

**GATHERINGS AT BEL AIRE LAKES
SALE AND PURCHASE AGREEMENT**

THIS IS A LEGALLY BINDING CONTRACT THAT WILL BECOME FINAL WITHIN THREE BUSINESS DAYS. DURING THIS PERIOD YOU MAY CHOOSE TO CONSULT AN ATTORNEY WHO CAN REVIEW AND CANCEL THE CONTRACT. SEE SECTION 30 ON ATTORNEY REVIEW FOR DETAILS.

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**GATHERINGS AT BEL AIRE LAKES
SALE AND PURCHASE AGREEMENT**

1. NAMES AND ADDRESS OF PARTIES:

- A. SELLER: BEAZER HOMES CORP
- B. ADDRESS: 250 Phillips Boulevard, Trenton, NJ 08618
- C. TELEPHONE: (609) 538-0244
- D. BUYER: _____
- E. HOME ADDRESS: _____
STATE: _____ ZIP CODE: _____
- F. HOME TELEPHONE: _____
- G. BUSINESS TELEPHONE: _____
- H. CO-BUYER: _____
- I. HOME ADDRESS: _____
STATE: _____ ZIP CODE: _____
- J. HOME TELEPHONE: _____
- K. BUSINESS TELEPHONE: _____

2. PURCHASE PRICE AND PAYMENT SCHEDULE

- (a) Purchase Price: The "Purchase Price" for the Home shall mean the Total Purchase Price identified in the Pricing Addendum attached hereto and made a part hereof.
- (b) Payment Schedule: The Purchase Price shall be payable as set forth in the Payment Tracking Addendum attached hereto and made a part hereof.

Options or extras offered by the Seller and desired by the Buyer and not included in the Total Purchase Price are included on the Pricing Addendum, which shall be incorporated into this Agreement upon its completion by the Buyer and Seller. Fifty percent (50%) of the cost of any ordered options is due when selections are finalized. Subsequent changes to those selections may be denied by the Seller or administrative and cost fees assessed per the schedule provided in the Seller's Option Manual.

3. DESCRIPTION OF PROPERTY

The property sold under this Agreement is located in the City of Absecon, Atlantic County, New Jersey and described as follows:

Beazer Lot No. _____ Legal Block No: _____

Elevation: _____ Legal Lot No: _____

Model Type: _____

Street Address: _____

Throughout this Agreement the property to be sold is referred to as the "Unit." The Unit includes the dwelling house and the Lot upon which it is constructed, as identified above.

The Unit is located in a residential development commonly known as GATHERINGS AT BEL AIRE LAKES which is referred to in this Agreement as "Development." As part of this Agreement, the Seller agrees that it has or will construct the Unit to substantially conform to the model type or floor plans for same indicated above, which the Buyer has selected after inspecting the Seller's model or floor plans for same.

not a part hereof. Buyer represents that he has sufficient cash (together with the mortgage or mortgages referred to herein) to consummate the within transaction.

Buyer agrees to deliver to Seller a copy of Buyer's commitment for Financing within five (5) days of Buyer's receipt thereof. Once the commitment is obtained this contingency will be deemed satisfied. Should neither Buyer nor Seller, if Seller has so elected, be able to obtain such Financing on the terms set forth in the contract within the periods referred to above, or, if Seller elects not to attempt to obtain Financing on behalf of Buyer, either party may cancel this agreement by written notice to the other. In such an event, the Buyer shall be entitled to receive repayment of all deposit monies paid, without interest.

In the event Buyer qualifies for the mortgage, which loan is conditioned upon Buyer's complying with conditions set forth in the mortgage loan commitment, it shall be the Buyer's obligation to comply with these conditions. The failure of the Buyer to comply with these conditions shall be construed as a default by the Buyer. Once the Buyer has obtained a mortgage loan commitment, any subsequent changes in the Buyer's credit and failure of the Lender to make such loan because of the subsequent changes in the Buyer's credit status shall not be deemed a failure by the Buyer to obtain a mortgage loan. Once the Buyer has received a mortgage loan commitment, any subsequent change in Buyer's employment status, whether voluntary or involuntary, shall be at the risk of the Buyer and the failure of the Lender to make such loan because of such subsequent change in Buyer's employment status shall not be deemed a failure to obtain a mortgage loan by the Buyer. It will be deemed a breach of the promise by the Buyer under this Agreement. If the Buyer's mortgage commitment is conditional upon the sale of Buyer's existing premises, Buyer hereby agrees that said condition shall be deemed waived. In the event that the Buyer does not qualify for a mortgage loan, this Agreement shall be considered null and void upon the Seller refunding to Buyer the deposit, without interest. Under all other circumstances, this Agreement shall be binding upon the parties.

If a commitment for a mortgage loan is made, the Buyer agrees to acquire private mortgage guaranty insurance if it is a requirement of the lending institution. The Buyer shall pay all costs of applications and premiums for such insurance when due. **PRIVATE MORTGAGE GUARANTY INSURANCE IS SOLELY FOR THE BENEFIT OF THE LENDER AND IS NOT A CREDIT LIFE INSURANCE.**

6. **STATUS OF DEPOSIT:**

The deposit (s) given by Buyer as per the Payment Tracking Addendum have been or shall be paid to the real estate broker for the transaction, Beazer Realty, Inc., a New Jersey corporation having its office at 250 Phillips Boulevard, Suite 290, Trenton, NJ 08618 (the "Broker"), and such deposit has been or shall be placed in Broker's non-interest bearing escrow account at Wachovia Bank, 1488 Pennington Road, Ewing, 08618 and held in such account for the seven (7) day rescission period afforded by law after full execution of this Agreement. If Buyer lawfully cancels this Agreement within the seven (7) day period, Broker shall refund Buyer's deposit. If Buyer does not cancel within the seven (7) day period, Broker will pay the deposit over to Seller who will not hold it in escrow because Seller has posted surety acceptable to the New Jersey Department of Community Affairs to assure the return of the deposit to Buyer if this Agreement should lawfully terminate for a reason entitling Buyer to a return of the deposit. After it receives the deposit, Seller will keep and have the use of the deposit until title closes, unless Seller breaches this Agreement, in which case the deposit will be returned to Buyer, or Buyer breaches this Agreement, in which case the deposit may be retained by Seller as liquidated damages for Buyer's breach, but only up to a maximum of ten (10%) percent of the Purchase Price for the property.

7. **FORM OF DEED; TITLE INSURANCE:**

At the closing, the Seller shall deliver a form of deed commonly known as a "Bargain and Sale Deed with Covenant Against Grantor's Acts" (the "Deed") along with an Affidavit of Title and Seller's corporate resolution. This form of deed will transfer to the Buyer all of the Seller's rights as owner of the Unit and contain the Seller's promise that the Seller has not done anything while the owner of the Unit to make title defective. However, the Seller

makes no promises about the status or quality of title before Seller owned the property on which the Development is located. Seller shall deliver good and marketable title to the Unit, which shall be insurable at regular rates by a title insurance company authorized to do business in New Jersey, subject to title restrictions of record which do not unreasonably interfere with the intended use of the subject property as a single family residence.

The title to the property is insured by Fidelity National Title Insurance Company of New York and the property is presently insured under a policy issued by that company. The willingness of Congress Title Division of Fidelity National Title Insurance Company of New York to insure title to the Unit at regular rates shall constitute good and marketable title thereto. Buyer is not obligated to obtain title insurance from Fidelity National Title Insurance Company of New York.

Buyer agrees, at Buyer's expense, to procure and obtain for itself any title insurance which Buyer might desire and any title insurance required for the benefit of the mortgage lender.

In the event Seller's title shall prove to be unmarketable and Seller is unwilling to cure any title defects, Buyer shall be entitled to receive reimbursement from Seller for the actual cost of title searches and any survey and return of all paid deposits, without interest.

8. TIME AND PLACE OF CLOSING:

Title shall be closed at the offices of Fidelity National Title Insurance Company of New York, Congress Title Division, at its offices located at 450 Tilton Road, Egg Harbor, New Jersey 08225 (Phone #609-646-7850) or at such other location as determined by Seller. The closing of title shall be held at a time designated by the Seller following notice to the Buyer, provided that at the time set for such closing, the Unit is ready for occupancy in accordance with this Agreement. **THIS MEANS THAT TITLE MAY CLOSE LATER THAN THE ESTIMATED CLOSING DATE SET FORTH IN THIS PARAGRAPH.** In no event shall the closing be set for a date earlier than the date by which Seller shall have received at least a temporary Certificate of Occupancy for the Unit from the City of Absecon.

The issuance of a Certificate of Occupancy (including a temporary Certificate) from the City of Absecon shall constitute final completion of all items of construction (except for items pursuant to Paragraph 10 below). The delivery of the Deed by the Seller and the acceptance of the Deed by the Buyer shall be considered an acceptance by the Buyer of the Unit erected on the property as being in good condition and ready for occupancy and that the requirements of the Seller as listed in this Agreement have been met by the Seller unless otherwise agreed in writing by both parties at closing. If the Certificate of Occupancy is not obtained by the Seller by the date estimated below for closing in this Agreement, then that date shall be extended automatically until the Certificate of Occupancy has been obtained, provided it is obtained within 180 days after the estimated date set forth in this Agreement and all rights and obligations of the parties and provisions of this Agreement will continue in force and effect. In the event that Seller is unable to close title within 180 days from the date originally estimated for closing in this Agreement, the Buyer may terminate this Agreement upon written notice and the Buyer will receive immediate return of all deposits paid hereunder, without interest.

The Seller will notify the Buyer in writing of the exact date, time and place of closing at least ten (10) days before it occurs. Upon receiving notice of the exact date, time and place of closing, Buyer may not postpone the closing without written consent of the Seller.

FAILURE OF THE BUYER TO CLOSE TITLE AT THE SCHEDULED TIME AND PLACE, UNLESS THE SELLER CONSENTS TO A POSTPONEMENT, WILL BE A BREACH OF THIS AGREEMENT BY THE BUYER. IF SELLER ELECTS TO CLOSE WITH THE BUYER AT A LATER DATE, THE PARTIES AGREE THAT PRORATIONS FOR TAXES AND ANY OTHER PRORATABLE ITEMS SHALL BE AS OF THE ORIGINAL DATE SET FOR THE CLOSING. IN ADDITION, THE PURCHASER AGREES TO PAY TO THE SELLER A CHARGE CALCULATED AT THE RATE OF TWELVE (12%) PERCENT PER ANNUM ON THE AMOUNT OF

THE PURCHASE PRICE LESS THE DEPOSIT HELD BY THE SELLER FROM THE DATE ORIGINALLY SET FOR CLOSING TO THE ACTUAL DATE OF CLOSING TO COMPENSATE THE SELLER FOR ITS CARRYING CHARGES IN THE UNIT.

The estimated date of closing shall be _____.

Seller will give possession of the Unit to the Buyer at the closing and only after all of the monies due Seller have been paid by the Buyer. Buyer shall not be entitled to and shall not enter or utilize the premises or store personal property on the premises at any time prior to the closing of title and delivery of deed without the express written permission of Seller.

BUYER UNDERSTANDS AND AGREES THAT PRIOR TO CLOSING OF TITLE (I.E. DURING THE COURSE OF CONSTRUCTION), THE UNIT AND ANY ACCESS THERETO ARE NOT TO BE ENTERED BY BUYER OR BUYER'S AGENTS, SERVANTS, LICENSEES, EMPLOYEES OR INVITEES WITHOUT FIRST HAVING OBTAINED SELLER'S PERMISSION AND THEN ONLY IN THE COMPANY AND UNDER THE SUPERVISION OF A REPRESENTATIVE OF SELLER. SELLER SHALL HAVE THE RIGHT TO LIMIT THE NUMBER OF SITE VISITS PRIOR TO PRE-CLOSING WALK THROUGH TO ONE VISIT AND NO LATER THAN 11AM ON ANY WEEKEND OR HOLIDAY. ANY BREACH OF THIS PROVISION BY BUYER SHALL GIVE SELLER THE RIGHT TO IMMEDIATELY CANCEL THIS AGREEMENT AND RETURN BUYER'S DEPOSIT, WITHOUT INTEREST, EXCEPT FOR OPTIONAL OR EXTRA ITEMS FOR WHICH BUYER SHALL HAVE PAID AND WHICH HAVE BEEN INSTALLED OR COMPLETED OR ORDERED BY SELLER AND AS TO WHICH NO REFUND SHALL BE MADE BY SELLER, IT BEING AGREED THAT SUCH ITEMS REPRESENT LIQUIDATED DAMAGES FOR BUYER'S BREACH OF THIS PROVISION. BUYER FURTHER AGREES THAT BY EXECUTION OF THIS AGREEMENT, BUYER WAIVES ANY AND ALL RIGHTS TO SEEK DAMAGES OR ANY OTHER REMEDY AGAINST SELLER IN THE EVENT OF A BREACH OF THIS PROVISION BY BUYER AND A RESULTING INJURY TO BUYER OR DAMAGE TO ANY OF BUYER'S PERSONAL PROPERTY. FURTHER, IN THE EVENT OF A BREACH HEREOF BY BUYER AND ANY INJURY OR DAMAGE TO THE PREMISES IS CAUSED BY BUYER, BUYER SHALL BE RESPONSIBLE FOR THE COST(S) OF REPAIRING OR RECONSTRUCTING SUCH DAMAGE OR INJURY.

9. PAYMENTS DUE AT CLOSING:

As a condition of the Seller's delivery of the Deed for the Unit, at the closing the Buyer must pay the balance of the Total Purchase Price. The Buyer and Seller will also apportion certain expenses arising out of ownership. The Buyer and Seller will also have certain expenses connected with the closing which they must pay.

A. Adjustments Between Seller and Buyer:

There are certain expenses associated with the ownership of the Unit which must be regularly paid by its owner. The Buyer will be responsible for these expenses commencing with the closing date as that is the date the Buyer becomes the owner of the Unit. The following expenses, as applicable, will be apportioned between the Seller and Buyer based upon their respective periods of ownership: (a) real estate taxes; (b) municipal water and sewer; and (c) other items normally adjusted at closing.

These adjustments will appear on the closing statement, credited or charged to the appropriate party. The net result of the adjustments may be to increase or decrease the amount the Buyer must pay in cash or Certified Funds at the closing from that estimated in Pricing Addendum.

B. Buyer's Other Expenses:

In addition to the Total Purchase Price payable to Seller for the Unit and adjustments in favor of the Seller, the Buyer may also be responsible to pay the following: (a) the fees of the Buyer's attorney, if any; (b) the costs of a survey (if one is required by or for Buyer in connection with the closing), which survey of the Unit shall be provided by Seller at a cost of \$400.00; (c) all fees, charges, escrows and pro-rata payments or prepayments required by the provisions of the Declaration or By-Laws (including a \$300.00 working capital contribution and a \$150.00 Transition Expense Fund contribution) or as required by Buyer's mortgage Lender as a condition of the mortgage loan; (d) costs of title inspection and premiums for title insurance and fees to Buyer's title company for acting as closing agent, if applicable; (e) costs of recording the Deed and Mortgage (if applicable); (f) cost of fire, flood and/or Private Mortgage insurance, if required by the Buyer's lender. The Buyer must pay these expenses directly, if applicable. **THE BUYER IS ADVISED TO CONSULT WITH AN INSURANCE BROKER AS TO THE TYPES AND LIMITS OF INSURANCE WHICH BEST SUITS THE NEEDS OF THE BUYER.** The cost of any insurance carried by Buyer is the sole responsibility of Buyer.

C. Seller's Expenses:

The Seller will pay the following expenses in connection with the closing: (i) the cost of obtaining a Certificate of Occupancy for the Unit from the City of Absecon (ii) the appropriate New Jersey Realty Transfer Fee; and (iii) the fees of its attorney, if any.

10. INSPECTION:

Buyer may inspect the Unit and property prior to closing and may provide at the time of closing a written list of items that it believes need service or adjustment, including all visible defects. Seller, at the time of closing, will meet with the Buyer to identify those items that are the responsibility of the Seller and how those items will be serviced by the Seller. In addition, Seller will arrange two (2) post-closing meetings with Buyer, the first approximately 2 months after closing and the second approximately 11 months after closing, to determine if there are any items requiring repair covered by the warranty, however, Seller will not be responsible for the repair of any visible defects that were not reported by the Buyer at the time of closing, unless same are covered under the Home Warranty Agreement delivered to Buyer at time of closing. Buyer must make available the Unit and property for such repairs during normal working hours and remove any obstruction stored or installed by Buyer that might make such service work more difficult or costly. Seller shall not be responsible for repairs when Buyer denies such ready access. This paragraph will survive closing of title. It is specifically understood and agreed by Seller and Buyer that as to uncompleted work as of the date of closing no escrow shall be held. All work incomplete at the time of closing will be completed by the Seller within a reasonable period of time following the closing, subject to weather conditions and availability of labor and materials

11. STANDARD CHOICES: SUBSTITUTION OF MATERIALS:

All color selections for standard items and all selection of extras to be included in the Unit, where selections are offered by the Seller, must be made by the Buyer within ten (10) days from the date Buyer signs this Agreement. All selections are final. If the Buyer does not notify the Seller within the proper time of the choice selected, the Seller will have the right to make the selection for the Buyer. The choice(s) selected by the Seller may not be changed by the Buyer.

The Buyer understands that the Seller's ability to deliver standard features (as noted in the sales literature), appliances, equipment or optional items of the kind, color, make or model which were displayed or chosen by the Buyer depends upon availability from suppliers. If any standard features or optional items to be sold as a part of or with the Unit becomes unavailable for reasons beyond the Seller's control, the Buyer authorizes the Seller as follows: (i) to substitute colors which Seller feels are compatible with the color scheme of the Unit; and (ii) to substitute standard features, appliances, equipment or optional items of equal or better quality. Where possible, the Seller will consult with the Buyer before making

any substitutions. However, if the Seller exercises this authority to make substitutions, the Buyer will be obligated to accept such substitutions.

If the Seller does not install an extra ordered by Buyer or if Seller does not make a change in construction, when available, ordered by Buyer, the Seller's only responsibility will be to give the Buyer a credit at closing of title for the extra or change not made or installed. This credit will not exceed the price which the Buyer agreed to pay for the extra or change.

12. SELLER'S LIMITED WARRANTY:

The Seller agrees to give the Buyer certain warranties concerning the construction of the Unit as follows:

- A. The Seller warrants the construction of the Unit and the commonly owned elements of the development in accordance with the provisions of the New Jersey New Home Warranty and Builders' Registration Act, N.J.S.A. 46.3B-1 et seq. The Seller will enroll the Unit in an approved warranty security program at or promptly after closing. The Seller will pay all required fees and premiums for enrollment and coverage, provided the Buyer will be responsible for any deductibles which are a part of the warranty plan. Except as provided for herein, the warranty given a Buyer under such a program is the sole and exclusive warranty provided by the Seller, and Seller shall have no liability except to the extent and for the time periods provided under such warranty program.
- B. Seller warrants for a period of one (1) year after the closing of title and/or possession, subject to normal use and upkeep, that any applicable outbuildings, driveways, walkways, patios, retaining walls and fences associated with the Unit shall be free from defects due to faulty workmanship or materials, and further, that the surface drainage is proper and adequate and that all off-site improvements constructed by Seller are free from defects for a period of one (1) year from the date(s) of their construction, all as required by the Planned Real Estate Development Full Disclosure Act (N.J.S.A. 45:22A-21 et seq.). Seller agrees to repair or correct any defect in construction, material or workmanship, provided notice of same is delivered to the Seller, within a reasonable time after receipt of said notice, all as more fully required by N.J.S.A 45:22A-21 et seq.
- C. The Seller warrants that the Unit will substantially conform to the sales models, descriptions or floor plans used to induce the buyer to sign the Agreement, unless otherwise provided in this Agreement.
- D. Seller warrants the construction of the common facilities for a period of two (2) years from the date of the completion of each of the common facilities; warrants that the common facilities are fit for their intended use and shall repair or correct any defect in construction material or workmanship in the common facilities within a reasonable time after lawful notification of the defect.
- E. Seller gives no independent warranty with respect to any appliance, apparatus, instrument, component or accessory covered by a manufacturer's warranty. However, at the time of closing, Seller shall assign to Buyer any standard warranty offered from the manufacturer of any such equipment or appliance to the extent that such warranty runs in favor of Seller and is assignable. Buyer acknowledges that Buyer has been advised that copies of any such manufacturer's warranties are on display in the sales office and available for inspection upon request to Seller's sales agent.
- F. The Seller expressly disclaims any implied warranty or warranty arising by virtue of law with respect to the Unit, or anything contained in the Unit, or which would otherwise arise by virtue of making this Agreement. This means that the only warranties which are given by the Seller to the Buyer or other owner of the Unit are those listed above. By signing this Agreement the Buyer acknowledges and agrees to the following statements:

- (1) That the Seller is not obligated to repair or replace any part of the Unit or other property which is the subject of this Agreement unless it is covered by one of the warranties listed above.
- (2) That the Seller has not made any promises or representations as to the condition of the Unit or other Property which is the subject of this Agreement, except in this Paragraph 12.
- (3) That the Seller has not authorized anyone else to make any promise or representation as to the condition of the Unit or other Property which is the subject of this Agreement, or to vary the provisions of this Paragraph 12.
- (4) That the upgrades and decorator items, including, but not limited to, furniture, built-ins, decorations, wallpaper, mirrors or upgraded appliances, which are clearly labeled or otherwise noticed to Buyers, in the sales models are for display purposes only and are not included in the sale of the Unit unless separately agreed to in an Addendum to this Agreement or in the Pricing Addendum.
- (5) Purchaser understands and agrees that the above warranty is provided by the Seller in lieu of all other warranties, verbal agreements or representations; and Seller makes no warranty, express or implied, as to quality, fitness for a particular purpose, merchantability, habitability or otherwise, except as expressly set forth in the warranty program. Purchaser understands and agrees the warranties of all appliances and other consumer products installed in the home are those of the manufacturer or supplier and same are assigned to Purchaser, effective on the date of closing. In any event, Seller shall not be liable for any personal injury or other consequential or secondary damages and/or losses which may arise from or out of any and all defects.

13. ASSESSMENT FOR MUNICIPAL IMPROVEMENTS:

The City of Absecon has the right to make local improvements which benefit the Unit and the Development. The cost of the improvement would be charged against the property(ies) receiving the benefit of the improvement. This charge, known as an assessment, would be in addition to the real estate taxes. The Seller does not know of any such improvement which is presently needed or contemplated.

If such a municipal improvement benefiting the Unit would be completed prior to the date of closing, the Seller would pay the assessment, if any. The Seller may use the proceeds of closing to satisfy the assessment.

If such a municipal improvement benefiting the Unit is not completed prior to the date of closing, the Buyer would be responsible to pay the assessment, if any.

14. BUYER'S DEFAULT; DAMAGES:

In the event that Buyer shall fail to make any of the payments to become due hereunder, or shall fail or refuse to execute, acknowledge or deliver any instruments required to close this transaction, or refuse to pay any costs or other sums required in this Agreement, or otherwise defaults hereunder, and fails to correct any such defaults within ten (10) days after the Seller has given Buyer written notice of default, then Seller shall have the right and option to declare this Agreement terminated. If the Seller terminates this Agreement, the Buyer will no longer have any rights under this Agreement or with respect to the Unit. Upon termination of this Agreement, the Seller will be entitled to liquidated damages in an amount equal to ten (10%) percent of the Total Purchase Price of the Unit, plus the cost of extras or options installed by the Seller at the Buyer's request, if any and as herein set forth. The Seller may retain the deposit monies paid by the Buyer up to that sum and will promptly return any excess to the Buyer. If the deposit monies are less than that sum, then the Seller may institute legal proceedings to recover the remaining amount due and Buyer shall be responsible for the reasonable legal costs thereof. The provisions herein contained for liquidated and agreed

upon damages are a bona fide provision for such, and are not a penalty, the parties understanding that by reason of withdrawal of the Unit from sale to the general public, at a time when other parties would be interested in purchasing the Unit, the Seller will have sustained damages, which damages will be substantial but will not be capable of determination with mathematical precision. Therefore, the Buyer and the Seller have agreed to estimate the amount of such damages which will reasonably compensate the Seller for a default. Buyer agrees that if he shall default in the Agreement, he will not file any action against the Seller seeking the return of any portion of the payments made pursuant to this Agreement or seek any reduction in the amount of liquidated and agreed upon damages.

15. FLOOR PLANS:

Buyer acknowledges having inspected floor plans for the Unit. Buyer understands that Seller makes no representations as to the accuracy of the dimensions as shown on such floor plans and that the dimensions of the completed Unit (all of which are approximate) may vary. Buyer further recognizes and agrees that this Agreement will continue in full force and effect despite any such variance, unless the effect of such variance shall be substantially adverse to the Buyer.

16. APPLICABLE LAW:

All of the terms, covenants, conditions and provisions of this Agreement are subject to the laws of the State of New Jersey.

17. CASUALTY DAMAGE:

If the Unit is damaged by fire, vandalism, storm, flood or other casualty prior to closing, the Seller will have two options. It may terminate this Agreement and refund all deposit monies which have been paid by the Buyer for the Unit; or, it may repair the damage at its own expense. If the Seller chooses to repair the damage, the closing date will be postponed for the period reasonably necessary to make repairs. However, if the repairs cannot be completed within six (6) months of the date closing of title was estimated to take place, the Buyer may choose to terminate this Agreement and the Seller will promptly refund all deposit monies previously paid, without interest. If such damage occurs, the Seller will notify the Buyer in writing of its decision to terminate or repair. This notice will be sent by the Seller within thirty (30) calendar days of the date the damage occurred.

18. SUBORDINATION AND ASSIGNMENT:

Buyer agrees that all provisions of this Agreement are and shall be subordinate to the lien(s) of any construction mortgage which may be made by Seller before or after the execution of this Agreement and any advances which may be made thereunder before or after the execution of this Agreement. Buyer may not assign or record this Agreement and any assignment or recording shall be invalid. The lien of such construction mortgage, if applicable, shall be removed from the property at closing.

