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HAPPY HOMES START WITH COMPLETE COVERAGE

Thank you for your interest in joining the 2-10 Home Buyers Warranty program. Now you can feel good that future homeowners will feel safe and secure knowing that their home is covered by one of the nation's leading home warranties.

We've made it easy for you to complete and submit your warranty application. Simply fill out and return all perforated forms and signature pages. The remaining documents are for your records.

Here are the contents of your complete 2-10 Home Buyers Warranty application booklet:

APPLICATION CHECKLIST

This list is to help make sure that you have completed all necessary paperwork and does not need to be returned to us.

APPLICATION

Please fill in all of the blanks. If the question does not apply to you, please mark N/A. Any blank spaces could delay the processing of your application.

SUBSCRIPTION AGREEMENT

On the first line where it reads "Name of Builder Entity", please write the company name EXACTLY as you did on the application. Make sure to sign on the "signature" line and print your name and title under your signature. Please read, complete and submit the last page of this agreement and submit.

LIMITED WORKMANSHIP/SYSTEMS & STRUCTURAL COVERAGE BUILDER PROPOSAL & AGREEMENT

On the first page, please write the company name exactly as you did on the application. On the last page of the BP&A, put the name of the company exactly as you did on the application and sign under it. The "Witness" does not need to be a notary. A spouse or receptionist in your office can act as the witness.

If you have listed a DBA on the application, please note that DBA on all pages where you have written in your company name.

Make sure to include a copy of your New Jersey license with the Department of Community Affairs. The application process cannot be completed without a copy of your NJ license.

RETURN AND REJOICE

You've just taken a big step toward fulfilling the dreams of homeowners everywhere. Once you're finished, simply remove and mail in the application package with your application/package fee. You can also fax your application package and use a credit card for payment. The credit card processing form is located immediately after the builder application form.

If you have any questions while completing this application, please don't hesitate contact us at 800.488.8844. We are here to help you and will do everything we can to make this a pleasant experience for you. We are looking forward to working with you and your company.

Sincerely,

2-10 Home Buyers Warranty



MAIL TO:
2-10 Home Buyers Warranty
P.O. Box 371348 | Denver, CO 80237-1348 | 800.488.8844

APPLICATION CHECKLIST FOR NEW JERSEY BUILDERS

Dear Builder:

Thank you for your interest in joining the 2-10 Home Buyers Warranty® (2-10 HBW®) program. The following is a list of documents that you will need to provide in order for your Builder Application to be processed. Please forward the documents and payments to the address above. If you have any questions, please contact a customer service representative with 2-10 HBW®, the plan administrator, for assistance at 1.800.488.8844. We will be glad to assist you when you are filling out the application.

Builder Name: _____ Builder Number: _____

Date: _____

REQUIRED INFORMATION-APPLICATION PACKAGE

- Signed and completed Builder/Seller Application (HBW 201)
- Signed and witnessed Builder Proposal and Agreement (HBW 200 NHJ)
- Signed and completed Subscription Agreement
(All 2-10 builder members must join the risk retention group, sign last page)
- HBW membership fee - \$595 (payable to 2-10 HBW®)
- Copy of New Jersey license



2-10 HOME BUYERS WARRANTY BUILDER/SELLER APPLICATION

APPLY FOR: [] New Home Warranty ____ % of business [] Home Improvement ____ % of business
[] Manufactured Housing Warranty ____ % of business

1. Company Name: _____ Phone: _____
DBA: _____ Builder/Seller Type: [] 10-Year [] 2-10 Year
Address: _____ City: _____ State: _____ Zip: _____
Mailing Address: _____ City: _____ State: _____ Zip: _____
Fax: _____ Email Address: _____
Federal I.D.# _____ Contact Person: _____

2. Type of Business Organization: [] Corporation [] Partnership [] Sole Proprietorship [] Other: _____

State of Domicile/State Issuing Primary Certificate of Authority: _____

LIST OWNERS ONLY: All Owners owning 10% or more of the firm (attach list if necessary):

Table with 3 columns: Name/Percent of Ownership, Title, Social Security #. Includes three rows for data entry.

If a corporate ownership name was entered above, please use the back of this document or a separate piece of paper to indicate the name and address of the individual principals of the corporate owner(s).

Years owner has owned/controlled a home building company
THIS COMPANY OTHER HOME BLDG. CO.
[] []
[] []
[] []

3. Have you or any of the above listed owners ever participated in the HBW program? _____

4. Have you or any of the above listed owners ever participated in any warranty program? _____

5. Building department jurisdictions you expect to build in (attach list if necessary): _____

6. Total annual volume of ALL new homes for the last 5 years: 20__ \$_____ 20__ \$_____
20__ \$_____ 20__ \$_____

7. Number of homes you expect to enroll in the HBW program in the next 12 months? _____

Average sales price? _____ 8. General Liability Insurance Carrier: _____

9. Expiration date of GL insurance: _____ 10. Insurance Agency Name: _____

11. Contact / Agent's Name: _____ 12. Insurance Agent's Phone #: _____

13. Do you build commercially? _____ 14. Do you remodel? _____

15. Total annual volume of Home Improvement work for the last 3 years: 20__ \$_____ 20__ \$_____

I hereby authorize Home Buyers Warranty on behalf of the Insurer to conduct such investigation of the applicant's and/or its owners'/principals' activities, make such inquiries and obtain credit reports as may be necessary for its determination of the applicant's and/or its owners'/principals' financial and technical ability to meet its obligations to home owners and the warranty insurer. I certify that the information provided is complete and correct to the best of my knowledge. THIS BUILDER APPLICATION MAY BE EXECUTED BY FACSIMILE SIGNATURE. APPLICANT AGREES TO BE BOUND BY ITS FACSIMILE SIGNATURE AND FURTHER AGREES THAT ANY SUCH FACSIMILE SIGNATURE SHALL BE EQUALLY EFFECTIVE AS THOUGH IT WERE ORIGINAL.

