



Dear Lender:

Thank you for your interest in joining the Home Buyers Warranty Corporation (2-10 HBW®) Construction Lender Warranty (CLW) program. As banks' roles and responsibilities are expanding to selling and in some cases finishing construction on bank-owned properties, 2-10 HBW® offers the solution to limit lender liability.

Our goal is to meet your needs. Regardless of whether a bank hires an independent contractor to complete construction work, or if the lender's cost to complete the work is insignificant to the overall cost of the project, the "as-is" clause in most contracts will not always dismiss lenders from liability.

The 2-10 HBW® CLW program offers great benefits:

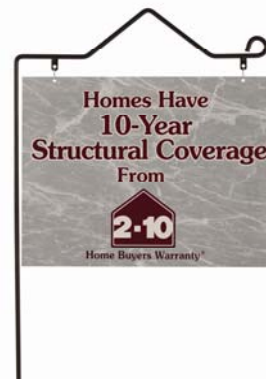
- Ability to transfer to the warranty insurer qualifying structural defect liability.
- Compete with warranted homes in the marketplace and help Realtors® sell your homes
- Warranty is HUD-approved for FHA, VA and RHS financing

You have made the Right Choice to protect your homes with a warranty from 2-10 HBW®!

If you have any questions please feel free to contact us at 800-488-8844. We look forward to working with you.

Sincerely,

Customer Service Representative
2-10 Home Buyers Warranty®



2-10 Home Buyers Warranty
PO Box 371348 Denver, CO 80237
Phone: 1.800.488.8844



Included in this Construction Lender Warranty Program Membership Application and Home Enrollment kit, you will find the documents necessary to complete your registration in three steps.

1. First, you will find an application checklist. This is to help make sure that you have completed all necessary paperwork and does not need to be returned to us. Please complete the necessary paperwork for your application and mail in with your application fee, or you can fax or e-mail your application package and use a credit card for payment. The credit card processing form is located immediately after the lender application form.

When filling out the 2-10 HBW Warranty Application, please make sure that you have filled in all of the blanks. If the question does not apply to you, please mark N/A. Any blank spaces could delay the processing of your application. Also, to expedite your enrollment process we have now included the Notification of Construction (NOC) form in the kit. Please be sure to fill out the information on the home(s) you wish to enroll while awaiting your approval process into the Construction Lender Warranty Program.

2. Next, there is a document included in your kit titled "Member Proposal and Agreement" (Agreement). On the first page of the Agreement, please write the company name **EXACTLY** as you did on the application. On the last page of the Agreement, on the "Company Name" line, put the name of the company **EXACTLY** as you did on the application and sign under it. The "Witness" does not need to be a notary. A spouse or secretary in your office can act as the witness. Please complete and sign the Agreement and return the document to 2-10 HBW[®]. Please keep a signed copy for your records.
3. Finally, you will find a "Subscription Agreement." Please read and complete the last page of this agreement and submit. On the first line where it reads "Name of Company," please write the company name **EXACTLY** as you did on the application. Make sure to sign on the "signature" line and print your name and title under your signature. Please complete and sign the Agreement and return the document to 2-10 HBW[®]. Please keep a signed copy for your records.

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

If you have any questions while completing the membership or home enrollment application, please don't hesitate to call the Customer Care Center at **(800) 488-8844**. We would like the application process to be a pleasant experience for you and we are happy to do anything we can to assist you. We look forward to the opportunity to be of service to you and your company.



2-10 HOME BUYERS WARRANTY® CONSTRUCTION LENDER APPLICATION



1. Company Name: _____ Phone: _____
 DBA: _____ Construction Lender Type: 10-Year 2-10 Year
 Address: _____ City: _____ State: _____ Zip: _____
 Mailing Address: _____ City: _____ State: _____ Zip: _____
 Fax Number: _____ E-mail Address: _____
 Federal _____
 Contact Person #1 at Lender Office: _____ Phone # _____
 Email Address: _____
 Contact Person #2 at Lender Office: _____ Phone # _____
 Email Address: _____
 Warranty Contact Person _____ Phone # _____

2. Type of Business Organization: Corporation Partnership Sole Proprietorship Other _____ (Describe)
 State of Domicile/State Issuing Primary Certificate of Authority: _____

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

Name / Percent of Ownership	Title	Social Security #
_____	_____	_____
_____	_____	_____
_____	_____	_____

(Only Required for all types of partnerships and sole proprietorships)

3. Have you or any of the above listed owners ever participated in the 2-10 HBW program? _____
 4. Have you or any of the above listed owners ever participated in any warranty program? _____
 5. Building department jurisdictions you expect to enroll homes from (attach list if necessary): _____

 6. Number of homes you expect to enroll in the CLW program in the next 12 months? _____
 Average sales price? _____ 8. General Liability Insurance Carrier: _____
 7. Types of homes you expect to enroll
 Foreclosed homes that are completed _____ %
 Foreclosed homes that are uncompleted _____ %
 Name of person completing homes and their years of home building experience _____

I hereby authorize 2-10 Home Buyers Warranty, on behalf of the warranty insurer to conduct such investigation of the applicant's and/or its owners'/principals' activities, make such inquiries and obtain credit reports as may be necessary for its determination of the applicant's and/or its owners'/principals' financial and technical ability to meet its obligations to home owners and the risk retention group. I certify that the information provided is complete and correct to the best of my knowledge. THIS CONSTRUCTION LENDER APPLICATION MAY BE EXECUTED BY FACSIMILE SIGNATURE. APPLICANT AGREES TO BE BOUND BY ITS FACSIMILE SIGNATURE AND FURTHER AGREES THAT ANY SUCH FACSIMILE SIGNATURE SHALL BE EQUALLY EFFECTIVE AS THOUGH IT WERE ORIGINAL.

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

THIS IS NOT AN APPLICATION FOR INSURANCE. This is an application to become a member of our risk retention group. Acceptance into the program is discretionary and does not create any insurance coverage. Warranty coverage for homes accepted for enrollment will be insured by our risk retention group in accordance with the Construction Lender Proposal and Agreement that you and the risk retention group sign. When completed, please return your Construction Lender Application, Construction Lender Proposal and Agreement, Stock Subscription Agreement and forms to: Warranty Insurer, c/o

2-10 Home Buyers Warranty®
 PO Box 371348
 Denver, CO 80237
 800-488-8844

For office use only: **Approved by:** _____ **Member #:** _____
Rates 2-10 yr. _____ **10 yr.** _____



Home Buyers Warranty®
PO Box 371348
Denver, CO 80237
800-488-8844

Dear Lender:

The following is a list of documents that you will need to provide in order for your Lender Application to be processed. Please forward the documents and payments to the address above. If you have any questions, please contact a customer service representative with Home Buyers Warranty Corporation, the plan administrator, for assistance at 1.800.488.8844. We will be glad to assist you when you are filling out the application.

Lender Name: _____ Membership Number: _____

Date: _____

Required Information

- Complete and sign Lender Application (CLW 201)
- Complete 1st & last page of the Member Proposal and Agreement (HBW 200 NH)
- Complete and sign Stock Subscription Agreement
(All 2-10 builder members must join the risk retention group, sign last page)
- HBW membership check - \$595 (payable to 2-10 HBW®)
- Notification of Construction and Inspection (HBW 108 NOC)
(Construction information on house to enroll)



Home Buyers Warranty®
America's
Choice

2-10 Home Buyers Warranty® Builder Credit Card Processing Form



Home Buyers Warranty®
America's
Choice

Authorization #

Date: _____ Builder: _____

Customer Service Rep: _____ Builder # _____

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Credit Card Billing Instructions

WE ACCEPT: VISA / MASTERCARD / AMERICAN EXPRESS

Name as it Appears on Credit Card: _____

(Check One)

Type of Card: Visa MC Amex Card # _____

Expiration Date: _____ Charge Amount: _____

Purpose of Charges: _____

Enrollment Numbers: _____

Comments: _____

.....
Credit Card Correction

Type of Correction: _____

Reason for Correction: _____

Amount of Correction: _____



A. Builder Name: _____ HBW Builder No:
Person Filing: _____ Phone No. _____
Date: ____ / ____ / ____ Subdivision Name (if applicable) _____
 MO. DAY YR.
Home to be built in: _____
 CITY COUNTY STATE
Name of Jurisdictional Building Department: _____