19. CHANGES TO THE AGREEMENT:

This Agreement may not be changed unless the change is in writing and signed by both the Seller and Buyer.

20. NOTICES:

Any notice or communication which may, or is required to be given pursuant to the terms of this Agreement, shall be in writing and sent by registered or certified mail, return receipt requested, to the party to whom it is being sent at its or his address hereinafter set forth, and shall be deemed given when deposited with the United States Postal Service, with postage prepaid for mailing.

21. **LICENSE:**

The Buyer authorizes Seller an irrevocable right to enter into, upon, over, under or across the property after the date of closing or until completion of the Development. This license is given to the Seller for the completion of construction, repairs, emergency matters or pursuant to governmental order or other requirement related to the Development. This paragraph shall survive delivery of the Deed.

22. **BROKER:**

Any commission due to a Broker will be paid by Seller and then only if the Broker is registered by Buyer on Buyer's INITIAL visit to the site. The commission to the Broker to be paid by Seller will be computed by Seller at the time of down payment. The commission will be considered earned, due and payable only if, as and when closing actually occurs. If closing does not occur for any reason whatsoever, then Seller will not be liable for any commission.

Buyer represents that no one other than Seller and Broker has shown the Unit to Buyer or called it to Buyer's attention. If any valid claim to the contrary is adjudicated against Seller or Broker by any other broker, solely by reason of Buyer's acts, Buyer agrees to satisfy any such claim. In any event, Buyer agrees to indemnify and hold harmless Seller from all costs, fees, liabilities and judgments by reason of Buyer's relationship with any other source other than Seller and Broker in connection with the Unit.

Broker, if applicable: _____

Broker Commission, upon closing: 2% of Base Price

23. **ENTIRE AGREEMENT:**

This Agreement and the Application for Registration of the Development filed by Seller with the Department of Community Affairs contains the entire Agreement between the Seller and the Buyer. **SELLER SHALL NOT BE RESPONSIBLE OR LIABLE FOR ANY AGREEMENT, REPRESENTATION, CONDITION OR STIPULATION NOT SPECIFICALLY SET FORTH HEREIN OR SPECIFICALLY SET FORTH IN A MUTUALLY EXECUTED MODIFICATION TO THIS AGREEMENT.**

24. **PARTIAL INVALIDITY:**

If any portion of this Agreement is held to be illegal or invalid or unenforceable by a Court, the remainder of this Agreement shall remain in effect as written.

25. **CAPTIONS:**

The captions in this Agreement are for convenience only. The captions are not to be considered when interpreting the meaning of any part of this Agreement.

26. **BINDING AGREEMENT:**

This Agreement is binding not only on the Seller and the Buyer, but also on their heirs, personal representatives, successors and lawful assigns.

27. **MULTIPLE BUYERS:**

If more than one person signs this Agreement as Buyer, then each person signing this Agreement will be jointly and severally liable. This means that each person is independently obligated to see that all obligations of the Buyer are performed. This also means that the Seller may seek its remedies in the event of a default, against all or any of the persons as it so chooses. The term "Buyer", as used in this Agreement, is intended to include all persons signing this Agreement as Buyer.

The Seller and Buyer agree to the terms of this Agreement by signing below. If the Buyer is a corporation, this Agreement is to be signed by its proper corporate officers and its corporate seal affixed.

28. BINDING ARBITRATION:

Any post-closing controversy or claim between or among the parties hereto arising out of this Agreement or the breach thereof, except for warranty claims, shall be determined by binding arbitration held in Mercer County, New Jersey pursuant to the rules of the American Arbitration Association and not by a court of law. Any such controversy or claim shall be settled in accordance with the Commercial or Construction Industry Arbitration Rules, as appropriate, of the American Arbitration Association, and judgement upon the award rendered by arbitration may be entered in any court having jurisdiction of the matter. The cost of the arbitrator(s) shall be borne equally by Purchaser and Seller. Any party to this Agreement may bring an action, including a summary or expedited proceeding to compel arbitration of any controversy or claim to which this Agreement applies in any court having jurisdiction over such action. This paragraph shall not apply to any claim for personal injuries. This paragraph shall survive closing and shall not be merged in the deed delivered at closing.

29. SPECIAL PROVISIONS:

As part of the governmental approvals granted for the Development of which the unit is a part, the City of Absecon may have required that certain landscaping-type improvements (i.e. trees, bushes, shrubs, flowers, etc.) be installed on the lot containing the Unit. Buyer agrees to not remove, substitute or change the locations of any such landscaping-type improvements during the period when Seller shall still be obligated to the City of Absecon under any lawful performance and/or maintenance guarantee of Seller related to said improvements (the "Guarantee Period"). Buyer agrees that Seller shall have the right to enter the lot at any time during the Guarantee Period for the purpose of installing and/or maintaining any such landscaping-type improvements. The provisions of this Paragraph shall survive closing of title.

Buyer agrees to accept delivery of the property prior to the setting of property corners on the lot. Seller agrees to install property corners within a reasonable time after the closing of the last lot to be sold in the development.

30. ATTORNEY REVIEW/SELLER REVIEW:

The parties understand and agree that this is a legally binding contract that will become final within three business days unless cancelled by either party in the manner set forth below. During the three day period, Buyer may choose to consult an attorney who can review and cancel this contract. During the three day period, Seller may also review and cancel this contract if any of the provisions hereof which have been executed by Seller's representative are inadvertently incorrect.

If an attorney is consulted by Buyer, the attorney must complete his or her review of this contract within a three day period. Seller's review of this contract for inadvertent factual errors must also occur within such three day period. This contract will be legally binding at the end of this three day period unless either an attorney for Buyer reviews and cancels this contract or Seller reviews and cancels this contract because of inadvertent factual errors contained herein.

The three day cancellation period is counted from the date of delivery of this fully signed contract to Buyer by Seller. Saturdays, Sundays or legal holidays are not counted. Buyer and Seller may agree in writing to mutually extend the three day period for Buyer's attorney's or Seller's review.

If either Buyer's attorney or Seller reviews and cancels this contract, then Buyer's attorney or Seller, as applicable, must notify the other party named in this contract of such cancellation

within the three day period or else this contract will be legally binding as written. The Buyer's attorney or Seller must send the applicable notice of cancellation to the other party by certified mail, by telegram, or by delivering it personally. Any telegram or certified letter will be effective upon sending. Any personal delivery will be effective upon delivery to the home or office of Buyer or Seller, as applicable. If Buyer's attorney or Seller cancels this contract, such notice of cancellation must also inform the other party of the suggested revision(s) in this contract that would make it satisfactory. **SUGGESTED CHANGES MUST BE IN THE FORM OF A CONTRACT ADDENDUM WITH SIGNATURE LINES FOR BOTH BUYERS AND SELLER. HANDWRITTEN CHANGES ON THE CONTRACT WILL NOT BE ACCEPTED BY SELLER.**

THIS RIGHT DOES NOT AFFECT ANY OTHER RIGHTS OF CANCELLATION SET FORTH IN THIS AGREEMENT.

Any cancellation notice to Seller hereunder, including personal delivery, shall be deemed made to Seller if made to: BEAZER HOMES CORP. at 250 PHILLIPS BOULEVARD, TRENTON, NJ 08618, Attention: Stephen P. Mutascio, Division Vice-President and CFO. (Phone #609-538-0244 X111, Fax #609-538-1899).

31. NOTIFICATION REGARDING OFF-SITE CONDITIONS:

Pursuant to the 'New Residential Construction Off-Site Conditions Disclosure Act,' P.L. 1995, c. 253, sellers of newly constructed residential real estate are required to notify purchasers of the availability of lists disclosing the existence and location of off-site conditions which may affect the value of the residential real estate being sold. The lists are to be made available by the municipal clerk of the municipality within which the residential real estate is located and in other municipalities which are within one-half mile of the residential real estate as set forth at the end of this Paragraph. Egg Harbor Township is located within one-half mile of the residential real estate. Purchasers are encouraged to exercise all due diligence in order to obtain any additional or more recent information that they believe may be relevant to their decision to purchase the residential real estate. Purchasers are also encouraged to undertake an independent examination of the general area within which the residential real estate is located in order to become familiar with any and all conditions which may affect the value of the residential real estate.

The purchaser has five (5) business days from the date the contract is executed by the purchaser and the seller to send notice of cancellation of the contract to the seller. The notice of cancellation shall be sent by certified mail. The cancellation will be effective upon the notice of cancellation being mailed. If the purchaser does not send a notice of cancellation to the seller in the time or manner described above, the purchaser will lose the right to cancel the contract as provided in this notice.

City of Absecon
500 Mill Road
Absecon, NJ 08201
(609) 641-0663

Township of Egg Harbor
3515 Bargaintown Road
Egg Harbor, NJ 08234-8321
(609)926-4000

32. MEGAN'S LAW STATEMENT

Under New Jersey law, the County Prosecutor of each County in New Jersey determines whether and how to provide notice of the presence of convicted sex offenders in an area.

In their professional capacity, real estate licensees are not entitled to notification by the county prosecutor under Megan's Law and are unable to obtain such information for you.

Upon closing, the county prosecutor may be contacted for such further information as may be disclosable to you.

33. ASSOCIATION DOCUMENTS; AGE RESTRICTION

- A. Buyer agrees that this Agreement and Buyer's ownership of the Unit are subject to the terms

and provisions of a certain Declaration of Covenants, Conditions, Restrictions and Easements, the Gatherings at Bel Aire Lake's Certificate of Incorporation, By-Laws and any applicable Rules and Regulations and any amendments to these documents which may be lawfully adopted in the future. This means that the Unit, and its use, will be governed, regulated, and subject to the rights of others under any covenants, restrictions, regulations, easements or agreements contained or referred to in these Association Documents. As owner of the Unit, Buyer agrees to abide by these Association Documents and perform all obligations which they impose. This includes, by way of example, payment of all maintenance and special assessments which the Association charges to Buyer. If any of the Association Documents are properly amended after the date of this Agreement, Buyer agrees to abide by those amendments as if they were contained in the Association Documents on the date of this Agreement.

- B. The Declaration also creates age and occupancy restrictions for every Unit so that at least one (1) of the record owners of the Unit who is a permanent resident thereof or at least one (1) lawful tenant of the owner of record of the Unit who is a permanent resident thereof must be in at least his or her 55th year of age at the time of title closing for the Unit and no person under the age of 19 may be in permanent residence at a Unit unless such person is providing the primary financial support or is the primary care-giver to a qualifying permanent resident of the Unit. Nothing in the Declaration prohibits the rental of Units provided however that at least one (1) lawful tenant must satisfy the age and occupancy restrictions set forth above.

At the time this Agreement is signed by Buyer, Buyer shall acknowledge on the Compliance Affidavit attached hereto and made a part hereof that Buyer is of qualifying age at the date of this Agreement or will be by the projected closing date for the Unit.

- C. Gatherings at Bel Aire Lakes and all residences therein, including the property described in this Agreement are self-certified pursuant to rules adopted by the United States Department of Housing and Urban Development as being in compliance with all rules and regulations applicable to "Housing for Older Persons" as defined under the Federal Fair Housing Act (42USCA sec.3607). Accordingly, Buyer represents that Buyer is in his or her 55th year of age or older, intends to personally reside in the Home after the Closing, and that all persons must be over the age of 18 years to reside in the Home. Buyer acknowledges that (i) Seller has advised Buyer that certain lenders which have expressed interest in making mortgages to buyers do so only to buyers who expect to reside in the Home, and (ii) Seller has executed this Agreement in reliance upon Buyer's representations as set forth herein. Buyer agrees to complete the Housing for Older Persons Act of 1995 Compliance Affidavit attached to this Agreement.

34. NOTICE TO BUYERS

BUYER ACKNOWLEDGES THAT PRIOR TO SIGNING THIS AGREEMENT, SELLER PROVIDED BUYER WITH A COPY OF THE PUBLIC OFFERING STATEMENT AS CURRENTLY REGISTERED WITH THE NEW JERSEY DEPARTMENT OF COMMUNITY AFFAIRS.

NOTICE TO BUYERS: YOU HAVE THE RIGHT TO CANCEL THIS AGREEMENT BY SENDING OR DELIVERING WRITTEN NOTICE OF CANCELLATION TO SELLER BY MIDNIGHT OF THE SEVENTH CALENDAR DAY FOLLOWING THE DAY ON WHICH IT IS EXECUTED. SUCH CANCELLATION IS WITHOUT PENALTY AND ALL MONIES SHALL BE PROMPTLY REFUNDED IN THEIR ENTIRETY.

BEAZER HOMES CORP.

_____	DATE: _____
SELLER	
_____	DATE: _____
BUYER	
_____	DATE: _____
BUYER	

Payment Schedule Addendum

The provisions of this addendum are part of the Purchase Agreement dated _____ ("Agreement") between Beazer Homes as "Builder" and _____ as "Purchaser" for the following described property:

Plot: _____ Block: _____ Section/Tract/lot: of _____ Subdivision _____

Address: _____ City: _____ State: _____ Zip: _____

Payment Date	Payment Type	Check Number	Payment Amount	Status
				Paid

Total:

When fully executed and delivered by Purchaser and a duly authorized officer of Builder, this Payment Schedule Addendum shall replace and supersede all previously executed Payment Schedule Addenda, if any, executed in connection with the Agreement and shall constitute an amendment to the Agreement.

Date: _____

Purchaser

Beazer Homes

Purchaser

Builder

By its Authorized Representative

Date: _____

Printed Name

Title

COMPLIANCE AFFIDAVIT
HOUSING FOR OLDER PERSONS ACT OF 1995

This Affidavit acknowledges that the undersigned has this day contracted to purchase or has purchased the Unit identified as _____ and situated in GATHERINGS AT BEL AIRE LAKES an age restricted community located in the City of Absecon, Atlantic County, New Jersey. GATHERINGS AT BEL AIRE LAKES is subject to the Housing for Older Persons Act of 1995, which requires that the developer and/or the Gatherings at Bel Aire Lakes Homeowners Association maintain a census of the occupants of the community (Homeowners Association) and their ages. This will further acknowledge that based upon my personal knowledge each person's age is indicated below. I agree to sign a census form that may be requested of me from time to time by the Homeowners Association, in order to update this information. I swear that the statements made in this Affidavit are true.

PLEASE PRINT

RESIDENT(S) NAME(S)	AGE(S)	BIRTH DATE(S)	RELATIONSHIP TO OTHER OCCUPANTS
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

As verification of the above information, please attach to this Affidavit a copy of one of the following for each person named above:

- i. Driver's License
- ii. Birth Certificate
- iii. Passport
- iv. Any other official identification that shows a birth date and that the above information is true.

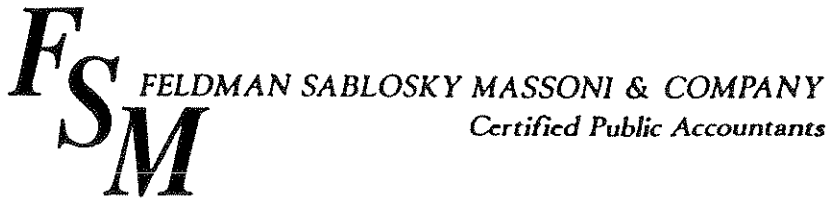
I hereby acknowledge that the statements made herein are true to the best of my knowledge and belief.

Signature

Signature

Signature

Signature



The Developers
Milestone at Bel Aire Lakes Homeowners Association, Inc.

We have examined the accompanying Forecasted Operating Budget of Milestone at Bel Aire Lakes Homeowners Association, Inc. for its initial full fiscal year based on full occupancy of 125 units. Our examination was made in accordance with standards for an examination of a forecast established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by the Developer and the preparation and presentation of the forecast.

The accompanying Forecasted Operating Budget presents, to the best of the Developer's knowledge and belief, the Association's expected revenues, expenditures and replacement funding for its initial full year of operations based on 125 units. It is not intended to be a forecast of financial position, results of operations or cash flows. The accompanying forecasted operating budget and this report were prepared for the Developer, for inclusion in the Public Offering Statement of Milestone at Bel Aire Lakes Homeowners Association, Inc., and should not be used for any other purpose.

In our opinion, the accompanying Forecasted Operating Budget is presented in conformity with guidelines for presentation of forecasted information established by the American Institute of Certified Public Accountants and the underlying assumptions provide a reasonable basis for the Developer's forecast, and that the operating budget including reserves for repairs and replacements is adequate. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Feldman Sablosky Massoni & Company

Jamesburg, New Jersey
March 25, 2004



FELDMAN SABLOSKY MASSONI & COMPANY

Certified Public Accountants

300 Buckelew Avenue
Jamesburg, New Jersey 08831
(Tel) 732-521-5300
(Fax) 732-521-9119

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Milestone at Bel Aire Lakes Homeowners Association, Inc.

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Feldman Sablosky Massoni & Company

Jamesburg, New Jersey
March 25, 2004

EXHIBIT D

Gatherings at Bel Aire Lakes HOA Annual Budget	2004 Budget	Monthly Unit Fee
RATING INCOME		
Homeowner Association Fee Income	199,493	\$133.00
Municipal Services reimbursement	5,000	
GROSS OPERATING INCOME	204,493	\$136.33
RATING EXPENSES:		
Repairs & Maintenance		
Building & Grounds Maintenance Supplies	2,000	\$1.33
Exterminating	1,320	\$0.88
Building/Grounds Maintenance - Labor	4,800	\$3.20
TOTAL REPAIRS & MAINTENANCE	8,120	
Contract Grounds Maintenance		
Landscaping/Grounds Mntnce	52,000	\$34.67
Snow Removal	13,000	\$8.67
Irrigation water	13,410	\$8.94
Irrigation System	2,000	\$1.33
Irrigation Maintenance	500	\$0.33
TOTAL GROUNDS MAINTENANCE	80,910	
Pool Expense		
Outdoor	0	\$0.00
Outdoor Pool Repair	0	\$0.00
TOTAL POOL EXPENSE	0	
Clubhouse & Recreational Expenses		
Clubhouse cable	700	\$0.47
Clubhouse Telephone	200	\$0.13
Clubhouse Electric	2,604	\$1.74
Clubhouse Mntnce & Repair	2,520	\$1.68
TOTAL CLUBHOUSE & RECREATIONAL EXP	6,024	
Utility Expense		
Electric	10,800	\$7.20
Water	5,100	\$3.40
Sewer	2,000	\$1.33
TOTAL UTILITIES	17,900	
Insurance Expense		
Association Package/D & O Liability	21,569	\$14.38
Administrative Expenses		
Postage & Copying	500	\$0.33
Coupon Printing/Bank Fees	344	\$0.23
TOTAL ADMINISTRATIVE EXPENSE	844	
Professional Fees & Corporate Taxes		
Accounting/Audit Fees	2,500	\$1.67
Corporate Taxes	100	\$0.07
Legal Fees	2,000	\$1.33

Gatherings at Bel Aire Lakes HOA		2004	Monthly
Annual Budget		Budget	Unit Fee
I	Management Fees	23,000	\$15.33
	TOTAL PROFESSIONAL FEES	27,600	
	TOTAL OPERATING EXPENSES	162,967	\$108.64
	Reserve Funding Expense		
J	Replacement Reserves	41,526	\$27.68
	Total Operating and Reserve Expenses	204,493	
	NET ASSOCIATION INCOME	0	0

The Gatherings at Bel Aire Lakes HOA				
Based upon 125 Homes				
Item	Quantity	Replacement Costs	Useful Life	Annual Contribution
Common Area Assets				
Roof	175k / sq. ft.	288,750	25	11,550
Gutters	7,500 l.f.	40,000	25	1,600
Leaders	6,200 l.f.	25,000	25	1,000
Concrete Patio's	12500 sq. ft.	75,000	25	3,000
Concrete Sidewalks	25000 sq ft	150,000	25	6,000
Driveway Asphalt	4160 sq. yd.	24,960	25	998
Street Lights	38	119,700	20	5,985
Fencing	161 @ 6ft x 8ft	6,601	25	264
Fencing - Split Rail	3100	49,600	25	1,984
Retaining Wall	3120 sq. ft.	62,400	30	2,080
Gazebo		4,000	25	160
Irrigation (heads, timer, piping)		140,000	25	5,600
Clubhouse				
Roof	3500	5,775	25	231
Concrete	500 sq. ft.	3,000	25	120
Furnishings		25,000	30	833
Parking Area	5000	3000	25	120
Total				41,526



Wentworth Property Management
Active Adult Management Division

The Gatherings at Bel Aire Lakes
Explanation of Full Occupancy Budget

The budget prepared for the Public Offering Statement for The Gatherings at Bel Aire Lakes is based upon full occupancy of 125 homes with the expenses distributed equally among the homeowners.

The governing documents were reviewed to determine the responsibilities of the community association. The expenses were estimated by comparing condominium communities with similar structures and amenities. Service providers such as landscaping contractors, management, and insurance agents were presented the construction plans for the community and consulted for cost estimates, which were utilized in preparing the budget.

Estimates for the Replacement Reserve allocations were compiled by reviewing the construction plan, listing the assets, attributing a life span and replacement cost to each asset. Replacement costs are based upon current values of replacement items and does not consider the cost of inflation.

Upon completion of the budget, an independent insurance agent and certified public accountant were consulted to ensure the accuracy of the estimates and the acceptability of the accounting principles on which the budget is based.

February 13, 2004

Ed Corless
Wentworth Group
100 Route 36, Suite 1A
West Long Branch, NJ 07764

**RE: Letter of Adequacy
Milestone at Bel Aire Lakes
125 Units**

Gentlemen:

In accordance with your request, we have reviewed and examined the Insurance Requirement for the Milestone at Bel Aire Lakes located in Absecon, NJ. Based on our analysis, we are pleased to recommend the following insurance Coverage:

1. **PROPERTY** - Coverage would be written on a blanket basis covering all Condominium buildings including recreation buildings, if any, and personal property owned by the Association. Coverage provided under the policy would be written on "special causes of loss perils" basis including Guaranteed Replacement Cost, and Agree ' Amount. All property would be subject to a policy deductible of \$2,500 each occurrence. At the option of the Association the policy can be extended to include damage from flood and earthquake and reimbursement of monthly maintenance fees in the event of a covered loss.

Values of the buildings are based on the completed construction value of the current project. These values should reflect the current Replacement Cost of the buildings. An annual review of this value by the Association would ensure that adequate limits are maintained.

2. **COMPREHENSIVE GENERAL LIABILITY** - Liability insurance would be designed to provide comprehensive protection for all common areas including, if any, swimming pools, lakes, and all recreational facilities. The limit under this section would be \$1,000,000 each occurrence. The basic policy would be extended to include the broadening CGL endorsement which includes Personal Injury Liability, Broad Form Property Damage, Host Liquor Liability, Blanket Contractual Liability, Medical Payments, Independent Contractors, Advertising Liability, Employees as Additional Insured, Incidental Medical Malpractice, Fire Legal Liability, Extended Bodily Injury, Non-Owned and Hired Automobile Liability, etc..

3. **DIRECTORS AND OFFICERS LIABILITY** - Coverage would be provided for all present and past members who serve on the Board of Trustees for the Association. The policy would have a limit of \$1,000,000 subject to a \$2,500 deductible.

JGS

INSURANCE

JACOBSON
GOLDFARB
SCOTT
INSURANCE

960 HOLMDEL ROAD
BUILDING II
HOLMDEL, NJ 07733

TEL 732.834.9800
FAX 732.834.0233

4. **UMBRELLA LIABILITY** - This policy would provide excess limits of liability above the primary Comprehensive General Liability, Non-Owned and Hired Automobile Liability, and Directors and Officers Liability policies. A minimum limit of \$5,000,000 for each occurrence is recommended however, higher limits are suggested for consideration by the Association.

5. **WORKERS COMPENSATION** - Coverage would be provided for injuries to employees during the course of employment. Benefits would be based upon the statutory requirements prescribed by the State of New Jersey. The Broad Form All-State Endorsement would be included. The policy would be issued on a minimum premium basis subject to an audit at expiration.

6. **COMPREHENSIVE AUTOMOBILE** - If the Association owns any vehicles, this policy would be provided for a combined single limit of \$1,000,000 and would also include the necessary comprehensive and collision Coverage. Non-Owned and Hired Automobile Liability would also be included.

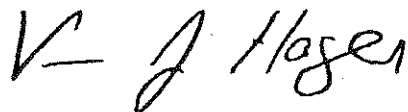
7. **COMPREHENSIVE CRIME INSURANCE** - This policy would provide coverage for the Association as a result of fraudulent and dishonest acts of its employees, loss of money and securities on and off premises, depositors forgery and counterfeit money and paper currency. The limit for Employee Dishonesty coverage would be \$150,000; each of the remaining Coverage would have a limit of \$1,000.

8. **UNIT OWNERS INSURANCE** - A Condominium Unit Owners Policy commonly referred to as an H0-6 policy, should be purchased by the Unit Owner to cover property damage their personal belongings, including furniture and fixtures, along with any upgrades purchased as options by the Unit Owner.

Implementation of the foregoing Coverage will, in our opinion, be adequate to meet the basic needs of the Association in insuring the exposures usual to Condominium/Townhome Associations and satisfies the requirements of any mortgage lenders or management contracts. Premium summary for the coverage is shown on the attached summary sheet.

Very truly yours,

JACOBSON, GOLDFARB & SCOTT, INC



Vincent J. Hager, CIRMS
Executive Vice President

JGS
INSURANCE

MILESTONE AT BEL AIRE LAKES
INSURANCE PREMIUM ESTIMATE
VALUES AS OF FEBRUARY 2004



COVERAGE	AMOUNT	PREMIUM
1. Property Insurance 125 Units - 100% Insurable Value - 36 Buildings and a Clubhouse	\$12,500,000	\$17,750
2. Comp. General Liability	\$1,000,000	Included
3. Directors and Officers	\$1,000,000	\$1,250
4. Umbrella Liability	\$5,000,000	\$1,950
5. Workers Compensation	Statutory	\$619
6. Comprehensive Auto		Not Quoted
7. Comprehensive Crime		Included
TOTAL ESTIMATED ANNUAL PREMIUMS		\$21,569

The premium estimates above are based on rates in effect in February 2004. Actual premiums may vary, based on the date coverage actually attaches. The premiums quoted above are good for 60 days from today.



