



Limited Warranty Provisions Acknowledgment

The undersigned does hereby acknowledge receipt on the _____ day of _____ 20____, of the Limited Warranty documents from Mountain Ridge Custom Homes, Inc.

Buyer has three (3) days from the date above (“Review Period”) to review the Limited Warranty documents. If Buyer finds the Limited Warranty provisions unacceptable, Buyer must deliver written notice of rejection to Seller (or Seller’s listing licensee) before the end of the Review Period.

In this event, the selling licensee is instructed to submit for seller’s signature a termination agreement signed by the Buyers indicating that this sale will be null and void with the earnest money deposit returned to the Buyer. Buyer and Seller will have no further obligation toward each other, nor is there any recourse against the Brokers or Licensees.

Buyer acknowledges that the Limited Warranty is part of the parties’ overall agreement for the purchase of the Property. If Buyer does not deliver written notice rejecting the Limited Warranty provisions within the Review Period described above, Buyer agrees to execute the Limited Warranty documents by signing and initialing each page no later than Closing, as a condition to Closing unless Seller elects in writing to waive that requirement. If Buyer fails to timely reject the Limited Warranty and nonetheless elects to proceed to Closing, Buyer’s decision to close shall constitute Buyer’s acceptance of and agreement to be bound by the Limited Warranty as of the date of Closing.

Buyer Signature Date

Buyer Signature Date

Seller Licensee Signature Date

_____/_____
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NOTICE OF POTENTIAL CLAIMS MUST BE PROVIDED WITHIN ONE YEAR

ALASKA LAW AT AS 09.45.881 - 09.45.899 CONTAINS IMPORTANT REQUIREMENTS THAT YOU MUST FOLLOW BEFORE YOU MAY FILE A COURT ACTION FOR DEFECTIVE DESIGN, CONSTRUCTION, OR REMODELING AGAINST THE DESIGNER, BUILDER, OR REMODELER OF YOUR HOME. WITHIN ONE YEAR OF THE DISCOVERY OF A DESIGN, CONSTRUCTION, OR REMODELING DEFECT, BEFORE YOU FILE A COURT ACTION, YOU MUST DELIVER TO THE DESIGNER, BUILDER, OR REMODELER A WRITTEN NOTICE OF ANY DESIGN CONSTRUCTION, OR REMODELING CONDITIONS YOU ALLEGE ARE DEFECTIVE IN ORDER TO PROVIDE YOUR DESIGNER, BUILDER, OR REMODELER WITH THE OPPORTUNITY TO MAKE AN OFFER TO REPAIR OR PAY FOR THE DEFECTS. YOU ARE NOT OBLIGATED TO ACCEPT ANY OFFER MADE BY THE DESIGNER, BUILDER, OR REMODELER. THERE ARE STRICT DEADLINES AND PROCEDURES UNDER STATE LAW, AND FAILURE TO FOLLOW THEM MAY AFFECT YOUR RIGHT TO FILE A COURT ACTION. ALASKA LAW AT AS 09.45.895 CONTAINS LIMITATIONS TO THE AMOUNT OF DAMAGES THAT MAY BE RECOVERED IN A COURT ACTION FOR DEFECTIVE DESIGN, CONSTRUCTION, OR REMODELING.

PURCHASER ACKNOWLEDGES THIS NOTICE MEETS THE REQUIREMENT IN ALASKA STATUTE 09.45.893 NOTICE REQUIRED IN CONTRACT.

IF THIS AGREEMENT REQUIRES ARBITRATION INSTEAD OF COURT ACTION, THESE STATUTORY NOTICE AND DEADLINE REQUIREMENTS APPLY BEFORE YOU MAY FILE A DEMAND FOR ARBITRATION.

Purchaser

Date

Purchaser

Date

_____/_____
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BUILDER WARRANTY

Builder offers a one year warranty covering defects in workmanship and/or materials as explained below:

Building Structure, Foundation, Roof, Windows & Doors, Electrical Wiring System, Heating System, Plumbing & Well System, and Septic System.

For the purpose of this warranty “Builder” refers to any qualified Employee or Representative of Mountain Ridge Custom Homes.

Buyer shall provide to Builder at admin@mountainridge907.com, in writing, any repairs or issues the Buyer requests be addressed no sooner than eleven (11) months following Closing and no later than twelve (12) months post closing (“Warranty Period”). Such written notice shall include an itemized list of each repair or issue, accompanied by photographs. At that time the builder will schedule an appointment to address potential repairs and coordinate access.

