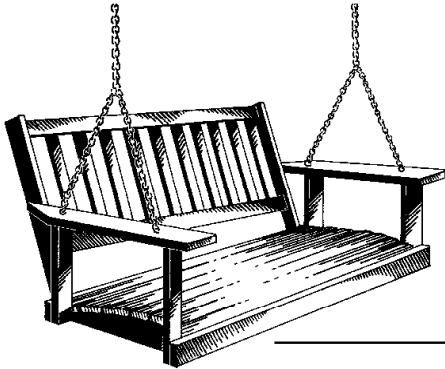


**BUILDER'S LIMITED WARRANTY**

*Porchfront*  
H O M E S



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TIMELESS DESIGNS  
TRADITIONAL VALUE

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## BUILDER'S LIMITED WARRANTY

THIS AGREEMENT is made and entered into on \_\_\_\_\_, by and between \_\_\_\_\_ ("Purchaser" or "Homeowner") and CDC Development Company, d/b/a Paragon Builders, a Colorado Corporation, and/or its successors in interest ("Builder").

Witness that:

The Builder has built for the Purchaser, at the purchaser price set forth in the settlement statement signed at the Closing between them, a residential dwelling unit located within the County of \_\_\_\_\_ State of Colorado, more particularly described as follows:

Lot \_\_\_\_\_, \_\_\_\_\_ Subdivision,

also known as, \_\_\_\_\_, Colorado.  
(Street Name and Number)

And the parties wish to set forth their agreement and understanding with respect to the limited warranty extended on the residence by the Builder to Purchaser and to detail what, if any, obligations the Builder shall have to repair, replace or pay to the Purchaser a reasonable cost of repairing any Major Construction Defects or covered defects resulting from the Builder's failure to comply with the Defined Standards as set forth in this Agreement.

THEREFORE, in consideration of the payment by the Purchaser to the Builder of the full purchase price, and in further consideration of the mutual rights and obligations set forth in this Agreement and the mutual benefit to be derived from this Agreement, the Builder and the Purchaser hereby agree as follows:

### 1. DEFINITIONS

For purposes of this Agreement, the following terms shall have the following meanings:

#### 1.1 Warranty

The term "Warranty" as used in this Agreement shall refer to this Limited Warranty, unless specifically stated otherwise. Other warranties referred to in this Agreement may include warranties supplied by subcontractors, suppliers, and those warranties transferred to the Purchaser together with the transfer to the Purchaser of the major appliances in the residence at the time of sale and purchase. For additional information on other warranties and limitations on the warranty given with this Agreement see paragraph 3.2 of this Agreement. All other agreements, contracts and the like between the Buyer and the Seller of the Property are merged herein and made a part hereof.

#### 1.2 Warranty Period

A one-year period of time during which this Limited Warranty and Builder's obligations under this Agreement shall be in effect. The Warranty Period shall commence on the date of conveyance of the residence described above and terminate one year after said date.

The Warranty Period on common elements shall commence when the first home within the phase of which this residence is a part is conveyed or occupied, whichever occurs first, and shall apply to only those common elements contained within that phase and terminate one year after said date. Warranty coverage for common elements shall be for the same periods and to the same extent as similar or comparable items in individual residential units. Club houses, recreation buildings and the like, if any are constructed, exterior walkways or any other non residential structure which is a part of the common elements are not covered elements under this Warranty Agreement.

With respect to fixtures, appliances and items of equipment, the warranty is for one year or the manufacturer's written warranty, whichever is less.

#### 1.3 Residence

The term "Residence" shall refer to the real property and all improvements on the real property purchased and closed upon by the Purchaser and described by lot, block and street number, above.

## 2. DEFINED STANDARDS

### 2.1 General Construction Standards

Defect(s) in materials or workmanship shall mean a fault or deficiency that results from the failure of the Builder to comply with construction standards as measured by whichever of the three options below applies to that specific construction activity. Local standards shall control which of the three standards listed below applies.

- A. Uniform codes such as the Uniform Building Code, the Uniform Mechanical Code, the Uniform Plumbing Code, or the Uniform Electrical Code, or
- B. A Minimum Property Standard of the U.S. Department of Housing and Urban Development ("HUD Standards"), or
- B. If neither of the above standards applies, the Construction Standards set forth below shall determine whether a defect exists under this Warranty and the corrective action that Builder shall take.

Any defect must be reported to the Builder in writing. Not all items noted will be repaired. For a repair to be effected, the Builder must verify that a repair is warranted and agree to undertake the repair. All defects must be listed in writing clearly describing the defect in reasonable detail within the applicable warranty period, and such defect must be verified by inspection by the Builder prior to corrective action being authorized. Any emergency caused by a defect within the applicable warranty period may be repaired even if it is not listed in writing. Only those items that are warranted will be repaired, no damage caused by the Homeowner will be repaired under any circumstance.

### 2.2 Site Work

#### A. Excavating and backfilling

Settling of ground around foundation utility trenches or other filled areas should not interfere with the drainage away from the house. Maximum allowable settling is six inches (6") from established grade. Upon written request by Purchaser, Builder shall one time only and only during the Warranty Period, fill areas settling more than six inches (6") from established grade. The Purchaser shall be responsible for any grass, shrubs, or other landscaping affected by placement of such fill. Any change or disturbance to any filled area by anyone other than the Builder or those subcontractors under its direction will void this portion of this Agreement.

