

THE MEWS
PURCHASE AND SALE AGREEMENT,
ESCROW INSTRUCTIONS, AND RECEIPT FOR DEPOSIT

GENERAL PROVISIONS

1. DEFINITIONS.

"Alternative Dispute Resolution" - Resolution of disputes arising before or after close of escrow for which the parties have waived their rights to trial by jury or by a judge and agree to resolve disputes by non-trial procedures specified in this agreement.

"Authorized Disbursements" - The funds Buyer authorizes Escrow Holder to disburse to third parties from Buyer's Deposit, which include the following: loan application; credit report; Buyer's portion of Escrow fees and services, including cancellation charges; preliminary title report charges in the event that Escrow is canceled; appraisal fees, and any costs and fees associated with processing of Buyer's loan.

"CC&Rs" - The Declaration of Covenants, Conditions, Restrictions and Reservation of Easements recorded for this Project.

"Close of Escrow" or "Closing" - The day that the grant deed transferring title to the Property to Buyer is recorded or filed in the office of the Official Records of the County Recorder in which the Property is located.

"Closing Costs" - Costs of closing this escrow, described herein.

"Closing Date" - The intended or scheduled date Escrow is to close on the Property.

"Date of Acceptance" - The date on which Buyer's offer to purchase the Property is accepted by Seller.

"Escrow" - The Escrow described below.

"Escrow Holder" - The Escrow company to which these instructions are directed. Escrow Holder is a neutral party not affiliated with either the Buyer or Seller.

"Homeowners Association" - the association of homeowners formed to govern the Project.

"Lender" - Lender(s) from whom Buyer has elected to obtain the Loan(s).

"Lender Approval" - The formal approval of the Loan to Buyer by Lender.

"Loan" - The first and/or second trust deed loan, if any, obtained by Buyer.

"Project" - The real estate development in which the Property is located.

"Residence" or "Lot" - The residential lot which is the subject of this Purchase Agreement.

"Title Company" - The company chosen by Seller, in its sole discretion, to provide Buyer standard coverage title insurance. Seller reserves the right to change Escrow and/or the Title Company.

"Total Purchase Price" - The amount indicated above as Purchase Price of the Property, together with the cost of any extra or option items subsequently purchased by a separate document executed by Seller and Buyer, which is deposited in Escrow and made a part hereof.

2. **CLOSING COSTS.** Reasonable and necessary closing costs to be paid by Buyer include, but are not limited to: extended coverage fire and liability insurance; tax prorations; the following loan fees and costs: commitment, Escrow, notary, appraisal, credit report, loan processing, impounds; loan tie-in fees; prepaid interest; homeowner assessments; capital contributions (if any); insurance premiums; tax service; trust deed recordation; ALTA lender's policy; and other ordinary charges and prorations incurred, payable on or before Close of Escrow ("**Closing Costs**"). Buyer acknowledges that Closing Costs, prorations, and Authorized Disbursements may vary from any of the amounts set forth. Seller and its representatives make no representations as to the actual, final costs to be paid by Buyer. Buyer should consult their Lender to ascertain Closing Costs associated with Buyer's loan, which may vary substantially.

3. ESCROW/TITLE COMPANY.

Explanation of this section: An escrow company or "escrow holder" is the agent of both the buyer and seller for the purpose of allowing those two parties to simultaneously exchange all the necessary money, deeds and other documents to complete the purchase and sale of property. You, as buyer, and seller together instruct the escrow company what you both want done. The gathering of the necessary items is called an "escrow" and usually begins when the escrow company receives your deposit and escrow instructions from both parties. "Closing" is the usual term for completing the exchange. In this transaction, the escrow instructions are combined with the purchase agreement. One of the tasks of the escrow company is to apportion taxes, governmental fees and homeowner association assessments connected with the closing of escrow.

3.1 **OPENING:** An Escrow shall be opened within seven (7) days following acceptance of this Purchase Agreement by Seller, with the Escrow Holder designated herein. The general Escrow instructions to Escrow Holder are attached hereto as Addendum "E1" and, together with this Agreement, constitute Buyer's and Seller's instructions to Escrow Holder. Escrow Holder shall not be responsible for enforcing the obligations of Seller and Buyer under this Agreement. In the event Seller, Escrow Holder, or Buyer's Lender require separate or additional instructions, Buyer agrees to join in such Escrow by executing and depositing such Escrow Instructions with Escrow Holder within five (5) working days of receipt of the forms provided by the Escrow Holder. Failure of Buyer to timely execute Escrow instructions or other required documents within two (2) days of receipt, shall constitute a material default hereunder, entitling Seller, at its option, to cancel and terminate this Purchase Agreement by providing written notice to Buyer and instructing Escrow Holder to return the Deposit to Buyer. Upon such cancellation, Seller shall not have any further obligation or liability to Buyer.

3.2 **FEES AND COSTS:** Seller shall pay for the following fees and costs as applicable: any agreed broker's commissions; payoff fees and interest to existing lender; delinquent and current taxes due and payable; HOA dues; Seller's escrow fees, standard owner's policy of title insurance; costs of recording the grant deed; and other customary authorized fees. Buyer shall pay: ALTA lender policy; lender required title endorsement fees; Buyer's escrow fees, messenger fees, lender and mortgage broker fees as authorized,

prepaid interest, Buyer's Closing Costs, the Authorized Disbursements, HOA dues for the upcoming month documentary transfer taxes and other customary authorized fees. At Close of Escrow, the Title Company shall furnish Buyer, at Seller's expense, a standard CLTA owner's policy insuring title vested in Buyer subject to the above listed exceptions. Buyer may request an ALTA owner's policy; provided, however, that Buyer shall pay for the additional cost of such policy, to the extent it exceeds the cost of the standard CLTA policy to be provided by Seller. If requested by Buyer or required by Lender, Buyer shall be responsible for the cost of any Lender's endorsement and/or policy of title insurance. Seller may, without notice and in its sole discretion, change the type of policy being provided.

3.3 PRORATIONS: Taxes, assessments, Homeowners Association dues and expenses, insurance (if any), and interest (if any), shall be prorated based upon the latest available bills as of the Close of Escrow, using a thirty (30) day month. Buyer understands that estimated taxes and/or costs of insurance may increase or decrease, depending upon fluctuations in real property taxes or insurance rates. Buyer shall pay the assessments for any assessment district in which the Property is located.

3.4 SUPPLEMENTAL TAXES: Buyer is aware that the Property may be reassessed upon change of ownership. This may affect the taxes to be paid. A Supplemental Tax Bill may be issued by the County Tax Assessor, which shall be paid as follows: (a) for periods after Close of Escrow, by Buyer (or by final acquiring Party if this transaction is part of an exchange), and (b) for periods prior to Close of Escrow, by Seller. In the event that Buyer's Lender requires tax impounds, tax collector will not furnish a copy of said bill to Lender. **TAX BILLS ISSUED AFTER CLOSE OF ESCROW SHALL BE HANDLED DIRECTLY BETWEEN BUYER AND SELLER OUTSIDE OF ESCROW.** All parties acknowledge that they are aware of the following: (i) Escrow Holder will, at Close of Escrow, prorate real property taxes based upon the latest available tax figures as furnished by the Title Company; (ii) the tax collector may issue supplemental tax bills for more than the amount so used for proration purposes, or in the event there has been an overpayment that the overpayment amount will not be refunded but will instead be held for the subsequent credit against the payment of future taxes on the Property. In addition to acknowledging their awareness of the foregoing, all parties hereby agree that, any instruction in this Escrow to the contrary notwithstanding, any overpayment or any underpayment of taxes accruing because of the amount used by Escrow Holder for proration purposed at Close of Escrow shall be adjusted by and between the parties outside of Escrow. Escrow Holder is hereby released from and shall have no concern with, nor responsibility or liability of any kind or nature for or in connection with, any such overpayment or underpayment. The parties hereto acknowledge that the Property may be presently assessed with other property and that the real property taxes, special taxes and assessments may not be segregated by the time this Escrow closes. If the real property taxes, special taxes and assessments are segregated and a tax bill is issued for the Property prior to the Close of Escrow, then Escrow Holder shall prorate the above-mentioned taxes based on the most-recent tax bill for the Property. If no segregated tax bill is issued for the Property prior to the Close of Escrow, then Escrow Holder shall prorate the same based upon Seller's determination of the amount of real property taxes, special taxes and assessments applicable to the Property for the then-current fiscal year, which Seller shall submit to Escrow Holder in writing prior to the Close of Escrow. Seller's determination will be made by dividing the total taxes, special taxes and assessments shown on the most-recent available tax bills for all tax assessor parcels comprising the Project by the total number of Residential Lots in the Project. All prorations and adjustments are to be made on the basis of a thirty (30) day month.

4. FINANCING.

Explanation of this section: Unless you are paying all cash, you must do all of the following: (a) within 5 days, apply for a loan and provide a copy of your application to the Seller, including allowing the Seller to obtain your credit report; (b) within 7 days, provide the Seller with a loan pre-approval, showing that you are acceptable to your lender as a borrower; (c) within 3 days, provide proof that you have available the funds you intend to use for the cash portion of your payment. If part of your financing is with a purchase money second deed of trust, its terms are summarized in this section. You guarantee the accuracy of your statements and promise to update information if it changes. You also promise that your appraiser is independent of you. Any inaccuracy of information or lack of independence of your appraiser could be deemed a material default and cause the Seller to terminate your purchase.