We recommend that buyers review the construction standards guide provided at closing prior to submitting warranty items. This guide will help to determine if a potential repair item falls within the acceptable tolerance/range of construction standards before you finalize your request.

Buyers agree to promptly notify the builder of any emergency repair items immediately upon discovery to reduce the risk of secondary damage. Examples of emergency repair items are active plumbing leaks, gas smells, sparking electrical, etc. With emergency warranty repairs, the builder or subcontractor must be allowed access in order to promptly repair or replace the work and/or materials that are found to be defective.

Should any major emergency item be discovered and not reported to the builder in a timely manner Buyer’s issue may fall outside of the builder’s warranty coverage, and the expense of those repairs will be levied on the buyer. Contact admin@mountainridge907.com immediately

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for any major issues to prevent further damage. Any secondary damage caused by delays in reporting emergency issues will not be covered by the builder's warranty.

The Builder will, within a reasonable time not to exceed ten business days after receipt of notice as provided herein, examine any alleged defect to determine if it is covered by this Limited Warranty. After the examination of any alleged defect the Builder will provide a written list, within a reasonable time not to exceed ten business days from the date of inspection, of defects that are covered by the warranty along with a scope of work and schedule of completion. Builder shall have sole discretion to determine whether any reported repair or issue is covered under the warranty, and such determination shall be final and conclusive.

This Limited Warranty covers only those defects specifically identified herein which are the result of improper work by Builder. A defect covered by this Limited Warranty will be repaired, replaced, or replaced with item of like kind, at Builder's expense.

Builder reserves the right to charge the owner a reasonable sum per service call for any request not covered under this Limited Warranty.

Any repair or replacement shall not extend the Warranty Period. The total repair costs required under this Limited Warranty is limited and shall not exceed the sales price of the home. After Builder determines that a defect is covered by this Limited Warranty, Builder will provide Buyer with a repair schedule, Builder will use reasonable efforts to accommodate Buyer's wishes and complete repairs timely, but the repair schedule shall remain within Builder's sole reasonable discretion. If Buyer gives notice of a covered defect before end of the Warranty Period, Builder will complete the repair even after the Warranty Period expires; however, such repair work will not extend the Term of this Limited Warranty.

If closing takes place in the winter months the Limited Warranty includes finishing exterior rough grade, driveway install, and exterior paint as soon as weather permits.

The buyer shall make all notifications of defective items in writing.

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This warranty only extends to the first purchaser to occupy the new home and is not transferable. This warranty shall terminate if the home is leased, utilized for short term rentals, resold or ceases to be occupied by the homeowner for an extended period of time.

Builder's liability shall be limited to the repair and/or replacement of the defective materials and shall not extend to any consequential losses or damages, including, but not limited to, property loss or bodily injury sustained by the owner(s) or any other persons.

All manufacturer's warranties pertaining to the Range, Dishwasher, Furnace and other Appliances shall be assigned to the Buyer. It is the buyer's responsibility to contact the appliance manufacturer directly for any warranty claims. Such as, the Builder disclaims all responsibility or liability of any nature for these appliances following the completion of this transaction unless a problem occurs which can be attributed to the actual installation of the appliance.

Access For Warranty Claims:

Buyer must provide access to the warranted property during normal business hours Mon-Fri 8AM-5PM to perform obligatory duties. If access is not provided for inspection within **TEN BUSINESS DAYS** of buyers submitting their warranty request then the builder will be relieved from their obligations. If buyers are unable to provide access to the warranted property for repairs once scheduled with the builder, the builder shall be relieved from their obligations.

FINAL WALK-THROUGH OF HOME PRIOR TO CLOSING

Buyer has made a complete and thorough inspection of the new home and agrees that the home meets with Buyer's approval as of the recording date of the home, except as listed on the buyers final walk-through list.

Use of Home as Rental or by Non-Owner Occupants

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This Limited Warranty is intended for an owner-occupied residence. Builder and Buyer acknowledge that cosmetic wear and certain minor adjustments are significantly affected by the nature and intensity of occupancy.

