

EXHIBIT 2
LIMITED HOME WARRANTY

INTRODUCTION

We want to have satisfied customers. It's not only in your best interest, but ours as well. This Limited Home Warranty is your assurance. Like any warranty, this one specifies limits for responsibility and conditions under which it is valid or applicable. To assist you, we have tried to avoid fine print or legalistic language. WE STRONGLY URGE YOU TO READ THIS WARRANTY since it is the only warranty, expressed or implied, that we make to you. (No employee, salesperson or other agent of Homebuilder is authorized to make any warranty except as is herein contained.)

The terms "Homebuilder/homebuilder" "Us/us" or "We/we" shall have the same definition as the term "Builder" in the *Title 7 Declaration* recorded on the Property. The term "Homeowner/homeowner" or "You/you" or "Your/your" shall have the same definition as the term "Owner" in the *Title 7 Declaration* recorded on the Property. The terms "Home/home" or "Property/property" shall have the same definition as the term "Property" in the *Title 7 Declaration* recorded on the Property.

This Limited Warranty contains three parts, the Orientation Warranty, the Fit and Finish Warranty and the Construction Warranty. The specific coverage provided by each of these parts is described below. The coverage provided by Homebuilder is subject to the following provisions: all claims must be submitted during the warranty periods specified herein pursuant to the terms of the Customer Service Procedures provided with the Purchase Agreement. The warranty periods set forth herein start with the date of possession or closing of title of the original purchaser, whichever occurs first, or within such shorter period as may be specified herein.

HOMEBUILDER MAKES NO OTHER EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS, EITHER LATENT OR PATENT, OR AS TO THE MERCHANTABILITY, FITNESS, HABITABILITY, OR QUALITY THEREOF, AND HOMEBUILDER DISCLAIMS ANY SUCH WARRANTIES AND REPRESENTATIONS. TO THE FULLEST EXTENT ALLOWED BY LAW, HOMEOWNER WAIVES ITS RIGHT TO SEEK DAMAGES OR OTHER LEGAL OR EQUITABLE REMEDIES UNDER ANY OTHER COMMON LAW OR STATUTORY THEORY OF LIABILITY, INCLUDING, BUT NOT LIMITED TO, NEGLIGENCE, STRICT LIABILITY AND ANY CLAIM THAT SUCH CABINETS, MIRRORS, FLOORING, INTERIOR AND EXTERIOR WALLS, COUNTERTOPS, PAINT FINISHES, TRIM, HEATING & AIR CONDITIONING, CONCRETE, FIREPLACES, GUTTERS, GARAGE DOORS, INSULATION, PLUMBING NOISE, WEATHER STRIPPING, WINDOWS OR DOORS VIOLATE THE STANDARDS SET FORTH IN CHAPTER 4 OF TITLE 7 (COMMENCING WITH SECTION 896) OF PART 2 OF DIVISION 2 OF THE CALIFORNIA CIVIL CODE. HOMEOWNER HEREBY AGREES THAT, TO THE FULLEST EXTENT ALLOWED BY LAW, THIS EXPRESS WRITTEN WARRANTY APPLIES TO THOSE DEFECTS THAT ARISE DURING THE WARRANTY PERIOD, AND NOT TO THOSE DEFECTS FOR WHICH THERE IS ONLY A SUBSTANTIAL LIKELIHOOD OF A MALFUNCTION DURING THE WARRANTY PERIOD OR THEREAFTER.

This warranty shall in no event extend to any consumer products included in the property that may be included in this transaction. The manufacturers of some products used in the house may provide a manufacturer's warranty. Homebuilder has no obligation or responsibility for the manufacturer's performance, and homebuilder does not warranty the fitness, use, workmanship, or quality of such items.

If the description of warranties contained in this limited warranty conflicts with any sample or model home shown to homeowner, the description of the warranties contained herein will displace any warranty arising from homeowner's inspection of the sample or model home. Use of any sample or model during the negotiations leading to this limited warranty serves merely to indicate the type of goods which will be tendered to homeowner. Such samples or models create no warranty that the goods shall conform to the samples or models.

The obligations of Homebuilder under this warranty are limited solely to making the necessary repairs in a workman like manner. Only an authorized employee officer of Homebuilder can sign a written statement extending the warranty period. (Note: Our sales staff is neither qualified nor permitted to make judgment regarding warranty matters.) No other action on the part of Homebuilder or its employees or agents, including any steps taken to correct defects, shall be deemed an extension of such warranty period. Homebuilder also reserves the right to choose at its sole discretion the materials, methods and personnel used to make repairs.

This warranty is applicable to all items mentioned herein only if the noted defects are reported in writing before the end of the warranty period applicable for the defect noted. Homebuilder would like to caution the homeowner against having any item covered in this warranty altered by any person or persons other than Homebuilder, its employees or agents. Homebuilder excludes any item so altered from warranty coverage. Homebuilder will not be held liable or

EXHIBIT 2
LIMITED HOME WARRANTY

responsible for work, corrective or otherwise, performed by others or for its costs.

EXCLUSIONS

Like all warranties the Limited Warranty provided by Homebuilder contains various exclusions. The exclusions applicable to each of the three parts of the Limited Warranty are referenced below.

Items Not Covered By Limited Warranty

1. Damage resulting from terrorists, riot, insurrection, war, catastrophe, acts of public enemy, Acts of God or natural disasters, including but not limited to earthquakes, floods, fire, hurricanes et al, or other causes beyond Homebuilder' reasonable control.
2. Casualties due to the elements, acts of God.
3. Damage resulting from negligence, misuse, abuse, neglect, normal wear and tear.
4. Normal homeowner maintenance as specified in the Homeowner Maintenance Manual.
5. Damage resulting from Animals, including pets and wild animals, insects, pests or vermin.
6. Exposure to the elements, for example, fading from sunlight, swelling or staining from irrigation.
7. Hairline cracks in drywall at windows or tile grout cracks at walls, around tubs, vanities or sinks.
8. Recaulking or replacement of caulking both inside and outside due to shrinkage around doors, windows, moulding, tubs, showers, trim, etc.
9. Garage Door adjustments after the installation of an electric door opener by other than Homebuilder.
10. Replacement of heating and air-conditioning filters.
11. Light bulb replacements.
12. Broken or damaged water lines due to weather conditions, e.g., Freezing, or through abuse (e.g., Lawnmowers or digging.)
13. Upgrades for which the homeowner has contracted directly with the supplier, such as flooring upgrades, security systems, etc. The subcontractor's warranty covers these items, not this Limited Warranty.
14. Water heater may lose its warranty if a water softener is installed.
15. The garage floor is not warranted against moisture coming through the surface.
16. Control boxes damaged by power surges or valves and related components damaged by freeze. Also not covered are sprinkler heads and connections, irrigation lines and valves damaged by negligence and/or abuse.
17. Any incidental, consequential or secondary damages or losses of any kind whatsoever that may arise from or out of any defects warranted by this limited warranty, including, but not limited to, personal injury or damage to personal property, loss of use, or inconveniences. Nothing contained in this warranty shall make Homebuilder an insurer of the personal property of the homeowner or of any third party.
18. MANUFACTURED PRODUCTS, APPLIANCES AND CONSUMER PRODUCTS. This warranty does not cover "manufactured products", appliances or "consumer products" installed in or around the property. Warranties for such products are issued by the manufacturer of such products, and not by Homebuilder. For purposes of this limited warranty, a "manufactured product" means a product that is completely manufactured off site, and a "consumer product" means an appliance, air conditioning unit, furnace, water heater, or other product that is considered a "consumer product" by the Federal Trade Commission for the purposes of the Magnuson Moss Act (15 U.S.C. 2301 et seq.). Homeowner should take time to read the literature provided the manufacturers of those products, and Homeowner should activate specific manufacturer's warranties by completing and mailing any registration cards included with the manufacturer's materials. Homebuilder does not make or adopt any such warranties and does not have any obligation or liability under such warranties. For warranty issues associated with such items, the Homeowner must contact the manufacturer.

EXHIBIT 2
LIMITED HOME WARRANTY

NOTE: If you experience mechanical problems with any of your appliances, consult the manufacturer's instruction manual for assistance. Service calls resulting from improper operation will be charged to the homeowner at the manufacturer's normal service rates.

19. Damage occurring during move in process.
20. Damage caused by persons other than Homebuilder, its employees or agents.
21. Any warrantable condition adversely affected by any addition, alteration, remodeling, or repair performed by Homeowner or under Homeowner's supervision.
22. Damage from normal settlement deviations. We would like to clear up an issue that causes many new homeowners needless alarm and irritation. A new home goes through a settling process. While settling, your home may develop small cracks, expansion or contraction of materials in walls, floors, ceilings, around doors, windows and other locations; this is to be expected. While we realize these items might cause momentary concern, they are easily remedied when the Homeowner does his/her first repainting.
23. Technology has not yet achieved perfect color matching for several materials used in construction. Therefore, in spite of our best efforts, we cannot guarantee color matching—either in the initial construction process or in subsequent service work. Such materials include, but are not limited to, the following: concrete, stucco, roofing, tile, carpet, marble, textured ceilings, paint, etc. Stained woods, when used in cabinets, stair handrails, balustrades, paneling, siding, doors and wood trim, have variations in wood grain and color. These are inherent characteristics that cannot be fully controlled and are also excluded from the guarantee.
24. Any labor or material furnished by Homeowner, or at Homeowner's request, either express or implied (other than when provided by Homebuilder).
25. Costs incurred to perform repairs not authorized by Homebuilder.
26. Defects covered by manufacturers' or other warranties.
27. Any defect or damage caused by changes in the grading or drainage patterns or by excessive watering of the ground of the Property or adjacent property by any party other than Homebuilder or its employees, agents or subcontractors. Homeowner should engage a Civil Engineer or other licensed technician to advise and comment upon intended changes in the grading or drainage patterns. This includes landscaping, pool, walkways, patios, deck, walls, fences, and decorative structures.
28. Damages or costs arising from or connected to, in whole or part, the actual, alleged or threatened proximity, discharge, dispersal, release, escape, clean up, removal, treatment, containment or monitoring of pollutants, solid, liquid or gaseous irritants, contaminants or hazardous materials including but not limited to petroleum products, radiation, electromagnetic fields (EMF's), smoke, vapors, soot, fumes, acids, alkaloids, toxic chemicals, radon gas, mold, mildew, fungi, and waste materials, including materials to be recycled.
29. Damages or costs arising from or connected to, Homeowner's failure to give prompt and proper notice to Homebuilder after Homeowner becomes aware or should have become aware of the defective condition causing the damage.
30. Violations of newly adopted or changed current local or national building codes, ordinances or standards that were not in effect at the time of construction.
31. Dampness or condensation due to Homeowner's failure to maintain adequate ventilation.
32. Inverse condemnation or other action by any local, state or federal government or agency.
33. Any action by any bank, lender or mortgage company (including but not limited to foreclosures)
34. The creation, budgeting, funding, or operation of any homeowners association or common interest development.
35. Any act, failure to act, event or condition that is included among the affirmative defenses specified within Section 945.5 of Title 7.
36. Warning: any damage to house or concrete slab, walks, and driveways caused by expansive soils condition where the homeowner has failed to maintain moisture in soil due to not installing landscaping is not the responsibility of

EXHIBIT 2
LIMITED HOME WARRANTY

homebuilder.