4.1 LOAN APPLICATION: If a portion of Purchase Price will be paid with financing proceeds, Buyer shall do all of the following:

4.1.1 Submit to an institutional Lender or Lenders (as applicable, "Lender") no later than five (5) calendar days after execution of this Agreement by Buyer, all information necessary for approval of credit ("Credit Application") by Lender and provide Seller concurrently with such submittal, a copy of the Credit Application within such five (5) day period;

4.1.2 Within two (2) days after request by Seller, submit all documentation necessary to "pre-qualify" with any "Pre-qualifying Lender" specified above, to enable Seller to determine if Buyer is financially capable of purchasing the Property (although such pre-qualification shall not constitute financing or loan approval by the Pre-qualifying Lender, nor shall Buyer be obligated to use the Pre-qualifying Lender to obtain financing in connection with the purchase of the Property), and

4.1.3 Within fifteen (15) days after request by Seller, obtain and submit all documents and forms necessary to consummate the sale of the Property in accordance with the terms hereof, including, but not limited to, credit reports, appraisals, statements of identity, loan applications, employment verifications, notes, trust deeds, and loan Escrow instructions.

Buyer authorizes Seller to obtain a credit report on Buyer. Buyer acknowledges and agrees that Buyer will be obligated to advance and pay all costs charged by Lender to obtain loan approval and funding of the loan. **Buyer is solely responsible for obtaining the financing necessary to purchase the Property, and no guarantee has been given by Seller or Lender, their agents, or sales representatives that Buyer will either qualify for financing offered by Lender or secure any other loan or financing. Seller has made no representation that the interest rate prevailing at the Close of Escrow will be the rate quoted by Lender to Buyer at the time of loan approval.**

All financing and the terms and conditions thereof, including, without limitation, impound payments and interest rate, are a matter of concern solely between Buyer and Lender and shall not in any way affect the rights or obligations of Seller or Buyer hereunder. The sale and purchase of the Property is not contingent upon Buyer's ability to retain the interest rate quoted at the time of loan approval and Buyer will be required to pay the interest rate charged by Lender at the Close of Escrow.

4.2 LOAN APPROVAL: Within seven (7) business days after the Date of Acceptance, Buyer shall deposit, or cause to be deposited, with the Escrow Holder a written statement from Lender ("**Preliminary Lender Approval**") stating that Buyer is an acceptable borrower of the Loan Amount pursuant to Lender's normal lending policies and ratios, based only upon (i) Buyer's completed credit report, and (ii) as of the date of the Preliminary Lender Approval, Lender's verification of Buyer's income and of the existence on deposit and ready availability to Buyer of the amount of cash needed prior to Close of Escrow, less the Loan Amount. Within twenty-one (21) days after Buyer's deposit of the Preliminary Lender Approval, Buyer shall deposit final lender approval into escrow. Failure of Buyer to use their best efforts to qualify for and obtain such financing, or to otherwise comply with any of the requirements of this Agreement strictly within the time frames set forth herein, shall constitute a default under this Agreement, which default shall entitle Seller to cancel Escrow, terminate this Agreement and proceed in accordance with the section entitled "**TERMINATION BY SELLER.**"

If, through no fault or default of Buyer, (i) Buyer (after processing for loan approval in good faith) is unable to obtain a loan commitment within the time provided above, or (ii) such loan commitment does not comply with the requirements set forth above, or (iii) such loan commitment expires or is withdrawn, canceled or invalidated for reasons beyond the control of Buyer, and Buyer's loan contingency in Addendum "CP" has not been waived, Seller may (but is not required to) terminate this Agreement, cancel Escrow, and refund Buyer's Deposit, and return all documents deposited by Buyer to Buyer, whereupon all rights and obligations of the parties shall be terminated. Termination of this Agreement shall not terminate Buyer's indemnity of Seller as provided herein.

Once Buyer has deposited into Escrow the loan commitment described above, Buyer shall not be entitled to apply for or obtain any modified, additional, or new loan commitment from any Lender or other source ("**New Loan**") if the application of funding of the New Loan would, in Seller's sole judgment, delay the Close of Escrow. Buyer's application for or obtaining any unauthorized New Loan shall not extend the Closing Date, shall be deemed a default by Buyer hereunder, and shall entitle Seller to terminate this Agreement, cancel Escrow, and proceed in accordance with the section entitled "**TERMINATION BY SELLER.**" If Buyer is authorized in writing by Seller to apply for and obtain a New Loan and if Buyer fails to qualify for such New Loan, the Close of Escrow shall not be delayed and Buyer shall be obligated to purchase the Property and close Escrow using the original loan commitment obtained.

4.3 VERIFICATION OF FUNDS: Within three (3) days of execution of this Agreement by Seller, Buyer shall supply Seller with all information requested by Seller to verify the availability to Buyer of the cash funds necessary to complete purchase of the Property and close Escrow. If Buyer fails to timely supply Seller with any requested information, Seller may terminate this Agreement and cancel Escrow as set forth in the section entitled "**TERMINATION BY SELLER.**"

4.4 LOAN LOCKS AND COMMITMENTS: Should Buyer decide to lock in an interest rate, Seller makes no guarantees that Buyer's home will be complete in time to meet the terms of Buyer's commitment. Nor, will Seller be responsible for any fees charged to Buyer for any extensions required by Lender in order to maintain an interest rate or other term of the loan lock. Seller will make every effort to complete Buyer's home in a timely manner but makes no representations or guarantees as to a particular date Buyer's home will be completed. Should Buyer decide to enter into an agreement with a lender regarding the locking of Buyer's loan or for any other type of loan commitment that has a termination date, Buyer does so at Buyer's own discretion and at Buyer's own cost and at Buyer's own risk. Seller and Seller's agents assume NO liability in meeting any deadlines for the completion of Buyer's home and shall not be responsible for any costs that Buyer may incur in attempting to meet the terms of Buyer's agreement with Buyer's Lender.

4.5 ACCURACY OF INFORMATION: Buyer hereby represents and warrants to Seller that all information given to Seller, Escrow Holder, Pre-qualifying Lender, and Lender by Buyer, whether orally or in writing, shall be completely accurate, true, and correct when given and at all later dates. Should any information given to Seller, Escrow Holder, Pre-qualifying Lender, or Lender by Buyer prove to be inaccurate in any material respect, such inaccuracy shall be a material default under this Agreement, and Seller, at its option, shall be entitled to terminate this Agreement, cancel Escrow, and proceed in accordance with the section entitled "**TERMINATION BY SELLER**". Buyer and Seller agree that both Lender and the appraiser conducting the appraisal of the Property shall be independent of and unrelated to Buyer and shall not be affiliated with Buyer in any respect. If Lender and/or the appraiser are not independent of, unrelated to and unaffiliated with Buyer, then (i) Buyer's failure to obtain Lender Approval by the Loan Approval Date, (ii) Buyer's failure to procure an appraisal of the Property equal to or exceeding Purchase Price, or (iii) the revocation of Lender Approval by Lender, then Buyer shall be in default hereunder.

4.6 NOT A LOAN APPLICATION OR COMMITMENT: Buyer acknowledges that no covenant or representation has been made by Seller to lend to Buyer or obtain a Loan for Buyer or to guarantee that Buyer will be able to secure a Loan; and that Buyer is solely responsible for choice of Lender, type of Loan obtained, and Loan terms.

5. FINAL FUNDS.

Explanation of this section: The escrow company needs to receive the balance of your down payment and other charges at least 5 business days (excluding weekends and holidays) before escrow closes if by cashier's check drawn on a California bank, but only 2 business days if by wire transfer; any other form of funds must clear before they can be considered deposited. The funds are payable to the escrow company.

Escrow Holder will require deposit of Buyer's final funds 120 hours (at least five [5] business days) prior to Close of Escrow, if the funds are deposited in the form of a cashier's check or will require deposit of final funds 48 hours (at least two [2] business days) prior to the Close of Escrow, if the funds are deposited by wire transfer. The final funds should be obtained from Buyer's bank or savings and loan in the following manner: cashier's check issued in the State of California by a bank located in the State of California, made payable to Escrow Holder in the amount requested by Escrow. Parties herein acknowledge that the following types of checks are not considered good funds and will be deemed to have been deposited upon check clearance (approximately 3 to 7 business days): out of state cashier's checks, drafts, credit union checks, stock brokerage checks.

6. **CONDITIONS TO CLOSE OF ESCROW.** This Escrow shall not close, funds shall not be released from Escrow, and title shall not be conveyed to Buyer UNTIL ALL OF THE FOLLOWING CONDITIONS HAVE BEEN MET:

6.1 Seller has complied with the purchase money requirements of Business and Professions Code Sections 11013, 11013.1, 11013.2 or 11013.4 as applicable, and Buyer will be provided a policy of title insurance showing that the Property is free and clear of any blanket encumbrances as defined in Section 11013. For purposes of compliance with Section 11013.2(a), a release from a blanket encumbrance resulting from a deed of trust or mortgage shall require both of the following:

6.1.1 Escrow holder has received written notice from the title insurance company that each and every money encumbrance, including without limitation any mortgage or deed of trust filed for record prior to the time of recording of the CC&Rs, has been either expressly reconveyed or subordinated to the CC&Rs; and

6.1.2 Either: (a) an instrument has been duly recorded unconditionally reconveying and releasing the property being sold or leased from the lien or charge of such deed of trust; or (b) Buyer is notified that an agreement or demand constituting a release agreement as defined in Regulation 2791.1(b)(2)(A) has been duly deposited with Escrow Holder and is available to Buyer on request for each such deed of trust, and Buyer will be provided a policy of title insurance insuring Buyer against loss by reason of each such deed of trust.

