

RUDD DEVELOPMENT CO., INC.

Addendum "A" to Purchase and Sale Agreement

Alternative Form No. 29 (Use only with MLS Form 28, Rev. 2007 or later)

*This Agreement affects your legal rights. **The Agents are not licensed to practice law nor give legal advice. You are advised to seek legal advice before signing.***

The following terms and conditions of this Addendum are part of the Purchase and Sale Agreement ("Agreement") dated _____, 2008 between _____ ("Buyer") and Rudd Development Co, Inc. ("Seller").

The complete legal description of the Property is Unit No. _____, of [Alverstone Condominium](#), according to the Declaration and Survey Map and Plans thereof recorded under Auditor's File Numbers [200801180238](#) and [200801185004](#), records of [Snohomish](#) County, State of Washington.

I. BASIC INFORMATION

The following is provided for information only and does not modify or amend any terms or conditions of the Purchase and Sale Agreement between Buyer and Seller.

A. Buyer Information

Buyer: _____

Financing: _____ Buyer is Prequalified
_____ Buyer is NOT Prequalified

B. Property Information

Property Address: _____
[Bothell, WA 98012](#)

Legal Description: [Unit " " of Alverstone Condominium](#)
[Bothell, WA](#)

Subject to CC&Rs? [Yes](#)

Homeowners Assn: [Alverstone Condominium Association](#)

Estimated (initial) Homeowners' Association Dues: [See Public Offering Statement](#)

Estimated Association Working Capital Contribution Due at Closings: [See Public Offering Statement](#)

Roads and Sidewalks: [Internal Roads are Private](#)

C. Closing Information

Closing Agent:

Company: [Chicago Title](#)

_____ Buyer _____ Date _____ Seller _____ Date
_____ Buyer _____ Date _____ Seller _____ Date

Contact: [Sue Moody](#)
 Telephone: [425 697-8970](#)
 Facsimile: [425 775-0990](#)
 E-mail: moodys@ctt.com

Title Insurer:
 Company: [Chicago Title](#)
 Contact: [Jim Cline, Sr. Title Officer](#)
 Telephone: [425 259-8223](#)
 Facsimile: [425 775-0990](#)
 E-mail: clinej@ctt.com

Approved Lenders:
 Company: _____
 Contact: _____
 Telephone: _____
 Facsimile: _____

Company: _____
 Contact: _____
 Telephone: _____
 Facsimile: _____

D. Utility Providers

Water: [Alderwood Water District](#)
 Sewer: [Alderwood Water District](#)
 Garbage: [Waste Management NW \(Snoking\)](#)
 Electricity: [Snohomish County PUD](#)
 Gas: [Puget Sound Energy](#)
 Telephone: [Verizon Northwest, Inc.](#)
 Cable: [Comcast Cable](#)

II. CONSTRUCTION OF HOME

A. Approval of Plans and Specifications

1. The improvements being or to be constructed on the Property are pursuant to Plan/Model _____ according to Seller's basic plans and standard specifications, and consist of a single family residential home with _____ bedrooms, _____ baths and attached _____ car garage and consisting of approx. _____ sq. ft. of living area. This Agreement is conditioned upon Buyer's approval of the plans and specifications for the improvements to be constructed by Seller on the Property. Buyer shall review a copy of the plans and specifications [] on or before _____, 20__ OR [] within 5 days after mutual acceptance. If Buyer rejects in writing the plans and specifications, then this Agreement shall be terminated and the Earnest Money shall be refunded to the Buyer.

_____ Buyer _____ Date _____ Seller _____ Date
 _____ Buyer _____ Date _____ Seller _____ Date

2. In the event that the home is largely or fully complete and finish work (such as cabinets, doors or trim) has been substantially installed, the Buyer will receive specifications on the remaining items only, if any.

B. Changes and Upgrades

1. Buyer may be entitled to make selections of colors, floor coverings and appliances that Seller has not already ordered, provided that the Buyer makes such selections within 5 days after request by Seller to make such selections. All selections must be made from Seller's standard stock of materials and within the allowances specified in the plans and specifications and are subject to reasonable availability.
2. Seller reserves the right to substitute materials, fixtures and appliances of comparable quality for those specified in the plans and specifications. The Seller has the option to let the Buyer make minor changes in the plans and specifications within the general scope thereof, provided that such changes do not involve additional costs or delay. Any selection or change by Buyer, which exceeds the allowance specified in the plans and specifications or otherwise increases the construction costs must be paid by the Buyer, in cash, in advance.
3. Buyer shall meet with Seller's suppliers to choose appliances, carpet, tile, vinyl, countertops, and lighting. Upgrades to floor covering, tile, vinyl, countertops, and lighting may be paid by Buyer directly to Seller's supplier or added to the Purchase & Sale Agreement and financed with mortgage. Payment must be made, however, when upgrades are ordered and such payment is non-refundable.
4. All other requested changes and upgrades shall be identified by Buyer upon execution of the Agreement. All such changes shall be agreed to in writing by Seller and Buyer and shall be based upon an agreed price. The pricing of any changes may include costs to Seller, such as the costs of extra design, estimating, supervision, rescheduling, restocking charges, and delays in construction, as well as the usual cost of material, labor, and Seller's normal mark-up. Change/Upgrade availability shall be dictated according to the stage of construction of the house at the time of selection. There will not be any substitutions of colors or materials by Buyer once the Seller has ordered or scheduled the items for construction or installation.
5. Seller reserves the right to refuse subsequent additional changes selected by Buyer or to impose a \$250 change order-processing fee per item change. Any additional changes or upgrades selected by Buyer and approved by Seller shall be paid for in full at the time of order. If the amount of the additional change or upgrade is added to the purchase price, the non-refundable upgrade payment will be shown as a credit at Closing. Change order processing fees are not added to the purchase price of the home.
6. Any upgrades and/or changes added to the purchase price after mutual acceptance will have a 10% fee added to reflect the increased costs to Seller (overhead, commission, excise tax, title insurance, etc.). This provision supersedes any terms to the contrary in any financing addendum or otherwise. It will not be a requirement of the Agreement that the appraised value of the Property exceeds the base purchase price. In the event the appraisal does not equal or exceed the final purchase price, Buyer agrees that the amount paid for changes will not become a part of the financed portion of the final purchase price.

