

**FINI, A CONDOMINIUM
WARRANTY ADDENDUM TO
CONDOMINIUM PURCHASE AND SALE AGREEMENT
(For the Sale of Residential Units Only)**

This Warranty Addendum (the "Warranty Addendum") is dated for reference purposes _____, 20____, and is made by and between _____ ("Buyer") and PHINNEY RIDGE PARTNERS, LLC , a Washington limited liability company ("Seller"). It amends that certain Condominium Real Estate Purchase and Sale Agreement dated _____, 20____, between Buyer and Seller (the "Purchase Agreement") relating to Unit _____ (the "Unit") in Fini, a Condominium (the "Condominium"), as previously amended by the Addendum dated the same date as the Purchase Agreement (the "Standard Addendum"). The terms in this Warranty Addendum with initial capital letters shall have the meaning given in the Standard Addendum unless a different meaning is stated herein.

The Washington Condominium Act and the Standard Addendum allow Seller to disclaim the implied warranties described in RCW 64.34.445 with regard to specific defects or specific failures to comply with law that are known by Seller at the time of the disclaimer. This Warranty Addendum disclaims certain matters that are currently known by Seller to exist as a result of the design, materials, and construction methods for the Condominium. Certain of the listed items may or may not be considered defects or failures. However, the parties wish to set them out in this Warranty Addendum to avoid any question whether they have been properly excluded from the implied warranties.

The Standard Addendum permits Seller to complete a pre-closing inspection of the Unit and Common Elements, and requires Buyer to execute a further disclaimer of the implied warranties with regard to additional specific defects or failures to comply with law known at the time the inspection is completed. The parties will amend this Warranty Addendum to describe any such additional specific defects or failures following the inspection.

NOW, THEREFORE, the parties agree as follows:

1. Relationship of the Implied Warranties to the Comprehensive Warranty Program. The Comprehensive Warranty Program described in Section 14 below is intended by Seller to be the sole and exclusive warranty offered by Seller, in lieu of any other warranties including those implied warranties created by Washington statute, RCW 64.34.445 (the "Implied Warranties"), as permitted by RCW 64.34.450(3). To the extent that a third party such as an arbitrator or judge determines that the Implied Warranties are applicable to the Condominium, then the Comprehensive Warranty Program will be IN ADDITION TO those Implied Warranties, and those Implied Warranties will be modified as provided below as permitted by RCW 64.34.450(2). Seller's modification of the Implied Warranties does not reduce the application or scope of the Comprehensive Warranty Program.

2. Bargained for Definition of Implied Warranty Terms. The Washington Condominium Act and case law interpreting it do not provide definitions of the standards and tolerances imposed by the Implied Warranties. Specifically, there is no definition of those construction means, methods or materials that are "suitable," "defective," "sound," or "workmanlike" or when deficiencies will "adversely affect" the performance of the improvements and therefore be considered "significant" to a reasonable person (all of which may be referred to herein as the "Implied Warranty Terms"). If the Implied Warranties apply to the Condominium, it is fair and reasonable for the Seller and Buyer to give clear meaning to the Implied Warranty Terms so that the parties may clearly understand their expectations with regard to the condition of the Unit and Common Elements (the "Improvements"). As a result, Buyer and Seller hereby agree as follows: (i) the Improvements will be considered as having failed to satisfy the standards imposed by the Implied Warranty Terms only if the condition in question falls short of the applicable Performance Standard attached as Tabs 10 and 11 to the Public Offering Statement and incorporated by this reference; (ii) a condition shall be considered to be "suitable" and not "significant to a reasonable person" if it provides the functions that can reasonably be expected in a residential dwelling; (iii) if a

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condition does fall short of the applicable Performance Standard, and is therefore significant and not suitable, then Seller may cause the condition to satisfy the Implied Warranties by performing the repair indicated in the applicable Performance Standard; and (iv) if a condition is not addressed by any of the Performance Standards, then the Implied Warranty Terms shall be interpreted in accordance with normal building practices and standards in use in Seattle at the time the Improvements are constructed.

