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Glossary of Important Structure Home Terms

Based upon our years of experience in the construction of single family residences and inquiries frequently made by our prospective clients, Structure Home has developed the following list of Frequently Asked Questions and general responses thereto. If we are engaged by our client, we will ask our client to execute a formal written Disclosure Statement and a written Standard Form of Construction Agreement. The written Disclosure Statement and the Standard Form of Construction Agreement will contain all of the terms of the agreements between the parties and all representations we make regarding the work to be performed. The responses to the following Frequently Asked Questions are for our prospective clients' general use and knowledge only and shall not become a part of the future agreement between the parties.

Structure Home - Process and Organization

1. What is a Structure Home?

A Structure Home is a custom home built to suit the precise specifications of our customers. The Willow Group, Inc., dba Structure Home ("Structure") has developed a detailed, comprehensive and turn-key process called "The Journey" for every step of the planning and construction of your new home. Structure maintains an always-expanding library of plans and product information to facilitate the selection of architectural and building specifications. The Structure resource library enables customers to establish a comprehensive budget for every cost associated with the development process. Prior to the start of construction, a guaranteed construction price is approved (subject only to certain specific modifications as set forth in the Standard Agreement between Structure and its Customers). The systematic approach to comprehensive specifications, in advance of construction, facilitates our construction phase without cost overruns and a predictable completion schedule.

As an organization, Structure Home does not compromise on our commitment to serve our clients through the custom building process and thereafter. Unlike other general contracting firms, we take full responsibility to lead the entire project management effort on your behalf. Our role is more than building a fine custom home. We are responsible professionals providing guidance, management and control of risk, from design, through development and into your life in the new home. In addition, we also provide reliable financial information and market analysis to facilitate clear decisions about the optimal investment opportunity to maximize the return from your home improvement alternatives. Our goal is to thoroughly address the concerns of all clients, holistically integrating your home into your lifestyle and estate plans. We are continually working to improve and streamline each aspect of the custom home building process to maximize efficiency, to foster creativity in everyone involved with your custom home building experience. These goals are achieved by providing you with all of the personnel and an organized, integrated and systematic approach to every stage of project development.

2. What distinguishes Structure Home from the traditional custom home building model?

Our Core Values are: Honesty, Integrity, Respect, Responsibility, Thoughtfulness and a Passion for Quality Custom Home Building.

A. Structure takes responsibility for the management of the entire project from conceptual design to a completed and turn-key custom home. In addition to managing the building process, we also manage all due diligence and zoning research, pre-development design, entitlements (permits/approvals), neighborhood outreach and post-completion customer care.

B. All Structure Home projects begin with a comprehensive budget estimate and clearly defined set of design objectives prior to engaging any design consultants. With these tools we hire the design professionals and charge them with the responsibility to design a home that is consistent with the project objectives. Before and after each design stage: Schematic Design, Design Development and Construction Documents, we revise and refine the budget to assure control of project costs. This procedure is fundamental to managing and controlling financial risk in a responsible manner.

C. The content of our budget is comprehensive and our budget philosophy is to anticipate costs as early as possible to minimize surprises along the way. With 10-15 custom homes being purchased every year, our broad resource base and buying power translate into reduced construction costs to all of our clients.

D. Structure offers a Guaranteed Maximum Price Contract form and utilizes a systematic purchasing approach that can be transparent and provide confidence that the best value and selections were achieved for every trade. The components of our contract include a comprehensive preliminary budget prior to schematic design, a refined budget to control plan design development and a guaranteed budget derived from comprehensive bid procurement.

E. Structure Home is comprised of a project management team that has been collaborating together and supporting each other's growth, for many years. Many of Structure's staff have been trained and mentored by each other, are related to one another and are supportive friends. Similar strands of history and connection run throughout our extended base of human resources, from design professionals to vendors to subcontractor trades...Our clients derive consistent benefits from this cohesive group that shares experience, professionalism, integrity and a passion for quality custom home building.

F. The "Structure Journey" timeline is a management system that strategically directs every required task to effectively complete a fine custom home. This organized collaboration and carefully coordinated schedule brings consistently successful results to every project. Managing the entire process with this type of discipline enables us to complete projects on time, translating into significant cost savings to our customers.

G. Structure Home has made a significant commitment to technology. All staff members, including field staff, are available via e-mail, all field staff have lap top computers and are all are familiar with company software. Structure Home is a paperless organization...all documents and plans related to every project are scanned and preserved electronically. Every portion of your project is directed, communicated and recorded in a secure website dedicated to your project. Procore project management software is used to provide a web-based hub for all project communication and information, linking every person and all plans that contribute to the completion of your new home. In addition, all project costs and project budgeting/estimating are managed with integrated custom-home accounting software, American Contractor.