_____ Buyer _____ Date _____ Seller _____ Date
_____ Buyer _____ Date _____ Seller _____ Date

7. Under no circumstances is Seller obligated to commence any changes, or order any materials in connection with requested change, prior to payment for that change.
8. Buyer understands and agrees that if this transaction fails to close for any reason other than Seller's default, then Buyer's payment for any changes and/or upgrades are nonrefundable and will be retained by Seller.

C. Material Availability

Buyer understands and agrees that all materials and supplies, fixtures and appliances are subject to their reasonable availability. Seller reserves the right to substitute items of comparable quality without notice to the Buyer. Buyer agrees to re-select from in-stock items if special order items or color selections will delay construction scheduling.

D. Construction Drawings, Specifications, and Other Design Materials

The design of the home and all construction drawings and specifications are the sole property of the Seller and are not available for distribution. Furthermore, the Seller reserves the right to modify plans and specifications without notice to Buyer; provided, that such modification does not reflect a lesser quality material than the standard specifications.

E. Location of Home on Site

Seller shall have the sole responsibility and authority to locate the house, observing curb appeal, drive location, drainage, existing trees, topography, and other considerations. Buyer acknowledges that specific site conditions may cause certain changes to be made in the foundation of the home, which result in changes to the floor plan at the Seller's discretion. Clearing of ground cover and debris shall be limited to that reasonably necessary to permit adequate access to the building area. That portion of the site outside the cleared area shall be left in its current state. The area within the clearing limit shall be graded for proper drainage away from the building and to an approximate finished grade using materials available on the site. Removal or retaining of trees on the Property shall be at the Seller's sole discretion. Buyer is aware that the surroundings within or outside the Property, such as views, trees and roadways, may be affected by future construction of other Units.

F. Construction Delays

Due to construction delays beyond Seller's control, Seller at its sole option may extend the Closing Date specified on MLS Form 2, Line #12 of the Agreement, for each day of delay which was beyond Seller's control. Buyer acknowledges that any completion date communicated to Buyer by Seller or Agent is an estimate only. Completion shall be defined as when the home is substantially complete and a Certificate of Occupancy has been issued. BUYER AGREES TO CLOSE IMMEDIATELY UPON NOTICE THAT A CERTIFICATE OF OCCUPANCY HAS BEEN ISSUED AND ALL CLOSING PAPERS ARE AVAILABLE FOR SIGNATURE. See Section III C (Closing).

G. Model Homes

The model homes in the community, if any, are intended to show the design and upgrade possibilities of the homes and landscaping in the community. The materials, finishes, appliances, equipment, furnishings and landscaping in the model homes have been chosen for illustrative purposes only and are not intended in the Buyer's home unless expressly set forth in this Purchase Agreement and addenda thereto. Model units are sold in an "as is" condition, and are subject to ordinary wear and tear. All model unit carpet areas will be spot

_____ Buyer _____ Date	_____ Seller _____ Date
_____ Buyer _____ Date	_____ Seller _____ Date

cleaned as necessary at Seller's expense prior to closing. Except for this cleaning, all carpeting is included "as is".

H. Surrounding Property

It is Buyer's responsibility to investigate the area and the surrounding property before purchasing the home and to determine whether any actual or potential condition on other property would affect Buyer's decision to buy this Property. Buyer agrees that Seller has no obligation to investigate or disclose any past, existing, future, possible, planned, permitted or known real estate development, construction, land use or activity on adjacent or nearby property or any other property, even if Seller knows about it. BUYER HEREBY RELEASES SELLER AND ITS EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS FROM ALL LIABILITY OF ANY NATURE WHATSOEVER FOR FAILURE TO DISCLOSE ANY PAST, CURRENT OR FUTURE DEVELOPMENT, CONSTRUCTION, LAND USE OR ACTIVITY (WHETHER KNOWN OR UNKNOWN TO SELLER OR NOT) ON ANY OTHER PROPERTY, WHETHER UNDERTAKEN BY SELLER OR OTHERS WHETHER RESIDENTIAL, COMMERCIAL, MULTI-FAMILY, INDUSTRIAL, PUBLIC OR PRIVATE.

