place of residence after the transfer.

(vii) A transfer resulting from a decree of dissolution of marriage, legal separation agreement, or from an

incidental property settlement agreement, shall be permitted provided an Eligible Person becomes the owner of the premises;

(viii) A transfer into an inter vivos trust in which Eligible Person or a Non-Eligible Person (approved in writing by the Lessor) is the primary beneficiary is permitted provided said Eligible Person or Non-Eligible Person continues to use the premises as his or her principal place of residence and the rights of occupancy in the premises are not transferred. If, however, the Settlor does not continue to use the premises as his or her principal place of residence, this shall not be a Permitted Transfer;

(g) "Priority". An Eligible Person who at the time of application does not own an interest in residential real property within the State of Hawaii suitable for occupancy as a principal place of residence shall have priority to purchase if there are more prospective purchasers than housing units available. If it is determined by Lessor that sufficient demand does not exist to sell all units in the Project to Eligible Persons, units may be sold to persons who are not Eligible Persons, in accordance with any priority ranking as may be established by Board Policy or Executive Policy of the University of Hawaii.

(h) "Transfer" shall mean to sell (including by way of an agreement of sale), bargain, convey, lease, sublease, subrent or otherwise transfer or dispose of any interest in the Property whether voluntarily or involuntarily other than for security purposes. Transfer shall not include any Permitted Transfer. A Deed in Lieu of Foreclosure is not a Permitted Transfer. Any transfer done with the intent to avoid the U.H. Purchase Option or U.H. Right of First Refusal is not a Permitted Transfer. Lessee must notify Lessor of all transfers including Permitted Transfers. Any transfer made without notice to the Lessor shall continue to be subject to the U.H. Purchase Option and the U.H. Right of First Refusal. Lessee shall be the responsible for all damages, costs and fees, including reasonable attorney's fees that the Lessor may incur due to any failure of the Lessee to notify Lessor and for all costs and damages to the Lessor and to the transferee due to Lessee's breach of any terms of this Lease.

(i) "U.H. Purchase Option" shall mean an option in favor of the Lessor to purchase the premises at its Fair Market Value, in accordance with Section F below.

(j) "U.H. Right of First Refusal" shall mean an option in favor of Lessor to purchase the premises at the same price and on the same terms as a third party may offer to purchase, the premises, in accordance with Section G below.

E. OCCUPANCY AND OWNERSHIP REQUIREMENT.

The premises demised by this Lease shall be used as the principal residence for an Eligible Person, or, in the event of the death of an Eligible Person for the spouse, children or heir of such deceased Eligible Person. If the Lessor has consented to the premises being transferred to a Non-Eligible Person, the premises demised by this Lease shall be used as the principal residence of said Non-Eligible Person, or in the event of the death of said Non-Eligible Person, as the principal residence for the spouse, children or heir of said Non-Eligible Person. Lessor shall have the right from time to time to submit to Lessee a verification of the occupancy status of the premises. Failure by Lessee to respond to the verification within thirty (30) days shall be sufficient reason for Lessor to determine that the Lessee is not in compliance with this occupancy requirement.

F. U.H. PURCHASE OPTION.

F.1 Option to Purchase. Lessor shall have the exclusive right and option at any time during the Option Period to purchase the premises from the Lessee at its Fair Market Value upon the happening of any of the following events (each is called an "Option Event").

(a) It shall be an Option Event if the Eligible Person fails to occupy the premises as his or her principal residence unless such failure is due to death.

(b) If the Lessor has consented in writing to the transfer of the premises to a Non-Eligible Person, it shall be an Option Event if said Non-Eligible Person fails to occupy the premises as his or her principal residence unless such failure is due to the death of said Non-Eligible Person.

(c) It shall be an Option Event if the current Lessee fails to occupy the premises as his or her principal place of residence.

(d) Any transfer or agreement to transfer the premises shall be an Option Event, unless such transfer or agreement to transfer is a Permitted Transfer. A Deed in Lieu of Foreclosure is not a Permitted Transfer. Any transfer done with the intent to avoid the U.H. Purchase Option or U.H. Right of First Refusal is an Option Event.

F.2 Option Period. The Option Period shall be the thirty (30) days following the date that the Lessee gives Lessor written notice that an Option Event shall have occurred. If the Lessor ascertains that an Option Event has occurred and the Lessee has not given notice of said Option Event, the option period shall begin thirty (30) days following the date that the Lessor gives

Lessee written notice that an Option Event has occurred. If Lessor shall have failed to exercise the option by giving written notice to Lessee within the Option Period, such shall constitute an election by Lessor not to exercise the U.H. Purchase Option.

F.3 Exercise of Option. If Lessor shall have exercised the Option within the Option Period, such shall create a contract between Lessor and Lessee for the purchase and sale of the premises at its Fair Market Value at the time of the Option Event. The closing shall occur within forty-five (45) days thereafter.

If the Lessor fails to tender the consideration at the Closing or if Lessor otherwise breaches its obligations, the rights of Lessor to purchase the premises pursuant to the U.H. Purchase Option shall terminate as to the current Lessee only, at the option of the current Lessee, and Lessee may exercise its remedies on account of Lessor's failure to perform its agreement. The acquirer of the lease from the current Lessee or the estate of the current Lessee shall be subject to the restrictions in Paragraph D through H of this Agreement.

G. U.H. RIGHT OF FIRST REFUSAL IN FAVOR OF LESSOR.

G.1 Lessee may not enter into an agreement to transfer or voluntarily transfer the premises or any interest therein unless Lessee shall have first delivered a notice in writing to the Lessor stating the price, terms, and conditions of the proposed or actual transfer, the identity of the proposed or actual transferee and whether and on what basis the proposed transferee is an Eligible Person ("Offer Notice") or that the transfer is a Permitted Transfer. If the proposed transfer is not a Permitted Transfer, the Offer Notice to the Lessor shall be deemed an offer by Lessee to sell the premises to Lessor. The next ONE HUNDRED EIGHTY (180) days following the date of delivery of the Offer Notice shall be deemed the "Offer Period". During the Offer Period, Lessee may concurrently offer to sell the premises to any other Eligible Person subject to the Lessor's right to match any offer made to Lessee during the Offer Period. The Lessee's offer to sell the premises to the Lessor may not be withdrawn by Lessee during the Offer Period. Lessor shall have the right to purchase the premises on the terms and conditions stated in the Offer Notice. If the Offer Period expires and U.H. does not purchase the premises, Lessee may sell the premises to anyone but any offer to Lessee shall be subject to Lessor's Right of First Refusal.

G.2 If Lessor desires to purchase the premises, Lessor shall deliver to Lessee before the expiration of the Offer Period a written notice (the "Acceptance Notice") of Lessor's election to purchase the premises, and the closing shall occur within 45 days thereafter. Delivery of the Lessor's Acceptance Notice to Lessee shall create a contract between Lessor and Lessee for the sale by Lessee and the purchase by the Lessor of the premises. The failure

of Lessor to accept the offer within the Offer Period shall be deemed a rejection of the offer by Lessor.

G.3 If Lessor delivers an Acceptance Notice to Lessee, but fails to tender the consideration at the Closing, or otherwise breaches its obligations, the rights of Lessor to purchase the premises shall terminate at the option of Lessee, and Lessee may exercise its remedies on account of Lessor's failure to perform its agreement.

G.4 If the premises is not sold to Lessor under Paragraphs G.1 to G.3 of this Apartment Lease, the premises shall be released, for a period of sixty (60) days after the expiration of the Offer Period or the Closing Date, as applicable, from the U.H. Right of First Refusal; provided, however, that the premises shall be released solely for the purpose of the proposed transfer to the proposed transferee, on the terms and conditions contained in the Offer Notice, and provided further, that before consummation of the transfer, the transferee shall execute an instrument agreeing to the restrictions contained in Paragraphs D through H of this Apartment Lease. If the transfer is not consummated within such sixty (60) day period, the provisions of Sections G.1 through G.5 of this Apartment Lease shall again apply to any proposed sale or other transfer by Lessee of all or any portion of his interest in the premises.

G.5 Except as otherwise provided, the U.H. Right of First Refusal, will run with the premises and shall apply to any voluntary transfer of the premises or any interest therein.

H. PROTECTION OF MORTGAGEE.

H.1 During the existence of any mortgage of this Apartment Lease, Lessor will not terminate this Apartment Lease because of any default by Lessee hereunder or other cause whatsoever if, within a period of 120 days after Lessor has mailed written notice of intention to terminate this Apartment Lease for such cause to the mortgagee at its last known address and also, if such mortgage is insured by the Department of Housing and Urban Development or guaranteed by the Veterans Administration, to such Department or Administration, the mortgagee or such Department or Administration shall either cure such default or other cause or, if the same cannot be cured by the payment of money, shall undertake in writing to perform all the covenants of this Apartment Lease capable of performance by it until such time as this Apartment Lease shall be sold upon foreclosure pursuant to such mortgage, and in case of such undertaking Lessor will not terminate this Apartment Lease within such further time as may be required by the mortgagee or such Department or Administration to complete foreclosure of such mortgage or other remedy thereunder provided (a) that such remedy is pursued promptly and completed with due diligence, and (b) that Lessor is paid all rent and other charges

accruing hereunder as the same become due, and upon foreclosure sale of this Apartment Lease the time for performance of any obligation of Lessee then in default hereunder other than payment of money shall be extended by the time reasonably necessary to complete such performance with due diligence. Ownership by or for the same person of both the fee and leasehold estates in said premises shall not effect the merger thereof without the prior written consent of any mortgagee to such merger.

H.2 Notwithstanding any provisions to the contrary, the U.H. Purchase Option and the U.H. Right of First Refusal described in Sections G and H respectively and the Use Restrictions imposed in Section F herein shall be automatically extinguished and shall not attach in subsequent transfers of title when a mortgage holder or other party becomes the owner of the premises pursuant to a mortgage foreclosure, foreclosure under power of sale, or a conveyance in lieu of foreclosure after a foreclosure action is commenced; or when a mortgage is assigned to a federal housing agency. Any law to the contrary notwithstanding, a mortgagee under a mortgage covering real property or leasehold interest encumbered by the U.H. Purchase Option and the U.H. Right of First Refusal prior to commencing mortgage foreclosure proceedings, shall notify Lessor in writing of (1) any default of the mortgagor under the mortgage within ninety (90) days after the occurrence of the default, and (2) any intention of the mortgagee's to foreclose the mortgage under chapter 667 of the Hawaii Revised Statutes provided that any failure by a mortgagee to provide such written notice to Lessor shall not affect such holder's rights under the mortgage.