H. Structure Home has a significant stake in the communities we serve. We are actively involved with 10-20 homes per year with 8-15 active construction sites on-going at any one time. Furthermore, we continue to service past clients in neighborhoods throughout Los Angeles. Invariably, Structure Home personnel are in close proximity to our customers at all times during regular business hours.

I. Our company's vision statement is "Relationships For Life". This means that all of the systems we've developed and all of the policies and procedures that govern our way of doing business...are specifically designed with this objective as a priority. Our commitment to customers runs far beyond the mandated new home warranty...we even want to be a resource and help care for and improve the homes we build for a lifetime.

3. How does Structure manage its Projects? Who is responsible for what?

The Structure organization consists of a team of extremely talented and experienced individuals who have been working as a team for nearly 3 decades including:

- 1) a strong Executive Team and a professional management staff at the corporate office in Woodland Hills, CA;
- 2) a skilled field operations staff; and
- 3) a large resource base of skilled design professionals subcontractor trades and material suppliers... all of whom are trained and experienced with the Structure Home building system.

The two Co-Founders/Co-C.E.O.s of the company are Mark Sapiro and Robert Kleiman, a business partnership that spans almost thirty years. Mark is responsible for creating, implementing and overseeing all project management and construction activities of Structure Home. Robert is responsible for marketing, financing, product development and permit approvals over the course of the pre-development phase. Both Mark and Robert are responsible for defining and refining the Structure Home business model and its forward planning directions.



The Chief Financial Officer is Bridget Fieber. She is responsible for directing all financial aspects of the Structure Home organization. The Chief Financial Officer maintains segregated accounts for every project, and tracks every project cost by Construction Specifications Institute (CSI) cost code, a construction industry cost coding standard, in a special construction accounting software designed for this purpose. As part of the Executive Team, the C.F.O., is Structure Home's leadership liaison for all aspects of financial management and planning.

The Project Managers are Karyn Clark, Jeff Rubin and Brian Russell. They are assigned to specific projects and are responsible for all customer requests, resourcing and subcontracting all of the trades in the building process. The project manager is a point person for all aspects of the home development including, office and field meetings, project documentation, budget management and construction schedule tracking.

The Project Coordinator is Martha Trinidad. She is responsible for tracking and implementing a variety of tasks along the pre-construction and construction schedules including scheduling on-site testing and reporting, facilitates entitlement processing, utility service coordination, insurance and risk management, project/company administration, and the timely coordination of selections made by clients with our product suppliers.

The Business Development Manager is Alyssa Trebil. She is responsible for business development, marketing, social media, and client relationships. As Structure Home's Business Development Coordinator, Alyssa, builds and maintains relationships with clients and potential business partners in an effort to promote a climate that facilitates even greater client satisfaction and enhancement for the organization. Alyssa manages all relationships with the media, photographers, area neighbors, caterers and community partners.

The Project Administrator is Jazmin Guzman. She provides project support to clients and the entire Structure Home staff by managing all project documentation, correspondence, insurance certificates, subcontractor agreements, plan management and office management.

The Project Superintendents are Joaquin Guzman and Wally Steinert. They are responsible for the timely construction of all site and off-site improvements according to the quality standards established by the company. The Superintendent reports, coordinates and implements all customer requests provided by the project manager and office support staff. All improvements are scheduled through a Structure Home Superintendent.

The Assistant Superintendent is Max Reich. He is skilled in various construction techniques and performs a myriad of work at all of the project sites in addition to supporting and assisting the Superintendent with project requirements. Assistant Superintendents also prepare homes for the homeowner orientation and move-in, and oversee any customer service requirements after move-in.

4. How do we get started?

An initial assessment is done at your property. You should have a copy of your preliminary title report or title policy available for this initial assessment. At this meeting, the Structure Home process is explained in further detail. A Structure Home representative will evaluate the following:

- 1) Any site specific title and zoning requirements.
- 2) The physical conditions affecting the future development of the site.
- 3) Your goals with respect to home size and character as well as timing and budget targets.
- 4) The orientation of the new home on the property with a review of the front yard setbacks and rear yard opportunities.

