



RWC Application No. _____

Lot _____

Development _____

Residential Warranty Company, LLC
5300 Derry Street, Harrisburg, PA 17111-3598
Phone: 717-561-4480

LIMITED WARRANTY PROGRAM

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

LIMITED WARRANTY AGREEMENT

CLAIMS PROCEDURES

APPROVED STANDARDS

LIABILITY UNDER THIS **LIMITED** WARRANTY IS LIMITED TO THE FINAL SALES PRICE LISTED ON THE APPLICATION FOR WARRANTY FORM.

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

FHA/HUD Financed Homes — see NJ HUD Addendum pg. 23



RESIDENTIAL WARRANTY COMPANY, LLC

5300 Derry Street, Harrisburg, PA 17111-3598

Phone 717-561-4480 Fax 717-561-4494

Dear Homebuyer:

Congratulations on the purchase of your new Home. This is probably the largest, most important single investment you've ever made and we wish you many years of enjoyment. Since you've chosen a quality Builder, a recognized leader in residential construction, your investment is unusually well protected. This book explains why and we hope you will take the time to READ IT CAREFULLY.

This **limited** warranty affords you protection for ten (10) full years of Home ownership. During the first two (2) years, your **limited** warranty stands behind your Builder and protects you in the unlikely event your Builder is unable or unwilling to perform, subject to the conditions and exclusions listed herein. During the next eight (8) years, your **limited** warranty protects your Home against any Major Structural Defect which may occur.

This book includes procedures for an expedited dispute settlement process wherein conciliation and arbitration are performed simultaneously and any agreement arrived at is final and binding. Certain defects are covered for periods of one (1) or two (2) years only.

Please note that RWC must receive a written notice of claim that shall include the Request for Binding Conciliation/Arbitration form located at the back of this warranty book, or during Years 3 through 10 as outlined in Section A.7.(e), NOTICE OF MAJOR STRUCTURAL DEFECT CLAIM TO RWC FOR A CLAIM MADE TO WPIC – TIME OF NOTICE. The written notice must be postmarked within thirty (30) days after the expiration of the applicable limited warranty period. For example, if the defect is one which is covered under the Builder's one-year limited warranty period, written notice must be received by RWC postmarked within thirty (30) days of the end of Year 1, or the notice will not be honored. RWC strongly recommends that you send your written notice by certified mail, return receipt requested. This notice must contain the following information:

- (1) The Application Number and Effective Date Of Warranty;
- (2) The Builder's name and address;
- (3) Your name, address and phone number (both home and work);
- (4) A specific description of the defect;
- (5) The page and section number of this book containing the applicable limited warranty standard(s); and
- (6) A copy of your written notice to the Builder.

Except in the case of claims which relate to structural problems or emergencies, a notice of claim shall not be submitted until the expiration of 120 days from the Effective Date of Warranty.

This new home warranty is governed by "The New Home Warranty and Builders' Registration Act" (P.L. 1977, c.467) and the "Regulation Governing New Home Warranties and Builders' Registrations (N.J.A.C. 5:25-1.1 et. Seq.). For further information on new home warranties and homeowner rights in New Jersey, please visit the New Jersey Department of Community Affairs website: http://www.state.nj.us/dca/codes/newhome_warranty/consumer_info.shtml or call (609) 633-6366. Additional information may be received by calling RWC at (717) 561-4480.

Take a minute now to read this book in its entirety so that you will be familiar with its coverages and limitations. Your Builder will be able to answer any questions you may have about the **limited** warranty or specific construction standards and how they apply to your Home.

Again, congratulations and enjoy your new Home!

Very truly yours,

RESIDENTIAL WARRANTY COMPANY, LLC

LIMITED WARRANTY PROGRAM

INTRODUCTION

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

THIS **LIMITED WARRANTY** INCLUDES PROCEDURES FOR RESOLUTION OF DISAGREEMENTS RELATING TO THE **LIMITED WARRANTY PROGRAM**, INCLUDING AN EXPEDITED DISPUTE SETTLEMENT PROCESS WHEREIN CONCILIATION AND ARBITRATION ARE PERFORMED SIMULTANEOUSLY AND ANY AGREEMENT ARRIVED AT IS FINAL AND BINDING. PLEASE NOTE THAT CERTAIN DEFECTS ARE COVERED FOR PERIODS OF ONE (1) OR TWO (2) YEARS ONLY. WRITTEN NOTICE FOR THESE DEFECTS THAT SHALL INCLUDE THE REQUEST FOR BINDING CONCILIATION/ARBITRATION FORM LOCATED AT THE BACK OF THIS WARRANTY BOOK, MUST BE POSTMARKED WITHIN THIRTY (30) DAYS OF THE EXPIRATION OF THE APPLICABLE COVERAGE PERIOD OR THEY WILL NOT BE HONORED. RWC STRONGLY SUGGESTS THAT YOU SEND YOUR WRITTEN NOTICE BY *CERTIFIED MAIL, RETURN RECEIPT REQUESTED*. ADDITIONAL INFORMATION MAY BE RECEIVED BY CALLING RWC AT 717-561-4480. INFORMATION REGARDING THE RESOLUTION PROCESS APPROVED BY THE NEW JERSEY DEPARTMENT OF COMMUNITY AFFAIRS CAN BE OBTAINED BY CALLING DCA AT 609-633-6366 OR VISITING [HTTP://WWW.STATE.NJ.US/DCA/CODES/NEWHOME_WARRANTY/CONSUMER_INFO.SHTML](http://WWW.STATE.NJ.US/DCA/CODES/NEWHOME_WARRANTY/CONSUMER_INFO.SHTML). YOU SHOULD READ THIS BOOK IN ITS ENTIRETY IN ORDER TO UNDERSTAND THE PROTECTION IT PROVIDES, THE EXCLUSIONS APPLICABLE TO IT, AND THE **LIMITED WARRANTY STANDARDS** WHICH WILL GOVERN ITS INTERPRETATION AND OPERATION.

It should be understood by the Purchaser that every newly constructed Home needs maintenance and that it is the Purchaser's responsibility, not the Builder's, to maintain the Home. Any damage or defect caused or worsened by neglect, abnormal use, or improper maintenance and operation on the part of the Purchaser will not be covered by this **limited** warranty.

Your Builder and you are responsible for establishing a written, final walk-through inspection list of items in need of service prior to occupancy or closing whichever is first. This list must be signed and dated by you and your Builder. Keep a copy for your records.

The Standards Section of the **limited** warranty provides warranty coverage on certain items only if noted on the pre-closing, walk-through inspection. If a pre-closing inspection was not performed and you have a warranty issue which would have been documented on a pre-closing inspection, you must provide a written notice to your Builder within thirty (30) days of the Effective Date Of Warranty. You are not required to provide this notice to the Administrator or to WPIC within thirty days of the effective date of warranty, but such written notice must be provided to your Builder no later than thirty days following the Effective Date of Warranty for any item contained in the notice to be considered for warranty coverage.

SECTION A: THE LIMITED WARRANTY PROGRAM

The Builder is the Warrantor during the first two (2) years of this **limited** warranty. Western Pacific Mutual Insurance Company, a Risk Retention Group, (WPIC) provides insurance coverage insuring the Builder's performance hereunder during Years 1 and 2 of the warranty period and is the Warrantor providing insurance protection against Major Structural Defects, as defined in Section B, during Years 3 through 10 of the warranty period. Residential Warranty Company, LLC (RWC) will administer the **limited** warranty program for participating Builders and WPIC. RWC is neither a Warrantor nor Insurer. The protection provided under the **limited** warranty program is automatically transferable to subsequent Purchasers during the ten (10) year term of this **limited** warranty.

1. PROTECTION PROVIDED

The **limited** warranty program provides you with the following protection:

- (a) **YEAR 1 COVERAGE:** Commencing on the Effective Date Of Warranty as specified on the Application For Warranty form, and subject to the terms and conditions listed herein, the Builder warrants that, for a period of one (1) year, your Home will be free from defects due to nonconformity with the **limited** warranty standards set forth in Section C of this book.*
- (b) **YEARS 1 AND 2 COVERAGE:** Commencing on the Effective Date Of Warranty as specified on the Application For Warranty form, and subject to the terms and conditions listed herein, the Builder warrants that for a period of two (2) years, your Home will have no Major Structural Defects (as defined in Section B of this book) and that certain portions of the Home's systems will be free from defects due to nonconformity with the **limited** warranty standards set forth in Section C(5) of this book. For a period of two years, your Home will be free from Fixture, Appliance and Items of Equipment defects only if such defects are covered under a manufacturer's warranty. No warranty for Appliances, Fixtures or Items of Equipment shall exceed the length and scope of the manufacturer's warranty.
- (c) **YEARS 3 THROUGH 10 COVERAGE:** Commencing at the beginning of the third year following the Effective Date Of Warranty as specified on the Application For Warranty form, and subject to the terms and conditions listed herein, WPIC will protect your Home for a period of eight (8) years against loss resulting from Major Structural Defects (as defined in Section B of this book).

2. CONDOMINIUM COVERAGE - COMMON ELEMENTS

This **limited** warranty shall only be applicable to common elements. Common elements are those elements listed in the master deed on file for each such development or unit as required under law for common ownership. **Limited** warranty coverage for common elements shall be for the same periods and to the same extent as similar or comparable items in individual residential units. Examples of common elements which are covered by the **limited** warranty are hallways, meeting rooms and other spaces wholly within the structure and designated for the use of two or more units; and those portions of the Electrical, Heating, Ventilating, Cooling, and Plumbing Systems which serve two or more units. A common element that is a "limited common element" under New Jersey law will not be excluded from coverage simply because

*Refers to HUD addendum

it serves only one unit. Examples of common elements which are not covered under this **limited** warranty are clubhouses, recreational buildings and facilities, exterior structures, exterior walkways, arches or any other non-residential structure which is a portion of the condominium, except that exterior buildings which contain the Plumbing, Electrical, Heating, or Cooling Systems serving a unit are covered.