Print Name and Title of Applicant's Authorized Representative _____ Signature _____ Date _____

THIS IS NOT AN APPLICATION FOR INSURANCE. This is an application to become a member of our 2-10 HBW Warranty Program risk retention group. Acceptance into the program is discretionary and does not create any insurance coverage. Warranty coverage for homes accepted for enrollment will be insured by the Warranty Insurer our risk retention group in accordance with the Builder/Seller Proposal and Agreement that you and the Warranty Insurer risk retention group sign. When completed, please return your Builder/Seller Application, Builder Proposal and Agreement, Stock Subscription Agreement and forms to: Warranty Insurer, c/o Home Buyers Warranty, P.O. Box 371348, Denver, CO 80237-1348.

HBW OFFICE USE ONLY
Approved by _____
Member # _____
[] INSURER
Rep # _____
Rates 2-10 yr. _____
10 yr. _____

NEW HOME WARRANTY INSURANCE COMPANY



A RISK RETENTION GROUP

Dear Builder:

The purpose of this letter is to provide you with information concerning the attached Subscription Agreement. Please read the attached Agreement carefully.

New Home Warranty Insurance Company, A Risk Retention Group (“NHWIC”) provides liability insurance to the builder/members of the Home Buyers Warranty (“HBW”) program, covering the builder/members’ liability under their new home warranties.

NHWIC is domiciled and licensed by the District of Columbia to write this liability insurance.

Each participant in the HBW program must become a member of the risk retention group, and purchase one share of stock in NHWIC. The purchase price of such a share is \$50.00. Upon acceptance into the HBW program and the risk retention group, the share is issued to each builder/member when the first home is enrolled. Notification of such issuance will be mailed to the builder/member within thirty days of this enrollment.

NHWIC is not making this offering for the purpose of raising additional capital, and significant additional capital will not be raised pursuant to the offering. The stock is redeemable, is nontransferable, and has no investment potential.

Please complete the attached Subscription Agreement and return it with your HBW registration package. You do not need to enclose an additional check for the purchase price of your share of stock. \$50.00 of your registration fee will be sent by HBW to NHWIC to cover the stock purchase price. If you have any questions regarding the Subscription Agreement, please contact me at 720-747-6006.

Sincerely,

Wendy S. Fisher
Assistant Corporate Secretary
Regulatory and Business Affairs



SUBSCRIPTION AGREEMENT
CLASS "B" COMMON STOCK (\$50.00 PAR VALUE)
New Home Warranty Insurance Company
A Risk Retention Group

New Home Warranty Insurance Company, A Risk Retention Group (the "Company") is domiciled in the District of Columbia and was licensed on June 15, 2010, as a risk retention group under the federal Liability Risk Retention Act (15 U.S.C., §3901, et seq.; 1981, as amended in 1986) ("LRRRA"). Under LRRRA, the members of a risk retention group must also be the owners and the insureds of the risk retention group. The builders/contractors that are members of the 2-10 Home Buyers Warranty program are the members of the Company; therefore, the undersigned builder/contractor ("Member Builder") must be a shareholder of the Company, must hold the share of the Company stock purchased hereunder until redemption, and abide by the terms of this Subscription Agreement in order to participate in the 2-10 Home Buyers Warranty program. Any Member Builder is eligible to become an insured owner of Company upon the satisfaction of all of the following conditions: (a) it must be engaged in an activity similar or related to construction of residential homes or light commercial buildings; (b) it must be exposed to liabilities similar to those of other insureds of the Company by virtue of being in a similar, related, or common business, trade, product, service, or operations; (c) it must qualify under the underwriting criteria of the Company for the issuance of a policy of insurance by Company; (d) and it must meet such other conditions as prescribed by the Company's Board of Directors which are not in violation of Section 3901 D of the Federal Liability Risk Retention Act.

Member Builder hereby irrevocably subscribes for and agrees to purchase One (1) share of the Class "B" Common Stock (the "Share") of the Company, for the sum of Fifty Dollars (\$50.00) in cash or equivalent ("Subscription Price"). This Subscription Agreement shall become binding when accepted by the Company and against payment of the sum of Fifty Dollars (\$50.00) in cash or equivalent. The Company shall evidence its acceptance by making an appropriate entry on the books and records of the Company and by mailing a written statement of acceptance to Member Builder. The Company's acceptance shall be effective as of the date of issuance. The Company has no obligation to accept any subscriptions for the Share. The Company may accept any subscription at any time and in any order received and may reject any subscription at any time and for any reason. If this subscription is rejected, this Subscription Agreement and the Subscription Price will be returned to the Member Builder.

The Share has not been registered under the federal Securities Act of 1933, the Securities Exchange Act of 1934, or any state securities laws, but is offered and sold to the Member Builder in reliance upon one or more exemptions from the registration requirements thereof, including without limitation, any exemption that may exist, under federal or state law with respect to risk retention groups. Consequently, such Share is restricted securities and may not be sold or otherwise disposed of by the undersigned in the absence of effective registration under applicable securities laws or the availability of exemption therefrom.