#### B. Site drainage

Necessary grades and swales will be established by the Builder to insure proper drainage away from the residence. The acceptable standard established shall be that no standing water should remain in the yard 72 hours after a rain, except when yards are graded for irrigation or swales or sump pump discharge is used. No grading determination shall be made while there is frost on the ground. Builder is responsible only for establishing proper grades and swales. Homeowner is responsible for maintaining such grades and swales once they have been properly established by Builder.

### 2.3 Concrete

#### A. Foundation Walls

Shrinkage or backfill cracks are not unusual in basement or foundation walls, especially at corners of basement windows. The Builder will repair, as needed, cracks which are in excess of 1/8" or any cracks which are shown to permit water to enter the basement, provided the Homeowner has complied with landscaping requirements and has not changed the grades established by the Builder. Slight "honeycombing," cold joints, or imperfections in the foundations walls caused by variations or minor flaws in concrete forms will not be repaired.

Slight dampness may be experienced in a crawl space. However, correctly installed landscaping will prevent excessive amounts of water from entering crawl spaces. Standing water should be reported to the Builder immediately upon discovery.

#### B. Interior Flatwork

To accommodate soil conditions in Colorado, concrete slabs are "floating," i.e., they are not attached to the foundation walls. Basement concrete slabs are NOT a structural element of your home. The warranty coverage for basement concrete slabs is for one year only.

To allow the basement floor slab to move in response to expansive soils, there is a flexible collar around the top of the furnace plenum, gas and water lines include flexible connections, and drain lines have slip joints. The basement stairs do not rest on the floor and the support posts under I-Beams are separated from the floor slab. The Builder incorporates all of these details in the construction of the basement floor because the floor will move in response to the soils. This movement will be minimized by close adherence to the landscaping recommendations, the objective of which is to prevent moisture from reaching soils around and under the residence.

MOVEMENT OF THE BASEMENT SLAB RESULTS IN CRACKING. IF SUCH CRACKS REACH 3/16" IN WIDTH, OR 3/16" IN VERTICAL DISPLACEMENT, THE BUILDER WILL PATCH OR REPAIR SUCH CRACKS OR DISPLACEMENT ONE TIME DURING THE WARRANTY YEAR. SUBSEQUENTLY, FLOOR SLAB MAINTENANCE IS A HOMEOWNER RESPONSIBILITY. SIMILAR TO THE BASEMENT SLAB, GARAGE SLABS, PORCHES AND PATIOS ARE DESIGNED TO "FLOAT," I.E., THEY CAN MOVE WITHOUT AFFECTING THE FOUNDATION. MOVEMENT AND RESULTING CRACKING WILL BE MINIMIZED BY PROPER INSTALLATION AND MAINTENANCE OF LANDSCAPING. THE BUILDER WILL SEAL CRACKS THAT REACH 1/4" IN WIDTH OR VERTICAL DISPLACEMENT ONE TIME DURING THE WARRANTY YEAR. CONCRETE SLABS ARE NOT REPLACED DUE TO CRACKING.

#### C. Garage Slab

Cracks in garage slabs in excess of one-quarter inch (1/4") in width or one-quarter inch (1/4") in vertical displacement are considered excessive. Upon written notification and confirmation by the Builder, the Builder shall repair excessive cracks by patching one time.

#### D. Stoops

Stoops or steps should not settle or heave in excess of one inch (1") in relation to the house structure. Upon written notification and confirmation by the Builder, the Builder shall repair excessive settling or heaving.

### 2.4. Masonry

Small cracks are common in mortar joints of masonry construction. Cracks greater than one-eighth inch (1/8") in width are considered excessive. Cracks in excess of one-eighth inch (1/8") shall be repaired by surface patching. At the Builder's option, these repairs will be made toward the end of the Warranty Period to permit normal settling of the residence.

### 2.5. Wood and Plastics

#### A. Rough Carpentry

Floor squeaks and loose sub floor are often temporary conditions common to new home construction; however, a squeak-proof floor cannot be guaranteed. The Builder will correct squeaks if they are caused by a construction defect. Some floor squeaks are unavoidable.

#### B. Finish Carpentry-Interior

Joints in moldings or joints between moldings and adjacent surfaces should not result in cracks exceeding one-eighth (1/8") inch in width. Minor imperfections of less than one-eighth inch (1/8") inch may be visible but are not repairable. The Builder will correct only allowable defects, i.e., chips, gouges, etc., noted on the inspection done at the time of the walk-through inspection. Separation of wood trim from adjacent material is a normal result of shrinkage. A small dimple may result where nailed, this is due to wood shrinkage and will not be repaired. Differences in wood types that give rise to differing stains, color and appearance are not defects.