Accordingly, if during the Warranty Term (a) the Home is primarily used as a rental property, including short-term rentals in excess of thirty (30) days in the aggregate during the Warranty Term, or (b) one or more non-owner occupants reside in the Home without the Buyer for more than thirty (30) consecutive days, the following items will not be covered under this Limited Warranty except to the extent the condition is shown to result from defective work or materials rather than from normal wear, tenant use, or lack of routine maintenance: The following items, including but not limited to, are not covered by the warranty:

- 1) Drywall damage of any kind including flaws, cracks, dings and any cosmetic imperfections.
- 2) Touch up paint surfaces.
- 3) Door adjustments.
- 4) Damage or imperfections in millwork and cabinetry of any kind.
- 5) Any adjustment or replacement of any item that does not carry a manufacturer's warranty.
- 6) Any exterior grading after the final inspection has been passed.
- 7) Driveways, walks, decks, stairs and deck railings.
- 8) Any adjustment or replacement of items not specifically identified and noted at the final walkthrough.
- 9) Any damage done to any portion of the home caused by the renter or non-owner occupant.

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Builder does not assume responsibility for the following:

- A) Damage due to wear and tear on the home or misuse and/or abusive use by the owner.
- B) Loss, damage, or injury of any kind to property or person from what is commonly referred to as “the elements” or “Acts of God” including, but not limited to, earthquakes, floods, fire, smoke, wind, fallen trees, rain, snow, sleet, hail, lightning, hurricanes, typhoons, mudslides, sinkholes, explosions etc.
- C) Ground settlement and or lot drainage issues caused by owner’s use, care or maintenance of the property.
- D) Water intrusions in crawlspaces or foundation damage if gutters are not properly installed and downspouts extended 6ft from the foundation.
- Water in the crawl space is not considered a material defect and can be affected by seasonal changes. Mountain Ridge Custom Homes, Inc. will make efforts to mitigate water intrusion which may include the installation of a sump pump.
 - Crawlspaces are not designed to be habitable spaces and damage to any personal property stored in crawlspaces will not be covered.
 - Buyer acknowledges and agrees that controlling surface water and groundwater around the Home and maintaining gutters, downspouts, and grading to direct water away from the foundation are essential homeowner maintenance items and that failure to do so can result in moisture conditions that promote mold growth for which Builder is not responsible under this Limited Warranty.
- E) Any defect caused by soil movement for which compensation is approved by legislation or which is covered by other insurance.
- F) Normal wear such as but is not limited to: drying, discoloration, nail pops, shrinking or aging of any trim or walls in the interior or the exterior of the home. Any damage from not maintaining proper humidity in the home.
- G) Countertops: Any damage caused by buyers' use including chips from impacts, stains from

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prolonged exposure to certain substances, and heat damage from hot pots and pans will not be repaired under the warranty.

H) Ice Damming: It is the homeowner's responsibility to clear snow from the roof and the roof vents, especially valleys susceptible to ice damming. Should the buyer choose to install ice damming prevention systems such as heat trace any secondary damage caused by that install will not be covered by the warranty.

I) Variation in wood grain, color, material, or stain.

J) Death, disability, illness, or bodily injury, emotional distress, loss of consortium, loss of income and all other consequential damages allegedly caused by or contributed to by any defect or faulty workmanship or materials, whether or not the alleged defect, faulty workmanship or materials failed to meet an approved standard.

K) Claims based on the alleged presence or risk of toxic or hazardous materials, gases, mold, formaldehyde, carcinogens, or other contaminants

L) Any shrinkage crack or movement in foundations, driveways, garage floors and concrete slabs. Cracks in concrete are normal and do not require any repairing unless outside performance standards.

M) Water and well quality; Builder cannot predict or control well depth, well flow, or water quality of well water. Builder does not warranty natural changes in well flow or water quality that may occur in the future. Water quality from natural groundwater sources is ultimately a matter of buyer preference. Should buyers choose to install a water filtration system or a water softener that will be at the buyers sole expense and these systems fall outside of the builder warranty.

N) Septic system warranty will be considered void if it is determined that wetwipes, feminine products, paper towels, or other non septic safe items have been disposed of in the system.

O) There will be no touch up paint after closing.

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P) Defects or damages caused or aggravated by:

- Buyers own negligence equipment, or
- Buyer's failure to give contractor notice of any defect within a reasonable time

Q) Coverage on appliances and items of equipment – including, but not limited to: water heaters, pumps, stoves, ranges, ovens, garbage disposals, dishwashers, furnaces, air conditioning units, heat pumps, and other similar items – these items are covered under the appliances manufacturer's warranties to Buyer. It is the buyers responsibility to file these warranties with the manufacturer after closing.