- B. Type of Home(s) to be built: (Check the proper box(es)).
- 1. Single-Family Detached (if subdivision, how many homes are you building in this subdivision? _____).
 - 2. Single-Family Attached (Check which of the following apply) Duplex Triplex Quadruplex Row House
 - 3. Multi-Family (Check which of the following apply) Low-Rise Mid-Rise (3-5 Stories) High-Rise Apartments
 - 4. Other Complete for items 2 through 4: How many buildings? _____ How many total units? _____
Will wood be used in common element external stairs or landings? Yes No

C. Type of Construction (Check the proper box):
 Site Built Modular Manufactured on permanent foundation

D. Check here, if the homes are to be built in an area that contains expansive or consolidating soils.
If this box is checked, the Final Grade Certificate inspection will be conducted by: (Check the proper box)
1. Land Surveyor 2. Engineer 3. HBW Staff / Fee Inspector

E. Foundation(s) to be built on: (Check the proper box(es)).

- 1. Virgin Ground 2. Existing Fill 3. Compacted Structural Fill
- 4. Hillsides / Massive Fills with Steeper Than 2:1 Slope 5. Expansive Soils 6. Consolidating Soils

- F. Type of foundation(s) to be built: (Check the proper box).
- 1. Conventional Spread Footing (35)
 - 2. Conventional Spread Footing Foundation Wall / Drain (6)
 - 3. Drilled Piers / Foundation Wall / Drain (11)
 - 4. Drilled Piers / Grade Beam / Structural Wood Floor (56)
 - 5. Drilled Piers / Post Tensioned Slab On Grade (30)
 - 6. Drilled Piers / Structural Rebar Slab On Grade (31)
 - 7. Driven Piles / Post-tensioned Slab On Grade (40)
 - 8. Driven Piles / Structural Rebar Slab On Grade (31)
 - 9. Engineered Spread Footing / Drain (7)
 - 10. Interrupted Footing or Pads (8)
 - 11. Post-tensioned Slab On Grade (32)
 - 12. Structural Rebar Slab On Grade (33)
 - 13. Wall On Grade (10)
 - 14. Wood Foundation (14)
 - 15. Helical Piers

INDIVIDUAL LOT BUILDERS

This form is to be completed prior to beginning construction on any home to be enrolled in the 2-10 Home Buyers Warranty® program. If the information required to complete this form is not available at the time of construction then forward the completed form to HBW immediately upon closing of the home along with the Application for Home Enrollment (302) and warranty fee. For condominiums, this form must be submitted to HBW for each condominium project.

SUBDIVISION BUILDERS

This form is to be completed for each subdivision being enrolled in the 2-10 Home Buyers Warranty® program, prior to beginning construction on any of the homes. Subdivision builders only need to resubmit this form if the information on this form has changed. If the information required to complete this form is not available then forward the completed form to HBW immediately upon closing of the home along with the Application for Home Enrollment (302) and warranty fee. For condominiums, this form must be submitted to HBW for each condominium project.

OFFICE USE ONLY
NOC # _____
BLDG. DEPT. # _____
FOUNDATION TYPE: _____
SOIL REPORT: _____
HOME TYPE: _____
ENTERED BY: _____
DATE: _____



LIMITED WORKMANSHIP/SYSTEMS AND STRUCTURAL COVERAGE MEMBER PROPOSAL AND AGREEMENT

- INSURER: WARRANTY INSURER
- ADDENDA: MULTI FAMILY ENROLLMENT
- (Check any that apply) SHARED RISK AGREEMENT
- AFFILIATED OR SUBSIDIARY COMPANIES
- JOINT WARRANTORS/JOINT AND SEVERAL LIABILITY
- CONSTRUCTION LENDER

REINSURED BY NATIONAL AND INTERNATIONAL REINSURANCE COMPANIES

This Member Proposal and Agreement ("Agreement") is entered into by and between 2-10 Home Buyers Warranty Corporation doing business as 2-10 Home Buyers Warranty[®] (hereinafter "2-10 HBW[®]"), the Insurer and _____ (hereinafter "Lender").

1. **THE 2-10 HOME BUYERS WARRANTY[®] PROGRAM; THE INSURANCE.** Lender has, by submitting a completed Lender Application and security if required, applied to join the 2-10 Home Buyers Warranty Program ("2-10 HBW Program"), and agreed to become a member of Insurer's risk retention group formed pursuant to the federal Liability Risk Retention Act.

Lender shall be allowed to apply to enroll newly constructed Homes in the 2-10 HBW Program, provided that Lender agrees to abide by the terms of this Agreement with respect to each Home, even if the Effective Date of Warranty predates or postdates the term of this Agreement. The 2-10 HBW Program for Lenders is only available for homes newly constructed by licensed builders and acquired by Lender through foreclosure or liquidation. A home which satisfies the Insurer's risk management requirements and is accepted for enrollment ("Home") will carry a ten-year Structural Defect warranty as defined in the 2-10 Home Buyers Warranty Booklet ("2-10 HBW Warranty booklet") and such warranty obligations shall be insured by the Insurer. In addition, the Lender, may warrant that the Home will be free for one year from Defects in workmanship and materials* and free for two years from Defects in the plumbing, electrical and mechanical systems. Each warranty commences on the earlier of the closing date, or first occupancy of the Home.

** State of Indiana Only: The Lender warrants that the Home will be free from Defects in materials and workmanship for two (2) years instead of one year as stated in the Construction Performance Guidelines and the roof will be free from Defects in faulty workmanship or defective materials for four (4) years from the Effective Date of Warranty.*

A copy of the 2-10 HBW Warranty Booklet in effect as of the date of this Agreement is enclosed. 2-10 HBW is not an obligor under these warranties. 2-10 HBW performs certain administrative functions relating to Lender's warranties, including but not limited to processing membership application and Home enrollment paperwork, collecting the warranty fee, transmitting the insurance premium to the Warranty Insurer, assisting the seller in resolving warranty issues with the homeowner, and facilitating the arbitration process between the seller and homeowner. 2-10 HBW and/or the Insurer may modify insured warranty coverage (for future enrollments only), and Lender agrees to abide by the warranty coverage provided to its Homebuyer. Lender may not change the terms of the warranties as defined in the 2-10 HBW Warranty Booklet. The insured Warranty Limit for Lender and/or Insurer during the entire term of the warranty is limited to the lesser of either the original sales price of the warranted Home, or as stated on the Certificate of Warranty coverage. Insurer's costs of designing, accomplishing and monitoring repairs to a warranted Home are deducted from the Home Warranty Limit. Lender's and/or Insurer's costs of determining the existence and extent of a covered Defect are not deducted.

Lender will submit a completed Lender Application for Home Enrollment (HBW 302) ("Application") within fifteen (15) days after transfer of title to a first Homebuyer, along with full payment of the warranty fee for that Home. All inspections and enrollment requirements shall be performed at Lender's expense.

The fact that someone other than the Lender actually forwards the Application does not relieve the Lender of its obligation to ensure that the Application is timely received, is accompanied by the proper warranty fee, and is complete and truthful in every respect. Lender agrees to pay the warranty fee upon Insurer's issuance of a Letter of Acceptance for FHA/VA financing. All amounts owed under this Agreement shall be due on the fifteenth (15th) day after written demand is sent by the Insurer to the Lender at the Lender's address that is on file with the Insurer. In the event any amount due the Insurer under this Agreement is not paid by the due date, the amount remaining unpaid shall bear interest at the rate of one and one-half percent per month or the highest amount allowed by law, whichever is lower, until paid. In addition to recovering delinquent amounts owed under this Agreement, the Insurer shall be entitled to recover interest, reasonable attorneys' fees and cost of collection, including cost of a collection agency. Lender's obligation to the Insurer to pay delinquent amounts shall survive cancellation or termination of this Agreement. Insurer shall be entitled, but not obligated, to collect delinquent fees including reasonable attorneys' fees and costs of collection from security provided by the Lender, including without limitation, letters of credit and bonds.

Lender agrees to indemnify and hold 2-10 HBW and Insurer harmless from any and all costs and damages including without limitation reasonable attorneys' fees, they may incur in relying on inaccurate data contained in any application submitted with Lender's name on it, Lender's failure to perform its obligations under this Agreement, or Lender's failure to perform its obligation under any other warranty given by Lender to Homebuyer. Insurer's insurance obligation and surety obligation are set forth in the Home Warranty Insurance Policy, which is on file at the HBW Office, and is available for review.

2. THE WORKMANSHIP AND SYSTEMS WARRANTIES (OPTIONAL). The Lender is the primary obligor under the One-Year Workmanship* and Two-Year Systems warranties ("Workmanship/Systems").