END OF EXHIBIT "J"

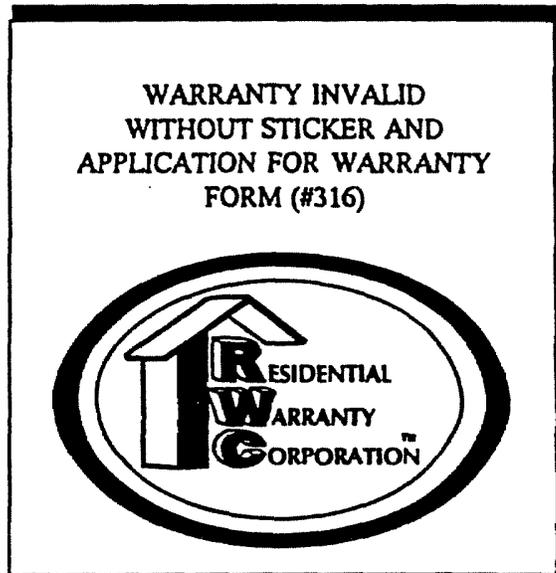
Residential Warranty Corporation

5300 Derry Street, Harrisburg, PA 17111-3598
717-561-4480

LIMITED WARRANTY PROGRAM

INSURER: WESTERN PACIFIC MUTUAL INSURANCE COMPANY, A RISK RETENTION GROUP

PLACE VALIDATION STICKER HERE



Within six weeks after receiving this Warranty book, you should receive a validation sticker from RWC. If you do not, contact your Builder to verify the forms were properly processed and sent to RWC. You do not have a warranty without the validation sticker.

THIS LIMITED WARRANTY DOES NOT COVER CONSEQUENTIAL OR INCIDENTAL DAMAGES. LIABILITY UNDER THIS LIMITED WARRANTY IS LIMITED TO THE FINAL SALES PRICE LISTED ON THE APPLICATION FOR WARRANTY FORM.

THE BUILDER MAKES NO HOUSING MERCHANT IMPLIED WARRANTY OR ANY OTHER WARRANTIES, EXPRESS OR IMPLIED, IN CONNECTION WITH THE ATTACHED SALES CONTRACT OR THE WARRANTED HOME, AND ALL SUCH WARRANTIES ARE EXCLUDED, EXCEPT AS EXPRESSLY PROVIDED IN THIS LIMITED WARRANTY. THERE ARE NO WARRANTIES WHICH EXTEND BEYOND THE FACE OF THIS LIMITED WARRANTY.

Some states do not allow the exclusion or limitation of incidental or consequential damages by the Builder so all of the above limitations or exclusions may not apply to you.

OWPIC #319
Rev 9/24/94

EXHIBIT "K"



RESIDENTIAL WARRANTY CORPORATION

5300 Derry Street Harrisburg, PA 17111-3596

1-800-247-1812 FAX 717-561-4494

Dear Homebuyer:

Congratulations on the purchase of your new home. This is probably the largest, most important single investment you've ever made and we wish you many years of enjoyment.

This limited warranty affords you protection for ten full years of home ownership. During the first two years, your Builder provides the warranty coverage described in this booklet. The warranty program stands behind your Builder and protects you in the event your Builder fails to perform. During the next eight years, your warranty protects your home against major structural defects as defined in the warranty.

Your warranty does contain certain exclusions and limitations. It is just as important for you to understand these exclusions/limitations as it is for you to understand your coverages.

Take a minute now to read this booklet in its entirety. This booklet defines the warranty's responsibilities to you and your responsibility to your home. It is vital that homeowners and condominium associations perform required maintenance. Without such maintenance this warranty will be voided. Your Builder or the RWC staff will be able to answer any questions you may have about the warranty or specific construction standards and how they apply to your home.

Again, congratulations and enjoy your new home!

Very truly yours,

RESIDENTIAL WARRANTY CORPORATION

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LIMITED WARRANTY PROGRAM

INTRODUCTION

Residential Warranty Corporation ("RWC") administers the limited warranty program as described in this Agreement. During the first two (2) years of this program, the Builder, as identified on the Application For Warranty Form, is the warrantor. The Builder has purchased warranty coverage from Western Pacific Mutual Insurance Company, A Risk Retention Group ("WPIC") to benefit the Purchaser both by acting if the Builder fails to perform its obligations set forth herein and by providing Major Structural Defects warranty coverage, all as described in this Agreement. Section A describes the protection which this program affords to the Purchaser; Section B defines the terms used in this Agreement and sets forth the exclusions from the program; Section C sets forth warranty standards which will govern the interpretation and operation of the program.

THIS AGREEMENT INCLUDES PROCEDURES FOR INFORMAL SETTLEMENT OF DISPUTES, INCLUDING BINDING ARBITRATION, IN ACCORDANCE WITH THE PROCEDURES OF THE FEDERAL ARBITRATION ACT; SEE SECTIONS A.5.F.-G. ADDITIONAL INFORMATION MAY BE RECEIVED BY CALLING RWC AT 717-561-4480. YOU SHOULD READ THIS AGREEMENT IN ITS ENTIRETY IN ORDER TO UNDERSTAND THE PROTECTION IT AFFORDS, THE EXCLUSIONS APPLICABLE TO IT, THE WARRANTY STANDARDS WHICH WILL GOVERN ITS INTERPRETATION AND OPERATION, AND THE PURCHASER'S RESPONSIBILITIES.

It should be understood by the Purchaser that every newly constructed home needs maintenance to prolong the life of your home. It is the Purchaser's responsibility, not the Builder's, to maintain the home. Regular maintenance includes such items as preserving soil drainage conditions, caulking, cleaning, resealing or repainting of finished surfaces as necessary, routine maintenance of mechanical systems, etc. Section C.4 describes many of these items in the comments section. In a condominium, the association has the same maintenance responsibilities for common elements. Any damage or defect caused or worsened by neglect, abnormal use, or improper maintenance and operation of the home, the surrounding lot, or the common elements of a condominium will not be covered by this Agreement.

SECTION A. THE LIMITED WARRANTY PROGRAM

The Builder is the warrantor during the first two years of this Agreement. Western Pacific Mutual Insurance Company, a Risk Retention Group, ("WPIC"), will perform the Builder's obligations hereunder during the first two years of this Warranty if the Builder fails to do so, and is the warrantor providing a Major Structural Defect warranty as defined in Section B, during the third through tenth years of this Warranty. Residential Warranty Corporation ("RWC") will administer the limited warranty program for participating Builders and WPIC. RWC is neither a warrantor nor insurer. The protection provided under the limited warranty program is automatically transferable to subsequent Purchasers during the ten year term of this Agreement.

1. PROTECTION PROVIDED

Subject to the exclusions set forth in Section B.2, the Limited Warranty Program provides you with the following protection:

a. YEAR ONE COVERAGE

Commencing on the effective date of warranty as specified on the Application For Warranty Form, and subject to the terms and conditions listed herein, the Builder warrants that for a period of one year your home will be free from defects due to nonconformity with the warranty standards set forth in Section C of this Agreement. With respect to fixtures, appliances and items of equipment, the warranty is for one year or the manufacturer's written warranty, whichever is less.

b. YEARS ONE AND TWO COVERAGE

Commencing on the effective date of warranty as specified on the Application For Warranty Form, and subject to the terms and conditions listed herein, the Builder warrants that for a period of two years, your home will have no Major Structural Defects (as defined in Section B of this Agreement) and that certain portions of the cooling, heating, ventilating, electrical, and plumbing systems will be free from defects due to nonconformity with the warranty standards set forth in Section C.5 of this Agreement.

c. YEARS THREE THROUGH TEN COVERAGE

Commencing at the beginning of the third year following the effective date of warranty as specified on the Application For Warranty Form, and subject to the terms and conditions listed herein, WPIC will protect your home for a period of eight years against loss resulting from Major Structural Defects (as defined in Section B of this Agreement).

2. CONDOMINIUM COVERAGE - COMMON ELEMENTS

This Agreement shall only be applicable to warranted common elements. Warranted common elements are those portions of a condominium structure which serve two or more residential units, and are contained wholly within a residential structure. Warranty coverage for common elements shall be for the same periods and to the same extent as similar or comparable items in individual residential units. Examples of common elements which are covered by the warranty are hallways, meeting rooms and other spaces wholly within the residential structure and designated for the use of two or more units; and those portions of the electrical, heating, ventilating, cooling, and plumbing systems which serve two or more units. Examples of common elements which are not covered under this warranty agreement are club houses, recreational buildings and facilities, exterior structures, exterior walkways or any other non-residential structure which is a part of the condominium.

3. BUILDER'S RESPONSIBILITY AND PURCHASER'S RIGHTS: YEARS ONE AND TWO

If a defect in your home arises due to nonconformity with the warranty standards during the first year of this Agreement, or if a

covered defect in your home's cooling, ventilation, electrical, or plumbing systems arises due to nonconformity with the warranty standards during the first two years of this Agreement, the Builder will repair, replace, or pay you the reasonable cost of repairing or replacing the defective item; if a Major Structural Defect arises in your home during the first two years of this Agreement, the Builder will repair, replace, or pay you the reasonable cost of repairing or replacing the defective item, limited to such actions as are necessary to restore load-bearing capability to the load-bearing components of the home and to repair those elements of the home damaged by the Major Structural Defect which make the home physically unsafe.

4. CONDITIONS AFFECTING BUILDER'S AND/OR WPIC'S RESPONSIBILITIES FOR WARRANTY PROGRAM AND PURCHASER'S RIGHTS

In each instance, the Builder's and/or WPIC's responsibilities for warranty coverage under this program are subject to the following:

a. In the event of a warranty claim, the decision of whether to repair or replace a defective item, or to pay you the reasonable cost of repair or replacement, is solely the Builder's or WPIC's, as applicable.

b. The Builder's and WPIC's aggregate total liability for all claims made during the term of this Limited Warranty Agreement is limited to and shall not exceed the sale price listed on the Application For Warranty Form.

c. In the first two years, if the Builder does not fulfill its obligations under this Agreement, WPIC will be responsible for the Builder's obligations, subject to a one-time deductible of \$250. In years 3 to 10, WPIC's liability is subject to a deductible of \$500.00 per claim. In the case of the common elements of a condominium, at all times, the deductible shall be \$250 per unit affected by the common elements defect, up to a maximum aggregate total of \$5,000.00 per free standing residential structure.

