

WORKMANSHIP/SYSTEMS COVERAGE BUILDER LIMITED WARRANTY COVERAGE

The Builder named on the Certificate of Participation form HBW 202 COP NJ is the warrantor under this limited warranty and agrees to the following terms and conditions. The information contained on the Certificate of Participation form HBW 202 COP NJ provides the specific date and address that pertain to each individual housing unit or condominium unit enrolled.

I. What is covered

- A. During the first (1st) year of the Warranty Term, which commences on the date of first title transfer or date of first occupancy, whichever occurs first ("Warranty Date"). The Builder warrants that all housing units enrolled under the Home Buyers Warranty (Workmanship/Systems Coverage) program will be free from:
 1. Defects in materials or workmanship as established in the Construction Performance Standards;
 2. Defects in appliances, fixtures and equipment only if such defects are covered under a manufacturer's warranty. No warranty for appliances, fixtures or equipment shall exceed the length and scope of the warranty offered by the manufacturer;
 3. Defects in the electrical, plumbing, and mechanical systems as established in the Construction Performance Standards.
- B. During the second (2nd) year of the Warranty Term, the Builder warrants that all housing units enrolled under the Home Buyers Warranty (Workmanship/Systems Coverage) program will be free from defects in the electrical, plumbing and mechanical systems as specified in the Construction Performance Standards. Appliance, fixture, and equipment defects shall be covered only if such defects are covered under a manufacturer's warranty.
- C. Common elements of condominiums, as they pertain to this warranty, will be warranted against first (1st) and second (2nd) year defects in accordance with sections A and B above. Common elements are defined as those elements listed in the master deed on file for each such development or unit as required under law for common ownership. The Warranty Term for the common elements of a building commences on the earlier of the date of the first title transfer of a unit in the building or the date of the first occupancy (including use as a sales model) of a unit in the building.

II. What the Builder will do

If a covered defect first occurs during the applicable Warranty Term and such defect is reported within the time period prescribed, the Builder will repair, replace or pay the Homeowner(s) the reasonable cost of repairing or replacing the defective item. The Builder's total liability under this warranty is limited to the final sales price of the Home, as indicated on the Certificate of Participation form HBW 202 COP NJ, which includes the parcel of land on which the home was constructed, as indicated on the applicable forms. The choice to repair, replace, pay, or combination thereof is solely that of the Builder. Any repair or replacement shall not extend the Warranty Term. The Builder's responsibility shall include actual reasonable shelter expenses during repairs if relocation is necessary.

III. What the Homeowner(s) must do

If the Homeowner believes that his/her home has a defect covered (and not excluded) under the Builder's One Year Workmanship or Two Year Systems warranty and which first occurred during this warranty term, then the Homeowner must 1) notify the Builder in writing as soon as the defect is observed* (See note page 3). Once the Homeowner(s) has written to the Builder and if within a reasonable time, the Builder has not resolved the problem, then the Homeowner(s) must 2) prepare and sign the Notice of Complaint form #205 found in the back of this warranty booklet, 3) send a copy to the Builder and 4) send a copy to Home Buyers Warranty Corporation III, Warranty Administration Department, 2675 S. Abilene St., Aurora, Colorado 80014. In addition to the Notice of Complaint form that is sent to Home Buyers Warranty Corporation III, also include a copy of the Certificate of Participation (form HBW 202 COP NJ) and a copy of all correspondence between the Builder and the Homeowner about the warranty defect(s). **NOTIFICATION TO THE BUILDER DOES NOT CONSTITUTE NOTIFICATION TO HOME BUYERS WARRANTY CORPORATION III FOR THE PURPOSES OF PROTECTING OR EXTENDING YOUR WARRANTY CLAIM RIGHTS.**

*Note: Except in the case of complaints which relate to emergency problems, the Notice of Complaint shall not be submitted to the Home Buyers Warranty Administration Department until the expiration of 120 days from the effective date of the warranty.

THE ABOVE PROCEDURES MUST BE COMPLETED AND RECEIVED BY THE HOME BUYERS WARRANTY ADMINISTRATION DEPARTMENT AND THE BUILDER NO LATER THAN SEVEN (7) CALENDAR DAYS AFTER THE EXPIRATION OF THE APPLICABLE WARRANTY TERM. WARRANTY COVERAGE FOR ANY NOTICE RECEIVED AFTER THE SEVEN DAYS WILL BE DENIED AND THE BUILDER AND INSURER WILL HAVE NO OBLIGATION FOR THE REPAIR OF THESE DEFECTS. IN ALL SITUATIONS WHERE THE HOMEOWNER IS REQUIRED TO GIVE WRITTEN NOTICE, IT IS RECOMMENDED THAT THE HOMEOWNER USE CERTIFIED MAIL, RETURN RECEIPT REQUESTED.

In the case of an emergency 1) the Homeowner must contact the Builder immediately. If the Homeowner is unable to contact the Builder then 2) the Homeowner must contact the Home Buyers Warranty Administration Department at (720) 747-6000 in order to receive authorization to make any emergency repairs. If neither the Builder or Home Buyers Warranty Administration Department is available for emergency authorization, then 3) the Homeowner must make minimal repairs to mitigate further damage until authorization for more extensive repairs has been approved and 4) report the emergency to the Home Buyers Warranty Administration Department on the next business day. ANY UNAUTHORIZED REPAIRS WILL NOT BE REIMBURSED UNLESS THE ABOVE PROCEDURES HAVE BEEN FOLLOWED.

If the home is a condominium unit and the warranty defect pertains to the Homeowners unit only, then the procedures outlined above must be followed. If the warranty defect involves a common element, then the Condominium Association or any representative designated by the Association must file one Notice of Complaint as described above. The Notice of Complaint form listing each affected unit in the building along with a copy of each unit owner's Certificate of Participation along with all correspondence between the Association or building representative and the Builder must be included in the correspondence sent to the Home Buyers Warranty Administration Department. The common element defects must be reported during the applicable warranty term described above in I.C.

THE ABOVE PROCEDURES ARE EXTREMELY IMPORTANT IN THE EVENT THAT AN INSURANCE CLAIM SHOULD DEVELOP DUE TO THE BUILDER'S INABILITY OR UNWILLINGNESS TO PERFORM ITS WARRANTY OBLIGATIONS. IF THE HOMEOWNER(S) IS UNABLE TO CONTACT THE BUILDER OR IF FOR ANY REASON THE HOMEOWNER(S) BELIEVES THE BUILDER IS NOT FULFILLING ITS WARRANTY OBLIGATIONS, THEN THE HOMEOWNERS SHOULD IMMEDIATELY NOTIFY THE HOME BUYERS WARRANTY ADMINISTRATION DEPARTMENT AS DESCRIBED ABOVE. THE HOME BUYERS WARRANTY ADMINISTRATION DEPARTMENT WILL CONTACT THE BUILDER TO REQUIRE THE BUILDER TO FULFILL ITS OBLIGATIONS. IF THE HOME BUYERS WARRANTY ADMINISTRATION DEPARTMENT IS UNABLE TO CONTACT THE BUILDER OR MAKE THE BUILDER FULFILL ITS OBLIGATIONS, THEN THE HOMEOWNER(S) WILL BE ADVISED TO FILE A CLAIM AND THE INSURER WILL TAKE THE PLACE OF THE BUILDER AS DESCRIBED ON PAGE 7 OF THIS WARRANTY BOOKLET UNDER "*LIMITED WARRANTY AND INSURANCE COVERAGE*, 1. WHAT THE INSURER WILL DO."

IV. Conciliation and Arbitration

(Homes with FHA/VA Financing: If Your Certificate of Participation indicates Your Builder enrolled Your Home with FHA/VA financing, please refer to the Addendum provided with the Certificate of Participation.)

- A. For purposes of these procedures the term "conciliation" means any attempts by the Builder and the Homeowner, with or without any participation by the Warranty Administrator, to reconcile any disputes or differences concerning repairs or purported defects. "Arbitration" means a formal hearing arranged and conducted through an arbitration service designated by HBW in which an arbitrator will make final and binding decisions that may be entered as a judgment in any Court of competent jurisdiction. The decision of the arbitrator is reviewable only under such circumstances and to such an extent as is available pursuant to the New Jersey Arbitration Act.

If the Homeowner(s) has submitted his/her complaints to the Builder and Home Buyers Warranty as described under III, "*What the Homeowner Must Do*," the Builder will have thirty (30) days to inspect the home and to respond to the Homeowner(s) as to what action the Builder intends to take and the time by which the defect will be

corrected. The Homeowner(s) shall make the home available during normal business hours for the inspection and any repairs once the builder has scheduled an appointment with the Homeowner(s). The Builder and Homeowner(s) should attempt, through informal conciliation, to resolve any disagreements with regard to what repair work is covered by the warranty. The Homeowner(s) must keep the Home Buyers Warranty Administration Department advised in writing of the status of all unresolved issues between the Builder and the Homeowner(s). If more than sixty (60) days pass without written notification from the Homeowner, then the Home Buyers Warranty Administration Department will assume that the Builder has met his obligations and no further action will be taken.

Any and all disputes between the Homeowner(s) and Builder arising from or relating to the Warranty shall be submitted to arbitration. **Pursuant to the New Jersey New Home Warranty and Builders Registration Act (P.L. 1977, C. 467) the filing of a claim against this limited Warranty shall constitute the election of remedy and shall bar the Homeowner from all other remedies.** Nothing herein shall be deemed to limit the Homeowner's right to elect other remedies except that such election shall bar the Homeowner from pursuing the same claim under this **limited** Warranty and in accordance with the procedures related hereto. Election of other remedies shall mean the filing of a complaint, counter-claim, cross-claim or third party complaint in any court that alleges matters covered by this **limited** Warranty in particular or unworkmanlike construction in general.