Insurer is a surety securing Lender's obligations under the Workmanship/Systems warranties. Insurer, in its sole discretion, shall adjust any claim or suit, determine the scope of warranty coverage and settle, repair, replace or pay the cost of repair, including the manner and method of any repairs for any item(s) covered by the Lender's Workmanship/Systems warranties as defined in the 2-10 HBW Warranty Booklet should Lender for any reason fail to do so. In that event, the Lender waives all his rights in law and equity and Insurer will be subrogated to whatever rights Homebuyer may have against Lender. Lender agrees to indemnify Insurer for any damages incurred in performing Lender's obligations, including but not limited to, costs of materials and labor, cost of inspecting the Home, fees for engineers, for independent inspectors, attorneys' fees, collection agency fees, costs for servicing the claim, arbitration fees paid by 2-10 HBW or Insurer, and any and all costs incurred in collecting such expenses from Lender. **In addition, 2-10 HBW reserves the right to terminate from the 2-10 HBW Program, and Insurer reserves the right to terminate from membership, a Lender, or any of its affiliated entities, who fails or refuses promptly to perform its duties or to cooperate fully with 2-10 HBW or Insurer under this Agreement.**

3. THE STRUCTURAL DEFECT WARRANTY. Insurer indicated on page one of this Agreement is the Insurer of the Lender's ten-year Structural Defect warranty, provided that with respect to each warranted Home, Lender shall have complied with its warranty obligations, and with the provisions of this Agreement. Insurer is NOT Lender's commercial general liability insurer, and does not insure any Lender liability not expressly set forth in the Home Warranty Insurance Policy. Insurer, in its sole discretion, shall adjust all claims, determine scope of warranty coverage and settle, repair, replace or pay cost of repair, including, the manner and method of any repairs. Insurer shall only be liable for the cost of those repairs related to Structural Defects which Insurer investigates, designs and approves in writing. Lender shall not repair a Structural Defect without the Insurer's prior written consent.

4. ARBITRATION. Any and all claims, disputes and controversies by or between the Homeowner, the Lender, the Warranty Insurer and/or 2-10 HBW, or any combination of the foregoing, arising from or related to this Agreement, the Warranty, the Home Warranty Insurance Policy, the subject Home, or the 2-10 HBW Program shall be settled by binding arbitration. Agreeing to arbitration means you are giving up your right to a jury trial. Any person in contractual privity with the Lender whom the Homeowner contends is responsible for any construction defect in the Home shall be entitled to enforce this arbitration agreement. Any party shall be entitled to recover reasonable attorney's fees and costs incurred in enforcing this arbitration agreement. The decision of the arbitrator shall be final and binding and may be entered as a judgment in any State or Federal court of competent jurisdiction.

The arbitration shall be conducted by the American Arbitration Association pursuant to its Home Construction Arbitration Rules and Mediation Procedures, or by DeMars & Associates, Ltd. The choice of arbitration service shall be that of the Homeowner if the Homeowner is a claimant and if not the choice shall be that of the Lender or the Warranty Insurer, if applicable. The arbitration shall be conducted pursuant to the applicable rules of the arbitration service selected unless noted otherwise. All administrative fees of the arbitration service and fees of the arbitrator shall be allocated to the parties as provided in the rules of the arbitration service, subject to the discretion of the arbitrator to reallocate such fees in the interests of justice. If for any reason this method of selecting an arbitration service cannot be followed, the parties to the arbitration shall mutually select an arbitration service.

The parties expressly agree that this Warranty and this arbitration agreement involve and concern interstate commerce and are governed by the provisions of the Federal Arbitration Act (9 U.S.C. § 1, et seq.) now in effect and as the same may from time to time be amended, to the exclusion of any different or inconsistent state or local law, ordinance or judicial rule.

5. MAINTENANCE OF STANDARDS. 2-10 HBW and Insurer reserve the right (but undertake no duty) to rescreen Lender annually or more frequently, to ensure that Lender continues to meet the financial stability and technical competence standards set by 2-10 HBW and Insurer. Nothing in this Agreement shall create, or be construed as creating, any express or implied rights

in any person or entity other than the parties to this Agreement. Lender, 2-10 HBW and Insurer are independent contractors. Lender may not assign his rights or obligations under this Agreement.

6. **SELLER MARKETING MATERIALS.** Lender may, during its membership in the 2-10 HBW Program but not thereafter or during suspension, represent to the public that it is a participant in the 2-10 HBW Program by, and only by, displaying the 2-10 HBW logos, and/or other marketing materials provided by 2-10 HBW. Lender will not, at any time, represent that he/she is an agent of 2-10 HBW or Insurer, and Lender agrees to indemnify and hold harmless 2-10 HBW and/or Insurer from any and all costs and damages that arise as a result of such representation. Upon termination from the 2-10 HBW Program, Lender may not enroll any additional Homes and must return forthwith all Lender Application for Home Enrollment forms, 2-10 HBW Warranty Booklets, and 2-10 HBW marketing materials in its possession.
7. **IN-TERM CANCELLATION.** 2-10 HBW and/or Insurer may terminate Lender from program membership and cancel this Agreement with Lender if they determine in their sole discretion that Lender has made any false statement in connection with its application for program membership, any proposed Home enrollment or any other matter; has failed to timely advise 2-10 HBW and/or Insurer of any change in ownership status; has submitted homes that have developed a claim history which 2-10 HBW and/or Insurer, in their sole discretion, find unacceptable; has developed a financial condition which 2-10 HBW and/or Insurer, in their sole discretion, find unacceptable and Lender fails to provide security, as determined in Insurer's sole discretion; or has failed to meet its 2-10 HBW Warranty Program obligations; and/or submits Homes that do not satisfy the Construction Performance Guidelines, failed to notify 2-10 HBW or Insurer in writing that a legal proceeding has been commenced against the Lender related to the warranty obligations; or violated any of the provisions of this Agreement.

In addition, 2-10 HBW and/or Insurer may suspend the program membership of Lender if it appears to 2-10 HBW and/or Insurer, in their sole discretion, that Lender is likely to be unable to carry out any of its obligations described in this Agreement.

8. **ADHERENCE TO CONSTRUCTION PERFORMANCE GUIDELINES AND CONSTRUCTION GUIDELINES.**

Lender will construct all Homes enrolled in the 2-10 HBW Program in accordance with the local building, electrical, mechanical and plumbing codes, and the recommendations of any competent engineer; provided however, the foregoing standards shall be equal to, or better than the Insurer's risk management guidelines. Lender must notify 2-10 HBW or Insurer of any Structural Defects, or suspected Structural Defects; and no structural repairs were made prior to the enrollment of the Home in the 2-10 HBW Program. Homes with physical damage, which would qualify as a Structural Defect as defined in the 2-10 HBW Warranty Booklet, may not be enrolled without Lender first notifying the Insurer and completing repairs acceptable to 2-10 HBW or Insurer.

The Construction Performance Guidelines in effect at the time of Lender's entry into the 2-10 HBW Program are set forth in the 2-10 HBW Warranty Booklet provided with this Agreement. 2-10 HBW and/or Insurer reserve the right to modify the Construction Performance Guidelines, construction guidelines and requirements for Special Standards Areas, and other rules and regulations of the 2-10 HBW Program from time to time in accordance with good business and construction practices and undertake to notify Lender when modification takes place. Lender will adopt new rules, regulations, guidelines, requirements, and standards upon such notification, and Lender's next subsequent submission of the Application for Home Enrollment will evidence its acceptance of the modified rules, regulations and standards with respect to the Home which is the subject of that Application, and all Homes subsequently enrolled by it.

Prior to Home enrollment, Lender must also notify 2-10 HBW or Insurer of known or suspected geological hazards, including but not limited to, historic landslide complexes, collapsible soil deposits, high organic content soils, shallow artesian conditions, peat bogs, sinkholes, underground caves, areas of caldera development, fault lines, dipping bedrock, areas of rock fall, rock slides, strip mines, and underground mines.