In each instance, the deductible must be paid by you prior to repair or replacement by WPIC. In the event of a cash payment in lieu of repairs, the deductible will be subtracted from the cash payment.

d. Actions taken to cure defects will not extend the periods of coverage specified in this Agreement.

e. Prior to the Builder or WPIC repairing or replacing a defective item, you must sign and deliver to the Builder or WPIC, as the case may be, a full and unconditional release, in recordable form, of all legal obligations with respect to the defect and any conditions arising from the defect. However, the repairs or replacement item will continue to be covered by this warranty. In the event that the Builder or WPIC pays you the reasonable cost of repairs or replacement of a defective item, then prior to such payment, you must sign and deliver to the Builder or WPIC, as the case may be, a full and unconditional release, in recordable form, of all legal obligations with respect to the defect, any condition arising from the defect, and any repair or replacement of the defective item.

f. In the event the Builder or WPIC repairs or replaces, or pays

you the reasonable cost of the repair or replacement of any defective item covered by this Agreement, the Builder and WPIC shall be subrogated to all of your rights of recovery therefore against any person or entity (including the Builder if its obligations hereunder have been performed by WPIC), and you agree to execute and deliver any and all instruments and papers and to take any and all other actions necessary to secure such rights, including, but not limited to, assignment of the proceeds of any other insurance or warranties to the Builder or WPIC, as appropriate. You shall do nothing to prejudice such rights of subrogation.

g. This Agreement provides coverage only in excess of coverage provided by other warranties or insurance, whether collectible or not.

h. If a claim under this Agreement involves a common element in a condominium, the claim may be made only by an authorized representative of the condominium association. However, if the Builder retains a voting interest in the association of more than 50%, the claim may be made by unit owners representing 10% of the voting interests in the association.

If a claim under this Agreement involves a common element affecting multiple units, and all affected units are not warranted by the WPIC Limited Warranty Program, WPIC's liability shall be limited to only those units warranted by WPIC. WPIC's limit of liability shall be prorated based upon the number of units warranted by WPIC.

i. Notwithstanding anything to the contrary contained in this Agreement, if a claim is resolved by the payment of cash, in lieu of repair or replacement, the payment shall be made to or on behalf of you and any mortgagees (or their successors), as your interests may appear, provided neither the Builder nor WPIC shall have any obligation to make payment jointly to the Purchaser and mortgagee, where the mortgagee has not notified WPIC in writing of its security interest in the home prior to the payment of the claim. A mortgagee shall be completely bound by any agreement or conciliation accepted by the Purchaser or arbitration relating to a claim hereunder.

j. If a Major Structural Defect (as defined in Section B of this Agreement) arises in your home during years three through ten of this Agreement, WPIC, at its sole option, will repair or replace, or pay you the reasonable cost of repairing or replacing, the defective item. The responsibilities of WPIC as set forth herein, will be limited to such actions as are necessary to restore load-bearing capability to the load-bearing component of the home and to repair those elements of the home damaged by the Major Structural Defect which make the home physically unsafe.

5. HOW TO MAKE A WARRANTY CLAIM; DISPUTE SETTLEMENT

a. Carefully read and review this Agreement and the standards contained herein to determine whether the defect is covered.

b. NOTICE TO YOUR BUILDER AND WPIC FOR DEFECTS ARISING IN YEARS 1 AND 2

If you have a complaint which you believe is covered by this Agreement and it arises during the first two years of this

Agreement, you should send a notice to the Builder which is clear and describes the defect in reasonable detail.

Written notice of a defect covered during years one and two must be received by the Builder no later than seven (7) calendar days following the expiration of the applicable warranty period.

If notice to the Builder does not result in satisfaction within a reasonable time, written notice should be given to RWC as administrator at 5300 Derry Street, Harrisburg, Pennsylvania 17111-3598 ATTN - Construction Claims. The notice should describe each defect in reasonable detail and should be forwarded by Certified Mail, Return Receipt Requested. RWC shall have the responsibility to notify WPIC of the claim.

c. NOTICE OF MAJOR STRUCTURAL DEFECT CLAIM ARISING IN YEARS 3 THROUGH 10

If you have a claim as a result of a major structural defect occurring during the third through tenth year of this Agreement, you should notify RWC as Administrator of this Agreement, and RWC will investigate the claim. All such claims must be presented in writing to RWC at 5300 Derry Street, Harrisburg, Pennsylvania 17111-3598 ATTN - Construction Claims, by Certified Mail, Return Receipt Requested within a reasonable time after the major structural defect arises but in no event later than thirty (30) days after the expiration of the term of this Agreement. Claims received after that period will not be honored. Any such notice should describe the defect in reasonable detail.

d. CONTENT AND TIMING OF NOTICE TO RWC

PLEASE NOTE THAT RWC MUST RECEIVE A WRITTEN NOTICE OF CLAIM WITHIN THIRTY DAYS AFTER THE EXPIRATION OF THE APPLICABLE WARRANTY PERIOD. FOR EXAMPLE, IF THE DEFECT IS ONE WHICH IS COVERED UNDER THE BUILDER'S ONE-YEAR WARRANTY PERIOD, NOTICE MUST BE RECEIVED BY RWC WITHIN THIRTY DAYS OF THE END OF THE FIRST YEAR, OR THE NOTICE WILL NOT BE HONORED. NOTICE TO THE BUILDER DOES NOT CONSTITUTE NOTICE TO RWC, NOR WILL IT BE DEEMED TO EXTEND APPLICABLE COVERAGE PERIODS. THIS NOTICE MUST CONTAIN THE FOLLOWING INFORMATION:

- (1) The enrollment number and effective date of warranty. If unknown, the homeowner will be assessed a \$25.00 search fee which should be included with your notice;
- (2) The Builder's name and address;
- (3) Your name, address, and phone number (both home and work);
- (4) A reasonably specific description of the defect(s);

(5) The page and section number of this Agreement containing the applicable warranty standard(s); and

(6) A copy of your written notice to the Builder (if the claim arose during years 1 and 2).

e. 30 DAY RESPONSE

You have an obligation to cooperate with RWC's inspection and investigation of your claim. From time to time, RWC may request information from you regarding your claim. Failure by you or your appointed representative to respond with the requested information within 30 days of the date of request will result in the closing of your claim file.

f. INSPECTION AND MEDIATION

During the first thirty days following RWC's receipt of proper notice of a defect, RWC will review and mediate the claim by communicating with the Builder, you and any other individuals or entities who RWC believes possesses relevant information. If, after thirty days, RWC has not been able to successfully mediate the claim, or at any earlier time when RWC believes that the Builder and you are at an impasse, then RWC will notify you that your claim is an "unresolved dispute".

RWC, at any time following the receipt of proper notice of your claim, may schedule an inspection of the defect. You must provide RWC reasonable access for any such inspection as discussed in sub-paragraph (h.) below.

Where a claimed defect is filed that cannot be observed or determined under normal conditions, it is the homeowner's responsibility to substantiate that the condition does exist. Any cost involved shall be paid by the owner, and if properly substantiated, reimbursement shall be made by your Builder or WPIC, whichever is liable for the claim.

g. BINDING ARBITRATION PURSUANT TO THE FEDERAL ARBITRATION ACT

Any "unresolved dispute" (defined below) that you may have with the Builder, RWC or WPIC shall be submitted to binding arbitration governed by the procedures of the Federal Arbitration Act, 9 U.S.C. 1 et seq. Copies of this Act are available from RWC. You commence the arbitration process by giving RWC written notice of your demand for Arbitration of an unresolved dispute. The dispute will be submitted to the American Arbitration Association, or such other independent arbitration service as is agreeable to RWC and you (herein referred to as Arbitrator) within 20 days after RWC's receipt of your notice of demand for Arbitration. If you submit a demand for Arbitration, you must pay the Arbitrator's filing fee prior to the matter being referred to the Arbitrator. The Arbitrator shall have the power to award the cost of this fee to you or to split it among the parties to the Arbitration. The Arbitration shall be conducted in accordance with the Arbitrator's rules and regulations to the extent that they are not in conflict with the Federal Arbitration Act. As used herein, the term "unresolved dispute"

shall mean all claims, demands, disputes, controversies, and differences that may arise between the parties to this Agreement of whatever kind or nature, including without limitation, disputes: (1) as to events, representations, or omissions which pre-date this Agreement; (2) arising out of this Agreement or other action performed or to be performed by the Builder, RWC or WPIC pursuant to this Agreement; (3) as to repairs or warranty claims arising during the term of this Agreement; and/or (4) as to the cost to repair or replace any defect covered by this Agreement.

Either party may, within one year after an arbitration award, apply to the U.S. District Court in which the home is situated, to confirm the award. The forwarding of a written demand for arbitration shall toll the running of any applicable statute of limitations for the matter to be arbitrated. **THE DECISION OF THE ARBITRATOR SHALL BE FINAL AND BINDING UPON ALL PARTIES.**

Inasmuch as this Agreement provides for mandatory arbitration of disputes, if any party commences litigation in violation of this Agreement, such party shall reimburse the other parties to the litigation for their costs and expenses including attorneys' fees incurred in seeking dismissal of such litigation.

The Builder or WPIC shall have 60 days after receipt of the arbitration award in which to comply with the arbitrator's decision. Repairs will be commenced as soon as possible and will be completed within 60 days with the exception of any seasonal repairs or items that would reasonably take more than 60 days to complete. The Builder will complete such repairs or replacement with diligence but without the necessity of incurring overtime or weekend expenses.

h. RIGHT OF ACCESS

You must provide the Builder, or if applicable, WPIC, with reasonable weekday access during normal business hours in order to perform its obligations. Failure by you to provide such access to the Builder or WPIC may relieve the Builder or WPIC of its obligations under this Agreement.

i. ADDITIONAL PROTECTION: WPIC

If the Builder does not fulfill its obligations under this Agreement, WPIC will be responsible for the Builder's obligations, subject to a one-time deductible as described in Section A.4.c.