Once the required arbitration forms are received, the Home Buyers Warranty Administration Department will forward the file to the arbitration service for administration. The Builder will be obligated to pay the arbitration fees for any arbitrations requested by its company or its Homeowner(s). The dispute will be resolved or an award rendered by the arbitrator within twenty (20) days from the date of the hearing. If there is an unresolved dispute about the scope of repair (or alternatively if a cash settlement has been offered by the Builder or the Insurer which is rejected by the Homeowner) then in either event such dispute will be settled by arbitration.

- B. After an arbitration award in the homeowner's favor, the Builder has a period of ten (10) business days, to provide the Homeowner with a Repair Specification Document (RSD). The RSD will describe in detail and in conformity with the New Jersey Uniform Construction Code and all other applicable local codes the method of repair. If the Homeowner, through experts so qualified, disagrees with the Builder's RSD, within thirty (30) days following receipt of said RSD, then a subsequent arbitration will be held to determine the method of repair that will eliminate the defect(s). Any request from either party for clarification or modification of the initial award will temporarily freeze the clock while under consideration. Every Homeowner or Builder making repairs must apply for all construction permits where required by Codes.
- C. **Compliance Inspection Process**
If the Homeowner(s) remains dissatisfied after the Builder has completed the awarded repairs, the Home Buyers Warranty Administration Department will arrange with the arbitration service, upon the Homeowner(s) request and at the Homeowner(s) expense, to have a compliance inspection conducted. **THE HOMEOWNER(S) MUST REQUEST SUCH A COMPLIANCE INSPECTION IN WRITING NO LATER THAN THIRTY (30) DAYS AFTER THE BUILDER'S WORK PERFORMANCE DEADLINE AS SPECIFIED IN THE AWARD.** If the inspection reveals that any work has not been performed properly, then the compliance inspection fee will be refunded to the Homeowner(s). Home Buyers Warranty will also advise the Homeowner(s) to file a claim in accordance with the warranty agreement. However, if the compliance inspector determines that the Builder has performed adequately, the inspection fee will not be refunded and no claim will be allowed by Home Buyers Warranty on the repaired items and the file will be closed. The Homeowner(s) will be informed of the results of the compliance inspection within twenty (20) days of the date of the inspection.

V. Resale

Each successor in title to the Home, including any mortgagee in possession, in no way affects or reduces the coverage under this warranty for its unexpired term. There is no limit to the number of successions during the warranty term, nor cost hereunder as a result of such succession. **HOMEOWNER(S) MUST GIVE SUCCESSORS A COPY OF THE CERTIFICATE OF PARTICIPATION (HBW 202 COP NJ).**

VI. Exclusions

This warranty does not provide any coverage for the following defects or damages, which are specifically excluded:

- A. Any portion of a covered home which is not completed by the warranty date; except that, after completion, such portions will be covered until the end of the warranty period specified in this warranty booklet. Builder failure to complete construction of such portions may constitute the basis for denial, supervision, or revocation of registration pursuant to N.J.A.C. 5:25-2.5. 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 warranty. In all cases, the warranty period shall be deemed to have commenced on the warranty date.
- B. Defects in outbuilding (except that out-buildings which contain the plumbing, electrical, heating, or cooling systems serving the home are covered), swimming pools and other recreational facilities, driveways, walkways, unattached patios, boundary walls, retaining walls which are not necessary for 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, damages to personal property, or damage to real property which is not part of the home.
- D. Any defect or damage which is caused or made worse by any of the following causes, whether acting alone or in sequence or concurrent with any other cause or causes whatsoever, including any covered defect or damage or covered cause of any defect or damage:
 - i. Negligent or improper maintenance or improper operation by anyone other than the builder or his employees, agents or subcontractors, or;
 - ii. Failure of anyone other than the builder or his employees, agents or subcontractors to comply with the warranty requirement of manufacturers of appliances, equipment or fixtures, or;
 - iii. Failure to give notice to the builder of any defect within the time frame as stated in this warranty booklet.
 - iv. Changes of the grading of the ground by anyone other than the builder, or his employees, agents or subcontractors, or;
 - v. Failure to take timely action in emergency cases to minimize any loss or damage, or;
- E. Any defect in, or caused by, materials or work supplied by anyone other than the builder, or his employees, agents or subcontractors. The builder shall, however, be responsible for any defects in or damage to any materials or work not installed by the builder when the defect or damage is the direct consequence of defects in materials or work installed by the builder 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; fire, explosion, smoke, water, 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 non-residential purposes;
- J. Changes, alterations, or additions made to the home by anyone after initial occupancy, except those performed by the builder as his obligation under this program;
- K. Any defect caused to a finished surface material or any work supplied by anyone other than the Builder, or his employees, agents, or sub-contractors in that, it is determined the installer has accepted the Builder's surface to apply the finish material;
- L. Any materials and/or workmanship furnished and installed by the Builder 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.

NOTE: Other exclusions are included in the construction performance standards found in this warranty booklet in order to define better those standards and are identified by "Exclusion".

VII. General

- A. If the performance of the Builder's obligation is delayed by any event not resulting from the Builder's own conduct, the Builder will be excused from performing until the effects of that event are remedied. Examples of such events are lack of access to home, acts of God or the common enemy, war, riot, civil commotion, sovereign conduct, or act of persons who are not parties to this warranty.
- B. No one is authorized to change, alter or add to this warranty without the express written consent of Home Buyers Warranty.
- C. This warranty is independent of the contractual agreement between the Homeowner(s) and the Builder for the construction of the Home and/or its sale. Nothing contained in such contract or any other contract between the Builder and Homeowner(s) (with the exception of any approved and attached addendum to the Certificate of Participation form HBW 202 COP NJ) can restrict or override the provisions of this warranty. A contractual arrangement includes, but is not limited to Builder substitutions or changes in plans, specifications or materials.
- D. The Homeowner(s) must allow the Builder and Insurer reasonable access to the home during normal business hours when the home requires warranty or claim servicing. The Builder or Insurer will, however, arrange with the Homeowner(s) for access to perform work at least three (3) days in advance.
- E. If the Home is a condominium unit, by accepting this limited warranty, the Homeowner(s) agrees to and understands that he/she will allow access to, on, through or within the premises during normal business hours (after receiving proper notice from the Builder, Home Buyers Warranty or the Insurer) so that repairs may be made to any adjoining or adjacent unit or common elements area, should this access be the reasonable and practicable way to make such repairs. The Homeowner(s) also agrees to and understands that if emergency repairs are required (which would be the responsibility of the Builder or the Insurer) and the Homeowner(s) cannot be contacted within a reasonable period of time and given the nature of the emergency, notice of entry will be waived in accordance with the condominium's master deed or the Builder, Home Buyers Warranty or the Insurer may obtain permission from the condominium association or its designated agent. Such entry, with or without notice, shall be made with as little inconvenience as possible to the Homeowner(s) and/or Condominium Association.
- F. **QUESTIONS RELATED TO THE CLAIMS HANDLING PROCESS MAY BE DIRECTED TO THE NEW JERSEY DEPARTMENT OF COMMUNITY AFFAIRS, BUREAU OF HOMEOWNER PROTECTION, PRIVATE ALTERNATE PLANS SECTION AT (609) 633-6366.**

WORKMANSHIP/SYSTEMS COVERAGE / LIMITED WARRANTY AND INSURANCE COVERAGE

I. What the Insurer will do

- A. If a claim should arise during the applicable Warranty Term and if that claim occurrence and submittal is in compliance with all the provisions as noted in the Builder Warranty Coverage sections and the Builder fails to perform his/her warranty obligations, the Insurer will take the place of the Builder in regard to all qualified defect claims and any arbitration decisions rendered against the Builder.
- B. Within fifteen (15) days of receipt of the complaint file, the Insurer will acknowledge receipt of the claim and begin the investigation. The Homeowner(s), Service and Insurer retain the same rights to conciliation and arbitration as the Builder.

II. General

- A. Upon satisfactory completion of repairs, the Homeowner(s) shall execute a full and unconditional release of all rights and causes of action the Homeowner(s) may have with respect to that claim to the Builder or Insurer.
- B. Any payments made by the Insurer resulting from defects in the common elements in a condominium structure shall be applied to reduce the amount of total liability under the defect warranty coverage for the affected building.
- C. This warranty shall not include any portion of an enrolled home which is not completed by the Warranty Date. If completed, then such portion will become covered and be so until the end of the applicable warranty period.
- D. In the event of any payment of a claim under this warranty, the Insurer shall be subrogated to all the Homeowner(s) rights of recovery therefor against any person or organization and the Homeowner(s) shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The Homeowner(s) shall do nothing after loss to prejudice such rights.

- E. The maximum amount payable hereunder by the Insurer for all claims submitted is the original final sales price of the Home, as indicated on the Certificate of Participation form HBW 202 COP NJ, which includes the parcel of land on which the Home was constructed.
- F. Any item requiring repair or replacement which cannot be repaired or replaced with elements readily available in the standard marketplace will be replaced or repaired with elements of similar kind and quality which are so available.
- G. If the performance by the Insurer of any of its obligations hereunder is delayed by factors beyond its reasonable control, such as (but not limited to) acts of God, strikes, non-availability of materials, acts of government, civil commotions, etc., the Insurer will be excused from performing until the effects of such event are remedied.
- H. Homeowner acknowledged pre-existing conditions such as "Walk-through" or "punch list" items are only covered to the extent that they qualify in accordance with the Construction Performance Standards.
- I. Notwithstanding anything herein to the contrary, during the first two (2) years of the warranty term, any defects in the load-bearing portions of the Home (as designated in Section I of the Structural Warranty/Coverage section) shall be subject to coverage exclusively under the structural warranty standards and shall not be subject to coverage under the Workmanship/Systems standards.

