

Thanks for Choosing a Hultquist Home



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This letter is designed to provide important information that will assist you throughout the home buying process including the purchase phase and various other things that you should consider once you own your new home. This is by no means a comprehensive list but merely a few things we've found that most new homeowners overlook.

Our goal is to make the process of home ownership a simple and enjoyable experience. This document takes you through the construction process of your home and highlights those items that are your responsibility. Included are some things that will help keep the process organized and maintain good communication. Please note that in order for us to build your home in a timely manner, certain selections must be made by you so that key components of your home are ready for installation at the critical time it is needed by our installers.

It is critical to point out here that Hultquist Homes Inc. is not a custom home builder. Our reputation for producing quality homes that are priced to provide the maximum value is only accomplished by leveraging the volume of homes we build and strategic orchestration of subcontractor & supplier scheduling to maximize efficiency. This efficiency cannot be accomplished when changes and modifications are made to existing floor plans. In many cases, our plans are already pre-approved by the Municipality of Anchorage and cannot be changed without extensive engineering & architectural review. Consequently, when these changes are able to be made, they are expensive.

Just because a foundation does not have any walls framed on it, does not mean that changes can be easily made. Most of our houses are constructed indoors, in sections, in our panel plant. In most instances, if a foundation is present, the walls have already been built for the entire house, but have not been shipped out to the job site.

Homes that are purchased while under construction cannot be changed. Depending on the stage of construction, only certain selections can be made without incurring additional charges. If any option or upgrade is made to a house that is under construction that results in a delay of the normal course of construction, the Buyer must pay a daily delay fee based on the stage of construction.

The following steps were designed to increase your knowledge of the construction process and help us build your home as expediently as possible. Once again, thanks for buying a Hultquist Home!

1. When the Earnest Money Agreement has been returned to you, it will have several items attached including: HHI standard addendum, E.M. Release form, a sample 90% letter, HHI Warranty documents, Option Sheets. Upon signing of all documents your agent will schedule a Buyer-Listing agent meeting if the home is to be built. It is important that the option sheets be reviewed prior to this meeting. It is imperative that Buyers sign the form acknowledging

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receipt of warranty documents; we will not have a finalized agreement until this receipt is signed and returned to the Builder.

2. A formal meeting will be scheduled with the listing agent. The listing agent will provide the Buyer with a plot plan showing how the home will be positioned on the lot. All homes will be set-back from the front lot line at least 20 feet. The results of this meeting will be summarized in a "Question & Answer" format to ensure that all issues and questions are covered in this meeting. Depending on how complex the questions, usually this formal response takes a few business days. If the Buyer has any questions or needs clarification, please call your agent. Do not call the Builder. This ensures that the agents are kept informed on every aspect of this transaction. Included in this response are any quotes for options that the Buyer is considering. Just because a Buyer tells the listing agent at this meeting that they want a particular option or upgrade, does not mean that it's going into the home. All final selections must be written down on the Final Option Sheet, and signed by the Buyer. This formal document serves as the basis for our Contractor Notes (a comprehensive, detailed package that goes out to every subcontractor and supplier involved in the construction of your home).
3. Please note that subcontractors, vendors and suppliers chosen by HHI will not be changed by the buyer under any circumstance. Buyers are to pay Hultquist for any options or upgrades listed in our option sheets or any option or upgrade quoted by HHI. In some cases upgrades chosen by the buyer at certain HHI vendors and suppliers will need to be paid directly to that vendor or supplier. These vendors and their contact names and numbers are on the option catalog page two.
4. If options are selected, Buyer needs to pay for those options in advance. If options are to be added to the final sales price, advance payment is still required and the total amount will be credited to the Buyers at closing. Should the transaction fail to close, there will be no refund for these options. Please note that in most cases, appraisers will not give equal "dollar for dollar" values for options & upgrades. This means that if you intend to include options & upgrades into your final total sales price, you may still have to come "out of pocket" to pay the difference between the final sales price and the appraisal. If a Buyer decides to add options or upgrades to the sales price, and if we have already ordered or possess a current appraisal, the Buyer must pay for any appraisal update or possibly even a new appraisal, depending on the requirements of the Buyers lender.
5. It is very important that your lender (bank or mortgage company) provide us with a "90% Letter". (Please see sample 90% letter). The lender is familiar with what this is. Until we get this letter we do not have a finalized agreement.
6. Once the 90% Letter is received, your Earnest Money becomes non-refundable and is released to HHI.
7. Unless the home is already under construction, HHI then applies for the Construction Permit with the Municipality of Anchorage. Depending on the model you choose, this process can take anywhere from 15 to 30 days.
8. Once the permit has been issued, the field work will begin. At this time it is important to mention that Buyers are not allowed on the job site between the hours of 8am and 5pm. You are welcome to stop by and observe the construction of your home after-hours. In the rare event that you see something that does not look right or is different than what you ordered,