All fill which carries the load of the foundation must be uniformly compacted throughout the complete depth of the fill to the density required by a registered professional geotechnical engineer. Fills must be free of all organic and metallic materials that deteriorate with the passage of time and in the presence of moisture. The Lender warrants that in constructing the Home the recommendations of a registered professional geotechnical engineer were consulted and followed including but not limited to proper compaction and stabilization for all native or fill slopes that affect the performance of the foundation, which includes without limitation slopes equal to or steeper than three (3) horizontal units to one (1) vertical, mechanically stabilized fill slopes, conventional or mechanically stabilized earth retaining walls. The natural soil under any fill must have sufficient strength and density to support the load of the fill above without total consolidation exceeding that which could cause Structural Defect damage to the Home. Lender must maintain all geotechnical design and testing results for fills under and around Homes enrolled in the 2-10 HBW Program, so that in the event of a Structural Defect claim, Lender will have proof that fills were placed and tested in accordance with the criteria in this paragraph. It is recommended that the Lender have its registered professional geotechnical engineer perform soil tests on land purchased from a developer to confirm that all fills or suspected fills are uniformly compacted throughout the complete depth of the fill to the density specified by Lender's registered professional geotechnical engineer. The Lender is responsible for any damages relating to a Structural Defect that occurs in the Home constructed by the Lender if the Home was placed on fill or natural soils which did not meet all of the requirements and recommendations of the registered professional geotechnical engineer. If any Home is damaged by settlement of fill and/or natural soils due to the Lender's failure to follow the requirements and recommendations in this paragraph, the Lender will indemnify Insurer and hold it harmless from any expenses or liability that Insurer incurs with respect to such Home, provided Lender's liability to Insurer shall not exceed Lender's liability for construction deficiencies under the laws of the state in which the Home is located.

All exterior Common Element Exterior Stairways and Landings contained within multi-family projects must be constructed by Lender with metal and/or concrete materials. However, wood materials may be used by Lender in exterior Common Element Exterior Stairways and Landings if a supplemental fee specified by 2-10 HBW has been paid for this purpose and payment of this supplemental fee is recorded on the Certificate of Warranty Coverage of each unit in the multi-family project. Enrollment of units in a multi-family project that contains wood materials in exterior Common Element Exterior Stairways and Landings without payment of the supplemental fee is fraudulent and Lender will indemnify Insurer and hold it harmless from any expense or liability it incurs in respect to Common Element Exterior Stairways and Landings repair. EXCEPTION: In the Las Vegas and Phoenix metropolitan areas, no written notice and additional fee is required for coverage of wood materials used on exterior Common Element Exterior Stairways and Landings.

9. **LIMITATIONS ON WARRANTABILITY.** New Home construction is eligible for enrollment in the 2-10 HBW Program only when the Home is enrolled in the name of Lender or another 2-10 HBW-approved entity affiliated with Lender which has its own 2-10 HBW Member number, title to the Home is transferred to an unrelated second party, and the home was completed prior to transfer of the home to the homeowner. Lender may not make a Structural Defect claim as owner/titleholder with respect to a Home. Model Homes are eligible for coverage in accordance with 2-10 HBW and Insurer's risk management guidelines. Renovated housing, including condominiums, cooperatives, and lofts, which have been substantially refurbished or renovated to be sold as individual housing units may be eligible for insured warranty coverage in accordance with 2-10 HBW and Insurer's requirements. Earth sheltered Homes, or Homes constructed using straw bale, rammed earth, cob, or other alternative building methods must be pre-approved by 2-10 HBW and Insurer prior to enrollment and may not be eligible for coverage.

Insurer will not accept a Home for enrollment and provide warranty insurance coverage on any Home (even though the Lender has submitted the Lender Application for Home Enrollment) unless all of Insurer's enrollment requirements for that Home have been satisfied (as determined in the sole discretion of Insurer) and the Lender is in good standing with 2-10 HBW and Insurer. If 2-10 HBW or Insurer determines Home's construction does not adhere to the Construction Performance Guidelines, construction guidelines, inspection requirements or special standards contained in this Agreement, the Home is not eligible for enrollment in the 2-10 HBW Program. Further, if 2-10 HBW or Insurer determines, in their sole discretion, that steep slopes or other unusual geological conditions have not been adequately addressed in the engineering, design, and construction of the Home, the Home is not eligible for enrollment.

10. **INSPECTIONS.** As a condition precedent to enrollment, all Homes enrolled in the 2-10 HBW Program must have a final inspection conducted by an 2-10 HBW-approved engineer or fee/staff inspector. In lieu of a final inspection and with the Insurer's approval, building department inspections of the foundation, rough-in and final inspections may be substituted. The results of the building department inspections must be submitted by Lender with documentation acceptable to 2-10 HBW and Insurer, verifying the approval of the foundation, rough-in and final inspections in accordance with the following:

a. The Foundation System: the excavation, footing or beam depth, placement of reinforcement, and formwork, will be inspected for both conventional and engineered foundation systems.

b. Rough-In Stage: the framing, plumbing, electrical and mechanical systems and all other aspects of the construction available for inspection will be inspected for proper installation.

c. Final Stage: the drywall, siding, brickwork, finishes and cosmetic portions of the building will be inspected. All systems must be functioning properly; construction and grading must be complete and the house ready for occupancy.

All model Homes, newly constructed Homes or newly constructed multi-family projects that were substantially complete twelve or more months prior to the Effective Date of Warranty must have a final inspection conducted by a 2-10 HBW-approved engineer or fee/staff inspector. 2-10 HBW and Insurer reserve the right, in their sole discretion, to independently inspect or cause to be inspected any Home or multi-family building proposed to be enrolled in the 2-10 HBW Program.

11. **MULTI-FAMILY AND HIGH-END HOMES.** Homes with a sales price greater than \$2 million may be subject to additional risk management requirements. The Lender is required to contact the Insurer to obtain necessary risk management requirements.

2-10 HBW and Insurer reserve the right, in their sole discretion, to establish warranty cost differentials for Workmanship/Systems and Structural Defect warranty coverage on single-family attached, multi-family and high-end Homes, and to set limits on the maximum sales price of any Home or multi-family building or project proposed to be enrolled in the 2-10 HBW Program. Lender should contact 2-10 HBW or Insurer with any questions regarding Home or multi-family project eligibility.

12. **SPECIAL STANDARDS AREAS.** In areas where expansive, active or other unstable soil conditions exist that are not adequately addressed by conventional construction methods and controls, referred to herein as "Special Standards Areas", Lender will make all applicable geotechnical reports, plans and specifications available to 2-10 HBW. 2-10 HBW and Insurer reserve the right, in their sole discretion, to examine, audit, accept or reject all engineering investigations conducted and foundation designs developed. Enrollment of Homes located in Special Standards Areas is subject to special risk management requirements, including without limitation the following:

- a. A geotechnical investigation and report prepared in compliance with 2-10 HBW/Insurer specifications and requirements for each individual Home enrolled in the 2-10 HBW Program in all areas containing expansive, active or unstable soils must be provided to 2-10 HBW;
- b. If the results of the geotechnical investigation indicated that an engineered foundation system is required, then Lender must provide sufficient evidence to 2-10 HBW and the Insurer that an approved registered professional engineer designed the foundation system in compliance with 2-10 HBW/Insurer specifications and requirements;
- c. 2-10 HBW and Insurer may waive the geotechnical report requirement where an approved geotechnical or structural engineer, through previous geotechnical investigations, determined that a maximum foundation design (an engineered foundation system designed for the most expansive, active or unstable soil condition found in the area being investigated) was utilized throughout the subdivision or on the individual lot(s);
- d. 2-10 HBW and Insurer may waive the geotechnical report requirement where documented evidence indicates that the individual lot(s) or subdivision contained no active soils and a conventional foundation system could be utilized;
- e. All geotechnical and structural engineers must be approved by 2-10 HBW and Insurer;
- f. A copy of all geotechnical reports conducted must be submitted to 2-10 HBW;
- g. As applicable, foundation pre-pour inspection by an approved engineer or fee staff inspector for engineered foundation systems must be provided to 2-10 HBW;
- h. As applicable, pier drilling, foundation void, and drain installation reports prepared by an approved engineer or fee/staff inspector, and reported on forms provided to 2-10 HBW;
- i. As applicable cable stressing reports for post-tensioned slab systems must have been prepared by an approved engineer, or representative of the post-tensioning firm or fee/staff inspector, and reported to 2-10 HBW;
- j. All structural fills must have been inspected during soil placement and certified by an approved engineer. All certifications must be in writing and submitted to 2-10 HBW prior to enrollment of the Home(s);
- k. A Final Grade Certificate (Form #U-34) is required on all Homes built in areas that contain expansive soils and in other areas that contain active or unstable soils as designated by 2-10 HBW and Insurer.