#### C. Finish Carpentry-Exterior:

Joints between exterior trim elements, including siding, should not result in open cracks in excess of one-quarter inch (1/4"). In all cases the exterior trim and siding shall be capable of performing its function to exclude the elements. Caulking as a repair tool by the Builder is acceptable. Some shrinkage of siding is to be expected; however, if gaps in excess of one-quarter inch (1/4") appear, the Builder will caulk and apply touch-up paint. This will be performed one time only, and at the option of the Builder may be done near the end of the first year. Note that due to weathering, paint touch up may not match exactly. Slight waves can be seen in siding under certain weather conditions and cannot be entirely eliminated.

All styles and grades of paneling used will show knots, characteristic grain structures, or minor manufacturing imperfections. Corrections will not be made for characteristics intrinsic to the paneling selected for the residence. Variation in color and wood grain are to be expected.

Stains, water spots, cracks, chips, gouges, etc., noted, verified and approved by the Builder on the walk-through inspection list will be corrected. Damage noted subsequent to the walk-through inspection will be the Homeowner's responsibility.

## 2.6 Thermal and Moisture Protection

### A. Waterproofing

No leaks of water into a basement of any residence are acceptable. However, leaks caused by improper landscaping installed by Purchaser, or failure of Purchaser to maintain proper grades are not covered by the Warranty. Dampness of the walls is often common to new construction and is not considered a deficiency. The Builder will take such action as necessary to correct basement leaks except where the cause is determined to result from Purchaser's negligence.

### B. Shingles and Roofing Tiles

Roofs or flashing should not leak under normally anticipated conditions except where cause is determined to result from severe weather conditions such as ice build up, high winds and driven rain. The Builder will correct or repair any verified roof leaks as a result of a defect. Ice build up may develop in the eaves during extended periods of cold and snow. And any damage results therefore is not a Builder responsibility. Wind damage is an act of God and is not a defect.

### C. Louvers and Vents

Attic ventilation is required. Occasionally, depending on the force and direction of the wind, rain and snow will infiltrate through these vents causing spotting on the ceiling. The Builder is not responsible for such weather damage and will not make repairs in these instances.

### D. Flashing and Sheet Metal

Flashing, valleys, gutters, and downspouts must not leak, but gutters may overflow during heavy rain. It shall be Purchaser's responsibility to keep gutters and downspouts free of leaves and debris which would cause overflow. When the gutter is unobstructed by debris, the water level may not exceed one inch in depth. Downspouts are placed to carry water to the ground and away from the foundation of the home. EXTENSIONS USED TO DIRECT WATER ARE FOR THE PROTECTION OF THE FOUNDATION; THE HOMEOWNER IS RESPONSIBLE FOR THEIR MAINTENANCE. THE EXTENSIONS SHOULD ALWAYS BE KEPT IN THE DOWN POSITION and should discharge outside of any installed rock or bark beds so that water is not dammed behind any edging materials which might be used around these areas.

### E. Sealants

Joints and cracks in exterior wall surfaces and openings should be properly caulked to exclude the entry of water. Properly installed caulking will shrink and must be maintained by Purchaser within the life of the residence after the Warranty Period. Builder shall repair and/or caulk joints or cracks in joints in exterior wall surfaces as required to correct a defect once during the Warranty Period.

## 2.7 Doors and Windows

### A. Metal Doors

Significant dents, scratches, or other mars noted on the walk through list and verified by the Builder will be repaired. Paint touch up on such repairs will be by brush, and therefore may not match existing paint coverage exactly. Magnetic weather-stripping on metal doors will mar the paint. This cannot be prevented.

Selection of deep tone colors for exterior doors can cause problems as a result of heat absorption, i.e., bubbling, peeling or warping of window trim and Homeowner is advised against selection of dark colors. PROBLEMS RESULTING FROM DEEP TONE COLORS WILL NOT BE REPAIRED.

### B. Wood Doors

Due to normal settling of the residence, doors may require adjustment for proper fit. The Builder will make such adjustments. Chips or other damage in the finish, noted on the walk-through inspection list, will be repaired. Doors that warp in excess of three sixteenths of an inch (3/16") will be repaired.

### C. Garage Door

The garage door should operate smoothly and as designed. The door can come out of alignment and require adjustment which the Builder will provide. HOWEVER, ELECTRIC GARAGE DOOR OPENERS CAN BE THE CAUSE OF THE MISALIGNMENT AND NO ADJUSTMENT WILL BE MADE IF THE HOMEOWNER HAS INSTALLED AN OPENER SUBSEQUENT TO THE PURCHASE OF THE RESIDENCE. Garage overhead doors cannot be air tight and some light may be visible around the

edges and across the top of the door. This is acceptable. Touch up paint used to correct a defect on a garage door may not match exactly.

#### **D. Windows**

Some air infiltration is normally noticeable around doors and windows especially during high winds. Excessive infiltration resulting from open cracks, poorly fitted doors or windows, or poorly fitted weather stripping is to be considered a defect. It may be necessary for the Homeowner to have storm doors and windows installed to provide a satisfactory solution in high wind areas. As necessary, the Builder will adjust or correct open cracks, poorly fitted window or doors, and/or poorly fitted weather stripping. The Builder will replace any broken glass reported by Purchaser prior to closing. Any broken glass not reported to Builder prior to closing will be the Purchaser's responsibility.

