



Raleigh
8005 Knightdale Blvd
Knightdale, NC 27545

Phone: (919) 230-4226

Licensed Contractor	Date
79336	8/27/2026
Customer	Phone (Work or Home)
Phil Layton	9197403324
Project Location	E-mail
1014 Country Ridge Drive Raleigh, NC 27609	

PROPOSED PRODUCTS	QTY
3 Year Annual Service Plan	1.0
Contract Price	\$275.00

This Contract, along with the Terms and Conditions, the Warranties, the Notice of Cancellation, and the Payment Terms form the contract (the "Contract") between the Customer and Groundworks North Carolina, LLC (the "Contractor").

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|---|---|
| ☒ Customer is responsible for removing all personal items from the work area. | ☒ A full perimeter drainage system with sump pump was recommended. |
| ☒ Customer assumes responsibility for damages to hidden or unmarked utility lines. | ☒ Customer is aware of warranty and all addenda. |
| ☒ Stabilization is warranted. Contractor can attempt to lift at Customer's request. | ☒ Customer is responsible for providing all necessary electrical outlets. |

Acceptance of Contract - The above prices, specifications, conditions, and separate warranty are satisfactory and hereby accepted. You are authorized to do work as specified. Payment will be made as outlined above or in accordance with the attached addendum. Subject to the Terms and Conditions, Contractor shall endeavor to start work within one hundred fifty (150) days of the date of the Contract and shall endeavor to complete the work within an estimated one hundred twenty (120) days of the start date of the work..

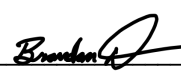
Customer

X 

X _____

Date 8/27/2026

Contractor

X 

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Date 8/27/2026

Supplemental Notes Groundworks North Carolina, LLC to:

Product Specifications

- Three years of service is included in this contract. Customer is aware this will be on the anniversary date of install completed. This is not refundable and will transfer to new home owners if house is sold.