6.2 Title, free and clear of any blanket encumbrances to Lot * **[COMMON AREA LOT IN THIS PHASE]** is conveyed to the *homeowners association*, after completion of all facilities and improvements on said Lot and until either (i) the statutory period for recordation of all mechanics lien claims has expired, after the recordation of a valid Notice of Completion as defined in Section 3093 of the Civil Code; (ii) the Seller has submitted a bond or other security acceptable to the Department of Real Estate under the provisions of Section 11018.5(a)(2) of the Business and Professions Code to assure lien free completion of all Common Area amenities and facilities and residential structures in this Project; or (iii) Seller has provided that the Homeowners Association with a policy of title insurance with provisions guaranteeing against such lien claims.

7. **TITLE.**

Explanation of this section: The section covers the issues of "title", which is the total of what you will own. Title insurance is a form of insurance intended to protect you from claims by others that, if successful, would cause you to own less than you purported to acquire by the terms of the deed. The title company is in the business of researching a particular property to identify all easements, liens and other claims which could affect your title. The documents delivered to you at close of escrow describe the extent of your title.

The Property shall be conveyed subject to the usual Title Company printed exceptions, real property taxes and assessments, the installment or installments of which are not due or delinquent, special district levies, matters affecting title suffered or created by or with the written consent of Buyer, covenants, conditions, restrictions, reservations, easements, district levies, rights-of-way, reservation of mineral rights, and all matters which are otherwise of record or apparent, as of the Close of Escrow, including, without limitation, any exceptions shown on the preliminary title report. The Grant Deed conveying title to Buyer shall be deposited by Seller in Escrow.

Prior to Close of Escrow, Buyer will receive and will have seven (7) days to approve each of the following documents. In the event Buyer fails to approve or disapprove in said time period, such documents will be deemed approved by Buyer:

- Copy of the CC&Rs, and any amendments thereto;
- Copy of the Preliminary Title Report;
- Copy of the Bylaws of Homeowners Association;
- Copy of the executed Articles of Association of the Homeowners Association;
- Copy of Homeowners Association's budget (if any);
- Notice of Builder's Election of Alternative Pre-litigation Procedures for Construction Claims Pursuant to California Civil Code Section 895 et seq.

Prior to Close of Escrow, if no other Escrows have closed in the Project, Seller (with the approval of the state and local government, if required) in its sole discretion, may make any material changes in the legal management documents described immediately above and/or the overall development of the Project.

8. **CLOSE OF ESCROW.**

Explanation of this section: The exchange has been scheduled for a specific date but can be delayed for various reasons, including the default of either you in failing to obtain your loan or of the Seller to complete the improvements. This section provides remedies if either party is responsible for delaying the close of escrow.

8.1 **CLOSING DATE.** Close of Escrow is scheduled to occur on the later of (i) the Closing Date or (ii) twenty one (21) days after the Property is completed and ready for occupancy and after approval of the appropriate governmental authority permitting occupancy, or (iii) date of satisfaction of any presale requirement of Lender. If the improvements are presently uncompleted, Seller shall use reasonable efforts to complete the improvements on the Property on or before the Closing Date.

If the Close of Escrow does not occur within the time period allotted above, through no fault of Buyer, Seller shall order all money paid by Buyer remitted to Buyer, without any deduction or charges, within fifteen (15) days thereafter and then this Agreement shall be terminated. However, Seller and Buyer may mutually agree, in writing, to extend the Closing Date to any date within one (1) year of the execution of this Agreement. In no case where Buyer is not at fault shall the Seller hold the money paid by Buyer longer than 12 months from the execution of this Agreement.

Escrow may not close on the Closing Date (or any extended Closing Date). Whether or not Buyer elects to cancel this Agreement, Buyer hereby accepts the uncertainty of the date Escrow may close, and waives and releases any and all claims for damages, costs or other detriment to buyer, including, but not limited to, taxes, storage charges, rent payments, moving costs, interest rate changes, or any other damages against Seller, its agents, employees and independent contractors arising as a result of the inability of Seller to complete the improvements and close the Escrow within one (1) year, or any later date for Closing mutually agreed to in writing by Buyer and Seller.

In the event that Close of Escrow is delayed as a result of Buyer's default, the Closing Date may be extended by a mutual written agreement between Buyer and Seller upon the following condition: Buyer shall deposit with Escrow Holder, upon demand, the entire balance of cash funds needed to be provided by Buyer to close Escrow. Seller shall provide written notification instructions to Escrow Holder to extend the Closing Date and request payment of the above-referenced funds.

8.2 **CONCURRENT CLOSINGS.** Notwithstanding the foregoing, Buyer hereby acknowledges the possibility that Seller's existing institutional holder of the existing Blanket Monetary Encumbrance, if any, may require the concurrent closing of two or more escrows for the sale of the Lots in this Project, as a condition to releasing the encumbrance. Seller may instruct Escrow Holder that no escrow may close within the Project, which may include this transaction, until that number of Lots being sold by Seller is equal to the percentile that the Lender can close simultaneously. Seller's unilateral instruction shall automatically extend the Close of Escrow on all escrows until the minimum closing requirements are met.

9. **TERMINATION BY SELLER.**

Explanation of this section: If you fail to abide by the terms of this agreement, including time limits, the Seller will have the right to terminate the agreement by sending a termination notice to both you and the escrow company. In addition, the seller can either recover damages from you in court or retain liquidated damages.

9.1 **TERMINATION WITHOUT DEFAULT OF BUYER.** If Seller, due to no fault of Buyer, elects to terminate this Agreement as the result of Seller's rights under another provision of this Agreement, or as a result of inability to close escrow because of substantial damage to or destruction of the Property, eminent domain, act of a governmental entity or act of God or any circumstance beyond Seller's control, all of Buyer's deposits, including funds from options and upgrades, shall be refunded to Buyer within fifteen (15) days of such notice without deduction. Buyer and Seller agree to sign mutual instructions to cancel the sale and Escrow and release deposits to the party entitled to the funds. A party may be subject to a civil penalty of up to \$1,000 for refusal to sign such instructions, if no good faith dispute exists as to who is entitled to the deposited funds (California Civil Code section 1057.3).

Upon Escrow Holder's receipt of these signed cancellation instructions Seller shall be completely released from its obligation to sell and Buyer shall be released from its obligation to buy. Within ten (10) days after such termination Buyer shall deliver to Seller all documents delivered by Seller to Buyer hereunder outside of escrow; Buyer shall have no further right or interest in the Property; and Buyer's indemnity of Seller under the section entitled "ENTRY UPON PROPERTY; BUYER IMPROVEMENTS" shall survive the termination.

9.2 **UPON BUYER'S DEFAULT.** Buyer's failure to perform within the time or in the manner required under any of the provisions of this Agreement shall constitute a default. In the event of any default by Buyer, Seller shall be entitled to unilaterally terminate this Agreement without any liability or further obligations to Buyer, cancel the Escrow and pursue any available remedy at law or in equity against Buyer, including retaining liquidated damages.

9.3 **SELLER'S TERMINATION NOTICE.** If Buyer fails to complete the purchase of the Property by reason of any default of Buyer under this Agreement (including, without limitation, Buyer's failure to use best efforts to obtain financing as required by this Agreement) or if Buyer fails to comply with any of the requirements of this Agreement strictly within the time frames set forth herein, Seller may terminate this Agreement and cancel the Escrow by giving written notice of such termination ("Termination Notice") to Escrow Holder and Buyer by registered or certified mail, return receipt requested or by personal service. The Termination Notice shall contain a statement that Seller has determined that Buyer is in default hereunder, that Seller is terminating this Agreement and canceling the Escrow, that Seller is electing to retain liquidated damages in accordance with the provisions of the section entitled "LIQUIDATED DAMAGES" if applicable.

10. **ENTRY UPON PROPERTY; BUYER IMPROVEMENTS.**

Explanation of this section: Unless you are already leasing the home you are buying, you have no right to enter it until the close of escrow, and any such entry would be a default under this agreement. Unless you have the seller's express

permission, you may not communicate directly with the Seller's construction workers. If you enter the property, Seller is not liable for any injury you may sustain.

Unless Buyer is currently leasing the Lot, Buyer shall not be permitted to enter, occupy, inspect or take possession or make any alterations of, or additions to, any interior or exterior improvements thereon until after the Close of Escrow without the prior written approval of the Seller. Buyer's entry onto the Property prior to the Close of Escrow without Seller's express prior written consent shall constitute a default under this Agreement. Buyer shall not communicate directly with or otherwise give directions to Seller's superintendents, subcontractors and/or laborers at the Lot or the Project regarding any matter, including, without limitation, requests for changes, material selections, or schedule and/or cost issues. Buyer shall direct all such communications or correspondence in writing to Seller. If Buyer enters the development prior to the Close of Escrow, Buyer assumes all risk, liability and obligation for any injuries or damages to Buyer and to any guests, licensees or invitees of Buyer, and Buyer does hereby agree to defend, indemnify and hold Seller, its sales personnel and all officers, agents, servants, and employees of Seller, harmless from and against any claims, losses, fees, liabilities, and expenses, including, without limitation, attorneys' fees and costs arising from or related to such entry.