### **2.8 Finishes**

#### **A. Gypsum Wallboard**

Obvious defects or poor workmanship resulting in blisters in tape or excess nail popping, excess compound in joints, trowel marks and cracked corner beads may be considered defects. Some slight cracking, nail "pops" and/or drywall seams may become visible in walls and ceilings. These occurrences are normally caused by the shrinkage of the wood to which the drywall is attached. **One time only, and at Builder's option at the end of the warranty period, agreed upon drywall repairs will be effected. The Homeowner will be responsible for any touch up or repainting that is needed as a result of this service. Such touch up may not match original paint exactly. REPAIRS WILL NOT BE MADE ON FLAWS WHICH ARE ONLY VISIBLE UNDER PARTICULAR LIGHTING CONDITIONS.** If the drywall repair is the result of a plumbing leak or other warranty-based repair, the Builder will assume the cost of repainting the repaired area of drywall. **RESTORING PAINT COLORS OR WALLPAPER IS A HOMEOWNER RESPONSIBILITY.**

#### **B. Ceramic Tile**

Ceramic tile should not crack or become loose. Repair or replacement will be made unless the defects were caused by Purchaser's negligence. The Builder cannot be responsible for discontinued patterns or color variations in ceramic tile. Cracks appearing in grouting of ceramic tile at joints or junctions with other materials are commonly due to normal shrinkage conditions. The Builder will repair grouting, if necessary, one time during the first year. Any grouting or caulking that is needed after that time is considered Homeowner maintenance. The Builder is not responsible for color variations in grout or discontinued colored grout. Sealing grout is a Homeowner responsibility.

#### **C. Resilient Flooring**

Vinyl floor covering should adhere to the sub floor; lifting or bubbling is a defect. Nail pops appearing on the surface of vinyl are defects. Seams will occur and are sealed at the time of installation, there should be no gaps or curling at seams. In any situation which requires replacement, the Builder will not be responsible for discontinued patterns or colors.

#### **D. Carpet**

Although carpet seams will be visible, gapping or fraying is a defect. Edges of carpet against base moldings and along edges of stairs should be held firmly in place. Stains or spots noted on the walk through list and verified and agreed to by the Builder will be corrected by cleaning, patching, or replacement. The Builder will not be responsible for dye lot variations, discontinued patterns or colors if replacements are made.

#### **E. Painting Exterior**

Exterior paints or stains should not fail during the Warranty Period. Fading is normal and the degree is dependent on climatic conditions. The Builder will properly prepare and refinish defects (areas that have failed) matching color is closely as possible. Where finish deterioration affects the majority of the wall or area, the whole area may be refinished. Warranty periods on newly repainted surfaces will not extend beyond the original Warranty Period. Wood trim will develop some minor cracks and raised grain as it ages and dries. Much of this will occur during the first year. Raised grain can result in peeling paint this is not considered a defect in materials or workmanship. Paint maintenance of wood trim and gutters is a Homeowner's responsibility. Wood trim painted white or light colors will more readily show grain and cracks and will therefore require additional Homeowner maintenance.

#### **F. Painting Interior**

The Builder will touch up paint only as indicated on the original walk-through inspection list, verified and agreed to by Builder. **HOMEOWNER WILL RECEIVE A SAMPLE OF EACH INTERIOR PAINT USED FOR SUBSEQUENT TOUCH UPS. THIS PAINT SHOULD BE STORED SO AS NOT TO BE AFFECTED BY FREEZING TEMPERATURES.** Paint touch-ups are sometimes visible under certain lighting conditions – and shall not be deemed a defect. For details on touch-up needed as a

result of repairs, see the individual categories in this Agreement where touch-up is mentioned as a corrective course of action such as in the categories of Drywall, Plumbing, etc. Due to wood characteristics, color variation will result when stain is applied. There will be no repair or replacements on such variations. STAIN SAMPLES ARE NOT AVAILABLE.

## 2.9 Specialties

### A. Fireplaces (if applicable)

A properly designed and constructed fireplace and chimney should function as intended. It is normal to expect that high winds can cause temporary negative draft situations. Similar negative draft situations can also be caused by obstructions such as large branches of trees too close to the chimney. The Builder will determine the cause of negative draft and correct the problem only if it is one of design and construction.

### B. Masonry Fireplaces, Not gas, if applicable

Newly built fireplaces will often incur slight amounts of separation, not to exceed one-half inch (1/2") in a ten (10) foot measurement, from the main structure. The Builder will determine the cause of separation and correct as required. Caulking as a repair tool is acceptable.

Discoloration of the firebox or brick is the normal result of use and requires no corrective action. Mortar style fireplaces may develop cracks due to temperature changes and other factors which shall not be deemed a defect.

## 2.10 Equipment

### A. Residential Cabinets

Some warping of wooden cabinets is expected; however, warping should not exceed one-quarter inch (1/4") as measured from face frame of the cabinet to the point of furthest warping, with the door or drawer front in closed position. The Builder will correct or replace door or drawer front as required due to excessive warping.

Separations of countertops at walls and where the backsplash meets the counter are the result of normal shrinkage of materials. Any separation at the wall or at the counter will be repaired one time; this repair is done by caulking and subsequently will be a Homeowner responsibility. It is important to keep moisture from reaching the wood under the formica to prevent warping.

