

# EXHIBIT B

# MASTER SUBCONTRACT AGREEMENT

Vendor Identification No.: 146264

Subcontractor License No.: 113182

Full Name of Subcontractor ("Subcontractor"):

DESERT VISTA, INC.

DBA: \_\_\_\_\_

Trade Classification: C-36

Address of Subcontractor:

3338 W. VERNON AVE.  
PHX, AZ 85009

Contact Name and Phone Number of Subcontractor:

TODD JONES

Cell Phone For Subcontractor Contact: 602-319-5105

Email Address of Subcontractor Contact: TJONES@DESERTVISTAINC.COM

Fax Number of Subcontractor: 623-582-1348

24 Hour Emergency Phone Number of Subcontractor:  
\_\_\_\_\_

Subcontractor is a: please circle  
(choose one: LLC, Corporation, Partnership/Sole Proprietor)

If LLC, Corporation or Partnership, state of  
incorporation/formation (please attach articles of incorporation  
or organization): State of ARIZONA

Full Name of Contractor ("Contractor"):  
K. Hovnanian Great Western Building Company, LLC

Address of Contractor:  
20830 North Tatum Boulevard  
Suite 250  
Phoenix, Arizona 85050

General Description of Subcontractor's Work:

STUCCO

Subcontractor's Federal Tax I.D. No.: 86-0819709

- Proof of Subcontractor's general liability insurance attached
- Proof of Subcontractor's Worker's Compensation attached
- Proof of Subcontractor's auto insurance attached
- IRS W-9 Form for Subcontractor attached

Date of this Subcontract: 3/3, 2010

Term of this Subcontract (the "Term")\*:

Commencing: \_\_\_\_\_

Ending: \_\_\_\_\_

\*If left blank, this Subcontract shall remain in effect until terminated as provided herein.

Contractor Initials: [Signature]

Subcontractor Initials: [Signature]

## MASTER SUBCONTRACT AGREEMENT

This Master Subcontract Agreement (this "**Subcontract**") is between K. Hovnanian Great Western Building Company, LLC, an Arizona limited liability company ("**Contractor**") and the subcontractor identified as "Subcontractor" above ("**Subcontractor**") to perform the Work (as defined below) in connection with each Project (as defined below) and for any other work which Subcontractor performs for Contractor.

In consideration of the mutual agreements contained herein, Contractor and Subcontractor agree as follows:

1. **Master Subcontract.** Contractor is in the business of acquiring land, manufacturing lots, developing real estate for residential use and constructing, marketing and selling homes thereon. It is anticipated that Contractor may, but is not by the execution of this Subcontract obligated to, use the services of Subcontractor at various times in the furtherance of one or more of these purposes. Contractor and Subcontractor enter into this Subcontract for the purpose of defining certain rights and obligations of each, which will remain constant throughout their continued relationship during the Term of this Subcontract. Each specific item of Work to be performed by Subcontractor will be defined by a separate document captioned "**Work Agreement**", in the form attached hereto as **Exhibit A - Form of Work Agreement**. Each Work Agreement shall incorporate the terms and provisions of this Subcontract, shall set out such information as may be necessary to define adequately the specific Project and work product required and shall include, without limitation, a detailed scope of services and a schedule indicating the dates for the starting, performance, completion and sequencing of the various stages of the Work. Such schedule may be revised if and as required by the conditions of the Work, subject to approval and in accordance with other terms of this Subcontract. Each Work Agreement is intended to constitute a stand-alone contract, except to the extent otherwise provided in this Subcontract. No Work not specifically set forth on a Work Agreement duly executed by both parties, will be authorized and Contractor is not contractually or otherwise bound by, or responsible for, any Work so performed. Notwithstanding the foregoing, if Subcontractor, prior to the execution of a Work Agreement, performs any Work, Subcontractor and all such Work will be subject to the terms of this Subcontract and to any subsequently executed Work Agreement or other Contract Document. For the purposes of this Subcontract, the term "**Project**" refers to the specific location where Work is to be performed as defined in a Work Agreement.

2. **Work.** The work to be performed hereunder: (a) shall include, and Subcontractor shall perform, all duties and services necessary or inherent to the type and trade classification described on the cover page of this Subcontract, the scope of which shall be more fully defined in the Work Agreement; and (b) shall include all work of such type and trade classification for the Project which is the subject of a Work Agreement, and is to be performed in strict compliance with this Subcontract and the Contract Documents (as defined in Paragraph 11 below) and all addenda, amendments and changes thereto, whether or not stipulated in the Contract Documents, and shall include all work ordinarily and usually performed, and the supply of all facilities ordinarily and usually provided as a part of the Work covered by this Subcontract or ordinarily and usually performed by a subcontractor doing work of such trade classification (the "**Work**"). Subcontractor, to the entire satisfaction and approval of Contractor (or its authorized representatives and/or assigns) and all governing agencies, agrees to furnish all labor, materials, supplies, machinery, ladders, scaffolding, tools, equipment and services as necessary or desirable to properly perform the Work in a sound, workmanlike and substantial manner. Subcontractor is employed by Contractor as an independent contractor to perform the Work. **Subcontractor represents and warrants that, to the extent required by "Law" (as defined in Paragraph 22, below) in connection with the performance of the Work, Subcontractor is duly licensed to perform the Work under the Laws of the State in which the applicable Project is located ("State") and that Subcontractor's license number is set forth on the cover page of this Subcontract.**

3. **Contract Sum.** In consideration of, and for the full and faithful performance of the Work described in any Work Agreement and the other obligations of Subcontractor thereunder and hereunder, Contractor agrees to pay Subcontractor a certain contract sum (the "**Contract Sum**"), in accordance with the payment schedules and pricing set forth in Paragraphs 4 and 5 and **Exhibit B - Pricing** attached hereto and made a part hereof, as such payment schedules and pricing terms may be modified for any applicable Project pursuant to a specific Work Agreement. Payment of the Contract Sum is subject to additions and deductions for approved "Changes in the Work" (as defined in Paragraph 17, below) approved in writing by the parties and subject to the other additions, deductions and backcharges permitted and described elsewhere in this Subcontract. Except as expressly described in Paragraph 17 below, the Contract Sum shall not, under any circumstances, be increased for any increases in labor rates, transportation charges, costs of materials or any other change in pricing or availability of labor or materials or other similar changes, and Subcontractor agrees that, as a material part of the consideration for this Subcontract and as a material inducement for Contractor's execution hereof, the Contract Sum shall not be increased through the Term of this Subcontract, except as may be specifically provided in any Work Agreement. If, pursuant to a properly submitted Order (defined below) Contractor agrees to an increase in the Contract Sum on account of increases in costs of materials, such increase shall only apply with respect to such materials ordered after the effective date of the Order. Contractor shall obtain and pay for the general building permit, but Subcontractor shall obtain and pay for any required permits that are particular to its trade. Subcontractor agrees to pay promptly all fees, taxes, charges, damages, and penalties that may be assessed against Subcontractor or against Contractor on account of Subcontractor. Subcontractor agrees that all sales taxes, federal taxes, or any and all other taxes affecting the Work (including federal and State social security taxes and income taxes withheld from wages), and any or all sums paid, or to be paid, to union trust funds and

Contractor Initials: 

Subcontractor Initials: 

cooperative committees have been included in the above Contract Sum and will be paid by Subcontractor. Further, as part of the Work and the Contract Sum, Subcontractor shall, among other things, (a) pay all transportation, storage and freight costs for labor, materials and equipment and (b) cause all temporary structures, scaffolds, lights, utilities, hoists, fuel, expendable supplies and other facilities of every type and description, required for the execution of the Work to be provided without additional charge to Contractor unless specified in Exhibit B or in the Work Agreement.

4. Progress Payments.

(a) Provided Subcontractor is not in default of this Subcontract, Contractor agrees to pay Subcontractor for all of the Work (less the "Retained Percentage", if applicable, described in Paragraph 5 below) which is completed in the manner required by this Subcontract in accordance with the payment method specified in Exhibit B-1 – Payment Method attached hereto and incorporated herein, provided that the given invoice or request for payment is "properly prepared" as set forth below. Unless otherwise prohibited by Law, any invoices or other requests for payment, in whatever form, received six (6) months or more after Work has been completed shall not be honored.

(b) In order for any invoice or other request for payment for Work as described in Exhibit B-1 (all such invoices or requests for payment being referred to herein as an "invoice") to be "properly prepared", all of the applicable requirements set forth on Exhibit B-1 must have been satisfied with respect to such invoice and all the following must be true with respect to such invoice:

(i) Subcontractor's insurance policies are in full force and effect in compliance with Paragraph 14 below.

(ii) The portion of the Work which is the subject of the invoice is satisfactorily complete and in conformity with the Contract Documents (defined below) in the opinion of Contractor's authorized representative at the time of receipt of the invoice. All material and workmanship furnished or performed by Subcontractor shall be further subject to final inspection, tests, and acceptance by or for Contractor upon completion of all Work and whether or not previously paid for by Contractor. At any and all proper times during the manufacture or performance of the Work, all materials and workmanship furnished or performed by Subcontractor shall be subject to inspection, tests, and approval by an inspector of Contractor, at any and all places where such manufacture or performance shall be carried on. Failure to make inspections or tests or to discover faulty workmanship or materials shall not prejudice the rights of Contractor on final inspection and tests. All expenses of tests and inspections to prove or establish the acceptability of performance of Work or material hereunder and any damage caused by such test shall, if the material or Work fails the test, be borne by Subcontractor.

(iii) The invoice must contain the identifying number of this Subcontract (and addendum number, if applicable) as set forth at the top of page 1 of this Subcontract and the identifying number of the applicable Work Agreement.

(iv) All prices contained in the invoice must agree in all respects with the applicable price schedule set forth in Exhibit B hereto, as the same may be modified pursuant to the applicable Work Agreement.

(v) The invoice must designate the name of the Project, subdivision and tract number and, for on-site Work, the lot, plan, elevation and/or building number, and all other identifying information applicable to the Work.

(vi) The invoice must show the gross amount billed, the amount of the Retained Percentage, if applicable, and the net amount billed.


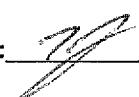
(vii) Neither tax, freight nor other similar charges shall be added to the invoice. The parties recognize that the Contract Sum includes all such costs.

(viii) The invoice shall not demand any progress payment other than those permitted in Exhibit B or Exhibit B-1 hereto.

(ix) Separate invoices must be utilized for (a) labor, materials, equipment and/or services for the Work and (b) such labor, materials, equipment, services or other work as is requested by Contractor in the manner set forth below but not part of the scope of Work described in the Work Agreement, including Changes in the Work.

(x) The invoice shall be accompanied by appropriate conditional lien releases from all persons or entities who might claim liens arising out of Subcontractor's performance of the Work to date (see Paragraph 7, below).

(c) Contractor shall have no obligation to pay Subcontractor for labor, materials, equipment or services or for any Changes in the Work unless the invoice for such Changes in the Work comply with subparagraph (b) above, other than clause (iv) thereof, and with the following additional requirements:

Contractor Initials:  Subcontractor Initials: 



7. Payment Use Verification; Waiver of Claims.

(a) Lien Releases/Subcontractor's Affidavits. Subcontractor agrees, as a condition precedent to receiving any progress payments or the Retained Percentage, to provide, in a form satisfactory to Contractor, releases, waivers of lien, affidavits, and such further evidence as may be required by Contractor (from Subcontractor, its sub-subcontractors, materialmen, laborers and/or suppliers as applicable), in accordance with applicable Law, that all labor, materials, equipment and services used in connection with or incorporated in the Work or any Changes in the Work have been paid for in full. Such waivers and releases may be made conditional upon payment as appropriate. Contractor shall have the right, but not the obligation at all times to directly contact Subcontractor's employees, agents, sub-subcontractors and suppliers to ensure that such parties are being paid in a timely and complete manner by Subcontractor for labor or materials furnished for use in performing the Work. The satisfactory forms of lien releases and/or subcontractor's affidavits are attached hereto for reference purposes as Exhibits C-1 through C-4 – Lien Waivers, inclusive.

(b) Waiver of Claims. Subcontractor agrees that it shall waive all rights to make any demand for payments under this Subcontract and any particular Work Agreement or initiate legal proceedings to recover any such payment as of the first anniversary date of the date upon which such payment obligation of Contractor was first established pursuant to Paragraph 4(a) of this Subcontract; provided, however, that in the event Subcontractor provides notice or demand for such payments or initiates legal proceedings on or before such first anniversary date, Subcontractor shall be permitted to take steps in pursuit of recovery of such payments after said first anniversary date. Subcontractor specifically acknowledges and agrees that it waives any applicable statutes of limitation, with respect to payments under this Subcontract and any particular Work Agreement, which may authorize a legal proceeding of any form after said first anniversary date.

8. Liens; Payment Failures by Subcontractor. In the event Subcontractor fails to pay and discharge when due any bills for labor, materials, equipment, services or other obligations incurred by Subcontractor in the fulfillment of this Subcontract, or if at any time during the term of this Subcontract, Contractor shall have evidence of any lien or any claim against any Project or Contractor as a result of Subcontractor's operations, Contractor shall (a) be authorized to use whatever means in its discretion it may deem appropriate to cause said lien or suit to be removed or dismissed and the cost thereof, together with attorneys' fees, expenses and court costs, shall be immediately due and payable to Contractor by Subcontractor and/or (b) have the right to deduct, retain, and backcharge pursuant to Paragraph 26 below, retain out of any payment, advance or guaranty of funds due or to become due to Subcontractor an amount sufficient to pay the direct expenses Contractor reasonably expects to incur to remove or correct the conditions caused by the lien or claim.

9. Materials and Work Furnished by Others. In the event the Work includes installation of materials or equipment furnished by others or Work to be performed in areas to be constructed or prepared by others, it shall be the absolute duty of Subcontractor to examine and accept, at the time of delivery or first access, the items so provided and to handle, store and install the items with such skill and care as to insure the satisfactory completion and good and workmanlike construction of the Work. It shall also be the absolute duty of Subcontractor to examine such work or areas prepared by others which is where Subcontractor's Work is to be performed, and to notify Contractor immediately in writing, and prior to commencing any Work affected by the deficiencies, of any deficiencies in the work or areas prepared by others which may adversely affect Subcontractor's Work. Use of such items or commencement of the Work by Subcontractor in such areas shall be deemed to constitute acceptance thereof, and responsibility therefore, by Subcontractor. Loss or damage due to acts of Subcontractor may be backcharged pursuant to Paragraph 26 below.

10. Claim Indemnification. Without limiting the generality of Paragraph 15 of this Subcontract, and provided that this Paragraph 10 shall in no event be construed to require indemnification by Subcontractor to a greater extent than permitted by the Laws and the public policy of the State, and without in any manner limiting Contractor's rights and remedies in the event of a breach of this Subcontract, Subcontractor agrees to at all times indemnify, defend (with legal counsel selected by Contractor in its sole and absolute discretion) and hold harmless the "Indemnified Parties" (as defined in Paragraph 15), and each of them, from and against any and all "Claims" (as defined in Paragraph 15), liabilities and liens arising out of, or relating to, labor performed or materials used or furnished to be used in connection with the Work, including, without limitation, "Defense Expenses" (as defined in Paragraph 15), and all damages, including, without limitation, any incidental damages, consequential damages and lost profits resulting to Contractor from such Claims, liabilities or liens. Further, in case suit on such Claim, liability or lien is brought, Subcontractor agrees within ten (10) days after written demand to cause the effect of any suit or lien to be removed from the Project, and in the event Subcontractor shall fail to do so, Contractor may enforce any of the remedies set forth in Paragraph 8 or otherwise in this Subcontract against Subcontractor. Subcontractor may litigate any such lien or suit, provided Subcontractor causes the effect thereof to be removed, promptly in advance, from the Project.

11. Examination of Documents; Representations.

(a) Subcontractor agrees that, prior to its execution of this Subcontract, it has reviewed and examined and understands this Subcontract. Subcontractor further agrees that, prior to its execution of any Work Agreement, it shall also have (i) reviewed and examined, and shall understand, its scope of work described in the Work Agreement, and all of the construction plans, drawings, models, specifications, measurements, submittals of Subcontractor approved by Contractor

Contractor Initials: \_\_\_\_\_

Subcontractor Initials: \_\_\_\_\_

pursuant to Paragraph 18(a) below, and addenda thereto relevant to the performance of the Work (collectively with this Subcontract and the applicable Work Agreement, the "Contract Documents"), (ii) examined, inspected and investigated the location and condition of the entire Project on which the Work is to be performed (the "Project Site"), (iii) understood the conditions under which the Work is to be performed and (iv) determined that the Contract Documents are sufficient to enable Subcontractor to reasonably determine the Contract Sum for completion of the Work. Subcontractor is entering into this Subcontract, and shall enter into each Work Agreement, on the basis of Subcontractor's own examination, inspection, review and investigation of the Contract Documents and the Project Site and is not relying, and shall not rely, on the opinion or representations of Contractor except those which have been expressly provided to Subcontractor in writing in this Subcontract and the applicable Work Agreement. Accordingly, no allowance in the form of any additional compensation including, without limitation, any adjustment to the Contract Sum, is to be made by reason of any error on the part of Subcontractor with respect to the Contract Documents or the Project Site, including, without limitation, the discovery of any facts or circumstances either relating to the Contract Documents or the Project Site, including, without limitation, those which may be latent or unforeseen, which are at variance from that which Subcontractor believed to be in existence at the time of Subcontractor's execution hereof or at the time of Subcontractor's execution of the applicable Work Agreement.

(b) Information provided by Contractor regarding a Project Site or Contract Documents is and shall be believed by Contractor to be reasonably correct. However, Contractor does not warrant either the completeness or the accuracy of such information, and Subcontractor understands and agrees that it is Subcontractor's sole responsibility to verify all such information independently, and to make such examination of the Contract Documents and of the Project Site as shall be necessary for Subcontractor to satisfy itself with respect to the conditions to be encountered during the performance of the Work. In the event Subcontractor at any time detects any design deficiency, any error in measurements or any other errors in the Contract Documents, or any condition which Subcontractor believes to be at variance with approved plans, Subcontractor shall have an absolute duty under this Subcontract to immediately provide written notice thereof to Contractor.