Terms and Conditions

1. **Services.** Groundworks North Carolina, LLC d/b/a Groundworks, license no.79336, is licensed by the North Carolina Licensing Board for General Contractors.
This Contract for the services requested by Customer (the "Work") is based primarily upon Customer's description of the project and/or the related problem(s) and is intended to remediate those problem(s). Contractor assumes existing construction generally complies with the relevant building codes. Any drawing(s) attached to the Contract are intended solely for illustration purposes, are not to scale, and do not create any additional representation, warranty, or commitment on the part of Contractor in connection with the Work. Contractor is not responsible for products, services, or conditions not expressly reflected herein, not expressly included in the Contract, and not purchased and paid for by Customer. Start dates and completion deadlines for the Work are approximate and may be affected by events beyond Contractor's control, such as weather, permitting issues, access to the property, etc. Any delay caused by events beyond the control of Contractor shall not constitute abandonment and shall not be included in calculating timeframes for payment and performance. Contractor reserves the right to amend the scope of the Work in order to best address the project and/or problems. Any changes to the scope of Work which change the cost, materials, work to be performed, or estimated completion date must be made in writing, signed by both parties, and paid for before the Work can be performed. Any deviation from the scope of Work set forth in the Contract that results in additional costs, including but not limited to unforeseen site conditions, unusual building construction, changes needed after Contractor's engineering/ management review of the signed Contract, and/or special requirements from the county/city/agency, will become an extra charge over and above the contract amount set forth in the Contract. If Customer and Contractor cannot agree on the amount of such additional costs and sign an amendment to the Contract, then Contractor has the option, at its sole discretion, of not proceeding with the Work and canceling the Contract for its convenience. Contractor reserves the right to substitute a product with an equivalent or superior product. The Work will be completed in a workmanlike manner according to the standard practices of the industry, and Contractor will comply with local permitting, inspection, and zoning requirements.
2. **Acceptance of Contract.** By signing the Contract, Customer acknowledges that he/she understands and accepts all terms, the Terms and Conditions and the Warranties, and desires to enter into a contract with Contractor for the completion of the Work. Customer's signature authorizes Contractor to perform the Work as specified in the Contract. The Contract may be withdrawn by Contractor if it is not accepted within thirty (30) days from the date of delivery.
3. **Compensation.** Customer agrees to pay Contractor compensation as set forth in the Contract. Payment must be made in full upon completion of the Work. Failure by Customer to make payments when due shall constitute a breach of the Contract. A service fee of \$25 will be charged for each returned check, and interest at a rate of 1% per month shall be applied to any amounts owed by Customer to Contractor (both pre-judgment and post-judgment) if Customer fails to pay the amounts owed for the Work as agreed.
4. **Insurance.** Contractor represents and warrants that it maintains insurance as set forth in the Contractor's Certificate of Liability Insurance, which can be made available upon request.
5. **Dispute Resolution.**
Dispute Resolution. Contractor and Customer agree that the Contract evidences a transaction involving or affecting interstate commerce and that their agreement to arbitrate, including whether an agreement to arbitrate exists or whether the controversy is subject to an agreement to arbitrate, shall be governed by the Federal Arbitration Act ("FAA"), 9 U.S.C. § 1, et seq. Any claim, dispute, or other matter in controversy arising out of or related to this Contract or breach thereof and/or related to the Work shall be settled by arbitration administered by the American Arbitration Association ("AAA") in accordance with its Construction Industry Arbitration Rules and the FAA in the place where the project is located, unless another location is mutually agreed upon, and judgment on the award rendered by the single arbitrator appointed to decide such proceeding may be entered in accordance with applicable law in any court having jurisdiction thereof. The fee schedule is listed on the AAA website at <http://info.adr.org/constructionfeeschedule/>. For any other issues, the Contract shall be governed by the law of the place where the project is located, excluding that jurisdiction's choice of law rules.
A claim against the Homeowners Recovery Fund will be stayed until completion of the mandatory arbitration proceeding.
If Customer elects to initiate arbitration, the arbitrator has the discretion and authority to award such remedies as may be available under applicable law.
If payment in full is not made when due, Contractor may recover from Customer all expenses of collection, including attorneys' fees, court costs, court reporter fees, and expert witness fees, in such amount as the arbitrator may adjudge reasonable if Contractor prevails on such payment claim. Except as stated in the preceding sentence, each party shall be responsible for its own attorneys' fees for the arbitration. Contractor is also entitled to recover interest on the unpaid amount from the date due until paid at the rate of 1% per month.
6. **Customer's Responsibility.**
 - a. **Cosmetic Repairs.** Unless specifically noted in the Contract, Contractor is not responsible for any cosmetic repairs. Rather, Customer is responsible for any finished carpentry, painting, repointing, electrical work, extending discharge lines, replacement of floor tiles, carpeting, paneling, etc. that may be necessary after Contractor has completed the Work, unless such repairs are specifically identified in the Contract. When trenching or excavation is required, Contractor will backfill and compact soil to the best of its ability; however, Customer may need to add more topsoil at a later date if the excavated area settles. Customer is also responsible for any landscaping, reseeding, and resodding that may be necessary after Contractor has completed the Work.
 - b. **Utilities.** Contractor will call the appropriate utility protection service or damage prevention authority (i.e., 811 or "Miss Utility") to have all public underground utilities located. If Customer lives at a rural address, public lines will only be located to the pole or Customer's property line. Customer is responsible for marking any private lines such as satellite dish cables, propane lines, low voltage lighting wires, sprinkler system lines, security system wires, services to outbuildings and swimming pools, etc. Customer assumes all responsibility for damage caused to hidden, buried, or unmarked fuel/utility/service/private lines. Unless otherwise noted, electrical work is not included in this Contract and problems with electrical connections are the responsibility of Customer.
 - c. **Water Seepage.** Customer agrees to maintain positive drainage away from any wall(s) repaired by wall anchors, foundation piers, and/or carbon fiber strips/reinforcers. In the event of a wall anchor installation, a water management system is recommended to reduce hydrostatic pressure (which increases at greater depths) on the wall(s) and reduce the chance of water seepage into the basement. Water seepage into any area of the basement is NOT covered by the attached Warranties.
 - d. **Access and Personal Property.** Customer shall provide access to the areas where the Work is to be performed and shall furnish utilities of electric and water at no cost to Contractor. Customer shall prepare such areas so that Contractor can begin work, including moving all items at least 10 feet away from areas where Work is to be performed and adequately sealing off living space from work areas. Customer shall remove or protect personal property, inside and outside of the residence, including but not limited to carpets, rugs, shrubs and plants, and Contractor shall not be responsible for said items. In the event that the removals have not been completed by the scheduled start date for Work, Customer shall be assessed a trip fee of \$250. Contractor may offer, but is not required, to assist (i) in the preparation of the Work areas and/or (ii) in the removal and replacement of drywall, paneling, flooring, finish carpentry, wall coverings, or landscaping at a rate of \$40 per man hour.
 - e. **Representations.** Customer warrants that except as described in the request for service, all electrical, plumbing, HVAC, restoration, and handyman services located on the property are in good repair and condition and agrees to indemnify Contractor for any defective conditions that

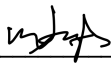
exist prior to or that occur after performance of the Work through no fault of Contractor. Customer is responsible for protecting the components that Contractor provides from future damage and shall follow all instructions provided in maintaining and protecting such components.