3. BUILDER'S RESPONSIBILITY AND PURCHASER'S RIGHTS: YEARS 1 AND 2

If a defect in your Home arises due to nonconformity with the **limited** warranty standards during Year 1 of the warranty period, or if a covered defect in your Home's Cooling, Ventilating, Heating, Electrical, or Plumbing Systems arises due to nonconformity with the **limited** warranty standards during Years 1 or 2 of the warranty period, the Builder will repair or replace the defective item; if a Major Structural Defect arises in your Home during Years 1 or 2 of the warranty period, the Builder will repair or replace the defective item, limited to such actions as are necessary to restore load-bearing capability to the load-bearing components of the Home and to repair those elements of the Home damaged by the Major Structural Defect.

4. CONDITIONS AFFECTING BUILDER'S RESPONSIBILITY; WPIC'S YEARS 1 AND 2 LIMITED WARRANTY; AND PURCHASER'S RIGHTS*

In each instance, the Builder's responsibility and WPIC's Years 1 and 2 **limited** warranty coverage are subject to the following:

- (a) In the event of a **limited** warranty claim, the decision of whether to repair or replace a defective item, is solely the Builder's or WPIC's, as applicable. The standard of repair must address the defect itself and the underlying cause of the defect. The method of repair is in the discretion of the Builder subject to code compliance, warranty standard compliance, and good industry practice and good workmanship and is not subject to review or approval by the homeowner. The submission of a building permit may include the preparation of design drawings by a licensed design professional. These drawings are not subject to review or approval by the homeowner.
- (b) The Builder's and WPIC's aggregate total liability is limited to, and shall not exceed, the final sales price listed on the Application For Warranty form.
- (c) If the Builder does not fulfill its obligations under this **limited** warranty, WPIC will be responsible for the Builder's obligations.
- (d) Actions taken to cure defects will not extend the periods of coverage specified in this book.
- (e) When the Builder finishes repairing or replacing a defective item, you will be afforded the opportunity to request a compliance arbitration as outlined in Section A.7.(k) in the **limited** warranty booklet. Coverage will continue for the balance of the period of coverage under the **limited** warranty, as outlined in the **limited** warranty booklet. If WPIC fulfills such obligations of the Builder, you will be afforded the opportunity to request a compliance arbitration as outlined in Section A.7.(k) in the **limited** warranty booklet. Coverage will continue for the balance of the period of coverage under the **limited** warranty, as outlined in the **limited** warranty booklet. Neither the Builder nor WPIC will be responsible for worsening conditions should you fail to report recurrences in a timely manner.

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

(g) This **limited** warranty provides coverage only in excess of costs, expenses, or repairs provided by or recovered from other warranties or insurance. If such a recovery is made after Warrantor repairs or pays for the repair of a covered Defect, then you shall reimburse Warrantor to the extent of the subsequent recovery.

(h) If a claim under this **limited** warranty involves a common element in a condominium, the claim may be made only by an authorized representative of the condominium association. However, where the Builder retains control of more than 50% voting interest in the association, the claim may be made by the owners of any unit directly to RWC, Administrator.

5. WPIC'S RESPONSIBILITY AND PURCHASER'S RIGHTS: YEARS 3 THROUGH 10

If a Major Structural Defect (as defined in Section B of this book) arises in your Home during Years 3 through 10 of the warranty period, WPIC, at its sole option, will repair or replace the defective item, limited to such actions necessary to restore load-bearing capability to the load-bearing components of the Home and to repair those elements of the Home damaged by the Major Structural Defect.

6. CONDITIONS AFFECTING WPIC'S RESPONSIBILITY AND PURCHASER'S RIGHTS*

In each instance, WPIC's responsibility is subject to the following:

- (a) In the event of a **limited** warranty claim, the decision of whether to repair or replace a defective item is WPIC's. The standard of repair must address the defect itself and the underlying cause of the defect. The method of repair is in the discretion of WPIC subject to code compliance, warranty standard compliance, and good industry practice and good workmanship and is not subject to review or approval by the homeowner. The submission of a building permit may include the preparation of design drawings by a licensed design professional. These drawings are not subject to review or approval by the homeowner.
- (b) The total liability of WPIC under this **limited** warranty is limited to and shall not exceed the least of the following:
 - (i) The final sales price listed on the Application For Warranty form;
 - (ii) The reasonable cost of that part of the building damaged for like construction and use on the same premises;
 - (iii) The necessary amount to repair or replace the portion of the building rendered uninhabitable by the Major Structural Defect; less all amounts paid by or on behalf of WPIC under this **limited** warranty.
- (c) WPIC's liability in Years 3 through 10 of the warranty period is subject to an aggregate deductible of \$250. In each instance, the deductible must be paid by you prior to repair

or replacement by WPIC. In the case of the common elements of a condominium, the aggregate deductible of \$250 shall be applicable for the first claim only.

- (d) Actions taken to cure defects will not extend the periods of coverage specified in this book.
- (e) When WPIC finishes repairing or replacing a Major Structural Defect under this **limited** warranty, you will be provided with an engineer's certification for the repair and afforded the opportunity to request a compliance arbitration, should you so choose. Coverage will continue for the balance of the period of coverage under the **limited** warranty, as outlined in the **limited** warranty booklet. WPIC is not responsible for worsening conditions should you fail to report recurrences in a timely manner.
- (f) If WPIC repairs or replaces any Major Structural Defect, WPIC shall be subrogated to all of your rights of recovery therefore against any person or entity, and you agree to execute and deliver any and all instruments and papers and to take any and all other actions necessary to secure such rights, including, but not limited to, assignment of the proceeds of any other insurance or warranties to WPIC. You shall do nothing to prejudice such rights of subrogation.
- (g) If a claim under this **limited** warranty involves a common element in a condominium, the claim may be made only by an authorized representative of the condominium association. However, where the Builder retains control of more than 50% voting interest in the association, the claim may be made by the owners of any unit directly to RWC, Administrator. If a claim under this **limited** warranty involves a common element affecting multiple units, and all affected units are not warranted by the WPIC Limited Warranty Program, WPIC's liability shall be limited to only those units warranted by WPIC. WPIC's limit of liability shall be prorated based upon the number of units warranted by WPIC.
- (h) This **limited** warranty provides coverage only in excess of costs, expenses, or repairs provided by or recovered from other warranties or insurance. If such a recovery is made after Warrantor repairs or pays for the repair of a covered Defect, then you shall reimburse Warrantor to the extent of the subsequent recovery.

7. HOW TO MAKE A LIMITED WARRANTY CLAIM; DISPUTE SETTLEMENT

- (a) 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 Purchaser from all other remedies. Nothing herein shall be deemed to limit the Purchaser's right to elect other remedies except that such election shall bar the Purchaser 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, counterclaim, crossclaim, or third party complaint in any court that alleges matters covered by this **limited** warranty in particular or unworkmanlike construction in general.
- (b) Carefully read and review this book and the standards contained herein to determine if the defect is covered.

- (c) **NOTICE TO YOUR BUILDER:** If you have a complaint which you believe is covered by this **limited** warranty and it arises during Years 1 or 2 of the warranty period, you should send a clear and specific notice of the complaint to your Builder. If you have a claim during Years 3 through 10 of the warranty period, see section A(7)(e).

PLEASE NOTE: Notice to the Builder does not constitute notice to RWC nor will it be deemed to extend applicable coverage periods.

- (d) **NOTICE TO RWC FOR A CLAIM MADE TO WPIC—TIME OF NOTICE:** Except in the case of claims which relate to structural problems or emergencies, a notice of claim shall not be submitted until the expiration of 120 days from the Effective Date of Warranty. If notice to the Builder does not result in satisfaction within a reasonable time, RWC should then be given written notice of the complaint. RWC strongly suggests that you send your written notice by *certified mail, return receipt requested*.

PLEASE NOTE: RWC must receive a written notice of claim that shall include the Request for Binding Conciliation/Arbitration form located at the back of this warranty book, postmarked within thirty (30) days after the expiration of the applicable limited warranty period. For example, if the defect is one which is covered under the Builder's one (1) year limited warranty period, written notice must be received by RWC postmarked within thirty (30) days of the end of Year 1 or the notice will not be honored. RWC strongly recommends that you send your written notice by *certified mail, return receipt requested*. This notice must contain the following information:

- (i) The Application Number and Effective Date Of Warranty;
- (ii) The Builder's name and address;
- (iii) Your name, address and phone number (both home and work);
- (iv) A specific description of the defect;
- (v) The page and section number of this book containing the applicable standard(s); and
- (vi) A copy of your written notice to the Builder.

- (e) **NOTICE OF MAJOR STRUCTURAL DEFECT CLAIM TO RWC FOR A CLAIM MADE TO WPIC - TIME OF NOTICE:** If you have a claim as a result of a Major Structural Defect occurring during Years 3 through 10 of this **limited** warranty, you should notify RWC, and RWC will inspect the claim. All such claims must be presented in writing to RWC (not the Builder) promptly after the Major Structural Defect arises, but in no event later than thirty (30) days after the expiration of the term of this **limited** warranty. Claims received after this period will not be honored. RWC strongly recommends that you send your written notice by *certified mail, return receipt requested*.
- (f) **SUBSTANTIATION:** Where a claimed defect is filed that cannot be observed or determined under normal conditions, it is the homeowner's responsibility to substantiate that the condition does exist. Any cost involved shall be paid by the owner, and if properly substantiated, reimbursement shall be made by your Builder or WPIC, whichever is liable for the claim.
- (g) **RIGHT OF ACCESS:** You must provide the Warrantor with reasonable weekday access during normal business hours in

order to perform its obligations. Failure by you to provide such access to the Warrantor may relieve the Warrantor of its obligations under this **Limited Warranty**.