6. TIMING OF ARBITRATION ACTIONS

This Agreement provides a procedure for you to give notice to both the Builder and WPIC of potential claims, to have an inspection at no cost to you, and to give the Builder or WPIC, as appropriate, an opportunity to fulfill their obligations hereunder. If you institute arbitration proceedings against the Builder or WPIC for any obligation arising or claimed to have arisen under this Agreement prior to giving the Builder or WPIC the proper notices and opportunities to cure provided under this Agreement, you agree to indemnify the Builder and WPIC, as appropriate, for all costs and expenses of such arbitration, including reasonable attorneys' fees, regardless of whether you have an otherwise legitimate claim under this Agreement. In the event you strictly follow the procedures provided in this Agreement and you commence arbitration pro-

ceedings, alleging that the Builder or WPIC failed to honor their obligations hereunder, the arbitrator or court shall have the authority to award costs, including reasonable attorney's fees and expert fees, to the substantially prevailing party in such arbitration. In no event shall RWC or WPIC have any obligation to reimburse you if the Builder fails to pay to you arbitration costs which may be awarded to you hereunder.

7. ROLE OF RWC

RWC is the administrator of this Warranty Agreement. RWC is neither a warrantor nor an insurer. In the event you commence any legal action against RWC, in its individual capacity, you agree to reimburse RWC for all costs and expenses of arbitration, including reasonable attorney's fees, unless such arbitration arises out of an independent wrongful action of RWC.

8. GENERAL TERMS AND CONDITIONS AFFECTING THIS AGREEMENT

The following terms and conditions of general applicability will govern the interpretation and operation of this Agreement:

a. The Builder must assign to you all manufacturers' warranties on products included in the sales price of your home.

b. This Agreement is separate and apart from and cannot be affected by your contract with the Builder. It cannot be altered or amended in any way by any other agreement which you may have.

c. If the Builder fails to complete items of work, in order to maintain the WPIC coverage, it is Purchaser's responsibility to take reasonable steps to complete such items where the failure to do so may lead to structural damage. The warranty period for any item completed after the Effective Date shall be deemed to have commenced on the Effective Date.

d. All notices required under this Agreement must be in writing and sent by certified mail, postage prepaid, to the recipient's address shown on the Application For Warranty Form, or to whatever other address the recipient may designate in writing.

e. Should any provision of this Agreement be determined by a court of competent jurisdiction to be unenforceable, that determination will not affect the validity of the remaining provisions.

f. This Agreement is binding on the Builder and the Purchaser, his heirs, executors, administrators, successors and assigns.

g. This Agreement shall be interpreted and enforced in accordance with the laws of the state in which the home is located.

h. This Agreement cannot be modified, altered or amended in any way except by a formal written instrument signed by all of the parties hereto.

i. If performance by the Builder or WPIC of any of their respective obligations under this Agreement is delayed by an

event not resulting from their own care, such performance will be excused until the delaying effects of the event are remedied. Such events include acts of God or the common enemy, war, riot, civil commotion or sovereign conduct, or acts or omissions by the Purchasers or any other person, not a party to this Agreement.

j. Whenever appropriate, it is intended that the use of one gender in this Agreement includes all genders and the use of the singular includes the plural.

SECTION B. DEFINITIONS AND EXCLUSIONS

1. DEFINITIONS

For the purpose of this Agreement, the following terms shall have the meanings set forth herein:

a. **Purchaser:** The Purchaser shall include the first Purchaser of the home under this Agreement and any and all successors in title, lessees having a leasehold interest in the home of at least fifty years, and a mortgagee in possession of the home. With respect to condominium common elements, the Homeowner's Association is the purchaser.

b. **Builder:** The person, corporation, partnership, or other entity which is a participating member of this Warranty Program and which obtained this Agreement for the Purchaser.

c. **Effective Date of Warranty:** The date specified on the Application For Warranty Form.

d. **Home:** A single family dwelling, a two-or-more unit structure which may be conveyed as a single unit, and the common elements which comprise the building in which a condominium unit is situated and which it shares in common with other units in the building.

e. **Major Structural Defects (MSD):** All of the following conditions must be met to constitute a Major Structural Defect:
(1.) Actual physical damage to one or more of the following specified load bearing segments of the home;
(2.) Causing the failure of the specific major structural components; and
(3.) Which affects its load-bearing function to the degree that it materially affects the physical safety of the occupants of the home:

Load-bearing components of the home deemed to have MSD potential:

- (i) roof framing members (rafters and trusses);
- (ii) floor framing members (joists and trusses);
- (iii) bearing walls;
- (iv) columns;
- (v) lintels (other than lintels supporting veneers);
- (vi) girders;
- (vii) load-bearing beams; and
- (viii) foundation systems and footings.

Examples of non-load-bearing elements which will be

deemed not to have Major Structural Defect potential are:

- (i) non-load-bearing partitions and walls;
- (ii) wall tile or paper, etc.;
- (iii) plaster, laths, or dry wall;
- (iv) flooring and subflooring material;
- (v) brick, stucco, stone, or veneer;
- (vi) any type of exterior siding;
- (vii) roof shingles, sheathing, and tar paper;
- (viii) heating, cooling, ventilating, plumbing, electrical, and mechanical systems;
- (ix) appliances, fixtures, or items of equipment; and
- (x) doors, trim, cabinets, hardware, insulation, paint, and stains.

f. **Cooling, Ventilating, and Heating Systems:** All ductwork, refrigerant lines, steam and water pipes, registers, convectors, and dampers.

g. **Plumbing Systems:** All pipes (supply and waste) and their fittings, as well as gas supply lines and vent pipes located within the home.

h. **Electrical Systems:** All wiring, electrical boxes, and connections, up to the public utility connection.

i. **Fixtures, Appliances and Items of Equipment, including Attachments and Appurtenances:** Water heaters, pumps, stoves, refrigerators, compactors, garbage disposals, stoves and ranges, dishwashers, washers and dryers, bathtubs, sinks, commodes, faucets and valves, lights and fixtures, switches, outlets, circuit breakers, thermostats, furnaces and oil tanks, humidifiers, oil purifiers, ventilating fans, air conditioning material, in-house sprinkler systems, and similar items.

j. **Administrator:** Residential Warranty Corporation.

k. **Warrantor:** The Builder in years one and two and WPIC in years three through ten.

2. EXCLUSIONS

The following are not covered under this Agreement (by the Builder or WPIC):

a. Failure of the Builder to complete construction of the home or any part of the home on or before the Effective Date or damages arising from such failure. An incompleting item is not considered a defect hereunder, although the Builder is otherwise obligated to complete such items.

b. Any defect which does not result in actual physical damage or loss.

c. All consequential damages including, but not limited to, damage to the home that is caused by a covered defect but is not itself a covered defect and costs of shelter, transportation, food, moving, storage, or other incidental expenses related to relocation during repairs.

d. Personal property damage or bodily injury.

e. Any claim reported to WPIC after an unreasonable delay or later than thirty days after the expiration of the applicable warranty period.

f. Loss or damage caused to the home, persons or property directly or indirectly by insects, birds, vermin, rodents, or wild or domestic animals.

g. Any loss or defect which arises while the home is used primarily for nonresidential purposes.

h. Loss or damage caused by soil movement, including subsidence, expansion or lateral movement of the soil (excluding flood and earthquake) which is covered by any other insurance or for which compensation is granted by legislation.

i. Normal deterioration or normal wear and tear.

j. Any deficiencies in or damage caused by material or work supplied by anyone other than the Builder or its employees, agents, or subcontractors, including but not limited to the items listed as additional exclusions on the Application For Warranty Form.

k. Damages or losses not caused by a defect in construction of the home by the Builder or its employees, agents, or subcontractors, but resulting instead from acts or omissions of the Purchaser, his agents, employees, licensees, invitees, accidents, riots, civil commotion, nuclear hazards, acts of God or nature, fire, explosion, blasting, smoke, water escape, windstorms, hail, lightning, falling trees, aircraft, vehicles, flood, mud slides, sinkholes, faults, crevices, earthquake, including land shock waves or tremors before, during or after a volcanic eruption.

l. Loss or damage resulting from Purchaser's or condominium association's failure to perform routine maintenance.

m. Loss or damage resulting from the Purchaser's failure to minimize or prevent such loss or damage in a timely manner provided that Purchaser knew or reasonably should have known, that such damage or loss might occur or worsen.

n. Loss or damages to or resulting from defects in outbuildings including, but not limited to detached carports, except outbuildings which contain plumbing, electrical heating, cooling or ventilation systems serving the home (a fence, utility line or similar union shall not cause an outbuilding to be considered attached), site located swimming pools and other recreational facilities; driveways; walkways; patios not structurally attached; boundary and retaining walls, bulkheads; fences; landscaping (including sodding, seeding, shrubs, trees and plantings) french drains; septic systems; off-site improvements; or any other improvements not a part of the home itself.

o. Following the first year of this Agreement, loss or damage resulting from concrete floors of basements and attached garages and chimneys which are constructed separate from foundation walls or other structural elements of the home.

p. Loss or damage to real property which is not part of the home (land is not considered a part of the home) covered by this Agreement and which may or may not be included in the Final Sales Price listed on the Application For Warranty Form.

q. Loss or damage resulting from, or made worse by, changes in the grading of the property surrounding the home by anyone except the Builder or its employees, agents or subcontractors, or changes in the grading or drainage resulting from erosion or subsidence.

r. Loss or damage resulting from, or made worse by, modifications or additions to the home, or property under or around the home, made after commencement of the term of this Agreement (other than changes made in order to meet the obligations of this Agreement).

s. Loss or damage resulting from, or made worse by, dampness, condensation or heat build-up caused by the failure of the Purchaser to maintain proper ventilation.

t. Any defect, damage or loss which is caused or made worse by failure of the Purchaser to notify the Builder or RWC, as applicable, of any defect within a reasonable period of time.

u. Any defect, damage, or loss which is caused or made worse by failure by anyone other than the Builder or its agents, employees, or subcontractors to comply with the manufacturers' warranty requirements concerning appliances, fixtures or items of equipment.

v. Loss or damage resulting from, or made worse by, negligent maintenance or operation of the home and its systems by anyone other than the Builder or its employees, agents, or subcontractors.

w. Following the first year of this Agreement, any deficiencies in fixtures, appliances, and items of equipment whether or not components of the cooling, ventilating, heating, electrical, plumbing or in-house sprinkler systems. During the first year of this Agreement, coverage on fixtures, appliances, and items of equipment (including attachments and appurtenances) is for one year or the manufacturer's written warranty period, whichever is less. Damage caused by improper maintenance or operation, negligence, or improper service of such systems by the Purchaser or its agents will not be covered by this Agreement.

x. Loss or damage resulting from a condition not resulting in actual physical damage to the home, including uninhabitability or health risk due to the presence or consequences of insects, unacceptable levels of radon, formaldehyde, carcinogenic substances, or other pollutants and contaminants; or the presence of hazardous or toxic materials.

y. Loss or damage caused directly or indirectly by flood, surface water, waves, tidal water, overflow of a body of water, or spray from any of these (whether or not driven by wind), water which backs up from sewers or drains, changes in the water table which were not reasonably foreseeable, or water below the surface of the ground (including water which exerts pressure on or seeps or leaks through a building, sidewalk, driveway, foundation,

swimming pool, or other structure) wetlands, springs or aquifers.

z. Violations of applicable building codes or ordinances unless such violation results in a defect which is otherwise covered under this agreement. Under such circumstances, the obligation of WPIC under this agreement shall only be to repair the defect, but not to restore or bring the home to conform to code.

aa. Any loss or damage resulting from the weight and/or performance of any type of waterbed or any other furnishings excessive in weight for which the home was not designed.