Fidelity National Title Insurance Company

OWNER'S POLICY SCHEDULE A

Owner's Policy Number	Amount of Insurance	Date of Policy
1234567	\$0.00	_____, 2004

#: ABCDEFG

Name of Insured:

John and Mary Doe

The estate or interest in the land which is covered by this policy is:

Fee Simple

Title to the estate or interest in the land is vested in:

By deed from Beazer Homes Corp., dated _____, recorded _____
in Deed Book _____, Page _____, in the Atlantic County Clerk's Office.

The land referred to in this Policy is described as follows:

Block _____ Lot _____, City of Absecon, Atlantic County, New Jersey

Countersigned

by _____
Authorized Signatory

James Floor
(please print name)

SAMPLE

Fidelity National Title
INSURANCE COMPANY OF PENNSYLVANIA

[Signature]
President



ATTEST:

[Signature]
Secretary



Fidelity National Title Insurance Company

Congress Title Division

OWNER'S POLICY SCHEDULE B

Policy Number: 1234567

Number: ABCDEFG

EXCEPTIONS

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

Any encroachments, easements, measurements, variations in area or content, party walls or other facts which a correct survey of the premises would show.

Easements or claims of easements not shown by the public records.

Taxes from _____, not yet due and payable

Flooding and drainage rights in any stream, water course, drain or ditch.

Rights in any road, street, highway or lane bounding or affecting subject premises.

Declaration of Covenants, Conditions, Easements and Restrictions in Deed Book _____
Page _____.

Easements as contained in Deed Book 1045, Page 201; Deed Book 1073, Page 292;
Deed Book 1100, Page 208 and Deed Book 1900, Page 32.

Subject to setback lines, easements and buffers as shown on filed plan.

SAMPLE

**WENTWORTH PROPERTY MANAGEMENT
Community Association Management Agreement**

THIS AGREEMENT, made as of _____, by and between **MILESTONE @ BEL AIRE LAKES HOMEOWNERS' ASSOCIATION**, (hereinafter the "Association") and **WENTWORTH PROPERTY MANAGEMENT CORPORATION**, (hereinafter "Agent")

WITNESSETH:

In consideration of the mutual promises, terms and conditions as specifically set forth below, the parties agree as follows:

1. APPOINTMENT.

1.01 Association hereby appoints Agent as managing agent for the community known as **MILESTONE @ BEL AIRE LAKES HOMEOWNERS' ASSOCIATION** and situated in **Absecon, NJ, Atlantic County**, (hereinafter the "Property") subject to the terms and conditions hereinafter set forth.

1.02 Agent agrees to provide management services to and for the Association for the term of this Agreement, subject to the terms and conditions hereinafter set forth.

2. TERM.

2.01 The term of this Agreement shall be for a period of (1) one year commencing with the date the Association gains its first member, subject to the renewal and termination provisions hereinafter set forth.

3. SCOPE OF SERVICES.

3.01 The Association specifically empowers the Agent, and the Agent agrees to perform all of the services set forth in this Paragraph (3).

3.02 FISCAL MANAGEMENT.

Agent shall assist the Association in matters relating to its fiscal management, including, without limitation, the following:

(a) **RECEIPTS.** Agent shall collect and, as appropriate, account for all assessments and other charges due to the Association from its members or otherwise from Association operations including all rental or other income from concessionaires, if any. All such payments shall be received by Association's lock box at the financial institution selected from time to time by Agent. All funds received shall be immediately deposited in one or more Bank accounts titled to the Association.

(b) **COLLECTIONS.** Agent shall take such action as is reasonable and necessary to collect any delinquent receivables due to Association, provided that any such action is in accordance with law and Association policy and practices, as provided for by the Declaration of Covenants, Conditions, Restrictions, and Easements, Bylaws or Rules and Regulations of the Association (hereinafter the "Governing Documents") or by the resolution of the governing body of the Association (hereinafter the "Board"). Collection activity shall include late notices and imposition of late fee charges, notice of delinquency, and referral to and coordination with legal counsel. Agent shall assist Association to review and revise collection policies and practices where appropriate.

(c) DELINQUENT ACCOUNTS. Agent is authorized to take reasonable steps for collection of delinquent accounts. The Agent is authorized to assess each delinquent account a late charge and a delinquent processing charge, along with other charges for collection and lien fees, reflective of the costs of collection, accounting, payment plan monitoring and legal proceedings. Agent shall be paid an administrative charge of \$75.00 for the processing of any accounts turned over to the Association's attorney for collection.

(d) DEPOSITORY ACCOUNTS. All funds of the Association in the control of Agent shall be held in one or more depository accounts or investment instruments in the name of the Association segregated from any other funds of Agent or otherwise.

(e) DISBURSEMENTS. From the available funds of the Association, Agent shall disburse funds for operations, capital and other budgeted, approved or emergency expenditures (including Agent's compensation) subject to the terms and conditions herein set forth.

(f) FINANCIAL RECORDS. Agent shall maintain the financial books and records of the Association, including all contracts, purchase orders, vouchers and receipted bills and such other information as may be reasonable or necessary in order to administer and account for the financial affairs of the Association.

(g) REPORTS. Agent shall submit to the designated representative(s) of the Board monthly financial reports, which may include (at the discretion of Association) (1) Cash Receipts and Disbursements Statement, (2) Profit and Loss Statement with Variance to Budget, (3) Balance Sheet, (4) Schedule of Aged Receivables, (5) Schedule of Open Payables, (6) Bank reconciliation, and (7) such other information as the Association may reasonably require (the "Financial Report"). Each Financial Report shall be completed and submitted to the designated representative(s) on or before the 20th day of the succeeding month.

(h) PRIOR PERIOD ACCOUNTS. For the purpose of accounting continuity, Agent shall input such financial information as is available to it respecting operations prior to Agent's tenure and otherwise use reasonable efforts to establish accurate opening period balances. Agent does not warrant the accuracy of any financial information that was not developed by Agent.

(i) BUDGET DEVELOPMENT. Except where the Association has adopted a contrary procedure, sixty (60) days prior to the end of the Association's fiscal year Agent shall submit to Association a recommended "draft" operating budget for the next year (the draft "Budget") The draft Budget shall be presented with such support and documentation as necessary to test the credibility and assumptions utilized by Agent in the development of the draft Budget.

(j) RESERVE FUNDING. Agent shall maintain Reserve funds as required by Association and shall undertake to advise the Association respecting investment alternatives and reserve estimate updates.

(k) ACCOUNTANT COOPERATION. Agent shall cooperate with the Association's Accountant(s) or auditor(s) in connection with the preparation of an independent financial statement or audit and in connection with the preparation and filing of any tax returns required to be filed by the Association.

3.03 CONTRACTS.

(a) Agent shall, subject to the direction of the Association, negotiate, execute, and make payments pursuant to the approved terms of all contracts for goods or services required by the Association, including, without limitation, contracts for water, electricity, gas, telephone,

maintenance contracts, HVAC systems, fuel oil, landscaping, professional services, and contracts pertaining to such other goods and services required by the Association.

(b) To the extent reasonably feasible, except as permitted or directed by the Association, contracts for all amounts in excess of \$1,500.00 in the aggregate in any one year with any one third party shall be solicited in a competitive bidding process, with the Agent making a recommendation to the Association based on price and competence.

(c) Agent shall oversee the initiation and performance of all contracts and shall require vendor compliance with the terms and conditions thereof, including without limitation (1) provision of insurance certificates, (2) review of work quality, and (3) enforcement of warranties.

(d) Agent shall maintain uniform purchasing systems and procedures in order to conform to the policies established by Association, the terms and conditions hereof, and generally accepted accounting principles.

3.04 EMPLOYEES.

(a) On the basis of the Budget, job standards, and wage rates approved by the Association, Agent shall hire, pay, negotiate collective bargaining agreements with, supervise, and discharge managers, clerks, engineers, janitors, security, and other personnel as may be required to maintain and operate the Property.

(b) All such personnel shall be, at the option of Agent, employees of the Agent or employees of the Association; however, under either circumstance, except as set forth in Exhibit A, attached hereto and made a part hereof, the cost associated with such personnel shall be the Association's sole responsibility.

(c) Agent shall execute and file all tax returns and other instruments and do and perform all acts required as an employer under the Federal Insurance Contributions Act, the Federal Unemployment Tax Act, Subtitle C of the Internal Revenue Code of 1954 and any applicable State tax act with respect to wages paid by the Agent, all at the expense of the Association.

(d) Association recognizes the importance and value of Agent's employees to their business and agrees to refrain from hiring, directly or indirectly, any person(s) who is or was employed by the Agent during the term of this Agreement and for two years following the termination of this Agreement without first obtaining written consent of Agent.

(e) All of Agent's employees are subject to periodic training, education and certification programs, designed to provide such personnel with information respecting new procedures and developments and to reinforce their skills and ability. Association shall cooperate with Agent and periodically excuse Agent's employees from responsibilities at the Property so that employees can attend such programs. Programs are scheduled so as to provide for minimum interference and continuity at work. Agent estimates that each employee shall be required to attend 40 hours of in-service programs each year.

3.05 INSURANCE.

(a) Agent shall assist the Association in procuring appropriate property and liability insurance, and such other coverage as may be necessary or desirable.

(b) Agent shall maintain records of all insurance coverage carried by the Association and assist the Association in reporting and investigating any accidents or claims for damage relating

to the ownership, operation, or maintenance of the common elements of the Association, including any damage or destruction thereto.

(c) Agent shall assist the Association in responding to and taking such action to correct any noted deficiencies or violations contained in any report, citation, or other communication from any insurance underwriter, association of Fire Underwriters, federal, state or local agency.

3.06 COMMON ELEMENTS.

(a) Agent shall use its best efforts to maintain the Property, including all common elements and limited common elements of the buildings, appurtenances, and grounds, in accordance with appropriate standards of safety and maintenance consistent with the character and budget limitations of the Association.

(b) Agent will use its best efforts to establish and maintain such preventative maintenance regimes and inventory records as necessary in order to properly maintain the Property and personalty owned by the Association and situated therein.

(c) Agent shall conduct regular inspections of the Property in order to determine the condition of the Property, the adequacy of the care and maintenance thereof, and compliance with all Association's rules and regulations.

3.07 RULES AND REGULATIONS

(a) Agent shall assist the Board to adopt, maintain and enforce proper rules and regulations including architectural control issues.

(b) Agent will recommend action in the administration and enforcement of fines, legal action, etc., with regard to infractions of the rules and regulations and in accordance with Association's policies and procedures.

(c) Agent shall advise the Association respecting the laws and court decisions impacting on the enforcement of rules and regulations and shall proceed to enforce such rules and regulations in accordance with Association policies.

(d) Agent will receive, log and communicate all written complaints regarding violations of any covenant of the Association.

3.08 CAPITAL IMPROVEMENTS.

(a) Agent shall make such periodic recommendations as are necessary or appropriate to the Association with respect to capital improvements and reserves for capital improvements.

3.09 PROPERTY MANAGEMENT TEAM

(a) Agent shall designate one of its employees as the Community Manager for the Association. The Community Manager shall be the person primarily responsible for Agent's performance hereunder and shall be the primary contact and liaison between Agent and Association.

(b) The Community Manager shall be assisted and supported by Wentworth personnel including, without limitation, the Regional Vice President to whom the Community Manager reports, the Executive Vice President for Operations, the Vice President - Finance, staff

accountants, bookkeepers and other accounting personnel, Wentworth's legal, construction and insurance specialists.

(c) In the event that the Community Manager is unavailable to perform required duties, Wentworth's senior management team shall intervene to insure continuity of services and resources.

3.10 ASSOCIATION COMMUNICATIONS.

(a) Agent shall assist the Association in maintaining necessary and appropriate communications with its members, including, without limitation, the provision of all notices required by the Governing Documents, information respecting the Association to new members, and response to all inquiries or complaints.

(b) Agent shall systematically log written inquiries, correspondence, and other matters reported to it by members and shall maintain appropriate copies and records thereof.

(c) Agent shall maintain provisions for 24-hour access to the Agent for emergency services.

3.11 NON-FINANCIAL REPORTING.

(a) Agent shall communicate to the Association on a regular basis information respecting or pertaining to legislation, court decisions, tax rulings, financial practices, litigation, insurance matters, correspondence, title transfers, work in progress, rules and regulation infractions, site conditions, maintenance issues, and any other matter or material relating to the affairs or operations of the Association.

(b) In the event of an emergency condition, Agent shall report such condition to any officer of the Association as soon as possible.

3.12 MEETINGS

(a) Subject to the terms hereof, except in the event of matter beyond Agent's control, the Primary Community Manager shall attend all regular meetings of the Association and emergency meetings, when required, but not to exceed six (6) per annum.

(b) Agent shall assist the Association in the annual election meeting of the Association, including the preparation of all election material including proxies, ballots and notices.

(c) Agent shall distribute to the Association Board in advance of each meeting an agenda as established by Association, along with materials, which will support the facilitation of the meeting.

(d) Agent will attend 6 meetings of the Board of Directors. Time in excess of two (2) hours per meeting or fraction thereof that lasts after 9:00pm shall be charge at a rate in accordance with Schedule A of this agreement. Agent will attend meetings scheduled Monday through Thursday, except holidays. Meetings held on days other than those identified herein, and that the Agent agrees to attend will be charged in accordance with Schedule A of this agreement.

3.13 RECORD KEEPING

(a) Agent shall retain a complete set of files and records where available respecting the Association including the following:

- a. Current Owner Listing
- b. Association Documents
- c. Amendments to the Declaration
- d. Rules and Regulations
- e. Policies and Resolutions
- f. Current Contracts
- g. Insurance Policies and Quotes
- h. Financial Statements
- i. Plot plans
- j. Specifications and Guidelines for Architectural Requests
- k. Minute Book
- l. Corporate seal
- m. Agendas
- n. Property/Equipment Inventory
- o. List of contractors
- p. Inspection reports
- q. Individual owner files

(b) The parties acknowledge that all such records and files shall be retained by Agent during the term of this Agreement, provided that files that are more than three years old may be transferred to a storage facility and retained there at a charge to the Association.

(c) Agent shall use its best efforts to maintain all records and files of the Association in a safe and secure environment. The parties acknowledge, however, that Agent will not utilize fire resistant cabinets or facilities and files may be subject to loss or damage for which Agent is not responsible.

4. LIMITATIONS ON AGENT'S RESPONSIBILITY AND AUTHORITY.

4.01 EXPENSE LIMIT

(a) In discharging its responsibilities pursuant to Paragraph 3 hereof, Agent shall not make any expenditure nor incur any non-recurring contractual obligation unless such expenditure is provided for in the Association's approved Budget or is specifically approved by Association, unless such expenditure is less than **\$1,000.00**.

(b) Notwithstanding the provisions above, Agent may exceed the **\$1,000.00** limitation, without consent of the Association in the event of an emergency, defined as a condition that involves a danger to person or property or may threaten the safety of any Association member(s) and/or community occupant(s), or may threaten the suspension of any necessary services to the Association or its facilities, including utilities.

4.02 MAINTENANCE & REPAIRS

(a) Agent shall have no authority or obligation with respect to the maintenance or repair of any individual dwelling unit within the Property with the exception of emergency services or by mutual agreement.

(b) Agent shall have no authority to make any structural changes in or to the Association Property or to make any other major alterations or additions in any building or equipment herein except such emergency repairs as may be required because of danger of life or property or which are immediately necessary for the preservation and safety of the Association or its members or occupants.

(c) Agent is not responsible for compliance by the Association with requirements of any ordinance, law, rules or regulations (including those relating to the use, maintenance and disposal of solid, liquid and gaseous waste) of any County, State or Federal Government, or any agency or authority thereof, except to notify the Association promptly or forward to the Association promptly, any complaints, warnings, notices or summons received by it relating to such matters.

(d) Agent may advise and consult with Association respecting its mechanical systems; however Agent shall not be an operator of or otherwise in control of or charged with the maintenance of any system which utilizes fuels, substances or materials that, if handled improperly, could create an environmental impact. If necessary Association shall hire or retain independent professionals to operate or maintain such systems.

4.03 EXCLUDED SERVICES.

(a) Agent is devoted to provide Association with such advice, administration and assistance as it may require with respect to the operation of the Association's Property and business. Certain requested activities may however require extraordinary time commitments outside the scope of the parties' reasonable intentions. Such services include, but are not limited to the following:

A. Litigation support (including court appearances and preparation therefore)

B. Insurance claim administration on cases involving property damage and personal injury items covered under the Association's policy. Administrative charges by the Managing Agent under this provision are charges incurred after the initial claim filing and shall accordingly be submitted with the claim.

C. Any capital projects in excess of \$30,000 such as roofing, siding, painting, seal coating, etc. which would require the complete attention of the manager or management staff. Should Association and Managing Agent agree to provide construction coordination services, unless otherwise agreed, Managing Agent shall receive a fee equal to 10% of the total project cost.

(a) In the event of an insurance claim, Agent shall receive a fee equal to 10% of the insurance proceeds for assistance in the administration and adjustment of the claim and reconstruction.

(b) Wholesale revisions of Association documents.

D. Processing, supervision and negotiation respecting warranty claims resulting from work performed prior to the inception of a management relationship with Agent.

E. Consulting and administering requirements of the FHA, Fannie Mae and other approvals needed for financing.

F. Publication of Association's Newsletter. (Providing articles or suggested material would be considered part of the manager's regular duties; this paragraph refers to desktop publishing and production).

G. Should Association request and Managing Agent agree to provide additional or expanded services beyond the services outlined in the Agreement, unless otherwise agreed by the parties,

the fee for such shall be charged at an hourly rate of not less than \$75 and not more than \$225 depending on the nature of services required. Should Association utilize an affiliate of Agent to provide any construction or maintenance services, the charges shall be as negotiated by the parties or otherwise as set forth in Exhibit A. Agent shall not charge any supervision fee as set forth in Paragraph (c) above.

5. ASSOCIATION INDEMNIFICATION.

5.01 AGENCY

Association acknowledges that Agent is acting solely as an agent for the Association and, accordingly, any expenses or liabilities incurred by Agent hereunder, whether in its name or that of the Association, shall be the obligation of Association and not that of Agent.

5.02 INDEMNIFICATION

(a) Except for gross negligence or willful misconduct, Agent shall not be liable to the Association for any loss or damages incurred in connection with its performance hereunder.

(b) To the extent of the Association's insurance coverage as required herein, the Association will and does hereby indemnify, defend and forever hold harmless Agent, its employees and representatives, from and against any liability, damages, costs, expenses or claims incurred or sustained (including reasonable attorney's fees) in connection with any injury to person or property, or from any matter whatsoever arising from or in connection with Agent's performance of services hereunder.

5.03 ASSOCIATION INSURANCE

Association will maintain liability insurance in an amount not less than Five Hundred Thousand Dollars (\$500,000.00), workers compensation insurance, and such other insurance as necessary or appropriate, all acceptable to Agent, which shall name Agent as an additional insured. Association will provide Agent with a Certificate evidencing such insurance within ten (10) days of the date hereof, and each year thereafter, and such certificate shall provide that insurance may not be terminated without notice to Agent.

6. COMPENSATION.

6.01 BASE COMPENSATION

(a) Association shall pay Agent as compensation for its services hereunder the sum of (See Exhibit B), payable each month during the term of this AGREEMENT (hereinafter "Base Compensation"), provided that Base Compensation shall increase each year during the term of the Agreement and any renewal term by 5% percent.

(b) The Base Compensation shall be superseded by the adoption of a new annual association budget indicating an adjusted base fee for management services. Adoption of the annual budget by the Association's Board of Directors shall constitute an approval of a Base Compensation change under this agreement, but in no event shall the base fee be less than stated above.

~~(c) Any base fees and costs due the Agent will be paid promptly each month on the first of each month. Association hereby authorizes Agent to directly debit Associations' bank account on the first of each month for Agent's fee and for other costs and expenses owed to Agent, when and if they become due. Any monies due and billed and not paid to~~

Agent by the 15th of each month will carry a five percent (5%) per month late fee which will be added to the balance due and will be subject to further late charges until paid.

6.02 ADDITIONAL COMPENSATION

(a) In addition to the Base Compensation, should the Association require Agent to perform services in addition to those set forth herein, Association's shall pay agent in accordance with the provision set forth in Paragraph 4.03 hereof.

(b) Association shall promptly reimburse Agent for (1) all costs associated with any approved Payroll pursuant to paragraph 3.04 directly allocable to the Association, including payroll taxes, workers compensation insurance and like obligations, (2) all direct postage, dedicated fax and long distance charges, stationary and check stock, and other charges set forth in Exhibit A hereof, and (3) any advances made by Agent for the benefit of the Association. Association hereby authorizes Agent to directly debit Association's bank account for Agent's fee and for other costs and reimbursed expenses owed to Agent, when and if they become due.

(c) Association acknowledges that affiliates of Agent may receive compensation from the Association for services rendered to the Association provided that the Association approve such services. Affiliates include Worthmore Maintenance & Construction Co., Worthington Insurance and FirstService Financial, Inc. (FFI). FFI aggregates the purchasing resources of more than 1,700 community associations (containing more than 300,000 homes) located throughout the United States. FFI will provide lockbox services to the Association, and may make available insurance and other financial services and products, including access to its national preferred vendor program. FFI services are provided at no cost to Agent or the Association, however, FFI receives fees from the vendors it utilizes to cover its administrative expenses. (See Exhibit B)

(d) Association acknowledges that it is Agent's practice to charge a handling fee directly to homeowners for researching, completing and providing resale and refinance surveys, financing questionnaires and certifications. In order to properly respond to such requests, Agent processes such requests though a separate department whose trained personnel respond with timely and accurate information.

7. TERMINATION AND RENEWAL.

7.01 TERMINATION

(a) This AGREEMENT shall be for the term as set forth in paragraph two (2) provided that the term shall be deemed to have renewed for an additional one year period and successive one year periods thereafter, unless either party provides the other with written notice of its intention to cancel at least ninety (90) days prior to the termination date.

(b) This agreement may be terminated by the Association in the event Managing Agent is found to be in default of this Agreement and Managing Agent fails to cure the default as provided herein. In the event of a default, the Association, through its Board, shall notify Managing Agent in writing of the default, and Managing Agent shall have sixty (60) days to cure the default. In the event Managing Agent fails to cure the default, and the default is of such a nature that the cure is within the control of the Managing Agent, the Association may terminate this Agreement, and the termination shall be effective immediately upon receipt of such notice by Managing Agent.

(c) Upon notice of termination, the Agent shall prepare for an orderly transition of responsibilities and records in accordance with the instructions of the Association. Within 15 days from the date of notice of termination, Agent shall make available to the Association for inspection all books and records of the Association in Agent's possession, which material shall be

available for turnover to the Association as of the Termination Date. The Association shall bear the cost associated with photocopying material required to be retained by Agent.

(d) As of the date of termination, all sums due to Agent and all contractors, vendors, or other service agents procured by Agent on behalf of the Association shall be paid in full. In the event that there are insufficient funds to fully discharge all such liabilities, the Termination Date may, at the option of Agent, be extended until such funds are available. In the event that the Association disputes any such bills or charges, sufficient funds of the Association shall be deposited in an Escrow Account established in the joint control of the Association and Agent, pending resolution of the dispute. The Association agrees to bear full responsibility to the Provider of such goods or services and shall bear full responsibility for the cost of litigation resulting therefrom, if any.

(e) From and after the notice of termination, Agent shall not incur any expenses or obligations on behalf of Association unless in accordance with the specific written directive of the Association, except payments or reimbursements for previously approved bills.

(f) Agent shall, at no cost to the Association, prepare a final detailed accounting as of the Termination Date, which accounting shall be provided to the Association, together with any unclaimed books and records of the Association, as soon as practical but in any case no later than 45 days after the Termination Date, and thereafter the Agent agrees to cooperate with the Association's auditors regarding their financial and tax audits.

(g) Association acknowledges the value of Agent's employees and agrees to refrain from hiring or contracting with any of Agent's employees, affiliates or principals for a period of two years from the Termination Date.

(h) The provisions of paragraph 5 hereof shall survive termination.

8. AGENT'S INSURANCE

8.01 Agent shall maintain such insurance as is appropriate including without limitation, General Liability insurance, Workman's Compensation insurance, Employee Dishonesty Coverage, and Errors and Omissions insurance. Agent shall provide Association with suitable evidence of such insurance.

9. MISCELLANEOUS PROVISIONS

9.01 SIGNS

Agent reserves the right to affix an (8" x 20") "Professionally Managed by" sign to the existing Association's sign(s). Said signs shall conform to the Association's architectural standards and colors.

9.02 ASSOCIATION' S AUTHORITY

(a) Agent shall take its direction from the Board, Council or other governing body of the Association, acting pursuant to the authority conferred upon it by the Master Deed, Declaration or other documents respecting the governance of the Association.

(b) The Association shall designate, from time to time, one officer of its governing body to act as liaison to Agent (the "Management Liaison"). Agent may rely upon any instructions, statements or approvals communicated to Agent verbally or in writing by Management Liaison, as if the same had been affected by a resolution of the Association's governing body.

9.03 BINDING EFFECT

(a) This Agreement shall inure to the benefit of and constitute a binding obligation upon the parties hereto, their successors and assigns.