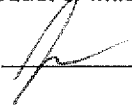
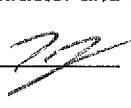
(c) Subcontractor acknowledges and agrees that it is critical to the construction of each Project for Subcontractor to perform its Work based upon the then-most-updated Contract Documents expressly approved in writing by Contractor. Without limiting the generality of Paragraph 15 of this Subcontract, and provided that this Paragraph 11(c) shall in no event be construed to require indemnification by Subcontractor to a greater extent than permitted by the Laws and the public policy of the State, and without in any manner limiting Contractor's rights and remedies in the event of a breach of this Subcontract, Subcontractor agrees to at all times indemnify, defend (with legal counsel selected by Contractor in its sole and absolute discretion) and hold harmless the Indemnified Parties, and each of them, from and against any and all Claims arising out of or in connection with Subcontractor's failure to perform its Work in accordance with the then-current Contract Documents.

(d) Subcontractor acknowledges and agrees that, prior to its execution of this Subcontract, it has received and understands the terms of the new home limited warranty or warranties, together with any separate volume(s) of warranty performance standards offered by Contractor to its home-buying customers (collectively, the "Limited Warranty") and that the labor, materials and/or services to be performed by Subcontractor pursuant to the Work shall be in accordance with, and sufficient and satisfactory to allow Contractor to fully comply with the Limited Warranty.

Subcontractor's Initials:                     

Subcontractor acknowledges and accepts that, among other things, the Limited Warranty: (i) extends its benefits to successor owners of the applicable home; and (ii) requires, to the extent permitted by Law and required therein, the use of arbitration as a means of dispute resolution in the event of disputes between Contractor and an applicable homeowner and further accepts such terms; further, similar terms may be found in the covenants, conditions and restrictions ("CC&Rs") for communities in which homeowner's associations are established and, pursuant to such CC&Rs, Contractor and such associations agree to utilize arbitration for resolution of construction-related disputes. Subcontractor acknowledges and agrees that, regardless of the forum that is used for dispute resolution with a single homeowner, multiple homeowners or an association involving or arising out of any Work, any Work Agreement or this Subcontract, Subcontractor shall fully and willingly participate in such dispute resolution forum. Without limiting the generality of Paragraph 15 of this Subcontract, and provided that this Paragraph 11(d) shall in no event be construed to require indemnification by Subcontractor to a greater extent than permitted by the Laws and the public policy of the State, and without in any manner limiting Contractor's rights and remedies in the event of a breach of this Subcontract, Subcontractor agrees to at all times indemnify, defend (with legal counsel selected by Contractor in its sole and absolute discretion) and hold harmless the Indemnified Parties, and each of them, from and against any and all Claims brought by homebuyers pursuant to the Limited Warranty (or associations pursuant to applicable CC&Rs) and to participate fully and at Contractor's request in any proceeding brought pursuant to such warranties or CC&Rs in conformity with its indemnification obligations described in Paragraph 15 below.

(e) Subcontractor represents and warrants that it possesses all of the expertise, knowledge and skill necessary to perform all of the Work in a good, careful and workmanlike manner. Subcontractor shall hire only those employees, agents, suppliers and sub-subcontractors who are sufficiently skilled to perform the Work in a professional manner, the end product of which will be satisfactory to Contractor and consumers of Contractor's homes and in compliance

Contractor Initials:                      Subcontractor Initials:                     

with all provisions and requirements of this Subcontract. Subcontractor shall be responsible for all of the acts of its employees, agents, suppliers and sub-subcontractors while they are on any Project, including, without limitation, acts such as theft or vandalism.

(f) Any alterations or deviations from the plans and specifications dictated or required by any applicable provisions of Laws or in order to assure that the finished product to be furnished by Subcontractor will be suitable for its intended use and in compliance with all provisions and requirements of this Subcontract shall be the responsibility of Subcontractor and, at Subcontractor's expense, unless the deviation or change is specifically and immediately called to Contractor's attention by Subcontractor.

(g) Subcontractor shall not cover over, hide, or fail to disclose to Contractor any shoddy, defective, incomplete, inadequate, nonconforming, or otherwise inferior Work, whether performed by Subcontractor or any other entity, and will immediately report discovery of any such condition to Contractor. If Subcontractor fails to comply with this provision, Subcontractor shall be responsible for all damages, costs, expenses, warranty work, consequential damages, or other Claims or liability arising directly or indirectly from such conditions.

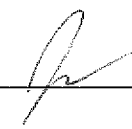
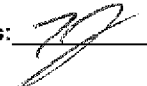
12. Proprietary Nature of Plans. Contractor's architectural, structural, civil and landscape drawings, plans and specifications, and all other design materials with respect to each Project (the "Design Documents") are and shall remain the property of Contractor whether or not any Project is built. Subcontractor acknowledges and agrees that the Design Documents are privileged and proprietary in nature and that Contractor has and maintains copyrights to the Design Documents under applicable state and federal Law. Subcontractor shall return all Design Documents and all copies thereof to Contractor at the request of Contractor at the completion of the Work or earlier termination of this Subcontract. Except as necessary to complete any Project, Subcontractor shall not copy or otherwise reproduce the Design Documents in any way without the express written permission of Contractor. Further, submission or distribution to meet official regulatory requirements or for all other governmental approval purposes in connection with a Project shall not be construed as a publication that undermines or otherwise derogates Contractor's ownership rights.

13. Assignment. Subcontractor acknowledges that Contractor is relying upon the experience, expertise and ability of the present officers, stockholders, members and/or partners of Subcontractor to cause all of the terms and provisions of this Subcontract to be fulfilled. Subcontractor shall not (i) assign this Subcontract or any Work Agreement, or (ii) subcontract the whole or any material part of this Subcontract or any Work Agreement, without first obtaining the written consent of Contractor, which consent Contractor may withhold in its sole and absolute discretion. In the event of any material change in any of the officers, stockholders, members or partners of Subcontractor prior to the completion of the Work on any Project, Contractor shall have the right, at its option, to terminate this Subcontract and any Work Agreement pursuant to Paragraph 25 below. Subcontractor shall not assign any amounts due or to become due under this Subcontract or any Work Agreement without first receiving written consent to such assignment from Contractor. Any attempt by Subcontractor to assign any part of this Subcontract or any Work Agreement without the express written consent of Contractor is completely ineffective, unenforceable and void. Contractor may assign this Subcontract and any Work Agreement without the consent of Subcontractor.

14. Insurance. Subcontractor shall, at Subcontractor's sole cost and expense, comply with the insurance requirements set forth in Exhibit D - Insurance Requirements attached hereto and incorporated herein for the entire Term of this Subcontract and thereafter, as set forth below and in Exhibit D.

(a) Prior to the start of any Work, and prior to entering onto any Project Site, Subcontractor shall document compliance with the insurance requirements of this Subcontract, including without limitation Exhibit D. Subcontractor shall furnish Contractor with copies of certificates of insurance, waiver of subrogation endorsement(s), additional insured endorsement(s), and primary and non-contributory endorsements as required in this Subcontract for all of such policies showing the insurance carriers, policy numbers, Subcontractor as the named insured, Contractor and Contractor's parent company, K. Hovnanian Companies, as additional insureds and expiration dates. Subcontractor shall promptly provide Contractor with certified copies of insurance policies upon request of Contractor. In addition to any other conditions to payment by Contractor hereunder, no payments of the Contract Sum will be due to Subcontractor unless and until Subcontractor has documented compliance with all insurance requirements in this Subcontract, including without limitation Exhibit D, to the satisfaction of Contractor. If at any time Subcontractor's insurance fails to meet the requirements under this Subcontract, all payments may be held until the deficiency has been resolved acceptably to Contractor. Notwithstanding the foregoing, commencement or continuation of Work by Subcontractor and/or payment by Contractor shall not be deemed to relieve Subcontractor of any of the requirements under this Subcontract. Renewal certificates and endorsements shall be delivered to Contractor prior to the expiration of the existing policy or policies.

(b) No acceptance of insurance certificates or additional insured endorsements and no other act or omission by Contractor shall in any way limit or relieve Subcontractor of its duties and responsibilities under this Subcontract or any Work Agreement. Nothing in this Paragraph 14 shall in any way limit or relieve Subcontractor of its indemnification obligations under Paragraph 15 or otherwise. Any provision on any certificate of insurance provided by Subcontractor that

Contractor Initials:  Subcontractor Initials: 



required hereinabove; (vi) any violation or infraction by Subcontractor of any Law in any way relating to the occupational health or safety of employees, including, without limitation, the use of Contractor's, or others', equipment, tools, hoists, elevators or scaffolds; (vii) defects in workmanship or materials and/or design defects (if the design originated with Subcontractor); and (viii) Subcontractor's presence, or activities conducted, in, at, about or on any Project (including, without limitation, the negligent and/or willful acts, errors and/or omissions of Subcontractor, its principals, partners, members, officers, agents, employees, vendors, suppliers, consultants, subconsultants, sub-subcontractors, anyone employed directly or indirectly by any of them or for whose acts they may be liable or any or all of them). Contractor and Subcontractor agree that Contractor's right to seek equitable indemnity and/or contribution from Subcontractor is in no way diminished or precluded by this agreement to provide express contractual indemnity and contribution to Contractor. Subcontractor's indemnification, defense and hold harmless obligations apply regardless of whether or not the injury and/or damage is caused in part by any active or passive negligence of an Indemnified Party. However, notwithstanding any contrary provision, nothing in this Paragraph 15, any other Paragraph of this Subcontract or any Exhibit hereto shall require Subcontractor to indemnify, hold harmless or defend any Indemnified Party from or against liability for loss or damage resulting from the sole negligence of the Indemnified Party, or the Indemnified Party's agents, employees or indemnitees. Contractor and Subcontractor agree that Contractor's right to seek equitable indemnity and/or contribution from Subcontractor is in no way diminished or precluded by this agreement to provide express contractual indemnity and contribution to Contractor.

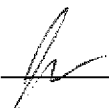
(b) The indemnification, defense and hold harmless obligations of Subcontractor under this Paragraph 15 and elsewhere in this Subcontract or the Exhibits hereto (sometimes collectively, the "Indemnification Obligations") shall not be limited by the amounts or types of insurance (or the deductibles or self-insured retention amounts of such insurance) which Subcontractor is required to carry under this Subcontract. In Claims against any of the Indemnified Parties by an employee, agents, sub-subcontractors and suppliers of Subcontractor, or anyone directly or indirectly employed, hired or used by Subcontractor or anyone for whose acts Subcontractor may be liable, the Indemnification Obligations shall not be limited by amounts or types of damages, compensation or benefits payable by or for Subcontractor or anyone directly or indirectly employed by Subcontractor or anyone for whose acts Subcontractor may be liable. The Indemnification Obligations of Subcontractor shall be independent of and in addition to the Indemnified Parties' rights under the insurance to be provided by Subcontractor under this Subcontract. Such defense obligation shall arise immediately upon presentation of a Claim by any party and written notice of such Claim being provided to Subcontractor. Payment to Subcontractor by any Indemnified Party or the payment or advance of defense costs by any Indemnified Party shall not be a condition precedent to enforcing such Indemnified Party's rights to indemnification hereunder. Any obligation of Subcontractor to Contractor arising out of this indemnification clause shall bear interest as set forth below. Subcontractor acknowledges that Indemnified Parties (or any of them) may be strictly liable and this indemnification, defense and hold harmless provision applies whether the issue of Subcontractor's liability, breach of this Subcontract or other obligation or fault has been adjudicated and whether the Indemnified Parties (or any of them) have paid any sums or incurred any detriment, arising out of or resulting directly or indirectly from Subcontractor's performance of the Work or any other matter which may be the subject of indemnification hereunder. The Indemnification Obligations of Subcontractor shall apply with respect to any Claim, regardless of whether any allegation is made with respect to the negligence of, or fault of, Subcontractor. It is the parties' intention that the Indemnified Parties (or any of them) shall be entitled to obtain summary adjudication of Subcontractor's duty to defend the Indemnified Parties at any stage of any suit within the scope of this Paragraph 15. Subcontractor shall be liable to pay for the defense of the Indemnified Parties as the costs of defense are incurred (making payment within 30 days of receipt of billing) and at the amounts incurred. In the event one or more of the Indemnified Parties retains experts and/or legal counsel to defend as to multiple types of claims and/or as to the Work of multiple subcontractors, then Subcontractor agrees to, and shall, pay that portion of the bills (including without limitation, legal and expert expenses) that are allocated to Subcontractor's Work by the attorneys and experts retained by such Indemnified Parties for their defense.

(c) The Indemnification Obligations shall survive the expiration or earlier termination of this Subcontract, and shall continue until the last to occur of: (i) the last day permitted by Law for the filing of any Claims as to which the Indemnification Obligations may apply; or (ii) the date on which all Claims to which the Indemnification Obligations may apply are fully and finally resolved and paid by Subcontractor.

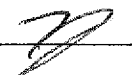
(d) Pursuant to the Indemnification Obligations, Subcontractor agrees to reimburse Contractor for all costs and expenses (including, without limitation, attorneys' fees, in-house legal fees, consultant fees, professional or expert fees, court costs, investigative costs, postage costs, document copying costs, telecopy costs and any and all other costs and expenses) incurred by Contractor in connection with any action brought by Contractor to enforce Subcontractor's obligations under the terms of this Paragraph 15 or any good faith settlement of such actions by Contractor.

(e) Subcontractor agrees that, upon written request of Contractor, Subcontractor shall participate as a party in, and also separately defend as set forth above, by paying Indemnified Parties' expenses as they are incurred with respect to any alternative dispute resolution proceeding (including settlement conferences, mediation and/or binding arbitration among other things) related to investigation and resolution of Claims, Claims brought pursuant to statute by homebuyers, successive homebuyers or homeowners' associations, or Claims arising out of the Limited Warranty or CC&Rs with such homeowners' associations (or Contractor's performance thereunder). In the event that Subcontractor participates in any proceeding, that participation shall not operate to alter or to reduce in any way Subcontractor's duty to indemnify, defend and

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(d) If a dispute arises between Contractor and Subcontractor about whether particular Work constitutes a Change in the Work, Subcontractor shall timely perform the disputed Work and may give written notice of a claim for additional compensation for that Work. Such written notice or claim must be given within ten (10) days after such Work is performed. Subcontractor's failure to give written notice within the ten (10) days constitutes an agreement by Subcontractor that it will not be paid for the disputed Work.

18. Materials and Workmanship; Inspection and Testing.

(a) All materials used in the Work shall be furnished in ample quantities to facilitate the proper and expeditious execution of the Work and shall be new and of the most suitable grade of their respective kinds for the purpose. At the request of Contractor, Subcontractor shall furnish to Contractor for approval, full information, shop drawings, submittal data and/or samples concerning the materials or articles which Subcontractor intends to incorporate in the Work. The materials actually used in the Work shall conform to the information, submittal data or samples approved. Machinery, equipment, materials and articles installed or used without such approval shall be used by Subcontractor at the risk of subsequent rejection by Contractor in its sole and absolute discretion.

(b) Except as otherwise provided herein, all materials, workmanship and Work, if not otherwise designated by the Contract Documents, shall be subject to inspection, examination and testing by or for Contractor at any and all times during manufacture and/or construction and at any and all places when such manufacturing and/or construction are carried on. Subcontractor shall cooperate with Contractor, and any third party inspectors retained by Contractor, to permit a thorough inspection of the Work and to correct any deficiencies discovered during such inspections. Contractor shall have the right to reject improper or defective material, workmanship or Work or require correction without charge to Contractor. Subcontractor shall promptly segregate and remove rejected material from a Project Site. Nothing contained in this Paragraph 18 shall in any way restrict the rights of Contractor under any warranty by Subcontractor of material, workmanship or Work. Subcontractor acknowledges and agrees that Contractor has no obligation or duty to perform continuous or comprehensive inspections of any such materials, workmanship or Work. No such inspection, examination, testing or approval by or for Contractor shall be construed as an inspection or approval of material, workmanship or Work not in compliance with this Subcontract, the Contract Documents or applicable Laws. Neither the inspections referred to in this Paragraph 18, nor the failure to inspect, shall in any way relieve Subcontractor of its sole responsibility for properly performing the Work in accordance with this Subcontract, the applicable Work Agreement, the other Contract Documents and applicable Laws, or relieve Subcontractor of any of its liabilities or obligations, under this Subcontract, under any Work Agreement, under Law or otherwise. Subcontractor agrees to reimburse Contractor for any lender, Department of Veterans Affairs ("VA") and/or Federal Housing Administration ("FHA"), city, county, or any other public agency reinspection fees caused by its incomplete or faulty workmanship and/or materials.

(c) All materials and equipment furnished by Subcontractor are to be clean, new, carrying full manufacturers', distributors', and installers' warranties, manufactured within one (1) year of installation or of their use (whichever is more recent), and of first quality. Use of seconds, factory rejects, and remnants is expressly prohibited. It shall be Subcontractor's responsibility for any expiration of manufacturer and/or other warranties of material or equipment occurring prior to any warranty liability accruing pursuant to Paragraph 19 of this Subcontract. Subcontractor guarantees that all warranties of material and equipment shall become effective only at the later of (i) the date of a Notice of Completion of construction for the home or (ii) the date of the close of escrow of the applicable home to its first owner, not at the time of installation by Subcontractor. Subcontractor shall, prior to beginning any Work, provide to Contractor copies of all warranties and all manufacturers' installation and/or use instructions for all materials or equipment to be installed. In addition, Subcontractor shall leave in each unit, in a place convenient for homeowner, copies of all warranties and use instructions for items installed in each unit, and neither Subcontractor nor any of its employees, agents, sub-subcontractors and suppliers shall remove any warnings or instructions affixed to any item by the manufacturer.