Lender Constructs a New Home. If the Lender intends to enroll a Home that has not been completed or commenced at the time the Lender receives possession of the Home, then prior to the start of construction of any Homes Lender will provide 2-10 HBW with respect to each such Home: the address, legal description, estimated final sales price, approximate starting date, and expected closing date of each Home, utilizing in each instance a Notification of Starts (HBW 107) or other listing acceptable to 2-10 HBW. Lender will be notified by 2-10 HBW if 2-10 HBW has determined that Lender is building in a Special Standards Area. Lender will be required to follow the 2-10 HBW Program risk management requirements if construction conditions require same, even if 2-10 HBW has not notified Lender. Lender should contact 2-10 HBW with any questions regarding these requirements. **2-10 HBW and Insurer reserve the right, in their sole discretion, to establish warranty-cost differentials for Structural Defect warranty coverage in Special Standards Areas.**

13. **NO OBLIGATION TO DEFEND.** Lender agrees to notify 2-10 HBW and/or Insurer if a legal proceeding has been commenced against the Lender with respect to his warranty obligations. However, neither 2-10 HBW nor Insurer shall, under any circumstances, be obligated to defend or pay for the cost of defense of any lawsuit or arbitration proceeding initiated against the Lender by a Homebuyer or any other person, whether such lawsuit or arbitration proceeding relates to the warranty coverage provided under the 2-10 HBW Program.
14. **REQUIRED ENROLLMENT.** Lender may elect to eliminate all Homes in a subdivision from the Workmanship/Systems Warranty coverage, provided, however, Lender agrees to enroll all Homes in a subdivision for the Structural Defect warranty coverage, if Lender enrolls one Home in that same subdivision, unless the Insurer declines to accept further enrollments pursuant to paragraph 9 of this Agreement. If Lender fails to do so, then 2-10 HBW and Insurer may terminate the Lender's participation in the 2-10 HBW Program and reject all future enrollments. Individual lots that are not within a subdivision may be selectively enrolled in the 2-10 HBW Program.

If Lender enrolls one Home or unit in a single-family attached or multi-family building, Lender must enroll all Homes or units in the building for the Structural Defect warranty coverage, and, in such instance, the combined warranty limits for all units shall be available for the repair of designated load-bearing elements which are common to all units. Single-family attached buildings include all duplexes, triplexes, quadraplexes and row houses. Multi-family buildings include any low-rise, mid-rise, or high-rise building with five or more units and/or an association club house used solely for recreation purposes by unit owners. If Lender enrolls one or more Home(s) or unit(s) in any single-family attached or multi-family building, and fails to enroll all Homes or units for the Structural Defect warranty coverage, Lender will be terminated from the 2-10 HBW Program forthwith and Structural Defect coverage for the designated load-bearing element used in common with other Homes shall be reduced pro rata based upon the ratio of the number of non-enrolled Homes/units to the total Homes/unit in the building. If the Lender fails to enroll all multi-family units in the building for Workmanship/Systems and or Structural Defect coverage, the Insurer's coverage for Workmanship/Systems and/or Structural Defects in areas of the building used in common with other units shall be reduced pro rata based upon the ratio of the number of non-enrolled Homes/units to the total Homes/units in the building.

The warranty fee paid to 2-10 HBW for each Home enrolled in either warranty program includes an insurance premium payment to Insurer for each Home. An additional charge of twenty-five percent (25%) of Lender's total warranty fee will be assessed on Homes built on Homebuyer provided or purchased lot(s).

15. **ANNUAL REGISTRATION FEE.** There will be a nonrefundable initial registration fee in an amount specified by and paid to 2-10 HBW, for each new Lender that applies for enrollment in the 2-10 HBW Program and a nonrefundable annual reregistration fee in an amount specified by 2-10 HBW for every one year thereafter.
16. **COST OF STRUCTURAL DEFECT WARRANTY AND/OR (OPTIONAL) WORKMANSHIP/SYSTEMS WARRANTY.** The warranty fee for the Workmanship/Systems and/or Structural Defect warranty coverage is based on the final sales price of each Home enrolled. Lender rate is predetermined annually and is based on each One Thousand Dollars (\$1,000.00), or part thereof, of the final sales price of each Home. The predetermined Lender rate is dependent upon the sales price of the Home and may increase once, any time during the annual term, provided such increase does not exceed ten percent (10%). Contact 2-10 HBW for individual Lender rates. There is a minimum warranty fee of One Hundred Dollars (\$100.00) per Home enrolled for both the Workmanship/Systems and Structural Defect warranty coverage. There is a minimum warranty fee of Seventy-Five Dollars (\$75.00) per Home enrolled for the Structural Defect warranty coverage only. For single-family detached Homes with a final sales price greater than \$2 million, and single-family attached or multi-family buildings having a combined final sales price of all Homes or units in a building greater than \$2 million, Lender rate may vary depending upon the final sales price. Contact 2-10 HBW regarding Lender rates for Homes, single-family attached, or multi-family buildings with a sales price greater than \$2 million.

Lender agrees that 2-10 HBW may deposit any warranty fees received and such a deposit shall not constitute acceptance of the Home identified in the Lender Application for Home Enrollment. Accordingly, Lender agrees that, notwithstanding any such deposit, warranty coverage shall not be effective unless and until 2-10 HBW or Insurer determines that all enrollment requirements have been met and the Lender is in good standing in the 2-10 HBW Program. Lender agrees that it shall not be entitled to any interest earned due to 2-10 HBW's deposit of warranty fees received.

17. **NOTICE:** Any notice to 2-10 HBW or Insurer shall be in writing, personally delivered or sent by certified mail, postage prepaid as follows:

Home Buyers Warranty Corporation
10375 East Harvard Avenue
Denver, Colorado 80231

Warranty Insurer
10375 East Harvard Avenue
Denver, Colorado 80231

18. **DUTY TO COOPERATE.** Lender agrees to cooperate with 2-10 HBW and Insurer in the investigation, settlement or defense of any warranty claim, including without limitation providing complete and accurate information reasonably requested by 2-10 HBW or the Insurer, the execution of any documents and taking such other actions as may be reasonably requested by 2-10 HBW or the Insurer which are not inconsistent with the provisions of this Agreement and which do not involve the assumption of obligations other than those provided for in this Agreement.
19. **CONSTRUCTION OF AGREEMENT.** The clause headings appearing in this Agreement have been inserted for the purpose of convenience and ready reference. They do not purport to, and shall not be construed to, define, limit or extend the scope or intent of this Agreement. The failure of a party to insist upon the strict performance of the terms and conditions hereof shall not constitute a waiver of that party's right to enforce the same in the event of a continuing or subsequent default on the part of the other party. The Insurer's administrative services, including without limitation underwriting, risk management and inspections are being performed solely for the benefit of 2-10 HBW and the Insurer. The performance of these administrative services shall not create, or be construed as creating, any express or implied rights in any person or entity. 2-10 HBW'S LIABILITY FOR PERFORMING ADMINISTRATIVE FUNCTIONS, INCLUDING WITHOUT LIMITATION THOSE FUNCTIONS DESCRIBED IN PARAGRAPH 1 OF THIS AGREEMENT, AND ANY NEGLIGENT, WILLFUL MISCONDUCT, PRODUCT OR STRICT LIABILITY OR ANY OTHER THEORY OF LIABILITY SHALL BE LIMITED IN THE AGGREGATE TO THE LESSER OF THE WARRANTY FEES RECEIVED FROM THE BUILDER OR \$5,000. In no event will 2-10 HBW or the Insurer be liable to any party or third party in contract, tort, products or strict liability or on any other basis, for any special, indirect or consequential damages of any nature, which shall include, without limitation, such items as: indirect operating costs, future overhead costs, loss of future profits or revenues, future costs of capital, loss of use of money, other business interruption costs or losses, or costs associated with insolvency, failure or dissolution of a business entity.
20. **SURVIVAL.** The agreement to arbitrate and Lender's hold harmless and indemnity obligations shall survive termination, cancellation or expiration of this Agreement.
21. **COMPLETE AGREEMENT.** This Agreement constitutes and contains the entire agreement between the parties with respect to the subject matter hereof and supersedes any prior oral or written agreements.
22. **WAIVER.** The failure of a party to insist upon the strict performance of the terms and conditions hereof shall not constitute a waiver of that party's right to enforce the same in the event of a continuing or subsequent default on the part of the other party.
23. **SEVERABILITY.** In the event that any part of this Agreement shall be declared void or unenforceable by any court having jurisdiction, such imperfection shall not affect the validity or enforceability of the remainder of the Agreement.