Regardless of whether the modifications and exclusions stated in this Section 2 are determined to be valid and enforceable, the remaining provisions of this Warranty Addendum shall continue to apply including the specific disclaimers stated in Section 3 below.

3. Specific Disclaimers of the Implied Warranties. The Implied Warranties are disclaimed with regard to the following specific items currently known by Seller to exist as a result of the design, materials, and construction methods for the Condominium in the event they are considered to be defects or failures to comply with law.

- **CONCRETE CUSTOMARILY CRACKS AND DOES NOT PROVIDE A COMPLETE BARRIER AGAINST WATER PENETRATION. THE EFFECT OF THIS, FOR EXAMPLE, IS THAT A CRACK IN THE FOUNDATION CAN ALLOW WATER TO LEAK INTO THE UNDERGROUND PARKING GARAGE. LEAKING WATER MAY BE UNSIGHTLY AND COULD STAIN CARS OR OTHER PERSONAL PROPERTY STORED IN THE PARKING GARAGE. THIS DISCLAIMER DOES NOT EXTEND TO ANY DEFECTS THAT WOULD PREVENT THE PARKING GARAGE FROM BEING USEABLE IN A SAFE MANNER FOR THE PARKING OF CARS OR WHICH WOULD PREVENT THE FOUNDATION FROM PROVIDING ADEQUATE SUPPORT FOR THE IMPROVEMENTS.**
- **CAULKING SYSTEMS FOR JOINTS AND SEAMS IN THE EXTERIOR WALLS, WINDOW SYSTEMS, AND FOUNDATION FOR THE IMPROVEMENTS REQUIRE REGULAR MAINTENANCE, PARTICULARLY DURING THE FIRST COUPLE OF YEARS FOLLOWING THE INITIAL CONSTRUCTION, AND CAN BE EXPECTED TO FAIL AT DIFFERING RATES. THIS IS DUE TO NORMAL SHIFTING AND SHRINKAGE OF BUILDING MATERIALS, AND A CERTAIN AMOUNT OF ANTICIPATED IRREGULARITY IN THE CAULKING MATERIALS OR INSTALLATION. THE EFFECT IS THAT THE CAULKING MUST BE REGULARLY INSPECTED AND REPAIRED OR REPLACED AS NECESSARY. THE EFFECT OF THE FAILURE TO REPAIR OR REPLACE FAILED CAULKING CAN BE WATER PENETRATION WHICH WILL RESULT IN DAMAGE TO THE OTHER IMPROVEMENTS.**
- **THE IMPROVEMENTS REQUIRE TIMELY AND REGULAR INSPECTION AND PROPER MAINTENANCE. THE EFFECT OF FAILING TO TIMELY INSPECT AND PROPERLY MAINTAIN THE IMPROVEMENTS IS THAT SYSTEMS, INCLUDING, FOR EXAMPLE, WEATHER PROOFING SYSTEMS, WILL CEASE TO FUNCTION AS DESIGNED AND WILL ALLOW DAMAGE TO OTHER IMPROVEMENTS. THE RESULTING DAMAGE WILL EXCEED THE COST OF PERFORMING THE DEFERRED MAINTENANCE AND REPAIRS.**
- **INSULATION OF THE UNIT OR COMMON ELEMENTS AGAINST ODORS OR ALLERGENS IS NOT WARRANTED. ODOR OR ALLERGENS MAY ORIGINATE FROM A VARIETY OF SOURCES WITH IN THE BUILDING INCLUDING SHARED WALLS, CEILINGS OR FLOORS WITH OTHER UNITS, AND MECHANICAL SYSTEMS INCLUDING HEATING, VENTILATION, AND AIR**

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CONDITION SYSTEMS AND PLUMBING. ODOR OR ALLERGEN TRANSMISSION MAY RESULT IN INCONVENIENCE, DISCOMFORT, AND ADVERSE HEALTH EFFECTS INCLUDING ALLERGIC REACTIONS DEPENDING ON A PERSON'S PARTICULAR SENSITIVITIES.