R) Personal property damage or bodily injury or punitive damages or any other type of damage that may be related to a defect in materials or workmanship other than the replacement of defective materials or workmanship.

S) Items considered to be home maintenance.

T) Window and door screens will not be warrantied after closing.

U) Costs of shelter, transportation, food, moving, storage, or other incidental expenses related to inconvenience or relocation during repairs, all of which are excluded as consequential economic damages under the Limitation of Damages section of this Limited Warranty.

V) Mountain Ridge Custom Homes Inc. DOES NOT WARRANTY DRIVEWAYS, SIDEWALKS, PATIOS OR ASPHALT DUE TO THE EXTREME VARIATION IN SOILS AND WEATHER CONDITIONS IN ALASKA.

Limitation of Damages and Disclaimer of Other Warranties:

Builder hereby disclaims, and purchaser waives, unless otherwise expressly provided for in this new construction limited warranty or the other contract documents, all other warranties, express or implied, including but not limited to the warranties of good workmanship, habitability, merchantability, and fitness of purpose, and including any warranties that could

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be construed to cover the presence of radon or other environmental pollutants.

To the fullest extent permitted by applicable law, Builder's liability under this Limited Warranty is limited to the repair or replacement of covered defective work or materials in the Home. Builder shall not be liable for special, incidental, or consequential economic damages, including but not limited to loss of income, loss of use, loss of rental value, diminution in value of the Home, inconvenience, costs of shelter, transportation, food, moving, storage, or other similar expenses incurred during investigation or repair of any claimed defect.

Except as otherwise required by applicable law, and except in cases of Builder's gross negligence or willful misconduct, Builder shall not be liable under this Limited Warranty for (a) personal injury; (b) damage to personal property; (c) economic loss or (d) punitive or exemplary damages allegedly arising out of or relating to a claimed defect in materials or workmanship.

This Limited Warranty does not affect any rights or remedies Buyer may have, if any, under applicable law that cannot be limited or disclaimed by agreement.

Indoor Air Quality:

All materials used on this home meet applicable building codes. The Builder makes no claims as to the air quality and specifically any warranty on air quality or radon.

HVAC Maintenance:

After taking occupancy, buyers shall maintain the heating system and be responsible for annual servicing. Maintenance of a furnace expected by the buyer includes changing out air filters on a monthly basis for the first 6 months of ownership and then every 3-6 months in perpetuity.

Septic Maintenance:

After taking occupancy, buyers shall maintain the septic system and be responsible for pumping the septic tank on an annual basis. Flushing any personal hygiene products, wet wipes, "flushable wipes", paper towels, ect. down the toilets will void the builder warranty on the septic system. Any repairs on the septic lines completed by the builder due to the buyer's misuse of the septic system will be billed to the buyer accordingly.

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Ice Damming:

Ice damming is a normal occurrence in Alaska and can happen on many homes regardless of roof design, insulation, and level of energy rating. Ice damming is not a builder warranty repair. Ice damming occurs when snow buildup melts and then refreezes. Any damage caused by ice damming and melting of the ice damming is the responsibility of the buyer. If the buyer chooses to have a heat trace installed or have the roof shoveled, it will be a buyer expense.

Sheetrock Cracks:

Your home is expected to settle over time as the framing naturally shrinks and drywall cracks should be expected. Cracks in your sheetrock do not necessarily indicate a structural issue with your home. There will be a one time only completion of sheetrock repairs discovered during the warranty period.

Touch up paint will be completed on repaired areas only. A perfect match between original and new paint cannot be expected, and the builder is not required to paint an entire wall or room.

Referencing the Construction Performance Guidelines: When drywall has been placed on lumber surfaces subject to shrinkage and warpage and which are not perfectly level and plumb, problems may often occur through stress and strain placed on drywall during the stabilization of the lumber, which is inherent in the construction of the home. Due to the initial stabilization problem that exists with the new home, it is impossible to correct each defect as it occurs, and it is essentially useless to do so. The entire home will tend to stabilize itself. Correcting the drywall near the end of the warranty period provides the consumer with the best possible solution.

Lumber Shrinkage, Wood Warpage & Checking:

Lumber shrinkage & wood warpage is common (not a defect) and can be reduced if the home is maintained at a proper humidity level.

