



Thistle congratulates you on the purchase of your new home at Velo!

Thistle has partnered up with DIRC Homes, a Denver-based General Contractor, for the construction and warranty of your new home. We would like to take this time to explain the purchase, closing and warranty processes:

When will my home ready?

During the construction process the Velo sales team will be your main point of contact. They will provide updates on progress of your new home. As your home nears its completion, the Velo sales team will contact you to schedule your new home orientation with DIRC Homes. Your orientation will be scheduled approximately 45 days prior to your home's completion. The actual Orientation will take place about one week before closing.

What is a New Home Orientation?

The New Home Orientation is when a DIRC representative explains the operation and features of your new home and gives you an opportunity to ask questions. Your home will be completed, quality checked by a DIRC representative and be ready for you to take possession.

DIRC Construction and Warranty representatives will conduct the orientation. This process typically lasts about one hour. At the end of the Orientation, the DIRC Warranty representative will explain the warranty process, how to request warranty services if needed during the coming year, and when to expect completion of those identified items.

(Depending on the timing of your purchase, the parties at the Orientation may change. The new home orientation and explanation of all the home details will occur with accountable personnel before closing, regardless.)

During the orientation process, a walk-through will be conducted and any construction-related items that need to be addressed will be noted and identified as a punch list item. At the end of the walk-through, the final punch list will be created for your home. To the extent possible, all items will be addressed prior to closing. Typically, either the day before, or the day of

closing, a final walk through is scheduled to confirm that all items previously indicated have been properly addressed.

Builder Warranty Information

During the New Home Orientation, the DIRC warranty representative will provide contact information as well as how to request warranty service. Information will be explained as to what constitutes an emergency, as well as the difference between a warranty item and a maintenance item.

DIRC Provides a one-year builder warranty with coverages as outlined in the Warranty Manual. After the one-year timeframe has expired, extended manufacturer's warranties will still be intact. They are outlined in the Individual manufacturer's warranties which will be included in your Homeowner's turnover package.

Upon the request of the homeowner, DIRC Homes will perform an 11-Month Warranty walk-through with the homeowner at which time any subsequent questions will be answered and any outstanding items identified at that time will be scheduled for completion.

Sincerely,

Thistle and DIRC Homes



DIRC
HOMES

LIMITED WARRANTY AGREEMENT

DRAFT Velo Condos April 2020

**www.dirchomes.com
warranty@dirchomes.com
1630 Welton St, Suite 260, Denver, CO 80202
720-642-7310**

LIMITED WARRANTY AGREEMENT

NAME OF OWNER(S): _____

ADDRESS OF RESIDENCE: _____

COMMENCEMENT DATE OF WARRANTY: _____

PURCHASE PRICE OF RESIDENCE: _____

I. Residence.

The warranty set forth in this Limited Warranty Agreement applies to the home located at the address stated above (the "Residence"), as existing on the commencement date set forth above (the "Commencement Date") which was constructed by DIRC Homes, LLC, a Colorado limited liability company ("Builder").

II. Residence Warranty.

For a period of one (1) year beginning on the Commencement Date (the "Residence Warranty Period"), Builder warrants to Owner that:

- A. The Residence will be free from defects in workmanship and materials resulting in noncompliance with the Standards of Construction attached hereto (the "Standards of Construction"). To the extent that the Standards of Construction do not include a standard for a certain item, then Builder warrants that, with respect to such item, the Residence will be free from defects in workmanship and materials due to noncompliance with the structural, mechanical, electrical and quality standards generally accepted by the home building industry for the geographic area in which the Residence is located which are in effect at the time the Residence is constructed.
- B. The Residence will be free from defects in the installation of the plumbing, heating, cooling and electrical systems resulting in noncompliance with the applicable plumbing, mechanical or electrical code in effect at the time the Residence was constructed; provided, however, that this warranty does **not** apply to defects in an appliance, fixture, or item of equipment or defects in the plumbing, cooling or electrical systems caused by defects in an appliance, fixture or item of equipment.

III. Structural Warranty.

For a period of seven (7) years beginning on the Commencement Date (the "Structural Warranty Period"), Builder warrants to Owner that the Residence will be free from Major Structural Damage. "Major Structural Damage" shall mean the structural failure of a Load Bearing Element of the Residence to the extent such failure or damage materially endangers the capacity of the Load Bearing Elements of the Residence to transmit the imposed live and dead loads to the ground or causes the Load Bearing Elements of the Residence to become unstable, resulting in the Residence being unsafe or uninhabitable. "Load Bearing Elements" shall mean the framing members and other structural components that transmit the

live and dead loads to the supporting ground and includes roof rafters and trusses, ceiling and floor joists, structural systems, load bearing partitions and walls, supporting beams and headers, columns, foundation systems and footings, but shall specifically exclude, without limitation, roof shingles and sheathing, drywall and plaster, exterior siding, brick, stucco and stone veneer, subfloor and flooring materials, wall tile and other wall coverings, non-load bearing partitions and walls, non-structural concrete floors and slabs in garages, basements, laundry and utility areas, and other areas not finished by Builder as living space, electrical, heating, cooling and plumbing systems, appliances, equipment and fixtures, paint, doors, window, trim, cabinets, hardware and insulation.