11. **WALKTHROUGH.** Buyer shall have the right to conduct a walkthrough of the Property together with Seller not less than FIVE (5) days before Close of Escrow and prior to Buyer's occupation of the Property. Seller shall notify Buyer at least three days before the scheduled walkthrough of the appointed date and time. Such walkthrough shall **NOT BE A CONTINGENCY TO THE CLOSING OF THIS ESCROW**, but to rather prepare a list of corrective work, if any, that is necessary. Seller shall be responsible only for those items mutually acknowledged by both Buyer and Seller in writing. Buyer's failure to conduct the walkthrough, the existence of minor defects in the Property, or any corrective work agreed to be performed by Seller shall not delay Close of Escrow or entitle Buyer to withhold any portion of the Purchase Price. Seller shall use reasonable efforts to commence any corrective work in a diligent manner prior to the Close of Escrow or at least prior to Buyer's occupation of the Property. However, completion of any corrective work shall **NOT BE A CONDITION TO CLOSE OF ESCROW** for the Property or Buyer's occupancy of the Property.

12. **INSULATION.** As part of the Agreement between Buyer and Seller with which Escrow Holder is not to be concerned, insulation will be installed in the Property as follows (the higher the R-value, the greater the insulating power):

Exterior walls will be insulated with unfaced fiberglass batts to a thickness of _____", which, according to the manufacturer, yields an R-value of _____.

Interior walls will be insulated with unfaced fiberglass batts to a thickness of _____", which, according to the manufacturer, yields an R-value of _____.

Ceilings at roof exposed to living areas will be insulated with unfaced fiberglass batts to a thickness of _____", which, according to the manufacturer, yields an R-value of _____.

13. **OWNERS ASSOCIATION ASSESSMENTS.** The initial monthly assessments will be \$ _____ and shall be prorated as of Close of Escrow unless assessments commence at a later date pursuant of the provisions of the CC&Rs. In addition, Buyer shall be charged with the assessment for the full month following the Close of Escrow, which shall be disbursed along with the prorated amount to Homeowners Association upon the Close of Escrow. The budget is based upon the Seller's best estimates and may be revised as circumstances require.

14. **FEDERAL HOUSING ADMINISTRATION (FHA) ESCAPE CLAUSE.**

If Buyer is purchasing the Property with Federal Housing Authority ("FHA") financing, it is expressly agreed that notwithstanding any other provisions of this Agreement, Buyer shall not be obligated to complete the purchase of the Property described herein or to incur any penalty by forfeiture of earnest money deposits or otherwise, unless Seller has delivered to Buyer a written statement issued by the Federal Housing Commissioner or a Direct Endorsement lender setting forth the appraised value of the Property (excluding closing costs) of not less than the sales price as stated on Page 1 of the Basic Provisions (or as otherwise modified by both Buyer and Seller in writing). Seller hereby agrees to promptly deliver such appraised value statement to Buyer upon its availability to Seller. Buyer shall, however, have the privilege and option of proceeding with consummation of this Agreement without regard to the amount of the appraised valuation. The appraised valuation is arrived at to determine the maximum mortgage the Department of Housing and Urban Development ("HUD") will insure. HUD does not warrant the value nor the condition of the Property. Buyer should satisfy himself/herself that the price and condition of the Property are acceptable.

If an application for an FHA loan on the Property described in this escrow to complete this sale has been or is to be filed through Escrow Holder, Escrow Holder is hereby instructed to deliver to Buyer a statement of the amount of the FHA appraisal on behalf of Seller herein. Both Buyer and Seller agree that such delivery by Escrow Holder of the appraisal figures shall constitute full compliance with FHA requirements regarding the delivery of the statement of appraised value. Escrow Holder is in no way to be concerned with any monies that have been or may be paid outside of this escrow. If any application for an FHA loan has been or is to be filed through any lender, Escrow Holder is not to be concerned with the delivery to the Buyer of any statement covering FHA appraisal figures.

Seller hereby acknowledges that any fees, which Buyer is not allowed to pay under FHA regulations, shall be paid by Seller up to a maximum amount of non-allowable fees that shall be agreed upon by Buyer and Seller. Said maximum amount of non-allowable fees shall include overages on the loan, Escrow fees and Title fees

15. **MISCELLANEOUS PROVISIONS.**

15.1 **MODIFICATION; WAIVER:** This Agreement may not be changed, altered, or modified, except by writing signed by Buyer and authorized officer of Seller. The waiver by Seller of any term(s), condition(s), or provision(s) of this Agreement shall not be construed as a waiver of any other or subsequent term(s), condition(s) or provision(s) of this Agreement.

15.2 **SEVERABILITY:** If any term, condition or provision of this Agreement is declared illegal or invalid for any reason by any arbitrator, referee or court of competent jurisdiction, such portion shall be deemed severed from this Agreement and the remaining terms, conditions and provisions of this Agreement shall remain in full force and effect, as fully as though such severed portion had never been part of this Agreement.

15.3 **CONSTRUCTION:** Wherever the context of this Agreement so requires, the masculine gender includes the feminine and neuter, and the singular includes the plural. The section and subsection captions contained in the Agreement are for convenience only, and shall not limit or amplify or otherwise constitute a part of its provisions.

15.4 **GOVERNING LAW:** This Agreement shall be construed according to the laws of the State of California. Venue shall be exclusively in the County in which the Project is located.

15.5 **NOTICES:** Any approval, disapproval, demand, document or other notice ("Notice") which either party may desire to give to another party must be in writing and may be given by personal delivery with written receipt signed by the party to whom the notice is directed or by any commercial courier, Federal Express, UPS Next Day Air, or U.S. Postal Service (Express Mail or certified mail only, return receipt requested, postage prepaid), to the party to whom the notice is directed at the address of the party set forth below, or any other address as the parties may later designate in writing, or by facsimile machine.

Seller: Perlita Gardens, LLC
6600 Sunset Blvd. Suite 201
Los Angeles CA 90028

Buyer: _____

Any notice given under this paragraph shall be deemed received upon: (i) actual receipt by the intended party, or (ii) if by mail (other than Express Mail), within two (2) days after deposit in the U.S. mails, postage prepaid, certified, return receipt requested, or (iii) if by U.S. Express Mail, Federal Express or UPS Next Day Air upon notice of attempted delivery, or (iv) upon sending written notice by fax or facsimile, with a confirmation memorandum evidencing that such fax or facsimile has been sent and received, and depositing concurrently therewith a copy of such notice in the regular U.S. mails, postage prepaid.

15.6 **ENTIRE AGREEMENT/NO REPRESENTATIONS:** Except as set forth in any printed advertising material, Buyer and Seller acknowledge and agree that this is the final and entire agreement between Buyer and Seller, and supersedes any prior discussions, negotiations, offers, and counter-offers that may have occurred prior to execution of this Agreement. Buyer agrees and understands that there are no verbal or collateral understandings or agreements with Seller, other than those contained herein. Buyer further agrees and understands that no sales person, employee, or agent of Seller has authority to modify the terms hereof, or to make any agreement or promise regarding the Property and the condition or construction thereof, or surrounding properties unless they are contained herein or added by written instrument and attached hereto and duly executed by Buyer and Seller. The sales person or agent cannot bind Seller to any agreement whether written or oral, unless signed by a duly authorized officer of Seller.

15.7 **INTERPRETATION:** This Agreement has been negotiated at arm's length and between persons reasonably sophisticated and knowledgeable in the matters dealt with in this Agreement. Accordingly, any rule of law (including California Civil Code 1654) or legal decision that would require interpretation of any ambiguities in this Agreement against the party that has drafted it is not applicable and is waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the purpose of the parties and this Agreement. Buyer and Seller acknowledge that economic conditions during the Escrow period may cause the terms and conditions not to appear as satisfactory as when the Agreement was signed. Nonetheless, Buyer and Seller agree they are bound to such terms and conditions and to take all necessary and appropriate actions to cause Escrow to close in a timely fashion.

15.8 **COUNTERPARTS:** The Agreements may be executed in counterparts, each of which shall be deemed an original, and said counterparts shall constitute one and the same instrument.

15.9 **SURVIVAL:** All of the covenants and representations set forth in this Agreement which are not conditions of the Close of Escrow shall survive the Close of Escrow and the delivery of the Grant Deed.

15.10 **TIME OF ESSENCE:** Time is of the essence as to each and every term of this Agreement.

15.11 **HEADINGS:** The headings of this Agreement are for purposes of reference only and shall not limit or define the meaning of the provisions of this Agreement.

15.12 **FOREIGN LANGUAGE:** Buyer acknowledges and agrees that Buyer has been advised by Seller to have the terms of this Agreement translated into the Buyer's native language by a translator of Buyer's choice and that Buyer has either done so or has knowingly, freely and voluntarily elected to proceed with this transaction without having this Agreement translated into Buyer's native language and Buyer warrants and represents to Seller that Buyer fully and completely understands and agrees to the terms hereof. Buyer further acknowledges that neither Seller nor any of Seller's agents or brokers has translated this document for Buyer.