(b) This Agreement shall constitute the entire Agreement among the contracting parties and no variance or modification thereof shall be valid and enforceable except in writing. Any subsequent change in this agreement, which might alter the Managing Agent's responsibilities or rights, as defined in this agreement, shall require prior approval by Agent. Should any part, term or provision of this Agreement be declared or decided by any court to be invalid or in conflict with the law, the validity of the remaining portion, terms or provisions, shall not be affected thereby, and the remainder of the Agreement shall continue in full force and effect.

9.04 GOVERNING LAW

This AGREEMENT shall be governed by the laws of the State of New Jersey.

9.05 NOTICES

All notices required hereunder shall be effective if delivered by certified or register mail, delivered as follows:

- (a) If to Agent:
Michael A. Mendillo, President & CEO
Wentworth Property Management of NJ
100 Highway 36, Suite 1A, W. Long Branch, NJ 07764
- (b) If to Association:
Milestone @ Lawrenceville Homeowners Association
Attn.: President and Secretary

IN WITNESS WHEREOF, the parties hereto have executed this AGREEMENT the day and year first above written.

For: **MILESTONE @ BEL AIRE LAKES HOMEOWNERS' ASSOCIATION**

Stephen Mutascio , Board President Date

ATTEST Date

By: **WENTWORTH PROPERTY MANAGEMENT CORPORATION**

Michael A. Mendillo, President & CEO Date

ATTEST Date

EXHIBIT A

1. AGENT'S FEE INCLUDES:

All management payroll including executive management, financial staff, regional management, property manager and assistants and all expenses related thereto.

2. REIMBURSABLE EXPENSES:

In addition to the management fee provided in Paragraph 6.01 of the Agreement, Association agrees to reimburse Agent for expenses incurred as follows:

Coupon books - Direct Expense - not less than \$2.50 per book
Computer labels - Direct Expense not less than \$15.00 per mailing
Bank charges including lockbox fee - Direct Expense
Copy charge - \$.15 per copy
Envelopes - Direct expense not less than \$.15 each
Postage - Direct expense
Fax - \$1.00 per page
Long Distance phone calls - cost + 25%
Processing Returned Checks- Direct Expense
Computer Checks - \$.25 per check
Payroll Processing Fee - Greater of 7% of gross payroll or \$10 per check

3. ASSOCIATION SHALL PAY AGENT ADDITIONAL COMPENSATION AS FOLLOWS:

Principals - \$150 per hour, Regional Manager/Director - \$125 per hour, Property Management - \$75 per hour, and clerical personnel - \$35 per hour for services performed on behalf of the Association outside the normal course of operations or outside the parameters of this agreement. Agent will advise Association of any unusual event which may result in the above fees being charged to Association.

Acknowledgement of Exhibit A

Exhibit B

1. ASSOCIATION SHALL PAY BASE COMPENSATION AS FOLLOWS:

<u>Number of Homes</u>	<u>Monthly Management Fee</u>
0 - 10	\$500.00
11 - 64	\$1000.00
65 - 125	\$15.33 per home

Acknowledgement of Exhibit B

EXHIBIT H

PREPARED BY:

Alan G. Frank, Jr., Esquire

DEED

THIS DEED, is made on _____, 200____,

BETWEEN: BEAZER HOMES CORP.

a Tennessee Corporation, having offices at 250 Phillips Boulevard,
Suite 290, Trenton, New Jersey 08618, (referred to as GRANTOR),

AND

about to reside at
City of Absecon, County of Atlantic and State of New Jersey (referred
to as GRANTEE)

1. **TRANSFER OF OWNERSHIP.** Grantor grants and conveys the property below to Grantee subject to the terms, limitations, conditions, covenants, restrictions, and other provisions of that certain Declaration of Covenants, Conditions, Easements and Restrictions for Gatherings at Bel Aire Lakes (the "Declaration") dated _____, 200__ and recorded on _____, 200__ in the Office of the Clerk of Atlantic County in Deed Book _____, Page _____, et seq., as amended from time to time. The Grantor acknowledges receipt of this money.

2. **TAX MAP REFERENCE.** (N.J.S.A. 46:15-2.1) Municipality of Absecon, Block _____, Lot _____, Account No. _____.

3. **PROPERTY.** The property consists of the land and all the buildings and structures on the land in the City of Absecon, County of Atlantic and State of New Jersey. See attached Schedule A for legal description.

By acceptance of this Deed, Grantee consents to any future amendments or revisions to the Declaration or the By-Laws of Gatherings at Bel Aire Lakes Homeowners' Association, Inc. (the "By-Laws"), which may be required by law or by governmental agencies of the State of New Jersey in connection with the sale of any property described in the By-Laws or Declaration or any title insurance company insuring title to any portion of

If an amendment is required, then Grantee expressly agrees that Grantor is authorized, on behalf of Grantee, to sign and record any document necessary to make the amendment effective. This authority is called a power of attorney and Grantor, in exercising this authority, is referred to as Grantee's attorney-in-fact. By signing this Deed, Grantee designates Grantor as having this authority. This power of attorney will be binding upon anyone who claims an interest in the Property by or through Grantee, such as a mortgagee, other lienholders, a purchaser, a tenant or someone with an interest acquired through a will or by operation of law. If an amendment is required for one of the reasons expressed, only the signature of the attorney-in-fact is required in order for the amendment to be effective. However, Grantor may not exercise its authority as attorney-in-fact without a separate written consent of Grantee if the amendment would increase the financial obligations of Grantee or reserve any additional special privileges for Grantor.

Grantee declares and acknowledges that this power of attorney is coupled with an interest in the subject matter. Grantee understands that Grantor has caused the By-Laws and Declaration to be adopted and recorded and that same are binding on the owners of all the lands subject to the Declaration and are for the mutual benefit of the owners of all the lands subject to the Declaration including Grantor. Grantor, as the developer of the lands subject to the Declaration, the initial seller of the lands subject to the Declaration and the present owner of land subject to the Declaration, has an interest in such amendments under the circumstances described. For this reason, this power of attorney may not be revoked by Grantee.

The power of attorney will be effective for a period of five (5) years from the date this documents is signed, or until Grantor's sale of the last home in "Gatherings at Bel Aire Lakes" to a buyer in due course whichever occurs first. This power of attorney shall not be affected by the death or disability of any principal.

This Deed is made subject to any and all operative easements, covenants and restrictions of record as well as any facts which an accurate survey of the property hereby conveyed shall reveal.

4. **PROMISES BY GRANTOR.** Grantor promises that Grantor has done no act to encumber the property. This promise is called a "covenant as to grantor's acts" (N.J.S.A. 46:4-6). This promise means that Grantor has not allowed anyone else to obtain any legal rights which affect the property (such as by making a mortgage or allowing a judgment to be entered against Grantor).

5. SIGNATURES. Grantor signs this Deed as of the date of the top of the first page.

ATTEST:

BEAZER HOMES CORP.,
A Tennessee Corporation

_____, Div. Asst. Secretary

_____, Div. Vice President

STATE OF NEW JERSEY :

:

COUNTY OF MERCER :

:

I certify that on _____, 200__, _____,
personally came before me and this person acknowledged under oath, to my satisfaction,
that this person:

____ (a) this person is the Div. Asst. Secretary of Beazer Homes Corp., the corporation
named in the attached document;

(b) this person is the attesting witness to the signing of this document by the proper
corporate officer who is the Div. Vice President of the Corporation;

(c) this document was signed and delivered by the Corporation as its voluntary act
duly authorized by a proper Resolution of its Board of Directors;

(d) this person signed this proof to attest to the truth of these facts; and

(e) the actual consideration paid for the within transfer of title was the sum of
\$ _____

Sworn and subscribed to before
me this _____ Day of _____, 200__.

Attorney at Law of New Jersey or
Notary Public of New Jersey

BUILDER'S LIMITED WARRANTY

Administered by Professional Warranty Service Corporation



In accordance with regulations promulgated by the New Jersey Department of Community Affairs ("DCA"), Professional Warranty Service Corporation (PWC) administers the private alternate new home warranty security plan in which your **BUILDER** participates. If you have any questions about this new home warranty security plan, you may write to PWC at: P.O. Box 800, Annandale, VA 22003-0800 or phone 1-800-850-2799.

Questions about the DCA's regulations of private alternate new home warranty security plans may be mailed to the DCA at P.O. Box 805, Trenton, New Jersey, 08625-0805 (the address for hand delivered materials is: State of New Jersey, DCA, 101 South Broad Street, 2nd Floor, Trenton, New Jersey 08608) or you may phone: (609) 633-6366 fax: (609) 292-2839.

Enclosed with this **BUILDER'S LIMITED WARRANTY**, is a Builder's Limited Warranty Coverage Validation Form. The Builder's Limited Warranty Coverage Validation Form provides the dates on which the specific warranty coverage periods begin and expire. It is important that this form is retained with the **BUILDER'S LIMITED WARRANTY**.

Throughout this **BUILDER'S LIMITED WARRANTY** the words "YOU" and "YOUR" refer to the **HOMEOWNER**. The words "WE", "US", and "OUR" refer to the **BUILDER**. The other words and phrases which appear in boldface uppercase type also have special meaning. Refer to the Definitions section, so that YOU will understand the terminology applicable to this **BUILDER'S LIMITED WARRANTY**.

Liability under this **BUILDER'S LIMITED WARRANTY** is limited to the amount shown on the Builder's Limited Warranty Coverage Validation Form

Consequential damages to personal property are not covered under this **BUILDER'S LIMITED WARRANTY**. Consequential damages which are covered by this **BUILDER'S LIMITED WARRANTY** include only physical damage to the **HOME**, as originally constructed by the **BUILDER**, caused by a warranted **DEFICIENCY** or **MAJOR STRUCTURAL DEFECT** or the repair of a warranted **DEFICIENCY** or **MAJOR STRUCTURAL DEFECT**.

WE make no housing merchant implied warranty of habitability or any other warranties, express or implied, in connection with the sales contract or the warranted **HOME**, and all such warranties are excluded, except as expressly provided in this **BUILDER'S LIMITED WARRANTY**. There are no warranties which extend beyond the face of this **BUILDER'S LIMITED WARRANTY**.

Any claims, demands, disputes, controversies, and differences that may arise between YOU and US or OUR insurer, of whatever kind or nature, related to or arising from this **BUILDER'S LIMITED WARRANTY** may be resolved by binding arbitration. For information on the binding arbitration process see Section VII of this **BUILDER'S LIMITED WARRANTY** or contact PWC at the number noted above.

I. Coverage Limit

The amount shown on the Builder's Limited Warranty Coverage Validation Form is OUR limit of liability. It is the most WE will pay or expend for all covered DEFICIENCIES or MAJOR STRUCTURAL DEFECTS regardless of the number of claims made during the warranty period. Once OUR limit of liability has been paid, no further claims can be made against this BUILDER'S LIMITED WARRANTY.

II. Limited Warranty Coverage

Coverage under this BUILDER'S LIMITED WARRANTY changes over the course of the ten year term. Section A refers to coverage provided during the first year; Section B refers to coverage provided during the second year; and Section C refers to coverage provided during the third through tenth year.

Section A Coverage

Beginning on the WARRANTY DATE - HOME and WARRANTY DATE - COMMON ELEMENTS, WE warrant for one year that the construction of YOUR HOME (including COMMON ELEMENTS, if any) and the HOME's electrical, plumbing, heating, cooling and ventilation systems will conform to the PERFORMANCE STANDARDS as described in Section X below. The HOME also will be free from MAJOR STRUCTURAL DEFECTS. Additionally, APPLIANCES, FIXTURES, AND ITEMS OF EQUIPMENT will be free from DEFICIENCIES for one year or for the term of any manufacturer's written warranty, whichever is less. If YOUR HOME carries an original FHA or VA mortgage, DEFICIENCIES during the first year of coverage on APPLIANCES, FIXTURES, AND ITEMS OF EQUIPMENT shall be corrected if the malfunction of the APPLIANCES, FIXTURES, AND ITEMS OF EQUIPMENT is due to damage during installation and/or improper installation. To be eligible for coverage WE must receive written notice of the DEFICIENCY or the MAJOR STRUCTURAL DEFECT no later than thirty (30) days after the expiration of the coverage.

Section B Coverage

During the second year following the WARRANTY DATE - HOME or WARRANTY DATE - COMMON ELEMENTS, WE warrant that SYSTEMS (including the COMMON ELEMENTS, if any, related thereto) will conform to the PERFORMANCE STANDARDS. The HOME also will be free from MAJOR STRUCTURAL DEFECTS. Coverage under Section B expires two years after the WARRANTY DATE - HOME or WARRANTY DATE - COMMON ELEMENTS, if applicable. To be eligible for coverage, WE must receive written notice of the DEFICIENCY in the SYSTEMS or the MAJOR STRUCTURAL DEFECT no later than thirty (30) days after the expiration of the coverage.

Section C Coverage

During the third through tenth years following the WARRANTY DATE-HOME or WARRANTY DATE-COMMON ELEMENTS, WE warrant the construction of YOUR HOME (including COMMON ELEMENTS related thereto) will be free from MAJOR STRUCTURAL DEFECTS. Coverage under Section C expires 10 years after the WARRANTY DATE-HOME or WARRANTY DATE-COMMON ELEMENTS. To be eligible for coverage WE must receive written notice of the MAJOR STRUCTURAL DEFECT no later than thirty (30) days after the expiration of the coverage.

III. OUR Coverage Obligations

All notices of DEFICIENCIES, MAJOR STRUCTURAL DEFECTS, and complaints under this BUILDER'S LIMITED WARRANTY must be made by YOU in writing. Telephonic or face-to-face discussion will not protect YOUR rights under this BUILDER'S LIMITED WARRANTY.

WE may be considered to have breached this BUILDER'S LIMITED WARRANTY only if WE fail to correct a DEFICIENCY or MAJOR STRUCTURAL DEFECT in accordance with the terms and conditions of this BUILDER'S LIMITED WARRANTY.

DEFICIENCIES

In the event a DEFICIENCY occurs during the applicable coverage period, WE will, upon receiving written notice from YOU, inspect the DEFICIENCY to confirm coverage for the DEFICIENCY within a reasonable time after WE receive YOUR notice. Upon confirmation of a DEFICIENCY, WE, OUR insurer, or another third party designated by US will repair, replace or pay YOU the actual cost of repairing or replacing the DEFICIENCY. The decision to repair, replace, or to make payment to YOU is at OUR or OUR insurer's sole option.

MAJOR STRUCTURAL DEFECTS

In the event a MAJOR STRUCTURAL DEFECT occurs during the applicable coverage period, WE, OUR insurer, or another third party designated by US will, upon receiving written notice from YOU, inspect the MAJOR STRUCTURAL DEFECT to confirm coverage for the claimed defect within a reasonable time after WE receive YOUR notice. Upon confirmation of a MAJOR STRUCTURAL DEFECT FAILURE, WE, OUR insurer, or another third party designated by US will repair, replace or pay YOU the actual cost of repairing or replacing the MAJOR STRUCTURAL DEFECT. The decision to repair, replace, or to make payment to YOU is at OUR or OUR insurer's sole option.

IV. Coverage Limitations

When WE repair a DEFICIENCY or MAJOR STRUCTURAL DEFECT, the repair will include the correction or replacement of only those surfaces, finishes and coverings that were damaged by the DEFICIENCY or MAJOR STRUCTURAL DEFECT that were part of the HOME when title was first transferred by US.

WE will repair and replace surfaces, finishes and coverings that require removal or replacement in order for US to repair or replace DEFICIENCIES and MAJOR STRUCTURAL DEFECTS. The extent of OUR repair and replacement of these surfaces, finishes or coverings will be to approximately the same condition they were in prior to the DEFICIENCY or MAJOR STRUCTURAL DEFECT, but not necessarily to a like new condition.

WE will only refinish those surfaces that were damaged by a DEFICIENCY or MAJOR STRUCTURAL DEFECT.

When WE undertake repair on surfaces, finishes and coverings, OUR repair will attempt to achieve as close a match with the original surrounding areas as is reasonably possible, but WE cannot guarantee an exact match due to such factors as fading, aging and unavailability of the same materials.

If WE or OUR insurer makes a cash settlement offer, the offer will be based upon a Repair Specification Document

(RSD), backed by a "Surrogate Builder/Contractor" who is ready, willing and able to remedy the DEFICIENCY or MAJOR STRUCTURAL DEFECT and guarantees the offered price for forty-five (45) days from the date of the estimate in compliance with any applicable Local Government construction permit process.

Should YOU wish to challenge the proposed cash settlement offer, that challenge must be based upon a competent analysis of the Repair Specification Document by YOUR engineer, architect, registered builder, contractor or other experts so qualified and knowledgeable with the defect to be remedied. YOU must present the challenge to US or OUR insurer through Certified Mail, Return Receipt Requested, within thirty (30) days of the offer. Upon receipt of said challenge, WE or OUR insurer, have ten (10) days to respond to YOU as to whether YOUR Repair Specification Document is accepted. If a disagreement still exists, the dispute will be submitted to arbitration, the cost of which will be borne by US or OUR insurer. An unresolved dispute package sent to the arbitration service will not divulge either YOUR or OUR actual cash estimates. The method of remedying the defect and not the amount of the cash offer will be the actual governing factor under N.J.A.C. 5:25-1.1 et. seq. The arbitrator will determine which party's Repair Specification Document will most likely remedy the defect. When the award of the arbitrator is issued, the cash settlement will be revealed and attached to the award.

V. Exclusions

This BUILDER'S LIMITED WARRANTY does not cover:

- A. Any portion of a covered HOME which is not completed on or before the Commencement Date of the BUILDER'S LIMITED WARRANTY; except that after completion, such portions will be covered by the BUILDER'S LIMITED WARRANTY until the expiration of the coverage term for that particular portion. Any item for the completion of which funds are being held in escrow shall be deemed to be an incompleteness rather than a defect. If such item exhibits a defect after the release of the escrowed funds, then it shall be included in the BUILDER'S LIMITED WARRANTY. In all cases, the warranty period shall be deemed to have commenced on the BUILDER'S LIMITED WARRANTY Commencement Date;
- B. Defects in outbuildings including, but not limited to, detached garages and detached carports (except outbuildings which contain the plumbing, electrical, heating, cooling or ventilation systems serving the HOME); site located swimming pools and other recreational facilities; driveways; walkways; unattached patios; boundary walls; retaining walls and bulkheads which are not necessary to the HOME'S structural stability; fences; landscaping (including sodding, seeding, shrubs, trees and plantings); off-site improvements; or any other improvements not a part of the HOME itself;
- C. Bodily injury, damage to personal property, or damage to real property which is not part of the HOME;
- D. Any damage to the extent it is caused or made worse by:
 1. Negligent or improper maintenance or improper operation by anyone other than US, OUR employees, agents or subcontractors; or
 2. Failure by anyone other than US, OUR employees, agents or subcontractors to comply with the warranty requirements of manufacturers of APPLIANCES, FIXTURES AND ITEMS OF EQUIPMENT; or
 3. Failure to give notice to US or OUR insurer of any defects not later than thirty (30) days after the BUILDER'S LIMITED WARRANTY coverage for the defect has expired; or
 4. Changes of the grading of the ground by anyone other than US, OUR employees, agents or subcontractors; or
 5. Failure to take timely action in emergent cases to minimize any loss or damage;

- E. Any defect in, or caused by, materials or work supplied by anyone other than US, OUR employees, agents or subcontractors. WE shall, however, be responsible for any defects in or damage to any materials or work not installed by US when the defect or damage is the direct consequence of defects in materials or work installed by US which is not in accordance with accepted industry standards;
- F. Normal wear and tear or normal deterioration in accordance with normal industry standards;
- G. Accidental loss or damage from acts of nature such as, but not limited to, radon gas, fire, explosion, smoke, water escape, changes which are not reasonably foreseeable in the level of the underground water table, glass breakage, windstorm, hail lightning, falling trees, aircraft, vehicles, flood and earthquake. However, soil movement (from causes other than flood and earthquake) is not excluded;
- H. Insect damage;
- I. Any loss or damage which arises while the HOME is being used primarily for nonresidential purposes;
- J. Changes, alterations, or additions made to the HOME by anyone after initial occupancy, except those performed by US as OUR obligation under this BUILDER'S LIMITED WARRANTY;
- K. Any defect caused to a finished surface material or any work supplied by anyone other than US, OUR employees, agents or subcontractors in that, it is determined the installer has accepted OUR surface to apply the finish material;
- L. Any materials and/or workmanship furnished and installed by US that does not comply with the specifications in a sales agreement or contract which is not defective;
- M. Consequential damages to personal property are excluded, consequential damages to real property as a result of a defect or repair of a defect are covered;
- N. Other exclusions are included in the PERFORMANCE STANDARDS to better define those standards and are identified by the word "Exclusion".

VI. Procedure to Request US To Perform Under This BUILDER'S LIMITED WARRANTY

If YOU become aware of a DEFICIENCY or MAJOR STRUCTURAL DEFECT that YOU believe is covered under this BUILDER'S LIMITED WARRANTY, YOU have the following responsibilities:

A. Notification

Notify US in writing as soon as it is reasonably possible, but in no event may YOUR written notice be received by US or postmarked later than thirty (30) days after the warranty for the DEFICIENCY or MAJOR STRUCTURAL DEFECT expires. In order to establish a record of timely notification, written notice should always be sent by Certified Mail, return receipt requested.

If the written notice is postmarked more than thirty (30) days beyond the warranty expiration date, WE shall have no obligation to repair or replace the DEFICIENCY or MAJOR STRUCTURAL DEFECT.

If the DEFICIENCY or MAJOR STRUCTURAL DEFECT involves a COMMON ELEMENT written notice must be made by a designated representative of the condominium association.

B. Cooperate With US

YOU must give **US**, **OUR** employees, agents, subcontractors or insurers reasonable help in investigating, monitoring or correcting **DEFICIENCIES** or **MAJOR STRUCTURAL DEFECTS**. Help includes, but is not limited to, granting **US** reasonable access to **YOUR HOME**.

Within thirty days following **OUR** receipt of **YOUR** written notice, **WE** shall arrange with **YOU** a mutually agreeable time for **US** to inspect the **DEFICIENCY** or **MAJOR STRUCTURAL DEFECT** described in **YOUR** notice. Upon completion of **OUR** inspection, but in no case later than thirty days from **OUR** receipt of **YOUR** written notice, **WE** shall provide **YOU** with **OUR** written response to **YOUR** notice and inform **YOU** of the action **WE** intend to take to correct any **DEFICIENCY** or **MAJOR STRUCTURAL DEFECT** found to exist and the estimated time by which corrective action is expected to be completed.

If **WE** fail to respond satisfactorily to **YOUR** written notice within the time allowed, **YOU** may contact **PWC**, the administrator of **OUR BUILDER' LIMITED WARRANTY**, at the address stated on the first page of this document.

If **YOU** fail to help **US**, **WE** will have no obligation to repair, replace or pay **YOU** for **DEFICIENCIES** or **MAJOR STRUCTURAL DEFECTS**.

C. Do Not Make Voluntary Payments

YOU agree not to make any voluntary payments or assume any obligations or incur any expenses for the remedy of a condition **YOU** believe is a **DEFICIENCY** or **MAJOR STRUCTURAL DEFECT** without **OUR** prior written approval. **WE** will not reimburse **YOU** for costs incurred where **YOU** did not obtain **OUR** prior written approval.

However, **YOU** may incur reasonable expenses in making repairs in an **EMERGENCY CONDITION** without **OUR** prior written approval, provided the repairs are solely for the protection of the **HOME** from further damage, and provided **YOU** notify **US** as soon as possible, but in no event later than 5 days after the repairs were undertaken. To obtain reimbursement for repairs made during an **EMERGENCY CONDITION**, **YOU** must provide **US** with an accurate written record of the repair costs.

D. Sign A Release

When **WE** have completed repairing, replacing or paying you the cost of repairing or replacing, **DEFICIENCIES** or **MAJOR STRUCTURAL DEFECTS**, **YOU** must sign a full release of **OUR** obligation for the **DEFICIENCIES** or **MAJOR STRUCTURAL DEFECTS** **WE** corrected. The release shall be applicable to the **DEFICIENCY** or **MAJOR STRUCTURAL DEFECT** corrected, and shall not prevent **YOU** from notifying **US** should **YOU** become aware of any subsequent **DEFICIENCY** or **MAJOR STRUCTURAL DEFECT**.

E. If YOU Disagree With US

Binding Arbitration is available for resolving disputes between **YOU** and **US** that arise from or relate to this **BUILDER'S LIMITED WARRANTY**. The binding arbitration procedure is described in the following section.

VII. Binding Arbitration Procedure

WE have arranged with **OUR** insurer to stand behind **OUR** obligations to **YOU** under this **BUILDER'S LIMITED WARRANTY**. That insurance is applicable solely to the warranties made under this **BUILDER'S LIMITED WARRANTY** and solely to **OUR** obligations or **OUR** insurer's obligations, if acting in **OUR** stead, as they are stated in this **BUILDER'S LIMITED WARRANTY** or as they may be determined through binding arbitration as provided herein.

Any claims, demands, disputes, controversies, and differences that may arise between **YOU** and **US** or **OUR** insurer,

of whatever kind or nature, related to or arising from this **BUILDER'S LIMITED WARRANTY** may be resolved by binding arbitration. Matters subject to binding arbitration include but are not limited to those in which **YOU, WE** or **OUR** insurer have been unable to agree as to:

- A. Whether a **DEFICIENCY** or **MAJOR STRUCTURAL DEFECT** is covered by this **BUILDER'S LIMITED WARRANTY**;
- B. Whether a **DEFICIENCY** or **MAJOR STRUCTURAL DEFECT** has been corrected in a manner that **YOU** believe this **BUILDER'S LIMITED WARRANTY** requires;
- C. Whether there has been a failure to respond to **YOUR** written notice of a **DEFICIENCY** or **MAJOR STRUCTURAL DEFECT**;
- D. Whether any claim related to **COMMON ELEMENTS** has been properly addressed;
- E. The cost or method of repair to correct a **DEFICIENCY** or **MAJOR STRUCTURAL DEFECT**;
- F. Whether there has been a violation of consumer protection, unfair trade practice, or other statutes;
- G. The issues that should be submitted to binding arbitration;
- H. The timeliness of binding arbitration requests.

