

**CARBON RIVER HOMES
NEW CONSTRUCTION ADDENDUM
&
WARRANTY**

The Highlands at Somerset Hill
Tumwater, Washington

**Part I
NEW CONSTRUCTION ADDENDUM**

The following is made a part of that certain Purchase & Sale Agreement dated _____, 20___. This Agreement covers the purchase and sale of certain property described as _____, (Lot & Development), between CARBON RIVER HOMES (BUILDER/SELLER) and _____ (PURCHASER). In the event of a conflict between the purchase and sale agreement and this Addendum, the terms of this Addendum shall control.

1. TITLE INSURANCE.

Purchaser and Seller mutually agree that title insurance shall be ordered through Ticor Title Company, attn: Heather Davidson 253-460-2921. Seller may be allowed a Builder's discount on the Seller's portion of any title fees. Seller will only provide a standard title insurance policy.

2. CLOSING AGENT.

Purchaser and Seller mutually agree that closing/escrow shall be through Ticor Title Company, attn: Heather Davidson 253-460-2921. Seller may be allowed a Builder's discount on the Seller's portion of the escrow fees.

3. EARNEST MONIES.

The Earnest Money shall be deposited with Ticor Title Company within two (2) days of mutual acceptance.

4. FINANCING/CLOSING COSTS.

A. Preferred Lender Discount. Carbon River Homes has selected the following Preferred Lender because of their track record in financing and closing new homes:

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Carbon River Homes will provide a Preferred Lender Discount in the amount of \$500 to be applied toward Purchaser's allowable closing costs if Purchaser makes loan application with the Preferred Lender within five (5) days of mutual acceptance. If Purchaser closes the sale using the Preferred Lender, Purchaser will receive an additional \$1,000 from the Lender to be applied toward Purchaser's allowable closing costs.

B. Lender Other than Preferred Lender. If Purchaser selects a lender other than the Preferred Lender, Purchaser shall provide, within ten (10) days of mutual acceptance, a pre-approval letter from said lender indicating approval of any financing secured by Purchaser, and any remaining unsatisfied conditions of approval. If the lender's pre-approval letter is not received by Seller within ten (10) days of mutual acceptance, the financing contingency specified in Form 22A of the purchase and sale agreement shall be deemed to be automatically waived by the Purchaser and the Earnest Money shall become non-refundable and shall be immediately released to Seller. Seller may also, in Seller's sole discretion, elect to terminate this Purchase & Sale Agreement, in which case the Earnest Money shall be refunded to the Purchaser. Purchaser shall not be entitled to receive any sums advanced for upgrades or changes under any circumstances.

C. APPRAISED VALUE. Purchaser acknowledges that, due to variable appraisal practices, the full value of changes, upgrades, or closing costs may not be included in the appraised value of the home. In the event of an appraisal that is less than the Sales Price, Purchaser represents and warrants that Purchaser has sufficient cash to cover the difference between the sales price and the appraised value, and to close the transaction.

D. PURCHASER'S FEES. Carbon River Homes shall not pay any fee on behalf of Purchaser except those agreed to in this Purchase & Sale Agreement. All mandatory, Seller-paid VA or FHA closing costs (including escrow fees) shall be paid only out of any Seller's contribution to Purchaser (e.g., "Buyer Bonus," "Buyer Credit", etc.). Seller will not pay any fee of any nature to Purchaser's lender unless expressly agreed to in this Purchase & Sale Agreement.

5. COMPLETION.

Completion is defined as when construction is substantially complete and a Certificate of Occupancy has been issued.

6. COMPLETION DATE.

THE COMPLETION DATE IS AN ESTIMATE ONLY. Any completion date (and by extension, any closing date) referenced in this Agreement or communicated in writing to Purchaser by Seller or Seller's Representative is strictly an estimate as to when the home will be completed. Should construction be delayed for any reason whatsoever, the closing date shall be automatically extended up to 30 days beyond the original estimated closing date. Carbon River Homes shall not be responsible for the expiration of Purchaser's loan commitment, penalties, loan fees or any other fee or loss due to any estimated closing date not being met, nor shall any change in the terms of Purchaser's financing because of Seller's

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failure to deliver possession on the closing date reopen any financing contingency, nor shall it operate to excuse Purchaser from closing this transaction.

PURCHASER IS ADVISED TO ENSURE THAT HIS/HER LENDER OR ANY OTHER INTERESTED PARTY IS MADE AWARE OF THIS CONDITION.