IV. Consumer Products Excluded.

Any appliance, item of equipment, or other item in the Residence that is a “consumer product” as defined in the Magnuson-Moss Warranty Act, 15 U.S.C. § 2301, as amended (a “Consumer Product”), is hereby excluded from the coverage of this Limited Warranty. The following are examples of “consumer products,” although other items in the Residence may also be consumer products: refrigerator, trash compactor, range, oven, microwave oven, dishwasher, garbage disposal, air conditioner, furnace, humidifier, hot water heater, clothes washer and dryer, security, audio and video systems, and thermostat. The Residence may not contain all of these items.

V. Assignment of Manufacturers’ Warranties.

Builder hereby assigns to Owner the manufacturers’ warranties, if any, on all appliances, equipment, and Consumer Products installed in the Residence. A copy of each of these warranties has been delivered to Owner, and Owner hereby acknowledges receipt of same. Owner should follow the procedure set forth in the applicable warranty if a defect appears in any appliance, item of equipment, or other Consumer Product.

VI. Other Exclusions from Coverage.

In addition to Consumer Products, the liability of Builder under this Limited Warranty shall **not** apply or extend to, and Builder assumes no responsibility for, loss or damage caused by:

- A. Defects in design, installation or materials which were performed, supplied or installed by or through Owner, or which were not performed, supplied or installed by or through Builder.
- B. Additions, alterations, or modifications to the Residence performed by or at the direction of Owner, or performed after the Commencement Date.
- C. Introduction of excessive water onto, or into the soils surrounding, the Residence, by lawn or landscaping irrigation or otherwise, by parties other than Builder or parties under the control of Builder.
- D. Normal wear and tear or normal deterioration.
- E. Normal shrinkage caused by drying of the Residence, and the materials used therein, within tolerances generally acceptable under the building standards in effect for the geographic area in which the Residence is situated as of the Commencement Date.

- F. Normal settling of the Residence, and the materials used therein, within tolerances generally acceptable under the building standards in effect for the geographic area in which the Residence is situated as of the Commencement Date.
- G. Dampness and condensation caused by the failure to provide sufficient ventilation after occupancy by parties other than Builder or parties under the control of Builder.
- H. Negligent or intentional failure to maintain the Residence by parties other than Builder or parties under the control of Builder, including negligent or intentional failure to maintain the Residence by Owner.
- I. Changes in the grading of the ground around the Residence by parties other than Builder or parties under the control of Builder, including changes in the grading of the ground around the Residence by Owner.
- J. Failure by parties other than Builder or parties under the control of Builder, including failure by Owner, to maintain the grades, swales, and drainage patterns established by Builder which assure that any water falling on the property surrounding the Residence, whether from natural precipitation or lawn or landscaping irrigation, will flow positively away from the Residence.
- K. Alteration of gutters and drains, or the failure to keep gutters and drains free of leaves and other debris.
- L. Landscaping installed by or at the direction of Owner.
- M. Damage from, or the presence of, insects or animals.
- N. Failure by the Owner to maintain the Residence in good condition and repair.
- O. Failure of Owner to take timely action to minimize such loss or damage and/or failure of Owner to give Builder proper or timely notice of the defect.
- P. Mold and/or water or moisture in the Residence to the extent that the damages are caused by: (i) Owner's negligence or failure to properly maintain and monitor the Residence; (ii) Owner's failure to promptly take appropriate corrective measures and minimize any damage caused by water or moisture; or (iii) Owner's failure to promptly notify Builder of the water or moisture problem and to provide Builder with an opportunity to dry the moisture or water, correct the source of the problem, and remediate, if necessary, any moisture conditions caused in the Residence by improper construction.
- Q. Accidents, natural disasters, or acts of God, including, but not limited to: fire, explosion, smoke, water escape, unforeseen changes in the water table, wind, hail, lightning, falling trees, aircraft and vehicles, flood, and earthquake, except when the loss or damage is caused by Builder's failure to comply with either the Standards of Construction or the building code, as applicable.

- R. Soil movement where the resulting loss or damage is compensated for by legislation or covered by insurance.
- S. Defects in an appliance, item of equipment, or Consumer Product.
- T. Damage to any personal property located in or about the Residence.
- U. Damage caused by unforeseen subsidence or sinkholes.
- V. Any of the following damage occurring after closing:
 - Damage after Closing to the following:
 - Caulking and Grout: interior and exterior;
 - Ceramic Tile: stained, chipped, or damaged;
 - Concrete: stained or damaged; cracks smaller than ¼" in driveways, sidewalks, and patios;
 - Counters/Panels: marred, chipped, or damaged; knife, heat, water or excessive weight;
 - Drywall: damaged, gouged, or stained to include normal and expected variations in texture; visibility of seams; drywall nail pops;
 - Fences: split, warped, discolored, or movement of fences and gates;
 - Flooring: dirty, marred, scratched, stained, damaged, dented or normal variations in finishes; noisiness;
 - HVAC: clogged condensation drains;
 - Landscaping: damaged or dead grass, trees, and shrubbery; soil erosion;
 - Masonry: tuck pointing, settlement cracks or cleaning masonry;
 - Mirrors: scratched, chipped, cracked or damaged;
 - Paint: marred, scratched, damaged paint;
 - Plumbing: scratched, chipped, dented or cracked bathtubs/sinks; stoppage of plumbing **not** caused by construction debris; leaks caused by drain cleaner use; cosmetic defects, tarnishing or discoloration; fixture seals;
 - Roofing: damage from wind or hail; damage from improper maintenance to gutters and downspouts; leaks caused by alterations, tie-ins or penetrations of the roof;
 - Screens: torn, gouged, or missing window and door screens;
 - Surfaces: any damage not noted during the New Homeowner Orientation Walk; and
 - Windows: humidity and condensation.
- W. Any defect which does not result in actual loss or damage.
- X. Any defect, loss or damage caused by, resulting from, or arising out of, any act or omission by Owner.