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please call your agent immediately. Your agent will contact our listing agent who will in turn contact us; this ensures good documentation of your call and enables us to confirm if there is a problem. Buyers and their agents have no authority to stop work in the field; if this happens, the Buyer will be charged a penalty for delays.

9. Change orders: If the buyers decide to change anything after the initial meeting, including but not limited to: adding or deleting any options or modifying any changes agreed to in the meeting, a change order form must be requested from the builders listing agent and filled out by the Buyer or their agent. Upon submitting the change order form to the builder, all charges must be paid in full. This includes at Seller's option a \$250.00 change order fee as well as the cost of the change or addition. If full payment is not attached to the change order, the change will not be generated. If the change affects the appraisal or requires a new appraisal, the Buyer will pay any related costs. If a change order results in or causes a delay in construction, Buyer will be assessed a daily penalty based on the stage of construction wherein the work was delayed. HHI retains the right to refuse any Change Orders prepared after the Listing Agent Meeting.
10. Upon completion of the home, HHI will schedule a New Home Orientation/Final walk-through with the Buyers. This can be scheduled between the hours of 9:00am and 3:00pm, Monday through Friday. At this time, the Buyers will sign a Buyer Possession Agreement accepting the house as being built as agreed.
11. Closing will take place within 5 days of completion of the home or the agreed upon date; 5-day period begins upon issuance of the Certificate of Occupancy (C.O.) (or Conditional Certificate of Occupancy, depending on the time of the year) or the agreed closing date where the C.O. or C.C.O. does not apply from the Municipality of Anchorage. In the event the Buyer delays the closing, Buyer will be charged \$75.00 per day to cover HHI interim financing costs. If completion of the house (receipt of the Certificate of Occupancy) is delayed because the Buyer failed to select and pay for any upgrades or options on time, the Buyer will be charged the \$75.00 per day penalty, to be paid at closing. If the Buyer's lender causes delays with handling paperwork, appraisals or bank packages, the resulting delays will be charged to the Buyer at a rate of \$75.00 per day.
12. Keys will be made available to the Buyer's immediately after closing.
13. If a home is purchased while it is under construction, depending on the stage of construction, certain selections may have already been made that cannot be changed! Many items like counter tops are built off-site and are awaiting installation; these items were ordered by HHI when we started construction on this house. Changes can only be made at great expense to the Buyer! Even though a bare foundation may exist on the lot that you select, our wall-framing plant (which is off-premises) may already have the interior and exterior walls engineered and completed for this home.
14. Driveways
This is probably the most frustrating part of new construction for buyers! A very limited window of time from the first part of June until October 1st, dictates a high demand upon a business with limited capacity. This means that in spite of our ability to contract with our paving subcontractors early in the year, we are still vulnerable to their scheduling as well as the additional demands placed on that business by the rest of the marketplace (the same contractors we use, are the ones you see paving & repaving the streets in Anchorage and the very same pavers that other builders use to pave their subdivisions). Here's what this means to

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you: Once the ground thaws (this varies by geography and from area to area) we schedule the excavator to bring the driveway to the proper sub-grade and prepare it for the pavers. For efficiency, we pave one *subdivision* at a time. It is not uncommon for the ground to still be frozen at the end of June! ***Please be patient!!!*** It is our intent and desire to pave all driveways for houses that were built during the winter as quickly as possible, however ... the Municipality of Anchorage will not allow us to escrow funds for paving for houses that are completed during the summer ... this means that houses that were started in March (for example) and reach the completion stage in late May, will require paving immediately in order to receive a Certificate of Occupancy from the Municipality of Anchorage! ***With this rule in effect, it means that even though your house was completed first, you may see other houses in your subdivision getting paved before yours!*** Every effort is made to prevent this, but it is very common with the limited number of paving companies and the tremendous backlog of houses all needing to be paved. During the breakup period of spring (where the ground thaws from the top, down), unpaved driveways typically become very soft and may become completely unusable for several weeks! We do not import additional gravel for the driveway at this time unless the subgrade is substantially low. Please be patient as the driveway thaws and dries out. We understand that it's inconvenient, but we recommend that you park out on the street until the driveway is dry.