_____ (BUYER'S initials)

I. Continued Construction.

Buyer understands and agrees that, at the time of taking possession of the home and for an indefinite period thereafter, the community in which the home is located (and other homes, common areas, and improvements) might not be completed and that construction work might be continuing.

J. Site Work, Vegetation, Drainage.

Trees and vegetation, if any, even if remaining at close of purchase, escrow and occupancy, may not survive and may need to be replaced at the expense of the Owner's Association. The property has been, or will be, engineered and graded to standards established by local governmental jurisdictions to insure drainage of rain and irrigation water. Buyer acknowledges that the Association's or Owner's failure to maintain the property and improvements as originally engineered and graded may cause serious structural failures in the improvements, water damage to the interior of improvements, or even financial liability to neighboring property. Buyer acknowledges and agrees that the consequences and results of any alteration of or to the property and/or of or to the established drainage shall be the Association's or Owner's responsibility, and the Seller shall have no liability or responsibility whatsoever with regard to such matters. Seller recommends that the Association or Owner hire a qualified civil engineer to approve all future landscaping plans and improvements and the Association's landscaping contracts include language to insure safe and adequate drainage.

K. Sound Transmission.

Buyer further acknowledges that the Unit is in a high-density residential community and that some sound transmission between Units should be expected. Seller has installed sound insulation which meets or exceeds building code requirements; however, Buyer understands and acknowledges that some sound transmission from adjoining Units, Common or Limited Common Elements will occur.

L. Moisture.

_____ Buyer _____ Date _____ Seller _____ Date
_____ Buyer _____ Date _____ Seller _____ Date

The Condominium is located in a region with a damp climate. Seller has utilized materials, designs and construction methods that are typical for similar projects in the Puget Sound area to address leakage and moisture problems. Nevertheless, based on Seller's experience, it is impossible to guaranty that the building and/or Unit will not experience such conditions. Buyer further acknowledges that prevention such conditions, and avoidance of damage caused by such conditions requires that the Association or Owner, at the Association's or Owner's expense, perform periodic inspections, testing, maintenance and repair.

M. Access to the Property Prior to Closing

Buyer acknowledges that to avoid interference with the work, and pursuant to any applicable terms and conditions of Seller's liability insurance policy, Buyer may only enter the Property during working hours and only with the prior permission of Seller. When viewing the Property after working hours, Buyer agrees to do so with Seller's Listing Agent or Buyer's Real Estate Agent present. Buyer and Buyer's agents are expressly denied permission to work on the home (or other improvements) during construction for any reason. If Buyer or Buyer's agents perform such work, Buyer accepts responsibility for any additional costs related to delays and/or corrections required to proceed with construction, and agrees that all or some portions of the home or other improvements may be excluded from Seller's Warranty as described below.

N. Insurance – Risk of Loss

To the maximum extent permitted by law, Buyer hereby assumes all risk and shall indemnify and hold harmless Seller from any and all property damage, personal injury or death to Buyer, its guests and its invitees occurring during the construction period. Buyer acknowledges that Buyer may not be covered by Seller's insurance while the home is being constructed. Buyer assumes full responsibility for any personal property stored on the premises prior to closing.

O. Unit Size/Square Footage

Seller and Agents make no representations as to the exact accuracy of the Unit size or the square footage of the home. Buyer is advised to verify to their satisfaction the correct Unit size, square footage of the home, building setbacks and/or fencing restrictions prior to Closing.

III. CLOSING

A. Financing

1. The Buyer shall pay a Pre-Sale deposit of _____ thousand and 00/100 (\$ _____) prior to commencement of construction of the home to be built. This amount is due upon removal of the Financing Contingency or Home Sale Contingency, whichever occurs first and only to the extent applicable as specified in the Agreement.
2. **Pre-Qualification of Buyer Financing:** Buyer shall have five (5) days from mutual acceptance of the Agreement in which to obtain a loan pre-qualification letter. It is recommended Buyer contact the following lender below if completed:

Lender Contact: _____

_____ Buyer	_____ Date	_____ Seller	_____ Date
_____ Buyer	_____ Date	_____ Seller	_____ Date

Lender: _____
 Telephone: _____
 E-mail: _____

Buyer is not required to use this lender as a condition of the purchase of this Property