ORIENTATION WARRANTY

Homebuilder endeavors to deliver your new home to you in a clean and correct condition. As part of this effort we provide you with the Walk Through Orientation during which time you are provided the opportunity to identify any conditions that may have been overlooked during the construction process. However since some minor conditions and damage may occur during the move in process there are certain items that can only be warranted up through the orientation process. The following is a list of items that must be noted at the time of your Orientation Inspection and reported on the Orientation Walk Through Inspection Report. If any of these items are not reported on the Orientation Walk Through Inspection Report there will be no coverage.

1. Appliance Finishes – defects, scratches, dents or marred surfaces
2. Doors - (exterior/interior) - Scratched, gouged, locks, sticking
3. Light Fixtures - defects, scratches, dents or marred surfaces
4. Plumbing Fixtures - defects, scratches, dents or marred surfaces
5. Screens - Torn, gouged or missing window screens
6. Sinks, Tubs and Shower Enclosures - Scratched, chipped or gouged surfaces
7. Glass - Scratched, chipped or cracked
8. Chipped tile, porcelain, vitreous china, tubs, shower units and/or toilets.
9. Loose screws, nuts and bolts.
10. Missing items.

Homebuilder is not responsible for the above types of items if they are reported to us after the Orientation.

EXHIBIT 2
LIMITED HOME WARRANTY

FIT & FINISH WARRANTY

Except as limited herein, Homebuilder warrants that the following items shall be free of "Fit" and "Finish" deficiencies in original materials or workmanship for one (1) year as of the date of the Close of Escrow: cabinets, mirrors, flooring, interior and exterior walls, countertops, paint finishes, and trim. Finish deficiencies include visible scuffed, scratched, smudged, chipped, stained surfaces or finishes, but does not include minor imperfections of finishes (natural or synthetic) that do not materially detract from the appearance of the finish as a whole or whose existence remains a matter of subjective judgment only. Fit deficiencies include defects in materials or workmanship that are recognized under generally accepted standards of the building industry in California and that materially affect the functionality of a feature, product, or component of a dwelling, and/or the market value (future or present) of the same, in whole or in part.

TOPIC	HOMEBUILDER WARRANTY	HOMEBUILDER RESPONSIBILITY
Cabinets	Kitchen cabinet doors, drawers and other operating parts should function properly under normal use. Cabinet door and drawer adjustments are warranted for 60 days.	Repair or replace operating parts as required.*
	Warpage should not exceed ¼ inch as measured from face frame to point of furthestmost warpage, with door or drawer front in closed position.	Correct or replace door or drawer front as required.*
	Gaps between ceiling or walls shall have an acceptable tolerance of ¼ inch, provided the cabinet installation is structurally secure.	Homebuilder is to meet standard.
	Cabinet finish will fade through exposure to ultraviolet rays. Protect finish through shading of windows and conditioning of woodwork.	None.
Carpeting	Wall-to-wall carpeting, installed as the primary floor covering when stretched and secured properly, should not come up, become loose, separate or stretch excessively at its point of attachment.	
	Carpet seams will show and this condition is not a warrantable item. However, no visible gap is acceptable.	Homebuilder is responsible to correct visible gaps. Repaired area may not match exactly in color and/or texture. Homebuilder may patch defective area as an acceptable repair.*
	Exposure to sunlight may cause spots on carpet and/or fading.	None
Ceramic Tile	Ceramic tile should not crack or become loose.	The Homebuilder shall replace any cracked tiles and resecure any loose tiles unless the defects were caused by the Homeowner's negligence. Homebuilder is not responsible for discontinued patterns or color variations in ceramic tile and is responsible for replacement of defective tile only.*
Grout	Cracks in grouting of ceramic tile joints are commonly due to normal shrinkage or settling caused by climate and temperature changes.	Homebuilder assumes no responsibility for grout maintenance or damage caused by neglect. Homeowner must perform preventative maintenance to maintain ceramic tile warranty.

**EXHIBIT 2
LIMITED HOME WARRANTY**

Laminated Countertops	Countertops fabricated with high pressure laminate covering should not delaminate or have chips or surface cracks. The deck area joint may have a maximum of 1/16 inch differential in surface alignment. Warpage over 3/8 inch in 48 inches is excessive.	Repair or replace to meet specified criteria. Repaired areas may not match exactly in color and/or texture. Homebuilder responsible only for chips and cracks noted prior to occupancy.*
Painting (Interior & Exterior)	Natural finishes on interior woodwork may not deteriorate during the first year of ownership. Varnish-type finishes used on the exterior will deteriorate rapidly and are not covered by the warranty.	The Homebuilder shall insure that all natural finishes have sufficient coverage of varnish or lacquer.*
Painting (Interior Finish)	Interior painted wall surfaces are latex water based and should not be washed or cleaned. Touch up paint should be used in lieu of cleaning. Interior paint shall be applied in a manner sufficient to visually cover wall, ceiling and trim surfaces where specified.	None, unless noted during the Homeowner Orientation.
Sheetrock	Slight "imperfections" such as nail pops, seam lines and cracks are common in gypsum wallboard installations. However, obvious defects are not acceptable.	Homebuilder to correct such defects to acceptable tolerance and repaint repaired areas. Homebuilder is not responsible for color variations in the paint*. Hairline cracks around windows and doors are not warrantable.
Subfloor	Floor squeaks and loose subfloor are often conditions common to new home construction. However, a squeak-proof floor cannot be guaranteed due to temperature changes, lumber species, position of "live and dead loads" within, and designed deflection of floor area.	Homebuilder shall correct the problem only if caused by defective material or failure. Homebuilder cannot guarantee a "squeak free" floor.
Vinyl Flooring	Readily apparent nail pops shall be repaired.	The Homebuilder shall correct nail pops which have broken the surface. The Homebuilder shall repair or replace resilient floor covering in the affected area with similar material. Homebuilder is not responsible for discontinued patterns or color variation in the floor covering.*
	Readily apparent depressions or ridges exceeding 1/8 inch should be repaired. The ridge or depression measurement is taken as the gap created at one end of a six-inch straight edge placed over the depression or ridge with three inches of the straight edge on one side of the defect, held tightly to the floor.	The Homebuilder shall take corrective action as necessary, to bring the defect within acceptable tolerance so that the affected area is not readily visible. Homebuilder is not responsible for discontinued patterns or color variations in the floor coverings.*
	Gaps shall not exceed 1/16 th inch in width in resilient floor covering seams.	The Homebuilder shall take action as necessary to correct the problem.*
	Resilient flooring should not lift, bubble or become unglued.	The Homebuilder shall repair or replace the affected resilient flooring as required. The Homebuilder shall not be responsible for discontinued patterns or color variation of floor covering or for problems caused by Homeowner neglect or abuse.*

***EXCLUSIONS TO FIT AND FINISH WARRANTY.**

EXHIBIT 2
LIMITED HOME WARRANTY

In addition to the exclusions to the Limited Warranty, this Fit & Finish Warranty does not cover Fit and Finish deficiencies that are caused by Homeowner, or Homeowner's family, guests and agents (such as movers, contractors, etc.), nor does this limited warranty cover damage to cabinets, mirrors, flooring, interior and exterior walls, countertops, paint finishes and trim caused by defects or deficiencies in other components of the home that are covered under Title 7. Furthermore, without limiting the foregoing, this Limited Fit & Finish Warranty does not cover any of the following:

1. Minor cracks in stucco, concrete, masonry, ceramic tile, wall materials (a "minor crack" is any crack 1/8 of an inch or less in width).
2. Minor openings of wooden joints caused by normal shrinkage of the wood.
3. Normal checking and peeling of paint from causes other than the quality of the paint or application, variations in paint and stain colors from manufactures' samples and within any one area versus another area of the home, and variations in ceramic tile color and texture from manufacturers' samples and among other tiles.
4. Natural variations of color, texture, thickness, grain and shade on wood cabinets, flooring, countertops, and trim.
5. Color or texture variations between existing and repaired surfaces. Discontinued items, materials, styles or patterns or changes in dye lots, colors or patterns.

CONSTRUCTION WARRANTY

Except as limited herein, Homebuilder warrants that the following items shall be free of "deficiencies in original materials or workmanship for one (1) year as of the date of the Close of Escrow.

