



**ADDENDUM TO
HOME BUYERS WARRANTY/THE WARRANTY INSURER
BUILDER PROPOSAL AND AGREEMENT**

_____(hereinafter referred to as "Builder"), the warranty insurer (hereinafter "Insurer"), and Home Buyers Warranty Corporation (hereinafter "HBW"), agree to the following terms and conditions as an addendum to the Builder Proposal and Agreement executed by HBW and Insurer and Builder with effect as of _____ (hereinafter, "the Agreement"). This Addendum shall be made a part of the Agreement and where provisions of the two documents conflict, the provisions hereof shall control.

I. Builder, and Insurer and HBW, in consideration of the mutual promises set forth in this Addendum and the Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, agree to the terms stated below:

A. Builder has deposited with Insurer, for the express benefit of Insurer, a loss reserve deposit, or at the warranty insurer's sole option, an unconditional and irrevocable letter of credit in the amount of _____ (\$_____), to secure Builder's performance of its obligations under the Agreement and any warranties issued by the Builder on homes enrolled into the 2-10 HBW program. Said letter of credit shall be renewed annually by Builder and shall in all other ways be maintained in full force and effect during the entire term of Builder's liability hereunder (which shall continue for forty-nine (49) months following the effective date of the last warranty issued by Builder on a home enrolled into the 2-10 HBW program), unless Insurer earlier determines, in its sole discretion, that the deposit or letter of credit is no longer needed, in which case Insurer may release Builder from the obligation to maintain such letter of credit by delivering written notice thereof to Builder.

B. Upon the acceptance of workmanship/systems claim by Insurer, Insurer may draw on the full amount of the deposit or letter of credit and may use the funds as described in the immediately following paragraph. Regardless of whether a claim has been filed, however, if Builder fails to renew any letter of credit at least thirty (30) days prior to its expiration, the letter of credit may be drawn upon by Insurer and converted to cash, which cash shall be held by Insurer as a loss reserve deposit during the remaining term of Builder's liability, as defined above, subject to Insurer's right to later retain and use all or part of such cash to pay claims which arise.

C. If Builder fails to perform any of its obligations under the Agreement (including, without limitation, Builder's obligation to repair, replace, or pay the homebuyer the reasonable cost of repairing or replacing defects in workmanship/systems, as such defects are defined in the workmanship/systems coverage provisions of the applicable warranty booklet), Insurer may, immediately upon the acceptance of a workmanship/systems claim and in addition to other available remedies, draw on the full amount of the deposit or letter of credit to meet Builder's obligations, which shall include all reasonable costs associated with the inspection of the home and the adjustment of the cost to repair or replace such defects.

1. If sufficient funds are not available from the deposit or letter of credit to meet Builder's obligations under the Agreement and warranty, or if Builder fails to perform any non-monetary obligation thereunder, Insurer may, in addition to any collection procedures, require Builder to provide an additional deposit or letter of credit in an amount likely, in the warranty insurer's sole judgment, to cover likely claim expenses, or terminate the Agreement forthwith by written notice to Builder.

2. If funds remain from any drawn letter of credit after Insurer has satisfied all of Builder's then existing obligations, the excess shall be held by Insurer as a loss reserve deposit during the remaining term of Builder's liability, as defined above. Such excess shall be returned to Builder within thirty (30) days after the termination of Builder's liability.

3. Insurer shall be entitled to keep any interest earned on funds held as a loss reserve deposit under the terms of this Addendum.

II. Any written notice required or otherwise arising hereunder shall be deemed served when hand-delivered, or three (3) days after it has been deposited in the United States Mail, registered or certified with return receipt requested, postage fully prepaid, and correctly addressed, to the recipient as designated below.



IF TO INSURER

The Warranty Insurer
10375 East Harvard Avenue, Suite 100
Denver, Colorado 80231

IF TO BUILDER

- III. This Addendum shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Any changes in the terms hereof shall be made only in a writing which shall be signed by both parties.
- IV. Time is of the essence as regards all provisions of this Addendum.
- V. This Addendum shall be construed in accordance with the laws of the State of Colorado.

FOR INSURER:

FOR THE BUILDER:

Insurer

Company Name

Signature

Signature

Print Title

Print Title

Date

Date

FOR HBW:

Home Buyers Warranty

Signature

Print Title

Date