This Share is issued pursuant to the provisions of this offering for sale (the "Offering"), and are subject to all of the terms and conditions of this Offering, any further or additional terms, conditions or restrictions as may be set forth from time to time in the Articles of Incorporation and in the Bylaws of the Company. The Company may redeem this Share for the redemption price of Fifty Dollars (\$50.00) per Share at any time and for any reason and may alter, amend, modify, delete or revoke any of the terms, conditions, restrictions, impediments, characteristics or features of or concerning the Share issued under this Subscription Agreement, for any purpose without prior notice to Member Builder. **This Offering is not made for the purpose of raising additional capital, and significant additional capital will not be raised pursuant to the Offering.**

- 1. NO INVESTMENT POTENTIAL.** As concerns the Member Builder, **THIS SHARE HAS NO INVESTMENT POTENTIAL.** As concerns the Company, the **MEMBER BUILDER SHALL HAVE NO LIABILITY FOR ANY DEBTS OR OBLIGATIONS OF THE COMPANY** solely by reason of Member Builder's status as shareholder of the Share under this Subscription Agreement. There have been no representations, guaranties or warranties made to the Member Builder by the Company, its agents or employees, or by any other person, expressly or by implication, that there will be any profit, appreciation, dividend or any other type of consideration or benefit to be realized as a result of stock ownership in the Company.
- 2. WARRANTY PROGRAM PARTICIPATION.** Member Builder must be a shareholder of the Company to participate in the 2-10 Home Buyers Warranty program. Member Builder shall have no right to obtain or continue to obtain insurance coverage as provided by the Company merely by virtue of ownership of a Share of the Company stock. Member Builder further acknowledges that a breach of this Subscription Agreement, or Member Builder's failure to hold the Share purchased hereunder until redemption by the Company shall: (i) constitute a breach of the Member Builder Proposal and Agreement between Member Builder, 2-10 Home Buyers Warranty and the Company; and (ii) result in the termination of Member Builder's participation in the 2-10 Home Buyers Warranty program and

membership in the Company risk retention group.

3. **NO MARKET FOR SHARE.** There is no public or other market for the Share and no such market shall develop as a result of this Offering. The Share is redeemable only by the Company and the Company controls the redemption and resale of the Share as provided herein. Member Builder shall not have, nor shall Member Builder ever acquire, control over the operations of the Company by reason of Member Builder's ownership of Class "B" Common Stock and, as provided in the Articles of Incorporation and the Bylaws of the Company, only five percent (5%) of all outstanding ownership and voting rights of the Company shall appertain to all Class "B" Shares in the aggregate, regardless of the number of Class "B" Shares outstanding at any time. The Shares are issued without certificates. A written statement of information shall be provided to the registered owner of each Class "B" Share upon the issuance thereof.
 4. **VOTING RIGHTS.** All Member builders holding Class B Shares shall have one (1) voter per share.
 5. **RESTRICTIONS AGAINST TRANSFER.** Member Builder shall not grant, bargain, convey, sell, pledge, assign, hypothecate or otherwise encumber or dispose of the Share hereunder issued unless such sale, pledge, assignment, hypothecation, encumbrance or other legal or equitable transfer: (i) is to a permitted transferee under LRRRA; (ii) is to a permitted transferee under the provisions of the District of Columbia Business Corporations Act, the Articles of Incorporation and Bylaws of the Company, this or any other Subscription Agreement made or entered into in respect of this or any of the Shares of Class "B" Common Stock, and any other restriction imposed upon same at any time to the Company; and (iii) has been previously approved in writing by the board of directors of the Company. The Company will establish transfer and redemption procedures for the Share for the purpose of preserving the Company's status as a risk retention group, which procedures may be changed from time to time by the Company and Member Builder shall comply with and abide with said procedures.
 - a. **Redemption of Share.** As determined in the Company's sole discretion the Share owned by Member Builder may be called for redemption and redeemed by the Company upon: (i) the failure of a Member Builder to qualify for and obtain insurance coverage from the Company within a reasonable time as determined by the Board of Directors of the Company; (ii) the expiration of all insurance coverage issued by the Company naming the Member Builder as the insured; (iii) a Member Builder becoming an insurance company; (iv) the voluntary or involuntary termination of the Member Builder's right to enroll homes in the 2-10 Home Buyers Warranty program; or (v) a determination by the board of directors of the Company, in its sole discretion, that a redemption is necessary to preserve or reinstate the Company's status as a risk retention group ("Redemption Events").
 - b. **Redemption Terms, Price, Payment.** Within sixty (60) days after the occurrence of any of the foregoing Redemption Events, the Company shall notify the Member Builder, in writing, of such redemption. In accordance with the provisions of the District of Columbia Business Corporation Act, any Share called for redemption shall not be entitled to vote on any matter and shall not be deemed to be outstanding on and after the date on which written notice of redemption has been mailed to the holder of the redeemed stock, and a sum sufficient to redeem such stock has been deposited with a bank or trust company with irrevocable instruction and authority to pay the holder of the stock the required consideration therefor upon request of such holder. **THE REDEMPTION PRICE FOR EACH SHARE OF CLASS "B" COMMON STOCK SHALL BE FIFTY DOLLARS (\$50.00) PER SHARE AND EACH SHAREHOLDER SHALL RECEIVE FIFTY DOLLARS (\$50.00) PER SHARE FROM THE COMPANY UPON THE REDEMPTION AND CANCELLATION OF THEIR SHARE.** Any check mailed or delivered by the Company to a Class "B" shareholder in payment of the redemption price of Fifty Dollars (\$50.00) per Share will not be honored unless cashed or deposited within 120 days after the date of the check. If such check is returned by the postal authorities as undeliverable, or if such check is not cashed, deposited or otherwise negotiated by the Member Builder within 120 days from the date of the check, the check will be voided and the redemption price will be deposited by the Company into an escrow account. Upon the Member Builder informing the Company of an address of the Member Builder to which a check is deliverable, the Company will immediately pay the redemption price to the Member Builder. If no such notification is received by the Company within five (5) years after the date of the initial check representing payment of the redemption price, the Company will transfer such funds from the escrow account to the District of Columbia Treasurer – Unclaimed Property Division. Member Builder nominates and appoints the Company or its designee as its attorney-in-fact, to make or cause to be made the appropriate entry on the books of the Company to retire said redeemed Share immediately upon the tender of payment for by the Company.
6. **MEMBER BUILDER'S WARRANTIES.**
 - a. Member Builder warrants that it is not owned, in whole or in part, directly or indirectly, by a warranty company, service contract company or an insurance company, and shall notify the Company immediately in writing, if Member Builder's ownership while owning any Share.
 - b. Member Builder warrants that the Subscription Agreement, all of the information provided by the Member Builder to the Company, including responses and information contained in this Subscription Agreement are complete, true and accurate in all respects as of