TOPIC	HOMEBUILDER WARRANTY	HOMEBUILDER RESPONSIBILITY
Air Conditioning	When air conditioning is provided, the cooling system shall be capable of maintaining a temperature of 78 degrees F., as measured in the center of each room at a height of 5 feet above the floor, under local outdoor summer design conditions as specified in ASHRAE handbook. In the case of outside temperatures exceeding 95 degrees F., a differential of 15 degrees F from the outside temperature will be maintained. Federal, state or local energy codes shall supersede this standard where such codes have been locally adopted. Rollershades and/or window coverings must be used to control outside temperatures transferred through glass.	Correct cooling system to meet temperature conditions, in accordance with specifications.
Air Distribution (Heating & A/C)	When metal heats up, it expands. When metal cools, it contracts. The result is "ticking" or "cracking" which is generally to be expected.	The stiffening of the ductwork and the gauge of the metal used shall be such that ducts do not "oilcan". The booming noise caused by "oilcanning" is not acceptable and the Homebuilder must take necessary steps to eliminate this sound.
	Ductwork should remain intact and securely fastened.	Reattach and resecure all separated or unattached ductwork.
Concrete	Stoops and steps should not settle, heave or separate in excess of 1 inch from the house structure. No cracks except hairline cracks (less than 1/4 inch) are acceptable in structurally attached concrete stoops.	Homebuilder shall take whatever corrective action is required to meet acceptable standards.*

**EXHIBIT 2
LIMITED HOME WARRANTY**

Evaporative Cooling	Equipment must function properly at temperature standard set.	Correct and adjust so that blower and water operate as designed.
Fireplaces	A properly designed and constructed fireplace and chimney should function properly. It is normal to expect that high winds or atmospheric pressure causes temporary negative draft situations. Similar negative draft situations can be caused by obstructions such as large branches of trees too close to the chimney. Some houses may need to have a window opened slightly to create an effective draft, if they have been insulated and weatherproofed to meet high energy conservation criteria.	Determine the cause of malfunction and correct as required if the problem is one of design or construction of the fireplace.
	Newly built chimneys often incur slight amounts of separation, which should not exceed ½ inch in any 10 foot measurement from the main structure.	Homebuilder to determine the cause of separation and correct as required. Caulking is acceptable.
	Fires should be built on log grates to avoid direct contact with refractory linings that would result in cracking or damage. (Only build small fires for the first sixty days in masonry chimneys.)	None
Gutters	Gutters must not leak. It shall be the homeowner's responsibility to keep such areas free of leaves and debris that could cause overflow.	Repair leaks.
Garage Doors (Overhead)	Garage doors should operate properly. Garage doors should not rub against the jambs during the swing of the door.	The Homebuilder shall correct or adjust garage doors as required except where the cause is determined to result from the Homeowner installing an electric garage door opener.
	Garage doors should be installed within manufacturer's installation tolerances of ¾ inch.	Some entrance of the elements can be expected. Homebuilder shall adjust or correct garage doors to meet manufacturer's installation tolerances.
Insulation	Insulation should be installed in accordance with applicable energy and building code requirements.	Install insulation in sufficient amounts to meet standards.
Plumbing Noise	There will be noise emitting from the waterpipe system, due to the flow of water.	Homebuilder cannot remove noises due to water flow and pipe expansion. However, any "water hammer" or pipe vibrations are the Homebuilder's responsibility to correct.
Weather-stripping and Seals	Some infiltration is normally noticeable around doors and windows, especially during high winds. Excessive infiltration resulting from open cracks, or poorly fitted weather-stripping is not permissible.	The Homebuilder shall adjust or correct open cracks, poorly fitted doors, windows, or poorly fitted weather-stripping. Homebuilder shall be responsible to adjust or replace the weather-stripping or threshold only one time during the first year of occupancy.
Windows (Exterior) and Metal Doors	Windows should operate with reasonable ease as designed.	Homebuilder to correct or repair as required.* Homeowner is responsible for cleaning of tracks and lubrication.
	Windows should not allow condensation between panes.	Homebuilder to correct within warranty period.

EXHIBIT 2
LIMITED HOME WARRANTY

Windows (Exterior) and Metal Doors cont.	Any broken glass or damaged screens not reported to the Homebuilder at the homeowner's orientation is the homeowner's responsibility.	Replace if noted at homeowner's orientation.
	Glass to be free of scratches that can be observable in daylight at a distance of 15 feet.	Homebuilder shall replace glass if it does not meet acceptable criteria as noted at time of first occupancy and is reported at the time of the Homeowner Orientation.
Wood and Plastic Doors	Exterior doors will warp to some degree due to temperature differential on inside and outside surfaces. However, they should not warp to the extent that they become inoperable or cease to be weather resistant or exceed National Woodwork Manufacturer's Association Standards (1/4 inch).	Correct or replace and refinish defective doors.*
	Panels will shrink and expand, and may expose unpainted surface.	None
	Split panels should not allow light to be visible through the door.	If light is visible, fill split and match paint or stain as closely as possible.*

EXHIBIT 3 MAINTENANCE MANUAL

As a Homeowner, you will find that the many fine features built into your home will assure you many years of comfortable living. However, even the highest quality home requires minor repairs and regular maintenance. You will prevent minor household problems from requiring professional attention by following the maintenance hints outlined below. Treat your home much the same way you would a new automobile or fine piece of equipment. By taking certain precautions in the first few months, you will experience fewer maintenance problems as the years go by. To help you with the upkeep of your new home we are providing this Homeowner's Maintenance Manual. Many questions you may not have thought to ask will most likely be answered within these pages. Please check with the County and/or City Planning and Building Departments and review your CC&R's before making any changes to the exterior of your home.

The terms "Homebuilder/homebuilder" "Us/us" or "We/we" shall have the same definition as the term "Builder" in the *Title 7 Declaration* recorded on the Property. The term "Homeowner/homeowner" or "You/you" or "Your/your" shall have the same definition as the term "Owner" in the *Title 7 Declaration* recorded on the Property. The terms "Home/home" or "Property/property" shall have the same definition as the term "Property" in the Title Declaration recorded on the Property.

APPLIANCES

Please read the manufacturers' manuals for helpful suggestions regarding features and maintenance.

COUNTERTOPS

Ceramic tile

Countertops can be easily maintained with soap and water. Avoid using harsh scouring powder. Seal grout periodically with approved sealer to strengthen and protect from dirt. Light colored grout, however, will stain if it is spilled on.

NOTE: During the first year, some settlement of the home will occur, which may cause minor cracks in grout joints, particularly where tile meets a bath tub. We will make repairs to subject cracks one time only. Subsequent settlement crack repairs will be considered normal homeowner maintenance. These cracks can be easily repaired by applying "Dap", which is available at your local hardware store.

Simulated marble pullman

Tops may be cleaned with either a mild detergent or one of the new foaming cleaners. Avoid using harsh scouring powder or abrasive materials. Special polishing products are available to remove minor scratches and other blemishes resulting from normal use. Polish with GEL-Gloss or similar product to restore luster. Chips and cracks on surfaces of bathtubs, showers, toilets, lavatories, sinks, pullman tops, and adjacent surfaces, can occur when surface is hit with sharp or heavy objects

Grout

Cracks in grouting of ceramic tile joints are commonly due to normal shrinkage or settling caused by climate and temperature changes. Homeowner must perform preventative maintenance and perform re-grouting to maintain tile and countertop warranties.

MOLD & MILDEW

Mildew and Mold are natural components of indoor and outdoor air and exist everywhere, not only in the air but also in the soil and on many surfaces both indoors and out. The atmospheric conditions around and in your home can create an ideal environment for mold growth. We recommend that you read the *Homeowner Guide to Earthquake Safety & Environmental Hazards* developed with the approval of the California Departments of Real Estate and Health Services (including the new chapter on mold), and provided with the your original sales documentation

As a result of State and Federal requirements, homes today are built more airtight than ever. This saves energy dollars but it also means that how a home is used and maintained, and the lifestyles of its occupants can significantly influence the accumulation of condensation, humidity, moisture, mold and mildew in a home. The levels of condensation, humidity, moisture, mold and mildew within a home can be affected by, among other things, the use of windows and/or fans, the use of heaters/air conditioners/humidifiers, house plants (watering can generate large amounts of moisture), steam from cooking, shower/bath steam leaks, wet clothes on indoor drying lines, running or dripping water, plumbing leaks, backed

EXHIBIT 3 MAINTENANCE MANUAL

up sewers, flooding, and the maintenance of drainage around a home. If your home is not properly maintained and ventilated, or if condensation, humidity or moisture are allowed to accumulate in and around your home, mold and mildew growth can occur. It is your responsibility as a homeowner to take the steps necessary to prevent mold and mildew growth in and around your home.

DOORS

The most common cause of a sticking door is the natural expansion and contraction due to general changes in weather conditions. The doors were properly adjusted at installation; however, if there is a continuing problem, some minor re-adjustment may be required. Such adjustments are considered to be homeowner maintenance.

ELECTRICAL WIRING

Circuit Breakers

All wiring within your home is protected by a main circuit breaker and individual branch circuit breakers. These are located in an enclosure on the exterior of your home alongside the electric meter. Occasionally a table lamp, radio, curling iron or appliance that is plugged into a wall receptacle is NOT functioning properly. This may cause the main breaker or individual branch circuit breaker to trip, which shuts off ALL electricity to that particular circuit. If this should occur, proceed to the circuit breaker panel. Locate the "tripped" breaker and push it to the OFF position briskly, and then to the ON position. Power should be restored. It is the responsibility of the homeowner to check that ALL circuit breakers, including the main breaker, are on before any call is made for assistance.

Ground Fault Interrupter (GFI)

Your home is equipped with Ground Fault Interrupters (GFI's). They control other receptacles in the immediate vicinity where there might be the hazard of electrical shock. These devices are a requirement by building code, and are intended for your SAFETY. They are located in a bathroom, garage and/or kitchen receptacle and are equipped with a "RESET" button. Our experience shows that because they are extremely sensitive, there may be household appliances commonly used on the patio, bathroom, garage, and especially in the kitchen, which cause the sensing unit to trip. There is NOTHING that can be done about this situation as it is an inherent characteristic of the device.

In the event that the circuit is interrupted, reset the button on the GFI, which will re-energize the protected circuit. This is accomplished by disconnecting the appliance that caused the interruption, resetting the circuit breaker in the exterior panel, and depressing the "RESET" button on the device. The resetting of the GFI and/or the branch circuit breaker is the responsibility of the homeowner.

Occasionally a GFI is manufactured which is overly sensitive. If you feel that this is the case with your device, test the conductivity by plugging in a properly operating table lamp in the OFF position, and then turn it ON. If the device still trips, call us and we will make the necessary repairs, providing the device has not been abused or damaged and the warranty period has not expired.

NOTE: These items may possibly cause your GFI to trip: Rechargeable battery packs, neon night lights, hair dryers, time-controlled sprinkler and lighting systems, rotor-driven machinery, refrigerators, freezers, deep fryers, counter-top microwaves, or any high amperage devices.