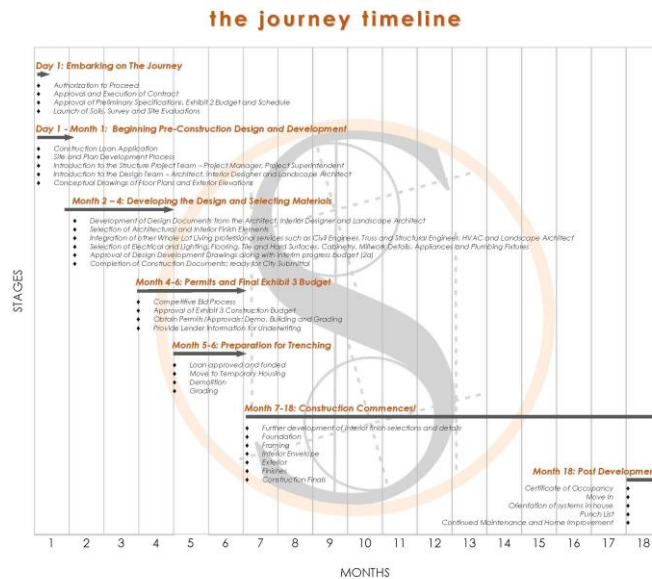
The second meeting takes place in Structure's corporate office. This meeting will review interior and exterior finish selections at various cost levels. The result of the meeting is a budget document tailored to your specific finish preferences. Often, site visits through one or more custom residences previously completed by Structure Home will follow this meeting to help our customers see finished homes and materials in keeping with the desired budget level.

Once the preliminary budget is further refined, detailed specifications and a contract is prepared for review and execution. The signing of the Construction Agreement and payment of the initial deposit puts the pre-construction building processes into motion.

5. How long does the whole process take? The Structure Journey timeline.

You will be given a Structure Journey timeline that will give target dates for critical decisions to be made. All meetings with your Whole Lot Living Professionals will be set up based on the schedule provided by your Project Manager. From the time the contract is signed, a 5-6 month pre-development period begins. During this phase, plans are refined and construction documents are prepared that specifically address each customer's design specifications. The property is thoroughly studied by the project manager, civil engineers, soils engineers and environmental consultants. Permits for demolition, grading and the new construction are all processed through the required municipal agencies. The site is then set-up for demolition and construction.

The asbestos abatement, demolition and grading will take approximately 30-45 days. Once the building foundation is trenched, the construction phase begins and a ten to twelve month construction schedule will be followed. From the start of demolition to completion, the entire process takes about 15-18 months with our customers out of the home for about 10-12 months.



6. What is “Whole Lot Living”?

Because your home provides important functional improvements over your entire property and all of the improvements are interrelated, Structure developed “Whole Lot Living”, a proactive approach to the design process that recognizes the fact that the whole property, interior and exterior, must be considered, planned and defined at the outset of the design process. The project architect is joined by the interior designer, civil engineer, soils engineer, structural engineer and landscape architect in the earliest design phases of the project. Whole Lot Living establishes a scheduled format for the design professionals to work collaboratively and simultaneously, to identify and resolve designs and details...all to improve quality through thoughtful attention to detail in the schematic plan development stage.

7. What is StructureSource™?

StructureSource™ is the one-source orchestration of your entire project, from architecture and design to construction and all the completion phases. This is an important attribute of every project we lead. By putting

the entire project on our shoulders, by our taking full responsibility at every stage, consistency and efficiency flourish. The rewards are streamlined participation, time and budget savings, and, at the same time, the congruency of your vision is maintained...the quality of the home and your building experience are optimized.

StructureSource™ also means our being a total resource for information, products and trades related to home construction, improvement and maintenance. It is not uncommon to have clients come back to us years later asking for recommendations for improvement, repair and related home services or our input about design and best building practices. By continually expanding the resource base, collecting and organizing product information and evaluating the performance of the resources, a vast library of products and services is maintained and offered to you.

In addition, StructureSource™ means:

- A project management system that creates and maximizes efficiency, avoids surprises and enables controlled, thoughtful and informed decisions.
- A comprehensive budget at the beginning of the project that drives the design and leads to fixed and guaranteed pricing.
- A systemic and organized approach that delivers a predictable, smooth and uninterrupted construction cycle.
- Ease of communication. At any given moment, our clients can talk to their team, access budgets, schedules, photos and documentation, and share input...through our online priority Member Center. Protected websites collect, organize, post and contain all project information in central hubs where all project information is housed and communication flows.
- A concierge approach to homebuilding, where reducing our customers' time commitment and creating an efficient and consistently positive experience is our primary aim.

8. How is the sequencing of my project scheduled, coordinated and managed successfully?

The "Structure Journey" timeline is a comprehensive project management schedule – a blueprint for the entire path that all participants in your custom home's development will follow. This schedule assures that we achieve optimal results in terms of quality, cost and time efficiency, information flow, convenience and fulfillment. The timeline documentation is the result of drawing from the experience of all prior Structure Home projects to examine, define, refine and implement a plan to direct a methodical process. The goals of that process are 1) to enhance the customer and project management experience, 2) to improve management, construction schedule and budget efficiencies and 3) to optimize construction and finish quality. In addition to carefully prioritizing each step of the pre-development, development and post-development phases of your project, the Structure Journey timeline delineates refined roles and scopes of work for the architect, interior designer and all other design professionals to make sure that all construction documents thoroughly illustrate and communicate your vision as well as provide all of the technical information needed to implement that vision by our field staff and trade partners. Most important, the timeline is an organizational management tool to enhance quality, efficiency and the experience of every one involved in your custom home.