III. Insurance Coverage

The Insurer is National Home Insurance Company (A Risk Retention Group). The Warranty may not be canceled by HBW or by the Insurer.

IV. Mortgage Clause

On FHA-financed homes, notwithstanding anything herein to the contrary, where the Insurer shall become responsible to pay the reasonable costs of repair or replacement for Workmanship/Systems Defects arising at any time during the Warranty Term, payment shall be made to or on behalf of the Homeowner(s) and the mortgagee or successor mortgagees. A mortgagee shall be fully and completely bound by any conciliation or arbitration between the Insurer and Homeowner(s) relating to such Workmanship/Systems Defects. The Homeowner(s) must provide the name and address of the mortgage company when a claim is filed on a FHA-financed Home.

V. Definitions

Homeowner(s) and/or Purchaser(s) means the person(s) who holds title to the Home. Home means the dwelling and Builder means the Builder as listed on the Certificate of Participation form HBW 202 COP NJ. Home Buyers Warranty means Home Buyers Warranty Corporation III. Warranty Term is the Period during which a warranted defect must be discovered and reported, and is that period which begins on the Warranty Date. Insurer shall mean National Home Insurance Company (A Risk Retention Group).

STRUCTURAL COVERAGE / MAJOR STRUCTURAL DEFECT LIMITED WARRANTY COVERAGE

In accordance with the duties and responsibilities set forth below, the parties to this Major Structural Defect Limited Warranty Coverage (hereinafter referred to as the "Warranty") are the Builder of the Home named in the Certificate of Participation Form HBW 202 COP NJ (hereinafter referred to as the "Builder"); and the Insurance Company described in Section X hereof (hereinafter referred to as the "Insurer").

The Builder warrants, with such warranty insured by the Insurer as described herein, against loss to the Home caused by Major Structural Defects which first occur during the Warranty Term and under the terms and conditions stated in the following sections.

I. What is covered

- A. This limited warranty covers Major Structural Defects in the Home which first occur during the Ten (10) Year Warranty Term. The Warranty Term commences on the original settlement or occupancy date. If the Home is a condominium unit, the warranty also covers Major Structural Defects in common elements which first occur during the Warranty Term for common elements. The common elements covered are those structural elements contained in the building in which the Home is located and which the Home shares in common with other units in the building, and as defined on page 2, 1.C.

B. Major Structural Defects:

1. The load-bearing portion of a home is defined as the framing members and structural elements that transmit both dead and live loads of the home to the supporting ground. Examples of load bearing elements are: roof sheathing, rafters and trusses, ceiling and floor joists, bearing partitions, supporting beams, columns, basement and foundation walls, and footings.
2. A structural failure will not be considered a defect until it has been established by the 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 (1) above. To be eligible, such defect does not have to render the home inhabitable; however, it must be of such a serious nature that it vitally affects the use of the home for residential purposes.
3. The following are excluded as major structural defects:
 - a. Changes by the owner to the established grade lines affecting basement and foundation walls;
 - b. Movement caused by flood or earthquake;
 - c. Actual or resultant damage caused by lightning, tornado, unnatural high winds or hurricanes;
 - d. Damage caused by additions or alterations to the home;
 - e. Improper loading over the design criteria for which that portion of the house was intended;
 - f. Resultant structural damage due to fire;
 - g. 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;
 - h. Water seepage in basement or crawlspace after the first year of coverage.

II. What the Insurer will do

- A. Subject to the warranty limits, if a Major Structural Defect is covered by this warranty, the Insurer will repair all such Major Structural Defects. In the event, however, that the Insurer finds, based on the extent of Major Structural Defects, that the home is a total loss, then the Insurer reserves the right to tender the amount of the warranty limits, as defined in Section III below, to the homeowner in full settlement of the claim.
- B. The repair of a Major Structural Defect is limited (1) to the repair of damage to the load-bearing portions of the Home themselves which is necessary to restore their load-bearing ability; (2) the repair of designated non-load-bearing portions, items or systems of the Home, damaged by the Major Structural Defect, which make the Home unsafe, unsanitary or otherwise vitally affect the use of the home for residential purposes (such as the repair of inoperable windows, doors and the restoration of damaged electrical, plumbing, heating, cooling, and ventilating systems); and (3) the repair and cosmetic correction of only those surfaces, finishes and coverings, original with the Home, damaged by the Major Structural Defect, or which require removal and replacement to repair other damage directly attributable to the Major Structural Defect. Consequential damages to real property as a result of a Major Structural Defect or repair of such defect are covered under this warranty; however, consequential damages to personal property are excluded except that in the case where a Major Structural Defect exists and the home is rendered inhabitable, the Insurer shall be responsible to pay for reasonable shelter expenses of the homeowner until the home is made habitable.
- C. Within fifteen (15) days of receipt of the Notice of Claim Form #204, the Insurer will acknowledge receipt of the claim and begin the investigation.

III. Warranty Limits

The Insurer's total liability for all Major Structural Defects arising during the Warranty Term is limited to the original final sales price of the unit which includes the parcel of land on which the unit was constructed. Any payments made by the Insurer resulting from defects in the common elements in a condominium structure shall be applied to reduce the amount of total liability under the Major Structural Defect warranty coverage for the affected building.

IV. Exclusions

Same as Section VI, Exclusions on Page 5 and 6.

V. Resale

Each successor in title to the Home, including any mortgagee in possession, in no way affects or reduces the coverage under this warranty for its unexpired term. There is no limit to the number of successions during the Warranty Term, nor any cost hereunder as a result of such successions. HOMEOWNER(S) SHOULD GIVE SUCCESSORS A COPY OF THE CERTIFICATE OF PARTICIPATION (HBW 202 COP NJ).

VI. How to Make a Structural Claim

- A. All claims under this Warranty must be pursued by the Homeowner(s) through the Home Buyers Warranty Administration Department. The Warranty Administration Department will act as administrator for all claims brought under this warranty. It is recommended that claims be sent via registered or certified mail.
- B. Should the Homeowner(s) believe that a Major Structural Defect has occurred during the Warranty Term, the Homeowner(s) must notify the Warranty Administration Department of the defect by sending the attached Notice of Claim form #204 and a copy of the Certificate of Participation form HBW 202 COP NJ.
THE NOTICE OF CLAIM FORM #204, FULLY DESCRIBING THE DEFECTS, MUST BE RECEIVED BY THE WARRANTY ADMINISTRATION OFFICE WITHIN A REASONABLE TIME AFTER A MAJOR STRUCTURAL DEFECT ARISES, AND IN ANY EVENT NO LATER THAN SEVEN (7) DAYS AFTER THE EXPIRATION OF THE WARRANTY TERM. CLAIMS REPORTED AFTER AN UNREASONABLE DELAY OR MORE THAN SEVEN (7) DAYS AFTER THE EXPIRATION OF THE WARRANTY TERM WILL NOT BE COVERED. IN ALL SITUATIONS WHERE THE HOMEOWNER IS REQUIRED TO GIVE WRITTEN NOTICE, IT IS RECOMMENDED THAT THE HOMEOWNER USE CERTIFIED MAIL, RETURN RECEIPT REQUESTED.
- C. Within thirty (30) days after receipt of the Notice of Claim form #204, a representative from the Insurer will inspect the alleged defect and upon concurrence of the defect as structural, the Insurer will arrange to have the problem(s) corrected. The Homeowner(s) shall make both himself/herself and the Home available to the Insurer for purposes of inspection of Major Structural Defect claim(s) between 9:00 a.m. and 6:00 p.m. Monday through Friday, or any other mutually agreeable time. If the Insurer's report identifies Major Structural Defects as being responsible for the problem, the Insurer will correct those defects and all associated damages at the Insurer's expense less a one-time only \$250.00 deductible per home which is paid to the Insurer by the Homeowner upon the Insurer's acceptance of the structural claim. If the Insurer's report does not identify the problem as being a Major Structural Defect then the Insurer will deny the claim.
- D. If the warranty defect involves a common element in a condominium, then the Condominium Association or any representative designated by the Association must file one Notice of Claim as described above. The Notice of Claim #204 form listing each affected unit in the building along with a copy of each unit owner's Certificate of Participation must be included in the correspondence sent to the Home Buyers Warranty Administration Department. The common element defects must be reported during the applicable warranty term described above on page 2, 1.C. There is a one-time \$250.00 deductible per structure. In the event that the Builder retains control of more than fifty percent (50%) voting interest in the Association, a common element claim may be made by ten percent (10%) of the voting interest in the Association.
- E. Upon satisfactory completion of repairs of any Major Structural Defects the Homeowner(s) shall execute a full and unconditional release from the Homeowner(s) of all rights and causes of action the Homeowner(s) may have with respect to that claim to the Insurer.
- F. IN CASE OF THE NEED FOR EMERGENCY REPAIRS, the Homeowner(s) should contact the Insurer at (720) 747-6000 in order to receive authorization to make emergency repairs. The Insurer shall immediately arrange for emergency repairs to include but not limited to shoring up and stabilizing the structural defect.