Smoke Detector

Your home is also equipped with smoke detectors. These units are located in hallways and bedrooms. These units sense particles of smoke in the atmosphere around them, and sound an alarm. Unfortunately, the units cannot differentiate between particles of smoke and other debris found in the air. Therefore, there are occasions when the unit will go OFF without the presence of smoke, or at a time when you may be operating your range and oven. This can be a frightening experience, but there is NOTHING that can be done to guarantee that it will not happen.

Wall Plugs

Most new homes are equipped with one or more switched outlets. These are normally found in bedrooms, living rooms, and family areas. These outlets consist of a wall receptacle and a wall switch that controls the receptacle. For

EXHIBIT 3 MAINTENANCE MANUAL

your convenience, ONLY ONE-HALF of the wall outlet may be controlled by the wall switch. The other half is energized at all times. If a lamp is plugged into one-half of the switched outlet in the ON position, and the switch does not operate the lamp, move the plug to the other half of the outlet and try the switch again. If you are sure that you have located the switched outlet and the switch does NOT work, call us for repair.

NOTE: In the event the electrical contractor is called out to reset breakers, replace defective bulbs, or provide unnecessary homeowner assistance, they will charge for the service call. Furthermore, they cannot guarantee their work in the event the installation has been modified or additional wiring has been added by others.

EXTERIOR SURFACES

All exterior surfaces of your home are subject to normal weather conditions. These surfaces should be maintained periodically in order to prevent any material damages. Such surfaces as exterior doors, garage doors, roofs, stucco or any exposed wood are included. Exterior caulking will shrink and must be maintained by the homeowner during the life of the home.

FIBERGLASS PLUMBING WARE CARE

Just follow these simple cleaning instructions.

1. Use proper cleaning agents. One cleaning agent does not necessarily suffice for all the different sorts of dirt and grime found in bathtubs and showers.
2. For normal cleaning, use warm water and liquid detergent such as Dow, Lysol, or Mr. Clean bathroom cleaners, with sponge, nylon, polyethylene, or saran cleaning pads. Do not use abrasive cleansers, scouring pads, steel wool or scrapers.
3. Against mild grime, smear entire unit surface with a water paste using baking soda. Allow to effervesce a few hours and rinse with warm water.
4. For stubborn stains, use non-abrasive cleanser, such as Spic & Span. Sponge the area with the cleaner, allow to stand an hour, and rinse with warm water.
5. For extra deep stains, use hydrogen peroxide bleach from your local drugstore, such as Clairol, soaked onto white cotton rags and applied to the deep dark stains overnight. Afterwards rinse thoroughly with cold water.
6. For hardwater scale deposits, use regular pool acid, such as muriatic acid, diluted one part into ten parts of cold water and apply with sponge until scale disappears. Afterwards rinse thoroughly with cold water.
7. For heavy soap deposits, use regular lye solution from your local drugstore, such as Liquid Drano, and apply with sponge until soap disappears. Afterwards rinse thoroughly with warm water.
8. For restoration and protection, rub scratches and dull areas vigorously with automotive rubbing compound, such as DuPont, with a white cotton rag. Then buff vigorously with carnuba-based wax, such as J-wax, with a white turkish towel. If done twice a year, this will maintain a lustrous finish after cleaning as above.
9. Caulking will shrink and must be maintained by the homeowner during the life of the home.

FLOOR COVERINGS

Hard Surface

For maximum wear, sweep frequently. Clean regularly and avoid excessive water. The commercial "clean and wax" preparations are effective. Buffing removes slight scratches and most stains. DO NOT use water on any hardwood surface. Dust mop with appropriate floor dressings.

Carpet

No matter where you live or how often your carpets are cleaned, they will surely absorb a certain amount of soil. As the dust and grit that are carried onto the carpet by foot traffic and airborne soil accumulate on the carpet, there will naturally be a change in its appearance. It will be noted earliest when light-colored carpets are used and where foot traffic is heavy. The

EXHIBIT 3 MAINTENANCE MANUAL

original color and tone can often be restored by correct professional cleaning. Daily care for each carpet should include a once-over-lightly with a vacuum cleaner or carpet sweeper. Never fear that you might vacuum too often. Vacuuming does not wear out your carpet. On the contrary, you will find that a clean carpet is longer-wearing carpet.

FOUNDATIONS

Concrete used for foundations, porches, steps and walks, expands with summer heat and contracts with winter cold. Because of this, and the natural shrinkage that occurs when concrete reaches its final set, minor cracks may appear. These minor cracks do not affect the structural strength of the concrete in any way.

GRADING AND LANDSCAPING

Your lot has been graded for proper drainage and has been inspected and certified by an independent civil engineering firm and accepted by the County and/or City. The grading around the house has been reviewed with the Buyer regarding the maintenance of the grade. The grading pattern as shown on the plot plan cannot be disturbed or altered during homeowner improvements; such as patios, decks, pools, landscaping and other improvements, which could direct water runoff into or under the home or block drainage. **HOMEBUILDER WILL NOT ASSUME ANY RESPONSIBILITY FOR DAMAGE TO HOUSES OR LOTS WHICH RESULTS FROM ALTERATION OF THE ORIGINAL GRADING OR INADEQUATE LOT MAINTENANCE.** If you plan to change the grading pattern on your lot, you should consult with a professional landscape architect or civil engineer to insure that proper lot drainage is maintained.

The following suggestions will help you maintain the integrity of your lot and foundation:

1. Maintain positive drainage through swales and drain pipes by removing any debris or obstructions. Never allow water to pond above slopes.
2. Replace and compact any loose fill in slopes. Tap moist soil into any prominent shrinkage cracks or animal burrows which form on or above a slope.
3. Plant slopes with light weight ground covers or drought resistant grasses to reduce erosion. Shrubs, trees and heavy ground covers, other than varieties specifically recommended by a qualified landscape architect, should not be used.
4. Do not spread loose fill over slopes. It is not compacted to the same density as the slope itself and will tend to slide with heavy moisture. The sliding may cause additional damage in weakening the slope. If you live below a slope, be sure that loose fill is not dumped above it.
5. Do not over-irrigate slopes. Ground cover requires some moisture during the hot summer months. However excessive irrigation during the wet season can cause ground cover to pull loose. This can destroy the cover and also cause serious slope erosion or failure.
6. Do not let water gather against foundations and retaining walls. These walls are built to withstand the ordinary moisture in the ground. If water is permitted to pond against them, it may cause damage to floor coverings or structural damage from erosion or expansion.

Remember, you will be responsible for water damage to your home or your neighbor's home due to modification of the grading and/or drainage. A conscientious effort on the part of all homeowners in maintaining their home, lot, drainage and slopes will insure an attractive community and enhance the value of your investment in your new home.

Again, please note that Homebuilder has no control over the watering, fertilizing and weather conditions once you have moved into the home. You are responsible for maintaining and adjusting sprinkler heads to prevent blockage and damage.

HARDWOOD CABINETRY, STAIR HANDRAILS, AND BALUSTRADES

The face frames, stair handrails and balustrades, doors and drawer faces on the kitchen, linen, and pullman cabinets, are constructed of a natural hardwood materials and finished with a lacquer satin finish. This type of coating has a very low VOC content which makes it environmentally friendly. Lacquer provides a very substantial film of protection from liquids and normal wear and tear that would otherwise damage the wood. It is not however impenetrable. Water left standing on the cabinet surfaces will penetrate the film and damage the wood, especially in conjunction with any type of detergent.

EXHIBIT 3 MAINTENANCE MANUAL

Hanging wet dishcloths on the cabinet doors is extremely damaging. Harsh or abrasive cleaning agents or scrubbing pads can also damage the finish

Please be aware that because wood is a natural material and because wood grain and wood color are inconsistent and vary from piece to piece, it is impossible to match grain and color. The cabinet finish must be maintained by the homeowner in the same manner as other furniture by periodic oiling with an accepted oil, such as lemon oil. Failure to do so resulting in subsequent water damage will void the warranty on wood surfaces.

NOTE: The oil provides a protective cover over the lacquer much like wax on a car and prevents water from checking and penetrating the lacquer finish.

HEATING AND AIR CONDITIONING

Your forced air unit contains a filter that requires periodic cleaning and/or replacement. A dirty filter impairs the efficiency of the unit and could cause it to malfunction. Clean and/or replace the filter monthly when the unit is in service.

Should your furnace require an adjustment, call your gas company. By adjusting the register in each room, you can obtain a desirable temperature and minimize your heating costs.

You shall be responsible for balancing dampers, registers and other minor adjustments. Rollershades and/or window coverings must be used to control outside temperatures transferred through glass.

LUMBER AND MILLWORK

Homebuilder uses structural lumber in your new home, designed in size, quality and grade to carry the intended loads with a large safety factor. It includes your joists, studs, headers and rafters. Some shrinkage and minor drywall cracks may occur due to natural shrinkage; however, this can be minimized by maintaining a relatively constant room temperature during the first year.

FIREPLACES

Homeowner is responsible for maintaining fireplace flue. It is recommended to have a licensed chimney sweep clean the flue a minimum of once a year.

PAINTING

All exterior wood materials require repainting periodically. Wood trim boards may pull away from one another or from other materials. They will require caulking with a good exterior type caulk before repainting to prevent the possibility of leaks and to improve the appearance. This is normal homeowner maintenance.

Entry doors and all exterior doors of wood will dry out to a certain extent. The door frames may be subject to a small amount of movement resulting in the need for adjustments to the door. This is normal homeowner maintenance.

A naturally finished wood entry door will need to be refinished by the homeowner periodically, especially when subject to constant sunlight. These natural finishes when exposed to the elements will not last for any extended period of time. This is normal homeowner maintenance.

You may also feel you need the advantage of adjusting or adding additional weather-stripping. These items are homeowner responsibilities.

Painted Wall Surfaces

Due to the environmental hazards associated with painting products in general, we have used all water-based materials in the painting of your home. The drawback to water-based materials on flat wall surfaces is that when trying to wash your walls, you will probably incur solubility of the paint. Any water, water based materials, or cleaning liquids will break down the paint and cause it to come off on your wash cloth. Therefore, we recommend utilizing the touch-up paint we have provided whenever necessary to clean soiled or spotted painted surfaces.