Wood checking is expected with fireplace mantels due to changes in moisture and humidity as the lumber dries. Wood checking is a type of lengthwise separation of the wood, often appearing as cracks or fissures along the grain and is not a defect.

Referencing the Construction Performance Guidelines: Failing to control indoor relative humidity may cause separation of trim and moldings in excess of the performance guideline. Joints that separate

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under these conditions are not considered defective. The consumer is responsible for controlling temperature and humidity in the home.

Mold:

Mold is a type of fungus which occurs naturally in the environment and is necessary for the natural decomposition of plants and other organic material. It spreads by means of microscopic spores born in the wind and is found everywhere life can be supported. Because of this, residential home construction is not and cannot be designed to exclude mold spores.

In order to grow, mold requires a food source. This might be supplied in items found in your home such as fabric, carpet, and wallpaper or by building materials, such as drywall, wood, and insulation, to name a few. Also, mold growth requires a temperate climate with the best growth occurring between 40°F and 100°F. Finally, mold growth requires moisture. By minimizing moisture, a homeowner can reduce or eliminate mold growth.

Moisture in the home can have many causes: spills, leaks, overflows, condensation and high humidity are common sources of home moisture. Good housekeeping and home maintenance practices are essential in the effort to prevent or eliminate mold growth. If moisture is allowed to remain on the growth medium, mold can develop within 24-48 hours.

Consequences of Mold:

All mold is not necessarily harmful, but certain strains of mold have been shown to have adverse health effects in susceptible persons. The most common effects are allergic reactions, including skin irritation, watery eyes, runny nose, coughing, sneezing, congestion, sore throat, and headache. Individuals with suppressed immune systems may risk infections. Some experts contend that mold causes serious symptoms and diseases which may even be life threatening. However, experts disagree about the level of mold exposure that may cause health problems and the exact nature and extent of health problems that may be caused by mold. The Center for Disease Control states that a causal line between the presence of toxic mold and serious conditions have not been proven.

What the Homeowner Can Do:

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The homeowner can take positive steps to reduce or eliminate the occurrence of mold growth in the home and thereby minimize any possible adverse effects that may be caused by mold. These include the following:

- a.** Before bringing items into the home, check for signs of mold. Potted plants (roots and soil), furnishings, or store clothing and bedding materials, as well as many other household goods could already contain mold growth.
- b.** Regular vacuuming and cleaning will help reduce mold levels. Mild bleach solutions and moisture cleaners are effective in eliminating or preventing mold growth.
- c.** Keep the humidity in the home always low. Vent clothes dryers to the outdoors. Ventilate kitchens and bathrooms by opening the windows and by using exhaust fans.
- d.** Promptly clean up spills, condensation and other sources of moisture. Thoroughly dry any wet surface or material. Do not let water pool or stand in your home. Promptly replace any materials that are damaged by water and may need replacing.
- e.** Inspect for leaks on a regular basis. Look for discoloration or wet spots. Repair any leaks promptly. Inspect condensation pans (refrigerators) for mold growth. Take notice of musty odors, and any visible signs of mold.
- f.** Should mold develop, thoroughly clean the affected area with a mild solution of bleach, testing the affected area first to see if it is color safe. Porous materials, such as fabric, upholstery, or carpet should be discarded. Should mold growth be severe, call the services of a qualified professional cleaner.

Builder's responsibility with respect to mold is limited to repairing or replacing any construction defect that is determined to have caused excessive moisture in the Home during the one-year Warranty Term, as provided in this Limited Warranty. Builder shall not be responsible for any other damages allegedly caused by mold, which are excluded under the Limitation of Damages section of this Limited Warranty.

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**NOTICE OF POTENTIAL CLAIMS MUST
BE PROVIDED WITHIN ONE YEAR**

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IF THIS AGREEMENT REQUIRES ARBITRATION INSTEAD OF COURT ACTION, THESE STATUTORY NOTICE AND DEADLINE REQUIREMENTS APPLY BEFORE YOU MAY FILE A DEMAND FOR ARBITRATION.