- **COMPLIANCE WITH BUILDING CODE DESIGN AND CONSTRUCTION REQUIREMENTS FOR SOUND TRANSMISSION SPECIFICALLY INCLUDING CHAPTER 12, SECTION 1207 OF THE INTERNATIONAL BUILDING CODE WHICH REQUIRES MINIMUM STC AND IIC RATINGS OF 50 AND FSTC AND FIC RATINGS OF 45. SOUND MAY ORIGINATE FROM A VARIETY OF SOURCES WITHIN THE BUILDING INCLUDING SHARED WALLS, CEILINGS OR FLOORS WITH OTHER UNITS, AND MECHANICAL SYSTEMS INCLUDING HEATING, VENTILATION, AND AIR CONDITION SYSTEMS AND PLUMBING, OR OUTSIDE THE BUILDING DUE TO THE URBAN ENVIRONMENT. NON-COMPLIANCE MAY RESULT IN THESE SOUNDS BEING LOUDER WITHIN THE UNIT.**
- **ANY VIEW FROM THE UNIT OR COMMON ELEMENTS. THE EFFECT OF THIS IS THAT A PURCHASER OR THE OWNERS ASSOCIATION WILL NOT HAVE A REMEDY FROM THE SELLER IF THE VIEW IS OBSTRUCTED OR CHANGED.**

NOTE: To the extent the Implied Warranties created by Washington statute apply to the Condominium, they are IN ADDITION TO the Comprehensive Warranty Program described in Section 14 below. While Seller has disclaimed the Implied Warranties with respect to the items identified in this Section 3 and may require a further disclaimer prior to closing pursuant to Section 15 below, these disclaimers do not reduce the scope or application of the Comprehensive Warranty Program.

4. Matters Excluded from the Scope of the Warranties. The following matters are beyond the scope of the Implied Warranties.

a. Appliances and Equipment. Seller makes no warranties or representations with respect to the appliances and equipment installed in the Unit or the Common Elements, including without limitation the stove, refrigerator, microwave oven, dishwasher, garbage disposal, washer and dryer, spa or whirlpool, water heater, fireplace, garage doors and heating/ventilation/air conditioning equipment. Seller makes no warranties or representations with respect to equipment provided to Association for use in operation or maintenance of the Common Elements. With respect to all such appliances and equipment, the Seller's sole obligation is to assign to Buyer all warranties and guarantees furnished to the Seller from the suppliers or manufacturers of the items.

b. Variations in Natural Products. The beauty of real wood, including manufactured veneers, comes from variations in grain, texture and color of the wood itself. These variations can also cause noticeable differences in your finished cabinets and floors. These grain and tone differences are an acceptable condition of quality wood and wood veneer finishes. The variation and differences in color, shade, grain and texture are within our product standards and commercial tolerances and are not considered defects in material or workmanship for purposes of these Implied Warranties. Further, natural wood and manufactured wood veneers color can fade and change over time. Color changes are beyond our control and are not warranted. Similarly, any granite, marble, stone and wood in your Unit are products of nature and variations in color, texture and surface smoothness are expected. Certain of these products have more pronounced imperfections and veining in their finished surface than other products. Buyer acknowledges that Buyer has reviewed the granite, marble, stone and wood samples, as applicable, in the sales center and understands that these variations exist and that there are inherent variations between the different selections or batches of granite, marble, stone and wood. These variations are within our product standards and commercial tolerances and are not considered defects in material or workmanship for purposes of these Implied Warranties. In addition, the location of seams in countertops, trim, and

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flooring will be determined based on a variety of factors including product length, layout, and various options chosen.

c. Damage Caused by Buyer and Others. Seller disclaims the Implied Warranties as to all defects and damage to the extent caused or made worse by (i) negligence, failure to inspect, lack of maintenance, unoccupied or vacant units, improper maintenance, improper operation or other action by anyone other than the Seller or its agents or contractors; (ii) failure of Buyer or the Association to comply with the warranty requirements of manufacturers or suppliers of appliances, fixtures or equipment; (iii) abnormal loading (including waterbeds) on floors, decks or other surfaces by Buyer that exceeds design loads that meet building codes; (iv) making or installation of holes, penetrations, windows or skylights in the Unit or Common Elements by anyone other than the Seller or its employees, agents or contractors; (v) failure of Buyer or the Association to mitigate damages; or (vi) changes made to the Unit or Common Elements by anyone other than the Seller or its employees, agents or contractors after closing.