PLUMBING

**EXHIBIT 3
MAINTENANCE MANUAL**

Polished Brass Plumbing Fixtures

Your house contains solid brass fixtures. These have been polished to a smooth, gleaming finish and are coated with a clear thermoset epoxy that is baked and chemically bound to the surface. If cared for properly, this coating will protect the brass and retard tarnishing. Simply wipe the brass with a soft, damp cloth to remove any water spots and pat dry with a soft towel immediately after use. Never use polish, detergents, cleansers, abrasives or cloths with abrasive surfaces. Use of these products will damage the protective coating. Use of anything but a soft, damp cloth, will nullify most manufacturer's warranties. Please understand that the nature of brass is to tarnish.

Drain Lines

All the drain lines in your home are flushed and tested before passing inspection. Even though all of your plumbing has been flushed out to remove dirt and foreign matter, a small amount of pipe sealant compound may come out of the faucets for the first few days of regular use. This condition is normal with new plumbing and will correct itself quickly.

Water Pressure

The main shut-offs and the pressure regulator (if required) are usually located where the water line enters the house. The pressure regulator is preset per the demands of the area. If there is a severe drop in the water pressure, a plumber should be called to check the screens for debris or perhaps make an adjustment.

Recaulking

Daily use of your tub, shower or sinks will constitute a need for occasional re-caulking. This is a normal homeowner responsibility and should be done to avoid excessive wear and tear.

Washing Machine

DO NOT leave water turned on when the clothes washer is not in use. The pressure created causes leaking and rapid deterioration of the hose connecting the water to the clothes washer.

Drain back ups

In case of drain back up on the first floor, DO NOT under any circumstances use plumbing fixtures, as this will only make the problem worse. A temporary solution to the problem may be made by carefully removing cleanout caps located on the exterior of the building. This allows the waste to flow on the ground and prevents overflow inside the house.

Plumbing roof vents

These are made of plastic pipe that expands and contracts with temperature changes. In doing so, the seal at the roof jack (metal flashing where vent pipe goes through the roof) may fail. This will require re-sealing by homeowner periodically to prevent leaks.

Shut off valves

All plumbing fixtures have shut off valves. These valves should be closed and opened periodically to insure proper operation and prevent freeze up of valve by water deposits.

DRAIN BLOCKAGE

1. Remove cleanout cap located at or near the front of your home in the planting area.
2. If cleanout is in garage floor or driveway, remove cover and unscrew cap.
3. If this does not relieve the pressure, blockage is between this point and where it appeared in the house.
4. On the exterior walls of the house you will find cleanout plugs in the stucco or wood siding in vertical alignment with bathrooms, or kitchen sink, approximately 12 inches above ground level. Loosen the cap that goes with the blocked

EXHIBIT 3 MAINTENANCE MANUAL

area. This will allow the blockage to spill onto the ground rather than inside the house and can later be washed away with a garden hose.

5. In some cases there will be one or more cleanouts located inside the garage at the bottom of walls.
6. Call any Roto Rooter company of your choice to come out and open the lines. Any of these companies will charge you for the call.

WATER LINE LEAKS

It is the homeowner's first responsibility to shut off the water supply to the area of the leak.

1. Kitchen sinks, dishwashers, vanity bowls, toilets, clothes washers, water heaters, etc. Each has an individual shutoff at the individual area.
2. The main shutoff that controls the entire water supply to the house is generally located at the front of the house either outside or just inside the garage.
3. If the leak is in a line that does not have an individual shut off, you will have to shut the water off at the main shutoff.
4. DO NOT allow water to continually leak and cause more and more damage as it may later be determined your responsibility for repairs.
5. Call the plumbing subcontractor directly using the subcontractor list in this booklet for the phone number.
6. Broken water lines due to freezing or abuse are responsibility of homeowner.

ROOFING

The roof is your protection from the elements. It is punished daily by Mother Nature and is built to withstand that punishment. However, it is not built to walk on. Never allow anyone on your roof unnecessarily. Asphalt shingles, wood shakes, concrete and clay tile roofing materials can provide many years of beauty and protection if cared for properly. Consult a professional roofing contractor for suggestions on care and maintenance.

Flashings, Valleys, and Gutters

It shall be the homeowner's responsibility to keep such areas free of leaves and debris that could cause overflow.

WINDOWS

You will notice "weep" holes at the bottom of the track in the windows. These are designed to accommodate drainage from moderate rainfall; however, they are not large enough to drain water that is sprayed from a hose. Therefore, wash your windows by hand or place a towel in the track before spraying. Be careful not to scratch the surface and avoid using abrasives. For cleaning, use only a damp cloth. If windows should stick, we recommend a thorough cleaning of the top and bottom tracks and any moving portions of window. Rollershades and/or window coverings must be used to control outside temperatures transferred through glass.

WOOD SUBFLOORS

Temperature and weather fluctuations will cause expansion and contraction; therefore, it is impossible to provide squeak free or noise free floors.

EXHIBIT 4
CUSTOMER SERVICE PROCEDURES

INTRODUCTION

Our Customer Service Department has been created to respond to any and all claims or concerns you may have regarding your home. While we cannot guarantee that all claims or concerns will warrant action or repair on the part of the Customer Service Department, we have nonetheless created the Customer Service Department as your first and primary resource for resolution of any claim or concern. We encourage you to use this service that we provide. The principal function of the Customer Service Department is to respond to claims covered by the Limited Warranty which is an exhibit to the *Title 7 Declaration* recorded on the Property. Please carefully read both of those documents. These Customer Service Procedures have been developed for the handling of your claims and concerns. Our Customer Service Representatives are responsible for administering our Customer Service Procedures and responding to your needs promptly and professionally.

The terms "Homebuilder/homebuilder" "Us/us" or "We/we" shall have the same definition as the term "Builder" in the *Title 7 Declaration* recorded on the Property. The term "*Title 7 Declaration*" shall mean the Title 7 Declaration recorded on the Property. The term "Homeowner/homeowner" or "You/you" or "Your/your" shall have the same definition as the term "Owner" in the *Title 7 Declaration*. The terms "Home/home" or "Property/property" shall have the same definition as the term "Property" in the *Title 7 Declaration*.

GENERAL CUSTOMER SERVICE PROCEDURES

- All claims made with the Customer Service Department must be in writing using Customer Service Forms. This is necessary to ensure that we provide you with high quality, professional and prompt service and maintain an accurate record of your requests. Please fill out the Customer Service Form completely, including your lot number, name of your neighborhood community, address, and work and home phone numbers. Provide a brief description of the work requested and its location in your home. For example, please indicate the room, the location in the room and a general description of the problem. Copies of the Customer Service Forms are attached. Additional Forms can be obtained from the Customer Service Department or any Customer Service Representatives. Homebuilder cannot acknowledge telephone requests for general service. Homebuilder's Sales Representatives are not permitted to handle requests. Do not contact field personnel directly, since all requests for service must be recorded in our main office before work can be authorized.
- Customer Service Forms are to be submitted to Ryder Homes Warranty Department. Our fax number is (925)935-9195, and our address is 1425 Treat Blvd, Walnut Creek, CA 94597, or submit online at ryderhomes.com.
- Customer Service calls are scheduled between 8 a.m. to 5 p.m. Monday through Friday, excluding holidays. We will attempt to schedule the repairs at your convenience, according to the times indicated below. Service work can be delayed because of special scheduling requirements. Some of our trade contractors may call you directly for scheduling. Some service calls will need to be scheduled according to the jobs that are to be done. For example, drywall repairs might be done at one time and repairs to doors and cabinets might be done at another time. This enables the Customer Service Department to complete repairs efficiently.
- Typically a Customer Service Representative will call within 48 hours of receipt of a Customer Service Form to schedule appointments to review your Customer Service request with you. Once our Customer Service Representative meets with you, he will schedule the work to be performed. Requests can take 4-6 weeks to complete. Delays can be caused by shortage of material, back ordered parts from manufacturers, labor problems or weather. We will try to process your request as quickly as we can. It is helpful, however, to consider alternatives, (such as calling directly to a manufacturer's warranty service company, or consulting our manual, etc.), which could possibly provide a more immediate solution.
- Customer Service calls will only proceed if an adult over the age of 18 is present in the home, unless you have provided Homebuilder or the trade contractor's written permission to enter your home without your presence. If you have not granted us permission to enter your home in your absence, please indicate the time and date, according to our normal service hours, that is the most convenient for the work to be scheduled.
- Building industry standards will be used to select the materials and the workmanship practices that are employed in Customer Service repairs and replacements. The care and attention to detail that went into the original construction of your home will be used in subsequent repairs.

EXHIBIT 4
CUSTOMER SERVICE PROCEDURES

- We recommend that you review the Limited Warranty, the Functionality Standards for Construction and The Homeowner Maintenance Manual before filing a claim with the Customer Service Department. This will help you to decide if the claim is our responsibility, the responsibility of one of our vendors or your responsibility.
- During Customer Service calls the Customer Service Representative will review each item on your Customer Service request with you. He or she will clarify which items on your Customer Service request are covered. (If they are considered Homeowner Maintenance, the Customer Service Representative will explain how you should perform that maintenance). The Customer Service Representative will fix any items that he or she can do right there during the appointment. We will schedule with you a few days when we and our subcontractors can return and take care of all of the remaining items.
- Homebuilder will not be responsible for expenses that you incur for work that is done by others unless the work is authorized, in writing, by our Customer Service Department. Our Customer Service Representatives in the field do not have permission to authorize repair work by others.
- We take pride in the trade contractors who have been selected by Homebuilder. If you are dissatisfied with the quality of work or the level of professionalism displayed by one of our trade contractors, please contact our Customer Service Department immediately. Your comments help us to maintain the high level of service that you expect.
- Keep a signed statement from the subcontractor. For example, if you call Roto Rooter, you should get a written statement from them. The statement should include the cause and extent of the needed repair as well as the name and telephone number of the individual who made the repair.
- By submitting a Customer Service claim you are not waiving your right to assert a claim under the Alternative Non Adversarial Procedures specified in the *Title 7 Declaration*. Claims subject to the Alternative Non Adversarial Procedures may be submitted to such procedures prior to completion of these Customer Service Procedures in which case, the parties shall be bound by the procedures specified therein, and not by these Customer Service Procedures.
- In the event a dispute should arise between you and the Customer Service Department with respect to a Customer Service claim, or with respect to any action conducted pursuant to these Customer Service Procedures, the parties shall have the right to submit the dispute to, and such dispute shall be governed by, the Binding Dispute Resolution Procedures specified in the *Title 7 Declaration*. However, if such a dispute is also subject to the Statutory Prelitigation Procedures as specified in the *Title 7 Declaration*, those Statutory Prelitigation Procedures shall be complied with before submitting the dispute to the Binding Dispute Resolution Procedures.