7. **On-Site Meetings.** Customer shall meet with Contractor on-site before the Work begins and shall meet with Contractor on-site when the Work is completed and ready for inspection such that Contractor can explain the Work and finalize payment by Customer. Customer shall be responsible for being present on-site during any attempts to lift any part of the structure and/or concrete pavement.
8. **Notice and Contractor's Right to Cure.** Customer shall promptly report, in writing, any problems with the Work to Contractor. If the problem with the Work is attributable to Contractor, Contractor will begin to repair/correct the problem within fourteen (14) days of receipt of written notice and shall complete the repair/correction in a reasonable time.
9. **Assignment.** This Contract will be binding upon the parties hereto and their respective successors and assigns. This Contract is not assignable without the written consent of both parties.
10. **No Reliance.** The Customer acknowledges and understands that the purpose of this document is limited to identifying the home improvement Work that (Groundworks) has proposed to be completed on the subject matter property identified in this document. The representations made by (Groundworks) herein are limited to the scope and completion of the Work and should not be used for any other purpose by the Customer whatsoever. Nothing contained in this document should be relied on by the Customer when making any decisions unrelated to the completion of the Work including, but not limited to, the purchase, sale, or transacting of the subject matter property. Absent any such representation being expressly written into this document and acknowledged in writing by both parties, (Groundworks) makes no representations as to whether the subject matter property should be purchased, sold, or otherwise transacted.
11. **Miscellaneous.** This Contract constitutes the entire agreement of the parties. All prior agreements, whether written or oral, are merged herein and shall be of no force or effect. This Contract shall not be modified except in writing signed by both parties. The waiver by any party of a breach or the failure to enforce any provision of this Contract shall not operate as a continued waiver or agreement or be construed as any other waiver or agreement. The validity, performance, and construction of this Contract shall be governed and interpreted in accordance with the law of the place where the project is located. If any term, condition, or provision of this Contract is found unenforceable by a court of law or equity, this Contract shall be construed as though that term, condition, or provision did not exist, and its unenforceability shall have no effect whatsoever on the rest of this Contract.
12. **Signatures.** This Contract may be executed in any number of counterparts, each of which shall, when executed, be deemed to be an original and all of which shall be deemed to be one and the same instrument. This Contract may be executed by facsimile or electronic signature pages which shall have the same force and effect as original executed signature pages. The person signing below for Customer represents that he/she has authority to act on behalf of the owner(s) of the property described in the Contract.
13. **Limitation of Liability.** IN NO EVENT SHALL CONTRACTOR BE RESPONSIBLE FOR INDIRECT, SPECIAL, PUNITIVE, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, INCLUDING BUT NOT LIMITED TO, LOSS OF USE OF THE SUBJECT PROPERTY, DAMAGE TO ANY PROPERTY NOT FURNISHED BY CONTRACTOR, ATTORNEYS' FEES, EXPERT FEES AND/OR COSTS. **THE TOTAL LIABILITY OF CONTRACTOR UNDER ANY CLAIMS, LOSSES, COSTS OR DAMAGES WHATSOEVER ARISING OUT OF, RESULTING FROM OR IN ANY WAY RELATED TO THIS CONTRACT AND/OR THE WORK SHALL NOT EXCEED THE TOTAL COMPENSATION PAID BY CUSTOMER TO CONTRACTOR PURSUANT TO THIS CONTRACT.**
14. **North Carolina Homeowners Recovery Fund.** Customer is hereby notified of the North Carolina Homeowners Recovery Fund Office of the North Carolina Licensing Board for General Contractors. For additional information, contact the Homeowners Recovery Fund at (919) 420-7991 or <https://nclbgc.org/homeowners-recovery-fund/>.

IN WITNESS WHEREOF, Customer and Contractor have caused their duly authorized representatives to execute this Contract as of the date first written above.