### B. Laminated Countertops

Laminated countertops may have one or more discernible seams. There should be no gapping at the seams, however, any major surface imperfections, such as chips, cracks, scratches, burns, reported on the walk through list verified and agreed to by the Builder will be repaired. Any damages not on the walk through list will be the Homeowner's responsibility.

### C. Solid Surface Countertops

Solid Surface countertops should be installed without chips or gouges. Edges should be smooth and even. Where backsplash joints occur at corners, the top edges should be even within 1/16" of adjacent edges.

### D. Ceramic Tile Countertops

Cracked, badly chipped, or loose tiles, must be noted on the walk through and then they will be verified and repaired or replaced as needed. Similar damage after the walk through is a Homeowner responsibility. The Builder is not responsible for variations in color or discontinued patterns. New grout may vary in color from the original.

Cracks appearing in grouting of ceramic tiles at joints or junctions with other materials are commonly due to normal shrinkage conditions. The Builder will repair grouting, if necessary, one time during the first year. Any grouting or caulking that is needed after that time is considered Homeowner maintenance. The Builder is not responsible for color variations in grout or discontinued colored grout. Sealing grout is a Homeowner responsibility. It is recommended that ceramic tile on countertops be sealed to protect it from food stains. Follow manufacturer's directions carefully.

## 2.11 Mechanical

### A. Pipe Covering and Insulation

Drain, waste, and vent or water pipes should be adequately protected as required by construction standards to prevent freezing during normally anticipated cold weather, and as defined in accordance with ASHRAE design temperatures to prevent freezing. The Builder will correct any defect responsible for pipes freezing and will repair piping damaged by freezing except

where there has been an obvious lack of heat or Purchaser negligence, including but not limited to leaving garage or other doors open in cold weather.

#### **B. Plumbing**

1. No leaks of any kind should exist in any solid waste vent or water pipe. Condensation on piping does not constitute leakage and is not covered. The Builder will make necessary repairs to eliminate leakage.
2. No valve or faucet should leak due to defects in material or workmanship. However, leakage caused by worn or defective washers are considered a Purchaser maintenance item. The Builder will repair or replace a leaking faucet or valve unless leakage is due to a defective washer.
3. Sewers, fixtures, and drains should operate properly. Builder is not responsible for sewers, fixtures, and drains which are clogged through Purchaser's negligence. If a problem occurs within 30 days of closing, the Purchaser should consult Builder for a proper course of action. Where a defect is shown to be the cause, the Builder shall assume the cost of the repair; where Purchaser's negligence is shown to be the cause, the Purchaser shall assume repair costs. TOILETS ARE DESIGNED TO BE LOW FLOW AND MUST NOT BE OVERFILLED WITH ANY MATERIAL OR THEY MAY NOT FUNCTION PROPERLY.
4. There may be noise emitting from the water pipe system and/or the wastewater pipe system due to the flow of water and/or waste water. Builder cannot remove all noises due to water flow and pipe expansion and these noises may not be a defect. Excessive water hammer noise or pipe vibrations may be a defect.
5. Chips and cracks on surfaces of bathtubs and kitchen skinks can occur when surface is hit with sharp or heavy objects. The Builder will repair any chips or cracks noted during the walk-through inspection verified and agreed to by the Builder.
6. The Builder is not responsible for non-potability of drinking water caused by the actions or inactions of a governmental agency, water district, quasi governmental agency or the agency having control over said water supply.

#### **C. Heat Generation**

The heating system should be capable of producing an inside temperature of seventy degrees (70°) F as measured in the center of each room at a height of five feet (5') above the floor under local outdoor winter design conditions with all adjustments properly made to the equipment producing and delivering the heat as specified in the ASHRAE handbook. The Builder will correct the heating system as required to provide the required temperature. Purchaser shall be responsible for balancing dampers, registers, and other minor adjustments.

#### **D. Air-Conditioning (if applicable)**

Where air-conditioning is provided, the cooling system shall be capable of maintaining a temperature of seventy-eight degrees (78°) F as measured in the center of each room at a height of five feet (5') above the floor, under local outdoor summer design conditions with all adjustments properly made to the equipment producing and delivering the cooled air as specified in ASHRAE handbook. In the case of outside temperatures exceeding ninety five degrees (95°) F, a differential of fifteen degrees (15°) F from the outside temperature shall be capable of being maintained.

#### **E. Air Distribution**

1. When metal is heated it expands, and when cooled it contracts. The result is minor noises which are generally to be expected. The stiffening of the ductwork and the gauge of the metal used shall be such that ducts do not make major noises originating from an "oilcan" of the ductwork. The booming noise caused by "oilcanning" is a defect and Builder shall take necessary steps to eliminate this condition.
2. Ductwork should remain intact and securely fastened and the Builder shall reattach and secure all separated or unattached ductwork.

#### **F. Electrical Conductors, Switches, Receptacles, and Fixtures**

All electrical conductors, switches, fixtures, outlets, circuit breakers, panels and service entrances should operate as intended and the Builder shall repair or replace defective wiring, switches, fixtures and outlets.