VII. Procedures.

- A. Written Notice of Claim – Residence and Structural Warranty. If Owner discovers a defect in the Residence, and such defect is covered by this Limited Warranty Agreement, Owner

must give written notice to Builder via email to warranty@dirchomes.com, to which email the Owner shall attach the claim for provided by Builder. Claims shall specify the name, address and telephone number of Owner; the nature of the defect; the date the defect first occurred; the loss or damage claimed; and the times during Builder's normal working hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, that Builder and/or Builder's agents, may have access to the Residence to inspect the loss or damage and, if necessary, take corrective action. Such notice shall be delivered to Builder as soon as practicable after Owner either discovers, or in the exercise of reasonable diligence, should have discovered the defect in the Residence or the loss or damage caused by such defect, but in no event later than the end of the Residence Warranty Period or the Structural Warranty Period, as applicable.

- B. Eleven-Month Warranty Walk. On or about the date that is eleven (11) months after closing, Owner shall contact Builder via email (warranty@dirchomes.com), to which email the Owner shall attach the 11-Month Warranty Walk form tprovided by Builder. Builder's warranty manager will contact Owner to schedule a date and time to review and address any warrantable items listed on the 11-Month Warranty Walk form. Builder will be the final decision maker as to whether an item requested on the form is covered by the Limited Warranty, a manufacturer's warranty, or is the responsibility of the Owner.
- C. Emergency Repairs. **In any emergency, your first step should always be to protect yourself and your family from harm.** If the defect constitutes an emergency situation, Builder should be notified by telephone at number provided to you during your homeowner orientation. Emergency situations are **only**:
1. Total loss of heat during the heating season.
 2. Total loss of electricity.
 3. Total sewer stoppage.
 4. Plumbing leak that cannot be stopped without shutting off all the water in the Residence, or that has caused saturated carpet or other dangerous condition.
 5. Roof leak.
 6. Total loss of hot water.

In the event Owner is unable to notify Builder, Owner should notify the appropriate subcontractor specified in the subcontractor list delivered by Builder to Owner at the time of closing of the Residence.

- D. Builder Response. Builder or its agent, representative, employee, or subcontractor will contact Owner following Builder's receipt of the notice of the claim to schedule an inspection of the Residence and, if necessary, to schedule the corrective action to be taken by Builder. Builder shall proceed with due diligence to complete any corrective

action undertaken by Builder; provided, however, that any delay caused by strikes, labor disputes, boycotts, shortages of labor or materials, governmental action or inaction, weather, acts of God, or any other fact or circumstance beyond the reasonable control of Builder shall not be a basis for a claim of lack of diligence on the part of Builder. Builder's obligation to proceed with due diligence shall be suspended for as long as any condition, fact, or circumstance shall continue to exist. Under ordinary circumstances, Builder expects to be able to make covered repairs, excluding structural repairs, within fifteen (15) days after receiving notice of a claim.

VIII. Remedies.

- A. Repair or Replacement. If, following the inspection of the Residence, Builder determines that a valid claim under this Limited Warranty Agreement exists, Builder shall repair or replace, at its option, (i) the defective item, and (ii) the damage caused by the defective item to portions of the Residence installed by Builder. Builder shall not be responsible if (i) a repaired area of prefinished material does not match in color and/or texture, or (ii) patterns in floor coverings, wall coverings, or other finished surfaces have been discontinued. All work shall be performed by Builder or subcontractors chosen by Builder. Builder will not honor invoices, bills, or receipts for labor performed or materials furnished by or at the direction of Owner.
- B. Limitation of Liability. Builder's liability under this Limited Warranty:
1. Shall **not**, in the aggregate, exceed the purchase price paid by Owner for the Residence.
 2. Shall **not** extend to consequential damages, including, but not limited to, bodily injury, damage to personal property, damage to real property which is not part of the Residence, or loss of use of the Residence or other property.
 3. Shall **not** extend to defects discovered after the Residence is no longer used primarily as a dwelling.
- C. Warranty Not Extended. Actions taken by Builder to correct a defect shall not extend the Residence Warranty Period or the Structural Warranty Period.
- D. Expiration of Rights. Any legal proceeding (including binding arbitration) under this Limited Warranty Agreement must be brought before the earlier of (1) two years after the date that Owner discovered, or in the exercise of reasonable diligence should have discovered, the defect forming the subject matter of the claim, or (2) eight years after the issuance of a certificate of occupancy for the Residence.

IX. Assignability.

The warranties provided in this Limited Warranty Agreement may only be transferred or assigned by Owner to a subsequent owner of the Residence.