- (h) **INSPECTION:** RWC, at any time following receipt of proper notice of your claim, may schedule an inspection of the defect. You must provide RWC reasonable access for any such inspection.
- (i) **YEARS 1 AND 2:** Upon RWC's receipt of proper notice of a defect that shall include the executed Request for Binding Conciliation/Arbitration form in your warranty book, RWC will contact you to review the issue(s) claimed.

Within 48 hours after reviewing with you the issue(s) you have claimed, RWC will contact the Builder and forward a copy of the Request for Binding Conciliation/Arbitration For Coverage Period 1 and 2 Only form to the Builder for review and response. The Builder shall respond to the homeowner and RWC, in writing, addressing the issue(s) claimed within fifteen (15) business days of the Builder's receipt of RWC's notice.

If the Builder agrees in writing to address ALL of the alleged defects and includes a time frame for completion of repairs, the Builder's written agreement will be forwarded to the homeowner. If the homeowner agrees in writing to the time frame for completion of repairs with the Builder and RWC, then the Builder's agreement will be recognized as an Award of Arbitration and subject to a Compliance Arbitration.

If the Builder does not respond in writing addressing the claimed issue(s) within fifteen (15) business days of the Builder's receipt of RWC's notice, or the Builder does not agree to address all of the alleged defects, or the Homeowner does not agree, in writing, with the Builder's proposal, see Section A.7.(k).

- (j) **YEARS 3-10:** Upon RWC's receipt of proper notice of a Major Structural Defect, RWC will review the claim and shall schedule a fact finding inspection with an engineer. Upon receipt of the engineer's fact finding inspection report, RWC will conduct any further investigations that are necessary, and will then render a coverage determination. If you disagree with RWC's coverage determination, RWC will provide you with binding conciliation/arbitration information.

- (k) **BINDING DISPUTE SETTLEMENT (CONCILIATION/ARBITRATION) YEARS 1-10:** The Administrator shall forward your request for binding dispute settlement to the New Jersey Office of Dispute Settlement or to another independent arbitration service upon which you and the Administrator agree. Conciliation and arbitration will be performed simultaneously during the dispute settlement meeting. As a result of the meeting, the arbitrator will render a written award. This award is legally binding on both parties. This binding arbitration is governed by the procedures of the Federal Arbitration Act, 9 U.S.C. 1 *et. seq.* The arbitration shall be conducted in accordance with the **limited** warranty and the arbitration rules and regulations to the extent that they are not in conflict with the Federal Arbitration Act.

If you do not provide evidence of your claimed defect as described in section A.7.(f), at the time of the binding conciliation/arbitration meeting, your claim may be denied by the arbitrator.

The Warrantor shall comply with the arbitrator's decision by the date specified by the arbitrator in the award. The homeowner must allow the Warrantor access as described in section A.7.(g).

Homeowners do not have to pay any costs nor place any funds in escrow with respect to the binding conciliation/arbitration.

- (l) **COMPLIANCE ARBITRATION:** You may request a Compliance Arbitration within twenty (20) days after the expiration of the compliance period by giving the Administrator written notice of your request. You must pay the fees for the Compliance Arbitration prior to the matter being submitted to the arbitration service. The cost of the Compliance Arbitration shall be refunded if the arbitrator finds that the Warrantor is not in compliance. If the arbitrator gives the Builder an extension of time to complete repairs after the compliance period has expired, the cost of the Compliance Arbitration will be refunded to you.

The compliance arbitrator shall determine one of the following for each of the items awarded:

- (i) The repair has been made in compliance with the arbitration award, and the claim is closed; or
- (ii) The repair has been made but the compliance period will be extended to insure that the Defect does not re-occur (the establishment of a monitoring period to determine Builder compliance is proper for such Defects as inadequate Heating and/or Air Conditioning, window leaks, roof leaks and basement water problems. The monitoring period shall include the full next applicable season); or
- (iii) The repair has not been made in compliance with the arbitration award and the Warrantor has made a reasonable and good faith effort to effect the repair and shall be granted an extension of a specified length of time to the compliance period (circumstances for such a determination may include, but are not limited to, the following: repairs that were made in conformance with good industry practice but were determined by the arbitrator to be inadequate to correct the Defect, or circumstance beyond the Builder's control, like, but not limited to, acts of God or the common enemy, war, riot, civil commotion or sovereign conduct, or acts of others who are not parties to this **limited** warranty, which have created scheduling problems that prevented the Builder from timely completing the repairs, or the unavailability of materials that have been ordered but not yet delivered); or
- (iv) The repair has not been made in compliance with the arbitration award, and the Warrantor is in default; or
- (v) You have been uncooperative and have thwarted the Warrantor's efforts to comply, and the parties have agreed to an extension of time; or
- (vi) You have been uncooperative and have thwarted the Warrantor's efforts to comply, and the case is closed.
- (m) **CLARIFICATION:** You, the Warrantor and the Administrator may request a clarification of the award within twenty (20) days of the date of mailing of the award by giving the arbitration service written notice of the request and copying all other parties. If you choose to request a clarification, you will be responsible to pay 50% of the fee, if charged, by the arbitration service up to a cap of \$100. The Warrantor and Administrator will be 100% responsible for the fees associated with their request. The compliance period will be tolled based upon the date the arbitration service acknowledges receipt of the clarification request.

SECTION B: DEFINITIONS AND EXCLUSIONS

1. DEFINITIONS*

For the purpose of this **limited** warranty, the following terms shall have the meanings set forth herein:

- (a) Administrator: Residential Warranty Company, LLC (RWC).
- (b) Builder: The person, corporation, partnership, or other entity which is a participating member of this **limited** warranty program and which obtained this **limited** warranty for the Purchaser.
- (c) Compliance Arbitration: An arbitration hearing to determine if the Warrantor has complied with the Arbitrator's Award regarding the coverages in this **limited** warranty.
- (d) Cooling, Ventilating and Heating Systems: All ductwork, refrigerant lines, steam and water pipes, registers, convectors and dampers.
- (e) Deflection: A turning or bending of a structural element from its original position. Deflection is measured from any two end points and a third reference point. The reference point may be located at any distance between the two end points.
- (f) Effective Date Of Warranty: The date specified as the settlement date or the first occupancy date on the Application For Warranty form.*
- (g) Electrical Systems: All wiring, electrical boxes and connections up to the public utility connection.
- (h) Fixtures, Appliances and Items of Equipment, including Attachments and Appurtenances: Water heaters, pumps, stoves, refrigerators, compactors, garbage disposals, stoves and ranges, dishwashers, washers and dryers, bathtubs, sinks, commodes, faucets and valves, lights and fixtures, switches, outlets, circuit breakers, thermostats, furnaces and oil tanks, humidifiers, oil purifiers, ventilating fans, air conditioning material, in-house sprinkler systems and similar items.
- (i) Home: A single family dwelling, identified on the Application For Warranty form, which may be a townhome, condominium or duplex.
- (j) Insurer: Western Pacific Mutual Insurance Company, a Risk Retention Group (WPIC). Located at 9265 Madras Ct, Littleton, CO 80130. Phone: 303-263-0311.
- (k) Major Structural Defects:
 - (i) 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 rafters and trusses; ceiling and floor joists; bearing partitions; supporting beams; columns; basement and foundation walls and footings.
 - (ii) A structural failure will not be considered a defect until it has been established under the terms and procedures of this **limited** warranty as an actual or pending structural failure of some part of the load bearing system as defined in (i) above under the Uniform Construction Code in effect on the date the construction permit was issued. To be eligible, such defect does not have to render the Home uninhabitable; however, it must be of such a serious nature that it vitally affects the use of the Home for residential purposes.*

(n) **UNRESOLVED WARRANTY ISSUE**: As used herein, the term "Unresolved Warranty Issue" shall mean all requests for warranty performance, demands, disputes, controversies and differences that may arise between the parties to the **limited** warranty that cannot be resolved among the parties. An Unresolved Warranty Issue may be a disagreement regarding:

- (i) Whether a deficiency or Major Structural Defect is covered by the warranty;
- (ii) Whether a deficiency, Major Structural Defect or consequential damage has been corrected in a manner covered by the warranty;
- (iii) Claim settlement offer;
- (iv) Whether there has been a failure to respond to written notice of deficiency or Major Structural Defect;
- (v) The issues that can be submitted to binding arbitration; and
- (vi) The timeliness of binding arbitration requests

8. ROLE OF RWC

RWC is the Administrator of this **limited** warranty. RWC is neither a Warrantor nor an Insurer. Should you commence legal action against RWC solely in one of these capacities, you may be responsible for all of RWC's costs and expenses of litigation. This does not preclude you from taking action against RWC if such litigation arises out of an independent wrongful action of RWC.

9. GENERAL TERMS AND CONDITIONS AFFECTING THIS LIMITED WARRANTY

The following terms and conditions of general applicability will govern the interpretation and operation of this **limited** warranty:

- (a) The Builder must assign to you all manufacturers' warranties on products included in the sales price of your home. WPIC shall not be liable for your Builder's failure to do so.
- (b) This Agreement is separate and apart from and cannot be affected by your contract with the Builder. It cannot be altered or amended in any way by any other agreement which you may have.
- (c) All notices required under this **limited** warranty must be in writing and sent to the recipient's address shown on the Application For Warranty form, or to whatever other address the recipient may designate in writing. It is strongly suggested that these written notices be sent by *certified mail, return receipt requested*.
- (d) Should any provision of this **limited** warranty be determined by a court of competent jurisdiction to be unenforceable, that determination will not affect the validity of the remaining provisions.
- (e) This **limited** warranty is binding on the Builder and the Purchaser, his heirs, executors, administrators, successors and assigns.
- (f) This **limited** warranty shall be interpreted and enforced in accordance with the laws of the state of New Jersey.
- (g) This **limited** warranty cannot be modified, altered or amended in any way except by a formal written instrument signed by all of the parties hereto, which must be approved by the New Jersey Department of Community Affairs.*
- (h) Whenever appropriate, it is intended that the use of one gender in this book includes all genders and the use of the singular includes the plural.