It should be noted that all outside outlets, kitchen outlets, garage outlets and bathroom outlets are required by code to be protected by a ground fault. Sometimes these outlets are tripped and a circuit is broken. This is not a defect. The Homeowner should check the ground fault circuit and determine if it has been tripped before notifying the Builder of a suspected defect. NOTE: No refrigerators or freezers may be plugged into an outlet in any garage unless additional wiring has been installed to handle additional loads. Any defect caused by a refrigerator or freezer used in any location other than the kitchen is not a Builder defect.

## 2.12 Major Structural Defects

A major structural defect is defined as actual damage to the load bearing portion of the residence which affects its load bearing function, materially decreases its value and vitally affects or is imminently likely to vitally affect the continued use of the residence for residential purposes. All of the following conditions must be met to constitute a Major Structural Defect:

- A. Actual physical damage to one or more of the load bearing components listed below;
- B. Causing failure of the specific major structural components; and
- B. Which materially affects the physical safety of the occupants of the residence.

Load bearing components deemed to have a Major Structural Defect potential:

- A. Roof framing members (rafters and trusses)
- B. Floor framing members (joists and trusses)
- C. Bearing walls
- D. Columns
- E. Lintels (other than lintels supporting veneers)
- F. Girders
- G. Load bearing beams
- H. Foundation systems and footings

Verified major structural defects will be repaired to restore the load bearing capacity of the components.

## 3. BUILDER'S LIMITED WARRANTY

### 3.1 Option to Repair or Replace

Pursuant to the terms of this Limited Warranty, Builder hereby warrants that during the Warranty Period, Builder shall, at its sole and exclusive option, either repair, replace or pay to Purchaser the reasonable cost of repairing or replacing Major Construction Defects in the residence resulting from Builder's failure to comply with the General Construction Standard.

### 3.2 Manufacturers' Warranties

Builder assigns and agrees to deliver to Purchaser all warranties received by Builder from manufacturers of appliances, equipment and fixtures, if any, installed by Builder or its agents in the residence. Purchaser acknowledges and understands that Builder extends no warranties on appliances, equipment and fixtures in addition to or in lieu of the warranties extended by the manufacturer of such appliances, equipment, and fixtures, including their fittings, attachments, controls, and appurtenances. "Appliances, equipment and fixtures" shall mean, but shall not be limited to, such items as furnaces, humidifiers, ventilating fans, air conditioning condensers and compressors, water heaters, pumps, stoves, refrigerators, outlets, circuit breakers, thermostats and controls. The Builder extends no warranties for any appliance, fixture or any equipment installed by any person other than the Builder.

### 3.3 Exclusions and Limitations

Builder extends no warranty in connection with and shall not be liable under this Agreement for any of the following:

- A. Unless otherwise specified in this Agreement, defects in driveways, walkways, patios, boundary walls, retaining walls which are not necessary for the residence's structural stability, fences, landscaping (including but not limited to sodding, seeding, shrubs, trees, and other plantings), outbuildings (except any outbuilding containing a plumbing, electrical, heating or cooling system serving the residence), swimming pools, clubhouses and other recreational facilities, offsite improvements, or any other improvement, structure or amenity which is not a part of or attached directly to the residence.
- B. Defective design, work or materials supplied, performed or caused by or installed at or under the direction of any person other than Builder.
- C. Normal wear and tear or normal deterioration.

- B. Any loss or damage which arises while the residence is being used primarily for non-residential purposes.
- C. Any damage to the extent it is caused or made worse by negligence, improper maintenance, improper operation or alteration of or to the residence, its systems, appliances, equipment or fixtures, by anyone other than Builder, his employees, agents, or subcontractors.
- D. Accidental loss or damage resulting from acts of God, including but not limited to fire, explosion, smoke, water, glass breakage, wind storm, hail, lightening, changes which are not reasonably foreseeable in the level of the underground water table, falling trees, aircraft, vehicles, flood, and earthquake, except when such loss or damage is solely and directly caused by the failure of Builder to comply with the General Construction Standard.
- E. Defects for which and to the extent that compensation has been paid by insurance or by public funds. In the event the Builder should repair, replace or pay the cost of repairing or replacing any defects covered by insurance, Purchaser shall assign the proceeds of such insurance to Builder to the extent of Builder's cost to so repair or replace, or equal to any cash payment made by Builder.
- F. DAMAGE CAUSED BY CHANGES IN THE GRADING OF PURCHASER'S BUILDING SITE OTHER THAN THOSE PERFORMED BY OR PURSUANT TO THE DIRECTION OF BUILDER.
- G. Shrinkage due to drying of the residence after construction within the tolerances set forth in the General Construction Standard.
- J. Dampness or condensation or damages resulting there from due to Purchaser's failure to maintain adequate ventilation and/or adequate drainage.
- K. Bodily injury or damage to personal property.
- L. Any defect which does not result in actual loss or damage.
- M. Defects to the extent caused or made worse by the failure of Purchaser to give notice to Builder as required in this Limited Warranty.
- N. The failure of the Builder to complete construction of the residence or any part of the residence on or before the date that this Agreement is effective or damages arising from such failure. An incomplete item is not considered a defect under this Agreement, although the Builder is otherwise obligated to complete such item.
- H. All consequential damages including, but not limited to, damage to the residence that is caused by a covered defect but is not itself a covered defect, and costs of shelter, transportation, food, moving, storage, or other incidental expenses related to relocation during repairs.
- P. Loss or damage caused directly or indirectly by insects, birds, vermin, rodents, or wild or domestic animals.
- I. Any defect reported after an unreasonable delay or later than thirty (30) days after the expiration of the applicable Warranty Period.
- R. Loss or damage due to a failure by the Purchaser to perform routine maintenance.
- J. BUILDER SHALL NOT BE LIABLE FOR ANY INCIDENTAL OR CONSEQUENTIAL DAMAGES RESULTING FROM BREACH OF THIS LIMITED WARRANTY. IN NO EVENT SHALL BUILDER'S LIABILITY UNDER THIS LIMITED WARRANTY EXCEED THE PURCHASE PRICE OF THE RESIDENCE PAID BY THE INITIAL PURCHASER.
- K. THIS LIMITED WARRANTY GIVES YOU SPECIFIC LEGAL RIGHTS AND YOU MAY ALSO HAVE OTHER RIGHTS WHICH VARY FROM STATE TO STATE.