the date of issuance of the Share by the Company, and shall survive such delivery, Member Builder's admission as a shareholder of the Company, and any investigation made by any party relying on the same or any acceptance or rejection of this subscription. If any information provided by Member Builder in connection herewith becomes inaccurate or incomplete, Member Builder shall notify the Company immediately of such inaccuracy or incompleteness.

- c. Member Builder warrants said Share is subscribed solely for Member Builder's own account and is not purchased with a view to, or in connection with, any resale, distribution, subdivision, fractionalization, or other distribution thereof.
- d. Member Builder warrants that this Subscription Agreement is irrevocable and may not be canceled, terminated or revoked by Member Builder except upon the written consent of the Company. Such subscription shall survive the death or legal disability of Member Builder, and shall be binding upon its heirs, executors, administrators, legal representatives, successors, and permitted assigns. Member Builder warrants that Member Builder, or the individual signing this Subscription Agreement on Member Builder's behalf, represents and warrants that (s)he is duly authorized to execute and deliver this Subscription Agreement on behalf of Member Builder.

7. ADDITIONAL TERMS AND CONDITIONS.

- a. All notices or other communications given or made hereunder shall be in writing and shall be delivered by hand or sent via United States mail and/or by registered or certified mail, return receipt requested, postage prepaid, to Member Builder at the address set forth on the Member Builder Application form provided by Member Builder to the Company; and by Member Builder to the Company at 10375 East Harvard Avenue, Suite 100, Denver, Colorado 80231.
- b. If any provision of this Subscription Agreement is held to be illegal, invalid or unenforceable under present or future laws, such provision shall be fully severable, and this Subscription Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision never comprised a part hereof; and the remaining provisions hereof shall remain in full force and effect, and shall not be affected by the illegal, invalid or unenforceable provision or by its severance here from. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as part of this Subscription Agreement, a provision as similar in its terms to such illegal, invalid or unenforceable provision as may be legal, valid and enforceable.
- c. Member Builder shall execute any and all further documents necessary or advisable, in the sole discretion of the Company, in connection with Member Builder becoming and remaining a shareholder of the Company.

THE UNDERSIGNED HAS READ AND UNDERSTANDS THE FOREGOING SUBSCRIPTION AGREEMENT.

Member Builder Number

Print or Type: Name of Member Builder Entity
(Name must match Member Builder's registration documents)

Date

Signature of Member Builder or Authorized Representative

Print or Type: Name & Title of Member Builder or Authorized Representative

Please specify the form of your business:

- Corporation
- General Partnership
- Limited Liability Company
- Limited Partnership
- Sole Proprietorship
- Limited Liability Partnership
- Other (explain) _____



MAIL TO:
2-10 Home Buyers Warranty
P.O. Box 371348 | Denver, CO 80237-1348 | 800.488.8844

LIMITED WORKMANSHIP / SYSTEMS AND STRUCTURAL COVERAGE

Insurer identified in the signature block
Reinsured by National and International Reinsurance Companies
BUILDER PROPOSAL AND AGREEMENT

This Agreement is entered into by and between Home Buyers Warranty Corporation III doing business as Home Buyers Warranty (hereinafter "HBW"), the Insurer identified in the signature block and _____ (hereinafter "Builder"). The effective date of this Agreement shall be the "Acceptance Date" as reflected on the signature page for the signature of HBW hereto.

1. THE HBW WARRANTY PROGRAM; THE INSURANCE. Builder has, by submitting a completed Builder Application Form #201, applied to join the Warranty Program administered by HBW, and to become a member of the Insurer's risk retention group formed pursuant to the federal Liability Risk Retention Act. Upon Builder's acceptance into the HBW administered Warranty Program, Insurer will cause HBW to authorize Builder to issue its insurance backed Warranty to each Homebuyer purchasing a Home which has been properly enrolled for insured warranty protection by Builder. In New Jersey, all new homes, shall be considered given for occupancy, enrolled and insured under the HBW Warranty where title has been first transferred to an unrelated owner by an HBW member builder in good-standing or a certificate of occupancy has been issued by a local enforcing agency to an unrelated owner pursuant to the New Jersey Uniform Construction Code. Builder will warrant to each enrolled Homebuyer that the Home s/he buys from Builder will be free for ten years from structural defects as defined in the Warranty and that the Home will be free for one year from defects in workmanship and materials, and free for two years from defects in the plumbing, electrical and mechanical systems, each warranty running from the earlier of the closing date, or first occupancy of the Home (always the original closing date for FHA-insured-mortgage Homes), and "defect" under the one year and two year warranties defined in each instance as a failure to meet the Construction Performance Standards as set forth in the Warranty, as they may be modified prospectively from time by HBW and/or Insurer in its/their sole discretion, by notice to the Builder. A copy of the warranty in effect as of this date is enclosed; as Insurer modifies insured warranty coverage (for future enrollments only), it will provide modified warranties to Builder, and Builder agrees to employ such warranties from and after their receipt. The insured warranty obligations of Builder and/or Insurer during the entire term of a warranty are limited to the final sales price of each warranted Home, or \$5,000,000 or such lesser amount as HBW or Insurer shall communicate to Builder from time to time. BUILDER'S AND/OR INSURER'S COSTS OF DESIGNING, ACCOMPLISHING, AND MONITORING REPAIRS TO A WARRANTED HOME ARE DEDUCTED FROM THE HOME'S WARRANTY LIMIT. BUILDER'S AND/OR INSURER'S COSTS OF DETERMINING THE EXISTENCE AND EXTENT OF A COVERED DEFECT, AND OF UNSUCCESSFUL REPAIR ATTEMPTS, ARE NOT DEDUCTED.