After Your Driveway is Paved

Hultquist Homes does not warranty driveways due to the extreme variation in soils and the weather conditions in Alaska. Hopefully the information stated above, along with the following new information and processes involved, will help you to understand the dynamics of paving in Alaska and why our policies are so strict concerning this important part of your home. In Alaska, the extreme changes in temperature and weather results in substantial expansion and contraction of the component pieces of a house or a driveway. The “settling” or movement of a driveway over time is further complicated by the seismic activity of the place we call home. The slightest tremors, some that we don't even detect, all result in movement of the foundation that translates into movement of the house and ***driveway***. In addition to having to reckon with expansion and contraction, a driveway is continually under attack from the elements (weather, wind, snow, rain and even the hot sun). Black asphalt driveways can reach temperatures of almost 100 degrees on a hot June day. Let it cool down by 50 degrees over night and you can't help but have significant contraction and expansion! Moisture in any form is an enemy of driveways! As moisture makes its way into small cracks and holes that are not visible with the naked eye, it is susceptible to expansion as it freezes and contraction as it thaws. Over time, the daily cycle of expansion and contraction results in the asphalt breaking apart. The best way to combat this is with a driveway sealant! It is the buyer's responsibility to seal and maintain their driveway after installation. This maintenance should include regular sealing of the driveway every third year or as needed. Sometimes during snow removal in the winter, a driveway gets “scraped” too deeply, requiring additional maintenance in the spring. Regular maintenance is critical since the forces of nature are always at work! In paving, the asphalt itself is comprised of rocks, sand & gravel in addition to the obvious petroleum based black “tar” that holds this whole mess together. This rocky material varies year to year based on where the asphalt plant buys their raw materials. Each gravel pit has material that is unique to that geographical area and surprisingly, the materials from one pit seldom match the materials from another! The way this sand & rock mixture blend with the tar, varies by how much of each component ingredient is included in each “batch”. While basic differences in the ingredients are acceptable for the industry, it's important to point out that these subtle differences result in different ***finished*** driveways after they're applied by the pavers to the ground that was prepared for this asphalt.

Sub-surface Soils

When a developer buys raw ground for developing into lots for building houses on, much work is done in removing the topsoil (overburden) and putting in the streets for the subdivision. There is usually some very minor preparatory work performed on the lot where the house will ultimately sit, but usually this is very limited. The builder then goes in and excavates the building hole where the footing & foundation will be poured. The amount of excavation depends on the soil. The Municipality of Anchorage requires that any soils with any organic matter (usually called *peat* in Alaska) present must be **substantially** removed from the building hole. This means that the excavator goes down as far as he has to, to reach that point. In the Anchorage Bowl area, building holes range in quality from pure gravel without any topsoil, (requiring the mere scraping away and leveling before beginning construction of the footing & foundation) to the excavation and removal of 10 or more feet of peat! Whatever is taken out must be replaced with approved “fill material”; the Municipality of Anchorage will inspect this prior to pouring the footing & foundation. This “fill material” and its ability to be compacted determines the quality of a building hole. The deeper the “fill material” required, the more difficult it is to compact up against the house and hence, the more likely that settling will occur in that portion of the driveway. Perfect compaction of soils right up against the garage is virtually impossible. There will be some settling where the asphalt meets the concrete of your garage floor – this is actually directly above the footing portion of the foundation. While it is the best intentions of the excavator to compact the soils up against this foundation, it must be done by hand since a piece of heavy equipment can’t get that close to the foundation. There is no way a manual compaction can equal the rate of compaction achieved by a piece of equipment! This means that there is a good chance that over time, there will be a degree of settling at this point. The rest of the driveway is prepared for paving by removing approximately two feet of the topsoil or peat, and filling this void in with two feet of approved material. Once the two feet of topsoil is removed, we lay down a special fabric called *Typar* which serves to prevent the remaining peat from mixing with the new fill material. This ensures that the fill material is not contaminated with anything that would prevent it from being compacted. This fill material is then compacted and is ready for the pavers to install an additional two inches of type “D1” fill; a non-frost susceptible material that serves as the final base for the actual asphalt.