VII. Claim Settlement and Arbitration

- A. Should the Homeowner(s) disagree with the Insurer's decision to deny the claim, the Homeowner(s) shall call for an arbitration to be conducted by an Insurer approved arbitration service. The Insurer shall inform the Homeowner(s) of his/her right to arbitrate at the time of any claim denial and shall provide to the Homeowner(s) a Request for Arbitration form to be submitted to the Insurer. The Insurer shall initiate the arbitration process

with the arbitration service and arrange for the payment of administrative fees. The Insurer shall pay all administrative expenses connected with the arbitration. THE DEMAND FOR ARBITRATION SHALL BE MADE NOT LATER THAN THIRTY (30) DAYS AFTER A CLAIM HAD BEEN DENIED. The decision of the arbitrator shall be final and binding and may be entered as a judgment in any court of competent jurisdiction. The decision of the arbitrator is reviewable only under such circumstances and to such an extent as is available pursuant to the New Jersey Arbitration Act.

The arbitration shall be conducted in accordance with the warranty conditions described herein and the Arbitration Rules of the arbitration service. A meeting at the residence among the parties involved will be arranged by the arbitration service. The dispute will be resolved or an award rendered by the arbitrator within thirty (30) days from the date of the hearing. If the arbitrator upholds the homeowner's claim, the Insurer shall perform in accordance with the arbitration award.

The arbitration service will be responsible for all correspondence that is sent out or received regarding any disputes that are entering the arbitration process to include arbitrator selection and assignment, notification of hearing and all other matters that involve managing the arbitration process. Upon delivery of the award to the parties, either party may request modification and/or clarification of the award. At the request of the arbitration service, the Insurer will send a copy of any correspondence regarding the case previously received or sent by the Insurer. If there is an unresolved dispute about the scope of repair, then such dispute will be settled by arbitration.

- B. After an arbitration award in the homeowner's favor, the Insurer has a period of ten (10) business days after the homeowner's acceptance of said award, to provide the Homeowner with a Repair Specification Document (RSD). The RSD will describe in detail and in conformity with the New Jersey Uniform Construction Code and all other applicable local codes the method of repair. If the Homeowner, through experts so qualified, disagrees with the Insurer's RSD, then a subsequent arbitration will be held to determine the method of repair that will eliminate the defect(s). Any request from either party for clarification or modification of the initial award will temporarily freeze the clock while under consideration. Any party making repairs must apply for all construction permits where required by Codes.
- C. Compliance Inspection Process
If the Homeowner(s) remains dissatisfied after the Insurer has completed the awarded repairs, then the Insurer will arrange with the arbitration service, at the Homeowner's request and expense, to have a compliance inspection conducted to attempt to resolve any remaining disputes resulting from the attempted repairs. THE HOMEOWNER(S) MUST REQUEST SUCH A COMPLIANCE INSPECTION IN WRITING NO LATER THAN THIRTY (30) DAYS AFTER THE INSURER'S WORK PERFORMANCE DEADLINE AS SPECIFIED IN THE AWARD. If the inspection reveals that any of the work has not been performed properly, then the compliance inspection fee will be refunded to the Homeowner(s). However, if the compliance inspector determines that the Insurer has performed adequately, the inspection fee will not be refunded and no additional repairs will be performed.

VIII. Condominium

- A. If the Home is a condominium unit, by accepting this Limited Warranty, the Homeowner(s) agrees to and understands that he/she will allow access to, on, through, or within the premises during normal business hours (after receiving proper notice from the Insurer or Condominium Association) so that repairs may be made to any adjoining or adjacent unit or common elements area, should this access be the reasonable and practicable way to make such repairs. The Homeowner(s) agrees to and understands that if emergency repairs are required (which would be the responsibility of the Insurer) and the Homeowner(s) cannot be contacted within a reasonable period of time and given the nature of the emergency, notice of entry will be waived in accordance with the condominium's master deed or the Insurer may obtain permission from the Condominium Association or its designated agent. Such entry, with or without notice, shall be made with as little inconvenience as possible to the Homeowner(s) and/or Condominium Association.

- B. All condominium units from a condominium building must be enrolled in the Home Buyers Warranty program in order to receive any structural coverage for the buildings' common elements. If any such units are not enrolled, then there will be no structural coverage provided on any of the common elements.

IX. General

- A. If the Insurer's performance of any of its obligations is delayed by any event not resulting from the Insurer's own conduct, the Insurer will be excused from performing until the effects of that event are remedied. Examples of such events are acts of God or the common enemy, war, riot, civil commotions, sovereign conduct, or acts of persons who are not parties to this warranty.
- B. In the event of any payment of a claim under this warranty, the Insurer shall be subrogated to, and may require from the Homeowner(s) assignment, of all of the Homeowner's rights of recovery against any party to the extent that payment therefor is made by Insurer. That assignment, if so required, will entitle the Insurer to reimbursement of any sums it has paid the insured before the insured may retain any additional recovery against any party. The Homeowner(s) shall execute and deliver instruments and papers and do whatever else is necessary to secure to Insurer such rights. The Homeowner(s) shall do nothing after loss to rights.
- C. The maximum amount payable hereunder by the Insurer for all claims submitted (workmanship/systems and structural) is the original final sales price of the Home as indicated on the Certificate of Participation form HBW 202 COP NJ, which includes the parcel of land on which the Home was constructed.
- D. No one is authorized to change, alter or add to this warranty without the express written consent of the Insurer.
- E. This warranty is independent of the contractual arrangement between the Homeowner(s) and the Builder for the construction of the Home and/or its sale. Nothing contained in such contract or any other contract between the Builder and Homeowner(s) (with the exception of any approved and attached addendum to the Certificate of Participation form HBW 202 COP NJ) can restrict or override the provisions of this warranty. A contractual arrangement includes, but is not limited to, Builder substitutions or changes in plans, specifications or materials.
- F. The Homeowner(s) must allow the Insurer access to the Home during normal business hours when the Home requires claim servicing.
- G. Any payments made by the Insurer resulting from defects in the common elements in a condominium structure shall be applied to reduce the amount of total liability under the defect warranty coverage for the affected building.
- H. Failure to complete construction is excluded from the warranty coverage.
- I. Any item requiring repair or replacement which cannot be repaired or replaced with products readily available in the standard marketplace will be replaced or repaired with products of similar kind and quality which are readily available.

X. Insurance Coverage

The Insurer is National Home Insurance Company (A Risk Retention Group). This Warranty may not be canceled by HBW or by the Insurer.

XI. Mortgage Clause

On FHA-financed homes, notwithstanding anything herein to the contrary, where the Insurer shall become responsible to pay the reasonable costs of repair or replacement for Structural Defects arising at any time during the Warranty Term, payment shall be made to or on behalf of the Homeowner(s) and the mortgagees or successor mortgagees. A mortgagee shall be fully and completely bound by any conciliation or arbitration between the Insurer and Homeowner(s) relating to such Structural Defects. The Homeowner(s) must provide the name and address of the Mortgage company when a claim is filed on an FHA-financed home.

XII. Definitions

Homeowner(s) and/or **Purchaser(s)** means the person(s) who holds title to the Home. **Home** means the dwelling and **Builder** means the Builder as listed on the Certificate of Participation form HBW 202 COP NJ. **Home Buyers Warranty** means Home Buyers Warranty Corporation III. **Warranty Term** is the period during which a warranted defect must be discovered and reported; and is that period which begins on the Warranty Date as shown on the Certificate of Participation form HBW 202 COP NJ and ends ten (10) years thereafter; except that for structural portions of the common elements of condominium units the Warranty Term ends no later than ten (10) years after the Warranty Date of the first condominium unit located in a particular building. Insurer shall mean National Home Insurance Company (A Risk Retention Group).

CONSTRUCTION PERFORMANCE STANDARDS

The following Construction Performance Standards are standards that have been developed and accepted by the residential construction industry in general. While it is virtually impossible to develop a Construction Performance Standard for each possible deficiency, the construction industry and the New Jersey Department of Community Affairs have attempted to isolate the most common deficiencies that occur and in so doing, list the extent of Builder, Insurer and Homeowner(s) responsibilities.

HOME BUYERS WARRANTY does not guarantee or warrant that the home complies with locally approved or building model codes.

Homeowner(s) should be aware that all new homes go through a period of settlement and movement. During this period, the home may experience some minor material shrinkage, cracking and other events which are unavoidable and considered normal. The Homeowner(s) should also be aware that they are responsible for proper home maintenance, such as maintaining builder set grades around the house. Damage caused by Homeowner(s) negligence, improper maintenance or changes, alterations or additions performed by anyone other than the Builder, his/her employees, or subcontractors is excluded from the warranty.

The following Construction Performance Standards are expressed in terms of required standards that the Builder's construction must meet. Noncompliance with these construction standards calls for corrective action by the Builder.

ALL DEFECTS OR DEFICIENCIES DESCRIBED IN THE FOLLOWING CONSTRUCTION PERFORMANCE STANDARDS ARE FOR THE FIRST YEAR WORKMANSHIP WARRANTY EXCEPT FOR THOSE ITEMS FOR WHICH TWO YEARS OF COVERAGE IS SPECIFICALLY PROVIDED.

Refer to the Builder and Warranty Coverage sections for the specific terms, definitions, exclusions and conditions that apply to the first and second years of this *limited warranty*.