Prior to the start of construction of any Home which Builder plans to enroll in the HBW program, Builder will provide to HBW with respect to each such Home the address, legal description, estimated sales price, and approximate construction starting date, utilizing in each instance a Notification of Starts form #107 (and Notification of Construction and Inspection form #108, if required by HBW) following the instructions contained on those forms. Builder will submit a completed Certificate of Participation on Form #202 within three days after closing, along with full payment of the fee for that Home.

The fact that someone other than Builder actually forwards the Certificate of Participation does not relieve Builder of its obligation to ensure that the Certificate of Participation is submitted in order to be received on time, is accompanied by the proper fee, and is complete and truthful in every respect.

BUILDER HEREBY AGREES TO INDEMNIFY AND HOLD HBW AND INSURER HARMLESS FROM ANY AND ALL DAMAGES THEY MAY INCUR IN RELYING ON INACCURATE DATA CONTAINED IN ANY CERTIFICATE OF PARTICIPATION SUBMITTED WITH BUILDER'S NAME ON IT, AND TO ASSUME HBW'S/INSURER'S OBLIGATIONS IN RESPECT OF ANY WARRANTY AS TO ANY HOME NOT BUILT IN ACCORDANCE WITH THE CONSTRUCTION PERFORMANCE STANDARDS IN EFFECT AT THE TIME OF ITS ENROLLMENT.

The insurance policy is on file at the HBW Customer Service Center, and is available for review.

2. THE WORKMANSHIP AND SYSTEMS WARRANTIES. BUILDER IS THE PRIMARY OBLIGOR UNDER THE ONE YEAR WORKMANSHIP AND TWO-YEAR SYSTEMS WARRANTIES, AND BUILDER PROMISES TO PERFORM ALL OF ITS WARRANTY OBLIGATIONS AND ABIDE BY THE

ENROLLMENT REQUIREMENTS, WARRANTY SPECIFICATIONS AND CONSTRUCTION PERFORMANCE STANDARDS AS SET BY HBW OR INSURER.

HBW is not an obligor under these warranties. HBW performs certain administrative functions relating to Builder's warranties. The Insurer insures Builder's obligations under the one-and two-year warranties, and Insurer will perform Builder's obligations should Builder for any reason fail to do so. In that event, Insurer will be subrogated to whatever rights Homebuyer may have against Builder. Builder agrees to reimburse Insurer for all of its costs of so performing, and whatever additional costs it may incur in so doing, including but not limited to costs of material and labor, costs of inspecting the Home, fees for engineers, attorney's fees, costs for servicing the claim, arbitration fees paid by HBW or Insurer, and any and all costs incurred in collecting such expenses from Builder. HBW further reserves the right TO TERMINATE FROM THE HBW PROGRAM, AND INSURER RESERVES THE RIGHT TO TERMINATE FROM MEMBERSHIP, ANY BUILDER WHO FAILS OR REFUSES PROMPTLY TO PERFORM ITS DUTIES UNDER THE HBW ONE-AND TWO-YEAR WARRANTIES.

3. THE STRUCTURAL WARRANTY. Insurer is the insurer of Builder's ten year structural warranties, provided that with respect to each warranted Home, Builder shall have complied with its warranty obligations, and with the provisions of this Agreement. The Insurer is NOT Builder's comprehensive and general liability (CGL) insurer, and does not insure any Builder liability not expressly set forth in Builder's warranties issued pursuant to this Agreement.
4. ARBITRATION. Any and all claims, disputes and controversies by or between the Builder, the Warranty Insurer and/or HBW, or any combination of the foregoing, arising from or related to this Agreement, the Warranty, the subject Home, any defect in or to the subject Home or the real property on which the subject Home is situated, or the sale of the subject Home by the builder, including without limitation, any claim of breach of contract, negligent or intentional misrepresentation or nondisclosure in the inducement, execution or performance of any contract, including this arbitration agreement, and breach of any alleged duty of good faith and fair dealing, shall be submitted to arbitration by and pursuant to the rules in effect at the time of the request for arbitration of the American Arbitration Association Home Construction Arbitration Rules and Mediation Procedures; or by DeMars & Associates, Ltd.

Any party shall be entitled to recover reasonable attorney's fees and costs incurred in enforcing this arbitration agreement. The decision of the arbitrator shall be final and binding and may be entered as a judgment in any State or Federal court of competent jurisdiction.

This arbitration agreement shall be deemed to be a self-executing arbitration agreement. Any disputes concerning the interpretation or the enforceability of this arbitration agreement, including without limitation, its revocability or voidability for any cause, the scope of arbitrable issues, and any defense based upon waiver, estoppel or laches, shall be decided by the arbitrator.

The parties expressly agree that this Agreement and this arbitration agreement involve and concern interstate commerce and are governed by the provisions of the Federal Arbitration Act (9 U.S.C. § 1, et seq.) now in effect and as the same may from time to time be amended, to the exclusion of any different or inconsistent state or local law, ordinance or judicial rule; and to the extent that any state or local law, ordinance or judicial rule shall be inconsistent with any provision of the rules of the arbitration service under which the arbitration proceeding shall be conducted, the latter rules shall govern the conduct of the proceeding.