(iii) The following are excluded as Major Structural Defects:

1. Changes by the owner to the established grade lines affecting basement and foundation walls;
2. Movement caused by flood or earthquake;
3. Actual or resultant damage caused by lightning, tornado, unnatural high winds or hurricanes;
4. Damage caused by additions or alterations to the Home;
5. Improper loading by you over and above the design criteria for which the part of the Home was intended (examples include improper placement of a water bed or gym equipment);
6. Resultant structural damage due to fire;
7. Changes in the water level which is caused by new development in the immediate area or can be directly traced to an act of nature;
8. Water seepage in basement or crawlspace after Year 1 of coverage.

(iv) In the case where a Major Structural Defect exists and the Home is rendered uninhabitable, the Builder/Warrantor shall be responsible to pay for reasonable shelter expenses of the owner until the Home is made habitable should the condition occur during Years 1 or 2 of the warranty period. WPIC will assume such responsibility during Years 3 through 10.

(l) Plumbing Systems: All pipes (supply and waste) and their fittings, including septic tanks and their pipe drain fields, as well as gas supply lines and vent pipes.

(m) Purchaser: The Purchaser shall include the first Purchaser of the Home under this **limited** warranty and any and all successors in title, leasees having a leasehold interest in the Home of at least fifty (50) years, and a mortgagee in possession of the Home.

(n) Unresolved Warranty Issue: All requests for warranty performance, demands, disputes, controversies and differences that may arise between the parties to the **limited** warranty that cannot be resolved among the parties. An Unresolved Warranty Issue may be a disagreement regarding:

- (i) Whether a deficiency or Major Structural Defect is covered by the warranty;
- (ii) Whether a deficiency, Major Structural Defect or consequential damage has been corrected in a manner covered by the warranty;
- (iii) Claim settlement offer;
- (iv) Whether there has been a failure to respond to written notice of deficiency or Major Structural Defect;
- (v) The issues that can be submitted to binding arbitration; and
- (vi) The timeliness of binding arbitration requests.

(o) Warrantor: The Builder in Years 1 and 2 and WPIC in Years 3 through 10.

2. EXCLUSIONS

Additional exclusions may be included in the performance standards to better define those standards. The following are not warranted in the RWC **limited** warranty:

(a) Any portion of a covered Home which is not completed by the Effective Date Of Warranty; except that, after completion, such portions will be covered until the end of the warranty

period specified for that portion. Builder failure to complete construction of such portions may constitute the basis for denial, supervision, or revocation of registration. Any item for which funds are being held in escrow until completion 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 **limited** warranty. In all cases, the warranty period shall be deemed to have commenced on the Effective Date Of Warranty.

* (b) Defects in outbuildings, except outbuildings which contain the Plumbing, Electrical, Heating, or Cooling Systems serving the Home and 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; offsite improvements or any other improvements not a part of the Home itself.

* (c) Bodily injury, damage to personal property or damage to real property which is not part of the Home.

(d) Any damage to the extent it is caused or made worse by:

- (i) Negligent or improper maintenance or improper operation by anyone other than the Builder or his employees, agents or subcontractors;
- (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;
- (iii) Failure to give notice to the Builder or WPIC of any defect within the time frame established under the warranty plan;
- * (iv) Changes to the grading of the ground by anyone other than the Builder, or his employees, agents or subcontractors;
- (v) Failure to take timely action in emergent cases to minimize any loss or damage.

(e) Any defect in, or caused by, materials or work supplied by anyone other than 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 escape, changes which are not reasonably foreseeable in the level of the underground water table, glass breakage, windstorm, hail, lightning, falling trees, aircraft, vehicles, flood and earthquake. However, soil movement (from causes other than flood and earthquake) is not excluded.*

(h) Insect damage.

(i) Any loss or damage which arises to portions of the Home being used primarily for non-residential purposes.

(j) Changes, alterations or additions made to the Home by anyone after initial occupancy except those made by the Builder as his obligation under this **limited** warranty.

- (k) Any defect caused to a finished surface material or any work supplied by anyone other than the Builder, or his employees, agents or subcontractors in that, it is determined the installer has accepted the Builder's surface to apply the finishing 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.

SECTION C. LIMITED WARRANTY STANDARDS

1. PURPOSE OF THE STANDARDS

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

2. ADDITIONAL CONDITIONS: PURCHASER'S RESPONSIBILITY

The applicability of these **limited** warranty standards is further conditioned upon the Purchaser's proper maintenance of the Home to prevent damage due to neglect, abnormal use or improper maintenance.

3. STANDARDS APPLICABLE DURING YEAR 1 ONLY

The structural and mechanical systems 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 and Cooling Systems, shall be the provisions of the State Uniform Construction Code in effect on the date of issuance of the construction permit under which the new Home was built.

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

(a) SITE WORK

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| *1. Grading: Settling of ground around foundation walls, utility trenches or other areas on the property where excavation and back fill have taken place that affect drainage away from the house. | Settling of ground around foundation, walls, utility trenches or other filled areas which exceeds a maximum of 6 in. from finished grade established by the Builder/Warrantor is considered a defect. | If Builder/Warrantor has provided final grading, Builder/Warrantor shall fill settled areas affecting proper drainage, one time only, during Year 1 of the warranty period. Builder/Warrantor is then responsible for removal and replacement of shrubs and other landscaping installed by the Builder/Warrantor affected by placement of the fill.* |
| *2. Drainage: Improper grades and swales which cause standing water and affect the drainage in the immediate area surrounding the Home. | Necessary grades and swales shall be established to provide proper drainage away from the house. Site drainage under this warranty is limited to those immediate grades and swales surrounding the Home. Standing or ponding water within the immediate surrounding area of the Home shall not remain for a period longer than 24 hours after a rain. Where swales are draining from adjoining properties or where a sump pump discharges, an extended period of 48 hours is allowed for the water to dissipate. The possibility of standing water after an unusually heavy rainfall should be anticipated and is not considered a deficiency. No grading determination is to be made while there is frost or snow or when the ground is saturated. | Responsible for initially establishing the proper grades, swales and drainage away from the Home. The Owner is responsible for maintaining such grades and swales once properly established by the Builder/Warrantor to prevent runoffs and erosion of the soil. Standing or ponding water on the property which does not directly affect the immediate area surrounding the foundation of the Home, caused by unusual grade conditions, retained treed areas or sodding done by the homeowner is not considered a defect. Soil erosion and runoff caused by failure of the Owner to maintain the properly established grades, drainage structures and swales, stabilized soil, sodded, seeded and landscaped areas, are excluded from the Warranty. |
| *3. Grassed or landscaped areas which are disturbed or damaged due to work on the property in correcting a deficiency. | Landscaped areas which are disturbed during repair work are considered a defect. | Restore grades, seed and landscape to meet original condition. Replacement of trees and large bushes which existed at the time the house was constructed, any added by the Owner after occupancy or those which subsequently die are excluded from warranty coverage. |

(b) CONCRETE

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| 1. Cast-in place concrete: Basement or foundation wall cracks, other than expansion or control joints. | Non-structural cracks are not unusual in concrete foundation walls. Cracks exceeding 1/8 in. in width are considered defects. | Repair non-structural cracks in excess of 1/8 in. by surface patching. These repairs should be made toward the end of the first year of ownership to permit normal stabilizing of the Home by settling. |
| 2. Cracking of basement floor. | Minor cracks in concrete basement floors are common. Cracks exceeding 1/4 in. in width or 1/4 in. in vertical displacement are deficiencies. | Repair cracks exceeding maximum tolerance by surface patching or other methods, as required. |
| 3. Cracking of attached garage floor slab. | Cracks in a garage floor slab in excess of 1/4 in. in width or 1/4 in. in vertical displacement are deficiencies. | Repair excessive cracks by chipping out and surface patching or other methods, as may be required. |
| 4. Cracks in attached patio slab. | Cracks in excess of 1/4 in. in width or 1/4 in. 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. Patio slabs which are poured separately, and abut the house are excluded from warranty coverage. | Make repairs as required. Where cracks are caused by settlement or improper installation, Builder/Warrantor 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. |

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
5. 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 so as not to be apparent when the finish flooring material is in place. Repair or replace finish flooring.
6. Uneven concrete floor slabs.	Except for basement floors or where a floor or portion of floor has been designed for specific drainage purposes, concrete floors in rooms designed for habitability shall not have pits, depressions or areas of unevenness exceeding 1/4 in. in 32 inches, or slopes in excess of 1/240 of room width or length (i.e.: 10 ft. wide room not to exceed 1/2 in. 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.
7. Pitting, scaling or spalling of concrete work.	Concrete surfaces shall not disintegrate to the extent that the aggregate is exposed and loosened under normal conditions of weathering and use.	Take whatever corrective action is necessary to repair or replace defective concrete surfaces. Deterioration caused by salt, chemicals, implements used and other factors beyond Builder/Warrantor control are excluded from the limited warranty.
8. Excessive powdering or chalking of concrete surfaces.	Excessive powdering or chalking of concrete surfaces is a deficiency, but should not be confused with normal surface dust that may accumulate for a short period after the Home is occupied.	Take whatever corrective action is necessary to treat, repair or resurface defective areas.
9. Separation of brick or masonry edging from concrete slab and step.	It is common for the joint between concrete and masonry to crack due to the dissimilarity of the materials. Cracks in excess of 1/4 in. are deficiencies.	Grout crack fully and reset loose masonry where required. Replacement of masonry material, if required, shall match the existing as close as possible.
10. Separation or movement of concrete slabs within the structure at construction and control joints.	Concrete slabs within the structure are designed to move at construction and control joints. This movement is not a deficiency.	None. Maintenance of joint material is considered a homeowner responsibility.