9. How does Structure manage and control the construction documents developed by the project design consultants?

In our view, "blueprints" or "construction documents" are a detailed set of installation instructions for your home. For each of the design consultants, Structure has developed a carefully specified scope of services to 1) assure that all of the required information is considered and addressed by each design professional and 2) to synchronize the construction document development efforts of each of the design professionals. Carefully specified scopes and clear contractual responsibility create a consistent set of construction documents...the implementation instructions to assure quality throughout your new home. For all of these reasons, we have organized the timing and responsibility of each design professional within the Structure Journey timeline.

The architectural and interior design drawings that are made available to Structure Home customers are based upon a comprehensive list of drawings, plans and specifications ("Core Deliverables") that were developed to clearly inform and direct a precise understanding and construction detail/plan for your approved design vision. Each design consultant provides a Deliverable Worksheet with the specific scope of

services spelled out. Clearly defined deliverables help avoid any misunderstanding regarding the services that are being contracted for. In addition to the Core Deliverables, “Enhanced Deliverables”, including scale models and 3-D simulations or drawings/renderings are also available from the architect and interior designers to further articulate your understanding of proposed design solutions and to communicate the design more effectively to the team.

Our historical project experience, feedback from field staff and subcontractors, as well as interviews with past Structure customers have helped us identify and address potential process frustrations and to mitigate them. All of this information has been woven into the Journey Schedule to assure a collaborative and synchronized plan development effort. The result is a comprehensive set of construction documents to facilitate design, communication and installation.

10. When do I incur additional costs for time and meetings outside the Design Consultant’s contract services?

The Deliverable Worksheets include a list of each service to be provided by the design consultant as well as a time allocation to complete each task. This hourly allocation is the basis of the fee proposals approved to complete your core deliverable package. Each service and its time allocation are defined to avoid any misunderstanding with respect to the services provided to complete each aspect of the design phase. All time allocations are based on decisive, action based meetings and follow up. This level of specification and coverage enable you to focus on the selection of finishes and details for your home instead of wondering what your billing amount will be from the time spent together with your designer. We have confidence the required selections can be made within the time allocations provided if you are decisive and make reasonably limited selection changes. Additional services are available and are billed at an agreed upon hourly rate if you require more than the allocated time.

11. How does the cost of building with Structure Home compare with other custom home builders?

Structure Home is a full-service company with adequate staff and facilities to accommodate all aspects of the custom home building journey in a responsible and professional manner. The project management and administrative fee charged by Structure for its services to the client are percentage-based upon the size, cost, complexity and time required for any given project. These fees are always consistent with our competitors in the industry for like services offered. Structure clients benefit from a cost savings point of view in several ways:

1) Professional leadership throughout the design and construction process avoids unnecessary work, redesigns, etc. and provides for the most efficient use of the resources necessary to build your home. By professionally coordinating the architectural and design processes of your project, Structure passes significant savings onto the client, particularly in comparison with the prototypical custom-home, architect/client relationship with fees based upon the architect having a project management or leadership role in a project.

2) The systemic and organized approach to the building processes affords benefits and efficiencies to every participant in the journey. With a smooth and uninterrupted construction cycle, the cost paid for work is optimized and completion deadlines can be accomplished. The result of this approach are a variety of cost benefits at every stage of the planning and construction periods that are passed directly onto Structure customers.

3) By building 10-20 homes per year, Structure has developed strong relationships with subcontractors and vendors. All volume discounts competitive pricing benefits are also passed directly through to our customers. We have developed a very comprehensive data base of pre-qualified subcontractors and we regularly evaluate their performance in our projects. When we competitively bid a new project, we bring multiple bids to bear from the entire resource base. These are all of the same subcontractors who are actively bidding all of the builders in the area. The organization of Structure’s building process and the forthright manner we respectfully treat our trade partners...help make Structure projects more desirable to the subcontractors and vendors. The result is better pricing through shared benefits and efficiencies for all...at every stage of the building process.

4) Another important advantage of Structure's systematic and detailed approach to the building process is the fact that the cost of building the home you desire is known, with accuracy and certainty, at the commencement of the project. The company guarantees the fixed costs prior to the start of construction and because most of the finish selections are well-along early in the process, our approved budget at the inception of the project is usually close to the final project budget.

12. What is included in a Structure Home cost budget?

Structure's formula is simple... if we can anticipate and include all of the project costs in advance, and our clients are not hit with surprises, then our relationship with our customers and our reputation in the community will flourish. For this reason, we are very detailed in our review of designs, specifications and particular client preferences to prepare a comprehensive budget document. The result and our goal is to include all the costs our clients will incur in the project, including contingency amounts in line items where clients are commonly upgrading. The goal is to anticipate costs accurately and avoid surprises.