3. **Selection of Lender, Title Insurer & Escrow Agent.** Due to our volume of new home transactions, and the need to coordinate all condominium sales, it is essential to limit the number of lenders, title insurers and escrow agents with which we deal. The companies approved by Seller for this Condominium have been selected based upon a successful track record for processing and closing transactions, and have been provided with all the information necessary to facilitate the timely processing of your transaction. Buyer agrees to apply for and obtain financing through a lender, and accept the title policy issued by a title insurer, and utilize an escrow agent, as approved by Seller. Other lenders, title insurers and escrow agents will be given consideration only under special circumstances, and must be approved in writing, in advance, by Seller. The approved lender, title insurer and escrow agent are listed at the end of this document, but Seller reserves the right to change that list at any time before closing. Buyer consents to any lender with whom Buyer has made loan application informing Seller as to the status of the application and any other information Seller may request.
4. **Buyer Authorization:** Buyer authorizes the mortgage lender to notify Seller within five (5) business days from the date of Buyer's mortgage application of said mortgage lender's opinions as to the Buyer's ability to secure the mortgage financing described in this Agreement and to update the Seller weekly or upon Seller's request of the progress. If at that time, it is the opinion of the Buyer's mortgage lender that Buyer will not be able to secure a loan commitment based on the Buyer's circumstances at the time of mortgage application, then the Seller shall have the option to void the Agreement and the Earnest Money will be refunded to the Buyer.
5. **Financing Deadline in Purchase and Sales Agreement:** If Buyer has not waived the financing contingency by the date contained within the Purchase and Sales Agreement, then the day after the deadline date, the financing contingency will automatically be waived by the Buyer unless that date is extended, in writing, by mutual agreement of Buyer and Seller.
6. **No Points:** Seller shall pay no fees in connection with the Buyer's loan, including, but not limited to, documentation preparation fees, underwriting fees, courier fees, computer fees, express mail fees, and/or miscellaneous fees, without the Seller's prior written approval. Buyer hereby agrees to pay all Buyer's loan fees.
7. **Buyer's Funds To Close.** Buyer represents that Buyer has available sufficient funds to close this sale in accordance with this Agreement and is not relying upon any contingent source of such funds unless otherwise expressly set forth herein.
8. **Occupancy Representation.** Buyer hereby represents that the home will be Buyer's primary residence second home investment property upon closing of the purchase thereof. Buyer agrees to make the same representation to any lending institution: which may now hold a mortgage on any portion of the community; or which may be financing the purchase of any other homes in the community; or to which Buyer makes application for a loan to purchase a home.

_____ Buyer	_____ Date	_____ Seller	_____ Date
_____ Buyer	_____ Date	_____ Seller	_____ Date

B. Walk-Through

1. **Buyer/Seller Inspection.** Prior to the Closing Date, an authorized representative of the Seller shall accompany the Buyer on an orientation tour of the home at a time to be designated by the Seller. Any items noted on the tour (punch list) which require adjustment or correction shall be corrected as soon as possible by the Seller, anticipated not to be more than thirty (30) days following Closing. Buyer agrees to proceed to Closing, even though punch list items may be outstanding. Only the Buyer and/or Buyer's Real Estate Agent only, not in-laws, relatives or other friends, etc., may attend the orientation tour. In the event Seller does not agree to make correction required by Buyer, the Buyer's sole option is to terminate this Agreement and receive a full refund of their earnest money (except for change orders previously paid for by Buyer) and this transaction is null and void and the parties shall have no further obligation towards each other. In the event Buyer elects to waive any corrections required by Buyer or Buyer's inspector, Buyer automatically waives all rights to any future action regarding those waived and accepted items and agrees to hold Seller harmless, except to enforce the warranty provisions specifically provided under the terms of this Agreement and the Limited Warranty (defined below). Seller shall not be responsible for any damages or injuries caused by Buyer's lack of knowledge or understanding of the components of the home. Buyer is strongly advised to read any printed material, notices or warnings on any equipment, appliances, smoke detectors, and all other mechanical devices within the home prior to Closing. Buyer should make sure all mechanical workings of the home have been reviewed and understood at the time of the Inspection Tour with Seller's representative.
2. **Independent Inspection.** If, pursuant to a separate addendum, this agreement is made contingent upon Buyer's review and approval of an independent inspection of the Property, the inspection must be conducted by a professional inspector at Buyer's expense, documented by a written report. Buyer may disapprove of the inspection report only on the basis of a condition identified in the report as being in violation of an applicable building code or in non-conformance with Seller's construction standards, and not on the basis of informational or preventative maintenance items.

C. Closing

1. **Substantial Completion.** Closing shall occur within three (3) days of substantial completion of the construction of the home. "Substantial completion" means the date the home has been approved for occupancy by the applicable governmental authority. Closing shall not be deemed to have occurred until Buyer's funds are available for immediate disbursement to the Seller. At that time, keys will be turned over to the Buyer. The Seller reserves the right to show the Property to third parties before the Closing Date. Buyer shall make an appointment for signing papers within 24 hours after notice from escrow that all Closing papers are available for signature. If Seller completes the home prior to the specified Closing Date, then the Buyer shall make an appointment for signing within 48 hours after notice from Seller, or its Agent, is delivered to Buyer.
2. **Extension of Closing Date.** This transaction shall close on or before the Closing Date specified on MLS Form 28, Line #12 of the Agreement ("Closing Date"); provided, that Seller may at its option extend the Closing Date with no penalty whatsoever until the later of the following: (a) up to 60 days after that date; (b) up to 15 days following substantial completion of the home; or (c) up to 15 days following satisfaction of any presale requirement established by Seller or Seller's lender. The Closing Date, as it may be extended by Seller ("Adjusted Closing Date"), shall also be the Termination Date of this Agreement, which Termination Date shall in all events occur no later than _____ (180 if not filled in) days after mutual acceptance of this Addendum.