X. Dispute Resolution; Arbitration.

The Owner shall promptly contact the Builder's homeowners service department regarding any disputes involving this Limited Warranty Agreement. If Builder and Owner are unable to reach an agreement regarding the resolution of any matter subject to this Limited Warranty Agreement, Builder and Owner shall submit such dispute to arbitration. **OWNER AND BUILDER AGREE TO SUBMIT TO BINDING ARBITRATION ANY AND ALL CLAIMS, DISPUTES AND CONTROVERSIES ARISING BETWEEN OR AMONG THEM RELATING TO OR ARISING OUT OF THIS LIMITED WARRANTY AGREEMENT, OR THE SUBJECT MATTER HEREOF. SUCH ARBITRATION SHALL PROCEED IN THE DENVER, COLORADO, METROPOLITAN AREA, SHALL BE GOVERNED BY COLORADO AND APPLICABLE FEDERAL LAW; AND SHALL BE GOVERNED BY THE CONSTRUCTION INDUSTRY ARBITRATION RULES AND SUPPLEMENTAL PROCEDURES FOR RESIDENTIAL CONSTRUCTION DISPUTES OF THE AMERICAN ARBITRATION ASSOCIATION (THE "AAA"), OR SUCH OTHER RULES OF THE AAA AS MAY BE REQUIRED BY THE APPLICABLE PROTOCOLS OF THE AAA. JUDGMENT ON ANY AWARD RENDERED BY THE ARBITRATORS MAY BE ENTERED IN ANY COURT HAVING JURISDICTION. NOTWITHSTANDING ANY CONTRARY PROVISION OF AAA RULES, ARBITRATION HEREUNDER SHALL BE CONDUCTED BEFORE A SINGLE, NEUTRAL ARBITRATOR MEETING AT LEAST ONE OF THE FOLLOWING QUALIFICATIONS: (I) AN ATTORNEY WHO HAS PRACTICED IN THE AREA OF REAL ESTATE LAW OR REAL ESTATE LITIGATION FOR AT LEAST FIVE (5) YEARS OR A RETIRED JUDGE AT THE DISTRICT COURT OR AN APPELLATE COURT LEVEL; OR (II) A PERSON WITH AT LEAST TEN YEARS' EXPERIENCE IN RESIDENTIAL CONSTRUCTION. EXCEPT AS OTHERWISE REQUIRED BY THE APPLICABLE AAA RULES AND PROTOCOLS, THE PARTY INITIATING THE ARBITRATION SHALL BE REQUIRED TO PAY ANY FEES, DEPOSITS AND EXPENSES FOR ADMINISTRATION OF SUCH ARBITRATION PAYABLE TO THE AAA OR THE ARBITRATOR PRIOR TO FINAL RESOLUTION THEREOF, AT WHICH TIME SUCH FEES, DEPOSITS AND EXPENSES SHALL BE AWARDED IN ACCORDANCE HERewith. THE ARBITRATOR SHALL BE BOUND BY THE SUBSTANTIVE LAW OF THE STATE OF COLORADO AS CONTAINED IN THE STATUTES, CASE LAW AND OTHER LEGAL PRECEDENT OF THE STATE OF COLORADO (EXCLUDING CHOICE OF LAW PROVISIONS THEREOF). IN CONNECTION WITH ANY SUCH DISPUTE OR ARBITRATION OCCURRING AFTER THE CLOSING, OWNER AGREES TO PROVIDE BUILDER AND ITS CONTRACTORS, EXPERTS, ATTORNEYS, INSPECTORS, EMPLOYEES AND ADVISORS ACCESS TO THE PROPERTY TO PERFORM INSPECTIONS AND INVESTIGATIONS. BUILDER AND HOMEOWNER SHALL EACH BEAR THEIR OWN'S ATTORNEYS' FEES IN CONNECTION WITH ANY ARBITRATION, REGARDLESS OF THE PREVAILING PARTY.**

XI. Exclusive Warranty.

Except as provided in this Limited Warranty Agreement, **BUILDER MAKES NO OTHER REPRESENTATIONS OR WARRANTIES, OF ANY NATURE, EXPRESS OR IMPLIED, EXCEPT THOSE WARRANTIES, IF AN, AS MAY BE IMPLIED AND NON-WAIVABLE UNDER APPLICABLE LAW.**

XII. Other Rights.

This Limited Warranty Agreement gives you, as Owner, specific legal rights. You may also have other legal rights which vary from state to state.

XIII. Applicable Law.

This Limited Warranty Agreement shall be construed in accordance with the laws of the State of Colorado.

XIV. Invalidity.

If any provision of this Limited Warranty Agreement shall be held invalid, the remainder of the provisions shall not be affected thereby.

XV. Entire Agreement.

THIS LIMITED WARRANTY AGREEMENT SETS FORTH THE ENTIRE AGREEMENT AND UNDERSTANDING OF THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF. NO OTHER WARRANTIES, EXPRESS OR IMPLIED, ARE MADE BY BUILDER TO OWNER. THE TERMS AND PROVISIONS OF THIS LIMITED WARRANTY AGREEMENT MAY NOT BE AMENDED, SUPPLEMENTED OR MODIFIED EXCEPT IN WRITING SIGNED BY THE PARTIES HERETO.

IN WITNESS WHEREOF, Builder and Owner have executed this Limited Warranty Agreement effective as of _____, 201__.

BUILDER:

OWNER:

DIRC HOMES, LLC, a
Colorado limited liability company

By: _____

Title: _____



STANDARDS OF CONSTRUCTION

STANDARDS OF CONSTRUCTION

I. SITE WORK

A. Area of Concern: Settling of ground around the residence and the utility trenches.

Standard: When the areas for the residence and the utilities serving the residence were excavated, the holes dug were larger than the actual size of the residence and the utilities installed. In certain situations, due to engineering requirements, these areas cannot be compacted when they are backfilled and are, therefore, subject to slight settlement. If settlement in excess of six (6) inches occurs, Builder will fill the settled areas once during the Residence Warranty Period provided that (i) Owner has not changed the grades, swales, and drainage patterns of the site and (ii) Owner assumes full responsibility for any landscaping affected thereby. Any additional settlement must be corrected by Owner.