(c) MASONRY

1. Unit masonry (brick, block and stone): Cracks in non-bearing or non-supporting walls.	Small shrinkage cracks are not unusual running through masonry and mortar joints. Cracks in excess of 1/8 in. in width are deficiencies.	Repair non-structural shrinkage cracks in excess of 1/8 in. by pointing or patching. Repairs shall be made near the end of Year 1 of the warranty period.
2. Cracks in bearing or supporting masonry walls.	Vertical or diagonal cracks which do not affect the structural ability of masonry bearing walls are not unusual. Cracks in excess of 1/8 in. in width are deficiencies.	Repair shrinkage cracks in excess of 1/8 in. by pointing or patching. Where the structural integrity of the wall is affected, suitable repair or replacement shall be done to eliminate the condition.
3. Horizontal cracks in basement and foundation walls.	Horizontal cracks in the joints of masonry walls are not common but may occur. Cracks 1/8 in. or more in width are deficiencies.	Repair cracks between 1/8 in. and 3/16 in. in width by pointing and patching. Cracks exceeding 3/16 in. shall be investigated by the 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.

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
4. Cracks in masonry walls or veneer above grade.	Small cracks are common in mortar joints of masonry construction. Cracks 1/8 in. or greater in width are deficiencies.	Repair cracks and voids in excess of 1/8 in. by surface pointing. These repairs should be made toward the end of Year 1 of the warranty period to permit the Home to stabilize as normal settlement occurs. Builder/Warrantor is not responsible for color variations between existing and new mortar; however, it shall be made to match as closely as possible.
5. Cracking, settling or heaving of stoops and steps.	Stoops and steps are not to settle or heave in excess of 1 in. in relation to the house structure. Cracks, except hairline cracks less than 1/8 in., are not acceptable in concrete stoops. A separation of up to 1/2 in. is permitted where the stoop or steps abut 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 should be resurfaced or replaced.
6. 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 5 above.	Take whatever corrective action is necessary to eliminate standing water.
7. 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 in. in width or spalling of the finished surface are deficiencies.	Scrape out cracks and spalled areas and fill with cement plaster or stucco to match finish and color as closely as possible. Builder is not responsible for failure to match color or texture due to nature of the material.

(d) CARPENTRY (ROUGH-IN)

1. Floors squeak due to improper installation or loose subfloors.	A large area of floor squeak which is noticeable, loud and objectionable is a defect. Squeak-proof floors cannot be guaranteed, and an isolated floor squeak is not a deficiency.	Correct the problem within reasonable repair capability if caused by faulty construction. Where a finished ceiling exists under the floor, corrective work may be attempted from the floor side. Where necessary, remove the finish floor material to make the repair and reinstall or replace if damaged.
2. Uneven wood framed floors.	Floors which are more than 1/4 in. out of level within any 32 in. measurement are deficient. Floor slope within any room which exceeds 1/240 of the room width or length is a deficiency (i.e.: a 10 ft. wide room should not exceed 1/2 in. out of level.)	Correct or repair to meet the allowances defined by the above standard.
3. 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 should not bow more than 1/4 in. within a 32 in. horizontal or vertical measurement.	Exterior and interior frame walls or ceilings bowed in excess of the allowable tolerance shall be corrected to meet the standard.
4. Wood frame walls out of plumb.	Wood frame walls which are out of plumb more than 3/4 in. in an 8 ft. vertical measurement are deficient.	Make necessary repairs to meet the specified standard.
5. Warping, checking or splitting of wood framing.	Minor warping, checking or splitting of wood framing is common as the wood dries out and is not considered a deficiency. A condition which affects the integrity of the member or of any applied surface material is a defect.	Where a problem exists and the surface material is affected, Builder shall repair, replace or stiffen the frame member as required.

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
6. Exterior sheathing and subflooring which delaminates or swells.	Sheathing and subflooring, when properly installed for its intended use, which delaminates or swells on the side finish material has been applied is deficient.	Repair or replace subflooring or sheathing as required. Replacement of the finish materials when necessary shall be done to match the existing finish as closely as possible.

(e) CARPENTRY (FINISH)

1. Unsatisfactory quality of finished exterior trim and workmanship.	Joints between exterior trim elements, and siding or masonry which are in excess of 3/8 in. is a deficiency. In all cases, the exterior trim abutting masonry and 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 finish as closely as possible. Caulk open joints between dissimilar materials.
2. Unsatisfactory quality of finished interior trim and workmanship.	Joints between moldings and adjacent surfaces which exceed 1/8 in. in width is a defect.	Repair defective joints and touch up finish coating where required to match as closely as possible.
3. 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 the limits of the Quality Standards of the Architectural Woodwork Institute are deficient.	Correct repairable defects; sanding, filling, or puttying are acceptable methods to return the surface to its original condition. Replace material which is not repairable, refinish and restore to match surrounding surfaces as closely as possible.
4. 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 to match as closely as possible. Nail holes do not have to be filled where the surface finish is not conducive or so designed to have nail holes filled because of the product.

(f) THERMAL AND MOISTURE PROTECTION

1. Waterproofing: Leaks in basement or in foundation/crawlspace.	Leaks resulting in actual trickling of water through the walls or seeping through the floor are deficiencies. Leaks caused by landscaping improperly installed by owner, or failure by owner to maintain proper grades, are excluded from the limited 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 necessary action to correct basement and crawlspace leaks, except where the cause is determined to be the result of Owner negligence. Where a sump pit has been installed by the Builder/Warrantor in the affected area but the sump pump was not contracted for or installed by the Builder/Warrantor, no action is required until a properly sized pump is installed by the Owner in an attempt to correct the condition. Should the condition continue, then the Builder/Warrantor shall take necessary action to correct the problem.
2. Insulation: Insufficient insulation.	Insulation which is not installed around all habitable areas in accordance with established codes is deficient.	Install insulation of sufficient thickness and characteristics to meet the codes. In the case of dispute, cost for investigating the sufficiency of insulation and restoring areas to prior condition is to be borne by the Homeowner if it is found that the standard has been met by the Builder.
3. Louvers and vents: Insufficient attic and crawlspace ventilation.	Attics and crawlspaces which are not properly vented and cause moisture to accumulate resulting in damage to supporting members or insulation are deficient.	Install properly sized louvers or vents to correct the deficiency.
4. 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 is a deficiency. Properly installed louvers or vents may at times allow penetration of rain or snow under strong wind conditions and are not deficient.	Take necessary steps to eliminate penetration of rain or snow under normal conditions if it is determined the installation was improper.

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
5. Exterior siding: Delamination, splitting, joint separation or deterioration of exterior siding.	Exterior siding with joint separations or siding which delaminates, splits or deteriorates is deficient.	Repair or replace only the damaged siding. Siding should match the original surface as closely as possible; however, the new finish may not exactly match the original surface texture or color.
6. Damaged siding or broken shingles.	Damaged siding or broken shingles is a deficiency if documented on a pre-closing walk-through inspection form. If no walk-through report exists, the deficiency shall be reported in writing within thirty (30) days of occupancy.	Replace or repair damaged siding if noted on a pre-closing walk-through inspection form. If Builder/Warrantor does not perform a pre-closing walk-through, then the Builder/Warrantor will be responsible for the deficiency if reported by the Owner.
7. Loose or fallen siding.	All siding which is not installed properly so as not to come loose or fall off is deficient.	Reinstall or replace siding and make it secure.
8. Roofing: Roof or flashing leaks.	Roof or flashing leaks that occur under normal weather conditions is a deficiency. Where cause is determined to result from severe weather conditions such as ice and snow build-up, high winds and driven rains, leaks are not considered a defect.	Correct any roof or flashing leaks which are verified to have occurred under normal weather conditions.
9. Lifted, curled or torn roof shingles.	Roof shingles which lift or curl during Year 1 of the warranty period or tear loose during normal weather conditions are deficient.	Repair or replace lifted, curled or torn shingles.
10. Standing water on built-up roofs.	A properly pitched built-up roof should drain water except for minor ponding. Standing or ponding water is not considered a deficiency. 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.
11. 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 Year 1 of the warranty period. It is the Owner's responsibility to maintain caulking once the condition is corrected.
12. Sheet metal: Gutters and downspouts leak.	Leaks in gutters and downspouts are deficiencies. Gutters which are improperly pitched to drain water are deficient. Standing water in gutters is acceptable if it does not exceed 1 in. in depth.	Repair leaks and pitch gutters to drain properly to meet standard. Owner is responsible for keeping gutters and downspouts free from leaves and debris to prevent overflow.

(g) DOORS AND WINDOWS

1. Warping of interior or exterior doors.	Interior and exterior doors that warp so as to prevent normal closing and fit are deficient. The maximum allowable warping of an interior door is 1/4 in. when measured from top to bottom vertically or diagonally.	Repair or replace as required. New doors to be refinished to match the original as closely as possible.
2. Door binds against jamb or head of door frame. Does not lock.	Passage doors that do not open and close freely without binding against the door frame are deficient. Lock bolt is to fit the keeper to maintain a closed position.	Adjust door and keeper to operate freely.
3. Door panels shrink and expose bare wood.	Door panels will shrink due to the nature of the material, exposing bare wood at the edges and are not deficient.	None.