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1. Dispute Resolution; Mediation and Arbitration

a. Scope. Any claim, controversy, or dispute between Homeowner and Builder arising out of or relating to this Limited Warranty, the design or construction of the Home, or the condition of the Home (including any alleged defect or deficiency), whether based in contract, tort, statute, or equity (a "Dispute"), shall be resolved as provided in this Section.

b. Negotiation and Mediation. The parties shall first attempt in good faith to resolve any Dispute by informal negotiation. If the Dispute is not resolved within 30 days after written notice of the Dispute, either party may request that the parties participate in non-binding mediation before a mutually acceptable mediator. The costs of mediation (mediator's fees and facility costs) shall be shared equally, unless the parties agree otherwise in Writing.

c. Arbitration. If the parties do not resolve the Dispute by negotiation and/or mediation, the Dispute shall be finally resolved by binding arbitration administered by in accordance with the Alaska Revised Uniform Arbitration Act, AS 09.43.300–09.43.595. The arbitrator shall have the authority to award any remedy available at law or in equity that is not inconsistent with this Warranty or applicable law. Judgment on the award may be entered in any court of competent jurisdiction.

d. NO JURY TRIAL; FORUM. THE PARTIES UNDERSTAND AND AGREE THAT ARBITRATION IS THE EXCLUSIVE FORUM FOR RESOLVING DISPUTES AND THAT, BY AGREEING TO ARBITRATION, THEY ARE WAIVING ANY RIGHT TO A JURY TRIAL IN A COURT PROCEEDING FOR SUCH DISPUTES.

2. Attorneys' Fees and Costs

a. Mediation and Arbitration. Except as provided in subsection (b) or as otherwise required by applicable law, each party shall bear its own attorneys' fees and expert fees incurred in connection with any mediation or arbitration under this Warranty, and the parties shall share equally the arbitrator's fees and any administrative fees of the

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arbitration forum.

b. Fee-Shifting Authority. The arbitrator may, in the exercise of discretion and where permitted by applicable law, award Builder its full reasonable attorneys' fees, expert fees, and costs incurred in pursuing or defending any claim arising out of this Agreement, regardless of whether such fees and costs would be recoverable in a civil court action. The arbitrator may also award fees and costs to the prevailing party, as otherwise allowed or required by statute, contract, or rule.

c. Court Proceedings. If a court action is permitted under this section or otherwise under applicable law, the allocation of attorneys' fees and costs shall include an award to Builder of its full reasonable attorney's fees and costs incurred in pursuing or defending the action, to the fullest extent permitted by applicable law. Except where a specific statute requires a different allocation, Alaska law, including Alaska Civil Rule 82, shall govern the award of fees and costs.

Mountain Ridge Custom Homes, Inc. has the right, at its option and in its sole discretion, in order to settle any dispute with Buyer(s), the right to purchase the home back from the Buyer(s) for the original sales price. In the event that Mountain Ridge Custom Homes, Inc. makes a written offer for such a purchase, and if the Buyer(s) rejects such an offer, either by failing to accept the offer, by rejecting the offer, or by placing restrictions or conditions on the offer, then Mountain Ridge Custom Homes, Inc. shall have no liability of any type or kind to the Buyer(s) thereafter, and Mountain Ridge Custom Homes, Inc.'s warranty obligations thereafter shall conclusively be presumed to be satisfied in full.

BUYER 1: _____ **DATE** _____

BUYER 1: _____ **DATE** _____

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Buyer's Initials

Builder Initials



PERFORMANCE STANDARDS

The items below identify typical issues which may arise and illustrate routine delineation between Builder and Buyer responsibilities.

1) Possible Deficiency - Poor Drainage Lot

Performance Standard - After normal rainfall, water should not stand in yard within 10 ft of home for more than 48 hours. Drainage time may be much longer during times of snow, frost, excessive precipitation or soil saturation.

Responsibility - Builder is responsible to establish proper grades and swales within 10 feet of the foundation of the home; Buyer is responsible for maintaining them.

2) Possible Deficiency - Basement Water and Dampness

Performance Standard - Dampness of walls and floors is not unusual until such time as backfill has been fully compacted through settling. This may take as long as five years.

Responsibility - During the Term of the Limited Warranty and without waiving the exclusion of damage per Section 9.G, Builder will correct actual measurable accumulation and flow of water within the basement. Leakage due to grade and landscaping settlement is considered a maintenance item and as such is not covered.

3) Possible Deficiency - Basement or Foundation Wall Cracks

Performance Standard - Small cracks not affecting structural stability are not unusual in foundation walls. Cracks greater than 1/4 inch in width shall be repaired.

Responsibility - Builder will repair cracks in excess of 1/4 inch by caulking with a urethane concrete caulk.

4) Possible Deficiency - Separation or Movement of Stoops and Porches

Performance Standard - Minor movement within one inch is normal.