YOUR submission of any dispute under this **BUILDER'S LIMITED WARRANTY** to binding arbitration will constitute an election of remedy, as provided at Section 46:3B-9, New Jersey Statutes Annotated and Section 5:25-3.10, New Jersey Administrative Code, and will bar **YOU** from all other remedies as to the matters submitted to binding arbitration. Likewise, if **YOU** choose to pursue **YOUR** claim through other remedies which might be available, such election shall bar **YOU** from pursuing the same claim against this **BUILDER'S LIMITED WARRANTY** through the binding arbitration procedure provided herein. Other remedies shall mean the filing of a complaint, counterclaim, cross-claim, or third party complaint in any court which alleges, in particular, breach of this **BUILDER'S LIMITED WARRANTY** or, more generally, unworkmanlike construction.

Any binding arbitration proceeding will be conducted by an independent, nationally recognized, arbitration organization designated by **PWC** or **OUR** insurer. The rules and procedures followed will be those of the designated arbitration organization. A copy of the applicable rules and procedures will be delivered to **YOU** upon request.

The arbitration will determine **YOUR** and **OUR** or **OUR** insurer's rights and obligations under this **BUILDER'S LIMITED WARRANTY**. These rights and obligations include but are not limited to those provided to **YOU** or **US** by local, state or federal statutes in connection with this **BUILDER'S LIMITED WARRANTY**.

The award of the arbitrator will be final, binding and enforceable as to both **YOU** and **US** or **OUR** insurer, except as modified, or vacated in accordance with applicable rules and procedures of the designated arbitration organization, or, in their absence, the United States Arbitration Act (9 U.S.C. § 1 et seq.)

The costs and expenses of the arbitration organization conducting the arbitration will be paid by **US** or **OUR** insurer. The process for **YOU** to initiate arbitration is described below. **WE** will use the same process if **WE** initiate arbitration.

Step 1 **YOU** complete a Binding Arbitration Request Form and mail it to **PWC**. A Binding Arbitration Request Form is attached to this **BUILDER'S LIMITED WARRANTY**. **YOUR** Binding Arbitration Request Form must be received no later than 90 days after the coverage for the disputed item expires. Please Note that while **YOU** have 90 days to file for arbitration, this time period does not extend the warranty coverage period for ~~**DEFICIENCIES** or **MAJOR STRUCTURAL DEFECTS**~~. **YOU** must still notify **US** of an alleged **DEFICIENCY** or **MAJOR STRUCTURAL DEFECT** no later than 30 days after coverage for that item expires.

Step 2 PWC Will Arrange the Arbitration Proceeding. The Arbitrator or arbitration organization will notify YOU of the time, date and location of the arbitration hearing. Most often the hearing will be conducted at YOUR HOME or some other location that is agreeable to all the parties of the dispute. In scheduling the hearing the arbitrator will set a time and date that is reasonably convenient to all the parties.

Step 3 The Arbitration Hearing. The parties at the arbitration hearing will include the arbitrator, YOU, US and/or OUR insurer.

After evidence is presented by YOU, US or OUR insurer, an award will be rendered by the arbitrator. The award is final and binding on YOU, US and OUR insurer. The award will include a ruling on the existence of any claimed or alleged DEFICIENCIES or MAJOR STRUCTURAL DEFECTS as well as any other disputed matters or issues related to this BUILDER'S LIMITED WARRANT. The time for completion will be specified in the arbitration award. However, delays caused by circumstances beyond OUR or OUR insurer's control shall be excused.

Step 4 OUR Arbitration Performance Obligations. A Repair Specification Document (RSD), i.e. the proposed fix, will be prepared by US, or as applicable OUR insurer, to satisfy an award and will be presented to YOU, accompanied by a 3-part "RSD Acceptance Form", within ten (10) business days of the date of receipt of the award from the arbitration service. If WE fail to present YOU with an RSD within the ten (10) business days, immediately notify PWC who will contact OUR insurer to initiate the claim adjustment process and arrange to provide YOU with an RSD within ten (10) business days.

Where YOU disagree with the proposed RSD fix based upon the competent analysis of the RSD by YOUR engineer, architect, registered builder, contractor or other experts so qualified and knowledgeable, the challenge RSD must be presented by YOU to US and PWC through Certified Mail, Return Receipt Requested. This challenge action must be taken within thirty (30) business days following YOUR receipt of OUR, or OUR insurer's RSD, or such RSD will prevail by default [Note: In the case where the RSD was provided by OUR insurer through PWC, YOU are not required to send a copy of the challenge RSD to US].

It is recognized that some of all items of rewarded repairs may or may not be challenged by YOU. PWC will provide an acceptance form to accompany the RSD that allows for "Full Acceptance", "Full Rejection", or "Partial Acceptance" of the RSD. The accepted repairs may proceed under the time allotted by the arbitrator unless the repairs could directly affect or be affected by the repair of those elements being challenged.

OUR time clock for Full or Partial Acceptance items will start upon PWC's receipt of the RSD Acceptance Form from YOU (sent by YOU to PWC via Certified Mail, Return Receipt Requested). PWC will notify US immediately upon their receipt of the acceptance form so that repair scheduling can begin (except in the case of "Full Rejection" wherein the "RSD Arbitration" will prevail; see below). In the case of a "Partially Accepted" RSD by YOU, the compliance clock will stop for only those portions of the RSD challenged by YOU. OUR or OUR insurer's responsibility to complete unchallenged repairs in a timely manner remains as specified by the arbitrator unless those repairs could directly affect or be affected by the challenged items. YOU must provide access to US or OUR representatives for the purpose of effectuating unchallenged repairs.

If YOU take the full thirty (30) business days to decide on making the RSD challenge or returning the RSD Acceptance Form to PWC, the time clock for repairs of the unchallenged awarded defects will start the first day following the end of YOUR thirty (30) day challenge period. The time for completion will be specified in the arbitration award. YOU, however, retain the right to request a "Compliance Arbitration" following the completion of the repairs.

The remaining challenged defect correction items shall follow the course of the "RSD Arbitration".

RSD Arbitration: YOUR RSD challenge must be received by PWC prior to the expiration of the thirtieth (30th) business day following YOUR receipt of OUR, or as applicable OUR insurer's, RSD. The challenge must be sent to PWC through Certified Mail, Return Receipt Requested. Failure to do so will result in default acceptance of the RSD by YOU.

In the event that WE, or as applicable OUR insurer, agrees with YOUR RSD challenge within ten (10) business days of receipt of same, WE will have the full remaining time of the awarded compliance period to effectuate the repairs, and no "RSD Arbitration" will be arranged. (YOU still retain the right to request a "Compliance Arbitration" following the completion of these repairs.)

- Step 5** If WE Fail To Comply With The Award. YOU should contact PWC at its mailing address specified in this **BUILDER'S LIMITED WARRANTY** if the arbitrator's award is not complied with in a timely manner. Disputes as to compliance with an arbitrator's award shall be subject to review by the arbitrator. PWC will then be responsible for contacting OUR insurer to initiate the claim adjustment process.

TIME THAT HAS PASSED DUE TO REQUESTS BY ANY PARTY FOR "CLARIFICATION" OR "MODIFICATION" OF THE INITIAL AWARD WILL NOT BE ADDED FOLLOWING THE OUTCOME OF SAME UNLESS SPECIFIED BY THE ARBITRATOR. TIME UTILIZED RELATED TO THE ACCEPTANCE OF A REPAIR SPECIFICATION DOCUMENT IS NOT DEDUCTED FROM THE TIME ALLOTTED FOR COMPLIANCE IN THE ARBITRATION AWARD.

VIII. General Conditions

A. Separation of this BUILDER'S LIMITED WARRANTY from the Contract of Sale

This **BUILDER'S LIMITED WARRANTY** is separate and independent of the contract between YOU and US for the construction and/or sale of YOUR HOME. The provisions of this **BUILDER'S LIMITED WARRANTY** shall in no way be restricted by anything contained in the construction and/or sales contract between YOU and US.

B. Transfer to Subsequent HOMEOWNERS

This **BUILDER'S LIMITED WARRANTY** will transfer to new owners of the HOME for the remainder of the warranty coverage period. OUR duties under this **BUILDER'S LIMITED WARRANTY** to the new HOMEOWNER will not exceed the limit of liability then remaining, if any.

C. Transfer of Manufacturer's Warranties

WE assign to YOU all the manufacturer's warranties on all **APPLIANCES, FIXTURES AND ITEMS OF EQUIPMENT** that WE installed in YOUR HOME. Should an appliance or item of equipment malfunction YOU must follow the procedures set forth in that manufacturer's warranty to correct the problem. OUR obligation under this **BUILDER'S LIMITED WARRANTY** is limited to the workmanlike installation of such **APPLIANCES, FIXTURES AND ITEMS OF EQUIPMENT**.

D. Recovery Rights

If WE repair, replace or pay YOU the cost to repair or replace a **DEFICIENCY** or **MAJOR STRUCTURAL DEFECT**, or other related damage to YOUR HOME covered by this **BUILDER'S LIMITED WARRANTY**, WE are entitled, to the extent of OUR payment, to take over YOUR related rights of recovery from other people and organizations, including but not limited to, other warranties and insurance. YOU have an obligation not to make it harder for US to enforce these rights. YOU agree to sign any papers, deliver them to US, and do anything else that is necessary to help US exercise OUR rights.

E. General Provisions

1. If any of the terms or provisions of this **BUILDER'S LIMITED WARRANTY** conflict with the statutes of the state in which this **BUILDER'S LIMITED WARRANTY** is issued the warranty is amended to conform to such statute, except insofar as the terms and provisions are governed by the United States Arbitration Act.

2. If a court of competent jurisdiction deems any provision of this **BUILDER'S LIMITED WARRANTY** unenforceable, that determination will not affect the remaining provisions.
3. This **BUILDER'S LIMITED WARRANTY** is to be binding on **YOU** and **US** and, as respects the arbitration process, on **OUR** insurer. It is also binding on **YOUR** and **OUR** heirs, executors, administrators, successors, and assigns, subject to paragraph B of the **General Conditions**.
4. As may be appropriate, the use of the plural in this **BUILDER'S LIMITED WARRANTY** includes the singular, and the use of one gender includes all genders.

IX. Definitions

APPLIANCES, FIXTURES AND ITEMS OF EQUIPMENT means and includes, but is not limited to: furnaces, boilers, heat pumps, humidifiers, oil tanks and fittings, air purifiers, air handling equipment, ventilating fans, air conditioning equipment, water heaters, pumps, stoves, refrigerators, garbage disposals, compactors, dishwashers, automatic garage door openers, washers and dryers, plumbing fixtures and trim, faucets, fittings, motors, water treating equipment, ejectors, thermostats and controls, including any fitting attachments; electric receptacles, switches, lighting fixtures, and circuit breakers.

BUILDER means the individual, partnership, corporation or other entity which participates in the Warranty Program administered by the Professional Warranty Service Corporation and which provides **YOU** with this **BUILDER'S LIMITED WARRANTY**. Throughout this document the **BUILDER** is also referred to as "**WE**," "**US**" and "**OUR**."

BUILDER'S LIMITED WARRANTY means only this express warranty document provided to **YOU** by **US**.

COMMON ELEMENTS means the structure, components of enclosure, and any part of the **HOME**, as specified in the condominium documents as a **COMMON ELEMENT**. This may include, but is not limited to, corridors, lobbies, vertical transportation elements, rooms, balconies or other spaces that are for the common use of the residents of the **HOME**. **SYSTEMS** serving two or more **HOMES**, and the outbuildings that contain parts of such **SYSTEMS** are also included in this definition.

DEFICIENCY (IES) means defects in materials or workmanship used in constructing the **HOME**. The defects must fail to conform with the standards and tolerances described in the **PERFORMANCE STANDARDS** section of this **BUILDER'S LIMITED WARRANTY**. **OUR** failure to complete the **HOME** or any portion of the **HOME** does not constitute a **DEFICIENCY**.

DEFLECTION means the difference in elevation of high and low points along a diagonal, horizontal, or vertical plane caused by stress induced deformation of a load bearing member. **DEFLECTION** is measured from any two end points and a third reference point. The reference point may be located at any distance between the two end points.

EMERGENCY CONDITION means an event or situation that creates the imminent threat of damage to the **HOME** or the **COMMON ELEMENTS** related thereto, or results in an unsafe living condition due to **DEFICIENCIES** or **MAJOR STRUCTURAL DEFECTS** that **YOU** become aware of at a point in time other than **OUR** normal business hours and **YOU** were unable to obtain **OUR** prior written approval to initiate repairs to stabilize the condition or prevent further damage.

HOME means a single family residence either attached or detached or a condominium or cooperative unit in a multi-unit residential structure covered by this **BUILDER'S LIMITED WARRANTY**. If **YOUR HOME** carries an original FHA or VA- mortgage, the definition of **HOME** for purposes of determining **DEFICIENCIES** in workmanship and materials during the first year following the **WARRANTY DATE-HOME** shall include all items of equipment, material or workmanship supplied by **US** or **OUR** agents or subcontractors.

HOMEOWNER means the first person to whom a **HOME** (or unit in a multi-unit residential structure) is sold, or for whom such **HOME** is constructed, for occupancy by such person or such person's family, and such person's successors in title to the **HOME** and/or mortgagee in possession.

MAJOR STRUCTURAL DEFECT means the failure of:

(i) The load-bearing portion of a **HOME** which is defined as the framing members and structural elements that transmit both dead and live load of the home to the supporting ground. Examples of load bearing elements are roof rafters and trusses, ceiling and floor joists, bearing partitions, supporting beams, columns, basement and foundation walls, and footings.

(ii) A condition will be deemed a structural failure if it exceeds the **Warranty Tolerance** corresponding to the **Structural Elements** listed below. Alternatively, a structural failure may exist if it has been established by **US** or **OUR** insurer under the Uniform Construction Code in effect on the date that the Construction Permit under which the new **HOME** was constructed was issued as an actual or pending structural failure of some part of the load-bearing system as defined in (i), above. To be eligible, such defect does not have to render the **HOME** uninhabitable. However, it must be of such a serious nature that it vitally affects the use of the **HOME** for residential purposes.

Structural Element	Warranty Tolerance
A. Arches	
1. Masonry	Crack of 1/4 inch in width in arch, or settlement in span of arch of 1/2 inch.
B. Floor Systems	
1. Structural Concrete	Crack of 1/4 inch in width and 1/4 inch vertical displacement.
2. Joists	DEFLECTION of 1 inch in 15 feet.
3. Trusses	DEFLECTION of 1 inch in 10 feet.
C. Foundation	
1. Concrete Beams	Crack of 1/8 inch in width, or DEFLECTION of 1/4 inch in 30 inches.
2. Wood Beams: Built-up, Laminated or Solid	DEFLECTION of 1 inch in 10 feet.

3. Steel Beams	DEFLECTION of 1/2 inch in 8 feet.
4. Footings	Crack of 1/2 inch in width.
5. Concrete Walls	Crack of 1/4 inch in width and 1/4 inch vertical displacement, or out-of-plumb 1/4 inch in 12 inches measured from base of wall.
6. Masonry Walls	Crack of 3/8 inch in width, or out-of-plumb 1/4 inch in 12 inches measured from base of wall.
7. Concrete Columns	Bow of 1/2 inch in 8 feet, or out-of-plumb 1/4 inch in 12 inches measured from base of column.
8. Masonry Columns	Out-of-plumb 1/8 inch in 12 inches measured from base of column.
9. Steel Columns	Bow of 1 inch in 8 feet, or out-of-plumb 1/4 inch in 12 inches measured from base of column.
10. Wood Columns	Bow of 1 inch in 8 feet, or out-of-plumb 1/4 inch in 12 inches measured from base of column.
D. Lintels and Headers	
1. Concrete, Masonry, Steel, or Wood	DEFLECTION of 1 inch in 4 feet.
E. Roof Framing	
1. Ridge Beam	DEFLECTION of 1 inch in 10 feet.
2. Rafters Common, Jack, or Valley/HIP	DEFLECTION or bow of 1 inch in 10 feet.
3. Ceiling Joists	DEFLECTION of 3/4 inch in 10 feet.
4. Trusses	DEFLECTION of 1 inch in 10 feet.

F. Structural Beams and Girders

1. Steel

DEFLECTION of ½ inch in 8 feet.

2. Wood

Solid,
Built-up, or Laminated

DEFLECTION of 1 inch in 10 feet.

G. Structural Columns

1. Concrete

Bow of ½ inch in 8 feet or out-of-plumb 1/4 inch in 12 inches measured from base of column.

2. Masonry

Out-of-plumb 1/8 inch in 12 inches measured from base of column.

3. Steel

Bow of 1 inch in 8 feet, or out-of-plumb 1/4 inch in 12 inches measured from base of column.

4. Wood

Bow of 1 inch in 8 feet, or out-of-plumb 1/4 inch in 12 inches measured from base of column.

H. Load Bearing Walls and Partitions

1. Studs

Bow or cup of 1 inch in 8 feet.

I. Roof and Floor Sheathing

Physical damage to roof or floor sheathing material as a result of a defect in the material or due to faulty workmanship in OUR installation of the sheathing and the defect or faulty workmanship renders the roof or floor sheathing material incapable of supporting design loads imposed. DEFLECTION of sheathing material which does not render the roof or floor sheathing material incapable of supporting design loads imposed is not a MAJOR STRUCTURAL DEFECT.

(iii) The following are excluded as major structural defects:

- (1) Changes by the owner to the established grade lines affecting basement and foundation walls;
- (2) Movement caused by flood or earthquake;
- (3) Actual or resultant damage caused by lightning, tornado, unnatural high winds or hurricanes;
- (4) Damage caused by additions or alterations to the home;
- (5) Improper loading over and above the design criteria for which that portion of the HOME was intended;
- (6) Resultant structural damage due to fire;
- (7) Changes in the water level which is caused by new development in the immediate area or can be directly traced to an act of nature;

(8) Water seepage in basement or crawlspace after the first year of coverage.

(iv) In the case where a **MAJOR STRUCTURAL DEFECT** exists and the **HOME** is rendered uninhabitable, the repair of the defect shall include the reasonable cost of the **HOMEOWNER'S** alternative shelter until the **HOME** is made habitable.

PERFORMANCE STANDARDS means the standards and tolerances for materials and workmanship that are used in this **BUILDER'S LIMITED WARRANTY** to determine **OUR** responsibility for repairing **DEFICIENCIES** as identified on pages 15 through 34 of this document.

PWC means Professional Warranty Service Corporation which administers the warranty program in which **WE** participate. As such, **PWC** assumes no other liabilities in connection with this **BUILDER'S LIMITED WARRANTY**. The **PWC** mailing address is:

Professional Warranty Service Corporation
P.O. Box 800
Annandale, VA 22003-0800

SYSTEMS means the following:

- (a) Plumbing system - gas supply lines and fittings; water supply, waste and vent pipes and their fittings; septic tanks and their drain fields; and water, gas and sewer services piping and their extensions to the tie-in of a public utility connection or on-site well and sewage disposal system.
- (b) Electrical system - all wiring, electrical boxes, switches, outlets, and connections up to the public utility connection.
- (c) Heating, Cooling, and Ventilation system - all duct-work; steam, water and refrigerant lines; and registers, connectors, radiation elements and dampers.

WARRANTY DATE-COMMON ELEMENTS means the Warranty Date for the first **HOME** to transfer title or be used for residential purposes in a multi-unit residential building. If **YOUR HOME** carries an original **FHA** or **VA** mortgage the **WARRANTY DATE-COMMON ELEMENTS** means the Warranty Date for the first **HOME** to transfer title in a multi-unit residential building. The **WARRANTY DATE-COMMON ELEMENTS** may be different from the **WARRANTY DATE-HOME** of **YOUR HOME**. Contact **YOUR** condominium association to determine the date when coverage began on **YOUR COMMON ELEMENTS**.

WARRANTY DATE-HOME means the date the title for the **HOME** is transferred by **US** to the first **HOMEOWNER** or the date the **HOME** is first used for residential purposes, whichever occurs first. If **YOUR HOME** carries an original **FHA** or **VA** mortgage the **WARRANTY DATE-HOME** means the date the title for the **HOME** is transferred by **US** to the first **HOMEOWNER**.

WE, US, OUR means the **BUILDER**.

YOU, YOUR means the **HOMEOWNER**.

X. PERFORMANCE STANDARDS

(APPLICABLE ONLY TO YEARS ONE AND TWO AS INDICATED)

The following performance standards set minimum standards which prescribe the level for quality of materials and performances in workmanship for the construction of new HOMES. To the extent that detailed minimum performance standards for construction have not been enumerated in these PERFORMANCE STANDARDS, WE shall construct the HOME in accordance with good industry practice which assures quality of materials and workmanship. Likewise, the validity of any HOMEOWNER'S claims for defects for which a standard has not been enumerated here shall be determined on the basis of good industry practice which assures quality of materials and workmanship, and any conciliation or arbitration of such claims shall be conducted accordingly.

The PERFORMANCE STANDARDS list specific items with each separate area of coverage.

A. Rules concerning site work (applicable in first year only) are as follows:

1. Grading:

- i. Possible DEFICIENCY: Settling of ground around foundation, utility trenches or other areas on the property where excavation and back fill have taken place that affect drainage away from the HOME.
 - (1) PERFORMANCE STANDARD: Settling of ground around foundation walls, utility trenches or other filled areas which exceeds a maximum of six inches from finished grade established by US.
 - (2) OUR responsibility: If WE have provided final grading, WE will fill settled areas affecting proper drainage, one time only, during the first year Warranty period. WE are then responsible for removal and replacement of shrubs and other landscaping installed by US affected by the placement of the fill.

2. Drainage:

- i. Possible DEFICIENCY: Improper grades and swales which cause standing water and affects the drainage in the immediate area surrounding the HOME.
 - (1) PERFORMANCE STANDARD: Necessary grades and swales shall be established to provide proper drainage away from the HOME. Site drainage under this warranty is limited to those immediate grades and swales surrounding the HOME. Standing or ponding water within the immediate surrounding area of the HOME shall not remain for a period longer than 24 hours after a rain. Where swales are draining from adjoining properties or where a sump pump discharges, an extended period of 48 hours is to be allowed for the water to dissipate. The possibility of standing water after an unusually heavy rainfall should be anticipated and is not to be considered a DEFICIENCY. No grading determination is to be made while there is frost or snow or when the ground is saturated. If YOUR HOME carries an original FHA or VA mortgage the PERFORMANCE STANDARD is: WE will establish the proper grades and swales (sloped low areas) for water to properly drain away from the HOME. Where lot lines permit, the protective slope will be 6 inches in 10 feet around the foundation, with a 2% gradient to the street or property line. Water will not stand or pond in crawl spaces. WE will not make grading or ponding determinations while there is frost or snow on the ground, or while the ground is saturated or frozen.

- (2) Exclusion: Standing or ponding water on the property which does not directly affect the immediate area surrounding the foundation of the HOME, caused by unusual grade conditions, retainage of treed areas or sodding done by the HOMEOWNER is not considered a defect.
 - (3) OUR responsibility: Responsible for initially establishing the proper grades, swales and drainage away from the HOME.
 - (4) YOUR responsibility: YOU are responsible for maintaining such grades and swales once properly established by US to prevent runoffs and erosion of the soil.
 - (5) Exclusion: Soil erosion and runoff caused by YOUR failure to maintain the properly established grades, drainage structures and swales, stabilized soil, sodded, seeded and landscaped areas; are excluded from the Warranty.
- ii. Possible DEFICIENCY: Grassed or landscaped areas which are disturbed or damaged due to work on the property in correcting a DEFICIENCY.
- (1) PERFORMANCE STANDARD: Landscaped areas which are disturbed during repair work is a defect.
 - (2) OUR responsibility: Restore grades, seed and landscape to meet original condition.
 - (3) Exclusion: Replacement of trees and large bushes which existed at the time the HOME was constructed or those added by YOU after occupancy or those which subsequently die are excluded from Warranty Coverage.

B. Rule concerning landscaping (applicable in first year only) is as follows:
 (This rule is applicable only to HOMES with original FHA or VA mortgages)

1. Landscaping:

- i. Possible DEFICIENCY: Excessive deterioration of landscaping.
 - (1) PERFORMANCE STANDARD: Excessive deterioration of landscape items or materials provided by US as a result of defective materials or OUR workmanship is a defect.
 - (2) Exclusion: Loss of plantings due to YOUR failure to maintain them or loss due to weather conditions is not covered. Annuals are also not covered.
 - (3) OUR responsibility: WE will correct as required.
 - (4) YOUR responsibility: Plantings must be properly cared for by YOU.

C. Rules concerning concrete (applicable in first year only) are as follows:

1. Cast-in place concrete:

- i. Possible DEFICIENCY: Basement or foundation wall cracks, other than expansion or control joints.
 - (1) PERFORMANCE STANDARD: Non-structural cracks are not unusual in concrete foundation walls. Cracks one eighth inch in width or greater are considered excessive.
 - (2) OUR responsibility: Repair non-structural cracks in excess of one eighth inch by surface patching. These repairs should be made toward the end of the first year of ownership to permit normal stabilizing of the HOME by settling.
- ii Possible DEFICIENCY: Cracking of basement floor.
 - (1) PERFORMANCE STANDARD: Minor cracks in Concrete basement floors are common. Cracks exceeding one quarter inch width or one quarter inch in vertical displacement is a DEFICIENCY.
 - (2) OUR responsibility: Repair cracks exceeding maximum tolerance by surface patching or other methods, as required.

- iii. Possible **DEFICIENCY**: Cracking of attached garage floor slab.
 - (1) **PERFORMANCE STANDARD**: Cracks in garage floor slabs in excess of one quarter inch in width or one quarter inch in vertical displacement is a **DEFICIENCY**.
 - (2) **OUR responsibility**: Repair excessive cracks by chipping out and surface patching or other methods, as may be required.