SECTION C. WARRANTY STANDARDS

1. PURPOSE OF THE STANDARDS

This section establishes the standards by which it will be determined whether your home has a problem which is covered by this Agreement and the obligation of the Builder or WPIC to correct those defects. Where specific standards and obligations are not set forth, the standard shall be the accepted industry practice for workmanship and materials.

2. CONDITIONS APPLICABLE

Your Builder warrants that it has constructed your home in compliance with local building codes as well as one of the following RWC accepted model codes. In the event that your home is not constructed in accordance with one of the following RWC accepted model codes then the Builder shall have full responsibility for warranty claims arising from such noncompliance for the full ten-year period. If the Builder fails to perform, WPIC will repair or pay the cost of repair of defects otherwise covered by this agreement, but will be under no obligation to cause the home to conform to code. The codes acceptable to RWC include the following:

Building Code	Mechanical Code	Plumbing Code	Electrical Code
•One & Two Family Dwelling Code	•BOCA Basic Mechanical Code	•BOCA Basic Plumbing Code	•Electrical Code for One and Two Family Dwelling
•BOCA Basic Building Code	•Uniform Building Code, Volume 11, Mechanical	•Uniform Plumbing Code	•National Electrical Code
•Standard Building Code	•Standard Mechanical Code	•Standard Plumbing Code	
•Southern Building Code Congress	•Southern Building Code Congress	•Southern Building Code Congress	
•Uniform Building Code			
•National Building Code			
•CABO			

3. ADDITIONAL CONDITIONS: PURCHASER'S RESPONSIBILITY

The applicability of warranty coverage is conditioned upon the purchaser's proper maintenance of the home, common elements, and surrounding property to prevent damage due to neglect, abnormal use or improper maintenance.

4. STANDARDS APPLICABLE DURING YEAR ONE ONLY

Potential Problems	Comments	Builder's Obligation
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a. MASONRY AND CONCRETE

1. Concrete Foundation Wall Cracks	Shrinkage or settlement cracks are common and should be expected within certain tolerances.	Any cracks greater than 1/8 inch in width will be repaired by surface patching or pointing; Builder is not responsible for color variations.
2. Cracks in block or veneer walls (blocks, bricks and mortar joints)	Settlement cracks are common and should be expected within certain tolerances.	Any cracks greater than 3/8 inch in width will be repaired by surface patching or pointing; Builder will not be responsible for color variations.
3. Cracks in concrete basement floors	Shrinkage (hairline) cracks are common and should be expected within certain tolerances.	Any cracks greater than 1/4 inch in width or 1/8 inch in vertical displacement will be repaired by surface patching or other remedies.
4. Vertical or horizontal movement of concrete floor slabs at joints	Concrete floor slabs are engineered to move at expansion and contraction joints.	None.

Potential Problems	Comments	Builder's Obligation
5. Cracks in attached garage slab	Shrinkage cracks are common and should be expected within certain tolerances.	Cracks exceeding 1/4 inch in width or 1/4 inch in vertical displacement will be repaired by patching or other remedies.
6. Concrete floors in rooms designed for living having pits, depressions or unevenness	Slopes purposefully created for drainage are not covered.	If the unevenness exceeds 1/4 inch in a 32 inch measurement, it will be corrected.
7. Concrete slab cracks which cause finished floor coverings to rupture	***	The problem will be corrected so that the defect is not readily noticeable.
8. Powdering, scaling or pitting of concrete (aggregate showing or loose)	If the problem is caused by erosion due to salt, chemicals or unusual weather, the Builder is not responsible.	If the deterioration occurs under normal use and conditions, the Builder will repair it.
9. Vertical or horizontal separation of stoops away from the house	Minor separation is normal as is minor puddling of rain water.	Separation of more than 1 inch will be repaired as will excessive water puddling.

D. LOT GRADING AND DRAINAGE

1. Ground settlement around foundation, utility trenches, or other filled areas.	Ground settlement should not disrupt water drainage away from the house, although settlement around the foundation, at utility trenches and other filled areas of up to 6 inches should be expected. In all cases, the purchaser is responsible for the removal and replacement of shrubs, grass, etc.	If the final grading was performed by the Builder, he will replace fill in excessively settled areas only once.
2. Improper grades and swales which cause standing water and affects the drainage in the immediate area surrounding the home which may affect the foundation.	After normal rainfall, water should not stand in yard for more than 24 hours nor 48 hours in swales. No decision regarding coverage will be made while frost or snow or saturation exist on the ground.	The builder is responsible for establishing the proper grades and swales; after that, the purchaser is responsible for maintaining them.

E. FOUNDATION WATERPROOFING

1. Water leaking into basement	Dampness of floors and walls is common and not covered by this warranty. The builder will not be responsible if the cause is improper landscaping, maintenance or negligence by the purchaser.	Actual leakage of water (actual flow and accumulation) into the basement will be corrected.
2. Inadequate ventilation of crawl spaces.	Adequate ventilation of the space between the bottom of the floor joists and the earth under the building is important to minimize vapor build-up in the crawl space area. This ventilation may be provided by a sufficient number of ventilation openings, or other approved method of ventilation. The minimum net area of ventilation openings shall not be less than one square foot for each 150 square feet of crawl space area where the ground surface does not have an approved vapor barrier has been installed, or one square foot for each 1500 square feet of crawl space area where an approved vapor barrier has been installed. There shall be one such opening within three feet of each corner of the crawl space wall.	The Builder shall correct to meet warranty standard.

Potential Problems	Comments	Builder's Obligation
3. Condensation on walls, joists, support columns and other components of the crawl space, basement or cellar.	The movement of water vapor from the ground below a foundation (including crawl spaces, basements and cellars) may cause the introduction of large amounts of water by evaporation from the ground. These conditions are beyond the Builder's control. Excessive vapor build-up may cause condensation on the structural components of the foundation. Maintaining adequate ventilation and moisture control is considered as routine maintenance and is the responsibility of the purchaser.	None.

d. CARPENTRY (ROUGH-IN)

1. Walls which bulge, bow or are out-of-plumb	All interior and exterior framed walls have minor differences. Walls which bulge or bow in excess of 1/4 inch within a 32 inch measurement (floor to ceiling or wall to wall) is a defect. Walls which are out of plumb in excess of 3/4 inch within a vertical measurement of eight feet is a defect.	The Builder will correct to meet warranty standard.
2. Floor squeaks or subfloor appears loose.	A squeak proof floor cannot be assured. Floor squeaks and loose sub-flooring are often temporary and passing conditions, caused by lumber shrinkage or temperature changes. An isolated floor squeak is not a defect, unless caused by a defective floor joist in the system. A large area of floor squeak which is noticeable, loud and objectionable is a defect.	For large areas of floor squeaks or floor squeaks caused by a defective floor joist, the builder will correct within reasonable repair capability. Where a finished ceiling exists under the floor, the corrective work may be attempted from the floor side. Where necessary, remove the finish floor material to make the repair and reinstall.
3. Uneven wood framed floors.	Uneven floor joists causing high or low areas exceeding 1/4 inch within a 32 inch distance, measuring perpendicular to the high or low area, is a defect. Floor slope which exceeds 1/240 of the width or length within a room, measured in the direction of the slope, is a defect. Example, the slope in a room ten feet wide may not exceed 1/2 inch.	The Builder will correct to meet the warranty standard.

e. INSULATION

1. Inadequate insulation	This warranty assures that your insulation will meet the applicable energy code requirements. If your contract with your Builder provided for additional insulation, that is a matter between you and him and is not covered by this agreement.	Builder will install sufficient insulation to meet the applicable code requirements.
2. Air infiltration from electrical outlets	Electrical connection boxes are backed by the exterior wall, which may cause air infiltration. This is common in new construction.	None.

F. ROOFING

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| 1. Roof Leaking | The roof should not leak and no leaks should arise from flashings, except where snow and ice are allowed to build up. Prevention of snow and ice buildup is the purchaser's responsibility. | All roof and flashing leaks not caused by snow and ice buildup or other neglect by the purchaser will be repaired. The Builder is not responsible for color variations. |
| 2. Leaks in gutters and downspout leaders | Gutters and leaders should not leak. However, during heavy rains, overflow should be expected. The purchaser is responsible for keeping the gutters and leaders open and free from debris. | Leaks not caused by purchaser's neglect will be repaired. |
| 3. Water stays in gutters | Purchaser is responsible for keeping gutters and leaders open and free from debris. | Builder will repair so that if free from debris, the standing water depth will not exceed 1 inch. |
| 4. Insufficient attic or roof ventilation | Attic spaces shall have adequate ventilation. This may be accomplished by providing a natural ventilation area equal to 1/150 of the attic area. When an accepted vapor barrier is installed on the warm side of the ceiling, net free cross-ventilation area may not be less than 1/300 of the attic area to be ventilated. The net free cross-ventilation area may not be less than 1/300 of the attic area required to be ventilated when at least 50% of the required ventilating area is provided by ventilators located in the upper portion of the space to be ventilated and at least 3 feet above eave or cornice vents, with the balance of the required ventilation to be provided by eave or cornice vents. | Builder will correct to meet the warranty standard. |
| 5. Leakage of elements through attic louvers, vents, including ridge and soffit vents. | Even when properly installed, wind driven snow and rain may enter through vents. This is not a defect. | If leakage is due to poor workmanship or materials, the Builder will correct. |