_____ Buyer	_____ Date	_____ Seller	_____ Date
_____ Buyer	_____ Date	_____ Seller	_____ Date

3. Termination. If the Transaction does not close by the Termination Date, Buyer's sole recourse, other than waiving of timely performance and Closing on the Termination Date, is cancellation of the subject Agreement, and the return of the Earnest Money deposit. If Closing does not occur by the Termination Date, including, without limitation, if Closing has not occurred as a result of a dispute between the parties, the pendency of an arbitration proceeding, Buyer's refusal to close, or for any other reason whatsoever, this Agreement shall automatically terminate unless Buyer and Seller agree, in writing, to extend the Termination Date.

D. Damages

Seller shall not be responsible for any losses sustained by Buyer as a result of changing Closing Dates, including, but not limited to, Buyer's loan, rate locks, expiration of loan commitments and/or loan failing to close on the original Closing Date.

E. Public Offering Statement

Buyer is receiving a Public Offering Statement pursuant to the Washington Condominium Act (RCW Chapter 64.34), and is not entitled to receive (1) a Resale Certificate provided for under the Washington Condominium Act, or (2) a completed Real Property Transfer Disclosure Statement pursuant to RCW Chapter 64.06 (also known as Form No. 17). Buyer waives this right.

_____ BUYER'S initials

F. Seller's Access After Closing

Seller shall have the right to enter upon the Property and the home after Closing for the purpose of completing any construction work or otherwise discharging its obligations under this Agreement. Seller shall have the further right to enter upon the Property (but not the home) for the purpose of completing improvements upon adjacent property, provided that Seller shall repair any damage to Buyer's Property resulting from such entry.

G. Association Assessments; Working Capital Contribution.

Any monthly owner association assessments shall be prorated between Seller and Buyer as of the date of closing. In addition, Buyer at closing shall pay for the account of the association a working capital contribution deposit in the amount set forth in the Public Offering Statement. Each monthly assessment shall include the home's prorata share of all association common expenses (including without limitation all periodic and installment charges by governmental agencies and utility providers, such as sewer capacity surcharges). If Seller has previously paid such contribution, the escrow agent shall pay Buyer's contribution to Seller. Buyer acknowledges that the initial level of assessments is an estimate only which may change prior to and after closing. Seller may elect to pay the association's actual operating costs, and delay commencement of monthly assessments.

H. Real Estate Taxes Prorated.

Real Estate taxes shall be prorated between Seller and Buyer as of the date of closing. If real estate taxes have not been segregated among the Homes then within the community, such proration shall be based on the home's allocated interest in common elements and the total unsegregated real estate taxes for the community. If during the year in which closing occurs, the real estate taxes due for that year are increased after closing

_____ Buyer _____ Date _____ Seller _____ Date
_____ Buyer _____ Date _____ Seller _____ Date

because of completion in construction, any such tax increase shall also be prorated as of the date of closing. An adjustment of prorations after closing (whether due to subsequent new construction tax increase or home tax segregation) will only be made if the amount of adjustment would exceed \$50.

IV. LIMITED WARRANTY AND ARBITRATION

A. Warranty

- 1. Governmental Approvals; Performance Standards.** The Seller shall provide all required notices to the proper authorities, and shall obtain all official inspections, certificates and licenses made necessary by the work to be done by the Seller within the original scope of the contract. All work shall be performed in a workmanlike manner, in compliance with all applicable laws, codes and regulations, and conform to the guidelines found in the publication *Residential Construction Performance Guidelines for Professional Builders and Remodelers, Third Edition*, National Association of Home Builders 2005 ("Performance Guidelines"). Seller shall be responsible for all construction means, methods, techniques, sequences and procedures. The Seller will install materials specified in the contract. Where the contract does not call for a specific grade or specification, the Seller will install materials which are new and conform to industry practice. The Seller is not responsible for the suitability or function of materials specified by the Buyer (whether or not installed by Seller) nor for the suitability or function of materials installed or worked on by another Seller. Seller is not responsible for the safeness or function of design(s) furnished by the Buyer. The Seller is not responsible for property damage or the consequences thereof caused by chemical, biological or toxic agents or elements that may be part of any building material utilized in construction. The Seller will not utilize any building material known to the Seller to be directly toxic or harmful to persons or the environment.
- 2. Liens, Etc.** The Seller warrants that all labor, materials and taxes will be paid for, and there will be no potential lien claimants upon the completion of the work and final payment by the Buyer. The Seller will promptly return to the project at the Seller's sole expense and repair or replace, as necessary, any work which does not comply with the requirements of this Agreement.
- 3. Claim Period.** The Seller's warranty is for a period of twelve (12) months from the earlier date of certificate of occupancy, signing off the building permit (final), the Buyer taking actual occupancy, partial or total, or the Buyer moving or storing items or materials in the area or areas affected by construction. Any warranty claim of the Buyer shall accrue only during this period. Any warranty claim must be written and sent by mail or fax to the Seller during the warranty period or it is waived. Any warranty claim or any other cause of action arising under the terms of this Agreement, including the warranty, must be filed in a court of competent jurisdiction within four (4) months of the expiration of the warranty. Any unresolved, unasserted or undiscovered claim or cause of action, including any claim for indemnification, which is not filed within four (4) months after the expiration of this warranty is waived. Any claim asserted under this warranty or other terms of this Agreement is expressly limited to claim(s) made in writing and sent to the Seller during the warranty period as specified above. These terms shall be strictly enforced. Warranty work performed by the Seller does not extend the warranty. If anyone other than this Seller performs or re-performs any of Seller's work, then the Seller shall be relieved of its obligations under this warranty and the Buyer shall be deemed to have waived the benefits of this warranty.

