

ADDENDUM 1

This Addendum is attached to and made a part of that Purchase Agreement by and between, SDG Homes, Inc., (hereinafter called Seller), and _____ (hereinafter called Purchaser) regarding that parcel of land briefly described as _____ (hereinafter called Property). The provisions provided in this addendum shall prevail and supersede any contrary provisions in the original contract. However, all provisions of the original contract, except as modified herein, shall remain in full force and effect.

1. FINANCING CONTINGENCY.

a. No Financing Contingency. Within seven (7) business days of the Effective Date, Purchaser shall provide documentation to Seller that will verify to Seller's reasonable satisfaction that Purchaser has the available funds necessary to purchase the Property according to the following financing contingency. If Purchaser does not provide such documentation to Seller within that time period, then Seller may at its option terminate this Agreement by providing written notice to Purchaser or Purchaser's agent of termination, in which event Seller shall refund any Earnest Money and thereafter neither party shall have any further obligation or liability to the other hereunder.

b. Financing Contingency.

i. Purchaser shall use its best efforts to obtain a loan in the principal amount of no more than _____% of the Purchase Price, reduced to the next lowest hundred dollars, (the "Loan") to be secured by a first priority mortgage on the Property. The proceeds of the Loan, together with the balance of the Purchase Price, shall be paid to Seller by Purchaser in cash or other immediately available funds as Closing.

ii. Purchaser shall apply for the Loan within three (3) business days after the Effective Date. Failure by Purchaser to Apply for the Loan within that time-period or to pursue approval of the Loan diligently thereafter shall constitute a material breach of this Agreement by Purchaser. Within seven (7) days after the Effective Date, Purchaser shall provide Seller with a letter from Purchaser's lender confirming that Purchaser has pre-qualified for the Loan (the "Pre-qualification Letter"). Within twenty-one (21) days of the Effective Date, Purchaser shall provide Seller with a letter from Purchaser's lender confirming that the Loan has been conditionally approved (the "Conditional Approval Letter"). Within thirty (30) days of the Effective Date, Purchaser shall provide Seller with a letter from Purchaser's lender confirming that the Loan has been fully approved, with no conditions or contingencies (the "Final Approval Letter"). If Purchaser fails to provide the Pre-Qualification, the Conditional Approval Letter or the Final Approval Letter to Seller within the applicable required time-period, then Seller, at Seller's option, may terminate this Agreement upon written notice to Purchaser or Purchaser's agent, in which event the Earnest Money shall be refunded to Purchaser if Purchaser is not in breach of this Agreement or the Purchase Agreement and thereafter neither party shall have any further obligation or liability to the other hereunder.

iii. Purchaser acknowledges that there are many different loan programs available from many different lenders. Purchaser understands and acknowledges that certain loan/credit

approvals are only valid for up to one hundred twenty (120) days. Purchaser shall update loan/credit approval documentation as needed in order to maintain current loan approval up until the date of closing. Purchaser agrees to execute all papers and perform all other actions necessary to obtain the Loan and to accept the Loan if approved by lender.

iv. If Purchaser applies for and obtains a commitment for an FHA insured or VA guaranteed loan, then notwithstanding any other provision of this Agreement, Purchaser shall not be obligated to complete the purchase of the Property or to incur any penalty by forfeiture of earnest money or option money deposits unless Purchaser has been given, in accordance with HUD/FHA or VA requirements, a written statement by the Federal Housing Commissioner, Department of Veterans Affairs or a Direct Endorsement lender setting forth the appraised value of the Property of not less than \$_____. The Purchaser shall have the privilege and option of proceeding with consummation of the contract without regard to the amount of the appraised valuation. The appraised valuation is arrived at to determine the maximum mortgage the Department of Housing and Urban Development (“HUD”) will insure. HUD does not warrant the value or the condition of the Property.

2. INSPECTION.

a. **Procedure.** Prior to Closing, Seller shall have the right to deny access to the Property/Lot to any person at any time, as Seller determines in its sole discretion. However, Purchaser or a professional home inspector contracted by Purchaser shall have the right to enter upon the Property at reasonable times during normal business hours for the purpose of inspecting, examining, testing and surveying the Property, solely at Purchaser’s expense, provided that any such inspection must meet the following requirements and conditions (collectively, “Inspections”):

(1) Inspections by Purchaser.

i. All inspections by Purchaser must be scheduled through the Seller. The Inspection must be scheduled at least seven (7) days in advance, must take place during normal business hours (Mon. – Fri. 8:00 am -4:00 pm) and must be in accordance with Seller’s schedule. Seller or its appointed representative shall have the right to accompany Purchaser during the Inspection.