Responsibility - Builder will repair separation exceeding one inch.

5) Possible Deficiency - Cracking of Basement or Garage Floor

Performance Standard - Minor cracks in concrete basement floors are normal. Cracks exceeding 3/16 inch in width or 1/8 inch in vertical displacement shall be repaired.

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Responsibility - Builder will repair cracks exceeding maximum tolerances by surface caulking, patching or other methods as required.

6) Possible Deficiency - Uneven Concrete Floors/Slabs

Performance Standard - Except for basement floors or where a floor or a portion of floor has been designed for specific drainage purposes, concrete floors in rooms designed for habitability shall not have pits, depressions or areas of unevenness exceeding 1/4 inch in 32 inches. Concrete floor cracks shall not puncture finished floors.

Responsibility - Builder will patch, correct or repair to meet Performance Standards.

7) Possible Deficiency - Pitting or Deterioration of Concrete Surfaces

Performance Standard - Concrete shall not disintegrate to the extent of exposing aggregate under normal conditions of use, except where such surfaces have been exposed to salts, chemicals or other abuses beyond builder's control.

Responsibility - Builder will patch, correct or repair to meet the performance Standard.

8) Possible Deficiency - Efflorescence on Masonry Stone, Brick, Block Or Concrete

Performance Standard - Masonry products are known to discolor due to lime content.

Responsibility - None

9) Possible Deficiency - Dampness or Water Absorption into Exposed Masonry

Performance Standard - Masonry materials are porous to varying degrees and cannot be controlled by builder.

Responsibility - None

10) Possible Deficiency - Roof Leaks

Performance Standard - Roof shall not leak, except where snow and ice are permitted to build up excessively or repeatedly. Prevention of ice buildup is a maintenance item and is not the responsibility of the builder. Because roof systems must breathe, your home is constructed with vents at the soffits and ridges of the roof system. Snow and rain driven by high winds under severe conditions can be driven into air vent passages. This is not considered a defect and builder does not warrant against such water penetration.

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Responsibility - All roof leaks, not caused by owner neglect or excessive winds will be repaired. Builder is not responsible for color variations.

11) Possible Deficiency - Air Filtration

Performance Standard - Some air filtration is normal around doors, windows and other wall openings especially in conditions of high wind. In order to increase the air tightness of the home beyond such standards, owner may need to purchase and install storm windows and doors to provide solutions satisfactory to owner's own expectations.

Responsibility - Builder will adjust windows and doors to maintain manufacturers designed air filtration.

12) Possible Deficiency - Heating and Cooling Variations

Performance Standard - The HVAC system is designed, where air conditioning is installed, to be able to maintain a temperature of 78 degrees Fahrenheit for heating and 70 degrees Fahrenheit for cooling. Temperatures are measured five (5) feet above the center of the floor in the room where the thermostat is located. In severe weather conditions; a variation of up to 15 degrees from room to room is acceptable. All rooms may vary in temperature by 5 or 6 degrees. Home owner is responsible for adjusting ducts and registers to obtain acceptable temperature consistency.

Responsibility - Builder will repair the system to meet the acceptable standards as described above.

13) Possible Deficiency - HVAC Condensate Clogs

Performance Standard - HVAC system condensate lines will eventually clog as household dust accumulates on the cooling fins and condensation carries dust through the condensation lines where it normally builds up a clog in the condensate trap. This is a maintenance item. Builder recommends that condensation lines be checked and cleaned at least annually, at the beginning of each air conditioning season.

Responsibility - None

14) Possible Deficiency - Ground Fault Circuit Trips Frequently

Performance Standard - Ground Fault Interrupters (GFI) are sensitive safety devices designed to trip very rapidly in the event of ground fault condition, such as in the event of

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electrical shock. This sensitivity causes them to trip easily and especially in cases where an extension cord of more than 50 feet is anywhere in the protected circuit.

Responsibility - Builder has installed GFI protectors in accordance with the National Electric code. Frequent tripping is not warranted against. GFI devices otherwise determined to be defective will be replaced.

15) Possible Deficiency - Paint or Stain Peels or Fades

Performance Standard - The weathering of finishes is normal and should be expected within certain tolerances. Exterior finishes may deteriorate rapidly due climatic conditions and is considered a maintenance item and is not covered by this warranty.

Responsibility - Builder will correct or repair finishes where paint is determined by builder or his representatives to be defective. Builder is not responsible for color variations.