19. Warranty and Customer Service.

(a) Subcontractor warrants and represents to Contractor that the workmanship of the Work, all materials and equipment furnished for the Work, and all other aspects regarding the Work to be performed under this Subcontract and any Work Agreement shall be in conformance with all Laws, this Subcontract, the applicable Work Agreement and the other Contract Documents, be of the finest quality, and be free from faults and defects of design, material and workmanship for at least the period(s) set forth in the Limited Warranty, which is incorporated herein by reference, or for such longer periods as may be required by FHA, VA, Federal Trade Commission ("FTC") and/or other applicable governmental authorities. Any portion of the Work which Contractor reasonably determines to be defective, deficient or non-conforming shall be repaired or replaced by Subcontractor in a manner reasonably satisfactory to Contractor. Subcontractor's obligations to repair or replace defective or non-conforming Work shall constitute additional work hereunder (the "Additional Work"), which obligations shall be effective upon the commencement of the Work and shall continue for the above described period(s) from and after the close of escrow ("COE") between Contractor and the original homeowner for the duration of the applicable warranty period. Responsibility for this Additional Work shall constitute part of Subcontractor's ongoing Work at a Project. The Additional Work shall be at Subcontractor's sole cost and expense, and Subcontractor shall use its best efforts to expeditiously repair or replace, in compliance with the procedures and timeframes established by Contractor or applicable

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Law, any and all defective, deficient or non-conforming Work, whether existing because of faulty workmanship, defective equipment, materials or otherwise. Subcontractor shall repair and/or replace any and all damage to the work of others arising out of the defective, deficient or non-conforming Work or its repair or replacement. The remedies provided in this paragraph shall not be restrictive but shall be cumulative and in addition to all other remedies of Contractor hereunder and under applicable Law, including all Laws related to latent defects or fraud. Further, nothing in this paragraph shall restrict, limit or otherwise affect in any way Subcontractor's liability for the Work under applicable Laws. This provision shall be binding upon the successors and assigns of Subcontractor and shall benefit the successors and assigns of Contractor, including homeowners of residences and successors-in-interest or subsequent purchasers of residences within a Project.

(b) Notification of the need for Additional Work shall be either written or verbal from Contractor and shall be at the sole and absolute discretion of Contractor's designated representative. Except as hereinafter provided, all non-emergency Additional Work shall be responded to within two (2) business days of notification and shall be completed within two (2) business days after commencement of the Additional Work. Emergency service requests are to be handled immediately. Response time for emergency items shall not exceed four (4) hours. Contractor's designated representative shall have the final decision on classification of emergencies. In addition, all subcontractors for HVAC, electrical or plumbing work shall be required to be reachable by an emergency telephone number on a 24-hour per day, 365-day per year basis. In the event Subcontractor, its agents, sub-subcontractors or employees or its material suppliers fail to keep a scheduled appointment with any homeowner to perform Additional Work, Contractor shall have the right to fine or "backcharge" Subcontractor \$250.00 per violation.

(c) It is the responsibility of Subcontractor to obtain a signature, on Contractor's form, of the residents of the home serviced after such Additional Work has been completed to verify the satisfaction of such resident. The work sheet signed by the applicable homeowner shall be promptly mailed to the attention of the "Homeowner Service Office" of Contractor at the address of Contractor set forth in the first paragraph hereof. If any complaint is not satisfactorily serviced and completed within the times specified above, Contractor shall have the right, but not the obligation, to take the necessary steps to complete said Additional Work and backcharge Subcontractor appropriately unless Subcontractor can prove in writing that the complaint could not be taken care of due to (a) the inaccessibility of the residence or (b) some other reasonable explanation that such Additional Work was not provided. Notwithstanding the foregoing, Subcontractor shall use its best efforts to complete service requests within the specified time. Subcontractor shall supply all equipment, labor and materials necessary to complete the Additional Work within the time period provided, and shall be responsible for cleaning and restoring the home to its original condition upon completion of the Additional Work. Notwithstanding the foregoing, if Contractor reasonably deems it more expedient to correct any of the Work covered by this warranty itself because of any delay by Subcontractor, Contractor may elect to correct such Work using Contractor's own resources and a "backcharge" shall be made pursuant to Paragraph 26 below for the cost of such corrective work.

(d) All of the products supplied as part of or incidental to the Work and Additional Work are subject to and include all implied warranties provided by common law or in the Uniform Commercial Code, as codified in the State statutes.

(e) Subcontractor does hereby assign to Contractor (and any purchaser from Contractor) (as applicable) all manufacturers', suppliers', distributors' and all other sub-subcontractors' warranties, and all other rights against such manufacturers, suppliers, distributors and sub-subcontractors with respect to Work, materials and equipment furnished hereunder. Such assignment shall not relieve Subcontractor of any of its other obligations contained in the Contract Documents.

(f) Subcontractor shall comply with and satisfy and shall cooperate reasonably in good faith with Contractor so that Contractor may comply with and satisfy any requirements and/or obligations related to its warranty or contractual obligations with the homeowners pursuant to the Limited Warranty with respect to any Claim arising out of or relating to the Work. Such cooperation shall include, without limitation, assisting Contractor (as determined by Contractor in its sole and absolute discretion) in complying with deadlines in responding to Claims by homeowners, participating in inspections, participating in mediation, arbitration and other alternative dispute resolution proceedings, and assisting Contractor (as determined by Contractor in its sole and absolute discretion) in preparing offers to repair and performing such repairs (to the extent requested or permitted under Contractor's warranty or warranties or applicable Law). Contractor shall have the right to institute rules and regulations, and fines for failure to comply, with respect to customer service appointments including fines if Subcontractor fails to keep an appointment with a customer and requiring Subcontractor wear "booties" or other protective clothing to protect the floor and carpets in residences.

(g) To the extent requested by Contractor, Subcontractor shall participate in the investigation and resolution of claims submitted to Contractor pursuant to the Arizona Purchaser Dwelling Act (A.R.S. §12-1361, et. seq., effective August 22, 2002, as amended from time to time) ("PDA"), including any homeowner customer service requests, and/or any formal claims, mediation, binding arbitration and/or other alternate dispute resolution processes following any PDA proceedings or resulting therefrom ("Homeowner Claims Process"). Contractor will compensate Subcontractor for its time in participating in the Homeowner Claims Process provided that if the claims relate to alleged deficiencies in the Work, then Subcontractor's participation will be without charge to Contractor.

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20. Time and Schedule of Work.

(a) Time is of the essence with respect to the performance of Subcontractor's duties under this Subcontract and all Work Agreements inasmuch as failure of the Subcontractor to commence and complete Work as and when required by Contractor may cause grave injury and damage to Contractor by virtue of increased costs for construction financing, loss of interest on invested funds, loss of sales and goodwill, extension of overhead costs and otherwise. Should Contractor waive any time for performance of anything required to be done by Subcontractor under this Subcontract or any Work Agreement, such waiver shall not be construed to be a waiver of any other or future time for performance of any other obligation of Subcontractor hereunder or thereunder.

(b) Subcontractor shall be given a "Notice to Proceed" for the commencement of the Work under each Work Agreement and Subcontractor shall be prepared to commence the Work within three (3) business days of Contractor's delivery of said notice. Such notice shall be given as Contractor determines that a Project has reached the stage of construction, in accordance with the Contract Documents, where Subcontractor's services are to be used.

(c) Subcontractor agrees to conform to the progress schedule issued by Contractor without delaying or hindering Contractor's work or the work of other contractors or subcontractors. This schedule, and any subsequent revisions thereto issued by Contractor, shall be deemed acceptable to Subcontractor unless Contractor is notified by Subcontractor in writing within five (5) days of the issuance of the schedule or revised schedule as applicable. Contractor shall have complete control of each Project Site on which the Work is to be performed and shall have the right to decide the time and order in which various portions of the Work shall be installed and the relative priority of the Work of Subcontractor and other subcontractors, and, in general, all other matters pertaining to the timely and orderly conduct of the Work of Subcontractor on each Project Site.

(d) Subcontractor shall, in addition to all of the other obligations imposed by this Subcontract and the applicable Work Agreement upon Subcontractor, and at Subcontractor's own cost and expense, work such overtime as may be necessary, in the opinion of Contractor to meet the progress schedule issued by Contractor from time to time and approved, or deemed approved, by Subcontractor.

(e) Contractor and Subcontractor each recognize that in the event Subcontractor fails to timely perform the Work hereunder, notwithstanding any action taken by Contractor pursuant to the first sentence of Paragraph 20(d) above, Contractor will suffer substantial damages, including increased interest and carrying charges, administrative costs, loss of goodwill, lost profits and damages to business reputation. If Subcontractor should default in performance of the Work or should otherwise commit any act which causes delay, Subcontractor shall be liable for all losses, costs, expenses, claims, causes of action, demands, liabilities and damages, including incidental damages, consequential damages, lost profits and liquidated damages, sustained by Contractor, or for which Contractor may be liable to any party because of Subcontractor's default.

(f) Contractor and Subcontractor agree that the timely performance of the Work described in a Work Agreement is essential to the coordination of the completion of the construction of each of the housing units in the applicable Project. Subcontractor shall correctly measure and properly fit the Work and shall cooperate with Contractor in scheduling and performing the Work so as to avoid conflict or interference with the work of others on the Project Site. Subcontractor also agrees to prosecute the Work, and the several parts thereof, at such times and in such order as Contractor considers necessary to avoid any delay in the completion of the construction of the units in the Project. In the event Subcontractor detects inconsistencies or errors in the Contract Documents or the work of others on the Project, or in the sequencing of trades being utilized on the Project, such inconsistencies or errors shall be immediately reported to Contractor by Subcontractor. To the extent Subcontractor's Work shall be affected by the work of other trades or the Work shall affect other trades, Subcontractor agrees to cooperate fully with other tradesmen as may be necessary to ensure the complete coordination of the Project in its entirety as contemplated by the Contract Documents.

(g) Subcontractor shall coordinate the Work covered by a Work Agreement with that of all other contractors, subcontractors and that of Contractor, in a manner that will facilitate the efficient completion of the entire work on the applicable Project. In the event Subcontractor fails to maintain its part of Contractor's schedule, it shall, without additional compensation, accelerate the Work as Contractor may direct until the Work is restored to being in accordance with such schedule. Contractor shall have the right to decide the time and order in which various portions of the Work shall be installed and the relative priority of the Work of Subcontractor and other subcontractors, and, in general, all other matters pertaining to the timely and orderly conduct of the Work of Subcontractor on the Project.

(h) Should Subcontractor be delayed in the prosecution or completion of any Work by the act, neglect or default of Contractor, or should Subcontractor be delayed waiting for materials required by this Subcontract or the Work Agreement to be furnished by Contractor, or by acts of God, or in the event of a lock-out by Contractor, then the time herein fixed for the completion of the Work shall be extended by the number of days that Subcontractor has been delayed, but no allowance or extension shall be made unless a claim for an extension is presented in writing to Contractor within forty-eight (48) hours of the commencement of such delay, and under no circumstances shall the time of completion be extended to a date which will prevent Contractor from completing the entire Project within the time allowed for completion.

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contract to so comply, regardless of whether such non-compliance results from active or passive acts or omissions or whether such non-compliance is the sole or a contributory cause of any of those matters against which Subcontractor is obligated hereunder to indemnify, defend, and hold harmless any Indemnified Party. Without limiting the generality of Paragraph 15 of this Subcontract, and provided that this Paragraph 22 shall in no event be construed to require indemnification by Subcontractor to a greater extent than permitted by the Laws and the public policy of the State, and without in any manner limiting Contractor's rights and remedies in the event of a breach of this Subcontract, Subcontractor agrees to at all times indemnify, defend (with legal counsel selected by Contractor in its sole and absolute discretion) and hold harmless the Indemnified Parties, and each of them, from and against any and all Claims (including, without limitation, any loss of profits or prospective advantage occasioned by the suspension, cancellation or termination of any contract, or Contractor's eligibility therefor), including litigation for harm to persons or property, Defense Expenses or any other applicable costs which may be incurred by Contractor arising out of or related to Subcontractor's failure to fulfill the covenants set forth in this Paragraph 22.

23. Bankruptcy.

(a) In the event of the appointment of a receiver for Subcontractor or in the event Subcontractor makes an assignment for the benefit of creditors, Contractor may terminate this Subcontract and/or any or all Work Agreements by giving three (3) business days written notice to Subcontractor and its surety, if any. If a voluntary or involuntary petition under any federal or state bankruptcy or debtor protection Law is filed with respect to Subcontractor, Contractor may terminate this Subcontract and/or any or all Work Agreements by giving three (3) business days written notice, to Subcontractor.

(b) If Subcontractor is not performing the Work in accordance with this Subcontract, any Work Agreement or any Work Order at the time of any bankruptcy filing or the entering an order for relief, or at any subsequent time, Contractor, while awaiting the decision of Subcontractor or its trustee to reject or to accept and provide adequate assurance of its ability to perform hereunder, may immediately avail itself of such remedies as are reasonably necessary to maintain the progress of the completion of any Project or Projects which are the subject of any outstanding Work Agreements. Contractor may offset against the Contract Sum all costs incurred in pursuing any of the remedies provided hereunder, including, but not limited to, reasonable overhead, profit and attorneys' fees, expenses and court costs. Subcontractor shall be liable for the payment of any amount by which such expense may exceed the unpaid balance of the Contract Sum.

(c) In the event that Subcontractor has proceeded to file a petition with the Bankruptcy Court under the applicable bankruptcy Laws during the pendency of any Claim, Subcontractor agrees that, upon request of Contractor, it shall immediately stipulate to an order granting relief from any automatic stay then in effect so as to allow Contractor to proceed against any insurance carrier covering Subcontractor for the Work or any obligations described in this Subcontract as well as any insurance carrier having issued certificates or endorsements to Contractor, its parent, subsidiaries and/or affiliates as additional insureds.

24. Patents. Except as otherwise provided by the Contract Documents, Subcontractor shall pay all royalties and license fees which may become due as the result of Subcontractor's inclusion of any patented materials in the Work. Without limiting the generality of Paragraph 15 of this Subcontract, and provided that this Paragraph 24 shall in no event be construed to require indemnification by Subcontractor to a greater extent than permitted by the Laws and the public policy of the State, and without in any manner limiting Contractor's rights and remedies in the event of a breach of this Subcontract, Subcontractor agrees to at all times indemnify, defend (with legal counsel selected by Contractor in its sole and absolute discretion) and hold harmless the Indemnified Parties, and each of them, from and against any and all Claims, including Defense Expenses, arising out of or in connection with Subcontractor's operations to be performed under this Subcontract for, but not limited to the infringement of any patent or other intellectual property rights, which may be brought against Contractor arising out of Subcontractor's Work.

25. Subcontract Termination; Withholding Payments. Contractor may at any time and for any reason, terminate Subcontractor's services and any Work at Contractor's sole convenience. Termination shall be by service of written notice to Subcontractor's place of business. No warning notice, notice to cure or similar document shall be required to be provided to Subcontractor by Contractor. Upon receipt of the notice of termination from Contractor, Subcontractor shall, unless the notice directs otherwise, immediately discontinue the applicable Work which is the subject of the termination notice and placing of orders for materials, facilities and supplies in connection with the performance of this Subcontract and the applicable Work Agreement, and shall, if requested, make every reasonable effort to procure cancellation of all existing orders or contracts upon terms satisfactory to Contractor, or at the option of Contractor, give Contractor the right to assume those obligations directly, including all benefits to be derived therefrom. Subcontractor shall thereafter do only such Work as may be necessary to preserve and protect the Work already in progress and to protect material and equipment on the applicable Project Site or in transit thereto. Upon such termination, Subcontractor shall be entitled to payment for the Work completed in conformity with this Subcontract and the applicable Work Agreement; however, there shall be deducted from such sum the amount of any payments made to Subcontractor prior to the date of the termination of this Subcontract and/or the applicable Work Agreement and all applicable backcharges per Paragraph 26. The payment described above shall be Subcontractor's sole and exclusive remedy in connection with a termination by Contractor and Subcontractor hereby waives

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any right to pursue Contractor for lost profits, incidental damages or consequential damages associated with such termination. Such termination payment procedure shall be effective whether such termination resulted from Subcontractor's default or Contractor's convenience. Subcontractor shall not be entitled to any claim or claim of lien against Contractor or any other person or entity for any additional compensation or damages in the event of such termination and payment. Contractor may terminate any one or more Work Agreements in whole or in part without affecting Subcontractor's obligations with respect to any Work or Work Agreement(s) not so terminated.

Contractor may withhold, or on account of subsequently-discovered evidence nullify, the whole or part of any payment under this Subcontract and any Work Agreement to the extent necessary to protect Contractor from loss, including costs and attorneys' fees, expenses and court costs, on account of (i) defective Work not remedied; (ii) claims or liens filed or reasonable evidence indicating the probable filing of claims or liens; (iii) failure of Subcontractor to make payments promptly to its sub-subcontractors, vendors, suppliers or laborers for material, labor or fringe benefits; (iv) reasonable doubt that this Subcontract can be completed for the balance then unpaid; (v) damage to the work of another subcontractor; (vi) claims made or penalties assessed against Contractor or Subcontractor for failure of Subcontractor to comply with Laws; (vii) any dispute or controversy between the parties hereto concerning this Subcontract or any Work Agreement, or any dispute concerning Subcontractor and another subcontractor or vendor; (viii) breach of this Subcontract or any Work Agreement; (ix) failure to pay, on behalf of any employee, federal or State withholding, FICA, employee benefits (including union trust fund or cooperative committee payments, SRS and ESD, if applicable), or any other required payments on behalf of any employee to a governmental agency; (x) any monies that are claimed by Contractor or any third party against Subcontractor for injuries incurred as a result of any Work performed by Subcontractor; or (xi) any other ground for withholding payment allowed by Law or as otherwise provided in this Subcontract or any Work Agreement. When and to the extent that the above matters are satisfactorily rectified in the sole judgment and discretion of Contractor, such withheld amounts as may then be due and owing shall be paid or credited to Subcontractor.

26. Backcharges. In the event of any Withholding Condition (as defined in Exhibit B-1), Contractor may backcharge, and withhold from payment otherwise owed, an amount that is sufficient to pay the direct expenses the Contractor reasonably expects to incur to correct any items set forth in any Withholding Notice. In the event that the Retained Percentage or amount of any other final payment is insufficient to satisfy the backcharge(s), including administrative charges, Contractor shall have the right to require Subcontractor to pay Contractor the amount of the backcharge(s) (including the applicable administrative charges) within fifteen (15) days after Subcontractor's receipt of an invoice therefor. Subcontractor's failure to make such payment in the prescribed period shall constitute a default hereunder.