Customer

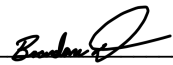
Name:

X 

By: Phil Layton

Contractor Groundworks North Carolina, LLC

Name:

X 

By: Brandon Dyer

Warranties

These Warranties are in effect only after the Work is completed and Customer has paid in full. If payment is not received, these Warranties are null and void. These Warranties are made in lieu of all other warranties, express or implied, and of all other obligations on the part of Contractor to Customer. There are no other oral or written warranties. There are no warranties which extend beyond the descriptions that appear below, including no warranties of express or implied merchantability and no warranties of express or implied fitness for a particular purpose. These Warranties are transferable to future owners of the structure on which the Work is completed. Contractor shall charge a fee of \$240 to complete a system inspection and new owner orientation. All warranty claims must be brought prior to the expiration of the applicable warranty period in order to be valid. Contractor does not warrant products not mentioned herein. Some products may be covered by a separate manufacturer's warranty, and Customer is responsible for compliance with any notice and claim procedure included in such warranties.

1. Definitions. The term "stabilize," as used in these Warranties, shall mean to make unlikely to give way or fail. The term "horizontal movement", as used in these Warranties shall mean bowing. The term "vertical movement," as used in these Warranties shall mean settlement.
2. Wall Support Systems. Contractor hereby warrants that wall support systems, including wall anchors, carbon fiber strips, and steel I-beam systems, will stop further inward horizontal movement of the wall(s) in the areas where they are installed for the lifetime of the structure from the date of installation. Wall support systems are warranted only to stabilize repaired walls(s), not straighten. Walls that do not have wall support systems installed by Contractor entirely from corner to corner are not warranted. Contractor recommends annual maintenance for wall support systems. The cost of maintenance is not included in this contract, but maintenance is available from Contractor at an additional charge. For carbon fiber strips, contractor does not warrant against: (1) any tipping or leaning at the top of the wall(s) repaired; (2) shearing or sliding at the bottom of the wall(s) repaired. In the rare instance that the repaired wall(s) experience leaning or shearing, steel brackets or other methods can be installed by Contractor at an additional charge.
3. Foundation Push Piers and Foundation Helical Piers. Contractor warrants that the foundation push piers and foundation helical piers will stabilize the affected area(s) against further vertical movement for the lifetime of the structure from the date of installation. Contractor DOES NOT WARRANT TO LIFT ANY STRUCTURE, to close cracks, to render doors and windows operational, or to move walls back to their original position, but will do its best to achieve positive results in this regard, if lift is requested by Customer. Contractor is not responsible for any damages caused by a lifting operation on Customer's foundation. Foundation push piers and foundation helical piers are sold and installed without the benefit of detailed knowledge of the existing foundation construction or subsurface conditions at the site. Contractor reserves the right to conduct a more thorough subsurface investigation, if necessary. Such an investigation may result in additional charges and delays.
4. Steel Columns/Adjustable Screw Jacks/IntelliJack Supports/SettleStop Floor Supports. Contractor warrants that the support system will stabilize the affected area(s) against further vertical movement for a period of two (2) years from the date of installation. This two (2) years warranty against further vertical movement is separate and apart from the manufacturer's warranty of twenty-five (25) years on the product(s). Contractor DOES NOT WARRANT TO LIFT ANY STRUCTURE, to close cracks, to render doors and windows operational, or to move walls back to their original position, but will do its best to achieve positive results in this regard, if lift is requested by Customer. Contractor is not responsible for any damages caused by a lifting operation on Customer's framing. The condition of wood located in crawl spaces can be highly variable and can rapidly deteriorate or move as a result of changes in environmental conditions and/or changes in the building envelope conditions. Contractor is not responsible for wood repair (i.e., joist sistering, beam replacement, sill plate repair, cracking/movement in hardwood flooring or tiles) incidental to changes in environmental conditions and/or changes in the building envelope conditions, unless specifically noted in this Contract. Contractor warrants carpentry work for a period of one (1) year. Steel columns/adjustable screw jacks are sold and installed without the benefit of detailed knowledge of the existing foundation construction or subsurface conditions at the site. Contractor reserves the right to conduct a more thorough subsurface investigation, if necessary. Such an investigation may result in additional charges and delays.
5. Slab Piers. Contractor warrants that the slab piers will stabilize the affected area(s) against further vertical movement for a period of ten (10) years from the date of installation. Contractor DOES NOT WARRANT TO LIFT the slab back to its original position.