15.13 **BUYER'S OBLIGATION TO INVESTIGATE:** Nothing contained herein is intended to be a complete disclosure of all facts that Buyer may wish to consider in buying a home within the Project. Buyer is still obligated to conduct Buyer's own full investigation of all facts relevant to Buyer in deciding where to buy and when. Nothing contained herein is meant to imply that the items discussed herein are more important than any items not listed herein. Buyer represents that Buyer has been given an adequate opportunity to investigate and become familiar with all aspects and components of the Property, the Project, and any common areas associated therewith, and the surrounding and nearby areas, neighborhoods, services and facilities. Buyer further represents that Buyer is relying solely on such investigation and inspection, and that, except for the Limited Warranty (if offered by Seller), Buyer is not relying on any warranties, promises, guarantees or representations by Seller or anyone acting or claiming to act on behalf of Seller (including, without limitation, Seller's sales associates and representatives), unless the same have been reduced to writing and made a part of this Agreement. Buyer represents that Buyer has neither received nor relied on advice of a legal nature from Seller, Seller's sales associates or Escrow Agent.

15.14 **DOCUMENTS TO SUBSEQUENT OWNERS:** Buyer acknowledges being obligated to provide to a subsequent purchaser of Buyer's Property all documents received in conjunction with the initial sale of the Property, including, but not limited to, copies of the recorded CC&Rs and any amendments, Notice of Builder's Election of Alternative Pre-litigation Procedures for Construction Claims, executed Articles of Association, Bylaws of the Association, any maintenance manual and warranty information, and any other related disclosures.

**THE MEWS
PURCHASE AND SALE AGREEMENT,
ESCROW INSTRUCTIONS, AND RECEIPT FOR DEPOSIT**

**ADDENDUM "EI"
ADDITIONAL ESCROW INSTRUCTIONS**

**THE MEWS
PURCHASE AND SALE AGREEMENT,
ESCROW INSTRUCTIONS, AND RECEIPT FOR DEPOSIT**

**ADDENDUM "CP"
CONTINGENCY PROVISIONS**

Any removal or waiver of contingencies, or cancellation under this Section shall be in writing. The contingencies specified in this section, except for the Loan Contingency Removal in Section 1 herein, must be removed within seventeen (17) days after the later to occur of (1) acceptance of this Agreement, or (2) after delivery of the Final Subdivision Public Report to Buyer (hereinafter "the Contingency Removal Period"). The Contingency Removal Period may only be extended, altered, modified or changed by mutual written agreement.

1. **LOAN CONTINGENCY REMOVAL.** Buyer shall give Seller written notice of Buyer's election to remove or waive the loan contingency or cancel this Agreement within twenty-one (21) days after Buyer's deposit of the Preliminary Lender Approval. Should Buyer cancel under this paragraph, Seller shall return all of Buyer's funds deposited with Seller to Buyer.
2. **APPRAISAL CONTINGENCY REMOVAL.** This Agreement is / OR is NOT contingent upon the Property being appraised at no less than the specified Purchase Price. Within the Contingency Removal Period, Buyer shall remove the appraisal contingency or cancel this Agreement.
3. **PRIOR SALE CONTINGENCY REMOVAL. PLEASE CHECK ONLY ONE (1) OF THE FOLLOWING:**

IF SALE IS NOT CONTINGENT ON PRIOR SALE OF OTHER PROPERTY: Buyer shall be in default under the provisions of this Agreement for failure to close escrow on or before the Close of Escrow date because of Buyer's inability to sell other property.

IF SALE IS CONTINGENT ON PRIOR SALE OF OTHER PROPERTY: Buyer and Seller agree that the sale and purchase of the Property contemplated by this Agreement is contingent upon Buyer's prior sale of other property owned by Buyer. However, Buyer's failure to remove that contingency within the Contingency Removal Period after executing this Agreement shall constitute a default under this Agreement, which default shall entitle Seller to cancel Escrow, terminate this Agreement and proceed in accordance with the section entitled "**TERMINATION BY SELLER.**"

4. **INSPECTION CONTINGENCY REMOVAL.** Within the Contingency Removal Period, Buyer shall complete all inspections, investigations, and review of reports and other applicable information, including those concerning the registered sex offender data base (see the Section entitled "**DATA BASE NOTICE AND DISCLAIMER**"), for which Buyer is responsible or that Buyer receives from Seller and, in writing, shall remove the applicable contingency or cancel this Agreement.

If, within the Contingency Removal Period, Buyer does not give Seller written notice of the contingency removals, Seller may cancel this Agreement in writing provided Buyer has first been given notice to perform. The notice to perform shall be in writing and signed by Seller, and shall give Buyer at least twenty-four (24) hours, or until the previous agreed upon time limit, whichever occurs last, to perform. If Seller cancels under this Section, Seller shall return all of Buyer's funds deposited with Seller to Buyer within fifteen (15) days, and then this Agreement shall be terminated upon which neither party shall have any further obligation to the other under this Agreement. Notwithstanding the expiration of the time specified, Buyer retains the right to give Seller written notice removing the contingency or canceling the Agreement at any time prior to receiving Seller's written cancellation. Once Seller receives Buyer's written removal of all contingencies, Seller may not cancel this Agreement pursuant to this Section.

For any particular contingency or cancellation right that Buyer removes, with respect to that contingency or cancellation right, Buyer shall conclusively be deemed to have: (i) completed all inspections, investigations, and review of reports and other applicable information and disclosures; (ii) assumed all liability, responsibility and expense for repairs or corrections, or for inability to obtain financing if the contingency pertains to financing, unless Seller has agreed in writing to unconditionally take the action requested by Buyer; and (iii) elected to proceed with the transaction.

5. **NEW OFFER.** During Escrow, Seller may solicit additional offers on the Property. If, at any time after this Addendum is signed but before the satisfaction or waiver of the contingencies described above, Seller receives a bona fide offer from a third party to purchase the Property, Seller shall provide Buyer with written notice of such offer and Buyer shall, within forty-eight (48) hours after receipt of such notice, notify Seller, in writing, that (a) Buyer will waive all contingencies described in this Addendum and purchase the Property in accordance with the Agreement or (b) terminate the Agreement, cancel Escrow and receive a full refund of all monies deposited into escrow by Buyer. Buyer's failure to notify Seller of its election under this Section is an election by Buyer to terminate the Agreement and cancel Escrow. **BUYER UNDERSTANDS THAT IF BUYER WAIVES SUCH CONTINGENCIES AND THEREAFTER FAILS TO COMPLETE THE PURCHASE OF THE PROPERTY ON A TIMELY BASIS AS PROVIDED IN THIS AGREEMENT, AND SUCH FAILURE CONSTITUTES A DEFAULT BY BUYER, BUYER MAY BE LIABLE TO SELLER AS PROVIDED IN THIS AGREEMENT.**

6. **REPRESENTATIONS AND WARRANTIES.** In consideration for Seller's agreeing to the condition(s) precedent to Buyer's obligation to purchase the Property as provided in this Addendum, Buyer hereby makes the following representations and acknowledgments to Seller (which shall be in addition to those set forth in the General Provisions of the Agreement), (i) which, to the extent the same are known, shall be true and correct as of the mutual execution of this Addendum, but (ii) which shall in any event be true and correct as of the Close of Escrow for the Property, and Buyer agrees that the General Provisions of the Agreement shall apply with equal force and effect to the following representations and acknowledgments:

6.1 Buyer understands that it may not be possible for Seller to close the escrow for the Property on the anticipated Closing Date, whether because of a delay in completion or otherwise, and that Buyer may incur inconvenience and additional costs in connection therewith, including, without limitation, for storage, rental of a residential or hotel unit on a temporary basis, additional moving costs and equity financing. Buyer acknowledges and agrees that Seller shall not be liable for any such inconvenience or costs, and that any and all such costs shall be at Buyer's expense and without expense to or contribution from Seller.

6.2 If applicable, Buyer represents that neither Seller nor its salespersons, agents or employees has in any way pressured or coerced Buyer to list Buyer's existing home with any particular realtor. Buyer acknowledges that neither Seller nor its salespersons, agents or employees has made any representations or warranties concerning any realtor's ability to find a buyer for Buyer's existing home or their ability to close the sale of Buyer's existing home by any particular date, at a particular price, on particular terms, or at all.

6.3 Buyer represents that neither Seller nor its salespersons, agents or employees has in any way pressured or coerced Buyer to waive the condition(s) precedent in this Addendum and to close the escrow for the Property prior to the close of the sale of Buyer's existing home (if applicable), and that if Buyer has chosen to do so it has made that choice of its own free will.

6.4 Buyer acknowledges that nothing in this Addendum shall be construed as imposing any obligation on Seller to extend the escrow for the Property beyond the Closing Date.

THE MEWS
PURCHASE AND SALE AGREEMENT,
ESCROW INSTRUCTIONS, AND RECEIPT FOR DEPOSIT

ADDENDUM "DR"
LIMITED WARRANTY AND ALTERNATIVE DISPUTE RESOLUTION PROCEDURES
IN COMPLIANCE WITH TITLE 7, PART 2 OF DIVISION 2 OF THE CIVIL CODE
(COMMONLY REFERRED TO AS THE CONSTRUCTION CLAIM STATUTE OR SB 800)

NOTICE: THIS LIMITED WARRANTY IS MADE IN LIEU OF ADDITIONAL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND ALL OTHER OBLIGATIONS OR LIABILITIES, INCLUDING LIABILITY FOR INCIDENTAL AND CONSEQUENTIAL DAMAGES WITH RESPECT TO THE SALE OR USE OF THE PROPERTY.