27. Breach of One Contract is Breach of All. Subcontractor and Contractor acknowledge that during Subcontractor's performance of any Work Agreement entered into pursuant to this Subcontract, Subcontractor may also be under contract with Contractor or one or more of its affiliates for work at Contractor's (or such affiliates) other projects or subdivisions under other subcontracts or agreements. At Contractor's sole election, a breach in the performance of any of Subcontractor's obligations under this Subcontract and/or any Work Agreement entered into pursuant to this Subcontract shall constitute a breach in Subcontractor's obligations under any other Work Agreements and/or any other agreement(s) with Contractor or its affiliates and a breach under any other agreement(s) with Contractor shall also constitute a breach of Subcontractor's obligations under this Subcontract and any and all Work Agreements entered into pursuant to this Subcontract. In such event, and in addition to Contractor's rights and remedies under this Subcontract, Contractor or such affiliates may terminate any or all of such other subcontracts or other agreements, may withhold monies due or to become due on any of such subcontracts or other agreements and apply the same toward payment of any damages suffered on that or any other subcontract or agreement.

28. Intentionally Deleted.

29. Protection of Materials. All Work covered by this Subcontract and any Work Agreement done at the site or in preparing or delivering materials or equipment, or any or all of them, to any Project shall be at the risk of Subcontractor exclusively until the completed Work is accepted by Contractor. Contractor shall have no obligation to insure or protect Subcontractor's materials, tools, equipment or other property from theft, vandalism or other loss or damage. Subcontractor shall assume all responsibility for insuring and/or securing and protecting its materials, tools, equipment or other property from theft, vandalism or other loss or damage until final acceptance of the Work by Contractor. In the event any of Subcontractor's tools, equipment or other property are lost, stolen, vandalized or otherwise damaged at any time or in the event that Subcontractor's materials are lost, stolen, vandalized or otherwise damaged at any time prior to those materials becoming a fixed part of any housing unit in the applicable Project, Contractor shall have no responsibility for such loss, theft, vandalism or other damage and any damages caused to Subcontractor therefrom shall be the sole responsibility of Subcontractor.

30. Communications. Subcontractor acknowledges that it is required to have its field representative fully aware of all terms and approved revisions to this Subcontract. Prior to the commencement of any Work, Subcontractor shall notify Contractor who Subcontractor's field representative is for the Work and in the event of any change of representative, Subcontractor shall notify Contractor of such change prior to it becoming effective. It is also the responsibility of

Contractor Initials:                     

Subcontractor Initials:

Subcontractor to cause its field representative to meet with Contractor's field superintendent at least once per week in a regularly scheduled meeting at the applicable Project Site. It is the responsibility of Subcontractor to have its representative present for all job meetings when called by Contractor. Subcontractor shall have a competent foreman or superintendent, satisfactory to Contractor, on the applicable Project Site at all times during progress of the Work, with authority to act on behalf of Subcontractor. In the event a bulletin board is erected in or around the field office of Contractor, Subcontractor or its representative will be required to check this board daily for information directly or indirectly affecting the Work. To the greatest extent permitted by Law, information posted on the bulletin board will be considered as information passed directly to Subcontractor and its authorized representative.

31. Independent Contractor. Subcontractor specifically acknowledges that it is an independent contractor and an employing unit subject as an employer to all applicable unemployment compensation statutes so as to relieve Contractor of any responsibility or liability for treating Subcontractor's employees as employees of Subcontractor for the purpose of keeping records, making reports, and payment of unemployment compensation taxes or contributions.

Subcontractor agrees in regards to (a) the production, purchase and sale, furnishings and delivering, pricing and use or consumption of materials, supplies and equipment; (b) the hiring tenure or condition of employment of employees and their hours of work and rates of and the payment of their wages; and (c) the keeping of records, making of reports, and the payment, collection, and/or deduction of federal, state and municipal taxes and contributions that Subcontractor will keep and have available all necessary records and make all payments, reports, collections and deductions, and otherwise do any and all things so as to fully comply with all federal, state and municipal Laws, ordinances and regulations in regards to any and all said matters insofar as they affect or involve Subcontractor's performance of this Subcontract, also to fully relieve Contractor from and protect it against any and all responsibility or liability therefore or in regard thereto.

Subcontractor, upon request, shall furnish evidence satisfactory to Contractor that any or all of the foregoing obligations have been fulfilled.

Subcontractor certifies, further, that it is an independent contractor, is free to contract with others, and in no way is an agent or employee of Contractor, and shall, at its sole cost and expense, and without increase in the Contract sum, comply with all Laws, including but not limited to any and all Safety Rules.

32. Labor Relations.

(a) Contractor represents and warrants that it is bound to the collective bargaining agreements, if any, listed as "Contractor's Agreements" and Subcontractor represents that it is bound to the collective bargaining agreements, if any, listed as "Subcontractor's Agreements" on Exhibit F - Collective Bargaining Agreements attached hereto and made a part hereof, and to no others. Subcontractor understands and agrees that any misstatement of the information listed on Exhibit F, whether intentional or unintentional, shall constitute a material breach of this Subcontract. Subcontractor agrees to comply with all of the terms and conditions of those labor agreements described in Exhibit F including trust fund payment into the respective labor trust funds set forth in the respective labor agreements referred to in Exhibit F insofar as Subcontractor may lawfully do so, and in particular agrees to comply with the terms and provisions of said agreements setting forth the jurisdiction and scope of work claimed by each of such crafts and the procedure contained therein for resolution of jurisdictional disputes. In the absence of any such procedure, or if such procedure fails to promptly resolve the jurisdictional dispute, Subcontractor agrees, at its own cost and expense, upon request of Contractor, to take any and all lawful steps to secure a binding and final determination of said jurisdictional dispute by the National Labor Relations Board.

(b) Upon written or verbal request from Contractor, Subcontractor agrees to furnish Contractor with (i) certified payroll reports or (ii) any monthly trust fund reports submitted by Subcontractor. If Subcontractor is listed as delinquent in the payment of fringe benefits by any trust fund, it shall be regarded as a material breach of this Subcontract and Contractor may elect to terminate this Subcontract. If Subcontractor is listed as delinquent in the payment of fringe benefits by any trust fund, Contractor may, in its discretion, pay to the appropriate trust fund such amounts as Contractor determines in good faith are due and owing, and such amounts shall be deducted from the amounts Contractor would otherwise owe to Subcontractor.

(c) Subcontractor agrees that its obligations under this Subcontract (including, without limitation, timely completion of the Work) will not be excused or delayed on account of strikes, picketing or labor disputes, regardless whether Subcontractor is the primary employer in the labor dispute.

(d) Subcontractor understands and agrees that any Project may be run on a "dual-gate" or "reserve-gate" system. Should there be picketing on any Project Site, and Contractor establishes a reserve gate for Subcontractor's purpose, it shall be the obligation of Subcontractor to continue the proper performance of its Work without interruptions or delay. Subcontractor agrees that it shall be responsible for ensuring that its employees, agents, suppliers, visitors and its own sub-subcontractors enter and exit such Project Site through the appropriate gate, as designated by Contractor. If Subcontractor's employees, agents, suppliers, visitors or its own sub-subcontractors enter or exit through the wrong gate and thereby cause any labor union to expand the scope of its picketing, Subcontractor shall be liable to Contractor for all

Contractor Initials: 

Subcontractor Initials: 

damages proximately caused thereby. Subcontractor further agrees that the failure or refusal of its employees, agents, suppliers or its own sub-subcontractors to perform Work because of picketing anywhere on any Project Site shall be regarded as a material breach of this Subcontract, regardless of whether the picketing is directed against Subcontractor and regardless of whether the picketing is ultimately determined to be unlawful secondary picketing or lawful primary picketing.

(e) Subcontractor shall comply with all Laws, including but not limited to all equal employment opportunity and affirmative action requirements and all Fair Labor Standards Act provisions and all relevant provisions of the labor statutes of the State covering the Work.

(f) Without limiting the generality of Paragraph 15 of this Subcontract, and provided that this Paragraph 32(f) shall in no event be construed to require indemnification by Subcontractor to a greater extent than permitted by the Laws and the public policy of the State, and without in any manner limiting Contractor's rights and remedies in the event of a breach of this Subcontract, Subcontractor agrees to at all times indemnify, defend (with legal counsel selected by Contractor in its sole and absolute discretion) and hold harmless the Indemnified Parties, and each of them, from and against any and all Claims, arising out of or in connection with Subcontractor's operations to be performed under this Subcontract for Subcontractor's failure to fulfill the covenants set forth in this Paragraph 32, including, without limitation, any and all claims (including, without limitation, claims that may be presented by virtue of any contract of employment under Subcontractor) for union welfare, pension, vacation, apprenticeship, owner-operator, health and welfare, and related payment obligations connected with any Project, whether or not well-founded.

(g) Contractor may terminate this Subcontract and/or any or all outstanding Work Agreements with Subcontractor (and Subcontractor shall so provide in contracts with its sub-subcontractors) in the event that Subcontractor, or its sub-subcontractors, are listed by the administrative office of the appropriate health and welfare, pension, vacation, apprenticeship, or other funds as being delinquent in payment, or payments, of said fund or funds, regardless of the Project in connection with which the alleged delinquency occurred. If this Subcontract and/or any or all outstanding Work Agreements is or are terminated pursuant to this provision or otherwise, Subcontractor shall be obligated to pay the entire cost of completion of the Work called for by this Subcontract and/or such Work Agreement(s) whether Contractor has said Work completed on a time and material basis or lets a new subcontract for completion of the Work. If Contractor elects not to terminate, pursuant to this provision, Subcontractor appoints Contractor (and Subcontractor shall similarly bind its sub-subcontractors) as Subcontractor's agent to use Contractor's judgment and discretion to pay such amounts as Contractor believes due and owing, pursuant to then existing collective bargaining agreements, to the appropriate administrative office, out of funds Contractor would otherwise be required to pay to Subcontractor(s). Contractor's determination as to amount(s) to be paid, if any, shall be final and binding as to Contractor and Subcontractor and Subcontractor releases Contractor from any liability arising directly or indirectly from Contractor's acts hereunder.

33. Service of Process. It is hereby expressly understood and agreed between the parties that, in the event a dispute should arise as to the performance of the obligations of the parties pursuant to this Subcontract or any Work Agreements, the parties will adjudicate any such dispute in the courts of the State pursuant to the Laws of the State, and the parties agree that each will accept service of process outside of the State with the same force and effect as if such process had been served within the State, and each of the parties agree and expressly consent to the jurisdiction of the Courts of the State or the United States District Courts located in the State, as set forth in Paragraph 34(i) below, which shall have in personam jurisdiction over the parties in connection with this Subcontract and any Work Agreements and in connection with any litigation which may arise as a result hereof or in connection herewith.

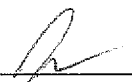
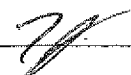
34. Contract Interpretation.

(a) Construction. This Subcontract and all Work Agreements shall be governed by and construed in accordance with the Laws of the State of Arizona.

(b) Partial Invalidity. The partial or complete invalidity of any one or more provisions of this Subcontract and/or any Work Agreement shall not affect the validity or continuing force and effect of any of the other provisions. The failure of either party hereto to insist, in any one or more instances, upon the performance of any of the terms, covenants or conditions of this Subcontract or to exercise any right herein, shall not be construed as a waiver or relinquishment of such term, covenant, condition or right as respects further performance.

(c) Attorneys' Fees. Should either party employ an attorney to institute suit, demand arbitration or institute any other procedure for the resolution of a dispute in order to enforce any of the provisions hereof, to protect its interest in any matter arising under this Subcontract, or to collect damages for the breach of this Subcontract or to recover on a surety bond given by a party under this Subcontract, the prevailing party shall be entitled to recover its attorneys' fees, consultants and experts fees, costs, charges and expenses expended or incurred therein. Specifically, the parties hereto agree that should a dispute proceed to arbitration the arbitrator is empowered to award attorneys' fees to the prevailing party.

(d) Headings. The headings given to the paragraphs of this Subcontract are for ease of reference only and shall not be relied upon or cited for any other purpose.

Contractor Initials:  Subcontractor Initials: 

(e) Entire Agreement. This Subcontract and the Exhibits and Schedules attached hereto, and the Work Agreements entered into pursuant hereto, are solely for the benefit of the parties hereto and together represent the entire and integrated agreement between the parties hereto with respect to the subject matter hereof and supersede all prior negotiations, representations, or agreements, either written or oral.

(f) Authorization. The signature of any person on behalf of a party to this Subcontract and/or any Work Agreement shall be deemed a personal warranty by that person that such person has the power and authority to bind any corporation, limited liability company, partnership or any other business entity for whom that person purports to act.

(g) Amendments. No oral statement of any person shall in any manner or degree modify or otherwise affect the terms of this Subcontract or any Work Agreement. It is agreed that nothing done by Contractor in the performance of its obligations hereunder or in directing performance by Subcontractor shall be construed in any manner or to any extent whatsoever as a waiver by Contractor of any default in or a failure of performance of the terms and conditions of this Subcontract or any Work Agreement by Subcontractor. It is agreed that no person has or shall hereinafter have any power or authority to waive, modify, alter or rescind any provision of this Subcontract or any Work Agreement on behalf of Contractor except the person or persons whose names are affixed to this Subcontract as representatives of Contractor and except further, such persons who are authorized by the President or Secretary of Contractor, in writing, to agree to such waiver, modification, alterations or rescission and in the case of these latter persons, their authority shall be strictly limited to the terms of the writing granting them such authority.

(h) No Presumption or Construction Against Drafter. The terms of this Subcontract and each Work Agreement to be entered into pursuant hereto are and will be contractual and the result of negotiation between the parties hereto. Accordingly, any rule of construction of contracts that ambiguities are to be construed against the drafting party shall not be employed in the interpretation of this Subcontract or any Work Agreement.

(i) Jurisdiction. Each party expressly consents to the personal jurisdiction of either the State courts or the United States District Courts located in the State, except that actions to enforce any judgment or writ of attachment shall be prosecuted through the courts of the state in which the assets subject to enforcement are located.

(j) No Waiver. Neither the final payment nor any provision in any document shall relieve Subcontractor of responsibility for faulty materials or workmanship and Subcontractor shall, when notified of any such defects, promptly remedy the same and pay for any damage to any Project and/or other Work resulting therefrom.

(k) Notice. Any and all notices required or permitted hereunder shall be given in writing and be either personally delivered, sent by facsimile (delivery of which must be evidenced by a confirmation of successful transmission printed by the transmitting facsimile machine), sent by first class United States mail with postage prepaid or sent by prepaid overnight courier service providing evidence of receipt. All notices to be sent to Subcontractor shall be sent to the address shown on the cover page of this Subcontract. All notices to be sent to Contractor shall be sent to the address shown on the cover page of this Subcontract, and to be effective, a copy of any such notice constituting a notice of default hereunder must also be sent to Contractor by a method or methods permitted above to: K. Hovnanian Homes, 20830 North Tatum Boulevard, Suite 250, Phoenix, Arizona 85050, Attn.: Regional Legal Counsel.

This Subcontract is executed under the hands and seals of the parties, effective as of the last date set forth below the parties' signatures below.

As to Subcontractor:

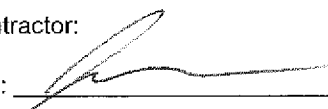
Signature: 

Printed Name: Todd M. Jones

Title: Vice President

Date: 3-2-10

As to Contractor:

Signature: 

Printed Name: Jason Willis

Title: VP of Operations

Date: 3/3/10

[EXHIBITS TO FOLLOW]

Contractor Initials: 

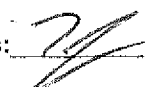
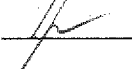
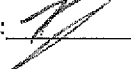
Subcontractor Initials: 

EXHIBIT A TO MASTER SUBCONTRACT

Form of Work Agreement

[To Follow]

Exh A(Cover) to Master Subcontract Agreement  
Form of Work Agreement

Contractor Initials:  Subcontractor Initials: 

**WORK AGREEMENT**

Date Issued: \_\_\_\_\_ Project Name: \_\_\_\_\_  
Date of Master Subcontract: \_\_\_\_\_ Project County: \_\_\_\_\_  
Master Subcontract Number: \_\_\_\_\_ Subcontractor: \_\_\_\_\_  
Trade: \_\_\_\_\_

This Work Agreement is entered into as of the last date set forth after the parties' signatures below by and between K. Hovnanian Great Western Building Company, LLC, an Arizona limited liability company ("Contractor") and the Subcontractor identified above.

1. This Work Agreement incorporates by reference that certain Master Subcontract described above between Contractor and Subcontractor and all terms and provisions set forth therein. In the event of any irreconcilable inconsistency between the terms and provisions of this Work Agreement and the terms and provisions of the Master Subcontract, the terms and provisions of the Master Subcontract shall prevail, unless Contractor and Subcontractor specifically indicate their intent herein to supersede any term or provision in the Master Subcontract by identifying specifically such term or provision being superseded and indicating their intent to supersede such term or provision by separately initialing the paragraph herein in which it appears. This Work Agreement shall apply with respect to all work performed by Subcontractor on the Project described above (the "Project") and is intended to constitute a stand-alone contract, except to the extent otherwise provided in the Master Subcontract.

2. Unless earlier terminated in accordance with the terms and provisions of the Master Subcontract, this Work Agreement shall remain in full force and effect until completion of the Work on the Project. All contract pricing will be held through completion of the Work on the Project or 9-1-2010 [insert date or "N/A" as applicable] whichever is earlier. Any revisions to the pricing after this agreement will require a 30 day notice, in writing, and Contractor shall be entitled to seek a re-bid from other subcontractors if pricing is changed.

3. The Scope of Work under this Work Agreement shall be as provided in the Master Subcontract, the scope of which is more fully defined in Exhibit A - Scope of the Work, hereto.

(a) Subcontractor will comply with all conditions of the applicable Storm Water Pollution Prevention Plan (SWPPP), as more fully set forth in Exhibit E to the Master Subcontract.

(b) Subcontractor will comply with all conditions of the applicable dust control permit and future renewal permits as more fully set forth in Exhibit E to the Master Subcontract.

4. Pricing under this Work Agreement shall be as provided in: [check one]: Exhibit B - Pricing of the Master Subcontract or Exhibit B - Pricing hereto.

5. Payment Schedule: [describe]  
Retained Percentage: 0 %

This Subcontract is executed under the hands and seals of the parties, effective as of the last date set forth below the parties' signatures below.