24. **CHOICE OF LAW AND FORUM.** This Agreement shall be governed by and interpreted in accordance with the laws of the State of Colorado, without reference to its conflicts of laws principles. Any legal proceedings arising out of or related to this Agreement shall be brought in the City and County of Denver, Colorado or the United States District Court for the District of Colorado. The parties hereby consent to the jurisdiction and venue of the above-referenced courts.
25. **DEFINITIONS. Home, 2-10 HBW, Warranty Term, Warranty Limit, Defect, Certificate of Warranty Coverage, Application for Home Enrollment, Multi-Family Unit, Common Element, Common Element Exterior Stairways and Landings, Effective Date of Warranty, and Structural Defect are defined in the 2-10 HBW Warranty Booklet which is an enclosure.**

Special Standards Areas are defined as areas which 2-10 HBW believes present greater than usual risk of structural failure, and 2-10 HBW and/or Insurer can refuse to accept enrollment of any Home which 2-10 HBW and/or Insurer believe is built in an area subject to greater than usual risk of structural failure unless Lender has provided a warranty fee commensurate with the risk, or has in some other way satisfactory to 2-10 HBW and Insurer, in their sole discretion, retained for itself the greater than usual risk referred to above.

The parties acknowledge that it is unlawful to knowingly provide false, incomplete, or misleading facts or information to an Insurer for the purpose of defrauding or attempting to defraud the Insurer. Penalties may include imprisonment, fines, denial of insurance, and civil damages. Any Insurer or agent of an Insurer who knowingly provides false, incomplete, or misleading facts or information to a policyholder (Lender) or claimant (Homebuyer) for the purpose of defrauding or attempting to defraud the policyholder (Lender) or claimant (Homebuyer) with regard to a settlement or award payable from insurance proceeds shall be reported to the applicable state insurance commissioner.

By signing this Agreement, the parties agree that Homes accepted for enrollment in the 2-10 HBW Program commit all parties to meet their obligations as previously stated herein. This Agreement shall remain in effect for ONE (1) YEAR from the acceptance date indicated below, and automatically renew for successive one year terms, except as Lender may be terminated or suspended earlier by 2-10 HBW as provided herein. Termination of this Agreement, by Lender, after the first (1st) year must be submitted to the undersigned 2-10 HBW entity in writing. Time is of the essence of this Agreement. This Agreement, may not be modified orally or by another writing except as provided therein. The parties agree to be bound by their facsimile signatures.

COMPANY NAME

DATE

SIGNATURE

WITNESS

PRINT NAME

PRINT TITLE

HOME BUYERS WARRANTY

ACCEPTANCE DATE

SIGNATURE

PRINT NAME

PRINT TITLE

INSURER

ACCEPTANCE DATE

SIGNATURE

PRINT NAME

PRINT TITLE

Notes



Home Buyers Warranty[®]

**America's
Choice[®]**



Dear Builder:

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

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

New Home RRG is domiciled and licensed by the District of Columbia to write this liability insurance.

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

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

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

Sincerely,

Wendy S. Fisher
Assistant Corporate Secretary
Regulatory and Business Affairs

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

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

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

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

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

1. **NO INVESTMENT POTENTIAL.** As concerns the Member Builder, **THIS SHARE HAS NO INVESTMENT POTENTIAL.** As concerns the Company, the **MEMBER BUILDER SHALL HAVE NO LIABILITY FOR ANY DEBTS OR OBLIGATIONS OF THE COMPANY** solely by reason of Member Builder’s status as shareholder of the Share under this Subscription Agreement. There have been no

representations, guaranties or warranties made to the Member Builder by the Company, its agents or employees, or by any other person, expressly or by implication, that there will be any profit, appreciation, dividend or any other type of consideration or benefit to be realized as a result of stock ownership in the Company.

2. **WARRANTY PROGRAM PARTICIPATION.** Member Builder must be a shareholder of the Company to participate in the 2-10 Home Buyers Warranty program. Member Builder shall have no right to obtain or continue to obtain insurance coverage as provided by the Company merely by virtue of ownership of a Share of the Company stock. Member Builder further acknowledges that a breach of this Subscription Agreement, or Member Builder's failure to hold the Share purchased hereunder until redemption by the Company shall: (i) constitute a breach of the Member Builder Proposal and Agreement between Member Builder, 2-10 Home Buyers Warranty and the Company; and (ii) result in the termination of Member Builder's participation in the 2-10 Home Buyers Warranty program and membership in the Company risk retention group.

3. **NO MARKET FOR SHARE.** There is no public or other market for the Share and no such market shall develop as a result of this Offering. The Share is redeemable only by the Company and the Company controls the redemption and resale of the Share as provided herein. Member Builder shall not have, nor shall Member Builder ever acquire, control over the operations of the Company by reason of Member Builder's ownership of Class "B" Common Stock and, as provided in the Articles of Incorporation and the Bylaws of the Company, only five percent (5%) of all outstanding ownership and voting rights of the Company shall appertain to all Class "B" Shares in the aggregate, regardless of the number of Class "B" Shares outstanding at any time. The Shares are issued without certificates. A written statement of information shall be provided to the registered owner of each Class "B" Share upon the issuance thereof.

4. **VOTING RIGHTS.** All Member builders holding Class B Shares shall have one (1) voter per share.

5. **RESTRICTIONS AGAINST TRANSFER.** Member Builder shall not grant, bargain, convey, sell, pledge, assign, hypothecate or otherwise encumber or dispose of the Share hereunder issued unless such sale, pledge, assignment, hypothecation, encumbrance or other legal or equitable transfer: (i) is to a permitted transferee under LRRRA; (ii) is to a permitted transferee under the provisions of the *District of Columbia Business Corporations Act*, the Articles of Incorporation and Bylaws of the Company, this or any other Subscription Agreement made or entered into in respect of this or any of the Shares of Class "B" Common Stock, and any other restriction imposed upon same at any time to the Company; and (iii) has been previously approved in writing by the board of directors of the Company. The Company will establish transfer and redemption procedures for the Share for the purpose of preserving the Company's status as a risk retention group, which procedures may be changed from time to time by the Company and Member Builder shall comply with and abide with said procedures.

a. **Redemption of Share.** The Share owned by Member Builder shall be called for redemption and shall be redeemed by the Company upon the *earlier to occur of*: (i) the failure of a Member Builder to qualify for and obtain insurance coverage from the Company within a reasonable time as determined by the Board of Directors of the Company; (ii) the expiration of all insurance coverage issued by the Company naming the Member Builder as the insured; (iii) a Member Builder becoming an insurance company; (iv) the voluntary or involuntary termination of the Member Builder's right to enroll homes in the 2-10 Home Buyers Warranty program; or (v) a determination by the board of directors of the Company, in its sole discretion, that a redemption is necessary to preserve or reinstate the Company's status as a risk retention group ("Redemption Events").

b. **Redemption Terms, Price, Payment.** Within sixty (60) days after the occurrence of any of the foregoing Redemption Events, the Company shall notify the Member Builder, in writing, of such redemption. In accordance with the provisions of the *District of Columbia Business Corporation Act*, any Share called for redemption shall not be entitled to vote on any matter and shall not be deemed to be outstanding on and after the date on which written notice of redemption has been mailed to the holder of the redeemed stock, and a sum sufficient to redeem such stock has been deposited with a bank or trust company with

irrevocable instruction and authority to pay the holder of the stock the required consideration therefor upon request of such holder. **THE REDEMPTION PRICE FOR EACH SHARE OF CLASS “B” COMMON STOCK SHALL BE FIFTY DOLLARS (\$50.00) PER SHARE AND EACH SHAREHOLDER SHALL RECEIVE FIFTY DOLLARS (\$50.00) PER SHARE FROM THE COMPANY UPON THE REDEMPTION AND CANCELLATION OF THEIR SHARE.** Any check mailed or delivered by the Company to a Class “B” shareholder in payment of the redemption price of Fifty Dollars (\$50.00) per Share will not be honored unless cashed or deposited within 120 days after the date of the check. If such check is returned by the postal authorities as undeliverable, or if such check is not cashed, deposited or otherwise negotiated by the Member Builder within 120 days from the date of the check, the check will be voided and the redemption price will be deposited by the Company into an escrow account. Upon the Member Builder informing the Company of an address of the Member Builder to which a check is deliverable, the Company will immediately pay the redemption price to the Member Builder. If no such notification is received by the Company within five (5) years after the date of the initial check representing payment of the redemption price, the Company will transfer such funds from the escrow account to the District of Columbia Treasurer – Unclaimed Property Division. Member Builder nominates and appoints the Company or its designee as its attorney-in-fact, to make or cause to be made the appropriate entry on the books of the Company to retire said redeemed Share immediately upon the tender of payment for by the Company.