B. Area of Concern: Drainage.

Standard: The grading of the site shall be completed in a manner which assures that any water falling on the site, whether from natural precipitation or from lawn irrigation, will flow positively away from the foundation and slabs of the residence. Owner must maintain the grades, swales and drainage patterns established by Builder as part of the final grade.

II. CONCRETE FLATWORK AND FOUNDATION WALLS

A. Area of Concern: Cracks in basement floor and/or slab-on-grade floor.

Standard: Cracks that do not exceed an average of 1/4 inch in width and vertical displacement (where one portion of the concrete settles to a lower point than another) that does not exceed an average of 1/4 inch are to be expected.

B. Area of Concern: Cracks in garage slab and/or patio.

Standard: Cracks that do not exceed an average of 3/8 inch width and vertical displacement that does not exceed an average of 3/8 inch are to be expected. Owner must immediately seal all cracks appearing in the patio with a waterproof substance.

C. Area of Concern: Cracks in walkways within property boundaries and/or driveway.

Standard: Cracks that do not exceed an average of 1/2 inch in width and vertical displacement that does not exceed an average of 1/2 inch are to be expected. Owner must immediately seal all cracks appearing with a waterproof substance.

D. Area of Concern: Cracks in foundation walls.

Standard: Cracks that do not exceed an average of 1/8 inch in width are to be expected.

E. Area of Concern: Movement of concrete slabs within the residence.

Standard: All concrete slabs are designed to "float" or move independently from the concrete foundation walls. Vertical movement of interior slabs in excess of one (1) inch or movement

of exterior slabs that cause water to drain toward the foundation should be brought to Builder's attention.

F. Area of Concern: Separation of stoops and steps.

Standard: So long as stoops and steps do not separate an average of more than one (1) inch from the residence, settling, heaving, and separation of such stoops and steps is to be expected. Owner must immediately seal all cracks appearing with a waterproof substance.

G. Area of Concern: Pitting, scaling, and spalling of finished concrete surfaces.

Standard: Under normal conditions, concrete surfaces should not disintegrate to the extent that the aggregate is exposed. Pitting, scaling, or spalling of concrete surfaces should be brought to Builder's attention unless the deterioration was caused by (i) salt, (ii) chemicals, (iii) mechanical implements, or (iv) other causes beyond the reasonable control of Builder. It is common for concrete to display salt or calcium efflorescence from exposure to moisture, which condition does not constitute a defect.

H. Area of Concern: Standing water on patios, stoops, and steps installed by Builder.

Standard: After a rain, some ponding or standing water is to be expected, but such water should not remain for more than 24 hours.

III. MASONRY

A. Area of Concern: Cracks in mortar joints between brick and stone.

Standard: Cracks that do not exceed an average of 1/4 inch in width are to be expected due to normal expansion and contraction of the materials, provided that such cracks should not result in bricks or stones coming loose.

B. Area of Concern: Fireplace or chimney does not draw properly.

Standard: The fireplace and chimney shall be designed and constructed to be operable under normal conditions. Failure of the fireplace or chimney to draw properly should be brought to Builder's attention unless the failure was or is caused by (i) temporary downdrafts created by abnormal weather conditions, e.g., high winds, or (ii) obstructions, such as large branches of trees growing too close to the chimney.

C. Area of Concern: The chimney separates from the residence in which it is attached.

Standard: Slight separation of the chimney from the residence is to be expected but should not exceed 1/2 inch in any ten (10) foot measurement.

IV. CARPENTRY

A. Area of Concern: Expansion and contraction of exterior trim.

Standard: Open joints between exterior trim elements, including siding and masonry are to be expected to allow for expansion and contraction, but these areas should be properly caulked to exclude the entry of water. If open joints in excess of 3/8 inch in width occur, Builder will re-caulk the open joints once during the Residence Warranty Period. All other re-caulking is the responsibility of the Owner.

B. Area of Concern: Cracks in exterior trim boards.

Standard: The exterior trim boards, beams and posts used in the residence will shrink, warp, twist, and develop cracks. Unless such shrinkage, warping or twisting affects the structural integrity of the residence, it is considered normal and not covered by the Limited Warranty Agreement. Cracks in cementitious or masonite trim boards less than 1/8 inch in width are not covered by the Limited Warranty Agreement.

C. Area of Concern: Loose or squeaky subfloors.

Standard: The plywood subfloors shall be glued and nailed to the floor joists to eliminate squeaky floors. Floor squeaks and loose floors may appear due to normal expansion and contraction of the materials and normal settling of the residence. Builder does **not** warrant against floor squeaks and loose floors.

D. Area of Concern: Joints in interior moldings.

Standard: Open joints in moldings or between moldings and adjacent surfaces that do not exceed an average of 1/8 inch in width are to be expected. If open joints in excess of 1/8 inch occur, Builder will re-caulk the open joints once during the Residence Warranty Period.

E. Area of Concern: Nail sets in interior trim and moldings.

Standard: Nail sets, hammer marks, dents and dings in interior trim and moldings should not be visible from more than six (6) feet under normal lighting.

F. Area of Concern: Delamination or deterioration of exterior siding.

Standard: Delamination or deterioration should not exceed the manufacturer's specifications.

G. Area of Concern: Buckling and bowing of exterior siding.

Standard: Buckling of exterior siding that does not exceed 3/8 inch is to be expected. Bowing of exterior siding that does not exceed 1/2 inch in any 32 inch span is to be expected. Buckling of exterior siding that does not exceed 3/8 inch is to be expected.