As to Subcontractor:  
Signature: \_\_\_\_\_  
Printed Name: Todd M. Sano  
Title: Vice President  
Date: 3-2-10

As to Contractor:  
Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_


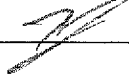
Contractor Initials: KS Subcontractor Initials: TS

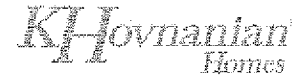
Exhibit A to Work Agreement

Scope of Work

Exh A to Work Agreement

Page 1

Contractor Initials:  Subcontractor Initials: 



Arizona and California Divisions

### Exhibit A to Work Agreement


#### Lath and One-Coat Stucco


#### Scope of Work

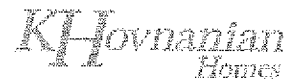
#### GENERAL INFORMATION

This Scope of Work sets forth additional responsibilities, obligations, liabilities and duties of Subcontractor in the performance of the Work. The items set forth in this Scope of Work, as well as the Subcontract, are collectively Contractor's standards of quality and professionalism. Subcontractor's Work will not be considered complete until all matters and specifications contained herein, and the Subcontract, are fully met. All terms not otherwise defined herein shall have the meanings ascribed to such terms in the Subcontract.

- Subcontractor shall furnish, install and include all necessary labor, tools, power, equipment, overhead, profit, and supervision and anything else necessary to complete the contracted work.
- Work shall be performed in strict accordance with this document and all applicable references and attachments contained herein, including but not limited to:
  - Master Subcontract Agreement (the "Subcontract") between Contractor and Subcontractor
  - K. Hovnanian product and material specifications
  - Architectural plans, structural drawings and engineered drawings
  - Customer selection sheet(s)
  - Manufacturer's design layouts, shop drawings and installation instructions;
  - The product-specific ICC-ES reports for specific and acceptable brands of single-coat stucco systems;
    - The most-recent applicable manufacture's ICC/ESSR evaluation report is to be considered an appendix to this Scope of work. Contractor must obtain a copy of that report and install all components and materials as specified therein.
  - All applicable federal, state and local building codes, laws and regulations;
  - Home Builder's Limited Warranty, PWC Form No. 117, latest revision, which is to be considered an appendix to this scope of work.
  - All applicable industry standards, including but not limited to:
    - PORTLAND CEMENT ASSOCIATION (PCA)
    - INTERNATIONAL CODE COUNCIL (ICC);
    - AAMA 2400-02 "Standard Practice for Installation of Windows With a Mounting Flange in Stud Frame Construction"
    - ASTM Designation: E2112-07 "Standard Practice for Installation of Exterior Windows, Doors and Skylights"
    - OSHA and state safety regulations;
    - Federal, State and Local Stormwater and dust control regulations
- Subcontractor must secure the most current construction drawings, specifications and customer-selection sheets for each home, and verify such with the Community Construction Manager (CCM) prior to commencing work.
- All architectural sheets including shop drawings and engineering calculations shall be read in addition to this scope of work. In case of discrepancy, the Purchasing Manager and the CCM must be notified in writing for clarification of the difference before construction begins.

  
Contractor

  
Subcontractor



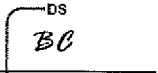
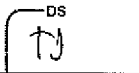
Arizona and California Divisions

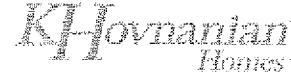
### Exhibit A to Work Agreement

#### Lath and One-Coat Stucco

##### Scope of Work

- Subcontractor must adhere to the Contractor Production Schedule. Subcontractor must notify the CCM of any scheduling conflicts on the day scheduling orders are received through SupplyPro.
- Subcontractor must conduct an inspection of the home and notify the CCM of any deficiencies/problem-areas prior to commencing work. Any such deficiencies or problem areas which are not noted will be the responsibility of Subcontractor.
- Subcontractor shall not accept CCM authorization to cover up defective or incomplete work performed by another trade.
- Subcontractor shall not damage any work performed by prior trades. All damages caused to existing work, which in the CCM's judgment should have been avoided, may be back charged to the offending Subcontractor.
- Subcontractor shall make adjustments or corrections of Subcontractor's own error(s), as necessary to comply with Contractor's plans, specifications, and inspections or code inspections, including the cost of materials and re-inspections, so as not to delay the schedule of the home.
- Items supplied by others that will be installed by Subcontractor must be new and defect free. Any defects or deficiencies in materials supplied by others must be brought to the attention of the CCM and in no instance shall the subcontractor install any defective or damaged material.
- All materials shall be installed, consistent with Contractor's quality standards, the manufacturer's installation instructions and recognized industry standards. At the end of the day, all remaining materials shall be neatly stacked and properly protected in the home.
- Subcontractor is responsible for the actions of their delivery company.
  - Subcontractor is responsible for all material unloading, storage, handling, and safekeeping;
  - Any damaged material such as tears or punctures shall not be installed and is the responsibility of the Subcontractor.
- Subcontractor will be responsible to coordinate inspections with the CCM and the building code official. A qualified representative from the subcontractor will accompany the inspector as required.
- Subcontractor shall conduct an inspection immediately upon completion of work to ensure the work meets all applicable codes and standards prior to the CCM accepting the job as complete.
- Subcontractor shall leave houses clean and broom-swept daily. If Subcontractor fails to perform daily cleanup of area, Contractor shall perform necessary cleanup and will back charge Subcontractor for cost of doing so.
- Wasted or damaged materials will be at the expense of the Subcontractor. Subcontractor is responsible for removing and disposing of all waste. When waste is deposited in job site dumpsters, Subcontractor shall break down boxes and scrap materials to the fullest extent possible.
- Subcontractor shall not drive any vehicle or equipment on a lot without CCM approval. Subcontractor shall sweep any road debris and clean up excessive and/or large mud clods remaining on streets from Subcontractor's vehicles and machinery.
- Subcontractor shall comply with all Storm Water Pollution Prevention Plan (SWPPP) requirements and with all permits issued to the site covered under this contract. Subcontractor shall comply with all directions and instructions provided by the K. Hovnanian Site Stormwater Compliance Representative regarding compliance with Stormwater requirements, applicable to the site(s) covered under this contract.

 /   
Contractor / Subcontractor



Arizona and California Divisions

## Exhibit A to Work Agreement

### Lath and One-Coat Stucco

#### Scope of Work

- Smoking, drinking, cooking and eating are strictly prohibited in all homes under construction. No tools are allowed on finished surfaces, and no shoes are allowed on any finished flooring. Bathrooms shall not be used in any house at any time.
- At no time shall Subcontractor negotiate and/or perform work for customers in homes that have not closed. All work, performed directly for customers, must be negotiated and completed after customer closes and takes ownership of the home. Violation of this rule shall result in termination of service.
- If the applicable ICC/ESSR report specifies that applicators must be manufacturer approved or listed, then Subcontractor's applicators must be so approved or listed, and Subcontractor shall provide appropriate written documentation confirming those designations.
- In the event of a conflict between the terms and specifications set forth in this scope and those of the most recent published ICC report for the product in question, the terms and specifications set forth in the ICC report shall govern.
- Subcontractor shall provide completed installation card to the Contractor per the applicable ESR report for the material used.

#### COMMUNICATION AND SCHEDULING



Subcontractor shall use the BuildPro/SupplyPro system to communicate: Scheduling, Rescheduling, Notes, Change Orders, Cancellations, EPO's, Back Charges, Defect and SWPPP Alerts. Subcontractor will establish specific individuals that will have a fluent understanding and working knowledge of the system and will be able to utilize the system as a primary communication tool between Builder and Subcontractor.

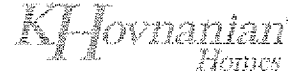
#### MATERIALS

Subcontractor will furnish and install all materials as required to complete the contracted work, including but not limited to: a secondary water-resistive vapor-permeable barrier at wood framed walls, corrosion-resistant lath and lath attachments, weep screed, expansion joint, sand, and Portland cement plaster.

#### APPROVED MANUFACTURERS:

- Approved Manufacturer's for this scope of work.
  - OMEGA
  - Parex/Merlex
  - Amerimix Pre-mix (Approved Townhome product only)
- All materials must comply with the latest versions of the approved manufacturer's ICC/ESR reports as appropriate;
- Product substitutions shall not be accepted without prior written approval. To gain approval, Subcontractor shall provide submittals (including appropriate manufacture's ICC/ESSR reports) to

 /   
Contractor / Subcontractor



Arizona and California Divisions

## Exhibit A to Work Agreement

### Lath and One-Coat Stucco

#### Scope of Work

the Contractor's Purchasing Department for written approval prior to any changes made in products or manufacturers.

- Alternate materials that are equal to the products specified by Contractor may be submitted to the Contractor Purchasing Department in writing for approval PRIOR to bid. Alternate materials will not be accepted after bid.

#### HOUSE WRAP (WEATHER RESISTIVE BARRIER):

- Subcontractor shall use, as a minimum, 60 minute Kraft Paper equivalent to Type 1, Grade D, Style 2 – Building Paper as specified by the appropriate ICC report

#### FOAM BOARD:

- Foam pop-outs: Pre-sized and shaped, 1 pound per cubic foot polystyrene per approved construction documents and Contractor Community Specifications.

#### LATH:



- Wire Lath:
  - All wire lath shall comply with ICC-ES Acceptance Criteria for Metal Plaster Bases (Lath) (AC191)
  - 20-gauge galvanized steel self-furring woven wire fabric with 1" hexagonal openings shall be used for all wall applications.
  - 1.75 lb/ft<sup>2</sup> diamond mesh self-furring lath shall be used in all cantilever applications.
  - 2.5 lb/ft<sup>2</sup> or heavier self-furring, corrosion resistant, diamond mesh lath for all stone/brick veneer locations per the stone/brick veneer manufacturers ICC-ES report.

#### ACCESSORIES

- Corner Aide: 3/4 inch bull nose of a minimum 20 gauge galvanized finish.
- Subcontractor shall use #7 weep screed sized appropriately for specific application.
  - 7/8" weep screed with extended leg shall be used at all OSB shear wall locations
  - 1 3/8" weep screed shall be used at all other locations

#### CAULKS:

- Only urethane caulks shall be used when making repairs to Grade D Kraft Paper
- Latex based caulks are only allowed to fill voids in insulation board less than 1/4" wide. Gaps in excess of 1/4" are not allowed.

 /   
Contractor / Subcontractor



Arizona and California Divisions

## Exhibit A to Work Agreement

### Lath and One-Coat Stucco

#### Scope of Work

#### EXTERIOR POLYURETHANE PRODUCTS:

- Supplied by Subcontractor and to be installed per manufacturer specifications. Refer to Contractor approved construction documents and Community Specifications for additional information.


#### INSTALLATION


##### GENERAL

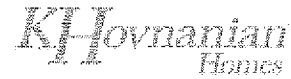
- Subcontractor shall furnish and install their product as specified by the Contractor in accordance with the plans, specifications, and selection sheets for the community.
- Subcontractor will ensure consistent texture, of a style acceptable to the CCM or as otherwise specified in the plans and specifications is applied throughout the house
- Subcontractor shall ensure hose bibs are square to wall and protected during stucco application.
- Subcontractor shall ensure exterior boxes are not filled with stucco material.
- Installations shall fully comply with appropriate manufacture's ICC/ESR reports. It is the Subcontractor's responsibility to ensure that wall cavities between shower/tub and Lath are insulated before applying felt paper and foam. If insulation is missing, the Subcontractor will contact the Contractor's Community Construction Manager to obtain insulation.
- Separation of stucco from other components, such as windows, shall be observed as specified by the component manufacturer's installation instructions.

##### SCAFFOLDING:

- Subcontractor shall notify the Contractor's Community Construction Manager in writing of issues or defects that will affect the ability of the Subcontractor to properly install scaffolding prior to commencement of work. If Subcontractor continues installation of scaffolding, he/she will be responsible for any costs incurred.
- Subcontractor shall erect all scaffolds required by both lath and plaster crews.
- Subcontractor shall take necessary precaution in scaffold erection and handling to protect and not damage roofing work, e.g. edge metal and dry-in layers of roofing paper. If damage occurs, Subcontractor will be responsible for repairs.
- Subcontractor will ensure written documentation of required scaffolding inspections are immediately available to the Contractor on the job site and Subcontractor's employees working on the scaffolding. Contractor assumes no responsibility for the proper installation and use of scaffolding.

  
Contractor

  
Subcontractor



Arizona and California Divisions

## Exhibit A to Work Agreement

### Lath and One-Coat Stucco

#### Scope of Work


- Subcontractor's competent person will inspect scaffolding immediately prior to each use to verify it is in operational and acceptable condition. Documentation indicating the date and time of inspection shall be placed on the scaffold.
- Scaffolding shall be removed within 24 hours of completion of job or as directed Contractor.
  - Subcontractor shall coordinate with Contractor's Purchasing Manager prior to start of job to determine if scaffolding to remain in place for additional subcontractor use.


#### DELIVERY, STORAGE, AND HANDLING:

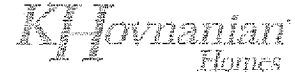
- Delivery, storage and handling practices must comply with appropriate ICC report.
- Materials must be placed on the lot and delivered just in time for use. No bulk storage of Lath materials is allowed.
- Equipment is NOT allowed on driveways, patios or other flatwork (does not include scaffolding).
- Sand is to be delivered in such a manner as to ensure material is not contaminated.
  - Acceptable delivery Methods include:
    - Bagged sand stacked and delivered on a pallet
    - Bulk sand delivered in a plastic tub or on a sheet of plastic
- All concrete and stucco materials are to be covered to protect them from the weather and stored on pallets or other materials to avoid contact with the ground.

#### HOUSE WRAP (WEATHER RESISTIVE BARRIER):

- #7 weep screed shall be installed tight to wood plate and sealed with caulk (see attachment 1).
  - 7/8" weep screed with extended leg shall be installed at all locations where 1/2" OSB or plywood is installed at the sill plate
  - 1 3/8" weep screed shall be used at all other locations.
  - It shall not be installed over concrete stem walls or any obstruction protruding out beyond the face of wall in excess of 1/4-inch.
  - Subcontractor shall apply a self-adhesive membrane material at all inside and outside corners over the weep screed to protect craft paper from cuts and tears on the sharp edges of the weep screed.
- In locations where insulation board will not be installed over the drainage-plane layer, a second, independent layer of Kraft Paper shall be installed in a weatherboard fashion over that layer to serve as a bond break.
  - When two layers of Kraft Paper are installed, they are to be installed as two independent layers.
- Subcontractor will clip all shiners prior to sealing with a urethane caulk.
- All tears or penetrations to the vapor barrier are to be repaired using additional Grade D Kraft Paper and urethane caulks. Latex caulk will NOT be used to make repairs to Kraft Paper.
- Flashing shall be installed at all windows, doors, intersections, and penetrations, and properly integrated with the drainage plane.

  
Contractor

  
Subcontractor



Arizona and California Divisions

**Exhibit A to Work Agreement**

**Lath and One-Coat Stucco**

**Scope of Work**

- Subcontractor shall ensure all flashing installed by others is properly integrated into the drainage plane layer.
- Both the drainage plane layer and bond break layer (where applicable) shall be layered shingle style over the weep screeds' flange



**LATH INSTALLATION:**

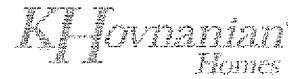
- Subcontractor shall keep air pressure to nail guns adjusted properly to avoid over penetration of nails and staples.

**FOAM BOARD INSTALLATION:**

- Subcontractor shall not cut foam or other materials while laid directly on roof dry-in layer of felt paper. Subcontractor shall be responsible for any damage to roofing dry-in materials.
- "Tongue and groove" application between foam boards shall always be utilized unless physically impossible. In those limited cases, all non-factory butt joints will be sealed using an approved latex caulk. Cost savings measures are not an acceptable reason for utilizing non-tongue-and-groove butt joints.
- No gaps in excess of 1/4" are allowed. All gaps shall be caulked using a latex caulk.
- Subcontractor will caulk all penetrations through insulation board to include plumbing and electrical using a latex caulk. Caulking will form a continuous bead around penetrations.
- All locations where foam abuts a window frame will be installed with a chamfered edge and caulked with a latex caulk
- Insulation board equipped with drainage groves shall be installed with grooves in the vertical position.
- All pop outs plus 4" and smaller shall be applied by Subcontractor. All pop outs larger than plus 4" shall be framed out by framing subcontractor.
- Subcontractor will clip all shiners prior to sealing with a urethane calk.
- The lath should be continuous across the entire wall. The lath should also be applied to all architectural features.
- Metal lath is to be nailed tight into all inside corners.
- All corners shall receive corner aid fastened securely. All windows, doors and trim detail shall be "plumb and level" and all corners shall be square.
- Metal Lath reinforcement set at window sills shall provide a positive drainage away from window.
- See Contractor's Community Construction Manager for placement of address tile.
- When specified by the architect or designer, control joints should align with window and door openings.

**EXTERIOR STONE MASONRY VENEER PREPARATION:**



  
 Contractor / Subcontractor



Arizona and California Divisions

## Exhibit A to Work Agreement

### Lath and One-Coat Stucco

#### Scope of Work



- Subcontractor shall provide the substrate preparation for all stone veneer locations as part of contract and manufacturer's instructions.
- Subcontractor shall install lath per manufacturer's requirements with the long dimension perpendicular to the supports.
  - Subcontractor shall lap lath not less than 1" at sides and ends (horizontally and vertically).
- Subcontractor shall terminate lath on the sill plate.
- Metal lath shall be installed with the small cups pointing upwards.
- Subcontractor shall double lap the metal lath a minimum of 16" around all inside and outside corners ensuring not to pull lath too tightly at corners or edges.
- Subcontractor shall attach the lath using galvanized nails or staples 6" on stud center vertically and 16" on stud center horizontally. Subcontractor to follow nail pattern of stucco lath to ensure nails and/or staples are installed in studs. Subcontractor will be responsible for damage to the vapor barrier caused by nailing in areas without stud backing.
- Subcontractor shall apply a Type S mortar at the masonry veneer areas. Masonry areas are required to have a visible and well defined "scratch" applied to the surface.