_____ Buyer	_____ Date	_____ Seller	_____ Date
_____ Buyer	_____ Date	_____ Seller	_____ Date

THIS WARRANTY IS GIVEN IN LIEU OF AND SELLER DISCLAIMS ANY EXPRESS OR IMPLIED WARRANTY OTHERWISE PROVIDED UNDER THE LAWS OF WASHINGTON, INCLUDING THE WARRANTIES OF FITNESS, MERCHANTABILITY AND HABITABILITY.

THE INTENT AND PURPOSE OF THIS EXPRESS WARRANTY IS TO PROVIDE THE BUYER AND SELLER, PRIOR TO THE CONSUMMATION OF THE TRANSACTION, WITH A CLEAR AND PREDICTABLE UNDERSTANDING OF THEIR RIGHTS, DUTIES AND OBLIGATIONS. THIS EXPRESS WARRANTY IS NOT INTENDED TO BE IN ADDITION TO THE IMPLIED WARRANTY OF QUALITY PROVIDED BY THE WASHINGTON CONDOMINIUM ACT (SUMMARIZED IN THE PUBLIC OFFERING STATEMENT), BUT RATHER THAT SUCH IMPLIED WARRANTY IS TO BE INTERPRETED AND ENFORCED IN ACCORDANCE WITH THE PROVISIONS OF THIS EXPRESS WARRANTY.

OWNER'S ACCEPTANCE OF THE EXPRESS WARRANTY IS A DIRECT AND MATERIAL INDUCEMENT TO DECLARANT'S AGREEMENT TO SELL THE UNIT FOR THE AGREED PRICE, AND HAS BEEN RELIED UPON BY DECLARANT (AND DECLARANT'S CONTRACTOR, SUBCONTRACTORS, VENDORS, SUPPLIERS AND OTHER PROFESSIONALS).

- 4. Manufactured Products.** Manufactured or consumer products such as roofing materials, appliances, hardware, windows, heating and mechanical systems, fixtures, etc. are not separately warranted by the Seller. In the event that the Buyer encounters a defect in a manufactured or supplied product, the Seller shall assist the Buyer in securing the repair or replacement of these products pursuant to the particular manufacturer's or distributor's warranty.
- 5. *This Warranty Excludes The Following:***

Concrete/Motor Cracks. Concrete or mortar cracks caused by normal expansion and contraction that do not substantially impair structural elements.

Brick Facing. Cracking in brick facing, both inside (if fireplace is bricked) and outside which does not affect the safety or function of the facing or fireplace. Discolorations due to the elements, rain runoff, weathering, leaching of salts, or bleaching.

Floor Squeaks. Floor squeaks not brought to the Seller's attention in writing within the warranty period. Misuse or overloading of structure by Buyer negates Seller's obligations under this clause. Floors are either nailed, stapled, screwed or glued in a special manner to try to eliminate squeaking. Buyer should be aware, however, that it is virtually impossible to "squeak-proof" a wood floored structure.

Floor Warpage. Warpage, cupping or shrinking of hardwood floors. Hardwood floors are beautiful but have drawbacks. One drawback of hardwood flooring is the possibility of warpage, cupping or shrinkage. A moisture variation of as little as 2% may warp or cup hardwood flooring. Seller will be responsible for hardwood floors until occupancy. Buyer will assume responsibility for any warping or cupping not stated on the punch list. Specifically excluded from any warranty coverage is any hardwood flooring in the kitchen or bathroom(s). In using real wood, there will be variations in color, grain and texture.

Mold, etc. Mold, mildew, moss and fungi are inevitable in the Pacific Northwest. Seller warrants that all construction shall conform to industry standards and applicable building codes. Seller does not warrant against mold, mildew, moss, fungi, or insects.

_____ Buyer	_____ Date	_____ Seller	_____ Date
_____ Buyer	_____ Date	_____ Seller	_____ Date

Sheetrock. Cracks and nail pops in the sheetrock caused by normal shrinkage and settling appearing after one year. Sheetrock or drywall will sometimes develop nail pops or settlement cracks. These nail pops or settlement cracks are a normal part of the settlement process. These items can easily be handled by Buyer with spackling during the normal redecorating. However, if the Buyer wishes, at twelve (12) months Seller will send a worker to do the spackling. Seller repairs will not include repainting.