Paving

Two inches of asphalt is laid over the D1 and rolled. Please note that because a vibratory roller is used, it’s not uncommon for the asphalt to be “flattened out” on the edges of the driveway to less than two inches. The edges of driveways are seldom cut or straightened to make a perfectly straight line (edge) along the sides of the driveway; this is an enhancement to the driveway that buyers usually make after closing. It’s important to point out here that, once again, due to the weather, the extreme temperature variations, earth movement and the composition of the asphalt itself, your driveway is going to move during the time you own this property. Your driveway is going to move varying amounts, all year long. The subsurface that your driveway is built on, moves continuously throughout the year. We do everything that is required by industry standards and codes enforced by the Municipality of Anchorage and still experience movement of a driveway that results in the asphalt breaking apart or cracking. We do the very best we can with the materials that we have available and using the subcontractors with the best reputations in the business, but we still experience driveways that crack and move and “settle”.

This document is not intended to be an excuse for why we don’t warranty driveways, it’s a very realistic and true explanation of how things are done and what to expect based on years of our own personal experience and the experiences of countless others who have been trying to

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tame the soils of the Last Frontier. If we had to warranty driveways, the cost we would have to add to a house would make it impossible for all but the very wealthy to afford new construction. A great deal of time and effort has gone into the creation of this document because we genuinely care that our buyers understand why we make the decisions that we do concerning our houses and the way we build them. While it may not be the answer you wanted to hear, it is our honest and candid response to a very challenging facet of new construction.

15. **Final Grade & Landscaping:** Like paving, final grading is done in the spring through late summer when the ground is not frozen. **It is absolutely critical that you refrain from doing any yard work (fencing, lawns, importing topsoil, etc.) until the final grade has been done and the Municipality has inspected and passed the final inspections on your home!!! In the past, Buyers who have “jumped the gun” have had to have fences, brand new lawns, and landscaping ripped out because it did not meet Municipal structural codes.** Once again, please be patient! We are very sensitive to the fact that there is a short growing season to get new lawns in, but this final inspection is critical to the drainage of your lot!
16. **Cabinets:** Even though a “color” of cabinet may be chosen for an entire kitchen or bath layout, it is highly likely that all the cabinet doors will not match! It is important to understand that this greatly depends on how the grain of the wood accepts the stain. It is also important to note that all grains of wood are different. There will never be two cabinet doors that look exactly alike unless they are manufactured out of a man made product. Cabinets are manufactured from sheets of special plywood, in a plant where thousands of cabinets are being manufactured at the same time. Since the cabinet manufacturers are working from a natural product (wood) it is virtually impossible to match colors or grains on cabinets.
17. **Completion of Escrowed Items:** Driveways, final grade, landscaping (where required by code) are all items that funds are set aside by the lender during winter construction, for completion the following spring. In actuality, these items may very well take all summer long to complete! As has been mentioned previously, due to the weather and other variables, it is not uncommon for these items to not be completed until late September! While it is our intent to have this work done as quickly as possible, it usually takes all summer long to complete this work due to huge demand on pavers and excavators this time of the year. Remember, all items must be inspected and passed by a Municipal Inspector before you can landscape, build a deck or a dog run or put in a fence. If you do, they will have to be removed.
18. **Things to Expect from Your New Home:** Now that the punch list is completed and your getting settled into your new home, there are a few items that need to be brought to your attention and a few things you may encounter along the way. HHI knows that this process has been long and sometimes trying, but we encourage you to set back and relax for a few minutes as we go through a number of things that could potentially occur within the next few months. Although HHI can assure you that your house was built to the highest of standards, we cannot promise you that the future will be trouble-free. We have composed this brief letter to prepare you for these things and to help you understand what causes these things to lessen your worry and concern.

If you hear an occasional creak or groan, there’s no need to panic. Besides the huge weight it places on the earth, your new home is a conglomeration of hundreds of different parts joined by thousands of mechanical fastenings. It’s going to take some time for your home to adjust to its new environment and with the elements around and below it and then some more time for all the individual pieces to settle and cure. In the meantime, what you’re hearing are the sounds of

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friction as a myriad of tiny pressure points build and release. While we make every effort to produce the most stable floors possible, the nature of wood itself makes a squeak-free floor difficult to achieve. We will explain why in a moment. Next to floor squeaks, cracks and cracking are the number one complaint amongst all new home buyers. Hairline cracks are a natural occurrence in new construction. Common hairline cracks typically occur in concrete, asphalt, drywall, joints and tile grout areas.