13. What are our client's responsibilities during the development phase? What can I do to enhance the development experience?

- 1) Communicate all of your requests, selections, questions and concerns... always, as soon as any issue arises. We recommend a regular e-mail communication with the appropriate Structure personnel.
- 2) Research photographs from books and magazines to communicate the design and character of your dream home early on.
- 3) Make selection decisions early on. Many selections will require research and thoughtful consideration before final selections are contracted for. Starting early and making decisions early will enhance the process.
- 4) If you are unsure or need assistance with any aspect of the project, please ask us for help.

Structure Home is a resource for every aspect of your building experience. We welcome and encourage our customers to make use of our knowledge and experience to assist with the achievement of all your goals and visions.

Risk and Financial Management

Structure Home has developed an effective means of controlling, in a proactive and planned manner, the scope, cost, quality and schedule of the project, establishing a thorough and competent means of effective risk reduction, management and mitigation.

14. What financial controls provide protection to our construction funds?

Several tools are employed by Structure to responsibly manage the funds our clients entrust us with. Structure maintains a strong business relationship with City National Bank with all of our company and project bank accounts at the Beverly Hills headquarters. Every project has a segregated bank account where all financial transactions in the project are coded, recorded and managed. The construction accounts are managed in American Contractor, an integrated accounting software specifically design to suit the requirements of a custom home building process. As a policy, Structure does not comingle funds from one project to another. Structure's accounting staff and project managers coordinate and process monthly invoices and construction loan draws for approval by our clients. All accounting records are available for our clients review, all project costs are passed through directly to our clients at our actual cost and all proposals, invoices and accounting records are completely transparent.

15. How are the construction costs guaranteed?

For homes Structure has built before, a "Fixed Price Contract" is used with a budget detailing "Fixed Cost" for those items unaffected by finish selections e.g. concrete, framing, rough plumbing, etc. and "Allowances", for finish specifications based upon those finish preferences determined prior to the preparation of the project budget. In the event a new home is being custom-designed for client's specific requirements, Structure will still prepare a detailed cost budget based upon current material and unit costs. In this case a

“Conversion Contract” is used which calls for the fixing of the guaranteed contract price within 45 days of plan submittal to the building department. In each of the above examples, the contract provides an allowance for cost increases or decreases when a project will be starting more than four months from contract signing.

16. Why use a Fixed Price Contract and why are the “Fixed Cost” line items contained as a lump sum in the contract?

The preliminary budget is the form of budget we use and the fixed costs (costs which the contractor will guarantee) are not shown because, except as otherwise set forth in the agreement to be executed with our client, we are entering into a Guaranteed or Fixed Price Contract and Structure will guarantee and protect you against cost overruns in the hard or fixed cost portion of the budget (and these are the cost items that are typically not subject to the Owner’s selections or design preferences). This is a very important aspect of the way we manage and control our projects on behalf of our clients. While affording our clients with a guaranteed cost, and minimizing their cost risk, we are also afforded freedom to make fluid decisions and utilize the resources that will always perform in the best interests of the project and at prices we know are competitive. We know this management approach significantly improves the expeditious and predictable completion of the home.

17. What is the payment schedule?

An initial deposit of approximately ten percent (10%) of the contract price is due at contract signing. The balance of the contract price is prorated as Structure reaches 9-10 additional construction milestones as the construction progresses towards completion. Structure also works within the frameworks provided by all institutional construction lenders, if applicable.

18. What is a “Mechanics’ Lien” and how can it affect me?

Anyone who helps improve your property, but who is not paid, may record with the County Recorder’s office a written document called a “mechanics’ lien”. The lien may be recorded without your consent. A mechanics’ lien is a claim against your property, like a mortgage or home equity loan, recorded against your property.

To preserve their right to record a lien, each subcontractor and material supplier must provide a document called a ‘20-day Preliminary Notice.’ This notice is not a lien. The purpose of the notice is to let you know that the person who sends you the notice has the right to record a lien on your property if he or she is not paid.

In question #19 below we describe the ways Structure protects its clients against Mechanics’ Liens.

19. How can I be protected against Mechanics’ Liens?

Lien releases are legally approved forms provided by all Structure subcontractors, material and labor suppliers as a condition precedent to payment. Once the amount of the lien release is paid to the subcontractor, material, and/or labor supplier, the lien release protects Structure and its clients against a claim for payment for any materials or work supplied to the project. The lien release is a formal acknowledgement that payment for goods and services has been received. Structure requires progress and final, conditional and unconditional lien releases from all sub-contractors and their material suppliers as a pre-condition to payment. In addition, subcontractors and their material suppliers are issued joint checks to assure the proper payment of all required parties. Structure also provides its clients with blanket lien releases, signed by Structure Home, with each progress invoice from Structure to the client.