## 4. PURCHASER'S OBLIGATIONS

### 4.1 Limiting Factors

Purchaser agrees to perform the following and acknowledges that his failure to do so may negate any claims made under this Agreement:

- A. Keep and maintain the residence in good repair and condition.
- B. Take all reasonable preventative action to minimize damage to the residence upon discovery of any defect.
- B. Notify Builder of any defects discovered; if a defect results in an emergency being created, Purchaser shall give the Builder notice by telephone to be followed by a written statement as described below and, if not an emergency, by the procedures set forth in this Agreement.
- C. In an emergency situation, the Purchaser shall notify the appropriate governmental or private agency to minimize any damage that may result from the Purchaser delaying notification. (By way of example only, an emergency may consist of a gas leak, in which case the Purchaser shall immediately take all necessary steps to insure his own safety and then notify the appropriate gas company to report such leak.)

### 4.2 Maintenance

ROUTINE MAINTENANCE OF YOUR RESIDENCE IS THE HOMEOWNER'S RESPONSIBILITY. THIS INCLUDES APPRISING YOURSELF OF RECOMMENDED PROCEDURES FOR USING AND MAINTAINING ALL COMPONENTS OF THE RESIDENCE. PARTICULARLY IN REGARD TO LANDSCAPING AND PROTECTION OF THE FOUNDATION AND FLAT CONCRETE, THE HOMEOWNER'S KNOWLEDGE AND COOPERATION ARE VITAL. FOLLOW ALL MANUFACTURERS' DIRECTIONS WHEN PERFORMING ROUTINE MAINTENANCE. FAILURE TO FOLLOW DIRECTIONS MAY CAUSE HARM TO THE RESIDENCE AND MAY LIMIT OR VOID YOUR PROTECTION UNDER THIS WARRANTY.

## 5. CLAIMS PROCEDURE

### 5.1 Claims Period(s)

Purchaser shall notify Builder of any defects using the procedures set forth in this Agreement and at the times agreed upon by the Builder and the Purchaser in any other agreements between them. In response to a verified request, Builder shall within a reasonable time take such curative action, if any, which it reasonably deems appropriate under the circumstances.

Notwithstanding the foregoing, Purchaser's right to assert claims under this Limited Warranty shall expire ten (10) days after the end of the Warranty Period.

### 5.2 Inspection

The Purchaser has an obligation to cooperate with the Builder in investigating and inspecting any claimed defects. Failure of the Purchaser to cooperate and respond to requests for information by the Builder within thirty (30) days of any request will result in the closing of the Purchaser's claim file.

The Purchaser must provide the Builder with reasonable access for any inspection of any claimed defect. Where a claim is made of a defect and the defect cannot be observed or determined under normal circumstances, it is the Purchaser's responsibility to confirm that the claimed defect exists. Any costs involved in uncovering a claimed defect shall be the Purchaser's responsibility until and unless such defect is verified by the Builder.

### 5.3 Access

The Purchaser must provide the Builder with reasonable weekday access to the residence, during normal business hours, AT A TIME SCHEDULED BY THE BUILDER, in order for the Builder to perform its obligations under this Agreement. Failure to provide access may, at the Builder's option and applicable law, void this Warranty.

### 5.5 Arbitration.

In the event the Purchaser in good faith disputes any curative action taken or proposed to be taken by the Builder, and notifies the Builder of such dispute in writing, Builder shall within a reasonable time decide whether and to what extent Builder will satisfy Purchaser's requests. The Builder shall inform the Purchaser of its decision in writing. If the Builder and the Purchaser are unable to resolve such dispute, they agree to submit each such dispute to conciliation and arbitration conducted under the rules of the American Arbitration Association, as a condition precedent to commencement of any legal action concerning any dispute regarding or arising out of this Limited Warranty.