Explanation of this section: This section applies to disputes arising after escrow closes. There is a limited one-year warranty for certain types of defects, but you must notify the seller of any warranty problems and allow the seller to fix them. Any dispute arising during escrow will be resolved by binding arbitration described in the section entitled "Arbitration of Disputes" in the Basic Provisions of this Agreement. The term "alternative dispute resolution" refers to out-of-court methods of resolving disputes between you and the seller. This section establishes a series of steps to be taken to resolve such disputes: informally meeting and conferring; mediation, and judicial reference (except in construction defect disputes, which are handled through binding arbitration). The alternative dispute resolution procedure for this project is set forth in Article XIII of the CC&Rs. Alternative dispute resolution involves both parties giving up their right to a jury trial and will not apply unless you initial this Section. The dispute resolution procedures follow a three-step process: first an informal meet-and-confer session to see if the dispute can be informally resolved. If not, then you or any other claimant must give a formal notice of the complaint to the other party(ies). The second step is formal mediation with the assistance of a neutral facilitator to see if the dispute can be resolved through mutual agreement. If mediation fails, the third step is judicial reference, which is explained in this section.

All disputes between Buyer and Seller or Buyer and any other party arising after the Close of Escrow shall be resolved as provided in Article XIII ("the Article") of the CC&Rs which governs the Project.

1. **NOTICE TO BUYER.** The California Legislature has enacted Title 7, Part 2 of Division 2 of the Civil Code, commonly referred to as the Construction Claims Statute or SB 800 (hereinafter "the Code") which provides certain standards, requirements and procedures for claims of construction defects in new homes first sold after January 1, 2003. Chapter 2 of the Code provides certain standards regarding the functionality of the home ("Functionality Standards") and lengths of time for these standards by which the Buyer may pursue repair/redress under the Code (Civil Code Sections 896 and 897). Under the Code, the Seller shall elect whether it will follow the standards and procedures of the Code or provide alternative standards and procedures which are still in compliance with the Code. Seller shall provide a copy of the Code to Buyer. By initialing this section, Buyer acknowledges receipt of the entire part of the Code and that the Code is binding on Buyer's successors-in-interest pursuant to Civil Code Section 945. Therefore, Buyer acknowledges being obligated to provide a copy of the Code to a subsequent purchaser of Buyer's home.

Buyer's initials

2. **LIMITED WARRANTY.** THE FOLLOWING LIMITED WARRANTY SHALL NOT CONSTITUTE AN ENHANCED PROTECTION AGREEMENT UNDER SECTION 901 OF THE CALIFORNIA CIVIL CODE. Civil Code Section 900 within Chapter 3 of the Code sets forth certain "Fit and Finish" items which are not considered part of the Functionality Standards. Claims regarding such fit and finish items are not subject to the procedures set forth in Chapter 4 of the Code. Pursuant to Section 900 of the Code, Seller shall warrant to Buyer the Fit and Finish of the following building components for the period of one (1) year from Close of Escrow: cabinets, mirrors, flooring, interior and exterior walls, countertops, paint finishes and trim. Buyer shall notify Seller in writing of a Warranty claim and shall provide Seller reasonable access and time to address said Warranty claim.

2.1 **NOTICE AND OPPORTUNITY TO CURE.** During the period that the Warranty is in effect, if Buyer has any claim covered by the Warranty, Buyer shall follow Seller's procedures relating to the Warranty, as may be provided to Buyer. During the term of the Warranty, any conflict between the provisions of this section and the Warranty shall be resolved in favor of the Warranty. Seller shall not be liable for any general, special or consequential damage, cost, diminution in value or other loss which Buyer may suffer as a result of any defect in the Property, which reasonably might have been avoided had Buyer given to Seller notice and opportunity to cure the defect. Except as otherwise provided in the Warranty, the provisions of this Section do not establish any contractual duty or obligation on the part of Seller to repair, replace or cure any defect in the Property. Buyer's covenants under this Section shall survive the Close of Escrow.

THE MEWS
PURCHASE AND SALE AGREEMENT,
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ADDENDUM "AS"
ANTI-SPECULATION PROVISIONS

Explanation of this section: In order to provide a stable community, the Seller wants to discourage speculation. You therefore agree not to transfer your right to purchase before escrow closes and to retain your Lot for at least a year. You also agree that if you do sell within the first year and Seller does not consent, then Seller may repurchase your Lot from you to prevent its sale to a third party, or receive your profit on the sale.

1. **ASSIGNMENT AND NON-SPECULATION**. Consistent with its policy to discourage speculation and to provide a stable community, Seller desires to sell Lots only to people who intend to keep them for at least one year. Therefore, in order to induce Seller to agree to sell the Property to Buyer, Buyer represents and agrees not to transfer the Property prior to or within one year after the Close of Escrow ("the Restricted Period")

As used in this section, the term "Transfer" includes any assignment, conveyance, sale or other transfer of title of any kind by Buyer during the Restricted Period but does not include a change of title resulting from (a) death of Buyer; (b) transfer to Buyer and Buyer's spouse, (c) a decree of dissolution of marriage or legal separation or a property settlement agreement incident to such decree; (d) transfer into a revocable inter vivos trust of which Buyer is a beneficiary; or (e) transfer, conveyance, pledge, assignment or hypothecation to secure the performance of an obligation, where the encumbrance will be released or reconveyed upon the completion of such performance. Buyer hereby agrees that, prior to any Transfer or attempted Transfer during the Restricted Period, Buyer shall first submit written notice to Seller of Buyer's intent. Upon proof satisfactory to Seller, Seller may elect to waive its rights under this section to accommodate hardship, such as a mandatory job transfer unless Buyer is self-employed; medical or financial emergency; military reassignment of Buyer or Buyer's spouse; or any other situation which, in the reasonable judgment of Seller, constitutes a "hardship" situation consistent with the intentions of this section.

1.1 **No Transfer Prior to Close of Escrow**. Title shall be deeded only to Buyer. Prior to the Close of Escrow, Buyer shall not sell, assign, transfer, convey, lease, encumber nor record this Purchase Agreement, or any notice, assignment or memorandum thereof, or advertise or agree to do any of the foregoing, or show the Property to prospective purchasers. Buyer's breach of this section shall be a material default hereunder and shall be grounds for Seller to terminate the Agreement pursuant to the section of this Agreement entitled "**TERMINATION BY SELLER**." Notwithstanding the above, Buyer hereby instructs Escrow Holder to furnish to Seller any and all Escrow instructions and/or other documents and information disclosed to Escrow Holder regarding the transfer and/or sale of Buyer's prospective interest in the Lot which is the subject of this Escrow.

1.2 **Seller's Choice of Remedies in Case of Buyer's Transfer Within a Year After Close of Escrow**. Any Transfer during the Restricted Period shall constitute a material breach of this Agreement and shall entitle Seller to elect any of the following remedies: (a) waive the breach and consent in writing to the transfer; (b) deem the transfer a material breach of this Agreement and rescind the sale by returning to Buyer all consideration received from Buyer and receiving title back from Buyer (hereinafter "Repurchase"); or (c) allow the sale to proceed on condition that Seller receive all appreciation obtained by Buyer. These three remedies are further set forth below.

1.3 **Seller's Consent**. Within ten (10) days following receipt of such notice, Seller has the right, but not the obligation, to deliver written consent, granting Buyer the right to sell, transfer, or assign Buyer's rights under the agreement. Lapse of the designated time period shall be construed as Seller's denial of consent unless Seller agrees otherwise.

1.4 **Seller's Right to Repurchase**. In the case of a Transfer as defined in this section, any such material breach shall entitle Seller, at its sole discretion, to rescind the sale of the Lot by (a) within ten (10) days of receipt of Buyer's intent to sell, delivering written notice of Seller's intent to repurchase; and (b) depositing into escrow the total of Buyer's original total purchase price, plus Buyer's actual Closing Costs at the time of Buyer's Close of Escrow, plus Buyer's actual costs incurred for construction, excluding planning, design or engineering, of any physical improvements made to the Property ("hereinafter collectively the "Repurchase Price").

Within five (5) days of receiving Seller's notice of intent to repurchase, Buyer shall submit to Seller evidence of (a) the amount of Buyer's total original purchase price, (b) actual Closing Costs incurred by Buyer at the original purchase of the Property, and (c) actual costs incurred by Buyer for construction, excluding design and engineering of any physical improvements made to the property.

Within five (5) days after notice of the amount of the Repurchase Price, Seller may exercise its right to repurchase by depositing into escrow an amount equal thereto. If Seller submits a notice of repurchase but fails to deposit the necessary funds into escrow, Buyer may sell the Property to any other person or entity, and Seller shall have no obligation to repurchase the property.

Within thirty (30) days following Seller's exercise of Seller's right to repurchase, escrow shall close on the repurchase of the Property with Buyer's delivery of a grant deed conveying the Property in the same title condition as was originally conveyed to Buyer. Seller shall pay the escrow fees, transfer taxes, recordation fees, and insurance premiums typically required of a buyer, and Buyer shall pay those Closing Costs typically required of a seller. Seller may not assign the rights guaranteed under this section, and any such

purported assignment shall be null and void. Repurchase or other transfer pursuant to this section shall not affect the priority or validity of any recorded mortgages, deeds of trust or other liens existing on the Lot at the time of such repurchase or transfer.