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
4. Door panels split.	Door panels that have split to allow light to be visible through the door are deficient.	If light is visible, fill crack and finish panel to match as closely as possible. Correct one time during Year 1 of the warranty period. If panel cannot be repaired, the panel or the door itself shall be replaced and finished to match original.
5. Bottom of doors rub on carpet surface.	Where it is understood by Builder/Warrantor and Homeowner that carpet is planned to be installed as a floor finish, whether by the Builder/Warrantor or Homeowner, doors which rub or disturb the carpet are deficient. Where carpet selected by the Homeowner has excessively high pile, Homeowner is responsible for additional door undercutting.	Undercut doors as required.
6. Excessive opening at the bottom of interior doors.	Passage doors from room to room that have an opening between the bottom of the door and the floor finish material in excess of 1-1/2 in. are deficient. Closet doors having an opening in excess of 2 in. are deficient.	Make necessary adjustment or replace door to meet the required tolerance.
7. Garage doors (attached garage): Garage doors fail to operate or fit properly.	Garage doors that do not operate and fit the door opening within the manufacturer's installation tolerances is a deficiency. Some entrance of the elements can be expected under heavy weather conditions which is not considered a deficiency.	Make necessary adjustments to meet the manufacturer's installation tolerances. No adjustment is required when cause is determined to result from the Owner's installation of an electric door opener.
8. Malfunctions of wood, plastic and metal windows.	Windows which do not operate in conformity with manufacturer's design standards are deficient.	Consult with manufacturer when necessary. Make adjustments for windows to operate and meet the standard.
9. Double hung windows do not stay in place when open.	Double hung windows are permitted to move within a 2 in. 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 Year 1 of the warranty period. Instruct the Owner on the method of adjustment for future repair.
10. Condensation or frost on window frames and glass.	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 and is not a deficiency.	None.
11. Hardware does not work properly, fails to lock or perform its intended purpose.	All hardware installed on doors and windows which does not operate properly is a deficiency.	Adjust, repair or replace hardware as required.
12. Storm doors and windows do not operate or fit properly.	Storm doors and windows which are installed and do not operate or fit properly to provide the protection for which they are intended are considered deficient.	Make necessary adjustments for proper fit and operation. Replace when adjustment cannot be made.
13. Screen panels do not fit properly. Screen mesh is torn or damaged.	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. The Owner shall be responsible to notify Builder/Warrantor within thirty (30) days from the Effective Date Of Warranty or the date on which the screens are furnished if there was no pre-closing walk-through inspection.	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 Year 1 of the warranty period. If there is no inspection report, the Builder/Warrantor is responsible to repair deficiency when reported by Owner.

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
14. Weatherstripping and seals: Drafts around doors and windows.	Weatherstripping is required on all doors leading directly to the outside from a habitable area. Some infiltration is normally noticeable around doors and windows, especially during high winds. Excessive infiltration resulting from openings in poorly fitted doors or windows, or poorly fitted weatherstripping is a deficiency.	Adjust or correct poorly fitted windows or doors, or poorly fitted weatherstripping.
15. Broken glass.	Broken glass is a deficiency if it is reported on a pre-closing walk-through inspection report. Owner shall notify the Builder/Warrantor within thirty (30) days of the Effective Date Of Warranty if no pre-closing walk-through inspection report exists.	Replace if reported on a pre-closing walk-through inspection report. If no report exists, the Builder/Warrantor shall replace if deficiency is reported by Owner.
16. Clouding and condensation on inside surfaces of insulated glass.	Insulated glass which clouds up or has condensation on the inside surfaces of the glass is a deficiency.	Replace glass in accordance with window and glass manufacturer's requirements.

(h) FINISHES

1. Cracks in plaster wall and ceiling surfaces.	Noticeable cracks in plaster wall and ceiling surfaces are deficiencies.	Repair cracks and touch up paint to match as close as possible, one time only. Such conditions should be reported near the end of Year 1 of the warranty period to allow for normal movement in the Home.
2. Gypsum wallboard: Defects caused by poor workmanship such as cracks over door and window frames, over archways, blisters in tape, excess compound in joints, exposed corner beads, nail pops or trowel marks.	Slight defects such as occasional nail pops, seam lines and cracks are common in gypsum wallboard installations. Blisters in tape; cracks over door and window frames and over archways; excess compound in joints; trowel marks; nail popping and exposed corner beads are deficiencies. Nail pops are a defect only when there are signs of spackle compound cracking or falling away. Depressions or slight mounds at nail heads are not considered deficiencies.	Correct such defects to acceptable tolerance and repaint affected areas one time only to match as closely as possible. Where excessive repair has been made, the entire area shall be painted. Such conditions shall be reported near the end of Year 1 of the warranty period to allow for normal settlement of the Home.
3. Hard surface flooring (flagstone, marble, quarry tile, slate, ceramic tile, etc.) cracks or becomes loose.	Ceramic tile, flagstone or similar hard surfaced sanitary flooring which cracks or becomes loose is a defect. Cracking and loosening of flooring caused by the Owner's negligence is not a deficiency. Subfloor and wallboard are required to be structurally sound, rigid and suitable to receive finish.	Determine and correct the cause for the cracking or loosening of the finish material. Replace cracked material and reset loose flooring. Builder/Warrantor is not responsible for slight color and pattern variations or discontinued patterns of the manufacturer. It shall not be required to replace the entire finish when the new material consists of less than twenty-five percent (25%) of the finish area.
4. Cracks appear in grouting of ceramic tile joints or at junctions with other material such as a bathtub or shower.	Cracks in grouting of ceramic tile joints are deficiencies. Regrouting of these cracks is a Homeowner maintenance responsibility within the life of the Home after Year 1 of the warranty period. Open cracks or loose grouting, where the wall surface abuts the flashing lip at a tub or shower basin, are considered Owner's maintenance and any resultant damage to other finish surfaces due to leaks, etc., is not considered a deficiency.	Repair grouting as necessary one time only within Year 1 of the warranty period.

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
5. Nail pops appear on the surface of resilient flooring.	Readily apparent nail pops are a deficiency.	Correct nail pops that have caused damage to floor material and repair or replace damaged floor covering in the affected area. Builder/Warrantor is not responsible for discontinued patterns or color variations.
6. Depressions or ridges appear in the resilient flooring due to subfloor irregularities.	Readily apparent depressions or ridges exceeding 1/8 in. are deficiencies. The ridge or depression measurement is taken by placing a 6 in. straight edge over ridge or depression with 3 in. on one side held tightly to the floor.	Take corrective action to bring deficiency within acceptable tolerances so as to be not readily visible. Builder/Warrantor is not responsible for discontinued patterns or color variations in floor covering, Owner neglect or abuse, or installations performed by others.
7. Resilient flooring or base loses adhesion.	Resilient flooring or base that lifts, bubbles, or becomes unglued is a deficiency.	Repair or replace resilient flooring or base as required. Builder/Warrantor is not responsible for discontinued patterns or color variation.
8. Seams or shrinkage gaps show at resilient flooring joints.	Gaps in excess of 1/8 in. in width in resilient floor covering joints are deficiencies. Where dissimilar materials abut, a gap in excess of 3/16 in. is a deficiency.	Take required action to correct the cause of the deficiency. Builder/Warrantor is not responsible for discontinued patterns or color variations.
9. Plywood wall covering: Variations in paneling color; scratches or checks on the finished surface.	Plywood paneling pattern and color will often vary and is not a deficiency. Scratches on the paneling surface are deficiencies if reported on a pre-closing walk-through inspection report. The Owner shall notify the Builder/Warrantor within thirty (30) days of the Effective Date Of Warranty if no pre-closing walk-through inspection report exists.	Repair or replace damaged paneling when the deficiency has been reported on the pre-closing walk-through inspection. Builder/Warrantor is not responsible for discontinued patterns or color variations. If damaged paneling cannot be replaced to Owner's satisfaction, the deficiency may be repaired within reasonable standard of good materials and workmanship.
10. Finished wood flooring: Dents, chips, knotpops, open joints or cracks in wood flooring.	Dents and chips are deficiencies if reported on a pre-closing walk-through inspection. The Owner shall report such deficiencies to Builder/Warrantor within thirty (30) days of the Effective Date Of Warranty if there was no inspection. Dents, chips, knotpops, open joints or cracks in floorboards of finished wood flooring which exceed the manufacturer's quality standards of the wood flooring grade are considered deficiencies. Manufacturer's quality standards shall be as defined by: Wood and Synthetic Flooring Institute, National Oak Flooring Association, Maple Flooring Manufacturer's Association.	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, then the Builder/Warrantor shall correct if notified by the Owner. For repairable deficiency, 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.
11. Painting: Knot and wood stains appear through paint on exterior.	Excessive knot and wood stains which bleed through the paint are considered deficiencies.	Seal affected areas where excessive bleeding of knots and stains appear and touch up paint to match.
12. Exterior paint or stain peels, deteriorates or fades.	Exterior paints or stains that peel or deteriorate during the first year of ownership are deficient. Fading, however, is normal and subject to the orientation of painted surfaces to the climatic conditions which may prevail in the area. Fading is not a deficiency.	Properly prepare and refinish affected areas, matching color as closely as possible. Where finish repairs affect the majority of the surface area, the whole area should be refinished. The warranty on the newly repainted surfaces will not extend beyond the original warranty period.
13. Painting required as corollary repair because of other work.	Necessary repair of a painted surface required under this warranty is to be refinished to match surrounding areas as closely as possible.	Refinish repaired areas to meet the standard as required.