How can squeaks and cracks seem to just appear in a brand-new house? The short answer is that all these aggravations are the result of movement and/or shrinkage as materials dry out. Movements occur in many places, for many reasons, not the least of which is gravity. As mentioned earlier, the sheer weight of all those newly assembled components will cause them to compress and settle. It is nearly impossible to predict exactly how smoothly the multitude of building parts will meld or how the ground beneath will react to this new imposition. Besides weird noises, hairline cracks in the walls or in the foundation are common side effects of settlement. In Alaska, the extreme changes in temperature and weather results in substantial expansion and contraction of the component pieces of a house or a driveway. The “settling” of a house over time is further complicated by the seismic activity of the place we call home. The slightest tremors, some that we don’t even detect, all result in movement of the foundation that translates into movement of the house and driveway.

Another more important source of movement in your new house is shrinkage. Much of today’s framing lumber is green, heavy with sap and moisture. After the building is enclosed and the lumber dries out, it shrinks, sort of like bacon after you fry it, but not quite as bad. Squeaking floors and nail heads popping through drywall are symptoms of lumber shrinkage. A squeak happens when a floor joist shrinks enough to allow a gap to open between it and the plywood sub floor (the noise comes from the plywood rubbing up and down on the nails). A nail head pops when a gap opens between a shrinking stud and the drywall. Drywall cracks can also show up because of lumber shrinkage. Although any corner or seam is vulnerable, areas particularly prone to cracking include headers and beams, centerlines of cathedral ceilings and joints that fall near window and door openings.

Settlement and shrinkage may eventually stop. But the forces of nature are always at work. One of these forces is wind. A large, flat wall surface captures the wind like a sail and transmits its force throughout the structure. High winds flowing over various roof pitches and overhangs can create pressure variations that move a building enough to crack drywall. All our structures are designed to resist these forces, but no builder can make guarantees against the effects of severe storms; in Anchorage our winds are notorious for their ferocity.

Other forces to reckon with are expansion and contraction. A home is continually under attack from the elements (weather, wind, snow, rain and even the hot sun). You may have sat outdoors in the sun, on a warm June day in Alaska, sipping a cup of coffee and been startled by sharp popping noises as wood siding expands from the heat. Over time, the daily cycle of expansion and contraction can cause exterior-trim joints to separate, paint to chip, and hairline cracks to appear in concrete and even larger cracks in asphalt. It can also cause grout lines to crack on countertops that abut exterior walls. Moisture can also make wood expand and contract. Fluctuation in humidity levels can swell doors and even the wood framing around our vinyl windows enough to bind or shrink woodwork causing it to separate miters and expose paint lines.

When a problem shows up in your new home, you’d like it fixed immediately. Although that’s perfectly understandable, it may not be the best thing to do. If a door won’t close or if an

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electrical outlet won't work, call us, and we'll take care of it right away. However, when it comes to minor swelling or hairline cracks, HHI asks you to live with them for almost a year. The more time you allow for the building to reach equilibrium, the better chance permanent repairs can be made. We will come back (free of charge) just prior to your one-year anniversary after the transaction has closed to repair cracks caused by shrinkage and settlement. After the initial one year repair, you should treat repairing cracks as routine maintenance for your home, along with chores such as cleaning gutters and changing furnace filters, We urge you to inspect the exterior walls for joint separations (where siding meets trim, for example) regularly. Re-caulk wherever bare wood becomes exposed. Don't delay here because caulk and paint are your home's first line of defense against moisture and penetration.

To avoid problems that you will be responsible for and could become costly, please remember to inspect your crawl space regularly. Open the vents in the summer time to allow proper ventilation and close them in the wintertime to keep pipes from freezing. If you forget to do this you may be paying a high price as pipes can freeze in the winter and if you don't have good ventilation, moisture will build up on wood members as well as other areas of your crawl space.

This informational document in its entirety is made part of the Purchase and Sale agreement and the HHI Standard Addendum. If anything contained herein, contradicts the Purchase and Sale agreement or the HHI addendum, the Purchase and Sale Agreement or the HHI addendum will supersede. If a contradicting item in this document exists the remaining items in this document remain in force.

Once again, we'd like to express our sincere appreciation for having you as our customer ... Thanks for buying a Hultquist Home!

Seller: _____ Date: _____

Buyer: _____ Date: _____