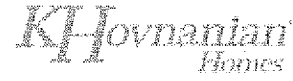
#### STUCCO APPLICATION:

- Subcontractor shall mask and/or cover all windows, block/brick veneers, doors, window and doorframes, thresholds, exposed concrete, patio roofs, roof tiles and any exposed finish items.
- All vents, electrical boxes and any such openings shall be kept free of lath and plaster.
- Should stucco get on any glass surface, Subcontractor shall hose the glass off immediately to prevent scratches. If scratches on glass are present after stucco is complete the Subcontractor will be back charged for repairs.
- Subcontractor shall keep all stucco products off all concrete flatwork when mixing. Mixing is only allowed on the lot on which work is being done with a tarp or plastic drop cloth underneath mixer.
- Subcontractor shall ensure foundation stem walls remain free of stucco.
- Coordinate cutting of plastic sheeting at windows with drywall subcontractor to allow ventilation for taping work. Ensure window tracks are covered at all times during stucco work.
- Separation of stucco from other components, such as windows, shall be observed as specified by the component manufacturer's installation instructions.
- The brown coat shall be permitted to cure or develop enough rigidity to resist cracking or other physical damage when the next coat is applied.
- Subcontractor shall moisten base coat evenly just before applying finish coat.
- The finish coat shall be per the Contractor's "Community Specifications" for stucco texture finish.

#### HYDRATION

- Subcontractor shall ensure water application occurs a minimum of once per day for the 3 work days following completion of the texture coat. Additional hydration may be needed depending on environmental conditions. Subcontractor is responsible for ensuring adequate hydration.

 /   
Contractor / Subcontractor



Arizona and California Divisions

## Exhibit A to Work Agreement

### Lath and One-Coat Stucco

#### Scope of Work

- All stucco areas of the entire home will be included when watering.
- Subcontractor shall clearly mark front of home with date water application occurs.
- To hydrate each coat, the wall surface shall be flooded with a gentle stream of water, working from the bottom to the top until the water runs off in sheets.
- Subcontractor shall not allow water to flood openings in the stucco such as electrical penetrations.
- The curing of stucco will be determined via the pH value. pH value should be tested by contractor within 24 hours of last scheduled watering. Testing method must be one that provides a numeric pH value. If pH is 10 or higher, additional watering should be performed until pH is below 10, 24 hours after watering.

#### TOLERANCES


- Solid base surfaces shall be straight and true to within 1/4" in 10';
- Control joints must be installed when and how specified by the architect or designer
- Plaster cannot be applied over frozen base or base containing frost;
- Plaster shall be protected from freezing for a minimum of 24 hours after application;


#### CLEAN-UP:

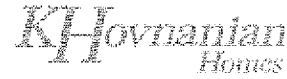
- Subcontractor shall clean entire home site of all trash and debris resulting from Lath and Stucco work.
- Subcontractor shall ensure all scrap Lath board shall be removed from the site and disposed of in the trash bins provided or hauled away by the Subcontractor.
- Subcontractor shall not allow stucco droppings to come in contact with the ground. All stucco droppings must fall on plastic sheeting or similar material. Subcontractor shall move stucco droppings, once dry, and plastic from around the home to the front yard for removal by others.
- Concrete/stucco mixers shall be placed on a tarp or plastic during while in use.
- Concrete/stucco mixers shall only be washed out at the concrete washout pit located in the community or in designated washout tubs when feasible (at the Subcontractors sole expense).
- Do not overfill trash bins. Subcontractor will be held responsible for any Lath materials that are blown out of overfull trash bins.

#### PUNCH WORK

- Subcontractor shall thoroughly repair stucco deficiencies prior to Exterior Paint day according to the Contractor's Construction Schedule. Patch and repair work shall match in texture and consistency to house finish.
- Notify the Contractor's Community Construction Manager in writing of any damage caused by others.

  
Contractor

  
Subcontractor



Arizona and California Divisions

**Exhibit A to Work Agreement**

**Lath and One-Coat Stucco**

**Scope of Work**

**QUALITY STANDARDS INSPECTION (QSI)/GOLD KEY ORIENTATION (GKO)**

All Quality Assurance Review and/or Gold Key Orientation items that are identified must be completed the next business day following date of notification.

**ADDITIONAL JOB PROCEDURES**

Plans are subject to changes and modifications. It is the responsibility of Subcontractor to have the most current set of plans available before beginning work. Subcontractor will, at no cost to Contractor, print any copies of plans they may need to perform work for Contractor. Subcontractor, at no cost to Contractor, will correct any errors which occur as a result of using an incorrect set of plans. Plan changes, should they occur, will be posted to the BuildPro/SupplyPro web site and/or e-mailed to Subcontractor by Contractor's Purchasing Department.

Purchase orders will be sent to Subcontractor via BuildPro/SupplyPro or e-mail when the home starts production. If a purchase order has not been received prior to Subcontractor's scheduled commencement date, then Subcontractor shall notify Contractor in writing. If Subcontractor receives a purchase order they feel is the wrong amount, Subcontractor must contact Contractor in writing for resolution prior to starting work.



At the end of each work day and again at completion of the job, the house shall be broom-swept. All remaining materials at the end of each work day will be neatly stacked in the garage area or on the side of the home.

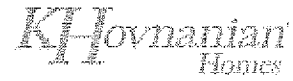
Prior to beginning their work, Subcontractor must ensure the job is ready for them to perform their work and verify products and materials being installed with the most current start information and customer selection sheets. Any issues identified that could affect Subcontractor's ability to properly perform their work must be communicated in writing to Contractor for correction. Once Subcontractor has determined the job is ready, Subcontractor accepts full responsibility for their work even if the quality of their work is affected by a prior Subcontractor's work.

Any items identified during an inspection (either by a third party, municipality or Contractor) shall be corrected the next day. All deficiencies must be corrected before payment will be made.

**VARIANCE PURCHASE ORDERS**

Prior to work start for non-contracted/extra work, the Community Construction Manager must provide Subcontractor with a copy of the Variance Purchase Order (VPO). In an emergency situation (i.e., flooding), the Community Construction Manager may authorize work without a VPO, however a VPO for this work must be obtained by Subcontractor by close of business the next business day. This copy of the VPO is to authorize work and is not to be submitted by Subcontractor for payment.

 /   
Contractor / Subcontractor



Arizona and California Divisions

**Exhibit A to Work Agreement**

**Lath and One-Coat Stucco**

**Scope of Work**

Pricing provided to Community Construction Manager must be unbundled to show separate costs for materials, labor and trip charges as applicable.

Refer to the Contractor's Variance Purchase Order Policy provided in the Subcontract for complete details. In all cases the Contractor's Variance Purchase Order Policy supersedes any information in the Variance Purchase Order section of this Scope of Work.

**HOMEOWNER SERVICE/WARRANTY**



Warranty service appointments will be set with no more than a 5 day lead time and will be scheduled to occur within a four hour block. Appointments will be scheduled Monday through Friday from 8am – 12pm or 12pm – 4pm. Failure to show during the scheduled appointment times will constitute a missed appointment and Subcontractor will be subject to \$250 back charge.

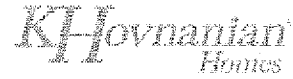
In the event an appointment needs to be rescheduled, it is the responsibility of the Subcontractor to contact the Homeowner Service Manager to reschedule. A mandatory minimum of 24 hours' notice is required when an appointment must be rescheduled. If the Subcontractor is going to be late for an appointment, they must make contact with both the Homeowner and the Homeowner Service Manager to inform of the tardiness. A no show appointment or tardiness without notice will constitute a missed appointment and Subcontractor will be subject to a \$250 back charge

Subcontractor must protect the home and the homeowner's possessions conducting warranty work. Subcontractor is required to supply shoes covers to employees while performing work on an interior of a home. Subcontractor will leave the home clean or Contractor will have the home cleaned and back charge Subcontractor the cost of the cleaning plus an administrative fee of \$250.

Subcontractor's employees or representatives are required to be neat, clean and present a professional image. They must have identification indicating they are employed by Subcontractor (company uniform or identification), and behave in a professional and courteous manner at all times when dealing with our homeowners. The inability for our homeowners to communicate with service personnel is a growing issue: Subcontractor will ensure its employees are able to communicate in English. When a language barrier exists between service personnel and homeowner, the Subcontractor will provide a supervisor or representative to translate in English between employee and homeowner. If a Subcontractor's employee or representative does not meet these standards, we will treat this as a missed appointment resulting in a \$250 back charge.

Subcontractor is responsible for picking up and confirming all work order requests from Corrigo software. They must arrive at all service appointments with a K. Hovnanian work order and all needed materials to complete the scope of work listed in the work order. When work is completed, Subcontractor is required to obtain a certification of completion signature from the homeowner on a K. Hovnanian work order. This work order, including homeowner signature will be returned to K. Hovnanian Homeowner Service Department.

  
Contractor /   
Subcontractor



Arizona and California Divisions

**Exhibit A to Work Agreement**

**Lath and One-Coat Stucco**

**Scope of Work**

All vehicles used for warranty service must be clean and in good repair and parked in front of the home where work is to be conducted when such parking is allowed per local municipality rules and regulations.

**SAFETY COMPLIANCE**

Subcontractor shall comply with all Federal, State, and local rules and regulations governing safety. A "Competent Person" must be identified in writing for all high risk jobs involving scaffolding, excavations and fall protection. Written documentation of Subcontractor's Competent Persons for each jobsite must be provided to Contractor's Safety Director when requested within 1 business day of the request. Request for written documentation may be verbal or written. If a Competent Person is not available on site as required to monitor the work, the Subcontractor shall stop all work.

If a safety rail must be temporarily removed to facilitate a safer working environment, the safety rail must be re-installed by Subcontractor who removed them immediately upon completion of their work unless the original hazardous condition requiring installation of the safety rails has been eliminated.

**ENVIRONMENTAL PROTECTION RULES AND REGULATION COMPLIANCE**

Subcontractor shall comply with all Federal, State, and local rules and regulations governing environmental compliance to include, but not limited to, Stormwater Pollution Prevention Programs and Dust Control programs.

Storage yards (Bone Yards) must be approved in writing by the Community Construction Manager and must be prepared in accordance with applicable rules and regulations at Subcontractor's sole expense. Storage yards must include fencing (may be silt fencing) to contain travel to the storage yard, a track out control device at the entry and must be covered in a suitable substance to create an "unpaved parking lot" as defined by Maricopa County Dust Control Rules and Regulations. Further, in the event the storage yard must be moved or dismantled, Subcontractor will assume all liability, financial and/or other, for the preparation and recertification of the lot for construction.

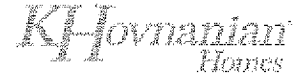
DocuSigned by:  
Todd Jones  
Signature

Date 2/22/2018 | 9:52:41 AM PST

Desert Vista, Inc  
Company

BC  
Contractor

TJ  
Subcontractor



Arizona and California Divisions

**Exhibit A to Work Agreement**  
**Lath and One-Coat Stucco**  
**Scope of Work**

DocuSigned by:  
*Barbara Clark*  
Signature

Date 2/22/2018 | 1:00:02 PM EST

Contractor  
**Attachment 1**

DS  
*BC*  
Contractor

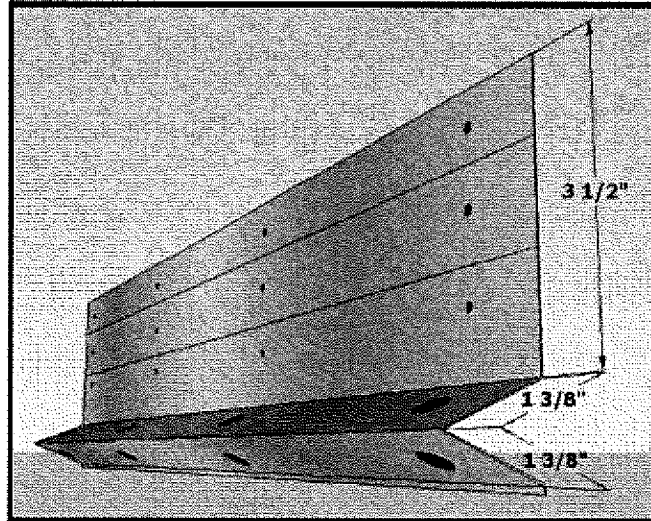
DS  
*TJ*  
Subcontractor

**Exhibit A to Work Agreement**

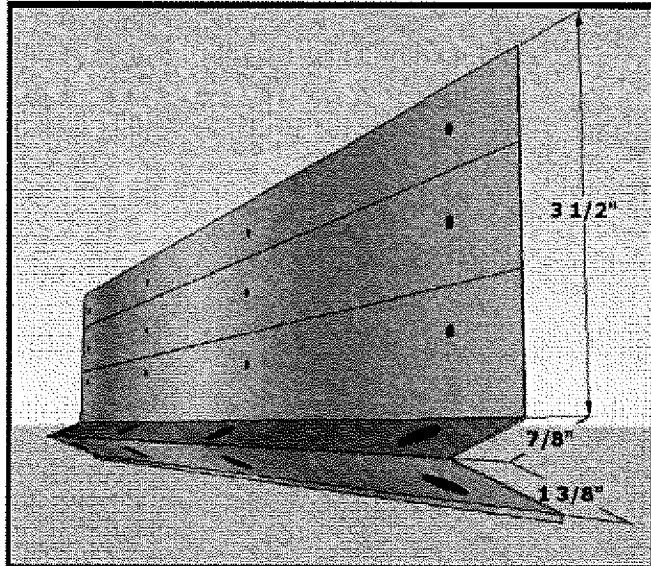
**Lath and One-Coat Stucco**

**Scope of Work**

#7 Weep-Screed to be used at all typical frame-to-stem transitions.

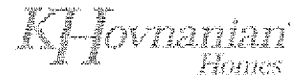


Modified #7 Weep-Screed to be used at all frame-to-stem transitions where shear panels are in place. Use of this configuration will minimize gaps at the stem and will better protect against water intrusion.



DS  
BC  
Contractor

DS  
TJ  
Subcontractor



Arizona and California Divisions

### Exhibit A to Work Agreement

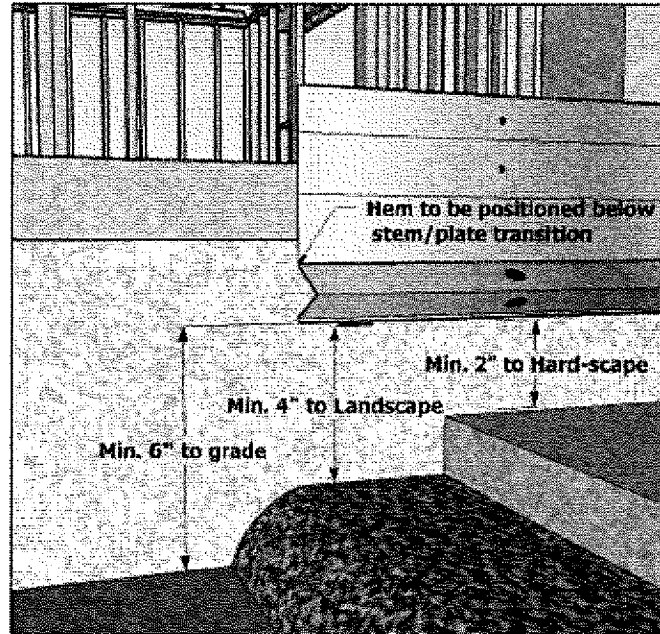
### Lath and One-Coat Stucco

### Scope of Work

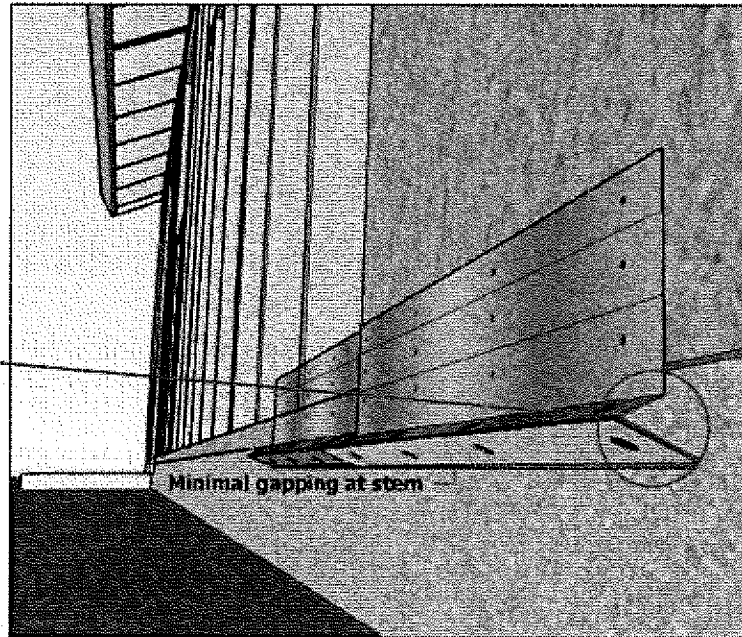
#7 Weep-screed should be placed so that the hem at the off-set is slightly below the stem/bottom plate transition.

There must be

- 2" of separation between the weep and paved surfaces (walkways, stoops, patios or any other solid surface)
- 4" of separation between the weep and landscaping (nominal cover is 2")
- 6" of separation between the weep and earth.

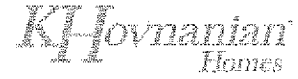


Modified #7 Weep-screed is to be used at shear-panel locations. The smaller dimension at the upper leg of the offset compensates for the thickness of the panel and allows the lower leg of the offset to fully return to the stem, thus minimizing gaps.



DS  
BC  
Contractor

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Arizona and California Divisions

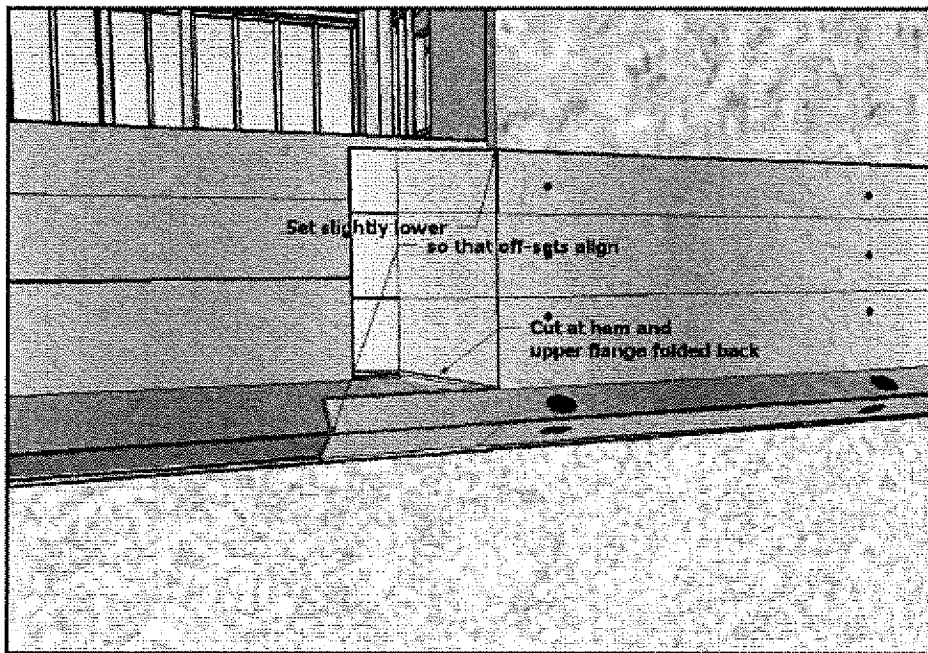
### Exhibit A to Work Agreement

#### Lath and One-Coat Stucco

#### Scope of Work

Transitions between these two types of weep-screed should be done as shown below:

- The modified screed should be lapped on top of the standard screed
- It will be placed slightly lower so that the offsets align
- It will be cut at the hem and the upper flange will be folded back and secured in place on top of the standard-screed.