FIRST YEAR CUSTOMER SERVICE PROCEDURES (1-11 POLICY)

The first year of your home is covered by our 1/11 Customer Service Program. In this program you have two opportunities to request Customer Service. The first opportunity is one (1) month after closing when you have settled in and had a chance to familiarize yourself with your home. The second opportunity should be at eleven (11) months shortly before the one year Limited Warranty expires.

- The one (1) month Customer Service request must be made using the One Month Customer Service Form, attached as Exhibit A to these Customer Service Procedures. During your first month of occupancy, keep the One Month Customer Service Form handy and note any items on it as you discover them. Towards the end of the one month period, please forward the One Month Customer Service Form to us. Upon its receipt, we will make an appointment to meet with you
- The eleven (11) month Customer Service request must be made using the Eleven Month Customer Service Form, attached as Exhibit B to these Customer Service Procedures. Following your one month list, please make note of any new items on your Eleven Month Customer Service Form. After approximately 11 months following your close of escrow date, we will contact you with a reminder to forward the Eleven Month Customer Service Form to us with any new items.

OTHER CUSTOMER SERVICE PROCEDURES (1-11 POLICY)

Customer Service items which impact the function and livability of the house and cannot wait for the 1st and 11th

EXHIBIT 4
CUSTOMER SERVICE PROCEDURES

month Customer Service should be submitted to Homebuilder on the Customer Service Request Form attached as Exhibit C to these Customer Service Procedures. We will review such requests and if we determine that the items are warrantable and cannot wait for the 1/11 Customer Service, we will proceed with the work.

- For Customer Service items occurring after the first year the claims should be submitted to Homebuilder on the Customer Service Request Form attached as Exhibit C to these Customer Service Procedures

EMERGENCIES

Homebuilder defines emergencies as problems that require immediate attention to protect you and your family from harm and to avoid damage to your property, your home or your lot. Emergencies include but are not limited to:

- A total electrical failure within your home. An electrical failure of many houses indicates a neighborhood power failure and should be reported to the appropriate electrical utility for your area.
- A total stoppage of the plumbing drain system within the first 30 days. If your plumbing system ceases to work, none of your sinks, tubs or toilets will function properly. Also, stoppage of a particular toilet or drain may constitute an emergency when caused by construction debris or because of the work of Homebuilder or one of our trade contractors.
- A plumbing leak which requires that the water supply to your home be shut off to avoid serious water damage. The main shutoff is usually located near the entry sidewalk, outside the garage or in a ground level box near the street. The exact location will be shown to you during the Walk-Through Orientation. A leak which can be isolated by the shutoffs under the cabinet or plumbing fixture is not an emergency. Please NOTE that the failure of your water heater does not constitute an emergency.
- Loss of heating or air conditioning (cooling) during extreme weather conditions.
- Smell of gas. Report a gas leak to P. G. & E. at 1-800-743-5000.

In the case of an emergency, your first step should be to protect your family from harm. Once you are sure of their safety, and if your safety will not be jeopardized, you should take steps to correct or lessen the effects of the emergency. Damage from a water leak can be minimized by turning off the water to a particular fixture or turning off the water main to your home.

In case of an emergency between 8 a.m. and 5 p.m. during the week, please call the Customer Service number - **California (877) 558-7036**. In addition to calling, please also submit the emergency claim to Homebuilder on the Customer Service Emergency Form attached as Exhibit D to these Customer Service Procedures. Do not delay in reporting an emergency. Subsequent damage caused by a delay will not be the responsibility of Homebuilder. In the event of a warranty-covered problem of an emergency nature, which occurs between Friday, 5:00 p.m. and Monday, 8:00 a.m., you must determine which subcontractor to call. Homebuilder does not have weekend emergency service personnel and this service was not included in the price of your home.

An emergency phone list for the plumbing, electrical, HVAC and appliance companies has been enclosed as Exhibit E to these to these Customer Service Procedures.

If your situation does not fall within the emergency guidelines, you must use the procedures outlined for requesting routine Customer Service. If you believe that a delay in responding to your claim could result in further damage, then again, call our Customer Service Department.

**EXHIBIT 4
CUSTOMER SERVICE PROCEDURES**

EXHIBIT A

One Month Customer Service Form

Name: _____

Subdivision: _____ Phase: _____

Address: _____

Lot Number: _____

Close of Escrow Date: _____

Floor Plan: _____

AM/Work Phone Number: _____

PM/Home Phone Number: _____

Best Time to Call: _____

Best Time to Make An Appointment: _____

May the Customer Service Representative enter your home if you are not present? _____

Homeowner is requesting that the following conditions be addressed through Ryder Homes Customer Service Procedures

Customer Service Request (note room/area)

Resolution (**For Office Use Only**)

1.
2.
3.
4.
5.

Please sign when all the requested items have been satisfactorily **resolved**.

Homeowner Signature

Date

Customer Service Representative

Date

EXHIBIT 4
CUSTOMER SERVICE PROCEDURES

EXHIBIT B

Eleven Month Customer Service Form

Name: _____

Subdivision: _____ Phase: _____

Address: _____

Lot Number: _____

Close of Escrow Date: _____

Floor Plan: _____

AM/Work Phone Number: _____

PM/Home Phone Number: _____

Best Time to Call: _____

Best Time to Make An Appointment: _____

May the Customer Service Representative enter your home if you are not present? _____

Homeowner is requesting that the following conditions be addressed through Ryder Homes Customer Service Procedures

Customer Service Request (note room/area)

Resolution (**For Office Use Only**)

1.
2.
3.
4.
5.

Please sign when all the requested items have been satisfactorily **resolved**.

Homeowner Signature

Date

Customer Service Representative

Date

EXHIBIT C

EXHIBIT 4
CUSTOMER SERVICE PROCEDURES
EXHIBIT D

Emergency Customer Service Form

Plumbing leaks, air conditioning or heating failure, electrical failure, or water leaks are considered emergencies. Please contact our office immediately if any of these issues occur in your home. If the emergency should occur outside of normal business hours, or on the weekend, please contact the appropriate sub-contractor noted on Exhibit E to the Customer Service Procedures.

Name: _____

Subdivision: _____ Phase: _____

Address: _____

Lot Number: _____

Close of Escrow Date: _____

Floor Plan: _____

AM/Work Phone Number: _____

PM/Home Phone Number: _____

Best Time to Call: _____

Best Time to Make An Appointment: _____

May the Customer Service Representative enter your home if you are not present? _____

Homeowner is requesting that the following conditions be addressed through Ryder Homes Customer Service Procedures

Customer Service Request (note room/area)

Resolution (**For Office Use Only**)

1.
2.
3.
4.

Please sign when all the requested items have been satisfactorily **resolved**.

Homeowner Signature

Date

Customer Service Representative

Date

EXHIBIT 4
CUSTOMER SERVICE PROCEDURES

EXHIBIT E

LIST OF EMERGENCY SUBCONTRACTORS

PLUMBER: R E Milano Plumbing

Phone Number: (925)500-1372

HVAC: Superior Mechanical

Phone Number: (707) 373-6018 or (925) 565-7063

ELECTRICIAN: Black Diamond Electric

Phone Number: (925) 777-3440

EXHIBIT 5
BINDING DISPUTE RESOLUTION PROCEDURES

CUSTOMER SERVICE PROCESS

Prior to commencement of any action under the Binding Arbitration Procedure stated in the Home Builder's Limited Warranty or the Binding Dispute Resolution Procedures, whichever applies, as set forth in *Title 7 Declaration* recorded against the Property (the "*Title 7 Declaration*"), Homeowner is strongly encouraged and advised by Homebuilder to submit each action through the Customer Service Procedures attached as an exhibit to the *Title 7 Declaration*, and provide Homebuilder with at least one opportunity pursuant to such Customer Service Procedures to resolve the matter.

If the Homeowner does not utilize the Customer Service Procedures or a dispute is not resolved through or is not subject to those Customer Service Procedures, then that dispute, as well as all other disputes, whether based in contract, statute, tort, or on any other grounds, including any dispute as to the arbitrability of the dispute itself, shall be resolved through mandatory binding arbitration as set forth in this Exhibit 5.

I. CLAIMS SUBJECT TO BINDING DISPUTE RESOLUTION PROCEDURES

A. Disputes: The Disputes subject to these Binding Dispute Resolution Procedures include but are not limited to the following:

1. Any and all claims, controversies, complaints or disputes, whether contract, tort or statutory, by, between or among Homeowner, Homeowners Association, Homebuilder, or their respective partners, officers, agents, employees, affiliated parent and subsidiary companies, successors and each of them, or any contractor, subcontractor, design professional, engineer, inspector or supplier who provided labor, services or materials relating to or arising out of the design, development, construction, marketing sale, purchase, ownership, modification, repair, or condition of the Property including common elements delivered by Homebuilder and owned by Homeowner Homeowners Association.
2. Those matters defined as "Title 7 Disputes" below;
3. Those matters defined as "Disputes" in the *Title 7 Declaration*;
4. Any and all claims, controversies, complaints or disputes regarding the relationship between Homeowner or Homeowners Association and Homebuilder;
5. Any allegation of negligence, fraud, breach of contract, and/or breach of duty of good faith and any other alleged claims arising in equity or from common law, to the extent such claims are not otherwise precluded or waived by law or contract;
6. Any dispute involving the declaration of covenants, conditions and restrictions or other governing documents (if any);
7. Any dispute regarding, directly or indirectly, the Property, the sale of the Property, any document or contract associated with the Property (or the breach thereof), and the performance of any party pursuant to such document or contract;
8. Any dispute regarding, directly or indirectly, the *Title 7 Declaration* or the Individual Dispute Resolution Agreement along with exhibits attached;
9. Any dispute as to the arbitrability of any of the foregoing or the dispute itself.