6. **MEMBER BUILDER’S WARRANTIES.**

- a. Member Builder warrants that it is not owned, in whole or in part, directly or indirectly, by a warranty company, service contract company or an insurance company, and shall notify the Company immediately in writing, if Member Builder’s ownership while owning any Share.
- b. Member Builder warrants that the Subscription Agreement, all of the information provided by the Member Builder to the Company, including responses and information contained in this Subscription Agreement are complete, true and accurate in all respects as of the date of issuance of the Share by the Company, and shall survive such delivery, Member Builder’s admission as a shareholder of the Company, and any investigation made by any party relying on the same or any acceptance or rejection of this subscription. If any information provided by Member Builder in connection herewith becomes inaccurate or incomplete, Member Builder shall notify the Company immediately of such inaccuracy or incompleteness.
- c. Member Builder warrants said Share is subscribed solely for Member Builder’s own account and is not purchased with a view to, or in connection with, any resale, distribution, subdivision, fractionalization, or other distribution thereof.
- d. Member Builder warrants that this Subscription Agreement is irrevocable and may not be canceled, terminated or revoked by Member Builder except upon the written consent of the Company. Such subscription shall survive the death or legal disability of Member Builder, and shall be binding upon its heirs, executors, administrators, legal representatives, successors, and permitted assigns. Member Builder warrants that Member Builder, or the individual signing this Subscription Agreement on Member Builder’s behalf, represents and warrants that (s)he is duly authorized to execute and deliver this Subscription Agreement on behalf of Member Builder.

7. **ADDITIONAL TERMS AND CONDITIONS.**

- a. All notices or other communications given or made hereunder shall be in writing and shall be delivered by hand or sent via United States mail and/or by registered or certified mail, return receipt requested, postage prepaid, to Member Builder at the address set forth on the Member Builder Application form provided by Member Builder to the Company; and by Member Builder to the Company at 10375 East Harvard Avenue, Suite 100, Denver, Colorado 80231.
- b. If any provision of this Subscription Agreement is held to be illegal, invalid or unenforceable under present or future laws, such provision shall be fully severable, and this Subscription Agreement shall be construed

and enforced as if such illegal, invalid or unenforceable provision never comprised a part hereof; and the remaining provisions hereof shall remain in full force and effect, and shall not be affected by the illegal, invalid or unenforceable provision or by its severance here from. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as part of this Subscription Agreement, a provision as similar in its terms to such illegal, invalid or unenforceable provision as may be legal, valid and enforceable.

- c. Member Builder shall execute any and all further documents necessary or advisable, in the sole discretion of the Company, in connection with Member Builder becoming and remaining a shareholder of the Company.

**THE UNDERSIGNED HAS READ AND UNDERSTANDS
THE FOREGOING SUBSCRIPTION AGREEMENT.**

Member Builder Number

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

Date

Signature of Member Builder or Authorized Representative

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

Please specify the form of your business:

- | | |
|--|--|
| <input type="checkbox"/> Corporation | <input type="checkbox"/> Limited Partnership |
| <input type="checkbox"/> General Partnership | <input type="checkbox"/> Sole Proprietorship |
| <input type="checkbox"/> Limited Liability Company | <input type="checkbox"/> Limited Liability Partnership |
| <input type="checkbox"/> Other (explain) _____ | |

Mail to:

Home Buyers Warranty
PO Box 371348
Denver, CO 80237-1348
800.488.8844

2-10 Home Buyers Warranty® Notification Of Starts



Date: _____

Builder Name: _____ HBW Builder No:

Builder's Address: _____

Builder Contact for Homes Listed Below: _____ Phone: _____

Subdivision Name: _____ County: _____

Location of Home:

	Start Date	Base or Final Sales Price	Check if "Grandfather"
1. _____ Street City State Zip			<input type="checkbox"/>
Legal Description	Approximate Closing Date	Homebuyer	
Check type of construction: <input type="checkbox"/> Site Built <input type="checkbox"/> Manufactured <input type="checkbox"/> Modular			
2. _____ Street City State Zip	Start Date	Base or Final Sales Price	<input type="checkbox"/>
Legal Description	Approximate Closing Date	Homebuyer	
Check type of construction: <input type="checkbox"/> Site Built <input type="checkbox"/> Manufactured <input type="checkbox"/> Modular			
3. _____ Street City State Zip	Start Date	Base or Final Sales Price	<input type="checkbox"/>
Legal Description	Approximate Closing Date	Homebuyer	
Check type of construction: <input type="checkbox"/> Site Built <input type="checkbox"/> Manufactured <input type="checkbox"/> Modular			
4. _____ Street City State Zip	Start Date	Base or Final Sales Price	<input type="checkbox"/>
Legal Description	Approximate Closing Date	Homebuyer	
Check type of construction: <input type="checkbox"/> Site Built <input type="checkbox"/> Manufactured <input type="checkbox"/> Modular			
5. _____ Street City State Zip	Start Date	Base or Final Sales Price	<input type="checkbox"/>
Legal Description	Approximate Closing Date	Homebuyer	
Check type of construction: <input type="checkbox"/> Site Built <input type="checkbox"/> Manufactured <input type="checkbox"/> Modular			

Street address and/or legal description *must* be included on each home listed.

MANUFACTURED OR MODULAR HOMES ONLY:

Manufacturer _____

Plant Location _____

(Attach separate NOS for more than one manufacturer and/or plant.)

OFFICE USE ONLY
ENTERED BY: _____
DATE: _____



Home Buyers Warranty
 PO Box 371348
 Denver, CO 80237-1348
 800.488.8844

- (Includes duplex, triplex, quadraplex, townhouse)
- (Includes: low-rise, 1-2 stories; mid-rise, 3-5 stories; high-rise, 6 + stories; condominiums or cooperatives)
- Date:** _____

Company Name: _____ **Builder #:** _____

Project Name: _____

Total # Units in Project: _____ **Total # Buildings in Project:** _____

Building #: _____ **# of Units in Building:** _____ **# of Stories in Building** _____

Street Name: _____ **City:** _____ **State:** _____

Estimated Sales Price ALL units in Building: _____

Start Date Building: _____ **C/O Date Building:** _____

1ST Unit Closed: _____ ***Stairways & Landings:** Wood Concrete

(Common Elements Date)

****USE 1 PAGE PER BUILDING****
 (SHADED AREAS FOR HBW OFFICE USE ONLY)

HBW #	ADDRESS / UNIT #	CLOSING DATE (IF AVAILABLE)	H/O NAME (IF AVAILABLE)	PRICE	SHIP DATE

Building #: _____ # of Units in Building: _____ # of Stories in Building _____
Street Name: _____ City: _____ State: _____
Estimated Sales Price ALL units in Building: _____
Start Date Building: _____ C/O Date Building: _____
1ST Unit Closed: _____ *Stairways & Landings: Wood Concrete
(Common Elements Date)

****USE 1 PAGE PER BUILDING****
(SHADED AREAS FOR HBW OFFICE USE ONLY)

HBW #	ADDRESS / UNIT #	CLOSING DATE (IF AVAILABLE)	H/O NAME (IF AVAILABLE)	PRICE	SHIP DATE



2010 Risk Management Requirements

for

High-End Homes, Attached Homes and Multi-Family Buildings

Listed below are the 2010 Risk Management Enrollment Requirements for High-End Single-Family Detached, Attached, and Multi-Family Structures. This is a one page summary only. More detailed information is provided in the following pages. Note that these requirements are in addition to any/all other enrollment requirements of the HBW program:

- Enrollment of any Home with a sales price of \$1 million and above must be pre-approved by Risk Management.
- Enrollment of any Home in a Single-Family Attached or Multi-Family structure having a combined sales price of all units in a building of \$5 million or above; must be pre-approved by Risk Management.
- Warranty Limit is \$10 million per structure.
- Building Height Limit is 5 stories.
- Attached Housing Notification of Starts (Form HBW 220) must be completed prior to enrollment of any Home in a Single-Family Attached or Multi-Family structure.

Questions concerning these enrollment requirements or the acceptability of any high-end home or multifamily project may be directed to HBW Risk Management.

Risk Management Review And Approval Procedures

High End Homes

HBW Risk Management must review and approve all Homes with a sales price of \$1 million and above prior to enrollment.