6. Water Management. Contractor warrants that if water from the walls or floor wall joint passes through the perimeter of the water management system and into the basement floor, Contractor will provide the additional labor and materials to fix the leak at no additional charge to the Customer. This warranty applies to water management systems along the specific areas where the system is installed. This warranty will be in effect for the lifetime of the structure and may be transferred to future homeowners provided Contractor is notified within thirty (30) days of the real estate transfer. Annual maintenance is strongly recommended for all water management systems, but is not required for the warranty to be in effect. The water management system shall not rust, rot, or corrode for the life of the structure. If the entire perimeter of the basement was not treated, then additional work at an additional charge may be necessary to extend the system or treat other areas or other problems not addressed by this Work. In addition, a pump or power failure is possible; therefore, this warranty is not a guarantee of a dry basement. This warranty shall not apply to condensation, or any system that has been altered in any way, water vapor transmission, concrete discoloration from capillary action, water squirting out of the walls over the system, window well flooding, plumbing leaks, surface water flooding, leaks from chimneys or garages, wall dampness, or efflorescence (white powder) on concrete, masonry or bricks. Contractor is not responsible for frozen discharge lines or water once it is pumped from the structure. Installation of a water management system does not include extending discharge lines more than five (5) feet from the foundation or electrical work, unless specified. Floor cracks are warranted against leakage only with full perimeter water management systems. Primary AC operated sump pumps and DC back-up pumps may be covered under a separate manufacturer's warranty. Systems that drain to daylight cannot be warranted by Contractor if such system does not drain enough water, does not drain water from under the floor, clogs, or freezes. While drainage systems clogging or malfunctioning from iron ochre, iron get, or iron bacteria from the soil are rare, Contractor cannot be responsible for these situations, or for a system that requires cleaning, flushing, or other service as necessary to keep it functioning.
7. Crawl Space Encapsulation. A crawl space encapsulation system will isolate the home from the earth. The humidity level in the air will be lowered, reducing moisture; however, the encapsulation system does not claim to be a mold mitigation system and a dehumidification/air purification system is highly recommended to further reduce mold growth. CrawlSeal has a transferable twenty-five (25) years warranty—there will be no charge for service calls on any tears or holes in the CrawlSeal liner (not caused by abuse or misuse), in the unlikely event this occurs. Wet crawl spaces require a drainage system and a sump pump system to remedy any problems with water below the liner. There will be no charge for Contractor to repair tears or holes in the crawl space encapsulation liner, unless Contractor determines that the tear/hole was caused by abuse or misuse. Sump pumps and crawl space encapsulation systems may be covered under a separate manufacturer's warranty. Installation of a crawl space encapsulation system does not include extending discharge lines more than five (5) feet from the foundation or electrical work, unless specified. Contractor is not responsible for frozen discharge lines, water once it is pumped from the structure, or condensation. The condition of wood located in crawl spaces can be highly variable and can rapidly deteriorate or move as a result of changes in environmental conditions and/or changes in the building envelope conditions. Contractor is not responsible for the repair of pre-existing wood damage unless specifically noted in this Contract.
8. PolyRenewal and Expanding Polyurethane Structural Foam. Contractor guarantees stabilization of the areas serviced. The customer is aware that the work under contract will fill existing voids but may not lift or level the affected area. Contractor recommends sealing all cracks and joints, and Contractor can do so for an additional charge at Customer's request. Contractor warrants that the area where the slab of concrete was stabilized will not settle more than ¼ inch for a period of one (1) year from the date of installation. To the extent that the Customer maintains and fully pays for an Annual Service Agreement, this one (1) year warranty will continue annually and in a commensurate manner. In the event that the Contractor determines such movement exists, then Contractor will provide the labor and materials to re-inject the area at no additional charge to Customer. All

warranties are void if Customer does not maintain grade around slabs and seal joints between slabs. This Warranty does not include patching or caulking between slabs, surface wear and delamination, chemical stains, failure to maintain proper drainage, failures to the installed area that are the result of pre-existing and intrinsic structural deficiencies existing before Contractor commenced work under this Contract, and all other conditions to the installed area that are the result of causes and influences outside the control of the Contractor.