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
<p>1.1 GRADING Settling of ground around foundation, utility trenches or other areas on the property where excavation and backfill have taken place that affect drainage away from the Home.</p>	<p>Settling of ground around foundation walls, utility trenches or other filled areas which exceeds a maximum of six inches from finished grade established by Builder.</p>	<p>If Builder has provided final grading, Builder shall fill settled areas affecting proper drainage, one time only, during the first year Warranty period. Builder is then responsible for removal and replacement of shrubs and other landscaping (installed by Builder) affected by placement of the fill.</p>
<p>1.2 DRAINAGE Improper grades and swales which cause standing water and affects the drainage in the immediate area surrounding the Home.</p>	<p>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 surrounding the Home. Standing or ponding water within the immediate surrounding area of the home shall not remain in these areas 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.</p>	<p>Responsible for initially establishing the proper grades, swales and drainage away from the Home. OWNER RESPONSIBILITY: The owner is responsible for maintaining such grades and swales once properly established by the Builder to prevent runoffs and erosion of the soil. EXCLUSION: Soil erosion and runoff caused by failure of the owner to maintain the properly established grades, drainage structures and swales, stabilized soils, sodded, seeded and landscaped areas; are excluded from the warranty.</p>
<p>Grass or landscaped areas which are disturbed or damaged due to work on the property in correcting a deficiency.</p>	<p>Landscaped areas that are disturbed during repair work are defects.</p>	<p>Restore grades, seed and landscape to meet original condition. EXCLUSION: Replacement of trees and large bushes which existed at the time the house was constructed or those added by the owner after occupancy or those which subsequently die are excluded from Warranty Coverage.</p>

2. CONCRETE

<p>2.1 CAST-IN PLACE CONCRETE Basement or foundation wall cracks, other than expansion or control joints.</p>	<p>Non-structural cracks are not unusual in concrete foundation walls. Cracks greater than 1/8-inch is considered excessive.</p>	<p>Repair non-structural cracks in excess of 1/8-inch by surface patching. These repairs should be made toward the end of the first year of the Warranty Coverage to permit normal stabilizing of the Home by settling.</p>
<p>Cracking of basement floor.</p>	<p>Minor cracks in concrete basement floors are common. Cracks exceeding 1/4-inch in width or 1/4-inch in vertical displacement are deficiencies.</p>	<p>Repair cracks exceeding maximum tolerance by surface patching or other methods, as required.</p>

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
Cracking of attached garage floor slab.	Cracks in garage floor slabs in excess of one-quarter inch in width or one-quarter inch in vertical displacement is a deficiency.	Repair excessive cracks by chipping out and surface patching or other methods, as may be required.
Cracks in attached patio slab.	Cracks in excess of 1/4-inch in width or 1/4-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.	The Builder shall make repair as required. Where cracks are caused by settlement or improper installation, Builder shall 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.
Cracks in concrete slab-on-grade floors, with finish flooring.	Cracks, which rupture or significantly impair the appearance or performance of the finish flooring material, are deficiencies.	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 finishes flooring. (See FINISHES).
Uneven concrete floor slabs.	Except for basement floors or where a floor or a portion of floor has been designed for specific drainage purposes, concrete floors in rooms finished for habitability, shall not have pits, depressions or areas or 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).	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.
Pitting, scaling, or spalling of concrete work.	Concrete surfaces disintegrating to the extent that the aggregate is exposed and loosened under normal conditions of use is a deficiency.	Take whatever corrective action is necessary to repair or replace defective concrete surfaces. EXCLUSION: Deterioration caused by salt, chemicals, implements used and other factors beyond Builder control.
Excessive powdering or chalking of interior concrete surfaces.	Excessive powdering or chalking of interior concrete surface is a deficiency, but should not be confused with normal surface dust that may accumulate for a short period after Home is occupied.	Take corrective action necessary to treat, repair or resurface defective areas.
Separation of brick or masonry edging from concrete slab or step.	It is common for the joint to crack between concrete and masonry due to the dissimilarity of the materials. Cracks in excess of 1/4-inch are a deficiency.	Grout crack fully and reset loose masonry where required. Replacement of masonry material, if required, shall match the existing as closely as possible.

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
2.2 CONSTRUCTION AND CONTROL JOINTS Separation or movement of concrete slabs within the structure at construction and control joints.	None. EXCLUSION: Concrete slabs within the structure are designed to move at construction and control joints and is not a deficiency.	None. HOMEOWNER RESPONSIBILITY: Maintenance of joint material.

3. MASONRY

3.1 UNIT MASONRY (BRICK, BLOCK AND STONE) Cracks in non-bearing or non-supporting walls.	Small shrinkage cracks running through masonry and mortar joints are not unusual. Cracks in excess of 1/4-inch in width are deficiencies.	Repair non-structural shrinkage cracks in excess of 1/4-inch by pointing or patching. Repairs shall be made near the end of the first year Warranty period.
Cracks in bearing or supporting masonry walls	Vertical or diagonal cracks that do not affect the structural ability of masonry bearing walls are not unusual. Cracks in excess of 1/8-inch in width are deficiencies.	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.
Horizontal cracks in basement and foundation walls.	Horizontal cracks in the joints of masonry walls are not common but may occur. Cracks 1/8-inch or more in width are deficiencies.	The Builder shall repair cracks in excess of 1/8 and 3/16-inch in width by pointing and patching. Cracks exceeding 3/16-inch shall be investigated by Builder to determine the cause. Builder shall take the necessary steps to remove the cause and make repairs by pointing and patching, reinforcement or replacement of the defective courses.
Cracks in masonry walls or veneer above grade.	Small cracks are common in mortar joints or masonry construction. Cracks 1/8-inch or greater in width are deficiencies.	Repair cracks and voids in excess of 1/8-inch by surface pointing. These repairs should be made toward the end of the first year of Warranty Coverage to permit Home to stabilize and normal settlement to occur. Builder is not responsible for color variations between existing and new mortar however, it shall be made to match as close as possible.
Cracking, settling, or heaving of stoops and steps.	Stoops and steps are not to settle or heave in excess of one inch in relation to the house structure. Cracks, except hairline cracks less than 1/8-inch, are not acceptable in concrete stoops. A separation of up to 1/2-inch is permitted where the stoop or steps about the house or where an expansion strip has been installed.	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.
Standing water on stoops, steps, porches and attached concrete patios.	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 above.	Take whatever corrective action is necessary to eliminate standing water.

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
3.2 STUCCO AND CEMENT PLASTER Cracking or spalling of stucco and cement plaster.	Hairline cracks in stucco or cement plaster are common especially if applied directly to masonry back up. Cracks greater than 1/8-inch in width or spalling of the finish surfaces are deficiencies.	Scrape out cracks and spalled areas. Fill with cement plaster or stucco to match finish and color as close as possible. NOTE: Builder is not responsible for failure to match color or texture, due to nature or material.

4. CARPENTRY

4.1 ROUGH CARPENTRY Floors squeak, due to improper installation or loose subfloors.	A large area of floor squeak which is noticeable, loud and objectionable is a defect. EXCLUSION: Squeak proof floor cannot be guaranteed an isolated floor squeak is not a defect.	Builder will refasten any loose subfloor or take other corrective action to reduce squeaking to the extent possible within reasonable repair capability without removing floor and ceiling finishes.
Uneven wood framed floors.	Floors, which are more than 1/4-inch out of level within any 32-inch measurement, are a deficiency. Floor slope within any room, which exceeds 1/24 of the room width or length, is a deficiency (that is, 10'0" wide room-not to exceed 1/2-inch out of level).	Correct or repair to meet the allowable standard.
Bowed stud walls or ceilings.	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 1/4-inch within a 32-inch horizontal or vertical measurement are deficiencies.	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.
Wood frame walls out of plumb.	Wood frame walls, which are out of plumb more than 3/4-inch in an 8-foot vertical measurement, are a deficiency.	Make necessary repairs to meet the allowable standard.
Warping, checking, or splitting of wood framing which affects its intended purpose is a deficiency.	Minor warping, checking, or splitting of wood framing is common as the wood dries out and is not considered a deficiency. A condition that affects the integrity of the member or any applied surface material is a deficiency.	Where a problem exists and the surface material is affected, Builder shall repair, replace or stiffen the frame member as required.
Exterior sheathing and subflooring which delaminates or swells.	Sheathing and subflooring delaminating or swelling on the side that the finish material has been applied is a deficiency.	Builder shall repair or replace subflooring or sheathing as required. Replacement of the finished materials, when necessary, shall be done to match the existing finish as closely as possible.

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
4.2 FINISH CARPENTRY Unsatisfactory quality finished exterior trim and workmanship.	Joints between exterior trim elements, and siding or masonry, which are in excess of 3/8-inch, is deficiencies. In all cases, the exterior trim abutting masonry siding shall be capable of performing its function to exclude the elements.	Repair open joints and touch up finish coating where required to match existing as closely as possible. Caulk open joints between dissimilar materials.
Unsatisfactory quality of finished interior trim and workmanship.	Joints between moldings and adjacent surfaces, which exceed 1/8-inch in width, are defects.	Repair defective joints and touch up finish coating where required to match as closely as possible. Caulking is acceptable.
Surface defects in finished woodwork and millwork such as checks, splits, and hammer marks.	Finished woodwork and millwork is to be smooth and without surface marks. Finished surfaces, which fall beyond what is reasonably expected in the industry, are deficiencies.	Correct repairable defects; sanding, filing, or puttying is acceptable to return the surface to its original conditions. Replace material not repairable, refinish and restore to match surrounding surfaces as closely as possible.
Exposed nail heads in woodwork.	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, are deficiencies.	Fill nail holes where required and if necessary, touch up paint, stain, or varnish to match as closely as possible.

5. THERMAL AND MOISTURE PROTECTION

5.1 WATERPROOFING

Leaks in basement or in foundation/crawl space.