If any provision of this arbitration agreement shall be determined by the arbitrator to be unenforceable or to have been waived, the remaining provisions shall be deemed to be severable therefrom and enforceable according to their terms.

5. MAINTENANCE OF STANDARDS. HBW and Insurer reserve the right (but undertake no duty to Builder) to rescreen Builder annually upon re-application or more frequently, to ensure that Builder continues to meet the financial stability and technical competence standards set by HBW and/or Insurer.
6. IN-TERM CANCELLATION. HBW and/or Insurer may terminate Builder from program membership and cancel this agreement as to Builder if it determines in its sole discretion that Builder has made any false statement in connection with its application for program membership, any proposed Home enrollment or any other matter, or has failed to timely advise it of any change in ownership status, or has developed a financial condition which HBW or Insurer, in its sole discretion, finds unacceptable, or failed to meet its warranty obligations, failed to meet or to maintain the financial stability or technical competence standards specified by HBW or Insurer, or violated any of the provisions of this agreement. In addition, HBW may suspend the program membership of Builder if it appears to HBW, in its sole discretion, that Builder is likely to be unable to carry out any of its obligations hereunder. Upon termination, HBW will notify the New Jersey Department of Community Affairs of Builder's termination. Builder may not enroll any additional Homes and must return forthwith all Certificate of Participation Forms, Warranties, and HBW marketing materials in its possession.
7. ADHERENCE TO CONSTRUCTION PERFORMANCE STANDARDS AND CONSTRUCTION GUIDELINES FOR SPECIAL STANDARDS AREAS. Builder will construct all Homes enrolled in the HBW program in accordance with the local building, electrical, mechanical and

plumbing codes, and the recommendations of any HBW-approved professional engineer used by the Builder. In addition Builder will construct all Homes enrolled in the HBW program in accordance with the Construction Performance Standards. Permits must be obtained for any defect correction work where required by Code. Builder must notify HBW or Insurer of any structural repairs or alterations that are made to the Home that occur during the construction period prior to the final enrollment of the Home in the HBW program. The Construction Performance Standards in effect at the time of Builder's entry into the HBW program are set forth in the Warranty booklet provided with this Agreement. WITH THE APPROVAL OF THE NEW JERSEY DEPARTMENT OF COMMUNITY AFFAIRS, HBW AND/OR INSURER RESERVE THE RIGHT TO MODIFY THE CONSTRUCTION PERFORMANCE STANDARDS, CONSTRUCTION GUIDELINES AND REQUIREMENTS FOR SPECIAL STANDARDS AREAS, AND OTHER RULES AND REGULATIONS OF THE HBW PROGRAM FROM TIME TO TIME IN ACCORDANCE WITH GOOD BUSINESS AND CONSTRUCTION PRACTICE AND UNDERTAKE TO NOTIFY BUILDER WHEN MODIFICATION TAKES PLACE. BUILDER WILL ADOPT NEW RULES, REGULATIONS, GUIDELINES, REQUIREMENTS, AND STANDARDS UPON SUCH NOTIFICATION, AND BUILDER'S NEXT FOLLOWING SUBMISSION OF A CERTIFICATE OF PARTICIPATION FOR HOME ENROLLMENT WILL EVIDENCE ITS ACCEPTANCE OF THE MODIFIED RULES, REGULATIONS AND STANDARDS WITH RESPECT TO THE HOME WHICH IS THE SUBJECT OF THAT CERTIFICATE OF PARTICIPATION, AND ALL HOMES SUBSEQUENTLY ENROLLED BY IT.

All fill placed by Builder under and around Home foundations must be uniformly compacted throughout the complete depth of the fill to the density specified by Builder's registered professional engineer. Fills must be free of all organic and metallic materials that deteriorate with the passage of time and in the presence of moisture. Builder must have their registered professional geotechnical engineer perform soil tests on land purchased from developers to confirm that all fills or suspected fills are uniformly compacted throughout the complete depth of the fill to the density specified by Builder's professional engineer. The natural soil under any fill must have sufficient strength and density to support the load of the fill above without total consolidation exceeding that which could cause Structural Defect damage to the Home as defined in the warranty booklet. Builder must maintain all design and testing results for fills under and around Homes enrolled in the HBW program, so that in the event a question arises in a Structural Defect claim concerning the compaction of any fill, Builder will have proof that fills were placed and tested in accordance with the criteria in this paragraph. In the HBW program, Builders are completely responsible for any structural damage that occurs in their Homes if the Home was placed on fill or natural soil which do not meet all of the requirements in this paragraph. If any Home is damaged by settlement of fill or natural soils which fails any of the criteria in this paragraph, the Builder will indemnify Insurer and hold it harmless from any expenses or liability Insurer incurs with respect to such Home.

If Builder enrolls one condominium unit from a condominium building in the HBW (Structural Coverage) program, Builder must enroll all of the condominium units from the condominium building in order to receive any structural coverage for the building's common elements. If Builder fails to enroll all units in a condominium building, Builder will be terminated from the HBW program forthwith and there will be no insured structural coverage provided on any of the common elements. All common exterior stairways and landings contained within multi-family projects must be constructed with metal and/or concrete materials. However, wood materials may be used in common element stairways and landings if a supplemental premium specified by HBW has been paid for this purpose and payment of this supplemental premium is recorded on the Certificate of Participation of each unit in the multi-family project. Stairways shall be built of materials consistent with the types of materials permitted for the type of construction of the building as required by Building Code. Enrollment of units in a multi-family project that contains wood materials in common element stairways and landings without payment of the supplemental premium is fraudulent and Builder will indemnify Insurer and hold it harmless from any expense or liability it incurs with respect to common element stairways and landings repair.