7. CLOSING DATE.

Closing occurs when: 1) all documents have been recorded with the county in which the home was built; and 2) funds are available for disbursement to Seller.

If this transaction does not close on or before the closing date through no fault of the Seller, Seller may, at Seller's sole discretion: 1) require Purchaser to pay \$125.00 per day for any extension(s) granted by Seller, which is due at the time the extension is granted; or 2) terminate this Agreement and retain any Earnest Money or sums advanced for upgrades or changes.

PURCHASER IS ADVISED TO ENSURE THAT HIS/HER LENDER OR ANY OTHER INTERESTED PARTY IS MADE AWARE OF THIS CONDITION.

8. PROPERTY OWNERSHIP/ACCESS.

Purchaser acknowledges that the property belongs to Carbon River Homes until closing and that only Carbon River Homes and its authorized subcontractors and agents are permitted to enter the premises for any reason. By signing below, Purchaser hereby releases Carbon River Homes and its principals, agents, employees, contractors and subcontractors from any liabilities, claims, causes of action, demands, and obligations whatsoever, including but not limited to bodily or personal injury, regarding this Agreement and the terms herein,

9. UPGRADES AND CHANGES.

A. Changes in Writing. All changes to the design or construction of the home must be made in writing and mutually agreed upon in writing. Any conversation between Purchaser and any subcontractor, Purchaser and any Carbon River Homes employee, or Purchaser and any site worker has no bearing on the Purchase & Sale Agreement and is, therefore, not binding until it is memorialized in writing and executed by the Parties.

B. Payment/Administrative Fee. Payment for all upgrades or changes agreed to in writing must be received prior to installation of upgrades or changes. Payment shall include all sales taxes. Said payment is non-negotiable and non-refundable. If Purchaser and Seller agree that the cost of the upgrade or change will be added to the sales price, Purchaser shall pay to Carbon River Homes an additional 5% of the cost of the change or upgrade as an administrative fee for said upgrade or change. Purchaser understands and acknowledges that any increase in the sales price for upgrades, changes, or closing costs, may require a higher down payment to satisfy loan-to-value ratios, and warrants that Purchaser has sufficient sums to cover said increases if required by Purchaser's Lender. Carbon River Homes reserves the right to charge a \$200.00 administrative fee for each change made after the Purchase & Sale

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Agreement has been mutually accepted. **Upon the addition of any mutually agreed upon buyer upgrades or any mutually agreed upon specific changes to the home requested by buyer, buyer irrevocably instructs closing agent with no further action to release buyer's Earnest Money in full to the seller without recourse in exchange for seller making mutually agreed upon changes.**

Buyer's initials _____ Buyer's initials _____ Seller's initials _____

C. Availability. All upgrades must be reasonably available and shall not delay construction scheduling or completion.

D. Nonstandard Materials. Seller shall not be responsible for the suitability, merchantability or function of any materials specified by Purchaser which are not Seller's standard selections, nor are such materials warranted by Seller. Seller is not responsible for the safety or function of design(s) furnished by Purchaser.

E. Interior Finishes. All interior finishes, floor covering and lighting upgrades shall be paid directly to the supplier at the time of selection unless otherwise noted in writing and agreed to by Seller. If these items are not paid directly to the supplier at the time of selection, Carbon River Homes cannot guarantee their installation

F. Right to Substitute. Carbon River Homes reserves the right to substitute items of comparable quality and function without notice to Purchaser. All items are subject to reasonable availability. This includes the right to substitute concrete patios for wood decking and vice-versa.

10. INQUIRIES.

All questions regarding the new home shall be submitted to the Seller through the listing agent only. Only written responses by Seller, and agreed to in writing by both Purchaser and Seller, shall be deemed binding.

11. PLACEMENT OF HOUSE.

Carbon River Homes has sole discretion regarding the placement of the home on the lot. Many factors and considerations dictate that the builder have sole responsibility and authority to make this decision.

12. HOME INSPECTION.

Purchaser shall have the option, at Purchaser's sole expense, to conduct a home inspection with a licensed and insured home inspector of his/her choice at a time mutually agreed-upon by Purchaser and Seller, prior to closing and prior to Purchaser's pre-closing walk-through. No inspector will be allowed to inspect the property without prior scheduling with Carbon River Homes.

