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TERMS AND CONDITIONS

EXTRA WORK: The contract between the parties is to perform only the scope of work set forth in the accepted Proposal. All additional work that is required is to be paid for on a time and materials basis plus a 20% mark-up unless specifically arranged at a pre-negotiated price. Payments for Extra Work shall be made as the Extra Work progresses, concurrently with the payment made under the payment schedule. Pro-Craft Builders is entitled to be paid for extra work whether the request is written or oral. Either party may demand that the parties agree to an amount for the work to be performed in writing prior to the performance of any Extra Work.

UNFORESEEN CONDITIONS: As the construction work progresses, the subsurface and other hidden conditions may become better known. It is possible that variations in soil conditions or builder defects could exist between or beyond the points of exploration, or that other conditions exist which may require investigation and analysis and may result in design changes. Design changes will usually result in additional project costs due to scope of work changes and will be charged as Extra Work as set forth above.

MOLD AND HAZARDOUS WASTE: Unless a specific part of the Work designated is, or unequivocally relates to, the abatement of toxic or hazardous materials located on the site, which shall include mold, Pro-Craft Builders has undertaken no obligation to mitigate, remove, destroy or otherwise remedy any toxic or hazardous materials which may be found to be present at the site. Owner shall indemnify and hold Pro-Craft Builders harmless from and against any cost, expense, liability, charge, or other obligation Pro-Craft Builders may incur as a result of its discovery of any such toxic or hazardous waste on the site. Any request by the Owner that Pro-Craft Builders remove the materials and/or repair the location of any such materials will be charged as Extra Work as set forth above.

DELAYS: Pro-Craft Builders shall be excused from any delay in completion caused by acts of God, Owner or Owner's agents, employees or independent contractors, fire, earthquake, bad weather, labor trouble, acts of public utilities, public bodies, or inspectors, Extra Work, failure of Owner to make progress payments promptly, and/or any other contingencies beyond Pro-Craft Builders' control. The price quoted in the Proposal is based up on performance of the work during dry weather and assumes uninterrupted by delays.

PAYMENT/INVOICING: Based up on an initial application for payment by Contractor, Owner shall make a ten percent (10%) of the total Contract Price mobilization payment at the time Contractor mobilizes on site. Mobilization shall consist of Contractor's initial Work associated with preparation work necessary to commence the project.

Applications for Payment will be provided to the Owner on the First (1st) and Fifteenth (15th) of each month for the work completed to date. Applications for Payment are due upon receipt. Payments not made within fifteen (15) days of the due date will accrue a finance charge at the rate of 1% per month (12% per annum) on all outstanding balances. This shall not apply if the invoice is rejected with just cause by the Construction Manager or Owner for non-compliance with this Contract.

Contractor shall pay all subcontractors and suppliers on a timely basis in accordance with the terms of Contractor's agreements with said subcontractors and suppliers. Contractor shall indemnify and hold Owner harmless from and against claims of lien for labor performed and materials used or furnished to be used in the Work, and for which Contractor has been compensated in fully by Owner, including all costs and expenses incurred by Owner.

COMPLETION AND FINAL PAYMENT: The final payment is to be made upon receipt of the 100% completion invoice. The 100% completion invoice shall be generated only after Pro-Craft Builders has completed all the scope of work items noted in the Proposal. If minor work items remain to be completed at that time, then a checklist is to be made and a commensurate amount of money withheld from the final payment. Payment for those items shall then be made when the items on the checklist, if any, are complete. Every payment made on any indebtedness evidenced by this Contract shall be applied first to finance charges computed to the effective date of the payment and then to principal.

LIMITED WARRANTY AND DISCLAIMER: Pro-Craft Builders warrants its construction work against defects in workmanship for one (1) full year from the 100% completion invoice, subject to the terms and conditions herein. Pro-Craft Builders' exclusive obligation for any such defective construction work shall be to repair or replace such work at its option. This Limited Warranty does not cover defects caused by misuse, accidents, earthquakes, negligent maintenance, or normal wear and tear, and is expressly in lieu of

any implied warranty of merchantability, implied warranty of habitability, implied warranty of fitness for a particular purpose, or any other implied or express warranty of any kind, written or oral.