d. Personal Injury and Consequential Damages. Seller disclaims the Implied Warranties as to bodily injury, illness and death; damage to or theft of personal property; costs of shelter, transportation, food, moving, storage or other incidental expenses relating to relocation during repairs; and consequential, exemplary and punitive damages.

e. Warranty at Time of Purchase. The Implied Warranties apply only to the construction and condition of the Unit and Common Elements at the time of Seller's sale of the Unit to Buyer. This Implied Warranties do not extend to future performance or duration of any improvement or component of the Condominium, and the Seller makes no such warranty.

f. Other Limitations and Exclusions. The Implied Warranties exclude any loss or damage (i) due to normal wear and tear or normal deterioration; (ii) caused by accidents, riot, fire, explosion, smoke, water escape, falling objects, aircraft, vehicles, acts of God, war, terrorism, lightning, windstorm, hail, flood, mud slide, earthquake, volcanic eruption or changes in underground water table not reasonably foreseeable; (iii) caused by soil movement; (iv) caused by insects; (v) caused to or by any items supplied by Buyer or which are not part of the Unit at the time of closing; (vi) relating to cooking odors or other odors from other Units or elsewhere; or (vii) consisting of or relating to temporary ponding or pooling of water on roofs, decks, walkways, driveways or other parts of the Condominium, provided such ponding or pooling does not cause damage to the Unit or Common Elements.

5. Apparent Unit Defects. Buyer has had or will have at the time of possession the opportunity to make a detailed walk-through inspection of the Unit with a representative of the Seller ("Initial Inspection") and to notify the Seller in writing of any defects in appearance or color of, or damage to, the surfaces and fixtures in the Unit ("Apparent Unit Defects"). Seller shall with reasonable promptness correct any Apparent Unit Defects which exist (in accordance with the Performance Standards) and of which Buyer notifies the Seller in writing at the time of the Initial Inspection. Buyer waives all claims for any Apparent Unit Defects of which the Seller is not notified in writing at the time of the Initial Inspection, and this Warranty shall not extend to any Apparent Unit Defects of which the Seller is not notified in writing at the time of the Initial Inspection. "Apparent Unit Defects" include but are not limited to defects, inconsistencies, non-conformity and pre-existing damage in and to: paint, wall coverings, ceilings, hardwood and other floor materials, carpets, tiling or ceramic surfaces, electrical and heating/cooling/ventilation fixtures, bathroom fixtures and hardware, door and window hardware, cabinets, countertops and other surfaces in the Units.

6. Apparent Common Element Defects. Seller is entitled to receive timely notice of any construction defects in the Common Elements in order to verify that such defects have not been caused by subsequent damage and in order to allow Seller the opportunity to correct such defects. Therefore, within sixty (60) days after the termination of the period of declarant control provided in RCW 64.34.308(4), the Association shall notify Seller in writing of any defects in the Common Elements which are visible or of which the Association has knowledge ("Apparent Common Element Defects"). Seller shall with reasonable promptness correct any Apparent Common Element Defects which exist (in accordance with the Performance Standards) and of which the Association timely notifies Seller in writing. Buyer and the Association waive all claims for any Apparent Common Element Defects of which Seller is not timely notified

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in writing, and Seller disclaims the Implied Warranties as to any Apparent Common Element Defects of which Seller is not timely notified in writing. "Apparent Common Element Defects" include but are not limited to visible or apparent defects, inconsistencies, non-conformity and pre-existing damage in and to: decks, walkways, siding, exterior surfaces, roofs, gutters and drainage pipes, landscaping, retaining walls, foundations, garages, paved surfaces, paint, wall coverings, ceilings, hardwood and other floor materials, carpets, tiling or ceramic surfaces, electrical, plumbing and heating/cooling/ventilation fixtures, and door and window hardware.