8. **LIMITATIONS ON WARRANT ABILITY.** The HBW program is available only for Homes enrolled in the name of Builder or another HBW-approved Builder-owned entity which has its own HBW Builder number, and title to which is transferred to an unrelated second party. Builder may not make a structural claim as owner/titleholder with respect to a home Builder has built. Rental units are not available for workmanship or systems insured warranty coverage.

Warranties issued on "model homes" and speculative homes, that have not had title change for more than 6 months will require an inspection by an HBW approved fee inspector at the builder's expense. The date of closing/or first occupancy by homeowner will be the effective date of warranty on these type homes.

9. **INSPECTIONS.** HBW reserves the right to inspect or to cause to be inspected any Home which is proposed to be enrolled in the HBW Warranty program. In Special Standards Areas which may be designated from time to time by HBW, Builder will have a state-registered HBW-approved professional engineer perform any necessary soil investigations and design the foundation system in accordance with HBW Special Standards requirements and accepted engineering practices. Builders must accept the consequences of electing to build in areas of unusual risk.

All Homes enrolled in the HBW program must have the foundation, rough-in and final inspections conducted by an HBW-approved building department, engineer or fee/staff inspector. Homes constructed in areas where building department inspections are not

conducted or approved by HBW must be inspected by HBW-approved inspectors. The results of the inspections must be submitted with documentation acceptable to HBW, verifying the approval of the foundation, rough-in and final inspections in accordance with the following:

- a. The Foundation System: The placement of reinforcement, formwork, excavation, and the placement of concrete will be inspected for both conventional and engineered foundation systems;
- b. Rough-In Stage: The framing, plumbing, electrical and mechanical systems and all other aspects of the construction available for inspection will be inspected for proper installation;
- c. Final Stage: The drywall, siding, brickwork, finishes and cosmetic portions of the building will be inspected for compliance with the Construction Quality Standards. All systems must be functioning properly, construction and grading must be complete and the house ready for occupancy.

All Homes or multi-family projects started prior to Builder's acceptance into the HBW program and Insurer, and Model homes used as a model more than six months, must have a final inspection conducted by an HBW-approved engineer fee/staff inspector. All multi-family projects with a building height greater than three stories must be pre-approved by HBW prior to the enrollment of any unit in the multi-family project. HBW reserves the right, in its sole discretion, to require additional inspections, examine and reject plans, specifications, and engineering on any multi-family project. All homes where the sales price exceeds \$1 million but is less than \$2 million must have an inspection conducted by an HBW fee inspector. On homes where the sales price is greater than \$2 million and does not exceed \$5 million (no homes over \$5 million may be enrolled) Insurer will assign an independent engineer to inspect the home. On multifamily buildings with an aggregate sales price over \$5 million, Builder must contact HBW for pre-approval of project.

10. SPECIAL STANDARDS AREAS. In areas where expansive, active or other unstable soil conditions exist that are not adequately addressed by conventional construction methods and controls, referred to herein as "Special Standards" areas, Builder will make all applicable soils reports, plans and specifications available to HBW. HBW or Insurer reserve the right, in its sole discretion, to examine, audit and reject all engineering investigations conducted and foundation designs developed. The following special construction requirements will be implemented:

- a. A soils investigation and report must be conducted and prepared in compliance with HBW specifications and requirements for each individual lot, subdivision or development for all proposed new home construction to be enrolled in the HBW program in all areas containing expansive, active or unstable soils.
- b. If the results of the soil investigation indicate that an engineered foundation system is required, then Builder must have an HBW-approved registered professional engineer design the foundation system in compliance with HBW specifications and requirements;
- c. HBW may waive the soil report requirement where an approved soil or structural engineer, through previous soil investigations, has determined that a maximum foundation design (an engineered foundation system designed for the most expansive, active or unstable soil condition found in the area being investigated) will be utilized throughout the subdivision or on the individual lot(s);
- d. HBW may waive the soil report requirement where documented evidence indicates that the individual lot(s) or subdivision contains no active soils and a conventional foundation system can be utilized;
- e. All soil and structural engineers utilized by Builder must be approved by HBW;
- f. A copy of all soil reports conducted must be submitted to HBW from Builder with the Notification of Construction and Inspection Form #108;
- g. All post-tension slab systems must have the proper stressing of cables inspected by an approved engineer, representative of the post-tensioning firm or fee/staff inspector, on forms provided by HBW;
- h. All structural fills must be inspected and certified by an approved engineer. All certifications must be in writing and submitted to HBW prior to enrollment of the Home(s);
- i. A Final Grade Certificate Form #U-34 will be required on all Homes built in areas that contain expansive soils and in other areas that contain active or unstable soils as designated by HBW.

Builder will be notified by HBW if HBW has determined that Builder is building in a Special Standards Area. Builder will be required to follow these same procedures if construction conditions require same even if HBW has not notified Builder. Builder should contact HBW with any questions regarding these requirements. HBW reserves the right, in its sole discretion, to establish warranty-cost differentials for structural warranty coverage in Special Standards Areas.

11. NO OBLIGATION TO DEFEND. Neither HBW or Insurer shall under any circumstances be obligated to defend or pay for the cost of defense of any lawsuit or arbitration proceeding initiated against the Builder by a Homebuyer or any other person, whether or not such lawsuit or arbitration proceeding relates to the warranty coverage provided under the HBW program.