H. Area of Concern: Alignment of lap exterior siding.

Standard: Lap exterior siding should not be out of parallel more than 1/2 inch in any 20 foot span.

I. Area of Concern: Nails in exterior siding.

Standard: Nail faces in exterior siding should not be countersunk in excess of 1/8 inch. Nail stains in exterior siding should not be visible from more than 20 feet in ordinary lighting.

J. Area of Concern: Floors out of level.

Standard: Framed floors should not be out of level by more than 1/2 inch in a 20 foot span.

K. Area of Concern: Walls out of plumb.

Standard: Framed walls should not be out of plumb by more than 3/8 inch in an 8 foot span.

- L. **Area of Concern:** Bows in walls.

Standard: Bows in framed walls should not exceed 1/2 inch in an 8 foot span.

V. MOISTURE PROOFING

- A. **Area of Concern:** Water penetration in basement.

Standard: At the time the residence was constructed, the outside surfaces of the foundation should have been moisture proofed with a tar substance to prevent any leaking. "Outside surfaces" are those foundation walls that are in direct contact with soil and are adjacent to basement or crawlspace areas within the residence. Concrete slab and post-tensioned slab foundations are not moisture proofed.

- B. **Area of Concern:** Dampness of basement walls and floors.

Standard: Dampness appearing in the concrete walls and floors of a new residence is not unusual.

- C. **Area of Concern:** Entry of rain and snow in attic.

Standard: To properly ventilate residence, attic vents and/or louvers must be installed and the entry of rain and snow through the vents and/or louvers is to be expected under severe weather conditions.

VI. ROOFING

- A. **Area of Concern:** Leaks in roof or flashing.

Standard: The roof or flashing should not leak unless caused by hail or wind in excess of 56 miles per hour. Additionally, under certain weather conditions with severe cold temperatures, ice dams may form resulting in leaks, which leaks are not covered by the Limited Warranty Agreement.

- B. **Area of Concern:** Gutters and/or downspouts leak.

Standard: Gutters and downspouts should not leak although gutters will overflow during heavy rains. Owner must maintain the downspout extensions and tip-outs to discharge all stormwater at least 5 feet from the foundation..

- C. **Area of Concern:** Standing water in gutters.

Standard: Since gutters are installed approximately level, small amounts of standing water, but not exceeding 1/2 inch in depth, are to be expected. Owner must keep the gutters free from obstruction.

VII. DOORS AND WINDOWS

- A. **Area of Concern:** Warped interior doors.

Standard: Interior doors should not warp to exceed the National Woodwork Manufacturer's Association Standards (1/4 inch measured corner to corner).

B. Area of Concern: Warped exterior doors.

Standard: Exterior doors are subject to a great deal of stress due to the extreme difference in temperature from inside to outside and some warpage is to be expected. However, the doors should remain operable and weather resistant and should not warp to exceed the National Woodwork Manufacturer's Association Standards (1/4 inch).

C. Area of Concern: Shrinkage of interior door panels.

Standard: Panels will shrink and expand and may expose unpainted wood surfaces.

D. Area of Concern: Split in interior door panels.

Standard: Split panels should not allow light to be visible through the door. If light is visible, Builder will fill the split and match the paint or stain as closely as possible once during the Residence Warranty Period.

E. Area of Concern: Garage doors fail to open properly.

Standard: Builder shall install garage doors within the manufacturer's installation tolerances and the doors should operate properly at the time title to the residence is delivered to Owner. Any damage or defects in the garage door must be noted by Owner at the time of the preoccupancy inspection. Some entrance of snow and rain is to be expected under normal circumstances. Installation of an automatic garage door opener by any party other than Builder shall void all warranties with respect to the garage door.

F. Area of Concern: Doors and/or windows do not fit properly, do not lock or malfunction.

Standard: Doors and windows should operate with reasonable ease and should lock and unlock freely. Owner must keep the window tracks and the sliding door tracks free from dirt and obstructions.

G. Area of Concern: Infiltration of air, dirt, and dust around windows and doors.

Standard: Builder shall properly install weather stripping around the exterior doors of the living area and the windows, but even with the weather stripping some infiltration of air, dirt, and dust is normally noticeable.

H. Area of Concern: Broken glass and torn screens.

Standard: There should be no broken glass or torn screens at the time title to the residence is delivered to Owner. Any broken glass or torn screens must be noted by Owner at the time of the preoccupancy inspection.

I. Area of Concern: Glass scratches.

Standard: Scratches in glass windows and doors should not be visible from more than six (6) feet under normal lighting at the time title to the residence is delivered to Owner. Any scratches in glass must be noted by Owner at the time of the preoccupancy inspection.

VIII. FINISHES

A. Area of Concern: Imperfections in drywall and gypsum wallboard.

Standard: Slight imperfections such as hairline cracks not exceeding an average width of 1/16 inch, nail pops, and seam lines are to be expected due to expansion and contraction of the materials and normal settling of the residence. Imperfections such as excess compound in joints, trowel marks, cracked corner beads, and blisters in tape are not acceptable. Variations in drywall texture, visible edge to edge seams and wavy corner beads are not deemed imperfections and are not covered by the Limited Warranty. Patches in drywall will be textured and painted to match the surrounding surface as close as reasonably practical, but are not warranted to match exactly.