- **Homes \$1 Million to \$2 Million.** Homes with a sales price between \$1 million and \$2 million require an inspection by an HBW-approved fee or staff inspector reporting results directly to Risk Management.
- **Homes \$2 Million to \$5 Million.** Homes with a sales price between \$2 million and \$5 million require an inspection by an HBW-approved fee or staff inspector reporting results directly to Risk Management. Inspection by fee or staff inspector must be accompanied by photos. Inspection by HBW-approved engineer is acceptable without photos.
- **Homes \$5 Million and above.** Homes with a sales price of \$5 million and above must have a geotechnical investigation and report conducted and prepared in compliance with HBW specifications; must include complete foundation and structural plans; and must be inspected by an HBW-approved engineer reporting results directly to Risk Management.

Exceptions: Risk Management may accept photographs in lieu of inspection on homes between \$1 million and \$2 million provided builder has been active in HBW program a minimum of one (1) year; has a satisfactory claims history; is not building in a Special Standards or other high risk area; photos show at a minimum home from all four sides; front, back, and side yards; and there are no retaining walls, slopes, fill, or other potentially hazardous geological conditions on property that may affect foundation performance.

Single-Family Attached and Multi-Family

All single-family attached or multi-family structures having a combined sales price of all units in a building of \$5 million or above, and all renovated housing, must be pre-approved by Risk Management prior to the enrollment of any unit in the building.

- Attached or Multi-family structures with a combined sales price of all units in a building above \$5 million must have a geotechnical investigation and report conducted and prepared in compliance with HBW specifications; must include complete foundation and structural plans prepared by a state-registered professional engineer; and must be inspected by an HBW-approved engineer reporting results of inspections directly to Risk Management.

Warranty Limits

Single-Family Detached Homes

- **Warranty Limit is \$10 Million.** No single-family detached home with a sales price exceeding \$10 million may be enrolled in the HBW Warranty Program.

Exceptions: In the Special Standards and Investigative Areas of Colorado, Oklahoma, Texas, and Mississippi, no home with sales price exceeding \$5 million may be enrolled in either the 2-10 or 10-year unless underlying soils are low or non-expansive; or Risk Management pre-approval is obtained.

Single-Family Attached and Multi-Family Buildings

- **Warranty Limit per building is \$10 million.** No home or unit may be enrolled in any single-family attached or multi-family structure having a combined sales price of all units in a building exceeding \$10 million.
- **Building Height Limit is 5 stories.** No unit in any building having a height of 6 or more stories, exclusive of parking structures, rooftop structures or other uninhabitable space, may be enrolled.

Exceptions: In the Special Standards and Investigative Areas of Colorado, Oklahoma, Texas, and Mississippi; no home or unit in any single-family attached or multi-family structure with a combined sales price of all homes or units in the building exceeding \$5 million may be enrolled unless underlying soils are low or non-expansive; or Risk Management pre-approval is obtained.



Home Enrollment

You should have now completed the necessary documents for your registration. On the following pages you will find the forms needed for the enrollment process of our program.

Builder/Seller Application for Home Enrollment - This is the form you will take to closing. We will not require this completed form until the home has closed. Once you have been approved as an active member, we will notify you by letter. The letter will include your assigned rate on it, which is the rate you will use to fill in the rate formula on line #8. Forward the warranty fee due and the Builder/Seller Application for Home Enrollment to us, (with builder/seller and buyer signatures on the same form) with 30 days of closing.

Notification of Starts – This is the form that you will use to pre-enroll homes into the program. If applicable, submit this form as a builder building single-family attached homes, multi-family buildings, high-end homes with a final sales price of \$5 million or more, and if you are building homes that are in special standards or investigative areas. We ask that you forward the Notification of Starts form to our office thirty (30) days prior to breaking ground if possible. Please provide us with the address and legal (i.e. lot/block) of each home. Make sure to include the construction start date.

Once we have received your Builder/Seller Application for Home Enrollment and the warranty fee due, we will place a warranty on the home, if all risk management requirements have been met. At this time we will forward a Certificate of Warranty to the homebuyer along with a warranty booklet. A copy of the Certificate will be forwarded to you to acknowledge that we have placed the home under warranty in our program.

If you have any further questions concerning our enrollment procedures, please do not hesitate to contact us at (800) 488-8844.

Mail to:
 Home Buyers Warranty
 PO Box 371348
 Denver, CO 80237-1348
 800.488.8844

BUILDER/SELLER APPLICATION FOR HOME ENROLLMENT

FORM 302

THIS DOCUMENT IS NOT YOUR NEW HOME WARRANTY



Your Builder/Seller is applying to enroll in the 2-10 HBW® Program the home whose address is listed below. The Builder/Seller is responsible to complete all enrollment requirements on the home, and if not completed, no coverage by the Builder/Seller's Warranty Insurer will be provided. The Buyer will receive the Certificate of Warranty Coverage and Warranty Booklet within 30 days of the warranty company's receipt of this Application and full payment. **If the buyer has not received the Certificate of Warranty Coverage and Warranty Booklet within THIRTY (30) days after closing, THE BUYER SHOULD CONTACT THE BUILDER/SELLER.**

PLEASE PRINT OR TYPE, COMPLETING ALL FIELDS BELOW

1. Buyer(s): _____
(Name(s) as recorded on deed)

In which Building Dept. _____ Lot / Block: _____ Subdivision: _____

Address of Home: _____
Street Address City State Zip Code

Homeowners Mailing Address: _____
Street Address City State Zip Code

2. Builder/Seller Name: _____ 2-10 HBW® Member No: _____

3. Effective Date of Warranty: (Provide dates for each)

Date of Closing: _____ Date of First Title Transfer: _____ Date of First Occupancy by anyone: _____

MULTIFAMILY BUILDINGS ONLY: Effective date of Common Elements Coverage is the date the certificate of occupancy is issued for the building.
 Specify date: _____
 Full common elements coverage will not be provided unless all units in a building are enrolled.

4. COVERAGE: Both the Builder/Seller and Buyer(s) must check and initial which of the following coverage(s) apply to the home being enrolled.

A. _____ ****2-10 Product:** 1-Year Workmanship / 2-Year Systems / 10-Year Structural Coverage*

B. _____ **10-Year Product:** 10-Year Structural Coverage*

C. _____ **2-10 (HBW 107) Product for Manufactured on Permanent Foundation:** 1-year Workmanship/2 -year systems 10-year Structural Coverage* *(foundation only)*

*See warranty booklet for specific coverages protected by the Warranty Insurer.

****For Texas Builders Choose One** TRCC NON-TRCC OPTION ONE NON-TRCC OPTION TWO

5. Type of Home: Single Family Detached Duplex Single Family Attached (3 or more units, including town homes)

If Multi Family: Low Rise (1-2 Story) Mid Rise (3-5 Story) High Rise (6 Story or Greater)

6. Type of Construction: Site Built Modular Manufactured with Permanent Foundation

7. FHA/VA Financing: Yes No If **YES** Check One: A. FHA/VA using Bldg. Permit; C.O./or equivalent and HUD-92544
 B. FHA/VA using HUD-approved 2-10 warranty

8. Rate Formula:

÷ 1,000 = × = × **1.25** = (A)
Final Sales Price Rate Basic Warranty Fee If price does not include land Basic Warranty Fee

(A) + (B) =
Basic Warranty Fee Final Sale Price x \$1.00 per \$1,000 for condo wood stairs & landings coverage A + B = Total Warranty Fee Due

BUYER'S ACKNOWLEDGEMENT AND CONSENT

Buyer(s) agree that any and all claims or disputes between him (them) and the Builder/Seller (including any person you contend is responsible for a defect in your home) arising from or relating to the Warranty, shall be submitted to binding arbitration pursuant to the Federal Arbitration Act (9 U.S.C. § §1-16), with your choice of 3 different arbitration services. By signing below, Buyer acknowledges reading a sample copy of the 2-10 HBW Warranty Booklet, and **CONSENTS TO THE TERMS OF THAT DOCUMENT INCLUDING THE BINDING ARBITRATION PROVISION** contained therein. Initial Here Buyer(s) accepts the 2-10 HBW warranty and in return, waives the Builder/Seller's implied warranty of habitability, merchantability or fitness.

BUILDER/SELLER'S AUTHORIZED SIGNATURE _____ **Date** _____

Buyer(s) Signature _____ Date _____

Buyer(s) Signature _____ Date _____

Buyer(s) Phone # _____ Date _____

Buyer(s) Email Address _____

OFFICE USE ONLY

Accounting: _____

Risk Mgmt: _____

Warranty No. _____