- iv. Possible **DEFICIENCY**: Cracking of detached garage and/or outbuilding floor slabs. (Only applicable if **YOUR HOME** carries an original FHA or VA mortgage).
 - (1) **PERFORMANCE STANDARD**: Cracks in detached garage and/or outbuilding floor slabs in excess of one quarter inch in width or one quarter in vertical displacement is a **DEFICIENCY**.
 - (2) **OUR responsibility**: Repair excessive cracks by chipping out and surface patching or other methods, as may be required.

- v. Possible **DEFICIENCY**: Cracks in attached patio slab.
 - (1) **PERFORMANCE STANDARD**: Cracks in excess of one quarter inch (1/4") in width or one quarter inch in vertical displacement are defects. An "attached patio" is defined as a concrete patio slab on grade which is an integral part of the **HOME** being structurally supported by footings, block walls, or reinforced concrete and connected to the foundation.
 - (2) **Exclusion**: Patio slabs which are poured separately, and abut the **HOME** are excluded from warranty coverage. If **YOUR HOME** carries an original FHA or VA mortgage this exclusion does not apply and the **PERFORMANCE STANDARD** stated above will apply to separately poured patio slabs.
 - (3) **OUR responsibility**: **WE** will make repairs as required. Where cracks are caused by settlement or improper installation, **WE** will replace that portion which has settled and finish as close as possible to match the existing surface. Where a major portion of the patio has cracked, the entire slab shall be replaced.

- vi. Possible **DEFICIENCY**: Cracks in concrete slab-on grade floors, with finish flooring.
 - (1) **PERFORMANCE STANDARD**: Cracks which rupture or significantly impair the appearance or performance of the finish flooring material, is a **DEFICIENCY**.
 - (2) **OUR responsibility**: Determine the cause for the cracking and correct (remove and replace if required). Repair cracks as required, so as not to be apparent when the finish flooring material is in place. Repair or replace finish flooring. (See H. Rules Concerning Finishes, **PERFORMANCE STANDARDS**).

- vii. Possible **DEFICIENCY**: Uneven concrete floor slabs.
 - (1) **PERFORMANCE STANDARD**: Except for basement floors or where a floor or portion of floor has been designed for specific drainage purposes, concrete floors in rooms designed for habitability shall not have pits, depressions or area of unevenness exceeding 1/4 inch in 32 inches, or slopes in excess of 1/240 of room width or length (i.e., 10.0 wide room--not to exceed 1/2 inch out of level).
 - (2) **OUR responsibility**: Determine cause and repair/replace to meet the Standard. Where applicable, surface patching is an accepted method of repair. Reinstall or replace any finish flooring material as necessary.

- viii. Possible **DEFICIENCY**: Pitting, scaling or spalling of concrete work.
 - (1) **PERFORMANCE STANDARD**: Concrete surfaces shall not disintegrate to the extent that the aggregate is exposed and loosened under normal conditions of weathering and use is a **DEFICIENCY**.
 - (2) **OUR responsibility**: Take whatever corrective action is necessary to repair or replace defective

- concrete surfaces.
- (3) **Exclusion:** Deterioration caused by salt, chemicals, implements used and other factors beyond **OUR** control.
- ix. **Possible DEFICIENCY:** Excessive powdering or chalking of concrete surfaces.
- (1) **PERFORMANCE STANDARD:** Excessive powdering or chalking of concrete surfaces is a **DEFICIENCY**, but should not be confused with normal surface dust that may accumulate for a short period after the **HOME** is occupied.
- (2) **OUR** responsibility: Take whatever corrective action is necessary to treat, repair, or resurface defective areas.
- x. **Possible DEFICIENCY:** Separation of brick or masonry edging from concrete slab and step.
- (1) **PERFORMANCE STANDARD:** It is common for the joint to crack between concrete and masonry due to the dissimilarity of the materials. Cracks in excess of one quarter inch is a **DEFICIENCY**.
- (2) **OUR** responsibility: Grout crack fully and reset loose masonry where required. Replacement of masonry material, if required, shall match the existing as closely as possible.
2. **Construction and control joints:**
- i. **Possible DEFICIENCY:** Separation or movement of concrete slabs within the structure at construction and control joints.
- (1) **PERFORMANCE STANDARD:** None.
- (2) **Exclusion:** Concrete slabs within the structure are designed to move at construction and control joints and is not a **DEFICIENCY**.
- (3) **OUR** responsibility: None.
- (4) **YOUR** responsibility: Maintenance of joint material.

D. Rules concerning masonry (applicable in first year only) are as follows:

1. **Unit masonry (brick, block and stone):**
- i. **Possible DEFICIENCY:** Cracks in non-bearing or non-supporting walls.
- (1) **PERFORMANCE STANDARD:** Small shrinkage cracks are not unusual running through masonry and mortar joints. Cracks in excess of one eighth inch (1/8") in width is a **DEFICIENCY**.
- (2) **OUR** responsibility: Repair non-structural shrinkage cracks in excess of 1/8 inch by pointing or patching. Repairs shall be made near the end of the first year warranty period.
- ii. **Possible DEFICIENCY:** Cracks in bearing or supporting masonry walls.
- (1) **PERFORMANCE STANDARD:** Vertical or diagonal cracks which do not affect the structural ability of masonry bearing walls are not unusual. Cracks in excess of one eighth inch in width are a **DEFICIENCY**.
- (2) **OUR** responsibility: Repair shrinkage cracks in excess of 1/8 inch by pointing or patching. Where the structural integrity of the wall is affected, suitable repair or replacement shall be done to eliminate the condition.
- iii. **Possible DEFICIENCY:** Horizontal cracks in basement and foundation walls.
- (1) **PERFORMANCE STANDARD:** Horizontal cracks in the joints of masonry walls are not common but may occur. Cracks one eighth inch or more in width are **DEFICIENCIES**.
- (2) **OUR** responsibility: **WE** will repair cracks between one eighth and three sixteenths inch in width by pointing and patching. Cracks exceeding three sixteenths inch shall be investigated by **US** to determine the cause. **WE** will take the necessary steps to remove the cause and make repairs by pointing and patching, reinforcement or replacement of the defective courses.

- iv. Possible **DEFICIENCY**: Cracks in masonry walls or veneer above grade.
 - (1) **PERFORMANCE STANDARD**: Small cracks are common in mortar joints of masonry construction. Cracks one eighth inch (1/8") or greater in width are **DEFICIENCIES**.
 - (2) **OUR responsibility**: Repair cracks and voids in excess of one eighth inch by surface pointing. These repairs should be made toward the end of the first year warranty period to permit the **HOME** to stabilize and normal settlement to occur. **WE** are not responsible for color variations between existing and new mortar. However, it shall be made to match as closely as possible.

- v. Possible **DEFICIENCY**: Cracking, settling, or heaving of stoops and steps.
 - (1) **PERFORMANCE STANDARD**: Stoops and steps are not to settle or heave in excess of one inch in relation to the **HOME** structure. Cracks, except hairline cracks less than one eighth inch, are not acceptable in concrete stoops. A separation of up to one half inch is permitted where the stoop or steps abut the **HOME** or where an expansion strip has been installed.
 - (2) **OUR responsibility**: Take whatever corrective action is required to meet acceptable standards. In a case where repair is made to the concrete surface, it is required that such repair match the adjoining surfaces as closely as possible or the entire area be resurfaced or replaced.

- vi. Possible **DEFICIENCY**: Standing water on stoops, steps, porches and attached concrete patios.
 - (1) **PERFORMANCE STANDARD**: Standing water is a **DEFICIENCY** if it is a hazard to individuals and/or causes damage to the **HOME**, or in cases where standing water exists due to settlement or heaving as defined under paragraph (d)1 v. above.
 - (2) **OUR responsibility**: Take whatever corrective action is necessary to eliminate standing water.

2. Stucco and cement plaster:

- i. Possible **DEFICIENCY**: Cracking or spalling of stucco and cement plaster.
 - (1) **PERFORMANCE STANDARD**: Hairline cracks in stucco or cement plaster are common especially if applied directly to masonry back-up. Cracks greater than one eighth inch in width or spalling of the finish surface is a **DEFICIENCY**.
 - (2) **OUR responsibility**: Scrape out cracks and spalled areas. Fill with cement plaster or stucco to match finish and color as closely as possible.

NOTE: **WE** are not responsible for failure to match color or texture, due to nature of the material.

E. Rules concerning carpentry (applicable in first year only) are as follows:

1. Rough carpentry:

- i. Possible **DEFICIENCY**: Floors squeak, due to improper installation or loose subfloors.
 - (1) **PERFORMANCE STANDARD**: A large area of floor squeak which is noticeable, loud and objectionable is a defect.
 - (2) **Exclusion**: Squeak-proof cannot be guaranteed; an isolated floor squeak is not a defect.
 - (3) **OUR responsibility**: Correct the problem if caused by faulty construction 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 material to make the repair and reinstall or replace if damaged.

- ii. Possible **DEFICIENCY**: Uneven wood framed floors.
 - (1) **PERFORMANCE STANDARD**: Floors which are more than one quarter inch out of level within any 32 inch measurement is a **DEFICIENCY**. Floor slope within any room which exceeds one-two hundred fortieths of the room width or length is a **DEFICIENCY** (that is, 10'-0" wide room—not to exceed one half inch out of level.)
 - (2) **OUR responsibility**: Correct or repair to meet the allowances at the above standard.

- iii. Possible **DEFICIENCY**: Bowed stud walls or ceilings.
 - (1) **PERFORMANCE STANDARD**: All interior and exterior frame walls or ceilings have slight variations on the finish surfaces. Bowing should not be visible so as to detract from the finished surface. Walls or ceilings which are bowed more than one quarter inch within a 32-inch horizontal or vertical measurement are **DEFICIENCIES**.
 - (2) **OUR responsibility**: Exterior and interior frame walls or ceilings bowed in excess of the allowable standard shall be corrected to meet the allowances of the above standard.

 - iv. Possible **DEFICIENCY**: Wood frame walls out of plumb.
 - (1) **PERFORMANCE STANDARD**: Wood frame walls which are out of plumb more than three quarters inch in an eight foot vertical measurement is a **DEFICIENCY**.
 - (2) **OUR responsibility**: Make necessary repairs to meet the allowable Standard.

 - v. Possible **DEFICIENCY**: Minor warping, checking or splitting of wood framing is common as the wood dries out, and is not considered a **DEFICIENCY**. A condition which affects the integrity of the member or any applied surface material is a **DEFICIENCY**.
 - (1) **OUR responsibility**: Where a problem exists and the surface material is affected, **WE** will repair, replace, or stiffen the frame member as required.

 - vi. Possible **DEFICIENCY**: Exterior sheathing and subflooring which delaminates or swells.
 - (1) **PERFORMANCE STANDARD**: Sheathing and subflooring, when properly installed for its intended use, that delaminates or swells on the side on which a finish material has been applied is a **DEFICIENCY**.
 - (2) **OUR responsibility**: **WE** will repair or replace subflooring or sheathing as required. Replacement of the finish materials when necessary shall be done to match the existing materials as closely as possible.
2. Finish carpentry:
- i. Possible **DEFICIENCY**: Unsatisfactory quality of finished exterior trim and workmanship.
 - (1) **PERFORMANCE STANDARD**: Joints between exterior trim elements, and siding or masonry which are in excess of three-eighths inch is a **DEFICIENCY**. In all cases, the exterior trim abutting masonry and siding shall be capable of performing its function to exclude the elements.
 - (2) **OUR responsibility**: Repair open joints and touch up finish coating where required to match existing as closely as possible. Caulk open joints between dissimilar materials.

 - ii. Possible **DEFICIENCY**: Unsatisfactory quality of finished interior trim and workmanship.
 - (1) **PERFORMANCE STANDARD**: Joints between moldings and adjacent surfaces which exceed 1/8 inch in width is a **DEFICIENCY**.
 - (2) **OUR responsibility**: Repair defective joints and touch up finish coating where required to match as closely as possible.

 - iii. Possible **DEFICIENCY**: Surface defects in finished woodwork and millwork such as checks, splits, and hammer marks.
 - (1) **PERFORMANCE STANDARD**: Finished woodwork and millwork is to be smooth and without surface marks. Finished surfaces which fall beyond the limits of the Quality Standards of the Architectural Woodwork Institute is a **DEFICIENCY**.
 - (2) **OUR responsibility**: Correct repairable defects; sanding, filling, or puttying is acceptable to return the surface to its original condition. Replace material not repairable, refinish and restore to match surrounding surfaces as closely as possible.

 - iv. Possible **DEFICIENCY**: Exposed nail heads in woodwork.
 - (1) **PERFORMANCE STANDARD**: Material used to fill nail holes has a tendency to shrink and dry up after a period of time and is not considered a **DEFICIENCY**. Nail holes which have not been filled on finished painted woodwork is a **DEFICIENCY**.

- (2) Exclusion: Nail holes do not have to be filled where the surface finish is not conducive or so designed to have nail holes filled because of the product.
- (3) **OUR responsibility:** Fill nail holes where required and if necessary, touch up paint to match as closely as possible.

F. Rules concerning thermal and moisture protection (applicable in first year only) are as follows:

1. Waterproofing:

- i. Possible **DEFICIENCY:** Leaks in basement or in foundation/crawlspace.
 - (1) **PERFORMANCE STANDARD:** Leaks resulting in actual trickling or water through the walls or seeping through the floor are **DEFICIENCIES**.
 - (2) Exclusion: Leaks caused by landscaping improperly installed by **YOU**, or failure by **YOU** to maintain proper grades are excluded from the warranty. Dampness in basement and foundation walls or in concrete basement and crawlspace floors is often common to new construction and is not a **DEFICIENCY**.
 - (3) **OUR responsibility:** Take such action as is necessary to correct basement and crawlspace leaks, except where the cause is determined to be the result of **YOUR** negligence. Where a sump pit has been installed by **US**, no action is required until a properly-sized pump is installed by **YOU** in an attempt to correct the condition. Should the condition continue to exist, then **WE** will take necessary action to correct the problem.

2. Insulation:

- i. Possible **DEFICIENCY:** Insufficient insulation.
 - (1) **PERFORMANCE STANDARD:** Insulation which is not installed around all habitable areas in accordance with established codes is a **DEFICIENCY**. If **YOUR HOME** carries an **FHA** or **VA** mortgage **WE** will insulate to **CABO** requirements.
 - (2) **OUR responsibility:** **WE** will install insulation of sufficient thickness and characteristics to meet the codes. In the case of dispute, cost for investigating the sufficiency of insulation and restoring areas to prior condition is to be borne by **YOU** if it is found that the standard has been met by **US**.

3. Louvers and vents:

- i. Possible **DEFICIENCY:** Insufficient attic and crawlspace ventilation.
 - (1) **PERFORMANCE STANDARD:** Attics and crawlspaces which are not properly vented, causing moisture to accumulate resulting in damage to supporting members or insulation, is a **DEFICIENCY**.
 - (2) **OUR responsibility:** **WE** will install properly-sized louvers or vents to correct the **DEFICIENCY**.
- ii. Possible **DEFICIENCY:** Leaks due to snow or driven rain through louvers and vents.
 - (1) **PERFORMANCE STANDARD:** Improperly installed louvers and vents that permit penetration of the elements under normal conditions is a **DEFICIENCY**.
 - (2) Exclusion: Properly installed louvers or vents may at times allow penetration of rain or snow under strong wind conditions and is not a **DEFICIENCY**.
 - (3) **OUR responsibility:** Take necessary steps to eliminate penetration of rain or snow under normal conditions if it is determined the installation was improper.

4. Exterior siding:

- i. Possible **DEFICIENCY:** Delamination, splitting, joint separation or deterioration of exterior siding.
 - (1) **PERFORMANCE STANDARD:** Exterior siding with joint separations or which delaminates, splits or deteriorates is a **DEFICIENCY**.
 - (2) **OUR responsibility:** Repair/replace only the damaged siding. Siding to match the original as closely as possible, however, **YOU** should be aware that the new finish may not exactly match

the original surface texture or color.

- ii. Possible **DEFICIENCY**: Damaged siding or broken shingles.
 - (1) **PERFORMANCE STANDARD**: Damaged siding or broken shingles is a **DEFICIENCY** if documented on a pre-closing walk through inspection report form.
 - (2) **OUR** responsibility: **WE** will replace or repair damaged siding if noted on a pre-closing walk through inspection report form. If **WE** do not perform a pre-closing walk through then **WE** will be responsible for the **DEFICIENCY** if reported by **YOU**.
 - (3) **YOUR** responsibility: If a pre-closing walk through inspection is performed, the **DEFICIENCY** should be reported on such report. If no walk through report exists, the **DEFICIENCY** shall be reported in writing within 30 days of occupancy.
 - iii. Possible **DEFICIENCY**: Loose or fallen siding.
 - (1) **PERFORMANCE STANDARD**: All siding which is not installed properly so as not to come loose or fall off is a **DEFICIENCY**.
 - (2) **OUR** responsibility: Reinstall or replace siding and make it secure.
5. Roofing:
- i. Possible **DEFICIENCY**: Roof or flashing leaks.
 - (1) **PERFORMANCE STANDARD**: Roof or flashing leaks that occur under normal weather conditions is a **DEFICIENCY**.
 - (2) Exclusion: Where cause is determined to result from severe weather conditions such as ice and snow build-up, high winds and driven rains.
 - (3) **OUR** responsibility: Correct any roof or flashing leaks which are verified to have occurred under normal weather conditions.
 - ii. Possible **DEFICIENCY**: Lifted, curled, or torn roof shingles.
 - (1) **PERFORMANCE STANDARD**: Roof shingles which lift or curl during the first year of warranty coverage or tear loose during normal weather conditions is a **DEFICIENCY**.
 - (2) Exclusion: Where cause is determined to be the result of an act of nature such as windstorm, hail, or ice or snow accumulation.
 - (3) **OUR** responsibility: Repair or replace lifted, curled or torn shingles.
 - iii. Possible **DEFICIENCY**: Standing water on built-up roofs.
 - (1) **PERFORMANCE STANDARD**: A properly pitched built-up roof is to drain water except for minor ponding. Dead flat roofs will retain a certain amount of water. Excessive ponding of water which causes leaking of the built-up roof is a **DEFICIENCY**.
 - (2) **OUR** responsibility: Repair all leaks due to or caused by standing water.
 - (3) Exclusion: Standing or ponding water is not considered a **DEFICIENCY**.
6. Sealants:
- i. Possible **DEFICIENCY**: Water or air leaks in exterior walls due to inadequate caulking.
 - (1) **PERFORMANCE STANDARD**: Joints and cracks in exterior wall surfaces and around openings which are not properly caulked to exclude the entry of water or excessive drafts is a **DEFICIENCY**.
 - (2) **OUR** responsibility: Repair and/or caulk joints or cracks in exterior wall surfaces as required to correct **DEFICIENCY** one time during the first year of the warranty period.
 - (3) **YOUR** responsibility: Maintain caulking once the condition is corrected.
7. Sheet metal:
- i. Possible **DEFICIENCY**: Gutters and downspouts leak.
 - (1) **PERFORMANCE STANDARD**: Gutters and downspouts which leak is a **DEFICIENCY**. Gutters which are improperly pitched to drain water is a **DEFICIENCY**.

- (2) Exclusion: Standing water in gutters is acceptable if it does not exceed one inch (1") in depth.
- (3) **OUR** responsibility: Repair leaks and pitch gutters to drain properly to meet standard.
- (4) **YOUR** responsibility: Responsible to keep gutters and downspouts free from leaves and debris to prevent overflow.

G. Rules concerning doors and windows (applicable in first year only) are as follows:

1. Doors: interior and exterior
 - i. Possible **DEFICIENCY**: Warpage of interior or exterior doors.
 - (1) **PERFORMANCE STANDARD**: Interior and exterior doors that warp so as to prevent normal closing and fit is a **DEFICIENCY**. The maximum allowable warpage of an interior door is one quarter inch when measured from top to bottom vertically or diagonally.
 - (2) **OUR** responsibility: Repair or replace as may be required. New doors to be refinished to match the original as closely as possible.
 - ii. Possible **DEFICIENCY**: Door binds against jamb or head of door frame. Does not lock.
 - (1) **PERFORMANCE STANDARD**: Passage doors that do not open and close freely without binding against the door frame is a **DEFICIENCY**. Lock bolt is to fit the keeper to maintain a closed position.
 - (2) **OUR** responsibility: Adjust door and keeper to operate freely.
 - iii. Possible **DEFICIENCY**: Door panels shrink and expose bare wood.
 - (1) **PERFORMANCE STANDARD**: None.
 - (2) Exclusion: Door panels will shrink due to the nature of the material, exposing bare wood at the edges and is not a **DEFICIENCY**.
 - (3) **OUR** responsibility: None.
 - iv. Possible **DEFICIENCY**: Door panels split.
 - (1) **PERFORMANCE STANDARD**: Door panels that have split to allow light to be visible through the door is a **DEFICIENCY**.
 - (2) **OUR** responsibility: If light is visible, fill crack and finish panel to match as closely as possible. Correct one time during first year of warranty. If panel cannot be repaired to hide crack, the panel or the door itself shall be replaced and finished to match original.
 - v. Possible **DEFICIENCY**: Bottom of doors rub on carpet surface.
 - (1) **PERFORMANCE STANDARD**: Where it is understood by **US** and **YOU** that carpet is planned to be installed as a floor finish, whether by **US** or **YOU**, the bottom of the doors which rub or disturb the carpet is a **DEFICIENCY**.
 - (2) Exclusion: Where carpet is selected by **YOU** having excessively high pile, **YOU** are responsible for any additional door undercutting.
 - (3) **OUR** responsibility: Undercut doors as required.
 - vi. Possible **DEFICIENCY**: Excessive opening at the bottom of interior doors.
 - (1) **PERFORMANCE STANDARDS**: Passage doors from room to room that have an opening between the bottom of the door and the floor finish material in excess of one and one half inches is a **DEFICIENCY**. Closet doors having an opening in excess of two inches is a **DEFICIENCY**.
 - (2) **OUR** responsibility: Make necessary adjustment or replace door to meet the required tolerance.
2. Garage doors (attached garage):
 - i. Possible **DEFICIENCY**: Garage door fails to operate or fit properly.
 - (1) Garage doors that do not operate and fit the door opening within the manufacturer's installation

tolerances is a **DEFICIENCY**. Some entrance of the elements can be expected under heavy weather conditions and is not considered a **DEFICIENCY**.

- (2) **OUR** responsibility: Make necessary adjustments to meet the manufacturer's installation tolerances.
- (3) **Exclusion**: No adjustment is required when cause is determined to result from **YOUR** installation of an electric door opener.

3. Wood, plastic and metal windows:

i. Possible **DEFICIENCY**: Malfunction of windows.

- (1) **PERFORMANCE STANDARD**: Windows which do not operate in conformance with manufacturer's design standards is a **DEFICIENCY**.
- (2) **OUR** responsibility: Consult with manufacturer when necessary and make necessary adjustments for windows to operate and meet the Standard.

ii. Possible **DEFICIENCY**: Double-hung windows do not stay in place when open.

- (1) **PERFORMANCE STANDARD**: Double-hung windows are permitted to move within a two-inch tolerance, up or down, when put in an open position.
- (2) **OUR** responsibility: Adjust sash balances one time only during the first year warranty period. Where possible, instruct **YOU** on the method of adjustment for future repair.

iii. Possible **DEFICIENCY**: Condensation or frost on window frames and glass.

- (1) **PERFORMANCE STANDARD**: None.
- (2) **Exclusion**: Window glass and frames will collect condensation on the frame and glass surface when humidity and temperature differences are present. Condensation is usually the result of temperature/humidity conditions in the **HOME**.
- (3) **OUR** responsibility: None.

4. Hardware:

i. Possible **DEFICIENCY**: Hardware does not work properly, fails to lock or perform its intended purpose.

- (1) **PERFORMANCE STANDARD**: All hardware installed on doors and windows which does not operate properly is a **DEFICIENCY**.
- (2) **OUR** responsibility: **WE** will adjust, repair or replace hardware as required.

5. Storm doors, windows, and screens:

i. Possible **DEFICIENCY**: Storm doors and windows do not operate or fit properly.

- (1) **PERFORMANCE STANDARD**: Storm doors and windows that, when installed, do not operate or fit properly to provide the protection for which they are intended are considered a **DEFICIENCY**.
- (2) **OUR** responsibility: **WE** will make necessary adjustments for proper fit and operation. Replace when adjustment cannot be made.

ii. Possible **DEFICIENCY**: Screen panels do not fit properly. Screen mesh is torn or damaged.

- (1) **PERFORMANCE STANDARD**: Rips or gouges in the screen mesh reported on a pre-closing walk-through inspection report or openings between the screen panel and frame are **DEFICIENCIES**.
- (2) **OUR** responsibility: **WE** will repair or replace rips and gouges in the screen mesh if reported on the pre-closing walk-through inspection. The screen panels shall be adjusted to fit properly in frame one time only during the first year of warranty. If there is no pre-closing walk-through inspection **WE** are responsible to repair **DEFICIENCY** when reported by **YOU**.
- (3) **YOUR** responsibility: **YOU** shall be responsible to notify **US** within 30 days from the warranty date or the date on which the screens are furnished if there was no pre-closing walk-through inspection.

6. Weatherstripping and seals:
 - i. Possible **DEFICIENCY**: Drafts around doors and windows.
 - (1) **PERFORMANCE STANDARD**: Weatherstripping is required on all doors leading directly to the outside from a habitable area. Some infiltration is normally noticeable around doors and windows, especially during high winds. Excessive infiltration resulting from opening in poorly fitted doors or windows, or poorly fitted weatherstripping, is a **DEFICIENCY**.
 - (2) **OUR responsibility**: **WE** will adjust or correct poorly fitted windows or doors, or poorly fitted weatherstripping.