DS  
BC  
Contractor

DS  
TJ  
Subcontractor

Exhibit B to Work Agreement

Pricing

Exh B to Work Agreement

Page 1

Contractor Initials: 

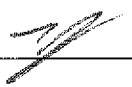
Subcontractor Initials: 

EXHIBIT B TO MASTER SUBCONTRACT

Pricing

"PRICING FOR EACH PROJECT SHALL BE AS SPECIFIED IN THE APPLICABLE WORK AGREEMENT FOR SUCH PROJECT"


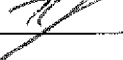
Contractor Initials:  Subcontractor Initials: 



EXHIBIT C-1 TO MASTER SUBCONTRACT  
CONDITIONAL WAIVER AND RELEASE UPON PROGRESS PAYMENT

Project: \_\_\_\_\_  
Job Number: \_\_\_\_\_

Upon receipt by the undersigned of a check from \_\_\_\_\_ (Maker of Check) in the sum of \$\_\_\_\_\_ (Amount of Check) payable to \_\_\_\_\_ (Payee or Payees of Check), and when the check has been properly endorsed and has been paid by the bank upon which it is drawn, this document becomes effective to release any mechanic's lien, any state or federal statutory bond right, any private bond right, any claim for payment and any rights under any similar ordinance, rule or statute related to claim or payment rights for persons in the undersigned's position that the undersigned has on the job of \_\_\_\_\_ (Owner) located at \_\_\_\_\_ (Job Description) to the following extent. This release covers a progress payment for all labor, services, equipment, or material furnished to the jobsite or to \_\_\_\_\_ (Person with whom undersigned contracted) through \_\_\_\_\_ (Date) only and does not cover any retention, pending modifications and changes or items furnished after that date. Before any recipient of this document relies on it, that person should verify evidence of payment to the undersigned.

The undersigned warrants that he either has already paid or will use the monies he receives from this progress payment to promptly pay in full all of his laborers, subcontractors, materialmen and suppliers for all work, materials, equipment or services provided for or to the above referenced project up to the date of this waiver.

Date: \_\_\_\_\_

\_\_\_\_\_  
(Company Name)

By: \_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Title)

Contractor Initials:                      Subcontractor Initials:

EXHIBIT C-2 TO MASTER SUBCONTRACT

UNCONDITIONAL WAIVER AND RELEASE UPON PROGRESS PAYMENT

Project: \_\_\_\_\_  
Job Number: \_\_\_\_\_

The undersigned has been paid and has received a progress payment in the sum of \$ \_\_\_\_\_ for all labor, services, equipment or material furnished to the jobsite or to \_\_\_\_\_ (Person with whom undersigned contracted) on the job of \_\_\_\_\_ (Owner) located at \_\_\_\_\_ (Job Description) and does hereby release any mechanic's lien, any state or federal statutory bond right, any private bond right, any claim for payment and any rights under any similar ordinance, rule or statute related to claim or payment rights for persons in the undersigned's position that the undersigned has on the above referenced project to the following extent. This release covers a progress payment for all labor, services, equipment or materials furnished to the jobsite or to \_\_\_\_\_ (Person with whom undersigned contracted) through \_\_\_\_\_ (Date) only and does not cover any retentions, pending modifications and changes or items furnished after that date. The undersigned warrants that he either has already paid or will use the monies he receives from this progress payment to promptly pay in full all of his laborers, subcontractors, materialmen and suppliers for all work, materials, equipment or services provided for or to the above referenced project up to the date of this waiver.

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Company Name)

By: \_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Title)

**NOTICE: THIS DOCUMENT WAIVES RIGHTS UNCONDITIONALLY AND STATES THAT YOU HAVE BEEN PAID FOR GIVING UP THOSE RIGHTS. THIS DOCUMENT IS ENFORCEABLE AGAINST YOU IF YOU SIGN IT, EVEN IF YOU HAVE NOT BEEN PAID. IF YOU HAVE NOT BEEN PAID, USE A CONDITIONAL RELEASE FORM.**

Contractor Initials:     *JK*     Subcontractor Initials:     *JK*

EXHIBIT C-3 TO MASTER SUBCONTRACT

CONDITIONAL WAIVER AND RELEASE UPON FINAL PAYMENT

Project: \_\_\_\_\_  
Job Number: \_\_\_\_\_

On receipt by the undersigned of a check from \_\_\_\_\_ (Maker of Check) in the sum of \$\_\_\_\_\_ (Amount of Check) payable to \_\_\_\_\_ (Payee or Payees of Check) and when the check has been properly endorsed and has been paid by the bank upon which it is drawn, this document becomes effective to release any mechanic's lien, any state or federal statutory bond right, any private bond right, any claim for payment and any rights under any similar ordinance, rule or statute related to claim or payment rights for persons in the undersigned's position, the undersigned has on the job of \_\_\_\_\_ (Owner) located at \_\_\_\_\_ (Job Description). This release covers the final payment to the undersigned for all labor, services, equipment, or material furnished to the jobsite or to \_\_\_\_\_ (Person with whom undersigned contracted) except for disputed claims in the amount of \$\_\_\_\_\_. Before any recipient of this document relies on it, that person should verify evidence of payment to the undersigned.

The undersigned warrants that he either has already paid or will use the monies he receives from this final payment to promptly pay in full all his laborers, subcontractors, materialmen and suppliers for all work, materials, equipment or services provided for or to the above referenced project up to the date of this waiver.

Date: \_\_\_\_\_

\_\_\_\_\_  
(Company Name)

By: \_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Title)

Contractor Initials:     *JS*     Subcontractor Initials:     *JS*

EXHIBIT C-4 TO MASTER SUBCONTRACT

UNCONDITIONAL WAIVER AND RELEASE UPON FINAL PAYMENT

Project: \_\_\_\_\_  
Job Number: \_\_\_\_\_

The undersigned has been paid in full for all labor, services, equipment or material furnished to the jobsite or to \_\_\_\_\_ (Person with whom undersigned contracted) on the job of \_\_\_\_\_ (Owner) located at \_\_\_\_\_ (Job Description) and does hereby waive and release any right to mechanic's lien, any state or federal statutory bond right, any private bond right, any claim for payment and any rights under any similar ordinance, rule or statute related to claim or payment rights for persons in the undersigned's position, except for disputed claims for extra work in the amount of \$ \_\_\_\_\_.

The undersigned warrants that he either has already paid or will use the monies he receives from this final payment to promptly pay in full all of his laborers, subcontractors, materialmen and suppliers for all work, materials, equipment or services provided for or to the above referenced project.

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Company Name)

By: \_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Title)

**NOTICE:**

**THIS DOCUMENT WAIVES RIGHTS UNCONDITIONALLY AND STATES THAT YOU HAVE BEEN PAID FOR GIVING UP THOSE RIGHTS. THIS DOCUMENT IS ENFORCEABLE AGAINST YOU IF YOU SIGN IT, EVEN IF YOU HAVE NOT BEEN PAID. IF YOU HAVE NOT BEEN PAID, USE A CONDITIONAL RELEASE FORM.**

Contractor Initials:     *JS*     Subcontractor Initials:     *MP*

EXHIBIT D TO MASTER SUBCONTRACT

Insurance Requirements

Prior to the start of any Work, Subcontractor must provide Contractor with a Certificate of Insurance issued on an "ACORD 25-S" form evidencing the following primary, non-contributing insurance coverage, together with an ISO standard "CG 20 10 (11 85 version or its equivalent)" endorsement naming "Hovnanian Enterprises, Inc., its trade partners, subsidiaries and affiliated companies, as owner and contractor" as additional insured:

- Workers Compensation – Statutory
- Employers Liability
  - \$1,000,000 each accident
  - \$1,000,000 each employee
  - \$1,000,000 disease limit
- Commercial General Liability
  - \$1,000,000 each occurrence
  - \$1,000,000 Product/Completed Operations Aggregate
  - \$1,000,000 Personal and Advertising Injury
  - \$2,000,000 General Aggregate
- Miscellaneous coverage customarily carried by businesses engaging in comparable work, including: Products/Completed Operations including coverage for residential construction; Premises/Operations, including deletion of explosion, collapse and underground hazards (XCU) exclusions; Independent Contractor's Protective Liability; Broad Form Contractual Liability; Personal Injury Liability; and Host Liquor.
- Automobile Insurance
  - \$1,000,000 Bodily Injury/Property Damage Combined Single Limit

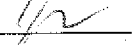

Contractor Initials:  Subcontractor Initials: 

EXHIBIT E TO MASTER SUBCONTRACT

Safety Procedures and Project Site Rules and Regulations

The following policies have been instituted and shall be binding on Subcontractor in order to permit Contractor to properly safeguard each Project Site and maintain control over the physical premises, with a view toward eliminating theft, vandalism, avoiding unnecessary Project Site injuries caused by accidents, and alleviating the likelihood of work slowdowns, stoppages and products delays resulting from disruptions. Such procedures, rules and regulations shall apply to each Project Site and are as follows:

1. Safety Precautions. Subcontractor shall take all reasonable safety precautions with respect to the performance of the Work, shall comply with all safety measures initiated by Contractor and shall comply with all applicable Laws with respect to the safety of persons or property, including without limitation all applicable Laws of the Occupational Safety and Health Act, 29 U.S.C. section 651 et seq. ("OSHA") as promulgated by The Industrial Commission of Arizona, Arizona Division of Occupational Safety and Health ("ADOSH") and any other applicable public authority (collectively, the "Safety Rules").

(a) Subcontractor shall protect the materials and the Work from deterioration and damage during construction, shall store and secure flammable material from fire, and shall remove oily rags, waste and refuse from buildings at the end of each work day.

(b) Subcontractor shall maintain all temporary walkways, roadways, trench covers, barricades, colored lights, danger signals and other devices necessary to provide for safety in traffic and on the Project Site.

(c) Subcontractor shall immediately notify Contractor of any accident, death, traumatic injury or occupational disease occurring on the Project Site, and a senior executive of Subcontractor shall visit the Project Site within 24 hours of such an event to review what occurred and to plan steps to prevent further deterioration of safety performance. Subcontractor shall make a complete written report to Contractor of any accident, death, traumatic injury or occupational disease occurring on the Project Site or of any damage to any person, property, materials, supplies or equipment incident to the Work within three (3) days of the date of such injury, or damage, including, without limitation, any injury which may result in an employee of Subcontractor being unable or unfit to work for any period of time.

(d) Subcontractor recognizes that Contractor has the right (but not the obligation) to ascertain whether or not the personnel and equipment of Subcontractor are in compliance with the requirements of ADOSH, any other applicable public authority or the Safety Rules. This right is applicable even when direct employees of Contractor are not involved. Contractor's project superintendent or other personnel shall have the right to examine any equipment brought to the job by Subcontractor or any of its employees, suppliers, sub-subcontractors or agents and to inform Subcontractor of any requirement that Subcontractor's employees, suppliers, sub-subcontractors and agents wear protective equipment or otherwise observe good safety practice. In the event Contractor becomes aware of any violation of the Safety Rules by Subcontractor or any employee, supplier, sub-subcontractor or agent of Subcontractor, Contractor (or its project superintendent or other personnel) shall have the right to provide Subcontractor with a written notice (the "Safety Notice") of such failure to comply with the Safety Rules and impose reasonable fines on Subcontractor. Such Safety Notice shall be sent by Contractor to Subcontractor at the address given on the cover page of this Subcontract and to Subcontractor's field representative and the Safety Notice will apprise Subcontractor of a failure to adhere to the Safety Rules. If Subcontractor fails to rectify the applicable violation(s) of the Safety Rules within twenty-four (24) hours of receipt of the Safety Notice, Subcontractor shall be deemed to be in default under this Subcontract. In the event that Subcontractor or Subcontractor's employees, agents, suppliers or sub-subcontractors violate the Safety Rules, then Contractor shall have the right to fine or backcharge Subcontractor \$100.00 per occurrence

(e) Subcontractor also recognizes the obligation of its employees, agents, suppliers, sub-subcontractors, and visitors to comply with common sense and other general safety standards in connection with the Work.

(f) Subcontractor shall conduct inspections to determine that safe working conditions and equipment exist and accepts sole responsibility for providing a safe place to work for its employees and for employees of its sub-subcontractors and suppliers of material and equipment, for adequacy of and required use of all safety equipment and for full compliance with the Safety Rules.

(g) Without limiting the generality of Paragraph 15 of this Subcontract, and provided that this **Exhibit E, Paragraph 1** shall in no event be construed to require indemnification by Subcontractor to a greater extent than permitted by the Laws and the public policy of the State, and without in any manner limiting Contractor's rights and remedies in the event of a breach of this Subcontract, Subcontractor agrees to at all times indemnify, defend (with legal counsel selected by Contractor in its sole and absolute discretion) and hold harmless the Indemnified Parties, and each of them, from and against any and all Claims arising out of or in connection with Subcontractor's operations performed under this Subcontract or Work which constitute a violation or infraction by Subcontractor of any Safety Rule or other safety requirement described in this Exhibit E, Paragraph 1.

Exh E to Master Subcontract Agreement

Page 1

Contractor Initials: \_\_\_\_\_

Subcontractor Initials: \_\_\_\_\_

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(h) Subcontractor hereby certifies that its employees, agents and sub-subcontractors have received sufficient training, including without limitation any training required under the Safety Rules, and are regularly trained in the recognition and avoidance of potentially hazardous conditions in connection with the Work.

2. Compliance with Environmental, Health and Safety Standards.

(a) Compliance with Hazardous Substances Laws. Subcontractor shall not, in connection with this Subcontract or the Work, use, possess, handle, transport, emit, release or discharge any chemical, material or substance except as permitted by, and in strict compliance with, all applicable Laws, including, without limitation, the Comprehensive Environmental Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601 et seq.; the Hazardous Materials Transportation Act, as amended, 49 U.S.C. Section 1801 et seq.; the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Section 6901 et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. Section 1251 et seq.; the Occupational Safety and Health Act, as amended, 29 U.S.C. Section 651 et seq.; the Clean Air Act, as amended, 42 U.S.C. Section 7401 et seq., and all other applicable State and local Laws (referred to hereafter individually as "Hazardous Substance Law" and collectively as "Hazardous Substances Laws").

(b) Warnings. Subcontractor shall, at its sole expense, provide any and all notices and warnings required under all Hazardous Substances Laws with respect to any chemicals, materials or substances which Subcontractor, and its employees, suppliers, sub-subcontractors or agents, use, possess, handle, transport, emit, release, or discharge in connection with this Subcontract or the prosecution of any and all contract or non-contract work relating to the Project, including, without limitation, the Work.

(c) Labeling; MSDS Requirements. Contractor and all of its affiliated and subsidiary companies are firmly committed to providing employees, suppliers, subcontractors and agents with information about any hazardous work environment. As a matter of Contractor's company policy to provide its employees and other parties with information about hazardous chemicals on any Project Site through container labeling and Material Safety Data Sheets (MSDS), Subcontractor shall be obligated to compile a list of all hazardous chemicals that will be used on the Project Site by reviewing container labels and MSDS sheets. The list must be updated as necessary and shall be provided to the main office of Contractor. Subcontractor shall maintain a current copy of the list at the Project Site for inspection by Contractor, ADOSH or any other relevant inspector. Each container of materials deemed hazardous under the Hazardous Substances Laws which is used by Subcontractor on the Project Site shall, in addition to being properly labeled under applicable Hazardous Substances Laws, at a minimum list the contents of the container, appropriate hazard warnings and the name and address of the manufacturer, importer, or other responsible parties to the extent not already required under the Hazardous Substances Laws. In addition, Subcontractor shall label all secondary containers in compliance with applicable Hazardous Substances Laws, but, at a minimum, shall label such containers with either an extra copy of the manufacturer's label, or the signed or generic label that lists the container's contents and appropriate hazard warnings. Subcontractor shall also make MSDS sheets readily accessible to employees, suppliers, sub-subcontractors and agents at the Project Site. Training of Subcontractor's employees, suppliers, sub-subcontractors and agents on hazardous chemicals in their work area is solely the responsibility of Subcontractor. It is Subcontractor's sole responsibility to inform its employees, suppliers, sub-subcontractors and agents about hazards to which they may be exposed and the appropriate protective and safety measures they should take. To ensure that the employees of other contractors have access to information on the hazardous chemicals at the Project Site, it is the sole responsibility of Subcontractor to provide to the other suppliers, subcontractors and personnel on the Project Site information regarding where the MSDS sheets are available, the name and location of the hazardous chemicals to which their employees may be exposed and any appropriate protective measures required to minimize their exposure and an explanation of the labeling system used at the Project Site.