G. SIDING AND CAULKING

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| 1. Exterior trim poor workmanship. | Separation at joints in the exterior trim, and between the trim and the surfaces of exterior siding or masonry should not exceed 3/8 inch. Siding, trim and masonry must be capable of excluding the elements. | The Builder will correct by caulking or other methods. |
| 2. Wall leaks due to caulking shrinkage | All caulking shrinks and replacement is a purchaser's maintenance item. | All junctions and separations of wall surfaces will be recaulked once to prevent water leakage. |
| 3. Exterior joint separation of siding, delamination of veneer siding or loose siding. | Loose siding due to improper installation, or separation or delamination due to improper workmanship and materials is a defect. Separated, loose or delaminated siding due to improper maintenance is not a defect. | The Builder will correct to meet warranty standards. Exact match cannot be assured. The Builder is not responsible for discontinued colors, styles or textures. The Builder will match as closely as possible. |
| 4. Paint or stain peels or fades | Exterior paints and stains should not peel or deteriorate during the first year of warranty coverage. However, some fading is normal and is caused by weathering. Varnish or lacquer on the exterior will deteriorate quickly and is not covered by this warranty. Mildew and fungus on siding are caused by | The Builder will correct to meet warranty standards. If peeling or deterioration affects 75% of a wall, the entire wall will be refinished. The exact color and texture cannot be assured. The Builder will match color and texture as closely as possible. |

5. Cracks in stucco wall finish	climactic conditions or nearby bodies of water, and are not covered by this warranty. Cracks in stucco wall finishes are common and should be expected within certain tolerances.	Cracks in excess of 1/8 inch in width will be repaired once.
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h. CHIMNEYS AND FIREPLACES

1. Not enough draw or down draft	Trees too close to the chimney or high winds can cause down drafts. Some homes are extremely air-tight and a window may have to be opened in order to maintain an effective draft.	If the problem is caused by improper construction or design, it will be corrected.
2. Chimney separated from home	Some minor separation is normal and should be expected within certain tolerances.	Separation in excess of 1/2 inch in any 10 foot measurement will be corrected by caulking or other measures.
3. Cracking of firebrick	It is expected that heat will cause cracking.	None.
4. Fireplace brick veneer cracking	Some cracking is common and should be expected within certain tolerances.	Cracks in brick veneer greater than 1/4 inch in width will be repaired by pointing or patching. An exact color and texture match cannot be assured. The Builder is not responsible for color variations. The Builder will match as closely as possible.
5. Creosote or resin build up or creosote seepage through chimney	Creosote seepage is caused by the build up of creosote in the chimney flue which is the direct result of the materials and manner in which the fireplace or stove is utilized. Burning of non-seasoned wood or improper operation will greatly enhance this situation. Chimney flues should be cleaned regularly.	Builder is responsible for constructing the chimney to meet accepted industry standards. Since the Builder does not have control over the purchaser's use and choice of combustible substances, the Builder is not responsible unless caused by improper construction.
6. Water infiltration into the firebox.	A certain amount of water infiltration can be expected under certain weather conditions, such as during wind driven rains and snow. This is beyond the Builder's control and is not a defect.	None.

i. WINDOWS AND DOORS

1. Warpage of doors	Some warping, cupping, bowing or twisting, especially of exterior doors, is normal and is caused by surface temperature changes. Such warping, cupping, twisting or bowing, however, should not cause the doors to become unusable or allow entrance of the elements. The amount of warp, bow, cup or twist shall be measured by placing a straight edge, taut wire or string on the suspected concave face of the door at any angle (horizontal, diagonal or vertical). The measurement of the warp, bow, cup or twist shall be made at the point of maximum distance between the bottom of the straight edge, taut wire or string and the face of the door, allowing for recesses in the door from glazing or panels. The warp, bow, cup or twist shall not exceed 1/4 inch.	Defective doors will be repaired or replaced and the finish matched as closely as possible.
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Potential Problems	Comments	Builder's Obligation
2. Shrinkage of door panels	Expansion and contraction is normal and may cause unfinished surfaces to appear.	None.
3. Door panel splits	Some splitting is normal and should be expected within certain tolerances. The splitting should not allow the entrance of light.	The Builder will correct to meet warranty standards. The Builder will match the finish as closely as possible; an exact match cannot be assured.
4. Glass breakage	This is not covered by your warranty. You should inspect your property and bring any glass breakage to the Builder's attention prior to occupancy.	None.
5. Garage door malfunctions	Following proper installation, maintenance is the purchaser's responsibility.	The Builder will correct to meet warranty standards.
6. Rain or snow enters through garage door	The Builder will install the door to meet the manufacturer's specifications. Some entrance of the elements should be expected under certain weather conditions.	The Builder will correct, if necessary, to meet warranty standards.
7. Windows do not operate	Reasonable pressure should open and close windows.	The Builder will correct to meet warranty standards.
8. Drafts around windows and doors	Some draft is normal and can be corrected with storm windows. Minor alterations to adjustable thresholds, weather-stripping and other elements are considered as routine maintenance and are the responsibility of the purchaser. Defective weather-stripping and improperly fitted windows and doors are a defect.	The Builder will correct to meet warranty standards.
9. Condensation and frost on windows.	Condensation or frost on windows is caused by temperature differences between the interior and the exterior of the home, as well as the personal living habits of the occupants. These conditions are beyond the control of the Builder and will not be considered as a defect.	None.
10. Water infiltration around doors and windows.	Windows and doors should be installed in accordance with the manufacturer's specifications, or other acceptable method. No water should pass beyond the interior face of the unit or flow into the wall area or the room. All caulking materials expand and contract due to temperature variations and dissimilar materials. Maintenance of weather-stripping and caulking is considered as routine maintenance and is the responsibility of the purchaser.	None
11. Screen panels do not fit properly; screen mesh is torn or damaged.	If a pre-closing walk-through is performed, defects, such as rips or gouges in the screen mesh must be documented in writing to the Builder by the purchaser prior to occupancy. If the Builder does not perform a pre-closing walk-through, the purchaser must document in writing to the Builder such defects within seven days of closing. The screen panels shall fit properly.	The Builder will correct improperly fitted screen panels. Defects, such as rips and gouges will be corrected if properly documented.

I. INTERIOR WALLS AND TRIM

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| 1. Faulty workmanship trim | Some separations at joists in moldings and between moldings and adjacent surfaces is normal and should be expected within certain tolerances. | Separation in excess of 1/4 inch will be corrected by caulking or other methods. |
| 2. Wall or ceiling cracks | Hairline cracks and seam or tape cracks, along with other slight imperfections are normal and should be expected within certain tolerances. Nail pops are common and are due to contraction and expansion of lumber products. They are beyond the Builder's control and are not covered by this warranty. | Cracks, exceeding 1/8 inch in width will be repaired as needed. The Builder is responsible for repainting only the affected area unless the majority of a wall is affected. Color will be matched as closely as possible. |
| 3. Cracking of ceramic tile | Cracking of grout joints is common and is a home maintenance item. | Broken tiles will be replaced and excessive cracking of grout joints will be repaired once. Builder is not responsible for discontinued patterns or colors or for variations in colors. |
| 4. Wallpaper or covering begins to peel | The purchaser should be careful not to cause this problem by negligences, such as consistent use of the shower without the exhaust fan being on. Mis-matches of wallpaper edging is not covered. | The peelings will be corrected by repair or replacement. Builder is not responsible for discontinued patterns or colors or for variations in color. |

II. FLOORING AND COVERING

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| 1. Separation between finished floor boards | Separation not exceeding 1/4 inch is normal and should be expected. | Builder will correct to meet warranty standards. |
| 2. Nails popping through resilient flooring | Only nails which have broken through the floor covering will be repaired. | The nail pops will be repaired and the covering repaired or replaced in the area damaged. Builder is not responsible for discontinued patterns or colors or for variations in color. |
| 3. Sub-floor imperfections causing ridges or depressions in resilient flooring. | Minor ridges or indentations not exceeding 1/8 inch are common and should be expected. The ridge or indentation is measured by placing a 6 inch straight edge perpendicularly over the ridge or indentation, with three inches of the straight edge extending over the imperfection, while tightly holding the other three inches to the floor. | The Builder will correct to meet warranty standards. The affected area only will be corrected, including the affected floor covering. The Builder is not responsible for discontinued patterns or colors, but will match as closely as possible. An exact match cannot be assured. |
| 4. Floor covering becomes loose or bubbles | *** | The affected area will be repaired or replaced. Builder is not responsible for discontinued patterns or colors or for variations in color. |
| 5. Gaps in seams of resilient coverings | Minor gaps and separations not exceeding 1/8 inch are common and should be expected. When the purchaser installs the flooring and covering, sub-floor preparation is the responsibility of the purchaser. If sub-floor repairs are to be made where the purchaser installed floor covering, the removal and replacement of the floor covering is the purchaser's responsibility. | The Builder will correct the affected area only to meet warranty standards. The Builder is not responsible for discontinued patterns or colors or for variations in color. An exact match cannot be assured. |
| 6. Gaps in carpet seams | Seams will be apparent. Spotting or fading of carpet is not covered by this warranty. Gaps at seams should not be apparent. | The Builder will correct to meet warranty standards. |

l. CABINETS AND COUNTER TOPS

1. Chips, cracks, scratches or delamination to vanity or kitchen countertops, including porcelain and fiberglass fixtures, or cabinets.
2. Cabinet doors or drawers warp
3. Cabinet separates from wall or ceiling

Cracks, chips and scratches not reported to the Builder prior to occupancy will not be covered by this warranty. Counter top material should not delaminate.

Minor warpage is common and should be expected within certain tolerances. Some separation is common and should be expected within certain tolerances.

The Builder will correct to meet warranty standards.

Warpage in excess of 1/4 inch from the face of the cabinet will be corrected. Separation in excess of 1/4 inch will be corrected.

m. COOLING AND HEATING

1. Insufficient cooling

Where applicable, the cooling system should be able to maintain a temperature of 78 degrees (measured 5 feet above the center of the floor) under local outdoor ASHRAE specifications. In the case of excessive outdoor temperature, a 15 degree difference is acceptable. Purchaser is responsible for minor adjustments such as balancing dampers and registers. All rooms will vary in temperature by 3 or 4 degrees. This is acceptable.

The Builder will correct the system to meet warranty standards.

2. Insufficient heating

The heating system should be able to maintain a temperature of 70 degrees (measured 5 feet above the center of the floor) under local outdoor ASHRAE specifications. Purchaser is responsible for minor adjustments such as balancing dampers and registers. On extremely cold days, a 5 to 6 degree difference between the actual inside temperature and the thermostat setting is acceptable. All rooms will vary in temperature by 3 to 4 degrees. This is acceptable.