B. "Title 7 Disputes"

1. The following Disputes between Homeowner, Homeowners Association, Homebuilder or their respective partners, officers, agents, employees, affiliated parent and subsidiary companies, successors, subcontractors and each of them which are subject to these Binding Dispute Resolution Procedures shall also be defined as "Title 7 Disputes."
 - a) Those matters defined as "Title 7 Claim" in the *Title 7 Declaration*.
 - b) Any claim arising out of or relating to the Statutory Standards set forth in Chapter 2 of Title 7 attached as Exhibit 1

EXHIBIT 5
BINDING DISPUTE RESOLUTION PROCEDURES

to the Title 7 Declaration.

- c) Any claim arising out of or relating to a repair of an alleged violation of the Standards;
 - d) Any claim arising out of or relating to the value of repairing a violation of the Standards;
 - e) Any claim arising out of or relating to the alleged failure of a structure to meet the Standards;
 - f) Any claim arising out of or relating to alleged relocation expenses or storage expenses associated with a violation of the Standards or a repair of an alleged violation of the Standards;
 - g) Any claim arising out of or relating to alleged lost business income associated with a violation of the Standards or a repair of an alleged violation of the Standards;
 - h) Any claim arising out of or relating to alleged investigation costs associated with a violation of the Standards or a repair of an alleged violation of the Standards;
 - i) Any claim arising out of or relating to alleged fees and costs recoverable by contract or statute as a result of the violation of the Standards;
 - j) Any claim arising out of or relating to the Prelitigation Procedures set forth in Chapter 4 of Title 7 of Part 2 of Division 2 of the California Civil Code;
 - k) Any claim arising out of or relating to Title 7 of Part 2 of Division 2 of the California Civil Code.
2. Before Homeowner either Homeowner or Homeowners Association can commence a Title 7 Dispute through these Binding Dispute Resolution Procedures Homeowner and either Homeowner or Homeowners Association must first comply with all applicable provisions of the Alternative Non Adversarial Procedures, attached as an exhibit to the *Title 7 Declaration*.
3. The potential recoveries for any and all Title 7 Disputes commenced through these Binding Dispute Resolution Procedures shall be limited to the following:
- a) A determination as to whether Homeowner or either Homeowner or Homeowners Association and Homebuilder have complied with these Binding Dispute Resolution Procedures;
 - b) A determination of the enforceability of these Binding Dispute Resolution Procedures;
 - c) A determination as to whether Homeowner, and Homebuilder have complied with the Alternative Non Adversarial Procedures, attached as Exhibit 1 to the *Title 7 Declaration*;
 - d) A determination of the enforceability of the Alternative Non Adversarial Procedures, attached as Exhibit 1 to the *Title 7 Declaration*;
 - e) A determination of which Standard applies to an alleged violation;
 - f) A determination of whether the applicable Standard has been violated and who is responsible for such violation;
 - g) A determination of the reasonable scope of repair for a violation of the applicable Standard;
 - h) A determination of the reasonable value of repairing a violation of the applicable Standard. The reasonable value of repairing any nonconformity shall be limited to the repair costs, or the diminution in current value of the Property caused by the nonconformity, whichever is less, subject to the personal use exception as developed under the common law;
 - i) Awarding damages for the reasonable value of repairing a violation of the applicable Standards as set forth above,
 - j) Awarding damages for the reasonable cost of addressing any damages caused by the repair of a violation of the applicable Standard;
 - k) Awarding damages for the failure of the Property to meet the applicable Standard;
 - l) Awarding damages for the reasonable cost of removing and replacing any improper repair by the Homebuilder;
 - m) Awarding damages for reasonable relocation and storage expenses Relocation and storage expenses will be limited to the number of days the property is determined to be unsuitable for occupancy. The

EXHIBIT 5
BINDING DISPUTE RESOLUTION PROCEDURES

determination as to whether the property is unsuitable for occupancy will be based upon: (1) whether or not the actual structural condition of the property makes the entire property unsafe for human occupancy; or (2) whether the actual presence of a scientifically accepted health hazard makes the entire property unsafe for human occupancy;

- n) Awarding damages for lost business income if the property was used as a principal place of business licensed to be operated from the property,
 - o) Awarding damages for reasonable and necessary investigative costs,
 - p) Awarding damages for all other costs or fees recoverable by contract or statute.
- 4. The potential recoveries for any and all Title 7 Disputes shall not include compensation for loss of use, emotional distress or inconvenience
 - 5. If any of the damages permitted under a Title 7 Dispute are awarded to Homeowner or either Homeowner or Homeowners Association in any non-Title 7 Dispute, the damages awarded in such non-Title 7 Dispute shall be reduced by the amounts such damages are recovered through a Title 7 Dispute.
 - 6. Homebuilder shall be excused, in whole or in part, from any obligation, damage, loss or liability arising from or relating to a Title 7 Dispute to the extent the Homebuilder can assert any of the affirmative defenses set forth in California Civil Code Section 945.5.

II. PARTIES SUBJECT TO BINDING DISPUTE RESOLUTION PROCEDURES

- A. The provisions, standards, rights and obligations set forth in these Dispute Resolution Procedures are binding upon Homebuilder, Homeowner and their successors in interest.
- B. The terms "Homebuilder" "Us" or "We" in these Binding Dispute Resolution Procedures shall have the same definition as the term "Builder" in the *Title 7 Declaration* and the same definition as the term "Seller" in the Residential Purchase Agreement.
- C. The terms "Homeowner" or "You" or "Your" in these Binding Dispute Resolution Procedures shall have the same definition as the term "Owner" in the *Title 7 Declaration* and the same definition as the term "Buyer" in the Purchase Agreement.
- D. The term "Homeowners Association" in these Binding Dispute Resolution Procedures shall have the same definition as the term "Association" in the Title 7 Declaration.
- E. The term "Property" in these Binding Dispute Resolution Procedures shall have the same definition as the term "Property" in the Individual Dispute Resolution Agreement
- F. It is specifically intended and agreed that any person or entity not a party to the Binding Dispute Resolution Procedures specified herein shall, at Homebuilder's sole and absolute discretion, be joined or consolidated into these Binding Dispute Resolution Procedures if the presence of such person or entity is required or necessary for complete relief to be accorded in the Binding Dispute Resolution Procedures, or the interest or responsibility of such person or entity in the Dispute is not insubstantial.
- G. All parties involved in the Binding Dispute Resolution Procedures shall each have the right to be represented by counsel in these procedures.

III. MEDIATION:

- A. If the parties subject to these Binding Dispute Resolution Procedures have not attempted formal mediation of the Dispute prior to commencing these Binding Dispute Resolution Procedures, then the Dispute shall be submitted to mediation. Disputes that are subject to resolution pursuant to the Home Builder's Limited Warranty shall be submitted to the informal mediation process described therein. All other such Disputes shall be submitted to mediation pursuant to the rules of the Judicial Arbitration and Mediation Services ("JAMS"), its successor, or to any other entity offering

EXHIBIT 5
BINDING DISPUTE RESOLUTION PROCEDURES

mediation services agreed to by the parties. The mediation shall be limited to four hours, except as otherwise mutually agreed by the parties, before a nonaffiliated mediator selected and paid for by the Homebuilder. At its sole option, the Homeowner may agree to split the cost of the mediator and if he or she does so, the mediator shall be selected jointly. No person with any financial or personal interest in the mediation's result shall serve as a mediator, except by the written consent of the parties. Prior to accepting any appointment, the prospective mediator shall disclose any circumstances likely to create a presumption or bias or prevent a prompt commencement of the mediation process.

- B. The mediation shall be held in the county where the Property is located ("County") or such place as is agreed to by the parties. Prior to the commencement of the mediation proceedings, the mediator and all parties to the mediation shall execute an agreement pursuant to California Evidence Code sections 1115 et seq, or pursuant to any similar successor statute, in order to exclude the use of any testimony or evidence produced at the mediation in any subsequent dispute resolution forum, including, but not limited to, court proceedings, reference proceedings or arbitration hearings.
- C. Pursuant to California Evidence Code section 1119(a), "No evidence of anything said or of any admission made for the purpose of, in the course of, or pursuant to, a mediation or a mediation consultation is admissible or subject to discovery, and disclosure of the evidence shall not be compelled in any arbitration, administrative adjudication, civil action or other non-criminal proceeding in which, pursuant to law, testimony can be compelled to be given."
- D. Except as set forth in paragraph III A above, all expenses of the mediation, including but not limited to the traveling and other expenses of the mediator, shall be paid by Homebuilder. The expenses or fees of any witnesses, or the cost of any proofs or expert advice, shall be borne by the party calling the witness. Each party shall bear the costs and fees of their attorneys. However, it is not necessary for either party to have an attorney present during the mediation.

IV. ARBITRATION OF DISPUTES.

- A. To the extent that the Dispute (as such term is defined in section I.A above and in the *Title 7 Declaration*) is not resolved during mediation or otherwise, the entire matter shall proceed as one of Arbitration governed by the Federal Arbitration Act (9 U.S.C. §1-16). To the extent the rules of procedure set forth in Section V below do not conflict with the Federal Arbitration Act, such rules of procedure shall be the rules of procedure for the arbitration proceeding. JAMS its successor, or any other entity offering arbitration services agreed to by the parties shall hear, try and decide all issues of both fact and law and make any required findings of facts and, if applicable, conclusions of law. Notwithstanding the requirements to submit Disputes to Arbitration, if the party seeking to submit a Dispute to Arbitration chooses, the Dispute may instead, as an alternative to Arbitration, be submitted to the California small claims court subject to the limitations on the jurisdiction of such court. The decision of the small claims court and any small claims appeals court will be final as to the Dispute.
- B. The procedures specified in these Binding Dispute Resolution Procedures pertaining to Arbitration are to be interpreted and enforced as authorized by the Federal Arbitration Act (9 U.S.C. §1-16), which is designed to encourage use of alternative methods of dispute resolution that avoid costly and potentially lengthy court proceedings. Interpretation and application of those procedures shall conform to Federal court rules interpreting and applying the Federal Arbitration Act. References to California procedural law shall not be construed as a waiver of any rights of the parties under the Federal Arbitration Act or the right of the parties to have the procedures set forth in this **Agreement interpreted and enforced under the Federal Arbitration Act.
- C. The provisions of this Section V shall not be amended nor shall other provisions be adopted that purport to supersede it without Homebuilder's prior written consent. The parties shall but the purposes of this Section.