1.5 **Seller's Right to Recover Appreciation.** In the case of a Transfer as defined in this section, any such material breach shall entitle Seller, at its sole discretion and in lieu of repurchase, to recover from Buyer the amount of the appreciation of the Property after the Close of Escrow by (a) within ten (10) days of receipt of Buyer's intent to sell, delivering to Buyer written notice of Seller's intent to recover from Buyer the amount of the appreciation of the Property; and (b) depositing into the buyer's escrow a demand that the amount of appreciation be paid to Seller upon close of the Buyer's escrow.. For purposes of this section, "appreciation" shall mean the difference between (i) the total amount paid to Buyer in connection with resale of the Property, less Buyer's customary costs of resale such as broker's commission, escrow fees and title costs, and (ii) the purchase price paid by Buyer to Seller for the Property plus Buyer's actual costs and for any physical improvements made by Buyer to the Property as evidenced by payment of unrelated third-party invoices. Buyer shall pay appreciation to Seller concurrently with the sale or other transfer of fee title to the Property by Buyer. Failure of Buyer to pay Seller appreciation in a timely manner shall constitute a further material breach of this agreement. This provision shall be enforced as set forth in Addendum "DR" entitled "**ALTERNATIVE DISPUTE RESOLUTION PROCEDURES.**"

1.6 **Buyer Acknowledgments.** Buyer acknowledges that Buyer has read and understands the provisions of this section and agrees that they do not constitute an unreasonable restraint upon alienation of the Property.

**THE MEWS
PURCHASE AND SALE AGREEMENT,
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**ADDENDUM "NC"
NEW CONSTRUCTION DISCLOSURES**

1. CONSTRUCTION DISCLOSURES.

Explanation of this section: If you selected your Lot on the basis of a model or brochure, this section describes various ways in which the Lot delivered to you may differ from what you saw.

It is understood that Buyer is purchasing a completed residence on the Property, and that Seller is not acting as a contractor for Buyer in the construction of the Residence. Although the completed residence may contain custom quality features, elements, amenities, and designs, there may exist similarities in floor plans and specifications in another residence in the Project or vicinity. Seller is constructing the residence to Seller's own standards and specifications, including those relating to fit, finish, and quality, which may vary from the model, the approved plans and specifications, brochures, feature lists, renderings or other similar documents. Any material changes shall be agreed upon in writing between Buyer and Seller, except that material changes may be made without Buyer's consent if required by local officials.

There may be variances in the construction from residence to residence, and from the plans and specifications. Seller reserves the right to make any changes or substitutions Seller deems necessary or desirable, which shall be of equal or greater value and shall meet with the approval of the appropriate city or county department, and the Lender in the construction, materials, and fixtures contained in the finished Property. Any model home, rendering, or brochure shown to Buyer is displayed only for illustration and shall not be deemed an agreement by Seller to deliver the Residence in exact accordance therewith.

None of the appurtenances, fixtures, appliances, and furnishings shown in any model are included in this Agreement, unless Seller agrees in writing to deliver them as part of the Purchase Price or as optional items. Seller reserves the right, at Seller's discretion, to substitute the type and location of materials, appliances, and other items in the Residence and on the Property of substantially equal quality and utility meeting the approval of Lender in order to complete the Residence. The foregoing substitutions may include, without limitation, kitchen appliances, household fixtures, electrical outlets, and switches, hardware, wall surfaces, painting, and other similar items.

The useable or buildable area, location, and configuration of the Property and all improvements located thereon may fluctuate from those shown or displayed to Buyer in any drawings, plans, topographic maps, or models based upon Seller's placement of final improvements, including, without limitation, fencing and slopes which shall be placed and constructed in Seller's sole discretion. Stated square footages are approximate. If actual usable square footage is material to Buyer, Buyer should make his/her/its own measurements of usable square footage. The Purchase Price is not based on square footage. Actual and useable footages may be different from the footages set forth on the plans and specifications or condominium plan, if any. There are differences in the methods of measurement. Actual field construction may vary.

The location, size, height, and composition of all walls, fences, and other improvements to be constructed on the Property or adjacent thereto shall be determined by Seller in its sole discretion and despite models, drawings, or topographic maps displayed to Buyer, Seller has provided no representations, warranties, or assurances to Buyer as to the size, height, location, or composition of any wall, fence, or other improvement to be constructed on or adjacent to the Property. Seller shall have the right to make the substitutions described below without adjustment to the Purchase Price. The consultation by Seller or Seller's agents with Buyer shall not be deemed a waiver of Seller's rights to make any changes contemplated or provided herein.

If Seller is unable to complete or install on the Property any optional item, decorator item, fixture, furnishing, or other improvement to be constructed on the Property, which failure is caused by circumstances beyond the reasonable control of Seller, the Close of Escrow hereunder shall not be delayed so long as occupancy of the Residence is approved by the applicable governmental authority. The incomplete items shall be completed by Seller as soon as reasonably possible after the Close of Escrow. Buyer shall have deemed to have accepted the Property delivered to Buyer if such changes are not noted by Buyer and specifically disapproved at the time of the "walk-through". Seller shall not be required to correct or modify any changes disapproved by Buyer.

No warranties, expressed or implied, are or will be given by Seller or any representative of Seller with respect to the type, nature or size of any future construction, development or house plans or future phases, or as to Buyer incentives, auctions, price changes, appreciation, terms, or value, or relating to any structure, or landscaping, or construction that may hereafter be placed upon any parcel of real property that could affect the view from or the value of the Property, all such rights being specifically reserved. If any future phases are built, they could affect your enjoyment of your property, either positively or negatively.

2. CHANGES IN PRICE, PRODUCT, DEVELOPMENT PLAN AND MARKETING METHODS.

Explanation of this section: You acknowledge that the seller has the right to change prices and plans for other homes in the project, even if these changes may affect the value of the home you are buying.

Buyer acknowledges that Seller may, in its sole discretion, change its pricing, product, development plan and marketing methods for other Lots in the Project including, without limitation, the following: Seller may elect to sell other Lots in the Project, under terms and conditions which are more favorable than those offered to Buyer; and/or Seller may elect to sell Lots of the same type as the Residential Lot, but to reduce the sales price for such Lots, or to improve such Lots with more or less expensive features and amenities. Buyer acknowledges that any of the foregoing events may adversely affect the value of the home. Seller may substitute, eliminate or modify the type and location of materials, appliances, and fixtures in the Property with those of substantially equal quality and utility to complete the refurbishment of the Property. There shall be no modification of the Purchase Price due to any of these changes.

3. ADDITIONAL CUSTOM FEATURES, OPTIONS AND UPGRADES.

You and the Seller may have agreed in writing upon certain other options or upgrades, but otherwise, and other than standard floor coverings, the Seller is not providing options. Seller is not your contractor, but is merely providing you with a completed dwelling.

The Property does not include any furnishings, draperies, decorator items, upgrades or landscaping except as specifically described in this Agreement, or in a separate option/upgrade agreement executed by Seller and Buyer. Standard floor coverings are included in the Total Purchase Price. However, the cost of options or upgrades selected after execution of this Agreement by Buyer, if any, are not included, unless specifically covered in this Agreement.

It is understood and agreed that Seller is not updating the Home to the precise specifications or designs of any model home, plan or brochure, or to the specifications of any Buyer. Any model home is displayed for illustrative purposes only and such display shall not constitute an agreement or commitment on the part of Seller to deliver the Home herein purchased in exact accordance with any such model home. Buyer is purchasing a completed dwelling Lot and Seller is not acting as Buyer's general contractor. Consultation with Buyer with respect to the specifications of the Residential Lot shall not, in any case, be deemed a waiver of Seller's rights to make any such changes or substitutions, as Seller in its sole discretion deems necessary. None of the items or furnishings, built-ins, landscaping or upgrades shown in any model home is included in this Agreement unless Seller concurrently herewith or hereafter specifically agrees in writing by a separate written instrument to deliver them as part of the Purchase Price. Any changes requested by Buyer will not be made unless Seller agrees in writing.

Additional options or upgrades offered by Seller, if any, may be selected by Buyer prior to a date to be determined by Seller. The cost of such options and upgrades shall be part of the Total Purchase Price, and the terms thereof shall be stated in escrow instructions. Buyer shall pay for the options and upgrades outside of escrow in advance at the time such items are agreed upon, and Escrow Holder shall not be concerned with such payments. However, absent such security, any such additional payments shall be deposited into escrow. Regardless of whether options and upgrades are paid for through escrow or outside of escrow, Seller's performance in providing or installing such items shall not delay Close of Escrow, and Escrow Holder shall not be concerned with the performance for which the payments are made.

For those options included in the Total Purchase Price and any subsequently purchased options and upgrades, Buyer agrees to make color and optional item selections from the choices provided by Seller. In lieu of certain selections, Buyer, with the consent of Seller in its sole discretion, may elect to receive a credit (in an amount reasonably established by Seller) to be credited at Close of Escrow against Purchase Price. If, with Seller's consent, Buyer elects to take such a credit and installs such item(s) himself, Seller shall not have any liability or obligation for such installation, nor shall such installation be covered by Seller's Limited Warranty. Buyer's selection(s) shall be final. If Buyer fails to make such selection(s) within the specified time, such failure shall be deemed a material breach of this Agreement and Seller may thereupon make the selection for Buyer, and Seller shall have no liability or additional obligations to Buyer therefor.