Doors. Warpage of doors due to temperature differential or temperature changes unless the doors become inoperable or cease to be weather resistant.

Grout. Discoloration and erosion of tile grout.

Expansion and contraction of the siding. The Buyer should be aware that siding does change dimension with changing weather conditions, swelling in wet weather and shrinking in dry. Furthermore, the siding may shrink vertically to expose thin, unpainted siding below the butt of the beveled siding, a condition for which Seller offers no warranty.

Cracking of wood. Wood will sometimes crack, check, or "spread apart" because of the drying out process. This condition is most often caused by the heat inside of the structure or exposure to the sun on the outside of the structure. This may show up, and the Buyer is responsible for any resulting maintenance or repairs.

Cracking or bleeding of caulking. Exterior caulking and interior caulking in bath tubs, shower stalls, ceramic tile surfaces, and countertops will crack or bleed somewhat in the months following installation. These conditions are normal and should not be considered a problem. Maintenance or repairs of them are the Buyer's responsibility.

Variation in stain. All items that are stained will normally have a variation of colors because of the different textures and species of the woods. Because of weather changes, doors that have panels will sometimes dry out and leave a small space of bare wood. These normal conditions are not considered defects.

Exterior. This warranty does not cover landscaping, grading, bulkheads, earth movement, or instability of soil or earth, or freezing of hose bib outlets, warpage of exterior French doors or store doors.

Interior. This warranty does not cover adjustments to pocket doors or shower doors.

Appliances. This warranty does not cover appliances or fixtures.

B. Remedies – Arbitration

- 1. Arbitration Procedure.** Any and all claims, disputes and controversies by or between the undersigned Buyer and the undersigned Seller arising from or related to the subject home identified herein below, or the sale of the subject home by the Seller, including, without limitation, any claim of breach of contract, negligent or intentional misrepresentation or nondisclosure in the inducement, execution or performance of any contract, including this arbitration agreement, and breach of any alleged duty of good faith and fair dealing, but not issues arising under the Limited Warranty, which shall be subject to the arbitration agreement contained in the Limited Warranty, shall be submitted to arbitration administered by Judicial Dispute Resolution Services, L.L.C. ("JDR") (or a successor organization if JDR no longer exists) in

_____ Buyer _____ Date _____ Seller _____ Date
_____ Buyer _____ Date _____ Seller _____ Date

accordance with its rules of practice and procedure. The parties shall be entitled to obtain discovery as determined by the arbitrator in his or her sole discretion. The party receiving an award rendered in any such arbitration proceeding shall be entitled to have judgment entered thereon. The arbitration proceedings described in this Section are the sole recourse for a dispute or breach (i.e., a lawsuit is not allowed) and shall be final and there shall be no right of appeal therefrom. The arbitrator shall determine the "prevailing party" and such party shall be entitled to its reasonable attorneys' fees and costs which shall be part of the award. Arbitration shall take place in Seattle, Washington. Failure by a party to participate in good faith in the arbitration process shall be considered a breach of this Agreement and shall be a bar to that party's ability to assert claims in the arbitration, which nevertheless may proceed to an award in that party's absence. This obligation shall survive the Closing of the Agreement.

2. **Subcontractors, etc.** This arbitration agreement shall inure to the benefit of, and be enforceable by the Builder's subcontractors, agents, vendors, suppliers, design professionals, insurers and any other person whom the homeowner contends is responsible for any defect in or to the subject Property or the real property on which the subject Property is situated. Any party shall be entitled to recover reasonable attorneys' fees and costs incurred in enforcing this arbitration agreement.
3. **Arbitration Fees.** The administrative fee charged by the arbitration service shall be borne equally between the Buyer and the Seller except cases arising under the Limited Warranty. With respect to matters arising under the Limited Warranty, the administrative fee charged by the arbitration service will be paid by the party specified under the Limited Warranty. Additional fees may be assessed in accordance with the arbitration rules and fees. The Warranty Insurer shall have the right, in advance of the arbitration proceeding to reinspect any home which is the subject of the arbitration proceeding if the request for arbitration was made more than 60 days following the last claim decision of Warranty Insurer concerning such a home.
4. **Severability.** If any provision of this arbitration agreement shall be determined to be unenforceable by the arbitrator or by the court, the remaining provisions shall be deemed to be severable therefrom and enforceable according to their terms.

V. GENERAL

A. Addendum Controls.

In the event of a conflict between this Addendum and the Agreement or any other contract documents, this Addendum shall control unless the other document specifically references this Addendum and the fact that it supersedes the provisions of this Addendum. In the event of a conflict between the provisions of the Agreement and the provisions of the Limited Warranty, the provisions of the Limited Warranty will apply.

B. Representations.

There are no other express or implied agreements, promises or representations except as set forth herein, or in the Public Offering Statement, or in another written document executed by Seller and Buyer. The parties agree that no verbal representation has been made by any person whomsoever, and that the parties' full understanding shall be limited to the written agreement together with any mutually agreed upon clarifications in writing. Buyer and all agents acknowledge that no agent, job superintendent, contractor or subcontractor has authority to make, or has made, any agreement, promise or representation on behalf of the Seller.