16) Possible Deficiency - Drywall Cracks, Nail Pops, Cracks in Caulking, Seam Taps or other imperfections

Performance Standard - Modern homes are constructed, partially from organic wood materials. Such materials will move, shrink and expand with minor variations in temperature and moisture within the home. Drywall, being inorganic, tends not to move well with the movement of the lumber supporting it. Such movement, therefore often results in minor cracks, nail pops, the appearance of seam tape and other minor imperfections. Such imperfections not exceeding 1/8 in width are common in drywall and are not considered a defect.

Responsibility - Minor imperfections not exceeding 1/8 inch in width are not considered defects and are not subject to repeated repair. Builder will perform one-time drywall repairs in accordance with the Sheetrock Cracks provision of this Limited Warranty.

17) Possible Deficiency - Trim and Molding Pieces

Performance Standard - Because trim and molding is largely made from organic materials, these pieces move, shrink and expand with minor variations in temperature and moisture within the home. Such movement, which may result in minor separation between adjacent surfaces is normal and should be expected within certain tolerances. Particularly, wood stairways and shoe moldings normally shrink away from the walls of

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stairway within the first year. This is not considered a defect, but is within the expected behavior of organic wood products. Interior doors may need to be adjusted and are not a warranty item. Minor separations consistent with this Performance Standard are not considered defects and are not subject to repair under this Limited Warranty. Interior door adjustments due solely to normal shrinkage and movement of wood are considered maintenance items.

Responsibility - None

18) Possible Deficiency - Floor Creaks or Squeaks

Performance Standard - Modern homes are constructed, partially from organic wood framing materials. Such materials will move, shrink and expand with minor variations in temperature and moisture within the home. Squeaks are normally a passing condition caused by lumber shrinkage or movement and are not covered by this warranty unless caused by a defect in the floor joist system.

Responsibility - Builder will correct floor system structural defects.

19) Possible Deficiency - Imperfections in Resilient Flooring

Performance Standard - Minor nail pops or visible seams in underlayment are not considered unusual within certain tolerances.

Responsibility - None

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GENERAL PROVISIONS

A. **Governing Law.** This Limited Warranty shall be governed by and construed in accordance with the laws of the State of Alaska, without regard to its conflict-of-law rules.

B. **Severability.** If any provision of this Limited Warranty, or the application of any provision to any person or circumstance, is determined by a court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this Limited Warranty, and the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected and shall be enforced to the fullest extent permitted by applicable law. Without limiting the foregoing, if any limitation on damages, remedies, or warranties set forth in this Limited Warranty is held to be unenforceable as to particular types of damages or claims, such limitation shall remain in effect to the maximum extent permitted by law as to all other damages and claims.

C. **No Construction Against Drafter.** This Limited Warranty has been made available to Buyer for review and Buyer has had the opportunity to ask questions and consult with independent counsel regarding its terms. No rule of contract construction that resolves ambiguities against the drafting party shall apply to this Limited Warranty.

D. **Waiver.** No waiver of any provision of this Limited Warranty shall be effective unless in writing and signed by Builder. The failure of Builder to insist on strict performance of any provision shall not be construed as a waiver of that provision or any other provision.

E. **Entire Warranty Agreement.** This Limited Warranty, together with any written addenda or schedules expressly incorporated by reference, constitutes the entire agreement between Builder and Buyer with respect to Builder's warranty obligations for the Home and supersedes all prior or contemporaneous oral or written statements, representations, or understandings regarding warranty coverage. This Limited Warranty is in addition to, and not in substitution for, the parties' separate purchase and sale agreement, which governs all non-warranty matters.

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F. Amendments. This Limited Warranty may not be amended or modified except by a written instrument signed by both Builder and Buyer.

Buyer's execution of the Limited Warranty documents is a condition to Closing, unless waived in writing by Seller. If Buyer proceeds to Closing without having delivered a timely written rejection of the Limited Warranty provisions during the Review Period, Buyer's decision to close shall constitute acceptance of the Limited Warranty as of the date of Closing.

DATE: _____

BUYER 1: _____

BUYER 2: _____

SELLING LICENSEE 1: _____

SELLING LICENSEE 2: _____

BROKERAGE: _____

DATE: _____

BUILDER: _____

LISTING LICENSEE: _____

BROKERAGE: Keller Williams Realty AK Group

_____/_____
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Builder Initials