Leaks resulting in actual trickling of water through the walls or seeping through the floor are deficiencies. EXCLUSION: Leaks caused by landscaping improperly installed by owner, or failure by owner 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.

Take such action as is necessary to correct basement and crawl space leaks, except where the cause is determined to be the result of Homeowner negligence. Where a sump pit has been installed by Builder in the affected area but the sump pump was not contracted for or installed by Builder, no action is required until a properly sized pump is installed by the Homeowner in an attempt to correct the condition. Should the condition continue to exist, then Builder shall take necessary action to correct the problem.

5.2 INSULATION

Insufficient insulation.

Insulation, which is not installed around habitable areas in accordance with established local industry standards, is a deficiency.

Builder shall install insulation of sufficient thickness and characteristics to meet the local industry standards. In the case of dispute, cost for investigating the sufficiency of insulation and restoring areas to prior condition is to be borne by Homeowner if it is found that the standard has been met by Builder.

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
5.3 LOUVERS AND VENTS:		
Insufficient attic and crawlspace ventilation.	Attics and crawl spaces which are not properly vented causing moisture to accumulate resulting in damage to supporting members or insulation is a deficiency.	The Builder shall install properly sized louvers or vents to correct deficiency.
Leaks due to snow or driven rain through louvers and vents.	Improperly installed louvers and vents that permit penetration of the elements under normal conditions are deficiencies. EXCLUSION: Properly installed louvers or vents may at times allow penetration of rain or snow under strong wind conditions and is not a deficiency.	Take necessary steps to eliminate penetration of rain or snow under normal conditions if it is determined the installation was improper.
5.4 EXTERIOR SIDING		
Delamination, splitting, joint separation or deterioration of exterior siding.	Exterior siding with joint separations or which delaminates, splits or deteriorates is a deficiency.	Repair/replace only the damaged siding. Siding to match the original as closely as possible, however, the Homeowner should be aware that the new finish may not exactly match the original surface texture or color.
Damaged siding or broken shingles.	Damaged siding or broken shingles is a deficiency if documented on a pre-closing walk-through inspection form.	The Builder shall replace or repair damaged siding if noted on a pre-closing walk-through inspection form. If the Builder does not perform a pre-closing walk-through inspection, then the Builder will be responsible for the deficiency if reported by the Homeowner. OWNER 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 within 30 days of occupancy.
Loose or fallen siding.	All siding which is not installed properly, so as not to come loose or fall off, is a deficiency.	Reinstall or replace siding and make it secure.
5.5 ROOFING		
Roof or flashing leaks.	Roof or flashing leaks that occur under normal weather conditions are deficiencies. EXCLUSION: Where cause of leaks is determined to result from severe weather conditions such as ice and snow build-up, high winds and driven rains, such leaks are not a deficiency.	Correct any roof or flashing leaks which are verified to have occurred under normal weather conditions.

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
Lifted, curled or torn roof shingles.	Roof shingles which lift or curl during the first year of warranty coverage or tear loose during normal weather conditions are deficiencies.	Repair or replace lifted, curled or torn shingles. EXCLUSION: Accidental loss or damage from acts of nature such as, but not limited to: 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.
Standing water on built-up roofs.	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.	Repair all leaks due to or caused by standing water. EXCLUSION: Standing or ponding water is not considered a deficiency.
5.6 SEALANTS Water or air leaks in exterior walls due to inadequate caulking.	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.	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. OWNER RESPONSIBILITY: Maintain caulking once the condition is corrected.
5.7 SHEET METAL Gutters and downspouts leak.	Gutters and downspouts which leak are deficiencies. Gutters which are improperly pitched to drain water are deficiencies. EXCLUSION: Standing water in gutters is acceptable if it does not exceed 1-inch in depth.	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. OWNER RESPONSIBILITY: Maintain caulking once the condition is corrected.
6.1 DOORS: INTERIOR AND EXTERIOR Warpage of interior or exterior doors.	Interior and exterior doors that warp so as to prevent normal closing and fit are deficiencies. The maximum allowable warpage of an interior door is 1/4-inch when measured from top to bottom vertically or diagonally.	Repair or replace as may be required. New doors to be refinished to match the original as closely as possible.
Door binds against jamb or head of frame or does not lock.	Passage doors that do not open and close freely without binding against the door frame are deficiencies. Lock bolt is to fit the keeper to maintain a closed position.	Adjust door and keeper to operate freely.
Door panels shrink and expose bare wood.	None. EXCLUSION: Door panels will shrink due to the nature of the material, exposing bare wood at the edges and is not a deficiency.	None.

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
6. DOORS AND WINDOWS		
Door panels split.	Door panels that have split to allow light to be visible through the door are deficiencies.	If light is visible, fill crack and finish panel to match as closely as possible. Correct one time during first year of warranty coverage. If panel cannot be repaired to hide crack, the panel or the door itself shall be replaced and finished to match original.
Bottom of doors rub on carpet surface.	Where it is understood by Builder and the Homeowner that carpet is planned to be installed as floor finish by Builder, the bottom of the doors which rub or disturb the carpet are deficiencies. EXCLUSION: Where carpet is selected by the Homeowner having excessive high pile, the Homeowner is responsible for any additional door undercutting.	Undercut doors as required.
Excessive opening at the bottom of interior doors.	Passage doors from room to room that have openings between the bottom of the door and the floor finish material in excess of 1 1/2-inches are deficiencies. Closet doors having an opening in excess of 2 inches are deficiencies.	Make necessary adjustment or replace door to meet the required tolerance.
6.2 GARAGE DOORS (ATTACHED GARAGE)		
Garage door fails to operate or fit properly.	Garage doors that do not operate and fit the door opening within the manufacturer's installation tolerances are deficiencies. Some entrance of the elements can be expected under heavy weather conditions and is not considered a deficiency.	Make necessary adjustments to meet the manufacturer's installation tolerances. EXCLUSION: No adjustment is required when cause is determined to result from the owner's installation of an electric door opener.
6.3 WOOD, PLASTIC AND METAL WINDOWS		
Malfunction of windows.	Windows which do not operate in conformance with manufacturer's design standards are deficiencies.	Consult with manufacturer when necessary and make necessary adjustments for windows to operate and meet the standard.
Double hung windows do not stay in place when open.	Double hung windows are permitted to move within a 2-inch tolerance, up or down when put in an open position. Any excessive movement exceeding the tolerance is a deficiency.	Adjust sash balances one time only during the first year of Warranty Coverage. Where possible, instruct the Homeowner on the method of adjustment for future repair.
Condensation or frost on window frames and glass.	None. 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.	None.

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
<p>6.4 HARDWARE Hardware does not work properly, fails to lock or perform its intended purpose.</p>	<p>All hardware installed on doors and windows which does not operate properly are deficiencies.</p>	<p>Builder shall adjust, repair, or replace hardware as required.</p>
<p>6.5 STORM DOORS, WINDOWS AND SCREENS Storm doors, windows and screens do not operate or fit properly.</p>	<p>Storm doors, windows and screens, when installed, which do not operate or fit properly to provide the protection, for which they are intended, are considered deficiencies.</p>	<p>Builder shall make necessary adjustments for proper fit and operation. Replace when adjustment cannot be made.</p>
<p>Screen panels do not fit properly. Screen mesh is torn or damaged.</p>	<p>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.</p>	<p>The Builder shall 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, the Builder is responsible to repair deficiency when reported by owner. OWNER RESPONSIBILITY: The Homeowner shall be responsible to notify Builder 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.</p>
<p>6.6 WEATHERSTRIPPING AND SEALS Drafts around doors and windows.</p>	<p>Weather-stripping 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 openings in poorly fitted weather-stripping is a deficiency.</p>	<p>Builder shall adjust or correct poorly fitted windows or doors, or poorly fitted weather-stripping.</p>
<p>6.7 GLASS AND GLAZING Broken glass.</p>	<p>Broken glass is a deficiency if it is reported on a pre-closing walk-through inspection report.</p>	<p>The Builder shall replace if reported on a pre-closing walk-through inspection report. If no report exists, the Builder shall replace if deficiency is reported by Homeowner.</p>
<p>Clouding and condensation on inside surfaces of insulated glass.</p>	<p>Insulated glass which clouds up or has condensation on the inside surfaces of the glass is a deficiency.</p>	<p>Builder shall replace glass in accordance with window and glass manufacturer's requirements.</p>

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
7. FINISHES		
7.1 LATH AND PLASTER Cracks in plaster wall and ceiling surfaces.	Noticeable cracks in plaster wall and ceiling surfaces exceeding are deficiencies.	Builder shall 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 of warranty date to allow for normal movement in Home.
7.2 GYPSUM WALLBOARD Defects caused by poor workmanship such as cracks over door and window frames, over arch ways, blisters in tape, excess compound in joints, exposed corner beads, nail pops, or trowel marks.	Slight defects such as occasional nail pops, seam lines and cracks are common to gypsum wallboard installation. Blisters in tape, cracks over door and window frames and over arch ways, 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. EXCLUSION: Ceramic tile, flagstone.	Builder shall correct such defects to acceptable tolerance and repaint affected areas one time. Such conditions shall be reported near the end of the first year warranty date to allow for normal settlement of Home.
7.3 HARD SURFACE FLOORING (FLAGSTONE, MARBLE, QUARRY TILE, SLATE CERAMIC TILE, ETC.) Floor cracks or becomes loose.	Ceramic tile, flagstone, or similar hard surfaced sanitary flooring which cracks or becomes loose is a defect. Subfloor and wallboard are required to be structurally sound, rigid, and suitable to receive finish.	Builder shall determine and correct the cause for the cracking or loosening of the finish material. Replace cracked material and reset loose flooring. EXCLUSION: Cracking and loosening of flooring caused by the homeowners negligence is not a deficiency. The Builder is not responsible for slight color and pattern variations of discontinued patterns of the manufacturer. It shall not be required to replace the entire finish when the new material consists of less than 25% of the finish area.
Cracks appear in grouting of ceramic tile joints or at junctions with other material such as a bathtub, shower, or countertop.	Cracks in grouting of ceramic tile joints are deficiencies. Regrouting of these cracks is a maintenance responsibility of the Homeowner within the life of the Home after the first year of warranty. EXCLUSION: Open cracks or loose grouting, where the wall surface abuts the flashing lip or a tub or shower basin, are considered Homeowner maintenance and any resultant damage to other finish surfaces due to leaks, etc. are not considered a deficiency.	The Builder shall repair grouting as necessary one time only within the first year of warranty.