NOTICE: BY TRANSFERRING TITLE TO AND BY TAKING TITLE TO PROPERTY, HOMEOWNER OR HOMEOWNERS ASSOCIATION IS AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THESE BINDING DISPUTE RESOLUTION PROCEDURES DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY THE FEDERAL ARBITRATION ACT AND, TO THE EXTENT NOT INCONSISTENT, CALIFORNIA LAW, AND HOMEOWNER OR HOMEOWNERS ASSOCIATION IS GIVING UP ANY RIGHTS HOMEOWNER HOMEOWNERS ASSOCIATION MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. HOMEOWNER OR HOMEOWNERS ASSOCIATION IS GIVING UP ITS JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THIS BINDING DISPUTE RESOLUTION PROCEDURES PROVISION. IF HOMEOWNER OR HOMEOWNERS ASSOCIATION REFUSES TO SUBMIT TO BINDING ARBITRATION AFTER AGREEING TO THIS PROVISION, HOMEOWNER OR HOMEOWNERS ASSOCIATION MAY BE COMPELLED TO ARBITRATE BY A

EXHIBIT 5
BINDING DISPUTE RESOLUTION PROCEDURES

COURT OF LAW. HOMEOWNER OR HOMEOWNERS' ASSOCIATION AGREEMENT TO THIS ARBITRATION OF DISPUTES PROVISION IS VOLUNTARY.

V. RULES OF PROCEDURE:

A. The following rules of procedure shall apply to the arbitration provisions set forth above, as applicable.

1. **MANDATORY BINDING ARBITRATION:** Before Owner or Homeowners Association institutes arbitration proceedings as provided in this Section V ("**Rules of Procedures**") involving a Title 7 Claim, Owner or Homeowners Association must first commence the Claim Process and proceed, in good faith, to resolve the claim using the Claim Process. Before Owner or Homeowners Association or Builder institutes Proceedings which do not involve a Title 7 Claim, Owner or Builder shall, in good faith, attempt to resolve the Other Claim by mediation in accordance with the mediation procedures set forth in Section III (Mediation). The mandatory arbitration procedures below shall apply to all post-closing Disputes between Builder and Owner or Homeowners Association. Notwithstanding the requirements to submit Disputes to Arbitration, if the party seeking to submit a Dispute to Arbitration chooses, the Dispute may instead, as an alternative to Arbitration, be submitted to the California small claims court subject to the limitations on the jurisdiction of such court. The decision of the small claims court and any small claims appeals court will be final as to the Dispute. The provisions of this Section V shall not be amended nor shall other provisions be adopted that purport to supersede it without Builder's prior written consent. The parties shall cooperate in good faith and shall diligently perform such acts as may be necessary to carry out the purposes of this Section.
2. **FEDERAL ARBITRATION ACT:** If negotiations, mediation or other non-binding dispute resolution procedures, including the Claim Process, fail to resolve any Dispute between any Owner or Homeowners Association and Builder, then the Dispute shall be resolved by neutral, binding arbitration governed by the Federal Arbitration Act (9 U.S.C. §§1-16) ("**Federal Act**") and not by any court action except as provided for judicial review of arbitration proceedings under the Federal Act. The construction of the Lots, Residences and other portions of the Residence involved interstate commerce and therefore the arbitration procedures specified in this Section V are to be interpreted and enforced as authorized by the Federal Act, which is designed to encourage use of alternative methods of dispute resolution that avoid costly and potentially lengthy court proceedings. The Lots, Residences and other portions of the Residence was constructed with materials and products manufactured throughout the United States which have been shipped to the Project for state manufacturers, design professionals, contractors and their employees. The shipment of such materials and products across state lines cause the products and materials to enter into the stream of interstate commerce and become subject to the Interstate Commerce Clause (Article I, Section VIII of the United States Constitution) and ensuing federal laws. Interpretation and application of the procedures set forth in this Section V shall conform to any applicable Federal court rules and decisions interpreting and applying the Federal Act. The Proceedings shall be conducted pursuant to the Federal Act and, to the extent not inconsistent, the procedures set forth in this Section V. In addition, except as set forth herein, and to the extent it is not inconsistent with the Federal Act, the arbitration shall be conducted pursuant to Title 9 of the California Code of Civil Procedure (Section 1280 et seq.); provided, however, Code of Civil Procedure Section 1281.2(c) shall not be applicable to permit the court to delay or refuse to order arbitration. References to California procedural law are for guidance only and shall not be construed as a waiver of any rights or duties of the parties under the Federal Act or the right of the parties to have the procedures set forth in the Individual Dispute Resolution Agreement interpreted and enforced under the Federal Act. If any party seeks review by a court of the enforceability of any of the procedures set forth or referenced herein (notwithstanding the provisions herein making that issue one to be resolved by the arbitrator), the exclusive jurisdiction and venue for any such review shall be the Superior Court for the County.
3. **BUILDER PARTIES:** For purposes of this Section V, the term "**Builder Parties**" refers to Builder and its partners, members or other principals and their respective officers, agents, employees, affiliated parent and subsidiary companies, successors and assigns, design centers, subcontractors, design professionals, engineers, inspectors and material suppliers who provided labor, services or materials to any portion of the Project. Builder has the sole and absolute right, in its discretion, to join any person or entity who is not a party to the Proceedings if the presence of such person or entity is required or is necessary for complete relief to be accorded in the Proceedings or if the interest or responsibility of such person or entity in the Dispute is not insubstantial. The parties shall cooperate in good faith and shall diligently perform such acts as may be necessary to ensure that all necessary and appropriate

EXHIBIT 5
BINDING DISPUTE RESOLUTION PROCEDURES

parties are included in the Proceedings. Builder shall not be required to participate in the arbitration proceeding if all parties against whom Builder would have necessary or permissive cross-claims or counterclaims will not or cannot be joined in the arbitration/reference proceeding.

4. **JAMS:** The Proceedings shall be conducted by and in accordance with the rules of Judicial Arbitration and Mediation Services, Inc. ("**JAMS**") or any successor thereto or to any other entity **offering** mediation/arbitration/judicial reference services agreed to by the parties. The arbitrator/referee to be appointed shall be employed by JAMS, its successor, or any other entity offering arbitration/judicial reference services agreed to by the parties. Should JAMS cease to exist as such, then all references to JAMS shall be deemed to refer to its successor or, if there is no successor, to the American Arbitration Association, in which case its commercial arbitration rules shall be used.
5. **STATUTES OF LIMITATION:** Except for procedural issues, and to the extent not inconsistent with the Federal Act, the Proceedings, the ultimate decisions of the arbitrator, and the arbitrator shall be subject to and bound by existing California case and statutory law including, but not limited to, applicable statutes of limitation established in Title 7.
6. **SELECTION OF ARBITRATOR:** The Proceeding shall be conducted by one (1) qualified arbitrator selected in accordance with the rules of JAMS. The term "**qualified**" shall mean a retired judge who has experience with the laws governing residential real estate development and construction or an attorney who has actively practiced law in California for at least fifteen (15) years and who has experience with the laws governing residential real estate development and construction.
7. **MOTIONS AND REMEDIES:** The arbitrator shall have the power to hear and dispose of motions, including motions relating to provisional remedies, demurrers, motions to dismiss, motions for judgment on the pleadings and summary judgment and/or adjudication motions, in the same manner as a trial court judge. In addition, the arbitrator shall have the power to summarily adjudicate issues of fact or law, including the availability of remedies, even if the issue adjudicated could dispose of an entire cause of action or defense. The arbitrator shall have the power to grant provisional remedies including preliminary injunctive relief. Prior to the selection of the arbitrator, any party shall have the right to petition the Superior Court of the County for any necessary provisional remedies. However, after obtaining any provisional remedies (pending selection of the arbitrator) the entire matter shall be referred to JAMS for all purposes and the Superior Court shall have no further jurisdiction to monitor or enforce the provisional remedies or to make further determinations or awards or to issue additional provisional remedies. JAMS shall have the sole power to enforce, extend, modify or vacate any such provisional remedies.
8. **DISCOVERY:** The parties shall be entitled to limited discovery consisting of: (i) witness lists; (ii) expert witness designations; (iii) expert witness reports; (iv) exhibits; (v) reports of testing or inspections, including but not limited to, destructive or invasive testing; (vi) arbitration briefs; and (vii) the deposition, under oath, of any designated experts and two (2) other depositions of their choosing without obtaining the consent of the arbitrator. All other discovery shall be permitted by the arbitrator at the arbitrator's discretion upon a showing of good cause or based on the agreement of the parties. The arbitrator shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge.
9. **FULL DISCLOSURE:** Each party shall make, in good faith, a full disclosure of all issues and evidence to each other party prior to the hearing. Any evidence or information that the arbitrator determines was unreasonably withheld shall be inadmissible by the party who withheld it. Except as provided in Section V (8) (Discovery) and in the preceding sentence, no party shall be entitled to bring any motion to exclude or limit the facts or evidence to be submitted to the arbitrator. The initiating party shall be the first to disclose all of the following, in writing, to each other party and to the arbitrator: (i) an outline of the issues and its position on each such issue; (ii) a list of all witnesses the party intends to call; and (iii) copies of all written reports and other documentary evidence, whether written or not or contributed to by its retained experts (collectively "**Outline**"). The initiating party shall submit its Outline to each other party and the arbitrator **within thirty (30) days of the final selection of the arbitrator**. Each **responding** party shall submit its written response as directed by the arbitrator. If the Dispute involves a Title 7 Claim, then Owner or Homeowners Association shall be the first party to submit its written Outline, list of witnesses, and reports/documents and shall include a detailed description of the nature and scope of the alleged violation(s), its **proposal for repair or restoration, all repairs made to date and an estimate of the cost of**