7. Glass and glazing:
 - i. Possible **DEFICIENCY**: Broken glass.
 - (1) **PERFORMANCE STANDARD**: Broken glass is a **DEFICIENCY** if it is reported on a pre-closing walk-through inspection report.
 - (2) **OUR responsibility**: **WE** will replace if reported on a pre-closing walk-through inspection report. If no report exists, **WE** will replace if **DEFICIENCY** is reported by **YOU**.
 - (3) **YOUR responsibility**: **YOU** shall notify **US** within 30 days from warranty date if no pre-closing walk-through inspection report exists.

 - ii. Possible **DEFICIENCY**: Clouding and condensation on inside surfaces of insulated glass.
 - (1) **PERFORMANCE STANDARD**: Insulated glass which clouds up or has condensation on the inside surfaces of the glass is a **DEFICIENCY**.
 - (2) **OUR responsibility**: **WE** will replace glass in accordance with window and glass manufacturer's requirements.

H. Rules concerning finishes (applicable in first year only) are as follows:

1. Lath and plaster:
 - i. Possible **DEFICIENCY**: Cracks in plaster wall and ceiling surfaces.
 - (1) **PERFORMANCE STANDARD**: Noticeable cracks in plaster wall and ceiling surfaces is a **DEFICIENCY**.
 - (2) **OUR responsibility**: **WE** will repair cracks and touch-up paint to match as closely as possible, one time only. Such conditions should be reported near the end of the first year warranty date to allow for normal movement in the **HOME**.

2. Gypsum wallboard:
 - i. Possible **DEFICIENCY**: Defects caused by poor workmanship such as cracks over door and window frames, over archways, blisters in tape, excess compound in joints, exposed corner beads, nail pops, or trowel marks.
 - (1) **PERFORMANCE STANDARD**: Slight defects such as occasional nail pops, seam lines and cracks are common to gypsum wallboard installations. Blisters in tape, cracks over door and window frames and over archways, excess compound in joints, trowel marks, nail popping and exposed corner beads are **DEFICIENCIES**. Nail pops are a defect only when there are signs of spackle compound cracking or falling away.
 - (2) **Exclusion**: Depressions or slight mounds at nail heads are not considered **DEFICIENCIES**.
 - (3) **OUR responsibility**: **WE** will correct such defects to acceptable tolerance and repaint affected areas one time only to match as closely as possible. Where excessive repair has been made the entire area shall be painted. Such conditions shall be reported near the end of the first year warranty date to allow for normal settlement of the **HOME**.

3. Hard surface flooring (flagstone, marble, quarry tile, slate, ceramic tile, etc.):
 - i. Possible **DEFICIENCY**: Flooring cracks or becomes loose.

- (1) **PERFORMANCE STANDARD:** Ceramic tile, flagstone or similar hard surfaced sanitary flooring which crack or become loose is a defect. Subfloor and wallboard are required to be structurally sound, rigid and suitable to receive finish.
 - (2) **OUR responsibility:** WE will determine and correct the cause for the cracking or loosening of the finish material. Replace cracked material and reset loose flooring.
 - (3) **Exclusion:** Cracking and loosening of flooring caused by YOUR negligence is not a **DEFICIENCY**.
 - (4) **WE** are not responsible for slight color and pattern variations or discontinued patterns of the manufacturer. It shall not be required to replace the entire finish when the new material consists of less than 25 percent of the finish area.
- ii. Possible **DEFICIENCY:** Cracks appear in grouting of ceramic tile joint or at junctions with other material such as a bathtub or shower.
- (1) **PERFORMANCE STANDARD:** Cracks in grouting or ceramic tile joints are **DEFICIENCIES**. Regrouting of these cracks is YOUR maintenance responsibility during the life of the HOME after the first year of warranty.
 - (2) **Exclusion:** Open cracks or loose grouting, where the wall surface abuts the flashing lip at a tub or shower basin, are considered YOUR maintenance and any resultant damage to other finish surfaces due to leaks, etc. are not considered a **DEFICIENCY**.
 - (3) **OUR responsibility:** WE will repair grouting as necessary one time only within the first year of warranty.
4. Resilient flooring:
- i. Possible **DEFICIENCY:** Nail pops appear on the surface of resilient flooring.
- (1) **PERFORMANCE STANDARD:** Readily apparent nail pops are a **DEFICIENCY**.
 - (2) **Exclusion:** Any defect caused to a finished surface material or any work supplied by anyone other than US or OUR employees, agents, or subcontractors where it is determined the installer has accepted OUR surface to apply the finish material.
 - (3) **OUR responsibility:** WE will correct nail pops that have caused damage to the floor material and repair or replace damaged floor covering in the affected areas.
 - (4) **WE** are not responsible for discontinued patterns or color variations.
- ii. Possible **DEFICIENCY:** Depressions or ridges appear in the resilient flooring due to subfloor irregularities.
- (1) **PERFORMANCE STANDARD:** Readily apparent depressions or ridges exceeding one eighth inch is a **DEFICIENCY**. The ridge or depression measurement is taken at the gap created at one end of a six-inch straight edge placed over the depression or ridge with three inches on one side of the defect held tightly to the floor.
 - (2) **Exclusion:** Any defect caused to a finished surface material or any work supplied by anyone other than US or OUR employees, agents, or subcontractors where it is determined the installer has accepted OUR surface to apply the finish material.
 - (3) **OUR responsibility:** WE will take required corrective action to bring **DEFICIENCY** within acceptable tolerances so as to be not readily visible. WE are not responsible for discontinued patterns or color variations in floor covering, YOUR neglect or abuse, nor installations performed by others.
- iii. Possible **DEFICIENCY:** Resilient flooring or base loses adhesion.
- (1) **PERFORMANCE STANDARD:** Resilient flooring or base that lifts, bubbles, or becomes unglued is a **DEFICIENCY**.
 - (2) **Exclusion:** Any defect caused to a finished surface material or any work supplied by anyone other than US or OUR employees, agents, or subcontractors where it is determined the installer has accepted OUR surface to apply the finish material.
 - (3) **OUR responsibility:** WE will repair or replace resilient flooring or base as required. WE are not responsible for discontinued patterns or color variation.

- iv. Possible **DEFICIENCY**: Seams or shrinkage gaps show at resilient flooring joints.
 - (1) **PERFORMANCE STANDARD**: Gaps in excess of one eighth inch in width in resilient floor covering joints is a **DEFICIENCY**. Where dissimilar materials abut, a gap in excess of three-sixteenths inch is a **DEFICIENCY**.
 - (2) **OUR responsibility**: **WE** will take required action to correct the cause of the **DEFICIENCY**.
 - (3) **WE** are not responsible for discontinued patterns or color variations of floor covering.

- 5. Plywood wall covering:
 - i. Possible **DEFICIENCY**: Variation in paneling color; scratches or checks on the finished surface.
 - (1) **PERFORMANCE STANDARD**: Plywood paneling pattern and color will often vary and is not a **DEFICIENCY**. Scratches on the paneling surface are **DEFICIENCIES** if reported on a pre-closing walk-through inspection report.
 - (2) **OUR responsibility**: **WE** will repair or replace damaged paneling when the **DEFICIENCY** has been reported on the pre-closing walk-through inspection report. **WE** are not responsible for discontinued panel or color variations. If no pre-closing walk-through was done, **WE** are responsible to repair damage if notified by **YOU**.
 - (3) If damaged paneling cannot be replaced with new paneling to **YOUR** satisfaction, the **DEFICIENCY** may be repaired within reasonable standard of good materials and workmanship.
 - (4) **YOU** shall notify **US** within 30 days of the warranty date if no pre-closing walk-through inspection report exists.

- 6. Finished wood flooring:
 - i. Possible **DEFICIENCY**: Dents, chips, knotpops, open joints or cracks in wood flooring. Dents and chips are **DEFICIENCIES** if reported on a pre-closing walk through inspection report.
 - (1) **PERFORMANCE STANDARD**: Dents, chips, knotpops, open joints or cracks in floor boards of finished wood flooring which exceed the manufacturer's quality standards of the wood flooring grade are considered **DEFICIENCIES**. Manufacturer's grade quality standards shall be as defined by: Wood and Synthetic Flooring Institute, National Oak Flooring Association and Maple Flooring Manufacturer's Association.
 - (2) **OUR responsibility**: **WE** will determine the cause for **DEFICIENCIES** and correct. Dents and chips are to be corrected if reported on a pre-closing walk-through inspection report. If the inspection was not conducted, **WE** will correct if notified by **YOU**. For a repairable **DEFICIENCY**, repair cracks, chips or dents by filling and refinishing to match the wood surface as closely as possible. For a non-repairable **DEFICIENCY**, replace and finish affected area to match remaining flooring as closely as possible.
 - (3) **YOU** shall report such **DEFICIENCIES** to **US** within 30 days of the warranty date if there was no pre-closing walk-through inspection.

- 7. Painting:
 - i. Possible **DEFICIENCY**: Knot and wood stains appear through paint on exterior.
 - (1) **PERFORMANCE STANDARD**: Excessive knot and wood stains which bleed through the paint are considered **DEFICIENCIES**.
 - (2) **OUR responsibility**: **WE** will seal affected areas where excessive bleeding of knots and stains appear and touch-up paint to match.

 - ii. Possible **DEFICIENCY**: Exterior paint or stain peels, deteriorates or fades.
 - (1) **PERFORMANCE STANDARD**: Exterior paints or stains that peel or deteriorate during the first year of ownership is a **DEFICIENCY**.
 - (2) Exclusion: Fading, however, is normal and subject to the orientation of painted surfaces to the climatic conditions which may prevail in the area. Fading is not a **DEFICIENCY**.

- (3) **OUR responsibility:** Shall properly prepare and refinish affected areas, matching color as closely as possible. Where finish repairs affect the majority of the surface area, the whole area should be refinished. The warranty on the newly repainted surfaces will not extend beyond the original warranty period.
- iii. Possible **DEFICIENCY:** Painting required as corollary repair because of other work.
- (1) **PERFORMANCE STANDARD:** Necessary repair of a painted surface required under this warranty is to be refinished to match surrounding areas as closely as possible.
- (2) **OUR responsibility:** WE will refinish repaired areas to meet the standard as required.
- iv. Possible **DEFICIENCY:** Mildew or fungus forms on painted or factory finished surfaces.
- (1) **PERFORMANCE STANDARD:** None.
- (2) **Exclusion:** Mildew or fungus that forms on a painted or factory-finished surface when the structure is subject to various exposures (that is, ocean, lake, riverfront, heavily wooded areas or mountains) is not a **DEFICIENCY**.
- (3) **OUR responsibility:** None.
- v. Possible **DEFICIENCY:** Deterioration of varnish or lacquer finishes.
- (1) **PERFORMANCE STANDARD:** Natural finishes on interior woodwork which deteriorate during the first year of ownership is a **DEFICIENCY**.
- (2) **Exclusion:** Varnish-type finishes used on the exterior will deteriorate rapidly and are not covered by the warranty.
- (3) **OUR responsibility:** WE will refinish affected areas of natural finished interior woodwork, matching the color as closely as possible.
- vi. Possible **DEFICIENCY:** Interior paint coverage.
- (1) **PERFORMANCE STANDARD:** Interior paint not applied in a manner sufficient to visually cover wall, ceiling and trim surfaces is a **DEFICIENCY**.
- (2) **OUR responsibility:** WE will repaint wall, ceiling or trim surfaces where inadequate paint has been applied. Where a large area is affected, the entire surface shall be repainted.
- vii. Possible **DEFICIENCY:** Paint splatters and smears on finish surfaces.
- (1) **PERFORMANCE STANDARD:** Paint stains on porous surfaces which are excessive, that detract from the finish, which cannot be removed by normal cleaning methods and are reported on a pre-closing walk-through inspection report are considered **DEFICIENCIES**.
- (2) **Exclusion:** Minor paint splatter and smears on impervious surfaces which cannot be easily removed is considered as **YOUR** maintenance and not a **DEFICIENCY**.
- (3) **OUR responsibility:** WE will remove paint stains without affecting the finish of the material, or replace the damaged surface if stain cannot be removed if reported on a pre-closing walk-through inspection report. If no such inspection was done, WE will correct if notified by **YOU**.
- (4) **YOU** shall notify **US** within 30 days of the warranty date if a pre-closing walk-through inspection report was not completed.
8. Wall covering:
- i. Possible **DEFICIENCY:** Peeling of wall covering installed by **US**.
- (1) **PERFORMANCE STANDARD:** Peeling of wall covering is a **DEFICIENCY**, unless it is due to **YOUR** abuse or negligence.
- (2) **Exclusion:** Any defect caused to a finished surface material or any work supplied by anyone other than **US** or **OUR** employees, agents, or subcontractors where it is determined the installer has accepted **OUR** surface to apply the finish material.
- (3) **OUR responsibility:** WE will repair or replace defective wall covering.

- ii. Possible **DEFICIENCY**: Mismatching in wall covering pattern.
 - (1) **PERFORMANCE STANDARD**: Mismatched wall covering pattern over a large area that severely detracts from its intended purpose due to poor workmanship is a **DEFICIENCY**.
 - (2) **OUR responsibility**: **WE** will remove mismatched wall covering and replace. **WE** are not responsible for discontinued patterns or variations in color.

- iii. Possible **DEFICIENCY**: Lumps and ridges and nail pops in wallboard which appear after wall covering installed by others.
 - (1) **PERFORMANCE STANDARD**: None.
 - (2) **Exclusion**: **YOU** shall insure that the surface to receive wall covering is suitable and assume full responsibility should lumps, ridges and nail pops occur at a later date.
 - (3) **OUR responsibility**: None.

- 9. **Carpeting**:
 - i. Possible **DEFICIENCY**: Seams in carpet.
 - (1) **PERFORMANCE STANDARD**: Seams in carpeting that separate due to improper installation is a **DEFICIENCY**.
 - (2) **Exclusion**: Carpeting material is not covered under the warranty.
 - (3) **OUR responsibility**: **WE** will correct to eliminate the separation.

 - ii. Possible **DEFICIENCY**: Carpeting comes loose or excessive stretching occurs.
 - (1) **PERFORMANCE STANDARD**: Wall to wall carpeting that comes loose is a **DEFICIENCY**.
 - (2) **Exclusion**: Stretching that may occur in the carpeting is subject to the quality and surface over which it is laid and not a **DEFICIENCY**.
 - (3) **OUR responsibility**: **WE** will resecure loose carpeting one time during the first year of warranty coverage.

 - iii. Possible **Deficiency**: Spots on carpet, minor fading.
 - (1) **PERFORMANCE STANDARD**: Spots or stains on the carpeting is a **DEFICIENCY** if reported on a pre-closing walk-through inspection report.
 - (2) **OUR responsibility**: **WE** will remove spots and stains on a one-time basis if reported on a pre-closing walk-through inspection report. Replace when excessive spots and stains cannot be removed. If no pre-closing inspection report exists, **WE** will correct when notified by **YOU**.
 - (3) **Exclusion**: Fading is not a **DEFICIENCY**, and **WE** have no responsibility.
 - (4) **YOU** shall notify **US** within 30 days from the warranty date if no pre-closing walk-through inspection report exists.

I. Rules concerning specialties (applicable in first year only) are as follows:

1. Fireplaces:

- i. Possible **DEFICIENCY**: Fireplace or chimney does not draw properly causing smoke to enter the house.
 - (1) **PERFORMANCE STANDARD**: A properly designed and constructed fireplace or chimney is to function as intended. It is normal to expect that high winds can cause temporary negative draft situations. Similarly, negative draft situations can also be caused by obstructions such as large branches of trees too close to the chimney. In addition, the geographic location of the fireplace or its relationship to adjoining walls and roof may be the cause of negative draft conditions. In some cases, it may be necessary to open a window slightly to create an effective draft. Since negative draft conditions could be temporary, it is necessary that **YOU** substantiate the problem to **US** by constructing a fire so the condition can be observed.
 - (2) **OUR responsibility**: When determined the malfunction is based upon improper construction of the fireplace then **WE** shall take the necessary steps to correct the problem.
 - (3) **Exclusion**: Where it is determined that the fireplace is properly designed and constructed, but still malfunctions due to natural causes beyond **OUR** control, **WE** are not responsible.

- ii. Possible **DEFICIENCY**: Chimney separation from structure to which it is attached.
 - (1) **PERFORMANCE STANDARD**: Newly built fireplaces will often incur slight amounts of separation. Separation which exceeds one half inch from the main structure in any 10-foot vertical measurement is a **DEFICIENCY**.
 - (2) **OUR responsibility**: **WE** will determine the cause of separation and correct. Caulking or grouting is acceptable up to one half inch displacement.
- 2. Built-in sauna and steam bath units:
 - i. Possible **DEFICIENCY**: Refer to the pertinent section of these **STANDARDS** for **DEFICIENCIES** that may exist is construction, materials, finish, and equipment of a steam bath or sauna unit constructed on-site.
 - (1) **PERFORMANCE STANDARD**: Built-in equipment such as sauna and steam bath units are to be constructed and must operate properly under the same applicable standard for finishes and mechanical and electrical equipment involved. Any **DEFICIENCIES** in finish materials or equipment referred to in these standards are considered **DEFICIENCIES**.
 - (2) **OUR responsibility**: **WE** will make all necessary repairs or replacements including equipment covered under a manufacturer's warranty.

J. Rules concerning kitchen cabinets and vanities (applicable in first year only) are as follows:

- i. Possible **DEFICIENCY**: Kitchen or vanity cabinet doors and drawers malfunction.
 - (1) **PERFORMANCE STANDARD**: Cabinet doors, drawers, and other operating parts that do not function as designed are **DEFICIENCIES** if they are reported on a pre-closing walk-through inspection report.
 - (2) **OUR responsibility**: **WE** will repair or replace operating parts if a pre-closing report exists. If no report exists, **WE** will correct if notified by **YOU**.
 - (3) **YOU** shall notify **US** within 30 days of the warranty date if a pre-closing walk-through inspection was not conducted.
- ii. Possible **DEFICIENCY**: Surface cracks, delaminations and chips in high pressure laminates of vanity and kitchen cabinet countertops.
 - (1) **PERFORMANCE STANDARD**: Countertops fabricated with high pressure laminate coverings that delaminate, have chips, scratches, or surface cracks or joints between sheets exceeding one sixteenth inch are considered **DEFICIENCIES** if reported on a pre-closing walk-through inspection report.
 - (2) **OUR responsibility**: **WE** will repair or replace laminated surface covering having chips, cracks, scratches or joints exceeding the allowable width if reported on a pre-closing inspection report. If a pre-closing inspection report was not performed, **WE** will correct when notified by **YOU**.
 - (3) **YOU** shall notify **US** within 30 days of the warranty date if a pre-closing walk-through inspection report does not exist.
- iii. Possible **DEFICIENCY**: Warping of kitchen and vanity cabinet doors and drawer fronts.
 - (1) **PERFORMANCE STANDARD**: Warpage that exceeds one quarter inch (1/4") as measured from the face of the cabinet frame to the further most point of warpage on the drawer or door front in a closed position is a **DEFICIENCY**.
 - (2) **OUR responsibility**: **WE** will correct or replace door or drawer front as required.
- iv. Possible **DEFICIENCY**: Gaps between cabinets, ceiling and walls.
 - (1) **PERFORMANCE STANDARD**: Counter top, splash, base and wall cabinets are to be securely mounted. Gaps in excess of one quarter inch (1/4") between wall and ceiling surfaces is a **DEFICIENCY**.
 - (2) **OUR responsibility**: **WE** will make necessary adjustments of cabinets and top or close gap by means of molding suitable to match the cabinet or counter top finish; or other acceptable means.

K. Rules concerning mechanical systems (applicable in first or second year as indicated) are as follows:

1. Septic tank systems:

i. Possible DEFICIENCY: Septic system fails to operate properly.

- (1) **PERFORMANCE STANDARD:** Septic system is to be capable of properly handling normal flow of household effluent. It is, however, possible that due to freezing, soil saturation, changes in the ground water table or excessive use of plumbing or appliances, an overflow can occur. Periodic pumping of the septic tank is considered **YOUR** maintenance responsibility, and a normal need for pumping is not a **DEFICIENCY**.
- (2) **OUR responsibility:** **WE** will take corrective action as required, if it is determined that malfunction is due to improper design or construction or **OUR** failure to establish proper surface drainage of the septic field. **WE** are not responsible for malfunctions which occur through **YOUR** negligence or abuse. **WE** are also not responsible for malfunctions which occur due to acts of nature such as freezing and unforeseeable changes in the ground water table.
- (3) **Exclusion:** The following are considered **YOUR** negligence or abuse as an exclusion under the warranty:
 - (A) Excessive use of water such as overuse of washing machine and dishwasher; including their simultaneous use.
 - (B) Connection of sump pump, roof drains or backwash from water conditioner, to the system.
 - (C) Placing of non-biodegradable items in the system.
 - (D) Addition of any harsh chemicals, greases or cleaning agents; and excessive amounts of bleaches or drain cleaners.
 - (E) Use of a food waste disposer not supplied by **US**.
 - (F) Placement of impervious surfaces over the disposal area.
 - (G) Allowing vehicles to drive or park over the disposal area.
 - (H) Failure to periodically pump out the septic tank, when required.
- (4) **Note:** coverage is for first two years of warranty.

2. Plumbing:

i. Possible DEFICIENCY: Plumbing pipes freeze.

- (1) **PERFORMANCE STANDARD:** Drain, waste and water pipes are to be adequately protected to prevent freezing during normally anticipated cold weather. Freezing of pipes is a **DEFICIENCY** covered only during the first year of the warranty.
- (2) **OUR responsibility:** **WE** will correct the condition responsible for pipes freezing, and repair piping damaged by freezing.
- (3) **YOU** are responsible for maintaining suitable temperatures in the **HOME** to prevent pipes from freezing. **HOMES** which are periodically occupied such as summer **HOMES**, or where there will be no occupancy for an extended period of time must be properly winterized or periodically checked to insure a reasonable temperature is maintained. Leaks occurring due to **YOUR** neglect and resultant damage are not **OUR** responsibility.

ii. Possible DEFICIENCY: Leakage from any piping.

- (1) **PERFORMANCE STANDARD:** Leaks in any sanitary soil, waste, vent and water piping are **DEFICIENCIES** and are covered during the first and second year of the warranty.
- (2) **Exclusion:** Condensation on piping does not constitute leakage, and is not a **DEFICIENCY** except where pipe insulation is required.
- (3) **OUR responsibility:** **WE** will make necessary repairs to eliminate leakage.

iii. Possible DEFICIENCY: Faucet or valve leak.

- (1) **PERFORMANCE STANDARD:** A valve or faucet leak due to material or workmanship is a **DEFICIENCY** and covered only during the first year of the warranty.
- (2) **Exclusion:** Leakage caused by worn or defective washers or seals are **YOUR** maintenance responsibility.
- (3) **OUR responsibility:** **WE** will repair or replace the leaking faucet or valve.

- iv. Possible **DEFICIENCY**: Defective plumbing fixtures, appliances or trim fittings.
 - (1) **PERFORMANCE STANDARD**: Fixtures, appliances or fittings are to be judged according to the manufacturer's standards as to use and operation and are covered only during the first year of the warranty.
 - (2) **OUR responsibility**: **WE** will replace or repair any fixture or fitting which is outside of acceptable standards as defined by the manufacturer.

 - v. Possible **DEFICIENCY**: Stopped up sanitary sewers, fixtures and sanitary drains are **DEFICIENCIES**.
 - (1) **PERFORMANCE STANDARD**: Sanitary sewer, fixtures, and sanitary drains should operate and drain properly and are covered during the first and second year of the warranty.
 - (2) **OUR responsibility**: Where defective construction is shown to be the cause, **We** will make necessary repairs.
 - (3) **Exclusion**: **YOU** shall assume repair costs for sewers, fixtures, and drains which are clogged through **YOUR** negligence.
 - (4) **NOTE**: **OUR** responsibility for defective sewer lines extends to the property line on which the **HOME** is constructed.

 - vi. Possible **DEFICIENCY**: Chipped or damaged plumbing fixtures and appliances.
 - (1) **PERFORMANCE STANDARD**: Chips, cracks, or other such damage to plumbing fixtures and appliances are **DEFICIENCIES** if they are included in a pre-closing walk-through inspection report.
 - (2) **OUR responsibility**: **WE** will repair any chips or cracks if included in the pre-closing inspection report. If repair cannot be made, the fixture or appliance is to be replaced to match the original. If a pre-closing inspection was not performed, **WE** will correct if notified by **YOU**.
 - (3) **YOU** shall notify **US** within 30 days of warranty date if no pre-closing walk-through inspection was performed.
 - (4) **Exclusion**: Where a fixture is built into surrounding wall areas such as a tub or shower basin which requires repair, replacement is not covered under the warranty except where the **DEFICIENCY** causes the fixture to be unusable.
3. Water supply:
- i. Possible **DEFICIENCY**: Staining of plumbing fixtures due to high iron content in water.
 - (1) **PERFORMANCE STANDARD**: High iron content in the water supply system will cause staining of plumbing fixtures.
 - (2) **OUR responsibility**: None. Maintenance and treatment of the water is **YOUR** responsibility.

 - ii. Possible **DEFICIENCY**: Drinking water supply is not potable.
 - (1) **PERFORMANCE STANDARD**: All water must be free from contamination that would affect its potability. Potable water is defined as water fit for human consumption. In many cases, well water tests will show contamination that exceeds the recommended amounts permitted under applicable Federal and State standards. However, it may still be considered potable. In order to make this determination, **YOU** must provide written documentation from an independent testing laboratory or a board of health providing such service stating that the water is unfit for human consumption. Water test reports furnished by a commercial water treatment company cannot be used to make such a determination. Water is considered potable when a certificate of compliance is issued by the local/county board of health. Any recommendation for treatment of the water by the local/county board of health is contractual between **YOU** and **US** and cannot be considered a **DEFICIENCY**.
 - (2) **Exclusion**: Water which becomes non-potable after certification by a source beyond **OUR** control shall be excluded from coverage.
 - (3) **OUR responsibility**: **WE** will supply potable drinking water during the first year of the warranty.