20. How does the property get re-assessed for property taxes?

Property tax re-assessments are triggered by a building permit being issued for any remodel or new construction. The property tax assessment consists of two components, land value and improvement value. The land portion of the tax assessment is protected and remains fixed due to the enforcement of proposition 13. When a building permit is issued, an appraiser from the County Assessors Office is assigned with re-appraising the improvement value. This is commonly accomplished by a review of plans and comparable cost and market data along with a program of evaluating the value of the improved property at completion. The assessor’s office will send forms requesting construction cost information during the construction phase

and will send Supplemental tax bills to transition to the re-assessed tax bill upon completion of the improvements.

The following are pertinent questions and answers taken from a FAQ section available on-line at the Los Angeles County Office of the Assessor website:

Will the new construction on my home be considered a remodel if I leave the existing foundation and one wall standing?

No. If the existing home is completely demolished except for the foundation and a wall and then rebuilt, it is essentially a new house and will be assessed as such. In valuing the new house, you will receive credit for the value of the existing foundation at its trended base value.

Will extensive rehabilitation of my home cause a reappraisal (reassessment) of the entire structure?

If the rehabilitation brings about the “substantial equivalent of new” condition of the structure, it qualifies as a new structure and will be reassessed as new. Rehabilitation work may involve substantial changes to the plumbing system, electrical system, framing, or foundation and can extend the usable life (effective age) of a building. An example of this is where a house is torn down to the studs or foundation and rebuilt essentially as new. In this situation, the end result is essentially a new house, not just something remodeled; this may result in a significant increase in the assessed value of the improvements. The assessed value of the land will remain unchanged.

How does the Assessor arrive at the added value for new construction?

The Assessor is mandated to enroll market value for all assessable new construction. The most utilized method by our appraisers to determine the market value of new construction is the cost approach. The staff typically utilizes standardized cost tables, based on annual surveys of new construction professionals. These costs vary by the size of the addition and the quality of the new construction.

How does the demolition of a structure on my property affect the assessment?

When an assessable structure is demolished, the Assessor will reduce your assessed value to reflect the demolition. For example, if you demolish a garage, your property assessment will be reduced by the assessed value attributed to the garage.

If I add area (square footage) to my home, will the increase in my assessed value be based on the new square footage of the addition, or will it cause a reappraisal of the entire property, including the land?

This is one of the most commonly asked questions about new construction. Under Proposition 13, the entire property, land and improvements, will only be completely reappraised when the real estate transfers ownership. The Assessor will typically only add value for assessable new construction.

For more detailed information regarding the assessor’s office practices, you may find helpful information at the following link:

<http://assessor.lacounty.gov/extranet/list/faqList.aspx?id=5>

21. Do I need additional insurance during the construction phase?

Structure provides a comprehensive set of insurance coverage to each of its clients and projects. Included coverages are General Liability for accidents, defective products and defective construction, Hired and Non-Owned Automobile coverage, Workers Compensation and Course of Construction, which covers damage or destruction of the improvements during the construction phase. In addition, each Structure subcontractor is required to provide General Liability and Workers Compensation coverage as well. Clients may want to carry additional liability coverage and many continue renters and contents policies for their temporary housing during the construction phase. Clients will need to have their homeowner’s insurance in place at the completion of the new residence and prior to occupancy.

22. How will I be updated on the construction schedule, selection deadlines and budget status?

Each Project Manager uses a uniform set of reports to communicate the status of every aspect of the construction process. The Journey timeline tracks actual performance of pre-development and construction milestones against a target schedule completed prior to the commencement of work. The schedule begins at contract signing, includes each phase of the pre-development process and continues through development to the walk-thru orientation and customer move-in. The construction schedule also generates customer payment schedules and selection deadlines, which are required to achieve the scheduled target completion dates. All reports, documents, plans, budgets, schedules and email communication is contained on secured custom websites for each Structure Home client. The client websites record and house pertinent information on all aspects of your custom home building process. In addition, client websites provide a permanent record of all communication and information on your project.

23. What safety precautions should I be aware of?

Walking through construction sites is extremely dangerous. All clients should arrange for site visits ahead of time with a Structure superintendent present at jobsite. Protective hard hats and goggles are required and made available by Structure personnel. Structure engages an outside consultant to review its construction sites and make recommendations to improve project safety. Each subcontractor is contractually required to comply with a detailed set of safety rules and regulations as well.

General

24. Why hire your builder at the beginning of the design process?

The approach we have seen work so successfully and believe to be optimal is to pre-qualify and select a General Contractor at the beginning of the project. The contractual agreement between the Owner and the General should establish a professional working relationship based on honesty, transparency and where mutual interests are aligned. Ultimately, the contractor is aware of all of the issues that must be resolved to complete a project successfully. This is precisely why a trusted professional is best suited to lead and direct the efforts of the entire design and planning team. A disciplined approach at the pre-development phase enables the team to identify and initiate proactive steps and solutions early on and gives your project its highest opportunity to succeed. Can you think of any better arrangement than to have the company you are ultimately going to hold accountable for your custom home to be actively involved and guiding the design process?