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12. **REQUIRED ENROLLMENT.** Builder agrees to enroll all homes while Builder is a member of the HBW Program. The enrollment fee paid to HBW for each Home enrolled includes an insurance premium payment and a capital contribution to Insurer for each Home. Homes built on Homebuyer provided or purchased lot(s) will be assessed an additional charge of twenty-five percent (25%) of Builder's total enrollment fee for that unit(s).
13. **ANNUAL REGISTRATION FEE.** There will be a non-refundable initial registration fee in an amount specified by HBW from time to time paid to HBW for each new Builder that applies for enrollment in the HBW (WORKMANSHIP/SYSTEMS and/or STRUCTURAL COVERAGE) program and an annual re-registration fee in an amount specified by HBW from time to time for every one year thereafter.
14. **COST OF WORKMANSHIP AND SYSTEMS COVERAGE.** The total cost of the HBW (WORKMANSHIP/SYSTEMS and STRUCTURAL COVERAGE) program is based on the final sales price of each Home enrolled. Builder's rate has been predetermined and is based on each One Thousand Dollars (\$1,000.00), or part thereof, of the final sales price of each home. Contact HBW for individual Builder rates. There is a minimum charge of One Hundred Dollars (\$100.00) for any Home enrolled in the HBW (WORKMANSHIP/SYSTEMS and STRUCTURAL COVERAGE) program.

Payments to HBW shall be as follows: A predetermined deposit per Home shall be paid at the time Builder submits the Notification of Starts Form #107 which will include the address, legal description, estimated final sales price, and approximate starting date of each Home. A refund of this deposit (less any administrative costs incurred by HBW and/or Insurer) will be made to Builder upon Builder's written request should Builder, HBW or Insurer decide not to enroll the Homes. The balance of all payments due must be made in full to HBW when the Certificate of Participation for Home Enrollment Form #202 is requested.

15. **DEFINITIONS.** Homebuyer(s), Home, Builder, HBW, Warranty Term, Defect, Certificate of Participation, Insurer, and Structural Defect are defined in the Warranty booklet which is an enclosure.

Common Stairways and Landings are defined as areas that are maintained by the Homeowners Association or someone other than the owner/occupant of the particular residence.

Special Standards Areas are defined as areas which HBW believes present greater than usual risk of structural failure, and HBW can refuse to accept enrollment of any Home which HBW believes is built in an area subject to greater than usual risk of structural failure unless Builder has provided a warranty fee commensurate with the risk, or has in some other way satisfactory to HBW in its sole discretion absorbed to itself the greater than usual risk referred to above.

This Agreement, when properly executed, commits all parties to meet their obligations as previously stated herein for all Homes enrolled in the HBW (WORKMANSHIP/SYSTEMS and/or STRUCTURAL COVERAGE) program. This Agreement shall remain in effect for ONE (1) YEAR from the acceptance date indicated below, except as Builder may be terminated or suspended earlier by HBW or Insurer as provided herein, and may be renewed upon builder's Certificate of Participation for succeeding years thereafter at the sole option of HBW or Insurer. Termination of this Agreement, by Builder, after the first (1st) year must be submitted to the undersigned HBW entity in writing as well. Time is of the essence of this Agreement. This Agreement, which incorporates the Warranty booklet which is enclosed, contains the entire understanding between the parties, and may not be modified orally or by another writing, except as provided herein.

Type or Print Name and Title

Builder

Date

Signature

Witness

Drivers License Number

Type or Print Name and Title

Home Buyers Warranty Corporation III

Acceptance Date

Signature

Type or Print Name and Title

Insurer

Acceptance Date

Signature



MAIL TO:
2-10 Home Buyers Warranty
P.O. Box 371348 | Denver, CO 80237-1348 | 800.488.8844

ADDENDUM BUILDER PROPOSAL & AGREEMENT FOR NEW JERSEY

Pertaining to Model Homes & Other Homes Occupied
Prior to Transfer of Title, Waiver, Release & Disclosure

GENERAL

New Jersey law requires that buyers of model homes that have never been occupied shall receive a warranty with an effective date of warranty as first occupancy by or title transfer to the first home purchaser. If a model home is subsequently sold to a home buyer and the home has been unoccupied for at least 12 months or more from the date of substantial completion, the Builder shall obtain, at Builder's expense, a final inspection by a 2-10 HBW-approved inspector to determine that the home is undamaged when transfer of title is made to the first home buyer.

In contrast, if a Builder rents a home or agrees to a lease/purchase agreement for a new home or occupies the home in any manner, the Effective Date of Warranty, as defined in the warranty booklet, begins on the date of first occupancy. Therefore, during any such rental / lease / occupancy period, the Builder waives and releases any claim that might arise under the warranty.

WAIVER RELEASE AND DISCLOSURE AGREEMENT

Builder hereby unconditionally waives and releases any and all rights of the Builder, its successors, and assigns to any insurance coverage and any and all rights to submit a claim during the period that any home is used as a model, rented, or leased or occupied by the Builder prior to a title transfer to an initial buyer for the purpose of living in the home ("home buyer"). For model homes that have been unoccupied for at least 12 months from the date of substantial completion, the Builder further agrees at his expense, to have a Warranty-approved inspector perform a complete final inspection within thirty (30) days prior to the transfer of title to the home buyer and certify that the model or rented home is not damaged, other than normal wear and tear. Builder agrees that Builder shall disclose to any prospective home buyer in writing the status of the warranty and the amount of time remaining for coverage under the warranty.

BUILDER (Print Name)

Builder Number

Signature

Date



EMAIL OR FAX TO:
210HBW@2-10.COM | 303.306.2222

BUILDER CREDIT CARD PROCESSING FORM

AUTHORIZATION #

Date

Builder

Service Specialist

Builder #

CREDIT CARD BILLING INSTRUCTIONS

We accept: Visa/Master Card/American Express

Name as it appears on credit card

Type of Card: Visa Master Card American Express

Card #

Expiration Date:

Charge Amount:

Purpose of Charge:

(Store card for future use? Yes No)

Comments:

HBW OFFICE USE ONLY

CREDIT CARD CORRECTION

Type of correction

Reason for correction

Amount of correction