_____ Buyer	_____ Date	_____ Seller	_____ Date
_____ Buyer	_____ Date	_____ Seller	_____ Date

C. Notices. Unless otherwise specifically provided in a separate addendum, the following will control over any conflicting provisions in the Form 28 Agreement:

1. **Seller:** Notices to Seller shall not be deemed given until actually received by Seller (not by Listing Agent nor at licensed office of Listing Agent). Listing Agent is responsible for actual delivery to Seller at Seller's address shown on the Agreement (telephone notice is not authorized) of notices received by Listing Agent.
2. **Buyer:** A Real Property Transfer Disclosure Statement and a Resale Certificate are not required by law and shall not be delivered to Buyer. Selling Licensee is responsible for actual delivery of the Public Offering Statement to Buyer, and for actual delivery of the Public Offering Statement/Warranty Addendum (signed by Buyer and Selling Licensee) to Listing Agent, who is responsible for actual delivery thereof to Seller.

D. Management by Seller.

Seller may exercise the voting rights allocated to homes owned by Seller to elect or remove the board of directors of the owner's association, and also to manage the association until the home owners elect a new board of directors..

E. Seller's Existing Mortgage.

Buyer is advised that there may be an underlying mortgage (or other) loan on this property. Buyer understands that all of the terms and provisions of this Agreement are and shall be subordinated to the lien of any such existing mortgage, but, if this transaction is consummated, Seller shall cause such mortgage to be partially released upon closing to the extent of Buyer's interest purchased. Buyer fully understands that consummation of this transaction may be subject to satisfaction of a presale requirement established by Seller or Seller's mortgagee and Seller acquiring clear title to the property.

F. Amendment to Declaration, Etc.

Seller may make amendments to the Declaration, Association Articles of Incorporation and Bylaws, Survey Map and Plans, Association Budget, Public Offering Statement, and the plans and specifications (including without limitation floor plans, exterior design, materials, and finish schedule) prepared by Seller or Seller's architect as Seller may deem desirable (or as may be reasonably be required by lenders, investors or title insurance companies to meet reasonable requirements of title insurance and mortgage protection), but if before this sale is closed amendments are made substantially changing the home square footage or Allocated Interest in Common Elements or Association Votes or Common Elements, without first obtaining the written approval of Buyer, Buyer shall be entitled to rescind this Agreement. Buyer's failure to disapprove in writing any of the documents referred to in this paragraph (or amendments thereto) within seven (7) days of receipt of such documents (or amendments) shall be deemed Buyer's approval thereof. Any notice of disapproval by Buyer must include reasonable grounds for such disapproval.

G. Time of Essence.

Time is of the essence of this agreement.

H. Assignment.

_____ Buyer	_____ Date	_____ Seller	_____ Date
_____ Buyer	_____ Date	_____ Seller	_____ Date

Buyer may not assign Buyer's rights under the Agreement without the prior written consent of Seller.

I. Attorney Review.

Buyer is provided with a period of 7 days to review the Public Offering Statement and all other documents contained or referred to therein, and to consult with an attorney, in order to assure that the Buyer understands and accepts the provisions of such documents, which are in all respects binding upon the parties and on which the Seller has relied in agreeing to sell the Unit for the agreed price and terms. This transaction [] is [] is not subject to review and approval of Buyer's attorney. If it is, such approval shall conclusively be deemed to have been given unless within ten (10) days after mutual acceptance Seller receives written notice of disapproval together with an explanation of the reasons for such disapproval.

J. Options

[] **Declaration and Survey Recording.** This Agreement is conditioned on recording of the condominium declaration and survey map and plans, without change in the access to the home as shown in the preliminary map. The Earnest Money shall be deposited to the Agent's trust account, and no money may be disbursed until the declaration and survey map and plans is recorded.

[] **Recording before Termination Date.** This transaction is subject to final declaration and survey map and plans recording on or before Termination Date.

[] **Contingency to be bumped:** This offer is accepted subject to a previous sale with a previous Buyer who will be given written notice to remove the existing contingency. If the previous Buyer removes said contingency within the time period prescribed, then this transaction is terminated.

[] **ACC Approval:** This community is subject to Architectural Control Committee (ACC) approval to ensure conformance with the CC&R's and surrounding neighborhood of any alteration or improvements to the Property. Buyers hereby acknowledge they have received and read a copy of the CC&R's for the subject Property and agree to abide by them.

[] **Contingency:** Seller has five (5) days to verify accuracy of information provided regarding the marketability of the Buyer's current home as established by the Listing Office. Buyer's agent shall provide to Seller a comprehensive current market analysis of Buyer's Property within five (5) days of mutual acceptance of this offer. If in Seller's sole opinion the Buyer's home is not marketable as listed, then Buyer shall be notified and this Agreement shall either terminate or Buyer shall adjust their selling price to reflect correct market value.

Buyer
Date _____

Buyer
Date _____

Rudd Development Co., Inc.

Date _____

By _____
E. Marc Rudd, President

Buyer _____ Date

Buyer _____ Date

Seller _____ Date

Seller _____ Date