Prior to Purchaser's pre-closing walk-through, Purchaser must provide to Seller or Seller's representative a copy of the inspection report, in writing, with all deficiencies noted.

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BUYER _____ DATE _____ SELLER _____ DATE _____

Purchaser shall bring any known building code violations to Seller’s attention for repair; however this transaction and closing shall not be subject to that inspection. Seller warrants that the home shall be finished according to industry standards and code.

13. PLANS, DRAWINGS, SPECIFICATIONS & DESIGN MATERIAL.

All plans, drawings, specifications, and design materials shall remain the sole property of Carbon River Homes and will not be made available to the Purchaser, regardless of whether or not the transaction closes.

ACTUAL CONSTRUCTION MAY VARY FROM THE PLANS. NO TWO HOMES ARE BUILT EXACTLY ALIKE. IT IS COMMON FOR THERE TO BE DIFFERENCES BETWEEN HOMES BUILT FROM THE SAME PLANS, INCLUDING—BUT NOT LIMITED TO—DIFFERENCES IN DIMENSIONS, STYLE, CONCRETE, LANDSCAPING, FRAMING, AND CABINETS. ALL HOMES ARE BUILT WITH THE SAME QUALITY MATERIALS; HOWEVER THE ABOVE-MENTIONED ITEMS, AS WELL AS ADDITIONAL ITEMS, CAN AND DO VARY. THESE DIFFERENCES ARE NOT CONSIDERED DEFECTS AND WILL NOT BE CHANGED.

PURCHASER ACKNOWLEDGES THAT THE STANDARD BUILDER SPECIFICATIONS FOR THE PLAT MAY NOT APPLY TO EVERY HOME. SOME HOMES FEATURE UPGRADES OR SUBSTITUTIONS NOT NOTED ON THE BUILDER SPECIFICATIONS (E.G., DIFFERENCES IN APPLIANCES, CABINET MANUFACTURER, ETC.). ANY DEVIATION FROM THE STANDARD SPECIFICATIONS SHALL NOT BE CAUSE FOR TERMINATION OF THE PURCHASE & SALE AGREEMENT.

14. NOTICE OF CURE.

CHAPTER 64.50 RCW CONTAINS IMPORTANT REQUIREMENTS YOU MUST FOLLOW BEFORE YOU MAY FILE A LAWSUIT FOR DEFECTIVE CONSTRUCTION AGAINST THE SELLER OR BUILDER OF YOUR HOME. FORTY-FIVE DAYS BEFORE YOU FILE YOUR LAWSUIT, YOU MUST DELIVER TO THE SELLER OR BUILDER A WRITTEN NOTICE OF ANY CONSTRUCTION CONDITIONS YOU ALLEGE ARE DEFECTIVE AND PROVIDE YOUR SELLER OR BUILDER THE OPPORTUNITY TO MAKE AN OFFER TO REPAIR OR PAY FOR THE DEFECTS. YOU ARE NOT OBLIGATED TO ACCEPT ANY OFFER MADE BY THE BUILDER OR SELLER. THERE ARE STRICT DEADLINES AND PROCEDURES UNDER STATE LAW, AND FAILURE TO FOLLOW THEM MAY AFFECT YOUR ABILITY TO FILE A LAWSUIT.

15. DISPUTE RESOLUTION/ARBITRATION.

In the event of a dispute between the parties arising out of or in connection with any upgrades or change orders that the Purchaser has requested, excluding those issues governed by the 2 – 10 Warranty referenced herein, the Seller shall have the option to give notice to the Purchaser that, unless the matters in dispute are resolved within seven (7) calendar days after giving notice of the dispute, Seller may terminate the contract and refund to Purchaser

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all monies paid to Seller pursuant to the terms of the Purchase & Sale Agreement, including the Earnest Money deposit, as well as any upgrade payments. In that event, all rights and obligations of the parties under this Agreement shall terminate.

In the event of a dispute between the parties arising out of or in connection with any other terms of the Purchase & Sale Agreement or this Addendum, Seller shall have the option to give notice to the Purchaser that, unless the matters in dispute are resolved within seven (7) calendar days after giving notice of the dispute, Seller may terminate the contract and refund to Purchaser all monies paid to Seller pursuant to the terms of the Purchase & Sale Agreement, including the Earnest Money deposit, as well as any upgrade payments. In that event, all rights and obligations of the parties under this Agreement shall terminate.