B. Area of Concern: Ceramic tile cracks or comes loose.

Standard: Ceramic tile should stay firmly in place and should not crack provided that the tile is not intentionally or accidentally struck with a hard object.

C. Area of Concern: Cracked grout joints.

Standard: Due to normal expansion and contraction of the materials, cracks appearing periodically in ceramic tile grout lines, particularly at the junction of the bathtub and tile, or showerpan and tile, are to be expected. Owner must re-caulk these cracks as part of his normal maintenance.

D. Area of Concern: Cracks between floorboards of finished wood flooring.

Standard: Cracks not exceeding an average width of 1/8 inch are to be expected due to normal expansion and contraction of the materials.

E. Area of Concern: Tears in resilient flooring.

Standard: There should be no tears in resilient (e.g. vinyl or linoleum) at the time title to the residence is delivered to Owner. Any tears must be noted by Owner at the time of the preoccupancy inspection.

F. Area of Concern: Loose or bubbled resilient flooring.

Standard: Resilient flooring should not become loose or bubble. Owner must maintain the seals at the junction of the bathtub, shower, or water closet and the flooring to assure that the flooring will stay firmly in place.

G. Area of Concern: Nail pops appear in the surface of resilient flooring.

Standard: Nail pops in the surface of resilient flooring in excess of 1/8 inch in height should not occur.

H. Area of Concern: Ridges appear in resilient flooring due to subfloor irregularities.

Standard: Although some ridges are to be expected, ridges in resilient flooring in excess of 1/8 inch in height should not occur.

I. Area of Concern: Visible gaps at seams of resilient flooring.

Standard: Gaps or curling in resilient floor covering joints should not exceed 1/16 inch in width. Where dissimilar materials abut, a gap not in excess of 1/8 inch is acceptable.

J. Area of Concern: Exterior paint, stain, or varnish peels, deteriorates, or fades.

Standard: Exterior paint and stain shall be installed according to manufacturer's specifications and should not peel or deteriorate during the Residence Warranty Period. Fading is to be expected and the degree is dependent upon the climatic conditions. Varnish, lacquer, or sealed stain on exterior surfaces will deteriorate rapidly and is not covered by the Limited Warranty Agreement.

K. Area of Concern: Interior varnish or lacquer finish deteriorates.

Standard: Interior varnish or lacquer shall be installed according to manufacturer's specifications and should not deteriorate during the Residence Warranty Period. Fading is to be expected and the degree is dependent upon the amount of sunlight that enters the residence.

L. Area of Concern: Interior paint improperly applied.

Standard: Interior paint shall be applied in a manner that visually covers all wall, ceiling, and trim surfaces. Paint touch-up areas and repainted areas will match the surrounding surface as close as reasonably practical, but are not warranted to match exactly. Builder has no obligation with respect to surfaces that have been repainted by Owner.

M. Area of Concern: Wallpaper installed by Builder peels.

Standard: Wallpaper should not peel during the Residence Warranty Period.

N. Area of Concern: Pattern in wallpaper installed by Builder is mismatched.

Standard: The pattern in wallpaper shall not be mismatched due to stretching and/or improper installation in excess of 3/16 inch.

O. Area of Concern: Visible carpet seams.

Standard: Carpet seams will be visible; however, visible gaps and carpet sections with naps running in different directions are not acceptable.

P. Area of Concern: Carpet comes loose, seams separate, or excessive stretching occurs.

Standard: Wall-to-wall carpeting should not come loose or stretch excessively nor should the seams separate during the Residence Warranty Period.

Q. Area of Concern: Minor fading of, and spots on, carpet.

Standard: Exposure to light will cause spots on carpet and minor fading.

R. Area of Concern: Cracks in exterior stucco wall surfaces.

Standard: Cracks that do not exceed an average of 1/8 inch in width are to be expected.

IX. VENTILATION

- A. **Area of Concern:** Inadequate ventilation of attics and crawl spaces.

Standard: The attic and crawl spaces shall be ventilated in accordance with the requirements of the building code in effect in the jurisdiction in which the residence is constructed at the time of construction.

X. COUNTERTOPS AND CABINETS

- A. **Area of Concern:** High-pressure laminate (formica) surfaces crack, chip, delaminate, or are burned or scratched.

Standard: There should be no imperfections in the high-pressure laminate surfaces at the time title to the residence is delivered to Owner. Any defects must be noted by Owner at the time of the preoccupancy inspection. A gap in the joints in the laminate surfaces is acceptable so long as the gap does not exceed 1/16 inch in width.

- B. **Area of Concern:** Cabinets and/or countertops separate from walls and/or ceiling.

Standard: Gaps that do not exceed an average of 1/4 inch in width are to be expected due to normal shrinkage of the materials. The cabinet and countertop installation should remain secure notwithstanding the gap(s).

- C. **Area of Concern:** Cabinet malfunctions.

Standard: Cabinet doors, drawers, and other operating parts should operate with reasonable ease under normal conditions.

- D. **Area of Concern:** Warped cabinet door and/or drawer front.

Standard: Cabinet doors and drawer fronts should not warp to exceed 1/4 inch as measured from face frame to point of furthest warpage with door or drawer front in closed position.

- E. **Area of Concern:** Wood color and grain.

Standard: Wood cabinets and trim are made from natural products which have variations in grain, color and acceptance of stain. Cabinet boxes, doors, drawer fronts and replacement parts are subject to normal variations in color, grain and staining.

XI. PLUMBING

- A. **Area of Concern:** Leakage of any kind from piping.