A form for this purpose may be obtained from the American Arbitration Association ("AAA"), at 1775 Sherman, Suite 1717 Denver, Colorado, 80203, or by calling 303-831-0823. Purchaser will be requested to describe what Purchaser believes Builder should do to eliminate the defect. The form is to be sent by Purchaser to the AAA office designated on the form. A meeting at the residence among the parties will be arranged by the AAA. A decision will be rendered by the arbitrator in accordance with and in the time allowed by AAA rules.

**6. MISCELLANEOUS**

**6.1 Notices**

All notices to Builder to sent under this Agreement shall be sent by first class mail, postage prepaid, addressed to Builder at the following address:

Warranty Department / Customer Service  
C/o Paragon Builders  
820 Pearl St.  
Boulder, Colorado 80302  
Fax: 303-448-9800

All notices to Purchaser to be sent under this Agreement shall be sent by first class mail, postage prepaid, addressed to Purchaser at the residence.

**6.2 Severability**

Should any term or provision of this Agreement be deemed to be unenforceable, such determination shall not affect the enforceability of the remaining terms and provisions.

**6.3 Assignment**

This Agreement shall not be assigned by either party to this Agreement. This Agreement and all of the Builder's duties and obligations under this Agreement shall terminate upon any transfer or conveyance of all or a portion of the residence by the Purchaser.

**6.4 Amendment**

This Agreement incorporates the entire understanding of the parties with respect to Builder's warranty obligations and may not be amended, altered, or added to by any person except by a written document executed by both parties.

**6.5 Time**

For all purposes under this Warranty, time is of the essence for all required actions by the Homeowner and no extensions of time of any nature shall be allowed.

**7.1 Receipt of this Warranty**

The Purchasers' signatures below indicate that they have received a copy of this Warranty and agree to be bound to its terms.

The Builder has duly executed this Limited Warranty as of the day and year first above written.

"BUILDER"

PURCHASER(S)

BY

\_\_\_\_\_  
Mary L. Coonce, \_\_\_\_\_

\_\_\_\_\_  
Purchaser

\_\_\_\_\_  
Purchaser

- Check here if an Active Soils Addendum is a part of and attached to this Agreement.
- Check here if Hardwood Flooring Warranty Information is a part of and attached to this Agreement.

### Active Soils Addendum

Homeowner Maintenance Responsibility for Homes Constructed on Active Soils. Soils having a high clay content can expand and contract when variations occur in the moisture content of the soils. Where seasonal moisture changes in the subsurface soils are common, it is the responsibility of the Homeowner to provide proper ongoing maintenance to the grading around the residence, the landscaping and the foundation of the residence. Although foundations are specifically designed for soil conditions in each area, conditions may be encountered that were not revealed by subsurface exploration and testing. Additionally, improper Homeowner maintenance can adversely affect the performance and structural integrity of any foundation constructed on active soils and void this Limited Warranty. These post-construction design practices are beyond the control of the design engineer and the builder. To minimize the probability of movement and displacement in the foundation caused by moisture content variations, the following post construction maintenance and requirements must be carried out. The failure to do so by the Homeowner will void the coverage provided by this Limited Warranty.

1. A final grade certificate has been issued for the lot on which your residence has been constructed. This confirms that the final grade, as established by the Builder meets the warranty requirements. The Homeowner is responsible for maintaining these grades in conformity with the final grade certificate. The grade around the foundation shall be maintained by the Homeowner in such a manner that surface drainage is away from the foundation, thereby prohibiting water to pond or become trapped in localized areas against the foundation.
2. Watering shall be performed in a systematic manner in order to keep the soils uniformly moist, NOT SATURATED. Areas of soils that do not have ground cover may require more moisture as they are more susceptible to evaporation, causing a moisture content imbalance.
3. During extreme hot and dry periods, close observation should be made around the foundation to insure adequate watering is being provided, preventing the soil from separating or pulling back from the foundation.
4. Gutters and downspouts must be maintained to prevent injection of moisture into the soil from roof run off in localized areas. Downspout extensions must be maintained to discharge a minimum of five feet (5') from the foundation wall. Any damage from water which has accumulated due to an improperly adjusted downspout will void the applicable warranty for that damage. This includes concrete cracks, heaving, sinking, falling and movement.
5. Studies show that trees planted within twenty feet of the foundation can damage the structural integrity of the foundation. Trees planted in close proximity to the foundation can develop a root system which can penetrate beneath the foundation and draw moisture from the soil. Areas around trees will require more water in times of drought. If a Homeowner plants a tree closer than twenty feet from the foundation, this Limited Warranty may be affected and voided.
6. Placing flower gardens and beds or shrubs next to the foundation and watering these areas heavily will generally result in a net increase of the soil moisture content in that localized area. This may result in a soil expansion or in some cases sinking in that localized area of the foundation. The Homeowner must maintain a balanced soil moisture content around the perimeter of the foundation. Plantings within twenty feet of the foundation may void this warranty if such plantings have caused water imbalances and foundation damage.

#### **Sump Pits, and Sump Pumps**

If your residence has a sump pump pit in the basement, it is the Homeowner responsibility to install a sump pump at the first sign of water under the sub-floor or anywhere around the perimeter of the floor, the sub-floor, crawl space or the basement areas. Failure to do so may void his warranty.

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Purchaser

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Purchaser