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
7.4 RESILIENT FLOORING		
Nail pops appear on the surface of resilient flooring.	Readily apparent nail pops are deficiencies.	Builder shall correct nail pops that have caused damage to the floor material and repair or replace damaged floor covering in the affected area. Builder is not responsible for discontinued patterns or color variations. Also, see Exclusion K, page 5.
Depressions or ridges appear in the resilient flooring due to subfloor irregularities.	Readily apparent depressions or ridges exceeding 1/8-inch are a deficiency. The ridge or depression measurement is taken as the gap created at one end of a 6-inch straight edge placed over the depression or ridge with 3 inches on one side of the defect held tightly to the floor.	Builder shall take required action to bring the deficiency within acceptable tolerances so as to be not readily visible. Builder is not responsible for discontinued patterns or color variations in the floor covering, Homeowner neglect or abuse, nor installations performed by others.
Resilient flooring or base loses adhesion.	Resilient flooring or base that lifts, bubbles, or becomes unglued is a deficiency.	Builder shall repair or replace resilient flooring or base as required. Builder is not responsible for discontinued patterns or color variations.
Seams or shrinkage gaps show at resilient flooring joints.	Gaps in excess of 1/8-inch in width in resilient floor covering joints are deficiencies. Where dissimilar materials abut, a gap in excess of 3/16-inch is a deficiency.	Builder shall take required action to correct the cause of the deficiency. Builder is not responsible for discontinued patterns or color variations of floor covering.
7.5 PLYWOOD WALL COVERING:		
Variations in paneling color, scratches or checks on the finished surface.	Plywood paneling pattern and color will often vary and this is not a deficiency. Scratches on the paneling surface are deficiencies if reported on a pre-closing walk-through inspection report.	Builder shall repair or replace damaged paneling when the deficiency has been reported on the pre-closing walk-through inspection report. Builder is not responsible for discontinued panel or color variations. If no pre-closing walk-through was done, builder is responsible to repair damage if notified by owner. If damaged paneling cannot be replaced with new paneling to owner's satisfaction, the deficiency may be repaired within reasonable standard of good materials and workmanship. The owners shall notify the builder within 30 days of the warranty start date if no pre-closing walk-through inspection report exists.

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
<p>7.6 FINISHED WOOD FLOORING Dents, chips, knot pops, open joints or cracks in wood flooring. Dents and chips are deficiencies if reported on a pre-closing walk-through inspection report.</p>	<p>Dents, chips, knot pops, open joints or cracks in the finished wood flooring which exceed the manufacturer's quality standards of the wood flooring grade are considered deficiencies. Manufacturer's grade quality shall be as defined by: Wood and Synthetic Flooring Institute, National Oak Flooring Association and Maple Flooring Manufacturer's Association.</p>	<p>Builder shall 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, the Builder shall correct if notified by the Homeowner. For repairable deficiencies, repair cracks, chips, or dents by filling and refinishing to match the wood surface as closely as possible. For non-repairable deficiencies, replace and finish affected area to match remaining flooring as closely as possible. Homeowner shall report such deficiencies to Builder within 30 days of the warranty start date if there was no pre-closing walk-through inspection.</p>
<p>7.7 PAINTING Knot and wood stains appear through paint on exterior.</p>	<p>Excessive knot and wood stains which bleed through the paint are considered deficiencies.</p>	<p>Builder shall seal affected areas where excessive bleeding of knots and stains appear and touch-up paint to match.</p>
<p>Exterior paint or stain peels, deteriorates, or fades.</p>	<p>Exterior paints or stains that peel or deteriorate during the first year of ownership are deficiencies. EXCLUSION: Fading; however, is normal and subject to the orientation of painted surfaces to the climactic conditions which may prevail in the area. Fading is not a deficiency.</p>	<p>Builder shall properly prepare and refinish affected areas, matching color as closely as possible. Where finish repairs affect the majority of the surface areas, the whole area should be refinished. The warranty on the newly repainted surfaces will not extend beyond the original warranty period.</p>
<p>Painting required as corollary repair because of other work.</p>	<p>Necessary repair of a painted surface under this Warranty is to be refinished to match surrounding areas as closely as possible.</p>	<p>Builder shall refinish repaired areas to meet the standard as required.</p>
<p>Mildew or fungus forms on painted or factory finished surfaces.</p>	<p>None. 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.</p>	<p>None.</p>
<p>Deterioration of varnish or lacquer finishes.</p>	<p>Natural finish on interior woodwork which deteriorates during the first year of ownership is a deficiency. EXCLUSION: Varnish-type finishes on exterior will deteriorate rapidly and are not covered by the warranty.</p>	<p>Builder shall refinish affected areas of natural finished interior woodwork, matching the color as closely as possible.</p>

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
Interior paint coverage.	Interior paint not applied in a manner sufficient to visually cover wall, ceiling and trim surfaces is a deficiency.	Builder shall repaint wall, ceiling or trim surfaces where inadequate paint has been applied. Where a large area is affected the entire surface will be repainted.
Paint splatters and smears on finish surfaces.	Paint stains on porous surfaces which are excessive, that detract from the finish, and which cannot be removed by normal cleaning methods, are considered deficiencies. EXCLUSION: Minor paint splatter and smears on impervious surfaces, which cannot be easily removed, is considered as Homeowner maintenance and not a deficiency.	Builder shall 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, Builder shall correct if notified by the owner. The owner shall notify the builder within 30 days of the warranty start date if a pre-closing walk-through inspection report was not completed.
7.8 WALL COVERING		
Peeling of wallcovering installed by Builder.	Peeling of wallcovering is a deficiency, unless it is due to the homeowners abuse or negligence.	Builder shall repair or replace defective wallcovering.
Mismatching in wallcovering pattern.	Mismatching wall covering pattern over a large area that severely detracts from its intended purpose due to poor workmanship is a deficiency.	Builder shall remove mismatched wall covering and replace. Builder is not responsible for discontinued patterns or variations in color.
Lumps and ridges and nail pops in wallboard which appear after the Homeowner has wallcovering installed by others.	None. EXCLUSION: Owner shall ensure that the surface to receive wallcovering is suitable and assumes full responsibility should lumps, ridges and nail pops occur at a later date.	None.
7.9 CARPETING		
Seams in Carpet.	Seams in carpeting that separate due to improper installation are deficiencies. EXCLUSION: Carpeting material is not covered by the warranty.	Builder shall correct to eliminate the separation.
Carpeting comes loose or excessive stretching occurs.	Wall to wall carpeting that comes loose is a deficiency. EXCLUSION: Stretching that may occur in the carpeting is subject to the quality and surface over which it is laid and is not a deficiency.	Builder shall re-secure loose carpeting one time during the first year of warranty coverage.
Spots on carpet; minor fading.	Spots or stains on carpeting are a deficiency if reported on a pre-closing walk-through inspection report.	Builder shall remove spots and stains on a one-time basis if reported on a pre-closing walk-through inspection report and replace when excessive spots and stains cannot be removed. If no pre-closing inspection report exists, Builder shall correct when notified by Homeowner.

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
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Rules concerning specialties are as follows:

8. SPECIALTIES

8.1 FIREPLACES

Fireplaces or chimney does not draw properly causing smoke to enter home.

A properly designed and constructed fireplace or chimney shall function as intended. It is normal to expect that high winds can cause temporary negative or down drafts situations. Similarly, negative draft situations can also be caused by obstructions such as tree branches too close to the chimney. In addition, the geographic location of the fireplace or its relationship to adjoining walls and roof may cause 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 for the homeowner to substantiate the problems to the Builder by constructing a fire so the condition can be observed.

When determined the Malfunction is based upon improper construction of the fireplace, the Builder shall take the necessary steps to correct the problem.

Chimney separation from structure to which it is attached.

Newly built fireplaces will often incur slight amounts of separation. Separation which exceeds 1/2-inch from the main structure in any 10-foot vertical measurement is a deficiency.

Builder shall determine cause and correct. Caulking or grouting is acceptable up to 1/2-inch displacement.

8.2 BUILT-IN SAUNA AND STEAM BATH UNITS

Refer to the pertinent section of these Standards for deficiencies that may exist in construction, materials, finish and equipment of a steam bath or sauna unit constructed on-site.

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.

Builder shall make all necessary repairs or replacements including equipment covered under a manufacturer's warranty.

9.1 KITCHEN CABINETS AND VANITIES

Kitchen and vanity cabinet doors and drawers malfunction.

Cabinet doors, drawers and other operating parts that do not function as designed are deficiencies if reported on a pre-closing walk-through inspection report.

Builder shall repair or replace operating parts if a pre-closing report exists. If no pre-closing inspection report exists, Builder shall correct when notified by Homeowner.