In the event Seller is not willing to terminate this Agreement and there is any dispute, controversy, claim or demand arising out of or in connection with the with Purchase & Sale Agreement or this Addendum, either party may request that the matter be submitted to final and binding arbitration in accordance with the arbitration rules of the American Arbitration Association or its equivalent and that each party shall share equally the cost of said arbitration. The arbitrator shall have the authority to award reasonable attorney’s fees to the prevailing party as determined by the arbitrator in such arbitration. The decision of the arbitrator shall be final and binding upon the parties and there shall be no appeal unless otherwise authorized under the Washington Arbitration Act.

16. SELLER DISCLOSURE STATEMENT.

Purchaser acknowledges receipt of a partially complete Seller Disclosure Statement for informational purposes and understands that due to the fact that this home is a pre-sale or new construction, only paragraph 7, “ENVIRONMENTAL” is complete.

Purchaser has been advised of Purchaser’s right to receive a completed Seller Disclosure Statement. Purchaser waives that right and the right to revoke Purchaser’s offer based on not receiving that Statement.

17. HOMEOWNER’S ASSOCIATION.

By completing the transaction as stated previously in this Purchase & Sale Agreement, Purchaser understands that he/she will become a member(s) of The Highlands at Somerset Hill Homeowners Association, referred to hereinafter as the “Association.” It is understood that the Association was organized for the purpose of promoting the health, safety, and welfare of the owners of lots within The Highlands plat, administering and enforcing the covenants, conditions, restrictions, easements, and reservations applicable to the plat and providing for the maintenance, preservation, and management of any common areas. For this purpose, the Association shall exercise all of the powers and privileges and perform all of the duties and obligations of the Association as set for in the Declaration of Covenants, Conditions, Restrictions and Easements for the said plat.

Purchaser understands that the Association has the power to assess and collect a one-time initiation fee, annual dues and special assessments if necessary. The amount that shall be

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assessed and collected is determined by the Declaration of Covenants, Conditions, Restrictions and Easements for the said plat or the Amendments made to the said documents. Purchaser understands that if a one-time initiation fee is assessed it will be collected in full at escrow, during the closing of the property as stated in this Purchase & Sale Agreement. Purchaser also understands that if annual dues are assessed, they will be collected at a pro-rated amount at escrow, during the closing of the property as stated in this Purchase & Sale Agreement.

18. CABLE AND TELEPHONE COMPANIES.

Seller makes no representation of the availability of cable or phone service. Seller pre-wires houses only for cable television and telephone.

19. COMMISSIONS.

No Real Estate Broker commissions will be paid on costs added to the price of the home. All commissions will be calculated and paid only on the base price, less any "Buyer Bonus" or any other monies/credits provided to Purchaser.

20. REAL ESTATE DISCLOSURE

Joseph Bonner, a principal of Carbon River Homes, is also a principal in the Riley Jackson Real Estate Inc.

21. SPECIAL NOTE REGARDING GRINDER PUMPS

A grinder pump is installed at several homes to handle part or all of the sewage either because: (1) part or all of the plumbing system is below the sewer street connection, or (2) the street sewer connection is pressurized. In all cases, the pump is located outside the home and requires periodic inspections and maintenance.

Currently, grinder pumps are required on the following available homes: The Highlands Lots 40 through 49, 88 through 97, 100 through 101, 103 through 106, and 114 through 117.

Buyer's Initials: _____ Buyer's Initials: _____

22. BUILDING INSULATION

As required by Federal Trade Commission Regulations:
Wall insulation: Type – Fiberglass – Thickness 5 ½ inches – R-Value 21
Ceiling insulation: Type – Fiberglass – R-Value 38 except vaulted sections which are R-30
Other insulation data; if portions of ceilings are sprayed, polyurethane R-Value 30

END OF PART I

Initials:

BUYER _____ DATE _____ SELLER _____ DATE _____
BUYER _____ DATE _____ SELLER _____ DATE _____

**Part II
WARRANTY**

Carbon River Homes is pleased to offer the 2-10 Home Buyers Warranty, which is provided by the Home Buyers Warranty Corporation. By signing below, Purchaser hereby acknowledges receipt of the 2 – 10 Warranty and agrees to abide by the terms stated therein.

_____ Buyer Signature	_____ Date	_____ Buyer Printed Name
_____ Buyer Signature	_____ Date	_____ Buyer Printed Name
_____ Seller Signature	_____ Date	<u>Joseph J. Bonner, President</u> Seller Printed Name

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