The Builder will correct the system to meet the warranty standards.

3. Ductwork noisy

When metal ducts heat and cool, some noise will result. Very loud noise known as oil canning is not acceptable.

Builder will correct the oil canning noise only.

n. PLUMBING

1. Pipes freeze and burst

Purchaser is responsible for maintaining suitable temperatures in the home to prevent pipes from freezing. Proper winterization, including draining pipe lines and supplying outside faucets, is a homeowner's maintenance item.

Builder will correct if defect is caused by defective workmanship or materials.

2. Plumbing fixtures, appliances and trim fittings leaks or malfunctions

Leaks or malfunction in faucets, valves, appliances and trim fittings caused by defects in materials or workmanship will be corrected.

3. Pipes noisy

Expansion and contraction caused by water flow will cause some noise which is to be expected.

Loud, hammering noises in pipes will be corrected.

4. Cracks or chips in porcelain or fiberglass

The purchaser should inspect these items before taking occupancy and report them to the Builder prior to occupancy.

The Builder will be responsible for these items only if reported prior to occupancy.

5. ELECTRICAL

Outlets, switches or fixtures fail	***	The Builder will correct defective outlets, switches and fixtures.
Consistently blown fuses or circuit breakers kicking off	The Builder is not responsible if caused by the purchaser overloading in the system. Ground-fault Circuit-interrupters (GFCI's) are designed to kick off as necessary for safety reasons. This is not considered as a defect.	The Builder will correct defects caused by improper workmanship and materials only.

6. STANDARDS APPLICABLE DURING YEARS ONE AND TWO

Water supply stops	Drought or causes other than defective workmanship and materials will not be covered by this warranty.	The Builder will correct faulty workmanship and materials only.
Pipe leaks	Condensation on pipes is normal and is not covered by this warranty. Leaks in faucets, valves, joints and fittings are applicable to first year coverage only.	The Builder will correct pipe leaks only. Leaks in faucets, valves, joints and fittings are the purchaser's responsibility.
Clogged drain and sewers	This is a Purchaser's maintenance item. The Builder will be responsible only if the cause is a defect in construction.	The Builder will correct only if caused by a defect in materials and workmanship. The purchaser will pay for Builder's repair if not a defect in workmanship and materials.
Ductwork separates	Ductwork should not separate.	The Builder will correct to meet warranty standards.
Wiring fails to carry specified electrical load	***	The Builder will correct to meet acceptable warranty standards if failure is caused by a defect in workmanship or materials.
Major Structural Defects	The criteria for establishing the existence of a Major Structural Defect is set forth in Section B.1.(e) of this Limited Warranty Agreement.	Builder will correct the Major Structural Defect, limited to such actions as are necessary to restore the load-bearing capability of the component concluded to meet the criteria of a Major Structural Defect, and to correct those items of the home damaged by the Major Structural Defect.

6. STANDARDS APPLICABLE DURING YEARS THREE THROUGH TEN

Major Structural Defects	The criteria for establishing the existence of a Major Structural Defect is set forth in Section B.1.(e) of this Limited Warranty Agreement.	WPIC will correct the defective Major Structural Defect, limited to such actions as are necessary to restore the load-bearing capability of the component(s) to meet the criteria of a Major Structural Defect, and to correct those items of the home damaged by the Major Structural Defect.
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SECTION D: ADDENDUMS AND APPENDIX

D.1 HUD/VA ADDENDUM (Applicable to FIAA Financed Homes Only): February 1, 1992

1. **SECTION A.1.a. Year One Coverage.** The following language is added: Notwithstanding anything to the contrary herein contained, during the first year of coverage, the Builder will correct problems with, or restore the reliable function of, appliances and equipment damaged during installation or improperly installed by the Builder. In addition, the Builder will correct Construction Deficiencies in workmanship and materials resulting from the failure of the Home to comply with standards of quality as measured by acceptable trade practices. "Construction Deficiencies" are defects (not of a structural nature) in the Home that are attributable to poor workmanship or to the use of inferior materials which result in the impaired functioning of the Home or some part thereof. Defects resulting from Purchaser abuse or from normal wear and tear are not considered Construction Deficiencies.
2. **SECTION A.4.c.** The following language is substituted: In the first two years, if the Builder does not fulfill its obligations under this Agreement, WPIC will be responsible for the Builder's obligations, subject to a one-time deductible of \$250. WPIC's liability in years 3 through 10 under this Agreement is subject to a deductible of \$250 per claim. In each instance, the deductible must be paid by you prior to the repair or replacement by WPIC. In the event of payment, the \$250 will be subtracted from the cash payment. In the case of the common elements of a condominium, the deductible shall be \$250 per home affected by each common element defect, limited to a maximum of \$5,000 per free standing structure.
3. The following is added to the agreement: **SECTION A.4.i.** Where a covered defect is determined to exist and where either the Builder or WPIC elects to pay the reasonable cost of repair or replacement in lieu of effectuating such repair or replacement, the cash offer must be in writing and the Purchaser will be given two (2) weeks to respond. Cash offers over \$5,000 are subject to an on-site review by a HUD approved fee inspector (inspection costs to be paid by the builder or WPIC, as appropriate) unless:
 - (i) The cash offer is made pursuant to a binding bid by an independent third party contractor, which will accept an award of a contract from the Purchaser pursuant to such bid;
 - (ii) Payment is being made in settlement of legal action; or
 - (iii) The Purchaser is represented by legal counsel.
4. The following language is substituted: **SECTION B.1.c. Effective Date.** The Effective Date will be the date on which closing or settlement occurs in connection with the initial sale of the Home. In no event will the Effective Date be later than the date of FHA endorsement or the Purchaser's Mortgage on the Home.
5. The following language is added: **SECTION B.1.e. Major Structural Defects.** Failure of roof sheathing shall be deemed a major structural defect.
6. **SECTION B.2.h.** The following language is substituted: Loss or damage caused by soil movement, including subsidence, expansion or lateral movement of the soil (excluding flood and earthquake) which is covered by any other insurance or for which compensation is granted by state legislation.
7. The following language is added: **SECTION C.5.7.**

Potential Problems	Comments	Builder's Obligation
Septic System Fails	Freezing, soil saturation, underground springs, water run-off, excessive use and increase in the water table are among the causes not covered by this warranty.	Builder will repair or replace faulty workmanship and materials and conform with the Sewage Enforcement Officer's instructions as per design and installation only.

D.2 ACTIVE SOILS ADDENDUM

Homeowner Maintenance Responsibilities for Homes Constructed On Active Soils

Soils having a high clay content can expand and contract when variations occur in the moisture content of the soils. Where seasonal moisture changes in the sub-surface soils are common, it is the responsibility of the homeowner to provide proper ongoing maintenance. Although foundations are specifically designed for soil conditions in each area, conditions may be encountered that were not revealed by sub-surface exploration and testing.

Additionally, improper homeowner maintenance can adversely affect the performance and structural integrity of any foundation constructed on active soils and void the warranty coverage. These post-construction practices are beyond the control of the design engineer and the builder.

To minimize the probability of movement and displacement in the foundation caused by moisture content variations, the following post-construction maintenance and requirements must be executed. Failure to do so by the homeowner will void the warranty coverage provided by this Agreement.

1. A final grade certificate has been issued for the lot on which your home is located. This confirms that the final grade, as established by the builder, meets the warranty requirements. The homeowner is responsible for maintaining such grades in accordance with the final grade certificate. The grade around the foundation shall be maintained by the homeowner in such a manner that surface drainage is away from the foundation, and shall not permit water to pond or become trapped in localized areas against the foundation as this can cause variations in moisture content that can damage the foundation.
2. Watering shall be done in a uniform systematic manner as equally as possible on all sides of the foundation to keep the soil moist, NOT SATURATED. Areas of soil that do not have ground cover may require more moisture as they are more susceptible to evaporation, causing a moisture content imbalance.
3. During extreme hot and dry periods, close observations should be made around the foundation to insure adequate watering is being provided, preventing soil from separating or pulling back from the foundation.
4. Gutters and downspouts shall be maintained to prevent injection of moisture into the soil from roof run-off in localized areas. Downspout extensions shall be maintained to discharge a minimum of five feet away from the foundation wall.
5. Studies show that trees planted within twenty (20) feet of the foundation can damage the structural integrity of the foundation. Trees planted in close proximity to the foundation can develop a root system which can penetrate beneath the foundation and draw moisture from the soil. Areas around trees will require more water in periods of extreme drought. If the homeowner plants a tree closer than twenty (20) feet to the foundation, warranty coverage may be affected. Precautionary measures such as the installation of a root shield or root injection system should be taken to maintain moisture equilibrium.
6. Placing flower gardens and beds or shrubs next to the foundation and watering these areas heavily will generally result in a net increase of the soil moisture content in that localized area. This may result in a soil expansion in that localized area of the foundation. The homeowner must maintain a balanced soil moisture content around the perimeter of the foundation.

D.3 STATE OF INDIANA ADDENDUM - RIDER AMENDMENTS

Notwithstanding anything contained in the attached printed form of the Residential Warranty Corporation Limited Warranty Program (the "Program"), the Program shall include the following protection:

SECTION A.1. PROTECTION PROVIDED is amended to read as follows:

The limited warranty program provides you with the following protection:

1. YEARS ONE AND TWO COVERAGE

Commencing on the effective date of warranty as specified on the Application For Warranty Form, and subject to the terms and conditions listed herein, the Builder warrants that for a period of two years your home will be free from defects due to nonconformity with the warranty standards set forth in Section C of this Agreement. With respect to fixtures, appliances and items of equipment, the warranty is for one year or the manufacturer's written warranty, whichever is less. Furthermore, the Builder warrants for a period of two years, your home will have no Major Structural Defects (as defined in Section B of this Agreement).

2. YEARS THREE AND FOUR COVERAGE

Commencing at the beginning of the third year following the effective date of warranty as specified on the Application For Warranty Form, and subject to the terms and conditions listed herein, WPIC warrants that for a period of two years your home will be free from defects caused by faulty workmanship or defective materials in its roof or roof systems.

3. YEARS THREE THROUGH TEN COVERAGE

Commencing at the beginning of the third year following the effective date of warranty as specified on the Application For Warranty Form, and subject to the terms and conditions listed herein, WPIC will protect your home for a period of eight years against loss resulting from Major Structural Defects (as defined in Section B of this Agreement).