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
14. Mildew or fungus forms on painted or factory finished surfaces.	Mildew or fungus that forms on a painted or factory finished surface when structure is subject to various exposures such as ocean, lake, riverfront, heavily wooded areas or mountains is not a deficiency.	None.
15. Deterioration of varnish or lacquer finishes.	Natural finishes on interior woodwork which deteriorate during the first year of ownership are deficient. Varnish-type finishes used on the exterior will deteriorate rapidly and are not covered by the limited warranty.	Refinish affected areas of natural finished interior woodwork, matching the color as closely as possible.
16. Interior paint coverage.	Interior paint not applied in a manner sufficient to visually cover wall, ceiling and trim surfaces is a deficiency.	Repaint wall, ceiling or trim surfaces where inadequate paint has been applied. Where a large area is affected, the entire surface shall be repainted.
17. Paint splatters and smears on finish surfaces.	Excessive paint stains on porous surfaces that detract from the finish and cannot be removed by normal cleaning methods and are reported on a pre-closing walk-through inspection report are considered deficiencies. The Owner shall notify the Builder/Warrantor within thirty (30) days of the Effective Date Of Warranty if a pre-closing inspection report was not completed. Minor paint splatters and smears on impervious surfaces which cannot be easily removed are considered Homeowner maintenance and are not deficiencies.	Remove paint stains without affecting the finish of the material or replace the damaged surface if stains cannot be removed and were reported on a pre-closing walk-through inspection report. If no such inspection was done, the Builder/Warrantor shall correct if notified by the Owner.
18. Peeling of wallcovering installed by Builder.	Peeling of wallcovering is a deficiency, unless it is due to Owner's abuse or negligence.	Repair or replace defective wallcovering.
19. Mismatching in wallcovering pattern.	Mismatched wall covering pattern over a large area that severely detracts from its intended purpose and is due to poor workmanship is a deficiency.	Remove mismatched wallcovering and replace. Builder/Warrantor is not responsible for discontinued patterns or variations in color.
20. Lumps, ridges and nail pops in wallboard which appear after Owner has wallcovering installed by others.	Owner shall insure that the surface to receive wallcovering is suitable and assumes full responsibility should lumps, ridges and nail pops occur at a later date.	None.
21. Seams in carpeting separate.	Seams in carpeting that separate due to improper installation are deficiencies. Carpeting material is not covered under the limited warranty.	Correct to eliminate the separation.
22. Carpeting comes loose or excessive stretching occurs.	Wall to wall carpeting that comes loose is a deficiency. Stretching that may occur in the carpeting is subject to the quality and surface over which it is laid and is not a deficiency.	Resecure loose carpeting one time during Year 1 of the warranty period.
23. Spots on carpeting, minor fading.	Spots or stains on the carpeting are deficiencies if reported on a pre-closing walk-through inspection report. The Owner shall notify the Builder/Warrantor within thirty (30) days from the Effective Date Of Warranty if no pre-closing inspection report exists. Fading is not a deficiency and Builder has no responsibility.	Remove spots and stains on a one-time basis if reported on a pre-closing walk-through inspection report. Replace when excessive spots and stains cannot be removed. If no pre-closing inspection report exists, the Builder/Warrantor shall correct when notified by Owner.

(i) SPECIALITIES

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| 1. Fireplaces: Fireplace or chimney does not draw properly, causing smoke to enter the house. | A properly designed and constructed fireplace or chimney is to function as intended. It is normal to expect that high winds can cause temporary negative draft situations. Similarly, negative draft situations can also be caused by obstructions such as large branches of trees too close to the chimney. In addition, the geographic location of the fireplace or its relationship to adjoining walls and roof may be the cause of negative draft conditions. In some cases, it may be necessary to open a window slightly to create an effective draft. Since negative draft conditions could be temporary, it is necessary the Owner substantiate the problem to the Builder/Warrantor by constructing a fire so the condition can be observed. | When determined the malfunction is based upon improper construction of the fireplace, then take the necessary steps to correct the problem. Where it is determined that the fireplace is properly designed and constructed, but still malfunctions due to natural causes beyond the Builder's control, Builder is not responsible. |
| 2. Chimney separation from structure to which it is attached. | Newly built fireplaces will often incur slight amounts of separation. Separation which exceeds 1/2 in. from the main structure in any 10 ft. vertical measurement is a deficiency. | Determine the cause of separation and correct. Caulking or grouting is acceptable repair up to 1/2 in. displacement. |
| 3. 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. | Make all necessary repairs or replacements including equipment covered under a manufacturer's warranty. |

(j) KITCHEN CABINETS & VANITIES

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| 1. Kitchen or vanity cabinet doors and drawers malfunction. | Cabinet doors, drawers and other operating parts that do not function as designed are deficiencies if they are reported on a pre-closing walk-through inspection report. The Owner shall notify the Builder/Warrantor within thirty (30) days of the Effective Date Of Warranty if a pre-closing inspection was not conducted. | Repair or replace operating parts if a pre-closing report exists. If no report exists, the Builder/Warrantor shall correct if notified by the Owner. |
| 2. Surface cracks, delaminations and chips in high pressure laminates of vanity and kitchen cabinet countertops. | Countertops fabricated with high pressure laminated coverings that delaminate, have chips, scratches or surface cracks; or joints between sheets exceed 1/16 in. are considered deficiencies if reported on a pre-closing walk-through inspection report. The Owner shall notify the Builder/Warrantor within thirty (30) days of the Effective Date Of Warranty if a pre-closing inspection report does not exist. | Repair or replace laminated surface covering having chips, cracks, scratches or joints exceeding the allowable width if reported on a pre-closing inspection report. If a pre-closing inspection was not performed, the Builder/Warrantor shall correct when notified by the Owner. |
| 3. Warping of kitchen and vanity cabinet doors and drawer fronts. | Warping that exceeds 1/4 in. as measured from the face of the cabinet frame to the further most point of warping on the drawer or door front in a closed position is a deficiency. | Correct or replace door or drawer front as required. |
| 4. Gaps between cabinets, ceiling and walls. | Countertop, splash, base and wall cabinets are to be securely mounted. Gaps in excess of 1/4 in. between wall and ceiling surfaces are deficiencies. | Make necessary adjustment of cabinets and countertops or close gap by means of moulding to match the cabinet or counter-top finish or other acceptable means. |

(k) MECHANICAL SYSTEMS

1. 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 Year 1 of the warranty period.	Correct the condition responsible for pipes freezing and repair piping damaged by freezing. The Owner is responsible to maintain suitable temperatures in the Home to prevent pipes from freezing. Homes which are periodically occupied, such as summer Homes, or where there will be no occupancy for an extended period of time, must be properly winterized or periodically checked to insure a reasonable temperature is maintained. Leaks occurring due to Owner's neglect and resultant damage are not the Builder's responsibility.
2. Faucet or valve leak.	A valve or faucet leak due to material or workmanship is a deficiency. Leaking caused by worn or defective washers or seal is a Homeowner maintenance item.	Repair or replace the leaking faucet or valve.
3. 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.	Replace or repair any fixture or fitting which is outside of acceptable standards as defined by the manufacturer.
4. 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. The Owner shall notify Builder/Warrantor within thirty (30) days of the Effective Date Of Warranty if no pre-closing inspection was performed.	Repair any chips or cracks if included in the pre-closing inspection report. If repair cannot be made, the fixture or appliance is to be replaced to match the original. If a pre-closing inspection was not performed, the Builder/Warrantor shall correct if notified by Owner. Where a fixture is built into surrounding wall areas such as a tub or shower basin requires repair, replacement is not covered under the warranty except where the deficiency causes the fixture to be unusable.
5. 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 homeowner's responsibility.
6. Drinking water supply is not potable.	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.	Supply potable drinking water. Water which becomes non-potable after certification by a source beyond the control of the Builder shall be excluded from coverage.

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
7. Water supply system fails to deliver water or pressure is low. Low water pressure is defined as the condition occurring when use of the cold water supply at any one single fixture drastically reduces the cold water supply at any other single fixture.	All service connections to municipal water main or private water supply are the Builder/Warrantor's responsibility when installed by him.	Repair as required if failure to supply water is the result of deficiency in workmanship or materials. If conditions which disrupt or eliminate the sources of water supply are beyond the Builder's control, then the Builder is not responsible.
8. Noisy water pipes.	Some noise can be expected from the water pipe system due to the flow of water. "Water hammer" in the supply system is a deficiency and is covered only during Year 1 of the warranty period. Noises due to water flow and pipe expansion are not considered deficiencies.	Correct to eliminate "water hammer."
9. Inadequate heat.	A Heating System shall be capable of producing an inside temperature of 70 degrees Fahrenheit as measured in the center of the room at a height of 5 ft. above the floor, under local outdoor winter design conditions as specified in the latest edition of the New Jersey U.C.C. Energy Subcode and ASHRAE Handbook in effect at the time the Home was constructed. The outdoor design temperature established by ASHRAE varies geographically throughout the State of New Jersey. There may be periods when the outdoor temperature falls below the design temperature, thereby lowering the temperature in the Home. Orientation of the Home and location of rooms will also provide a temperature differential, especially when the Heating System is controlled by a single thermostat for one or more floor levels.	Correct Heating System as required to provide the acceptable temperatures. Balance dampers and registers and make minor adjustments one time only, during Year 1 of the warranty period.
10. Inadequate cooling.	Where air conditioning is provided, the Cooling System is to be capable of maintaining a temperature of 78 degrees Fahrenheit as measured in the center of each room at a height of 5 ft. 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. The cooling cycle outdoor design temperature established by ASHRAE provides for a maximum of 12 degree temperature differential between the outdoor and the indoor temperature. There may be periods when the outdoor temperature rises above the design temperature, thereby raising the temperature in the Home. Orientation of the Home and location of rooms will also provide a temperature differential, especially when the Cooling System is controlled by a single thermostat for one or more floor levels.	Correct Cooling System to meet the above temperature requirements during Year 1 of the warranty period.
11. Ductwork and heating pipes not insulated in uninsulated areas.	Ductwork and heating pipes that are run in uninsulated crawlspaces, garages or attics are to be insulated. Basements are not uninsulated areas, and no insulation is required.	Install required insulation.