The Homeowner shall notify the Builder within 30 days of the warranty start date if a pre-closing walk-through inspection was not conducted.

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
9. EQUIPMENT		
Surface cracks and delaminations in high-pressure laminates of vanity and kitchen cabinet countertops.	Countertops fabricated with high pressure laminate coverings that delaminate, have chips, scratches, or have surface cracks or joints between sheets exceeding 1/16-inch between sheets are considered deficiencies if reported on a pre-closing walk-through inspection report.	Builder shall repair or replace laminated surface covering having chips, cracks, scratches or joints exceeding the allowable width if reported on a pre-closing walk-through inspection report. If no pre-closing inspection report exists, Builder shall correct when notified by Homeowner. The Homeowner shall notify the Builder within 30 days of the warranty start date if a pre-closing walk-through inspection was not conducted.
Warping of kitchen and vanity cabinet doors and drawer fronts.	Warpage that exceeds 1/4-inch as measured from the face of the cabinet frame to the furthestmost point of warpage on the drawer or door front in a closed position is a deficiency.	Builder shall correct or replace door or drawer front as required.
Gaps between cabinets, ceiling and walls.	Countertops, splash boards, base and wall cabinets are to be securely mounted. Gaps in excess of 1/4-inch between wall and ceiling surfaces are a deficiency.	Builder shall make necessary adjustment of cabinets and countertop or close gap by means of moulding suitable to match the cabinet or countertop finish, or as closely as possible; or other acceptable means.
10.1 SEPTIC TANK SYSTEMS Septic system fails to operate properly.	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 Homeowner maintenance, and a normal need for pumping is not a deficiency.	Builder shall take corrective action as required, if it is determined that malfunction is due to improper design or construction. Builder is not responsible for malfunctions which occur through Homeowner negligence or abuse. Builder is also not responsible for malfunctions which occur due to acts of nature such as freezing and changes in the ground water table. EXCLUSION: The following are considered Homeowner 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 food waste disposer not supplied by Builder. 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. Note: Coverage is for first two years of warranty.

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
10.MECHANICAL SYSTEMS		
10.2 PLUMBING		
Plumbing pipes freeze.	Drain, waste and water pipes are to be adequately protected to prevent freezing during normally anticipated cold weather. Freezing of pipes is a deficiency and covered only during the first year of the warranty.	Builder shall correct the condition responsible for pipes freezing, and repair piping damaged by freezing. The owner is responsible to maintain suitable temperature 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 the time must be properly winterized or periodically checked to ensure that a reasonable temperature is maintained, Leaks occurring due to Homeowner neglect and resultant damage are not the Builder's responsibility.
Leakage from any piping.	Leaks in any sanitary soil, waste, vent and water piping are deficiencies and are covered during the first and second year of the warranty. EXCLUSION: Condensation on piping does not constitute leakage, and is not a deficiency, except where pipe insulation is required.	Builder shall make necessary repairs to eliminate leakage. NOTE: Coverage of this item is for first two years of warranty.
Faucet or valve leak.	A valve or faucet leak due to material or workmanship is a deficiency and is covered only during the first year of the warranty. EXCLUSION: Leakage caused by worn or defective washers or seals are a Homeowner maintenance item.	Builder shall repair or replace the leaking faucet or valve.
Defective plumbing fixtures, appliances or trim fittings.	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.	Builder shall replace or repair any fixture or fitting which is outside of acceptable standards as defined by the Manufacturer.
Stopped up sanitary sewers, fixtures and sanitary drains are deficiencies.	Sanitary sewer, fixtures and sanitary drains should operate and drain properly and are covered during the first and second year of the warranty.	Where defective construction is shown to be the cause, Builder shall make necessary repairs. EXCLUSION: Sewers, fixtures, and drains which are clogged through the homeowner's negligence, the Homeowner shall assume repair costs. NOTE: Builder responsibility for defective sewer lines extends to the property line on which Home is constructed. NOTE: Coverage of this item is for the first two years of warranty.

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
Chipped or damaged plumbing fixtures and appliances.	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.	Builder shall 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 no pre-closing inspection report exists, Builder shall correct when notified by Homeowner. The Homeowner shall notify the Builder within 30 days of the warranty start date if a pre-closing walk-through inspection was not conducted.
10.3 WATER SUPPLY Staining of plumbing fixtures due to high iron content in water.	High iron content in the water supply system will cause staining of plumbing fixtures.	None. Maintenance and treatment of the water is the homeowners responsibility.
Drinking water supply is not potable.	<p>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 still may be considered potable. In order to make this determination, the owner 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 owner and Builder and cannot be considered a deficiency.</p> <p>EXCLUSION: Water that becomes non-potable after certification by a source beyond the control of the Builder shall be excluded from coverage.</p>	Builder shall supply potable drinking water.

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
Water supply system fails to deliver water; pressure is low.	All service connections to municipal water main or private water supply are the Builder's responsibility when installed by him. 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.	Builder shall repair as required, 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 his control, then Builder is not responsible.
Noisy water pipes.	Some noise can be expected from the water pipe system, due to flow of water. "Water hammer" in the supply system is a deficiency and is covered only during the first year of the warranty.	Builder shall correct to eliminate "water hammer." EXCLUSION: Noises due to water flow and pipe expansion are not considered deficiencies.
10.4 HEATING AND AIR CONDITIONING Inadequate heat.	A heating system shall be capable of producing an inside temperature of at least 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 New Jersey U.C.C. Energy Subcode and ASHRAE Handbook in effect at the time the Home was constructed. 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 Home. Orientation of Home and location of room will also provide a temperature differential, especially when the heating system is controlled by a single thermostat for one or more floor levels.	Builder shall correct heating system as required to provide the required temperatures. Builder shall balance damper, register, and make minor adjustments one time only, during the first year of the warranty.

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
Inadequate cooling.	<p>When air conditioning is provided, the cooling system is to be capable for maintaining a temperature of 78-degrees Fahrenheit as measured in the center of each room at height of 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.</p> <p>NOTE FOR AIR CONDITIONING: The cooling cycle outdoor design temperature established by ASHRAE provides for a maximum of 12 degree temperature between the outdoor and the indoor temperature. There may be periods when the outdoor temperature rises above the design temperature in Home. Orientation of Home and location of room will also provide a temperature differential, especially when the air-conditioning system is controlled by a single thermostat for one or more levels.</p>	Correct cooling system to meet the above temperature requirements during the first year of Warranty Coverage.
Ductwork and heating piping not insulated in uninsulated area.	Ductwork and heating pipes that are run in uninsulated crawl spaces, garages or attics are to be insulated. Basements are not "uninsulated areas", and no insulation is required.	Builder shall install required insulation.
Refrigerant lines leak.	Refrigerant lines that develop leaks during normal operation are deficiencies during the first and second years of the warranty.	Builder shall repair leaking lines and recharge unit as required. NOTE: Coverage of this item is for the first two years of the warranty.
Condensate lines clog up.	Condensate lines will clog under normal conditions.	Builder shall provide clean and unobstructed lines on Warranty Effective Date. OWNER RESPONSIBILITY: Continued operation of drain lines is Homeowner maintenance item.
Improper mechanical operation of evaporative cooling system.	Equipment that does not function properly at temperature standard set is a deficiency.	Builder/Warrantor shall correct and adjust so that blower and water system operate as designed during the first year of the warranty.

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
Ductwork noisy.	Noise in ductwork may occur for a brief period when heating or cooling begins to function and is not considered a deficiency. Continued noise in the ductwork during its normal operation is a deficiency.	Builder shall take necessary steps to eliminate noise in the ductwork.
Ductwork separates; becomes unattached.	Ductwork that is not intact or securely fastened is a deficiency.	Builder shall reattach and resecure all separated or unattached ductwork.

11. ELECTRICAL SYSTEM

11.1 ELECTRICAL CONDUCTORS

Failure of wiring to carry its designed circuit load to switches and receptacles.

Wiring that is not capable of carrying the designed load, for normal residential use to switches, receptacles and equipment is a deficiency.

Builder shall check wiring and replace wiring if it fails to carry the design load. **NOTE:** Coverage of this item is for the first two years of warranty.

11.2 SWITCHES AND RECEPTACLES

Fuses blow, or circuit breakers kick out.

Fuses and circuit breakers which deactivate under normal usage, when reset or relaced are deficiencies during the first year of the warranty.

Builder shall check all wiring and replace wiring breaker if it does not perform adequately or is defective.

Drafts from electrical outlets.

The electrical junction box on exterior walls may produce a slight airflow whereby the cold air can be drawn through the outlet into a room. This problem is normal in new home construction.

None.

Malfunction of electrical outlets, switches, or fixtures.

All switches, fixtures and outlets which do not operate as intended are considered deficiencies only during the first year of the warranty.

Builder shall repair or replace defective switches, fixtures and outlets.

11.3 SERVICE AND DISTRIBUTION

Ground fault interrupter trips frequently.

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 outlets which do not operate as intended are considered deficiencies.

Builder shall replace the device if defective.

The Structural and Mechanical system standards to be used in determining the adequacy of design, materials and workmanship for the structural components of the Home and for the Mechanical systems of the Home including Plumbing, Electrical and Heating/Cooling systems shall be the provisions of the State Uniform Construction Code in effect on the date that the construction permit under which the new home was issued. The standards of adequacy for Plumbing systems shall be specified in N.J.A.C 5:25-3.5(k)2; for Heating and Air Conditioning systems shall be specified in N.J.A.C. 5:25-3.5(k)4 and for the Electrical system capability shall be specified in N.J.A.C. 5:25-5.5(l).