(2) Inspection by an independent licensed home inspector.

i. All inspections by Purchaser must be scheduled through the Seller. The Inspection must be scheduled at least seven (7) days in advance, must take place during normal business hours (Mon. – Fri. 8:00 am -4:00 pm) and must be in accordance with Seller’s schedule. If an inspector does not have an appointment one week prior to the proposed inspection, the inspector will not be allowed to perform the inspection and will be instructed to reschedule. Seller will not delay construction or Closing to accommodate inspection appointments. Seller or its appointed representative shall have the right to accompany the home inspector during the Inspection.

ii. The home inspector must be licensed to do business in the State of North Carolina and must furnish to Seller a copy of the inspector's State License Certificate prior to conducting any inspections. Prior to any inspection, the home inspector must furnish Seller with proof that the home inspector has: (i) worker's compensation insurance in accordance with applicable law, (ii) an errors and omissions insurance policy with a limit of no less than \$300,000 and otherwise in accordance with applicable law, and (iii) a \$300,000 General Liability Insurance Policy.

Failure by Purchaser to follow the procedures set forth in this subsection shall constitute a material breach of this Agreement. Unauthorized entry on the Property or unauthorized activities on the Property by Purchaser, its agents or contractors shall constitute a material breach of this Agreement by Purchaser. Upon completion of any inspection, Purchaser shall restore the Property to its condition prior to the inspection. The Closing shall not be delayed due to Purchaser's failure to schedule and conduct any inspection sufficiently in advance of closing to allow Seller to address any issue, if any, identified by the inspection.

iii. **Purchaser's Indemnity.** Purchaser assumes all responsibility for the acts of Purchaser, Purchaser's agents, contractors or representatives in exercising Purchaser's rights under this section, and shall indemnify and hold Seller harmless, to the extent permitted by law, from any loss or expense Seller may suffer as a result of any claim or damage which arises directly or indirectly out of Purchaser's exercise of its rights under this section.

iv. **Inspection Results.** In the event any inspection by Purchaser or its agents or contractors reveals a purported defect in the Property, Purchaser shall provide Seller with written notice of the claim of defect and, if a professional home inspection was performed, a true and complete copy of any report produced by the home inspector. If Seller determines the claim of defect is valid, Seller shall correct or repair the defect. If Seller determines the claim of defect is not valid, Seller shall notify Purchaser of that determination within thirty (30) days of receipt of the written notice of claim of defect. If Buyer and Seller agree a third party licensed professional should be engaged for further investigation, the Seller at its own discretion, may engage said third party professional for further investigation. If no defect is found, the Buyer shall reimburse the Seller all expenses incurred plus a 5% overhead charge due and payable no later than Closing. Notwithstanding any other provision herein or the Purchase Contract, Seller shall not be required to correct or repair any defect in construction that does not constitute a violation of and in accordance with the Residential Construction Performance Guidelines Consumer Reference Book – 4th Edition, published by the National Association of Home Builders which Purchaser may obtain a copy at <https://www.builder-resources.com/support-files/nahbresconstperformanceguidelines.pdf>

v. **Walkthrough/Punch List.** Prior to Closing, Purchaser will conduct a walkthrough inspection and orientation. Seller will provide Purchaser colored tape to locate any visible areas of defect (hereinafter "Colored Tape"). At the conclusion of the walkthrough, Seller will prepare a written list of items on the Property that were unable to be identified as Colored Tape (hereinafter "Punch List"). Once the Purchase and Seller have agreed to the Colored Tape and Punch List items, Seller shall thereafter correct or repair the items listed

on the Punch List and identified by Colored Tape. Any agreed upon Colored Tape items not repaired prior to closing shall be transferred to the Punch List. Under no circumstances shall Seller be required to correct or repair any items on the Property that are not on the Punch List or identified signed by the Seller. Within a reasonable amount of time after the walkthrough but prior to Closing, Seller and Purchaser shall meet at the Property to conduct a final walkthrough (the "Final Walkthrough") in order to confirm the Punch List items have been repaired or corrected. At the conclusion of the Final Walkthrough, the parties will prepare and sign an updated Punch List reflecting the current status of each item thereon. Seller's obligation to correct or repair any items on the Punch List shall survive Closing. Under no circumstance shall Closing be delayed due to Seller's failure to commence or complete corrections or repairs of any items on the Punch List. Under no circumstances shall funds be escrowed at closing to cover the cost of correction or repair of any item on the Punch List.

3. Warranty Scheduling

a. Procedure.

i. Seller shall provide Purchaser with a Vendor List detailing the contact information for each major trade vendor.

ii. Purchaser is responsible for contacting vendors directly to schedule warranty appointments.

iii. Purchaser shall provide any vendor 24 hours advance cancellation notice. Failure to provide 24-hour advanced cancellation shall result in additional trip charges and possible loss of warranty coverage.

4. Purchaser's attorney's charges to Seller.

a. Limitation of Charges. Purchaser's attorney's charges to Seller shall be limited to \$50.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed and seal as of the date set for below each signature.

Seller:
SDG Homes, Inc. (SEAL)

BY: _____
Printed Name:
Title:
Date: _____

Purchaser:

Print Name: _____

Print Name _____

Date _____