The benefits of a clearly defined builder and client relationship from the outset are numerous:

- In addition to design development of the architectural plans, your contractor knows that your budget objectives must be met for the project to work and move forward. Hence, the design must adhere to the parameters of the project budget. As a builder of a continual flow of similar projects, we have the knowledge of all project costs that will ultimately be incurred. We know the cost implications of designs, products and finishes and we are therefore positioned to guide the design and find the most cost-effective ways to accomplish your aesthetic and functional objectives.
- To be completed in an orderly and timely manner, the pre-development design, specification, budgeting and permitting processes must be carefully coordinated in conformance with a specifically delineated schedule. Structure has developed a detailed project schedule, called the Journey Timeline, for both the pre-development and development phases of a custom home project. The cost of everyone's time, and particularly a client with two homes, can be a huge additional cost that can absolutely be avoided with professional direction during the pre-construction phase.
- The design process will proceed seamlessly and more comfortably for everyone involved. The result is a team whose work products are well coordinated and is performing the tasks that each individual is strong in...and therefore generating the best possible results.
- The builder is the best resource to research and resolve design solutions during the design phase itself. One result of this effort is a set of building plans that communicates the owners design

decisions clearly and effectively to the hundreds of people who will rely upon those plans to build the home. The importance of this cannot be over-emphasized. Structure has created a very high standard of quality and content required of the building plans to create a blueprint and road map...so everyone is clear about just what needs to be done. A good set of plans means a much smoother road for the project.

- The builders experience in the development of your custom home is necessary to help you make thoughtful and well-informed decisions at the appropriate time in the production cycle. The right contractor is your most valuable team leader, protecting your interests and leading the rebuilding effort with design, quality, cost and scheduling expertise. Essentially, the knowledge and experience of the builder, gives the client control over a very important and complicated process...and the risks associated with such a product.

25. Can products be salvaged from our existing home prior to demolition?

Yes! Prior to the start of construction, your project manager will evaluate the cost/benefit of each of the items that can be re-used in the new home. Salvaged items can be removed and safely stored for installation at the appropriate time.

26. How do building permits work and how are school fees handled?

Local building departments charge fees for all construction projects. The fee line item in your budget reflects a historical estimate of the fees charged by all of the city departments including building and safety, public works and planning. The city also collects school fees for the applicable school district. After all permits are issued, Structure will complete an application for an approved refund, from the school district, for the improvements that were demolished prior to the new construction permit. The school fee refund is applied as an offsetting cost to arrive at the net fee estimate in your budget.

27. How do the utility services get managed?

Prior to demolition, gas and electric service and meters must be removed. The gas line must also be abandoned prior to demolition. In order to have this done in time for demolition, the client should contact DWP (800 342-5397) and The Gas Company (800 427-2200) at least 30 days prior to move-out date to schedule service shut off as of the move-out date. Since water is used during construction, water service should remain on. Near completion of the project, Project Coordinator will notify the client to contact DWP and The Gas Company to set application for service so that new meters can be installed.

28. Does Structure provide my neighbors with information regarding the construction activities to follow?

Yes. As a courtesy to all Structure clients, a representative of the company delivers welcome letters to your neighbors, which invite neighbor communication throughout the construction process and provide contract information for project managers and superintendents. Structure installs protective fencing and performs regularly scheduled site clean up to keep our sites clean and our relations with neighbors positive.

29. How much does it cost to build a custom home per square foot?

At Structure Home, we build custom homes every day, we bid and buy custom homes every day, we track the costs of custom home projects every day and therefore, we know with certainty what it costs to build a custom home. So why then is price per square foot such a mystery?

The list of variables that influence the cost of a project is long. It includes the conditions/topography/size of the specific property, the architectural character, the size of the home, special features/amenities desired by the client, the myriad of finish levels available in every line item of a budget and the market valuation of the finished home...just to name a few. When you step back and consider that every custom home is as individual/unique as the property and client it is suited for, the price per square foot (PPSF) index is really a boiled down figure that reduces an enormous amount of information into a 3-digit index...and something about that seems too simplistic considering the magnitude and individuality of every home and homesite. From a professional perspective therefore, PPSF does not adequately account for the all the nuances in the development of a custom home.