- iii. Possible **DEFICIENCY**: Water supply system fails to deliver water; or pressure is low.
 - (1) **PERFORMANCE STANDARD**: All service connections to municipal water main or private water supply are **OUR** responsibility when installed by **US**.
 - (2) **NOTE**: Low water pressure is defined as follows: Use of the cold water supply at any one single fixture drastically reduces the cold water supply at any one other single fixture.
 - (3) **OUR** responsibility: **WE** will repair as required during the first year of the warranty if failure to supply water is the result of **DEFICIENCY** in workmanship or materials. If conditions exist which disrupt or eliminate the sources of water supply that are beyond **OUR** control, then **WE** are not responsible.

- iv. Possible **DEFICIENCY**: Noisy water pipes.
 - (1) **PERFORMANCE STANDARD**: Some noise can be expected from the water pipe system, due to the flow of water. Water hammer in the supply system is a **DEFICIENCY** and is covered only during the first year of the warranty.
 - (2) **OUR** responsibility: **WE** will correct to eliminate "water hammer."
 - (3) **Exclusion**: Noises due to water flow and pipe expansion are not considered **DEFICIENCIES**.

- 4. Heating and air conditioning:
 - i. Possible **DEFICIENCY**: Inadequate heat.
 - (1) **PERFORMANCE STANDARD**: A heating system shall be capable of producing an inside temperature of 70 degrees Fahrenheit as measured in the center of the room at a height of five feet above the floor, under local outdoor winter design conditions as specified in the latest edition of the New Jersey U.C.C. Energy Subcode and ASHRAE Handbook in effect at the time the **HOME** was constructed.
 - (2) **Note for heating**: The outdoor design temperature established by ASHRAE varies geographically throughout the State of New Jersey. There may be periods when the outdoor temperature falls below the design temperature, thereby lowering the temperature in the **HOME**. Orientation of the **HOME** and location of rooms will also provide a temperature differential, especially when the heating system is controlled by a single thermostat for one or more floor levels.
 - (3) **OUR** responsibility: **WE** will correct heating system as required to provide the required temperatures. Balance dampers, registers and make minor adjustments one time only, during the first year of the warranty.

 - ii. Possible **DEFICIENCY**: Inadequate cooling.
 - (1) **PERFORMANCE STANDARD**: Where air conditioning is provided, the cooling system is to be capable of maintaining a temperature of 78 degrees Fahrenheit as measured in the center of each room at height five feet above the floor, under local outdoor summer design conditions as specified in the latest edition of the New Jersey U.C.C. Energy Subcode and ASHRAE Handbook in effect at the time the **HOME** was constructed.
 - (2) **Note for Air Conditioning**: The cooling cycle outdoor design temperature established by ASHRAE provides for a maximum of 12 degree temperature differential between the outdoor and the indoor temperatures. There may be periods when the outdoor temperature rises above the design temperature, thereby raising the temperature in the **HOME**. Orientation of the **HOME** and location of rooms will also provide a temperature differential, especially when the air conditioning system is controlled by a single thermostat for one or more floor levels.
 - (3) **OUR** responsibility: Correct cooling system to meet the above temperature requirements during the first year of the warranty.

- iii. Possible **DEFICIENCY**: Ductwork and heating piping not insulated in uninsulated areas.
 - (1) **PERFORMANCE STANDARD**: Ductwork and heating pipes that are run in uninsulated crawlspaces, garages, or attics are to be insulated. Basements are not "uninsulated areas," and no insulation is required.
 - (2) **OUR responsibility**: WE will install required insulation during the first year of the warranty.
- iv. Possible **DEFICIENCY**: Refrigerant lines leak.
 - (1) **PERFORMANCE STANDARD**: Refrigerant lines that develop leaks during normal operation are **DEFICIENCIES** during first year and second year of the warranty.
 - (2) **OUR responsibility**: WE will repair leaking lines and recharge unit as required.
- v. Possible **DEFICIENCY**: Condensate lines clog up.
 - (1) **PERFORMANCE STANDARD**: Condensate lines will clog under normal conditions.
 - (2) **OUR responsibility**: WE will provide clean and unobstructed lines on warranty date.
 - (3) **YOUR responsibility**: Continued operation of the drain line is **YOUR** responsibility.
- vi. Possible **DEFICIENCY**: Improper mechanical operation of evaporative cooling system.
 - (1) **PERFORMANCE STANDARD**: Equipment that does not function properly at temperature standard set is a **DEFICIENCY**.
 - (2) **OUR responsibility**: WE will correct and adjust so that blower and water system operate as designed during the first year of the warranty.
- vii. Possible **DEFICIENCY**: Ductwork noisy.
 - (1) **PERFORMANCE STANDARD**: Noise in ductwork may occur for a brief period when the heating or cooling begins to function and is not considered a **DEFICIENCY**. Continued noise in the ductwork during its normal operation is a **DEFICIENCY**.
 - (2) **OUR responsibility**: WE will take necessary steps to eliminate noise in the ductwork during the first year of the warranty.
- viii. Possible **DEFICIENCY**: Ductwork separates, becomes unattached.
 - (1) **PERFORMANCE STANDARD**: Ductwork that is not intact or securely fastened is a **DEFICIENCY** during the first year of the warranty.
 - (2) **OUR responsibility**: WE will reattach and resecure all separated or unattached ductwork.

L. Rules concerning electrical systems (applicable in year one or two as indicated) are as follows:

- 1. Electrical conductors:
 - i. Possible **DEFICIENCY**: Failure of wiring to carry its designed circuit load to switches and receptacles.
 - (1) **PERFORMANCE STANDARD**: Wiring that is not capable of carrying the designed load, for normal residential use to switches, receptacles and equipment is a **DEFICIENCY** during the first and second year of the warranty.
 - (2) **OUR responsibility**: WE will check wiring and replace wiring if it fails to carry the design load.
- 2. Switches and receptacles:
 - i. Possible **DEFICIENCY**: Fuses blow or circuit breakers kick out.
 - (1) **PERFORMANCE STANDARD**: Fuses and circuit breakers which deactivate under normal usage, when reset or replaced, during the first year of the warranty is a **DEFICIENCY**.
 - (2) **OUR responsibility**: WE will check wiring and replace wiring or breaker if it does not perform adequately or is defective.

- ii. Possible **DEFICIENCY**: Drafts from electrical outlets.
 - (1) **PERFORMANCE STANDARD**: The electrical junction box on exterior walls may produce a slight air flow whereby the cold air can be drawn through the outlet into a room. This problem is normal in new home construction.
 - (2) **OUR responsibility**: None.
- iii. Possible **DEFICIENCY**: Malfunction of electrical outlets, switches or fixtures.
 - (1) **PERFORMANCE STANDARD**: All switches, fixtures and outlets which do not operate as intended are considered **DEFICIENCIES** only during the first year of the warranty.
 - (2) **OUR responsibility**: **WE** will repair or replace defective switches, fixtures and outlets.

3. Service and distribution:

- i. Possible **DEFICIENCY**: Ground fault interrupter trips frequently.
 - (1) **PERFORMANCE STANDARD**: Ground fault interrupters are sensitive safety devices installed into the electrical system to provide protection against electrical shock. These devices are sensitive and can be tripped very easily. Ground fault interrupters are required on outlets located in the kitchen, bath and powder rooms along with all exterior outlets. Ground fault outlets which do not operate as intended are considered **DEFICIENCIES** during the first year of the warranty.
 - (2) **OUR responsibility**: **WE** will replace the device if defective.

BINDING ARBITRATION REQUEST FORM

Dear Homeowner:

Prior to requesting Professional Warranty Service Corporation (PWC) to begin a binding arbitration procedure for your claimed Builder's Limited Warranty deficiencies, you should have sent your builder a clear and specific written request to correct those deficiencies. If you have already requested your builder in writing to correct a deficiency that you think is covered by the Builder's Limited Warranty, and believe the builder has not properly responded, fill out this form and send it to PWC. Be sure to attach a copy of the written complaint that you previously sent to the builder.

The information you need to fill out this form can be found on the Builder's Limited Warranty Coverage Validation Form. However, if you do not know the answers to any questions, write "Don't Know." Please do not leave any item blank.

Your name: _____

Address: _____

_____ City State Zip Code

Home Phone: () _____ Business Phone: () _____

Builder's Limited Warranty #: _____ Warranty Date-Home: _____

Builder I.D. #: _____ FHA/VA Case Number: _____

Insured Builder's Name: _____

Address: _____

_____ City State Zip Code

Describe the deficiencies which you think are covered by the Builder's Limited Warranty. Include when the deficiency first occurred or when you first noticed the deficiency. (Use additional sheets, if necessary).

I/We are hereby requesting PWC to initiate an arbitration to determine the builder's obligations with respect to the existence of alleged deficiencies under the Builder's Limited Warranty and under applicable federal, state, and local law regarding the Builder's Limited Warranty. I/We understand that the arbitration award shall be final and binding on all parties and shall limit our ability to initiate a lawsuit against the builder and/or PWC or the Builder's Limited Warranty insurer.

Signature Date

INSTRUCTIONS: Send this Binding Arbitration request form to:

PROFESSIONAL WARRANTY SERVICE CORPORATION
P.O. BOX 800
ANNANDALE, VA 22003-0800

PWC Form No. 301
12/94

SUBSEQUENT HOME BUYER ACKNOWLEDGMENT AND ASSIGNMENT

Any coverage remaining under the BUILDER'S LIMITED WARRANTY applicable to the home as specified on the Builder's Limited Warranty Coverage Validation Form is transferred to the subsequent homeowner. Any obligations under the BUILDER'S LIMITED WARRANTY to any subsequent homeowner shall not exceed the limit of liability remaining at the time of transfer, if any.

The undersigned home buyer hereby acknowledge and agree:

- I/we acknowledge that I have reviewed and understand the BUILDER'S LIMITED WARRANTY document (PWC 107 N J)
- I/we understand and acknowledge that Professional Warranty Service Corporation ("PWC") is not the warrantor of the BUILDER'S LIMITED WARRANTY.
- I/we understand that I/we am responsible for the maintenance of the home including maintenance of the grade of the land surrounding the home, and that the builder shall not be responsible for any damage to the home which is the result of my/our failure to maintain the home.
- I/we understand that the BUILDER'S LIMITED WARRANTY provides that, in the event of any dispute(s) under or in any way relating to the BUILDER'S LIMITED WARRANTY, I/we may elect to submit such dispute(s) to binding arbitration. If disputed claims are submitted to arbitration, the decision of the arbitrator(s) shall be binding upon the parties to the arbitration. Arbitrations shall be conducted and enforced in accordance with the arbitration rules and procedures applicable to the arbitration organization hearing the dispute or, where those rules are silent, the United States Arbitration Act (9 U.S.C. § 1 et. seq.).
- If they have not been provided to us by the seller of the home, I/we understand that I/we may obtain a copy of the BUILDER'S LIMITED WARRANTY and the rules and procedures for binding arbitration by writing to Professional Warranty Service Corporation or by telephoning 1-800-850-2799.

Signature of subsequent Home Buyer(s): _____ Date: _____

Print name: _____

Signature: _____ Date: _____

Print name: _____

Address of Home: _____

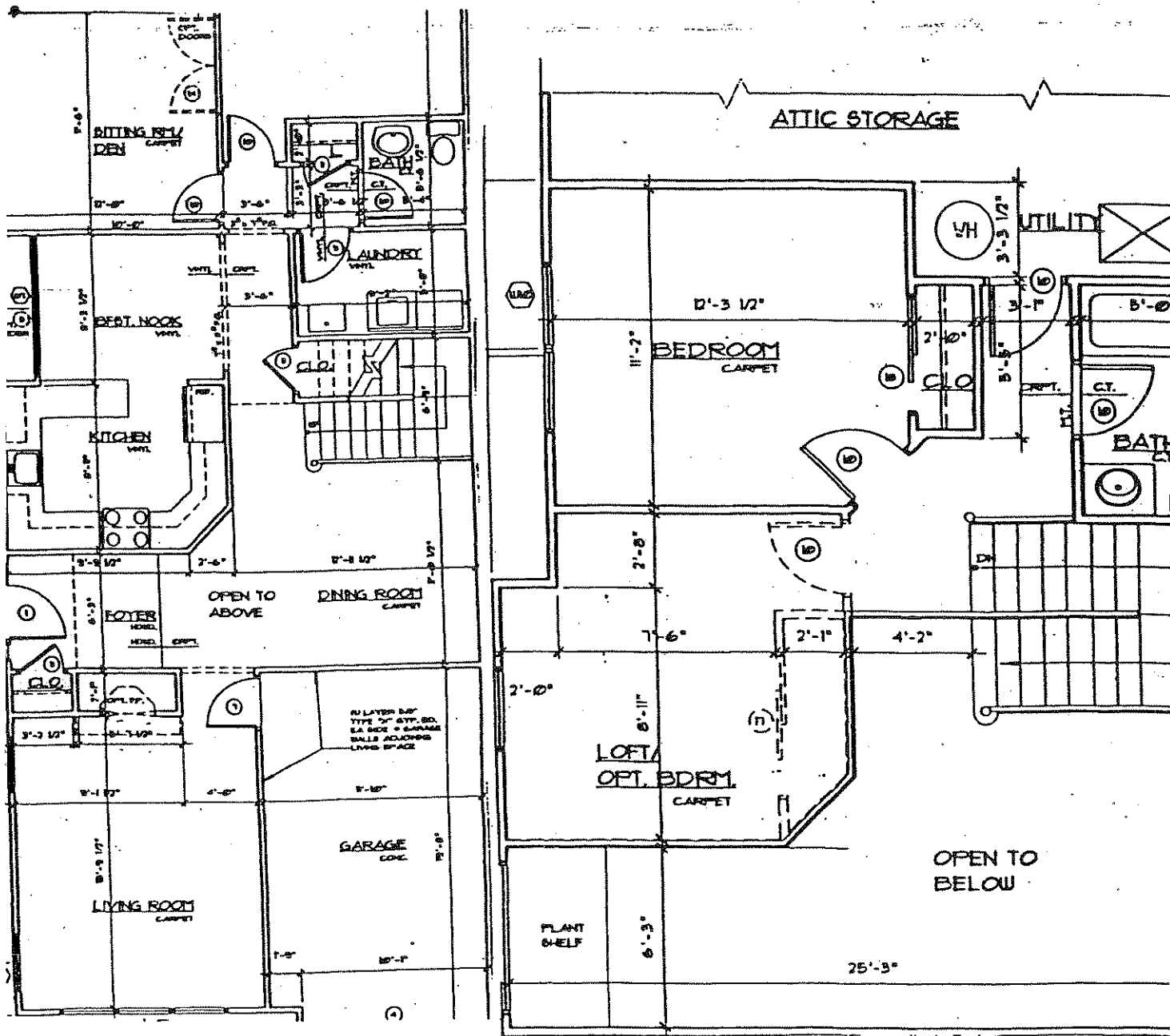
Builder's Limited Warranty Coverage Validation Number: _____

INSTRUCTIONS: Sign, fill in Limited Warranty # in the space provided (this number is provided on the Builder's Limited Warranty Coverage Validation Form), and provide a telephone number where you can be reached.

Mail this form and a photocopy of the settlement/closing documents indicating transfer of title to:

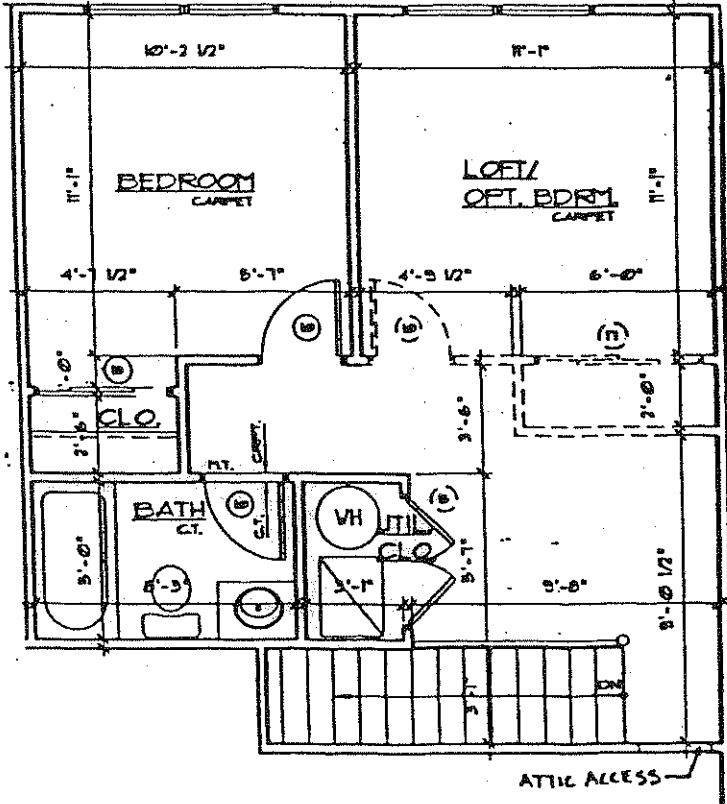
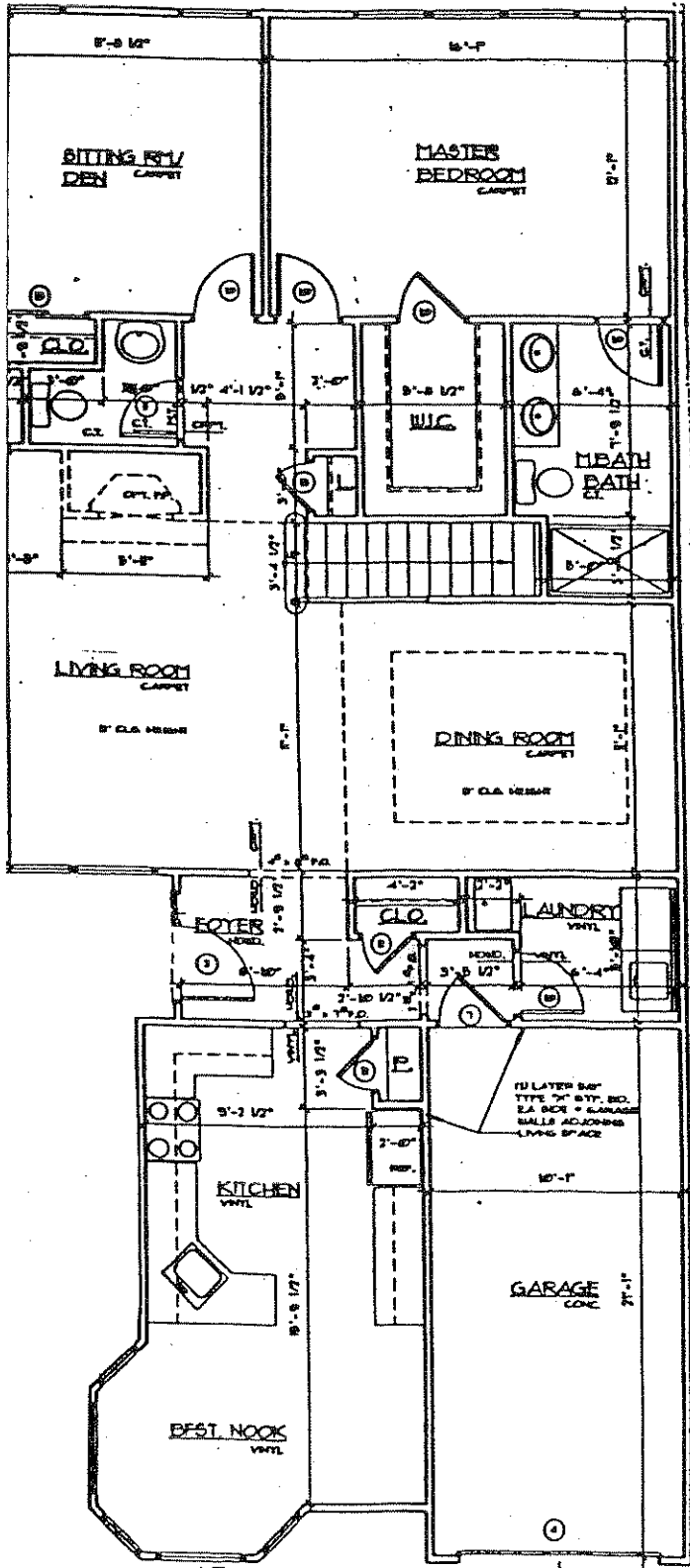
PROFESSIONAL WARRANTY SERVICE CORPORATION
P.O. BOX 800
ANNANDALE, VA 22003-0800

EXHIBIT J



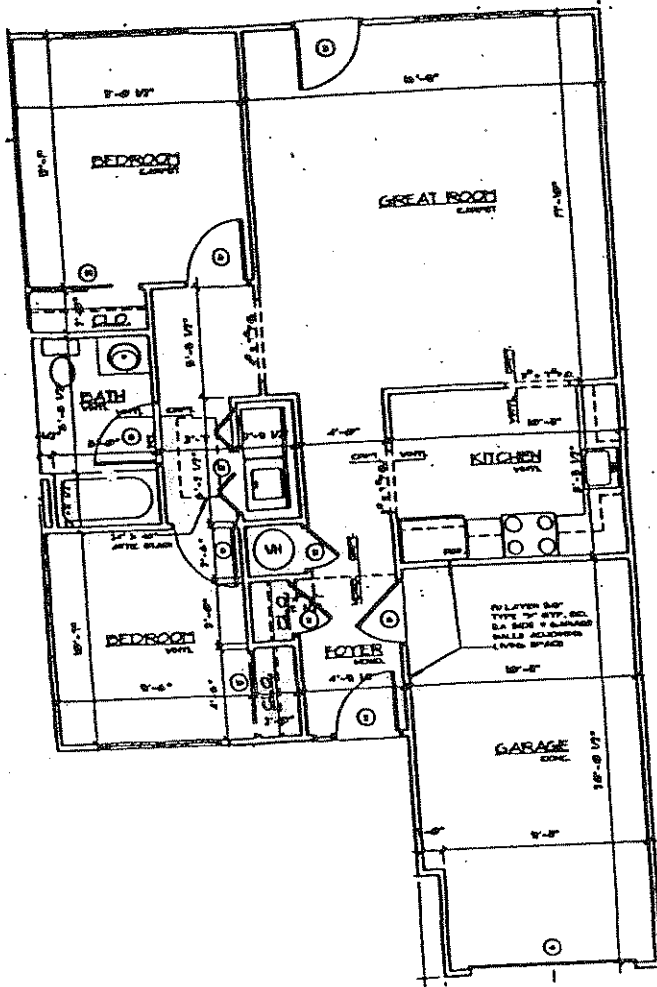
1 Bedroom Unit (with option for 2nd bedroom)

DRAF

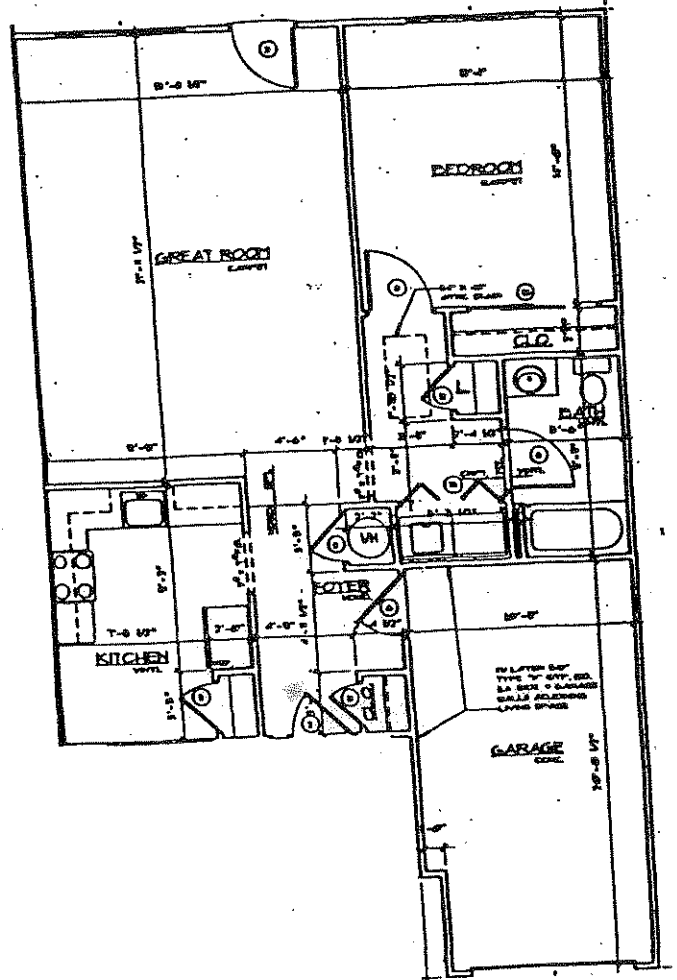


2 Bedroom Unit (with option for 3rd bedroom)

DRAF'



2 Bedroom Unit



1 Bedroom Unit

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NOTICE TO BUYERS: YOU HAVE THE RIGHT TO CANCEL THIS AGREEMENT BY SENDING OR DELIVERING WRITTEN NOTICE TO SELLER BY MIDNIGHT OF THE SEVENTH CALENDAR DAY FOLLOWING THE DAY ON WHICH IT IS EXECUTED. SUCH CANCELLATION IS WITHOUT PENALTY AND ALL MONIES SHALL BE PROMPTLY REFUNDED IN THEIR ENTIRETY. THIS RIGHT DOES NOT AFFECT ANY OTHER RIGHTS OF CANCELLATION SET FORTH IN THIS AGREEMENT.