THE MEWS
PURCHASE AND SALE AGREEMENT,
ESCROW INSTRUCTIONS, AND RECEIPT FOR DEPOSIT

ADDENDUM "CD"
COMMUNITY DISCLOSURES

Explanation of this section: The Seller makes various general disclosures about the Project, including financial, construction, home features, home maintenance, environment, and general matters. Those disclosures are attached to this Addendum and not all of them apply to this Project. Additional disclosures, if any, that specifically concern this Project are in this section. You acknowledge that there is no guarantee of any of the following: the view you have from your home remaining as it is at the time of your purchase; the availability or quality of nearby schools; future uses in the project or nearby properties; the likely resale value of your home. Your home may be located in a neighborhood which has conditions or impacts different from those for typical residential developments. Mold and mildew may occur. The Seller must update its disclosures if conditions change but need not disclose matters which your own inspector has discovered.

1. **MOLD AND MILDEW.** Homes cannot be constructed to repel microscopic mold spores. If the conditions permit, mold can grow anywhere, including in Buyer's dwelling. Mold is fundamental to the natural decomposition of organic material and is ubiquitous in the environment. Mold fungi can grow on many items found in a home, such as wood, drywall, insulation, carpets, fabric, and wallpaper. A moist climate between 40 degrees and 100 degrees Fahrenheit are ideal for the rapid growth of mold. Elimination of moisture in the home is an owner's most effective tool for eliminating mold growth. Moisture in a home can be caused by leaks, Spills, overflows, condensation, and high humidity. Proper home maintenance practices are crucial to the prompt elimination mold.

Not all molds are harmful, although certain strains have resulted in adverse health effects in susceptible persons. The most common effects are allergic reactions, including skin irritations, watery eyes, runny nose, coughing, sneezing, congestion, sore throat and headache. Individuals with suppressed immune systems may be at particular risk of mold-related illnesses. Further information about mold is available from the state Department of Health Services at <http://www.dhs.ca.gov/ps/dcdc/disb/pdf/mldfaqpp.pdf>.

The Seller's responsibility as a builder must be limited to things the builder can control. The existence of mold growth in a home depends primarily on how the owner maintains the home over the course of time. Buyer will need to take actions after the Close of Escrow to prevent conditions which cause the growth of mold or mildew. This is part of the responsibility of ownership. Buyer further acknowledges that if there is any water damage or water intrusion to Buyer's residence, Buyer will take immediate action to prevent conditions which cause mold or mildew to develop.

Buyer acknowledges and agrees that Seller will not be liable for any actual, special, incidental, or consequential damages based on any legal theory whatsoever, including, but not limited to, strict liability, breach of express or implied warranty, negligence or any other legal theory with respect to the presence and/or existence of molds, mildew and/or any microscopic spores unless caused solely or partly by the negligence or willful misconduct of Seller.

Buyer, on behalf of itself and its family members, tenants, invitees and licensees, hereby releases Seller and Seller's officers, directors, partners, members successors and assigns from and against any and all claims, actions, damages, causes of actions, liabilities and expenses (including without limitation, attorneys fees and costs including enforcing this indemnity) for property damage, injury or death resulting from the exposure to microscopic spores, mold and/or mildew and from any loss of resale value due to the presence and/or existence of mold, mildew and/or microscopic spores, provided, however, that in no event is Buyer releasing Seller as a result of the presence and/or existence of mold, mildew and/or microscopic spores if caused solely or partly by the negligence or willful misconduct of Seller.

2. **NO REPRESENTATIONS REGARDING RESALE, VIEWS, TRAFFIC, SCHOOLS OR FUTURE DEVELOPMENT.** Seller has not made any oral or written statement, representation or warranty that there is any "view" from the property or that any existing "view" will not be obstructed in the future. Buyer, by accepting title acknowledges that: (a) there are no protected views, and no Lot is assured of the existence or unobstructed continuation of any particular view, (b) any view from the Lot is not intended as part of the value of the Lot and is not guaranteed; and (c) any future development, construction, landscaping, growth of trees, or other installation or improvements by Seller or other owners may impair the view from any home. No salesperson, employee, or agent has the authority to make any representations which contradict the foregoing statements.

Properties located in the vicinity of the development may be developed or readapted in the future. Such development will likely involve the construction of new buildings of sufficient size and height that views from the development will likely be affected. Buyer recognizes the potential impacts of such development on the community and the development (e.g., additional traffic, parking impacts, noise impacts, market impacts, view impacts, etc.) and acknowledges that he or she is purchasing the Property with the full understanding of such potential impacts.

Buyer acknowledges that he or she has not relied on any representations made to the contrary by any sales representative or employee of Seller in the purchase of the home. Further, Seller has not made any oral or written statement, representation or warranty as to (i) any potential appreciation in or resale value of the home, or (ii) the availability or quality of any school or school facilities near the Project, or (iii) any future use of the Project or adjacent properties, or (iv) the existence of any "view" from the Property or that any

existing "view" will not be obstructed in the future. Should Buyer desire any further information regarding the use or development of adjacent properties, Seller urges Buyer to contact the planning department of the city where the Project is located. Buyer shall make their own independent investigation as Buyer deems necessary regarding schools.

3. **URBAN IMPACTS.** The Property may be located in an urban area which generates unique conditions and impacts not typically associated with residential projects. Such impacts and conditions may include, without limitation, commercial, industrial and other business activity, traffic, homelessness, litter, graffiti, illegal dumping, filming activity and crime. Many of the foregoing impacts occur at all times of the day and night. Buyer recognizes that the foregoing "urban" impacts are a major element of the unique characteristics and eclectic mixture of uses that attracted Buyer to the Project and recognizes that Seller has no obligation to take any action to reduce or eliminate the foregoing impacts. Buyer is encouraged to become involved in the community (e.g., through "neighborhood watch" programs, neighborhood councils and the like) to help improve the Project and the community.

4. **DISCLOSURE OF CHANGED CONDITIONS.** In the event Seller, prior to Close of Escrow, becomes aware of adverse conditions materially affecting the Property, or any material inaccuracy in disclosures, information or representations previously provided to Buyer of which Buyer is otherwise unaware, Seller shall promptly provide a subsequent or amended disclosure or notice, in writing, covering those items. **However, a subsequent or amended disclosure shall not be required for conditions and material inaccuracies disclosed in reports ordered and paid for by Buyer.**

5. **SMOKE DETECTOR STATEMENT OF COMPLIANCE.** California Building Code requires that all new dwelling Lots contain smoke detectors in all sleeping rooms and at a point centrally located in the corridor or area providing access to the sleeping rooms. Further, the Code requires that these smoke detectors be hard-wired into the building's primary source of power and must have a battery backup. Smoke detectors will be appropriately installed in the home in accordance with all applicable code provisions. Please be aware that it is Buyer's obligation to maintain such smoke detectors in lawful working condition in the future and with respect to any future sale or conveyance of the Residence to any third party.

6. **WATER HEATER STRAPPING.** Seller has complied with Health and Safety Code Section 19211 which requires that all water heaters shall be braced, anchored or strapped to resist falling or horizontal displacement due to earthquake motion in accordance with any applicable local code requirements.

7. **ADDITIONAL DISCLOSURES.** Within seven (7) days of accepting this Agreement, Seller shall deliver to Buyer, if required by Law: disclosures or notices required by sections 1102 et seq. and 1103 et seq. of the California Civil Code ("Statutory Disclosures"). Statutory Disclosures include, but are not limited to, a Real Estate Transfer Disclosure Statement ("TDS"), Natural Hazard Disclosure Statement ("NHD"), notice or actual knowledge of release of illegal controlled substance, notice of special tax and/or assessments (or, if allowed, substantially equivalent notice regarding the Mello-Roos Community Facilities Act and Improvement Bond Act of 1915) and, if Seller has actual knowledge, an industrial use and military ordnance location disclosure (C.A.R. form SSD). Within seven (7) days of receiving all such disclosures, Buyer shall return signed copies of the disclosures to Seller.

8. **PROJECT-SPECIFIC DISCLOSURES.** The development in which the Property is located is considered a project under the Los Angeles Small Lot Ordinance in which a maintenance or homeowners association is required to maintain the Association Maintenance Areas consisting of the common access drive, electric gate and any other shared utilities and facilities. Each Lot owner shall automatically become a member of the homeowners association.

9. **SOUND TRANSMISSION.** Seller does not in any manner guarantee or warrant that the home will be soundproof or insulated to any particular degree from noise, sound or music emanating from within or without the Property, including, without limit, sound emanating from homes, heating, ventilation, air conditioning systems, plumbing, stereo systems, Common Area(s), or garages. Before executing this Agreement, Buyer should make his or her own investigation of the acoustic isolation of the Lot.

Buyer has read and understands the foregoing Disclosure. Buyer acknowledges that Buyer's decision to purchase a residence in the Project is not based on any representation (other than as described in this Disclosure) regarding the matters described herein, and Buyer has considered the possible effect of such matters in Buyer's decision to purchase a residence in the Project.

"BUYER"

X _____ Date: _____, 200

X _____ Date: _____, 200