9. Exclusions. THIS WARRANTY DOES NOT COVER, AND CONTRACTOR SPECIFICALLY DISCLAIMS LIABILITY FOR: (a) any product or system that is altered in any way; (b) exterior waterproofing; (c) system damage caused by Customer's negligence, misuse, abuse, or alteration; (d) damage, issues, and conditions incidental to installation, including dust and dirt; (e) changes to wood framing system; (f) damage to personal property of any type; (g) unmarked utility line breakage; (h) private utilities and lines (e.g., sprinkler, plumbing, discharge lines, etc.); (i) damage caused by unforeseen conditions such as mold, asbestos, or lead based paint; (j) removal and/or disposal of any hazardous materials; (k) failure or delay in performance or damage caused by acts of God (flood, fire, storm, earthquake, methane gas, etc.), acts of civil or military authority, or any other cause outside of Contractor's control; (l) damage beyond Contractor's control caused by dry rot, corrosion, termite infestation, and substandard construction; (m) damage done during a lifting operation; (n) basement water seepage, unless a full perimeter drainage system has been installed; (o) heave or any damage caused by it; and (p) damage caused by lateral movements and forces of hillside creep, land sliding or slumping of fill soils of deep embankments. EXCEPT AS EXPRESSLY SET FORTH, ALL SERVICES, MATERIALS, PARTS AND COMPONENTS PROVIDED BY CONTRACTOR ARE PROVIDED "AS IS" WITHOUT WARRANTY OF ANY KIND, AND CONTRACTOR EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

NOTICE OF CANCELLATION

Date of Transaction: 8-27-26

You may cancel this transaction, without any penalty or obligation, within three business days from the above date.

If you cancel, any property traded in, any payments made by you under the Contract or sale, and any negotiable instrument executed by you will be returned within 10 business days following receipt by Contractor of your cancellation notice, and any security interest arising out of the transaction will be canceled.

If you cancel, you must make available to Contractor at your residence, in substantially as good condition as when received, any goods delivered to you under this Contract or sale; or you may, if you wish, comply with the instructions of Contractor regarding the return shipment of the goods at Contractor's expense and risk.

If you do make the goods available to Contractor and Contractor does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation. If you fail to make the goods available to Contractor, or if you agree to return the goods to Contractor and fail to do so, then you remain liable for performance of all obligations under the Contract.

To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to:

Groundworks North Carolina, LLC at 8005 Knightdale Blvd, Knightdale, NC 27545

not later than midnight of 9-1-26.

I hereby cancel this transaction.

(Date) _____

(Customer's signature) _____

If after three business days the transaction has not been canceled, then the deposit will be non-refundable.

We propose hereby to complete the services indicated in this Contract for the sum of:

Date 8/27/2026

A real property contract is a contract between a real property contractor and another person to perform a capital improvement to real property.

Signature of Authorized Person: _____ Title: _____ Date: _____

Affidavit of Capital Improvement Instructions

Form E-589CI, Affidavit of Capital Improvement, may be issued to substantiate that a contract, or a portion of work performed to fulfill a contract, is a capital improvement to real property and subject to sales and use tax as a real property contract. Generally, services to real property are retail sales of or the gross receipts derived from repair, maintenance, and installation services, unless a person substantiates that a transaction is subject to tax as a real property contract, subject to tax as a mixed transaction contract, or the transaction is not subject to sales and use tax. A "real property contract" is a contract between a real property contractor and another person to perform a capital improvement to real property.

A mixed transaction contract is a contract that includes both a real property contract for a capital improvement and repair, maintenance, and installation services for real property that are not related to the capital improvement. For a mixed transaction contract, if the allocated sales price of the taxable repair, maintenance, and installation services included in the contract is less than or equal to twenty-five percent (25%) of the contract price, then the repair, maintenance, and installation services portion of the contract, and the tangible personal property, digital property, or service used to perform those services, are taxable as a real property contract for sales and use tax purposes.

- A person that issues Form E-589CI is liable for any additional tax due on the transaction in excess of tax paid on purchases pursuant to N.C. Gen. Stat. § 105-164.4H(a), if it is determined that the transaction is not a capital improvement, but rather the transaction is subject to tax as a retail sale.
- A person who receives Form E-589CI from another person, absent fraud or other egregious activities, is not liable for any additional tax on the gross receipts from the transaction if it is determined that the transaction is not a capital improvement.
- Form E-589CI **is not an affidavit of tax paid** on tangible personal property, or digital property purchased or used to fulfill a real property contract.
- Form E-589CI may not be used to purchase tangible personal property, or digital property exempt from sales and use tax.