In order for the above Limited Warranty to be effective, Owner must give Pro-Craft Builders written notice of any defect covered hereunder on or before the expiration of thirty (30) days from the date of discovery of the defect or the expiration of one (1) year period, whichever occurs first, specifying the nature of the defect. Owner must also allow Pro-Craft Builders reasonable access to the property to inspect and repair the defect.

Pro-Craft Builders does not furnish engineering services and makes no warranty of any kind with reference to any construction done which requires or required the services of an engineer. Owner shall look only to Owner's engineer or other third party engineering advice with reference to such matters.

WAIVER: Owner waives any indirect, special, incidental, or consequential damages of any kind, including but not limited to, personal injuries or damage to personal property, loss of use, inconvenience or diminution in value to the real property.

CONSTRUCTION DAMAGE: Pro-Craft Builders shall use reasonable diligence and care to minimize incidental damage to exterior or interior walls, wall coverings, paint, glass surfaces, doors, floors, landscaping, and related areas, which may result from work performed pursuant to the Proposal. Owner understands that in the case of a distressed house or structure, some cracking of walls or floor movement may occur in the future, especially if only a portion of the structure is to be underpinned. This movement is most likely to occur in the first year after construction. Cosmetic work, if contemplated, should be delayed for at least one (1) year after completion of foundation work. When cosmetic repairs are made, techniques should be used where the workmanship and materials used minimize the effect of future strain.

SITE RECONNAISSANCE: If the development of recommendations for construction on the structure or property which is the subject of this agreement is based on a site reconnaissance by Pro-Craft Builders only and not upon engineering reports, Owner understands and agrees that engineering has not been performed. A site reconnaissance consists only of visual observations. Upon request, Pro-Craft Builders will recommend a qualified engineer to determine suitable repairs. In the absence of such engineering, it is agreed that Pro-Craft Builders has made a good faith effort to recommend methods and procedures that have previously worked in similar situations. Pro-Craft Builders is not responsible for damages caused by Owner's failure to have engineering performed.

MEDIATION: Before either party may institute any legal remedy to resolve any controversy or claim which arises out of or is related to this Contract, its performance, or the breach thereof, the parties shall present said controversy or claim to a mutually agreeable mediator. If the parties are unable to agree upon a mediator, then, on the written request of either party, the mediator shall be selected by and appointed by the administrative section of JAMS, Alameda County, California, from its pool of associates. Each party shall be obligated to participate in the mediation in good faith for not less than one half day. In the event that mediation is instituted, but one of the parties fails, without reasonable excuse, to participate in the mediation, then the other party shall be entitled to recover its or his/her attorney fees and costs incurred in preparing for and attending the mediation. Each party shall bear its own costs and expenses for mediation if no resolution is achieved and the parties shall each pay half of the mediator's fees and costs.

ARBITRATION: Any controversy arising out of this Agreement or regarding interpretation of this Agreement shall be submitted to arbitration in Santa Clara County, California. Arbitration shall be held in accordance with the California Arbitration Statute, Sections 1280 through 1294.2 and 1296 of the California Code of Civil Procedure, including but not limited to Section 1283.05. In any arbitration to resolve a dispute relating to this Agreement, the arbitration award shall be supported by law and substantial evidence. A court shall, subject to California Code of Civil Procedure Section 1286.4, vacate the award if after review of the award it determines either that the award is not supported by substantial evidence or that it is based on an error of law.

ATTORNEY FEES: The prevailing party in any suit or arbitration shall be entitled to reasonable attorney fees and costs, including expert fees, in addition to any and all other sums to which the party is entitled.

ENTIRE AGREEMENT: These Terms and Conditions and the Proposal constitute the sole and exclusive agreement of the parties hereto relating to this project and correctly set forth the rights, duties and obligations of each to the other. Any prior or contemporaneous agreements, promises, negotiations or representations not expressly set forth in the Proposal and these Terms and Conditions are of no force and effect.

INVALIDITY OF ANY PROVISION: Should any provision or portion hereof be declared invalid or in conflict with any law, the validity of all other provisions and portions hereof shall remain unaffected and in full force and effect.