7. Claims Procedure. Any requests for work under or claims for breach of the Limited Warranty (defined in Section 14(a) below) must be made in accordance with the claims procedure stated in the Limited Warranty. Any requests for work under or any claims for breach of the Implied Warranties which is made by Buyer or by the Owners Association shall first be made in a writing entitled "Notice of Claim," and shall contain a reasonable description of the claimed defect. Each claim shall be mailed, postage paid, to:

Phinney Ridge Partners, LLC
14410 Bel-Red Road
Bellevue, WA 98007

or to such other address as Seller shall provide to Buyer. Seller shall have the sole right to investigate and, if it determines that the claim is valid, to propose a resolution of the claim within 21 days after receipt of Buyer's claim or within such longer period as may reasonably be required due to the nature of the claimed defect. Seller shall not be responsible for exact matching of paint colors, or of textures or finishes of other materials. Further, Seller shall be entitled to substitute materials due to unavailability with materials of equal or better quality and type. If Buyer or the Owners Association, as the case may be, is dissatisfied with Seller's proposed cure, then the parties shall meet within 14 days in an effort to resolve the claim to the parties' mutual satisfaction. If after such a meeting, the claim remains unresolved, then, unless the parties otherwise agree in writing, the claim shall be resolved in accordance with the procedures set forth in Section 8 below. Seller shall not be responsible for any damages, costs or expenses as a result of the breach of the Implied Warranties including but not limited to costs of investigation, attorneys fees, and the cost to correct the claimed defect unless Buyer complies with this claims procedure. Buyer shall pay for all work and inspections done by Seller on items not covered by the Implied Warranties.

8. Arbitration. The Limited Warranty contains a binding arbitration procedure for all disputes or claims relating to the Limited Warranty. All disputes and unresolved claims relating to the Implied Warranties, including any claims relating to the modification or exclusion of the same, shall also be determined by binding arbitration administered by PWC in accordance with the procedures in the Limited Warranty the same as though the claim were being made under the Limited Warranty. This agreement to submit warranty claims to binding arbitration is intended to be enforceable under the Federal Arbitration Act (the "FAA") notwithstanding anything in Chapter 64.34 RCW (the "WCA") to the contrary. The FAA preempts the WCA because claims relating to the Limited Warranty or Implied Warranties involve "commerce" as that term is used in the FAA. For example, warranty claims are administered by PWC, an out-of-state company, pursuant to a comprehensive national program designed to provide effective relief for warranty claims. Seller has also marketed the Units in the Condominium to buyers outside of the state of Washington, and certain of the contractors and consultants that Seller engaged to construct the Improvements do business in other states.

If, for any reason, PWC is not willing to administer a claim under the Implied Warranties, or if the arbitration procedure contained in the Limited Warranty is determined to be unenforceable, then the claim, including any issues relating to the modification or exclusion of the same, shall be resolved by mediation and arbitration conducted in King County, Washington, pursuant to Chapter 64.55 RCW. The arbitration hearing shall commence not later than nine (9) months from the later of the filing or service of the complaint.

9. Survival. The modifications and exclusions of the Implied Warranties stated in this Warranty Addendum shall survive the conveyance of title, delivery of possession of the Unit, or other final settlement between

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Seller's Initials _____

the Seller and Buyer, and shall be binding upon Buyer and Seller notwithstanding any provision to the contrary contained in the Purchase Agreement or other writing.

10. Seller's Right to Inspect. Seller shall be entitled (but shall not be obligated) to inspect any Common Elements at any time without notice to the Buyer or the Association. Seller shall be entitled (but shall not be obligated) to inspect the Unit at any time until four years after Buyer takes possession of the Unit or, if there is a pending action relating to the condition of any part of the Condominium, upon at least five days' written notice to Buyer or such shorter time as may be provided by court order.

11. Defects Encountered in Construction Process. Buyer acknowledges that defects and construction problems may occur during the construction process and be corrected by Seller and its contractors during the course of or after the construction process. Seller will likely change the plans and specifications for the project on several occasions to address construction contingencies or other issues without notice to Buyer. Defects or construction problems occurring during the construction process and changes in the plans and specifications are not matters requiring disclosure to Buyer.