Exceptions from the Issuance of Form E-589CI to Establish a Transaction is to be Taxed as a Real Property Contract

In lieu of issuing an affidavit of capital improvement, a person may substantiate by other records that a transaction is a real property contract or a mixed transaction contract subject to tax as a real property contract, as discussed above, for a capital improvement to real property. However, where subcontractors are involved, it may be in the best interest of all parties to use Form E-589CI to ensure proper application of the sales and use tax laws.

Section I. Single Use Instructions

A person may complete "Section I - Single Use" for a one time use to substantiate that a transaction is a real property contract for a single capital improvement to real property and subject to sales and use tax as a real property contract. When a real property contractor hires a subcontractor to perform a portion of the overall real property contract and there is not a recurring business relationship between the two parties (when a period of no more than twelve months elapse between transactions between two parties), "Section I - Single Use" may be completed and the form issued to the subcontractor as notice that the transaction is subject to sales and use tax as a real property contract.

The following scenarios are for reference to assist a person to complete and issue Form E-589CI. The scenarios presented are not intended to cover all possible uses of the form.

A property owner oversees the entire activity to real property that is a real property contract for a capital improvement to real property. The property owner hires various subcontractors to complete the real property contract or portions thereof:

- **Box A - Owner, Lessee/Tenant or Real Property Contractor:** Enter property owner's name and address.
- **Box B - Real Property Contractor (General Contractor or Subcontractor):** Enter a single subcontractor's name and address.
- Owner listed in Box A must describe the real property contract activity to be performed.
- Owner listed in Box A must enter the project address (if different than the address entered in Box A).
- Authorized Person (owner) signs, enters title (owner), enters the date, and issues to the person listed in Box B.

A property owner hires a general contractor to oversee the entire activity to real property that is a real property contract for a capital improvement to real property. The general contractor hires a subcontractor to perform the real property contract, or portion thereof:

- **Box A - Owner, Lessee/Tenant or Real Property Contractor:** Enter general contractor's name and address.
- **Box B - Real Property Contractor (General Contractor or Subcontractor):** Enter subcontractor's name and address.
- General contractor listed in Box A must describe the real property contract activity to be performed.
- General contractor listed in Box A must enter the project address.
- Authorized Person (general contractor) signs, enters title (general contractor), enters the date, and issues to the person listed in Box B.

A lessee/tenant hires a general contractor for the installation of equipment that is to be attached to real property and will be depreciated under the Internal Revenue Code:

- **Box A - Owner, Lessee/Tenant or Real Property Contractor:** Enter lessee/tenant's name and address.
- **Box B - Real Property Contractor (General Contractor or Subcontractor):** Enter general contractor's name and address.
- Lessee or tenant listed in Box A must describe the capital improvement to be performed and indicate the equipment will be depreciated under the Internal Revenue Code.
- Authorized Person (typically lessee or tenant) signs, enters title (lessee or tenant), enters the date, and issues to the person listed in Box B.

Section II. Blanket Use Instructions

A real property contractor may complete "Section II - Blanket Use" and issue the form to another real property contractor (subcontractor) who is used **exclusively** to perform part, or all, of real property contracts with respect to capital improvements to real properties, where the parties have a recurring business relationship (when a period of no more than twelve months elapse between transactions between two parties). A blanket use affidavit continues in force so long as the real property contractor named in "Box C" and the real property contractor (subcontractor) named in "Box D" maintain a recurring business relationship or until the affidavit is withdrawn or otherwise notified by the issuer of the form.

The blanket use will generally apply for the following: (1) a builder who hires the same contractor(s) only for new construction; (2) a real property contractor who hires the same subcontractor(s) only for reconstruction; (3) a real property contractor who hires the same subcontractor(s) for remodeling or renovation and the activities performed by the subcontractor(s) for the other party are never repair, maintenance, and installation services for real property based on the contract or agreement between the parties; and (4) a real property contractor who exclusively hires the same subcontractor(s) to perform part, or all, of its real property contracts for capital improvements to real properties.

A general contractor or subcontractor hires a subcontractor that will replace the complete electrical wiring in all renovated homes:

- **Box C - Real Property Contractor:** Enter the hiring real property contractor's name and address.
- **Box D - Real Property Contractor (General Contractor or Subcontractor):** Enter the hired subcontractor's name and address.
- Authorized person listed in Box C signs, enters title, enters the date, and issues to the person listed in Box D.