(d) Storm Water Pollution Prevention. Subcontractor shall comply with and fully cooperate with all Storm Water Pollution Prevention Plans ("SWPPP") adopted with respect to a Project pursuant to the Clean Water Act and all storm water pollution prevention plans and protection plans, orders, measures, actions and best management practices, as may be updated from time to time, instituted by Contractor, the U.S. EPA, and any federal, State, local or regional governmental or quasi-governmental regulatory agencies or water quality boards with competent jurisdiction. A designated representative of Subcontractor shall be in possession of the SWPPP permit approval letter, letter of delegation and plan while working on the job site. Subcontractor shall not alter, tamper with, destroy, or in any way compromise or negatively affect, by Subcontractor's actions or inactions, any Best Management Practices (BMPs) and physical controls in place to prevent and protect against storm water pollution. Subcontractor will follow all BMPs as set forth on the SWPPP plan and make all necessary efforts to maintain the integrity of same (original installation and maintenance by others unless specifically included in the Scope of Work). If during the course of Subcontractor's work temporary removal of any BMP is necessary, Subcontractor shall contact Contractor's authorized representative for approval prior to removal. Subcontractor shall promptly restore such BMP, or shall contact Contractor to restore such BMP. **Contractor may backcharge Subcontractor for any removal, destruction or impairment of BMPs at or in the vicinity of a Project Site by Subcontractor or any of its suppliers, subcontractors or their respective suppliers, employees or subcontractors.**

(e) Dust Control Permits. Subcontractor will comply with all conditions of the dust control permit obtained by Contractor with respect to the Project. Subcontractor will follow all best management practices applicable to Subcontractor's

Contractor Initials: \_\_\_\_\_

Subcontractor Initials: \_\_\_\_\_

Work as set forth in the permit and all Air Quality Control regulations. A designated representative of Subcontractor will have a copy of the permit in their possession while working on the job site. Dust control measures are included in the Contract Sum. The Subcontractor will be responsible for and shall pay any dust control fines incurred on this job due to work performed by Subcontractor or any of its sub-subcontractors or suppliers or their respective employees, agents or sub-subcontractors.

3. Clean-Up. Subcontractor shall at all times keep the areas of the Project Site free from the accumulation of waste materials, unsafe materials or rubbish arising out of the Work and prevent and protect against storm water pollution, including daily cleanup of all waste and trash generated by Subcontractor during the course of performing the Work. At the end of each work day, Subcontractor shall pile such waste and trash in locations designated by Contractor. Subcontractor shall be obligated to dispose of any material so piled which cannot be disposed of by Contractor in Contractor's ordinary and customary manner. In addition, Subcontractor agrees to remove all trash and waste generated by the Work from the interior of each housing unit on the Project Site in which Subcontractor is performing any part of the Work after completion of the applicable phase of the Work and further agrees to remove all excess materials from each such unit upon completion. Upon completion of the Work, Subcontractor shall remove all of its plans, tools, materials and other articles from the Project Site and any units therein and shall remove from the site all hazardous materials, temporary structures, debris and waste incident to Subcontractor's operation and clean all surfaces, fixtures, equipment, etc., relative to the performance of this Subcontract. Any such cleanup shall be accomplished in adherence with applicable Hazardous Substances Laws. Any hazardous waste required to be disposed of by Subcontractor will be the property of Subcontractor and Subcontractor hereby accepts liability for any and all costs associated with the handling, transportation and disposal of such waste, including, without limitation, costs associated with the remediation of any sites to which the waste was sent. Contractor may thereafter, at its option and without waiver of such other rights as it may have, upon ten (10) days written or oral notice, treat all such articles as abandoned property. Subcontractor acknowledges that the failure to perform such waste and trash removal obligations as set forth in this Exhibit E, Paragraph 3 shall cause Contractor to incur damages and the parties hereto agree that Contractor shall have the right to backcharge Subcontractor for any cleanup not properly completed by Subcontractor. Additionally, Subcontractor shall be liable to Contractor, and Contractor shall have a right to backcharge Subcontractor for any fines, charges, penalties, costs or expenses charged to Contractor by any federal, State, local or regional governmental or quasi-governmental regulatory agencies or water quality boards with competent jurisdiction, or any other costs or expenses incurred by Contractor directly or indirectly arising out of or related to any of Subcontractor's actions or inactions contributing to any actual or alleged storm water pollution. Subcontractor's obligation to Contractor is to ensure and promote compliance with any SWPPP and to prevent and protect against storm water pollution and is not Contractor's intent impermissibly to transfer liability to a third party in violation of any Laws or regulations by any federal, State, local or regional governmental or quasi-governmental regulatory agencies or water quality boards with competent jurisdiction.

4. Operation of Vehicles. Subject to the insurance requirements of Paragraph 14 of the Subcontract, Subcontractor agrees that the operation of vehicles in or about the Project Site by Subcontractor or the employees, suppliers, sub-subcontractors or agents of Subcontractor (including material delivery vehicles operated by material suppliers of Subcontractor) shall be as follows: (a) using only the designated entries to enter the Project Site, (b) using only established roadways and temporary roadways as authorized by Contractor, (c) no crossing of curbs or sidewalks without prior approval by Contractor and (d) observing a speed limit of 15 miles per hour within the entire Project Site. In the event the vehicles of Subcontractor, Subcontractor's employees, suppliers, sub-subcontractors or agents cause damage to curbs, sidewalks, landscaping or concrete surfaces within the Project Site or cause any other damage to the Project Site, Contractor may effect the repair of such damage and Subcontractor shall be obligated to immediately reimburse Contractor for all actual expenses incurred by Contractor thereby.

5. Parking of Vehicles. It shall be the responsibility of Subcontractor (a) to control the traffic generated by its employees, agents, suppliers, sub-subcontractors (and their employees) on the Project Site under the direction of Contractor's project superintendent; (b) to enforce restrictions against parking on roads within the Project Site; and (c) to provide necessary parking areas for all workers and other personnel in suitable locations as approved by Contractor. In the event Contractor has to tow vehicles owned by Subcontractor, its employees, agents, suppliers or sub-subcontractors (and their employees) to maintain ingress and egress to the Project Site, all such towing charges will be backcharged to Subcontractor. Neither Subcontractor nor Subcontractor's employees, agents, suppliers, sub-subcontractors (or their employees) shall be permitted to park vehicles in driveways, garages or carports of the housing units (whether completed or being constructed) within the Project Site nor shall such vehicles be parked upon sidewalks located within the Project Site. In the event Subcontractor, its employees, agents, suppliers, sub-subcontractors (or their employees) do park vehicles in such restricted areas, Contractor shall have the right to fine or backcharge Subcontractor \$100.00 per vehicle per day and Contractor shall have the right to be reimbursed for any damages resulting to such driveways, garages, carports or sidewalks in cash or in the form of backcharges.

6. Toilet Facilities. Contractor agrees to provide portable toilet facilities within the Project for the use of Subcontractor's employees, agents, suppliers and sub-subcontractors. Subcontractor and its employees, agents, suppliers and sub-subcontractors are not permitted to use the toilet facilities or bathrooms of any housing unit (completed or being constructed) within the Project Site. In the event that Subcontractor or Subcontractor's employees, agents, suppliers or

Contractor Initials: 

Subcontractor Initials: 

sub-subcontractors actually use the toilets or bathrooms of such housing units, Contractor shall have the right to fine or backcharge Subcontractor \$100.00 per occurrence.

7. Unacceptable Behavior. Unruly behavior, the drinking of alcoholic beverages, the use of illegal drugs, and/or the playing of loud music by Subcontractor or its employees, agents, suppliers or sub-subcontractors shall not be permitted within the Project. In the event that Subcontractor or Subcontractor's employees, agents, suppliers or sub-subcontractors engage in such activities, Contractor shall have the right to fine or backcharge Subcontractor \$100.00 per occurrence. Contractor shall also have the right to request that the offending party leave the Project Site immediately and Subcontractor agrees to abide by such request. Contractor may require Subcontractor to remove from the Project Site such employees, agents, suppliers or sub-subcontractors as Contractor deems incompetent, careless, insubordinate or otherwise objectionable, or whose continued employment in connection with the Work is deemed by Contractor to be contrary to Contractor's best interests or the public interest.

8. Food and Beverages. Subcontractor and Subcontractor's employees, agents, suppliers and sub-subcontractors shall be responsible for the cleanup of trash generated by any eating and drinking within the Project Site, in the manner described above.

9. Finished Surfaces. Subcontractor acknowledges that none of the finished surfaces such as counter-tops, flooring, tubs, toilet fixtures, etc. contained within or to be contained within each housing unit in the Project Site shall be used by Subcontractor or its employees, agents, suppliers or sub-subcontractors for the placement of tools or for use as a work surface. The placing of tools or using of such finished surfaces as a work surface by Subcontractor or its employees, agents, suppliers or sub-subcontractors shall give Contractor the right to fine or backcharge Subcontractor \$100.00 per occurrence in addition to any costs incurred to repair or replace any damaged finished surfaces. Subcontractor, its employees, agents, suppliers and sub-subcontractors shall be required to (a) protect any finished surfaces which may be affected or damaged by the Work being performed by Subcontractor, and (b) wear booties or other protective covering before entering any residence in which carpeting or other flooring has been installed in order to protect against damage to or soiling of such floor coverings. Contractor shall have the right to fine or backcharge Subcontractor \$250.00 per violation and Contractor shall have the right to be reimbursed for any damages or cleaning charges resulting from Subcontractor's or its employees', agents', suppliers' or sub-subcontractors' failure to comply with such requirement in cash or in the form of backcharges.

10. Pets. Subcontractor agrees that no pets (other than seeing-eye dogs) shall be brought to the Project Site by Subcontractor or its employees, agents, suppliers or sub-subcontractors. In the event any such pets are permitted within the Project Site by Subcontractor or its employees, agents, suppliers or sub-subcontractors, Contractor shall have the right to fine or backcharge Subcontractor \$100.00 per occurrence.

11. Subcontractor Warranties and Representations Regarding Injury and Illness Prevention Program and other Safety Programs. Contractor and all of its parent, affiliated and subsidiary companies are firmly committed to compliance with all requirements of ADOSH, and any other applicable public authority, and all other Safety Rules and requires all subcontractors to commit to a goal of a safe workplace and zero accidents on the Project. Accordingly, Subcontractor represents and warrants that:

(a) Subcontractor has adopted and implemented, in compliance with the requirements of any applicable public authority, an Injury and Illness Prevention Program. In that connection,

(i) Subcontractor has read, understands and will comply with Contractor's Safety Instructions;

(ii) Subcontractor has appointed a Safety Program Administrator who has the authority and responsibility to implement the Safety Programs;

(iii) Subcontractor has trained its employees, agents, suppliers and sub-subcontractors, and all others who will be on the Project Site under Subcontractor's supervision or at Subcontractor's request in safe and healthy work practices;

(iv) Subcontractor will use disciplinary procedures to ensure compliance with such safe and healthy work practices;

(v) Subcontractor has established procedures for reporting unsafe conditions and communicating with its employees, agents, suppliers and sub-subcontractors on matters relating to occupational safety and health;

(vi) Subcontractor has developed and will conduct a program of inspections to identify and evaluate hazards at the Project Site and elsewhere, as related to the Work;

(vii) Subcontractor has established and will implement procedures for correcting unsafe or unhealthy conditions and work practices;

(viii) Subcontractor has established and will implement procedures for investigating occupational injuries and illnesses;

(ix) Subcontractor so advises that it will provide a "competent person" as defined by ADOSH as required; and

(x) Prior to the commencement of the Work, Subcontractor will provide Contractor at Contractor's main office with a written health and safety program and a written hazard communication program. Contractor's receipt or non-receipt of such documents shall not constitute approval of same nor relieve Subcontractor of any of its obligations, including, without limitation, obligations regarding the Safety Rules, the Hazardous Substances Laws, or other safety, health or environmental Laws, whether under this Subcontract, the Contract Documents or otherwise. Subcontractor shall maintain a copy of the programs at the Project Site at all times.

(b) Subcontractor has adopted and implemented such safety programs as may be required by Law (collectively, the "Safety Programs"). Upon request, Subcontractor shall furnish copies of all of these Safety Programs to Contractor, and shall provide Contractor with written proof that Subcontractor conducts required inspections of the Project Site and equipment and training of its employees, and maintains required records. Contractor's receipt or non-receipt of such documents shall not constitute approval of same nor relieve Subcontractor of any of its obligations, including, without limitation, obligations regarding the Safety Rules or Safety Programs, whether under this Subcontract, the Contract Documents or otherwise. Subcontractor shall maintain a copy of the Safety Programs at the Project Site at all times.

12. Indemnity. Without limiting the generality of Paragraph 15 of this Subcontract, and provided that this Exhibit E, Paragraph 12 shall in no event be construed to require indemnification by Subcontractor to a greater extent than permitted by the Laws and the public policy of the State, and without in any manner limiting Contractor's rights and remedies in the event of a breach of this Subcontract, Subcontractor agrees to at all times indemnify, defend (with legal counsel selected by Contractor in its sole and absolute discretion) and hold harmless the Indemnified Parties, and each of them, from and against any and all Claims arising out of or encountered in connection with any alleged or actual violation of any Hazardous Substances Laws, the Safety Rules and any alleged or actual breach of any warranties or representations made by Subcontractor in connection with (i) this Subcontract or (ii) the prosecution of any and all contract or non-contract work relating to the Project by Subcontractor or anyone directly or indirectly employed by Subcontractor or anyone for whose acts Subcontractor may be liable, regardless of whether such alleged or actual violation is contributed to by an act or omission to act by Contractor, or anyone directly or indirectly employed by Contractor or anyone for whose acts Contractor may be liable, or by Contractor's failure to comply with any Law relating to the subject of this Subcontract or the performance of the Work thereunder. Subcontractor's obligations under this paragraph shall apply with full force and effect regardless of any concurrent negligence, whether active or passive, primary or secondary, by Contractor, by anyone directly or indirectly employed by Contractor, or by anyone for whose acts Contractor may be liable. However, notwithstanding any contrary provision, nothing herein shall require Subcontractor to indemnify, hold harmless or defend any Indemnified Party from or against liability for loss or damage resulting from the sole negligence of the Indemnified Party, or the Indemnified Party's agents, employees or indemnitees.

13. No Minors. No Person under the age of 18 is allowed on the Project Site.

EXHIBIT F TO MASTER SUBCONTRACT

Collective Bargaining Agreements

Contractor's Agreements

|    | <u>Union Name</u> | <u>Union Trust Fund Address</u> | <u>Employer Trust Fund Reporting or Identification Number</u> |
|----|-------------------|---------------------------------|---|
| 1. |                   |                                 |   |
| 2. |                   |                                 |   |
| 3. |                   |                                 |   |
| 4. |                   |                                 |   |

Subcontractor's Agreements

|    | <u>Union Name</u> | <u>Union Trust Fund Address</u> | <u>Employer Trust Fund Reporting or Identification Number</u> |
|----|-------------------|---------------------------------|---|
| 1. |                   |                                 |   |
| 2. |                   |                                 |   |
| 3. |                   |                                 |   |
| 4. |                   |                                 |   |

EXHIBIT "G"

CUSTOMER SERVICE AGREEMENT

Contractor's commitment to customer satisfaction is a priority and must be maintained. The following items are to be considered material items within this Subcontract and are to be complied with *in addition* to any other references to customer service. All policies, which follow, shall be binding on Subcontractor to insure customer satisfaction. Failure to comply shall be considered a material breach of this Subcontract.

- 1) Notification of the need for warranty work shall be either written or verbal from the Contractor and shall be at the sole discretion of the Contractor's designated representative. All non-emergency warranty work shall be responded to within two (2) business days of notification and shall be completed within two (2) business days after commencement of warranty work. Failure to comply within these designated time frames will give rise to contracting with a different subcontractor and backcharging any and all related costs.
- 2) Response time for emergency items shall not exceed four (4) hours. Contractor's designated representative shall have the final decision on classification of emergencies. In addition, all subcontractors for HVAC, electrical or plumbing work shall be required to be reachable by an emergency telephone number on a 24-hour per day, 365 day per year basis. This phone shall be manned, i.e. answering machines are not acceptable. Failure to comply within these designated time frames will give rise to contracting with a different subcontractor and backcharging any and all related costs.
- 3) Subcontractor shall supply (below) a designated phone number and contact person for warranty service work. Subcontractor's agent or owner shall supply his or her name and phone number in addition as backup.
- 4) Subcontractor shall make all employees aware that any statements made to purchasers of a negative nature including but not limited to Contractor's product, or any action or behavior within the Project including but not limited to within a residence may subject Subcontractor to termination. Contractor shall have final decision regarding employee statements and behavior.
- 5) Subcontractor shall be solely responsible for any damage done to a purchaser's residence. Contractor shall have final say in this matter.
- 6) Subcontractor shall not enter a residence for warranty service with any type of footwear other than bare socks or booties without express permission of the purchaser. This permission may be requested only when the safety of the Subcontractor's employees may be at risk.
- 7) Subcontractor is responsible for after repair clean up. Subcontractor must use drop cloths where appropriate and take every precaution to protect the personal property of the resident. Residences must be left in an as clean or cleaner condition than when found.
- 8) Subcontractor must maintain adequate staffing levels to provide timely service while meeting all production schedules.
- 9) Failure of subcontractor to appear for a scheduled appointment with purchaser shall give rise to a \$250.00 backcharge payable to purchaser.
- 10) Subcontractor agrees that it will perform purchase order ("PO") work at other K. Hovnanian Homes projects if a similar subcontractor fails to perform warranty or PO work at that site. Subcontractor shall be paid by PO for performing such work.
- 11) All remedies under this Subcontract shall remain in force. Contractor's designated representatives shall maintain a logbook of any deficiencies. Failure to comply with any item provided in this EXHIBIT G may be considered a material breach and default of the Master Subcontract.
- 12) Subcontractor acknowledges that it is Contractor's policy not to pay any invoices for warranty work that are received by Contractor more than ninety (90) days after Subcontractor's receipt of the request for such warranty work. Furthermore, Subcontractor acknowledges that all invoices for warranty work must be accompanied by the applicable service ticket. As such, Subcontractor acknowledges and agrees that Subcontractor shall not receive

Exh G to Master Subcontract Agreement

Page 2

Contractor Initials:                     

Subcontractor Initials:                     

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payment in connection with any invoices for warranty work that are delivered more than ninety (90) days after Subcontractor's receipt of the request for such warranty work, or for invoices that are not accompanied by the applicable service ticket.

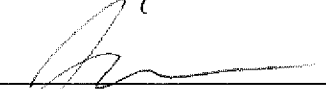
Customer Service Phone # 623-582-1176

24-Hour Emergency # 602-319-5034 - Cory Jones

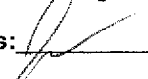
Agent or Owner # 602-319-5105 - Todd Jones

  
Subcontractor-Authorized Signature

3-2-10  
Date

  
Vice President of Operations  
K. Hovnanian Great Western Building Company, LLC

3/3/10  
Date

Contractor Initials:  Subcontractor Initials: 