12. Subsequent Purchasers. If Buyer sells the Unit at any time within four years after closing of the sale of the Unit from Seller to Buyer, or Buyer's taking possession of the Unit, whichever is later, Buyer shall notify Seller of the sale in writing and shall include in the signed purchase and sale agreement providing for such sale a provision that the person(s) purchasing the Unit agree that any warranty rights of such person(s) relating to the Unit or Common Elements are limited to the Buyer's rights under this Warranty Addendum. Buyer shall indemnify, defend and hold Seller harmless from all damages, costs, attorneys' fees and expenses caused by Buyer's failure to comply with this Section.

13. No Other Warranties. Seller makes no express or implied warranties concerning the design, construction or condition of the Unit or Common Elements arising from Seller's sale of the Unit to Buyer, other than the Comprehensive Warranty Program and the Implied Warranties.

14. Comprehensive Warranty Program. Seller offers Buyer and the Owners Association the comprehensive express warranty program (the "Comprehensive Warranty Program") described in this Section 14.

a. Limited Warranty. Attached as Tab 9 to the Public Offering Statement is a "Home Builder's Limited Warranty" administered by Professional Warranty Service Corporation (which may be referred to herein as the "Limited Warranty"). Provided Buyer completes and delivers to Seller a Home Builder's Limited Warranty Registration Form at Closing, Buyer shall receive the benefit of the Limited Warranty for a period of four years as stated in the Registration Form (the "Limited Warranty Period"). The Limited Warranty incorporates certain Limited Warranty Performance Standards (Interior Units) and Limited Warranty Performance Standards (Base Building) prepared by Declarant, copies of which are attached to the Public Offering Statement as Tabs 10 and 11, which may be referred to herein as the "Performance Standards." The Limited Warranty applies to all improvements within the Condominium and provides coverage against "construction defects" as defined in the Limited Warranty.

b. Annual Inspections. During the Limited Warranty Period, Seller shall: (1) cause the building envelope to be inspected on an annual basis by an independent, properly licensed and qualified consultant selected by Seller or its subcontractor; (2) cause the consultant to provide a copy of the inspection report to the Owners Association; and (3) correct or cause its subcontractors to correct those construction defects (as defined in the Limited Warranty) revealed by the inspection.

15. Additional Disclaimers Prior to Closing. If Declarant discovers any additional defects or failures to comply with law and Declarant is not able to correct those defects or failures such that they comply with the Implied Warranties in an economically viable manner, as determined by Declarant in its sole discretion, then Declarant will clearly and conspicuously disclose them on an amendment to attached Schedule 1. Unless Buyer

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terminates the Agreement under applicable principles common law, Buyer shall be in material breach of its obligations under the Agreement if it fails to sign within seven (7) days of Seller's request where indicated on any amended Schedule 1 to accept the disclaimer of the Implied Warranties. Buyer shall have no right to terminate the Agreement based on any disclaimed defect or failure to comply with law unless Buyer would have that right under applicable principles of common law. If Buyer is not willing to accept any additional disclaimers by signing an amended Schedule 1 within seven (7) days of Seller's request, and Buyer has the right to terminate the Agreement under applicable principles of common law, then the Agreement shall be deemed to be automatically rescinded without further action by either party, Buyer shall receive a refund of its earnest money deposit, and neither party shall have any further obligations to the other except those that expressly survive termination. Either party will sign a written document acknowledging and confirming that the Agreement has been rescinded at the request of the other party. This obligation shall survive termination of the Agreement.

16. Addendum Controls. The provisions of this Addendum shall control over any conflicting provisions of the Purchase Agreement or any other addenda referenced therein.

IN WITNESS WHEREOF, the parties have executed this Warranty Addendum as of the date stated above.

BUYER:

Name: _____
Date: _____

Name: _____
Date: _____

SELLER:

Phinney Ridge Partners, LLC, a Washington limited liability company

By: _____
Its: Authorized Signatory
Date: _____

SCHEDULE 1

Specific Defects or Failures to Comply with Law

Defect or Failure	Practical Effect
Buyer's Signature	

Buyer's Initials _____

Buyer's Initials _____

Seller's Initials _____