2. SECTION A.4. CONDITIONS AFFECTING BUILDER'S AND/OR WPIC'S RESPONSIBILITIES FOR WARRANTY PROGRAM AND PURCHASER'S RIGHTS is amended to include defective roofs in years three and four only as specified in section A.1.b.

3. SECTION A.5. HOW TO MAKE A WARRANTY CLAIM; DISPUTE SETTLEMENT is amended to include defective roofs in years three and four only as specified in section A.1.b.

The warranties and rights listed above are in addition to, and are not exclusive of, any warranties listed in the Program.

D.4 MARYLAND ADDENDUM

You should contact the New Home Warranty Security Plan, personally, to verify the existence of your warranty. Further, you should report any warranty problems, which are not promptly resolved by the Builder, to the New Home Warranty Security Plan.

1.5 STATE OF NEW YORK RIDER

Notwithstanding anything contained in the attached printed form of the Residential Warranty Corporation Limited Warranty Program (the "Program"), the Program shall include the following protection:

Fixtures, Appliances and Items of Equipment

Subject to other terms and conditions listed in the Program, the exclusion concerning deficiencies in fixtures, appliances and items of equipment described in Section B.2.w. of the Program shall not apply during the second year of the warranty term whenever (i) such fixtures, appliances and items of equipment are components of the cooling, ventilating, heating, electrical or plumbing systems; and (ii) the deficiencies in such fixtures, appliances or items of equipment are the result of defective installation by the Builder.

Alternative Dispute Resolution

When making a warranty claim pursuant to Section A.5.g. of the Program, you have no obligation to submit to binding arbitration, nor do you have to pay any fee or charge for participation in nonbinding arbitration or any mediation process concerning your claim. However, any unresolved claims must be submitted to arbitration before a legal proceeding may be commenced. Further, if a homeowner resorts to litigation, the rights and obligations imposed by Section A.5.g. shall apply to such litigation.

Warranty Standards

To the extent that the Warranty Standards listed in Section C of the Program do not meet or exceed the relevant standards contained in the applicable state and local building codes (or, in the absence of such relevant standards, the standards reflected in locally accepted building practices), such Warranty Standards shall be replaced by the relevant standards contained in the applicable state and local building codes (or locally accepted building practices, as the case may be).

Except as expressly provided above, the warranties and rights listed above are in addition to, and are not exclusive of, any warranties or rights listed in the Program.

D.6 MONTGOMERY COUNTY, MARYLAND APPENDIX

On November 18, 1986, Montgomery County, Maryland enacted Executive Regulations prescribing the form and coverage of minimum warranty standards on all new homes sold in that county. The Executive Regulations took effect on December 18, 1986.

Should the provisions of this limited warranty agreement be more rigid or less rigid than those enacted by Montgomery County, Maryland, the more rigid requirements shall apply whenever they are in conflict.

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The following sections are amended as indicated and shall apply to all new homes constructed by an RWC member builder, for which footer concrete has been placed or poured after December 17, 1986:

Section A.1.a.

YEAR ONE COVERAGE

Commencing on the effective date of warranty as specified on the Application For Warranty Form, and subject to the terms and conditions listed herein, the Builder warrants that for a period of one year your home will be free from defects due to nonconformity with the warranty standards set forth in Section C of this Agreement. With respect to fixtures, appliances and items of equipment, the warranty is for one year; except for those fixtures, appliances, and items of equipment relating to the heating, cooling, electrical or mechanical systems which will be covered for two (2) years.

Section A.1.b.

YEARS ONE AND TWO COVERAGE

Commencing on the effective date of warranty as specified on the Application For Warranty Form, and subject to the terms and conditions listed herein, the Builder warrants that for a period of two years, your home will have no Major Structural Defects (as defined in Section B of this Agreement) and that the cooling, heating, ventilating, electrical, and plumbing systems will be free from defects due to nonconformity with the warranty standards set forth in Section C of this Agreement.

Section A.4.d.

Actions taken to cure defects will not extend the periods of coverage specified in this Agreement provided that the Builder (or WPIC or its agents) does not attempt to conceal or cosmetically repair the defect in effecting a cure.

Section A.4.e.

When the Builder or WPIC finishes repairing or replacing a defective item, or prior to either paying you the reasonable cost of doing so, you must sign and deliver to the Builder or WPIC, as the case may be, a full and unconditional release in recordable form, of all legal obligations with respect to the defect. This release is binding provided that the Builder (or WPIC or its agents) does not attempt to conceal or cosmetically repair the defect in effecting a cure.

Section A.5.g.

ARBITRATION

If you disagree with the investigator's report, you should notify RWC, as administrator for WPIC, and the Builder, in writing, within thirty (30) days, that you disagree. In such event, disputes shall be submitted for arbitration to the American Arbitration Association (AAA), or such other independent arbitration service as may be designated by RWC, for resolution in accordance with the procedures and standards established by the laws and regulations of Montgomery County, MD regarding new home warranties and builder licensing. The cost of arbitration shall be borne by the Builder or WPIC. The Builder and WPIC have agreed to be bound by the final award of arbitration.

Section A.6.

Deleted in its entirety.

Section B.2.c

All consequential damages, including but not limited to costs of transportation, food, moving, storage, or other incidental expenses related to relocation during repairs. The Builder's responsibility will include actual reasonable shelter expenses during repairs. In order for the dispute settler to award shelter expenses, a determination must be made that the repair activity renders the house either unsafe or uninhabitable during the term of the repair. Consequential damages to real property as a result of a defect or repair of a defect are covered.

Section B.2.o.

Following the first year of this Agreement, loss or damage resulting from chimneys which are constructed separate from foundation walls or other structural elements of the home.

Section B.2.w.

Following the first year of this Agreement, any deficiencies in fixtures, appliances, and items of equipment except for components of the cooling, ventilating, heating, electrical, plumbing or in-house sprinkler systems. During the first year of this Agreement, coverage on fixtures, appliances, and items of equipment (including attachments and appurtenances) is for one year. Damage caused by improper maintenance or operation, negligence, or improper service of such systems by the Purchaser or its agents will not be covered by this Agreement.

Section C.4. STANDARDS APPLICABLE DURING YEAR ONE ONLY

Potential Problems	Comments	Builder's Obligation
a.2. Cracks in block or veneer walls (blocks, bricks, stone and mortar joints).	Settlement and shrinkage cracks are not unusual running through masonry and mortar joints and should be expected within certain tolerances. A crack in excess of 1/8 inch is a deficiency.	Cracks exceeding the maximum tolerance will be repaired by pointing or patching. Builder will not be responsible for color variations.
a.3. Cracks in basement floors.	Shrinkage (hairline) cracks are common and should be expected within certain tolerances. A crack exceeding 3/16 inch in width or 1/8 inch vertical displacement is a deficiency.	Repair cracks exceeding maximum tolerances by surface patching or pointing. Builder will not be responsible for color variations.
a.9. Cracking, settling or heaving of stoops and steps.	Minor separation and cracking is normal, as is minor puddling. Stoops and steps are not to settle or heave in excess of one inch in relation to the house structure. Cracks, except hairline cracks not in excess of 1/8 inch, are not acceptable in concrete stoops. A separation of up to 1/2 inch is permitted where the stoop or steps abut the house or where an expansion strip has been installed.	Cracks, settlement and heaving in excess of the maximum tolerances will be repaired to meet acceptable standards, as will excessive puddling. Such repairs to concrete will match the adjoining surfaces as closely as possible.
d.1. Walls which bulge, bow or are out-of-plumb	All interior and exterior walls have minor differences.	Walls bowing more than 1/4 inch within a 32 inch measurement is a deficiency and will be repaired.
f.2. Leaks in gutters and downspout leaders.	Gutters and downspouts should not leak and are to be sized not to overflow during heavy rainfall.	Builder will repair leaks. It is the owner's responsibility to keep gutters and downspouts free from leaves and debris which could cause overflow.
f.3. Water stays in gutters	A gutter improperly pitched to drain water is a deficiency. Water should not stand in gutters in excess of 1/2 inch. The purchaser is responsible for keeping gutters and downspouts free from leaves and debris.	Builder will pitch gutters properly to meet the standards.
k.1. Separations between finished floor boards	Some separation is normal and should be expected with certain tolerances. A separation in excess of 1/8 inch is a deficiency.	Builder will repair separations exceeding the maximum tolerance by filling or replacing.
k.5. Gaps in seams of resilient flooring.	Minor gaps are common and should be expected within certain tolerances. Gaps should not exceed 1/16 inch in width in resilient flooring joints. Where dissimilar materials abut, a gap not in excess of 1/8 inch is permissible. When the purchaser installs flooring and covering, sub-floor preparation is his responsibility. If sub-floor repairs are to be made when the purchaser installed floor covering, the removal and replacement of the floor covering is the purchaser's responsibility.	Where gaps exceed the maximum tolerances, Builder will repair or replace the affected area. Builder is not responsible for discontinued patterns or colors or for variations in color.
l.1. Surface cracks, delaminations and chips in high pressure laminates, porcelain and fiberglass fixtures and counter tops of vanity and kitchen cabinets.	Counter tops fabricated with high pressure laminated coverings should not delaminate, crack or chip.	The builder will repair or replace laminated, porcelain or fiberglass counter tops and fixtures having chips, cracks, scratches or delaminations if reported on a pre-closing inspection report. If a pre-closing inspection report was not performed, the owner shall notify the builder with 30 days of the effective date of warranty.

Potential Problems	Comments	Builder's Obligation
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Section C.5. STANDARDS APPLICABLE DURING YEARS ONE AND TWO

1. Water supply stops or water pressure is too low.	All service connections to municipal water main or private water supply are the builder's responsibility when installed by him. If conditions exist which disrupt or eliminate the source of water supply that are beyond the builder's control, then he will not be responsible.	Builder will repair as required if failure is due to faulty workmanship or materials.
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The following sections shall have the warranty period extended to two year coverage in Montgomery County, Maryland:

- Section C.4.m.1. Insufficient cooling
- Section C.4.m.2. Insufficient heating
- Section C.4.m.3. Noisy ductwork
- Section C.4.n.1. Pipes freeze and burst
- Section C.4.n.2. Plumbing fixtures, appliances and trim fittings leak or malfunction
- Section C.4.n.3. Noisy pipes
- Section C.4.o.1. Outlets, switches or fixtures fail
- Section C.4.o.2. Consistently blown fuses or circuit breakers kicking off