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
12. Condensate lines clog.	Condensate lines will clog under normal conditions.	Provide clean and unobstructed lines on Effective Date Of Warranty. Continued operation of drain line is homeowner maintenance item.
13. Improper mechanical operation of evaporative cooling system.	Equipment that does not function properly at set temperature standard is deficient.	Correct and adjust so that blower and water system operate as designed.
14. Ductwork noisy.	Noise in ductwork may occur for a brief period when the Heating or Cooling System begins to function and is not considered a deficiency. Continued noise in the ductwork during its normal operation is a deficiency.	Take necessary steps to eliminate noise in the ductwork.

(I) ELECTRICAL SYSTEMS

1. Switches and receptacles: Fuses blow or circuit breakers kick out.	Fuses and circuit breakers which deactivate under normal usage when reset or replaced are deficient.	Check and replace wiring or breaker if it does not perform adequately or is defective.
2. Drafts from electrical outlets.	The electrical junction box on exterior walls may produce a slight air flow whereby the cold air can be drawn through the outlet into a room. This problem is normal in new Home construction.	None.
3. Malfunction of electrical outlets, switches or fixtures.	All switches, fixtures and outlets which do not operate as intended are considered deficient.	Repair or replace defective switches, fixtures and outlets.
4. Service and distribution: Ground fault interrupter trips frequently.	Ground fault interruptors 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 interruptors are required on outlets located in the kitchen, bath and powder rooms along with all exterior outlets. Ground fault outlets which do not operate as intended are considered deficient.	Replace the device if defective.

5. STANDARDS APPLICABLE DURING YEARS 1 AND 2

The following Performance Standards list specific items with each separate area of coverage.

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
(a) MECHANICAL SYSTEMS		
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 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.	Take corrective action in Years 1 and 2 as required, if it is determined that malfunction is due to improper design or construction. Builder/Warrantor is not responsible for malfunctions which occur due to acts of nature such as freezing and changes in the ground water table or for malfunctions which occur through owner negligence or abuse. See exclusions listed above.
EXCLUSIONS REGARDING THE SEPTIC SYSTEM: The following are considered owner negligence or abuse as an exclusion under the warranty:		
	(A) Excessive use of water such as overuse of washing machine and dishwasher including their simultaneous use.	
	(B) Connection of sump pump, roof drains or backwash from water conditioner to the system.	
	(C) Placing of non-biodegradable items in the system.	
	(D) Addition of any harsh chemicals, greases or cleaning agents and excessive amounts of bleaches or drain cleaners.	
	(E) Use of a food waste disposer not supplied by Builder.	
	(F) Placement of impervious surfaces over the disposal area.	
	(G) Allowing vehicles to drive or park over the disposal area.	
2. Leaking from any piping.	Leaks in any sanitary soil, waste vent and water piping are deficiencies and are covered during Years 1 and 2 of the warranty period. Condensation on piping does not constitute leaking and is not a deficiency, except where pipe insulation is required.	Make necessary repairs to eliminate leaking.
3. Stopped up sanitary sewers, fixtures and sanitary drains.	Sanitary sewer, fixtures and sanitary drains should operate and drain properly and are covered during Years 1 and 2 of the warranty period.	Where defective construction is shown to be the cause, the Builder/Warrantor shall make necessary repairs. Where sewers, fixtures and drains are clogged through the Owner's negligence, the Owner shall assume repair costs. Builder responsibility for defective sewer lines extends to the property line.
4. Refrigerant lines leak.	Refrigerant lines that develop leaks during normal operation are deficiencies during Years 1 and 2 of the warranty period.	Repair leaking lines and recharge unit as required.
5. Ductwork separates or becomes unattached.	Ductwork that is not intact or securely fastened is deficient.	Reattach and resecure all separated or unattached ductwork.
(b) ELECTRICAL SYSTEMS		
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 is deficient.	Check and replace wiring if it fails to carry the design load.
(c) MAJOR STRUCTURAL DEFECTS		
1. Major structural elements exceed acceptable tolerances as defined in this limited warranty.	The criteria for establishing the existence of a Major Structural Defect is set forth in Section B(1)(k) of this book.	Refer to Section A(3) for Builder's responsibility in Years 1 and 2 of the warranty period.

6. STANDARDS APPLICABLE DURING YEARS 3 THROUGH 10

The following Performance Standards list specific items with each separate area of coverage.

Possible Deficiency	Performance Standard	Builder/Warrantor Responsibility
(a) MAJOR STRUCTURAL DEFECTS		
1. Major structural elements exceed acceptable tolerances as defined in this limited warranty.	The criteria for establishing the existence of a Major Structural Defect is set forth in Section B(1)(k) of this book.	Refer to Section A(5) for Warrantor's responsibility in Years 3 through 10 of the warranty period.

SECTION D: HUD ADDENDUM

(Applicable to FHA and VA Financed Homes Only)

1. SECTION A.1(a):

The following language is added: Notwithstanding anything to the contrary herein contained, during the Year 1 of coverage, the Builder will correct problems with, or restore the reliable function of, appliances and equipment damaged during installation or improperly installed by the Builder. In addition, the Builder will correct Construction Deficiencies in workmanship and materials resulting from the failure of the Home to comply with standards of quality as measured by acceptable trade practices. "Construction Deficiencies" are defects (not of a structural nature) in the Home that are attributable to poor workmanship or to the use of inferior materials which result in the impaired functioning of the Home or some part thereof. Defects resulting from Purchaser abuse or from normal wear and tear are not considered Construction Deficiencies.

2. SECTION A.4 and A.6:

The following language is added: Where a covered defect is determined to exist and where either the Builder or WPIC elects to pay the reasonable cost of repair or replacement in lieu of effectuating such repair or replacement, the cash offer must be in writing and the Purchaser will be given two (2) weeks to respond. Cash offers over \$5,000 are subject to an on-site review by a HUD approved fee inspector (inspection costs to be paid by the Builder or WPIC as appropriate) unless:

- (i) The cash offer is made pursuant to a binding bid by an independent third party contractor which will accept an award of a contract from the Purchaser pursuant to such bid;
- (ii) Payment is being made in settlement of legal action; or
- (iii) The Purchaser is represented by legal counsel.

3. SECTION A.4 and A.6:

The following language is added: Repairs to the Home may be made without the prior written authorization of the Warrantor only in the event an Emergency Condition arises that necessitates repairs be made for the sole purpose of protecting the Home from further damage. You must notify the Warrantor as soon as possible, but in no event, later than five (5) days after the repairs have been made in order to qualify for reimbursement. An accurate, written record of the repair costs must accompany your notification.

4. SECTION A.9(g):

The following language is added: This agreement is non-cancelable by the Warrantor.

5. SECTION B.1:

The following definition is added: Emergency Condition is an event or situation that presents an imminent threat of damage to the Home or common elements and results in an unsafe living condition due to Defects or Major Structural Defect failures that manifest themselves outside of the Warrantor's normal business hours and precludes you from obtaining prior written approval to initiate repairs to stabilize the condition and prevent further damage.

6. SECTION B.1(f):

The following language is substituted: The Effective Date Of Warranty will be the date on which closing or settlement occurs in connection with the initial sale of the Home. In no event will the Effective Date Of Warranty be later than the date of FHA endorsement or the Purchaser's Mortgage on the Home.

7. SECTION B.1(k)(ii):

The following language is added: A structural failure that renders a Home unsafe, unsanitary, or otherwise unlivable is covered by this warranty.

8. SECTION B.2(g):

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

9. SECTION C.3(a)1:

The following language is substituted: If Builder/Warrantor has provided final grading, Builder shall fill settled areas affecting proper drainage during Year 1 of the warranty period. Builder/Warrantor is then responsible for removal and replacement of shrubs and other landscaping installed by the Builder/Warrantor affected by placement of the fill.



**REQUEST FOR BINDING CONCILIATION/ARBITRATION
FOR COVERAGE PERIOD 1 AND 2 ONLY**

Application Number: _____ **Effective Date of Warranty:** _____
(See Application for Warranty Form # 316)

Builder's Name: _____

Builder's Address: _____

Homeowner's Name: _____

Homeowner's Address: _____

Telephone Number(s): Home: (_____) _____ Work: (_____) _____
Cell: (_____) _____

FHA/VA Financed: Yes No

Issues Claimed for Warranty Performance

**Page and Section Number from your Book
containing the Applicable Standard:**

I (we) agree that the issue(s) listed above, which do _____ do not _____ include an attachment of additional issues are the only issue(s) being requested for conciliation/arbitration. *(Please initial the applicable space)*

Statement

The Builder and Homeowner are the parties to the conciliation/arbitration. The Builder is the Warrantor. Residential Warranty Company, LLC is Administrator of the Warranty Program insured by Western Pacific Mutual Insurance Company, a Risk Retention Group.

Homeowner Signature: _____ **Date:** _____

Homeowner Signature: _____ **Date:** _____

If you are claiming more than 5 issues please continue on a separate sheet of paper and attach your additional issue(s) to this form. You are also requested to provide specific information relating to the defect(s).

Required Attachments: Submit all applicable forms to Residential Warranty Company, LLC, 5300 Derry Street, Harrisburg, PA 17111. (See Section A.7)

- Request for Conciliation/Arbitration Form
- Detailed information relating to the defect(s)
- Additional listed issues (if applicable)
- A copy of your written notice to the Builder
- Detailed directions to your home including street names from a major route in the area.