Standard: No leaks of any kind should exist in any drain, waste, vent, or water pipe except where leakage is caused by flooded or inoperative septic system. Condensation on piping does not constitute leakage.

- B. **Area of Concern:** Faucet or valve leak.

Standard: Faucets and valves should not leak because of defects in either material or workmanship. Leakage caused by worn washers and/or seals is the responsibility of the Owner.

- C. Area of Concern:** Fixtures do not hold water.
Standard: Stoppers on fixtures should retain water for a sufficient length of time to accomplish the intended use of the fixtures.
- D. Area of Concern:** Defective plumbing fixtures, appliances, or trim fittings.
Standard: Fixtures, appliances, and fittings should comply with the manufacturer's standards.
- E. Area of Concern:** Noise in water pipes and drain systems.
Standard: Due to expansion, contraction, and the flow of water through the pipes there will be noise emitted from the water pipes and drain systems. Only "water hammer" or pipe vibrations should be brought to the Builder's attention.
- F. Area of Concern:** Noise in bathtubs and shower pans.
Standard: Due to shrinkage, swelling, expansion and contraction of building materials, and the flexing and movement of bathtubs and shower pans, bathtubs and shower pans will squeak when walked upon. Only excessive and inordinate squeaking of bathtubs and shower pans will be corrected by Builder.
- G. Area of Concern:** Stopped up sewers, fixtures, or drains.
Standard: Unless clogged due to Owner's negligence, sewers, fixtures, and drains should operate properly to accomplish their intended function. Builder will correct any clogs during the first 30 days after title to the residence is delivered to Owner.
- H. Area of Concern:** Frozen sill cocks.
Standard: Outside sill cocks should not freeze provided that all hoses are removed and the water is shut off during the winter months.
- I. Area of Concern:** Porcelain or fiberglass surfaces crack or chip.
Standard: There should be no cracks or chips in the porcelain or fiberglass surfaces at the time title to the residence is delivered to Owner. Any cracks or chips must be noted by Owner at the time of the preoccupancy inspection. Builder shall have the right to repair cracks and chips in surfaces, and shall not be obligated to replace the fixtures.
- J. Area of Concern:** Plumbing pipes freeze and burst.
Standard: To prevent freezing, drain, waste, vent, and water pipes should be adequately protected during normally anticipated cold weather as required by the applicable building code and as defined in ASHRAE design temperatures, provided that Owner maintains the conditioned areas of the residence at 68° F or higher.
- K. Area of Concern:** Water supply system does not deliver water.
Standard: Builder shall properly install the service connections to the municipal water main or the private water supply, as appropriate. Private systems shall be designed and installed in accordance with the applicable building, plumbing, and health codes.

XII. HEATING AND AIR-CONDITIONING

A. Area of Concern: Insufficient heat.

Standard: Builder shall install a heating system that is capable of maintaining an inside temperature of 70° F, as measured in the center of each room at a height of five feet above the floor, at an outdoor temperature of 1° F. Balancing registers, dampers, and other minor adjustments are the responsibility of the Owner.

B. Area of Concern: Ductwork noise.

Standard: When metal is heated it expands and when cooled contracts. The result is “ticking” or “crackling” which is to be expected and is considered acceptable. In the case of electric forced air heating systems, a higher level of air noise is to be expected. Tin pops occurring in ducts when adjacent floors experience loads will be repaired by Builder.

C. Area of Concern: Ductwork separates or becomes unattached.

Standard: Ductwork should remain intact and securely fastened.

D. Area of Concern: Insufficient cooling.

Standard: When air-conditioning is provided, Builder shall install a system that is capable of maintaining an inside temperature of 78° F, as measured in the center of each room at a height of five feet above the floor, at an outdoor temperature of 93° F. If the outside temperature exceeds 93° F, a differential of 15° F from the outside temperature will be maintained.

E. Area of Concern: Refrigerant lines leak.

Standard: Under normal conditions, refrigerant lines should not develop leaks.

F. Area of Concern: Condensation lines clog.

Standard: At the time title to the residence is delivered to Owner, the condensation lines shall be unobstructed. Under normal use, condensation lines will clog and must be maintained by Owner. Builder will repair any clogs occurring during the first 60 days after title to the residence is delivered to Owner, and thereafter Owner shall be responsible for maintaining the condensation lines.

XIII. ELECTRICAL

A. Area of Concern: Wiring does not carry its designed fuse load to the electrical box.

Standard: Wiring shall conform to the applicable electrical code requirements and shall be capable of carrying the designed load for normal residential use to the electrical box.

B. Area of Concern: Lighting fixtures, switches, or electrical outlets do not work.

Standard: All lighting fixtures, switches, and electrical outlets shall be operative. Alterations of, or modifications or additions to, the residence electrical system by any party other than Builder shall void all warranties with respect to the residence’s electrical system.

C. Area of Concern: Lights flicker in parts of the residence.

Standard: Flickering may occur during starting of some motor driven equipment and is considered acceptable.

D. Area of Concern: Fuses blow or circuit breakers kick out.

Standard: Fuses and circuit breakers should not activate under normal usage, except in the case of ground fault interrupters, which are susceptible to moisture and/or weather conditions. Ground fault interrupters are sensitive safety devices installed into the electrical system to protect against electrical shock and shall be installed in accordance with the applicable electrical code.

E. Area of Concern: Drafts from electrical outlets.

Standard: The electrical junction box on exterior walls may produce an airflow whereby cold air can be drawn through the outlet into a room and is considered acceptable.