The same 4-5 times a week I begin the conversation with the statement..."Price Per Square Foot can be the

most misleading piece of information". This is true for a number of reasons:

- **What costs are included and which are not?** At Structure, we pride ourselves on broad perspectives and comprehensive budgets to properly prepare clients for all the costs they will incur...we believe this builds trust and long-term relationships. Common misconceptions can be derived from a PPSF can occur if the index 1) only accounts for hard costs (the materials and labor to build only the home but does not include the other following costs...), 2) does not include site work and landscape and 3) may/may not include soft costs like permits, design consultants, insurance and general requirements.
- **The PPSF of a smaller home is higher than the PPSF of a larger home!** Few realize this simple fact...but many costs within a home (kitchen appliances are an obvious one) are fixed, and therefore dramatically influence PPSF. \$30,000 of kitchen appliances are \$10 psf in a 3,000 sq. ft. home and \$5 psf in a 6,000 sq. ft. home.
- **Big ticket features can skew the PPSF big time.** Site grading, retaining walls, basements, swimming pools, wine cellars, home theatres, elevators, complexity and construction time...each are big costs components that can swing the PPSF one way quickly. For example, a \$60,000 pool alone is \$20 psf in a 3,000 sq. ft. home.

Taken together with the variables specific to a project scope, unique property and to particular client preferences...it is quite clear that PPSF may not be the best indicator at all. Instead, we take a simple description of a home from a prospective client and provide them with an educated range of comprehensive costs to build the home...this properly equips them with information needed to make their all-important life/investment decisions. We then conduct a detailed budget meeting, discussing **all** of the variable and specific preferences in order to develop a meaningful budget consistent with the individuality of each client. With that detailed budget, our prospective clients are armed with valuable information about project costs, what is driving the budget, where it can be manipulated and how to control the budget and cost of their project. Relative to the significance of the home building decision, a comprehensive budget seems like far better information than PPSF.

30. What's a Budget to Do?

The project budget is a small piece of paper, tucked into a notebook...with the power to direct and control a custom homebuilding experience. The budget contains both a view of the big picture cost of your project as well as a line item breakdown to show detail...the component parts of the whole. The budget is both a road map and a tracking device for all of the costs centers and every improvement within a project.

Knowledge of the cost of a custom building project is an essential component of a successful building experience. One of our roles in every project is therefore, to assemble and maintain the budget document, develop tools to track budget revisions over the course of the project and to perform project cost accounting/reconciliation to the approved budget. We believe that managing the budget, bringing order, control and discipline to project costs is fundamental to building homes and relationships for life!

Completing a custom home is a big undertaking...one that involves several consultants, design professionals, dozens of material suppliers, manufacturers, trade professionals, craftsman and hundreds of component parts. Structure's role is to orchestrate and facilitate the work of the entire project team, to research and communicate the information of the project to all and to manage the thoughtful assembly/construction of the home and site improvements.

A frequent misunderstanding with construction cost quotes is due to a "partial" view of "project cost" as opposed to a "comprehensive" view...the whole picture. To evaluate the total cost of any custom home project all of the following costs centers must be considered:

General Requirements - the costs of the field operations like temporary power, fencing, site clean-up and project supervision.

Site Work - the costs of the site improvements from grading and site preparation through finished landscape, pools, etc.

Residential Construction Cost - the costs of all the products, materials and labor to assemble the home itself. Sometimes these are referred to as "hard costs" or "the sticks and bricks costs".

Permits and Fees - the costs associated with agency and governmental approvals and clearances for permits to develop the home and site improvements.

Insurance - special insurances required for a building project including general liability, risk of loss and workman's compensation.

Indirect Construction Costs - the consultants and design professionals engaged for the project design and documentation requirements.

At Structure, when construction of the project is underway, the budget is reviewed monthly and all revisions are approved. This monitoring activity is a control function in every project to ensure the project and its costs are tracked and understood. While this is an important function of project management during construction, the value of developing a budget, coincident with the design development phase of a project, is all too often overlooked. In fact, one of the discussions we often have with prospective clients is that "We can deliver the greatest value to a client when we are involved at the inception of the design development process"...and this is true for several good reasons.

Like a home, a budget is developed over time. Here is how the process unfolds:

- 1) At our first meeting with potential clients the cost of building is discussed.
- 2) Based upon the clients vision of the home size and architectural style we develop a specific project budget prior to the hire of any design consultants.
- 3) We use this preliminary phase to educate, refine and optimize the best home for the client's budget.
- 4) We then use the approved budget to guide and inform the design professionals so the design can meet the goals outlined by the client.
- 5) The budget is updated as the design unfolds to make sure we understand deviations and stay within the client's financial goals.
- 6) At completion of the permitted plans we develop a comprehensive budget that forms the basis of a guaranteed maximum price agreement.

The process of budget development is characteristic of every Structure project and it is the mechanism that enables a home to be designed and built within the financial goals of the client. This is pretty important stuff...all of which occurs prior to turning a shovel at the site.

One of the wonderful rewards of building your own home is the experience of designing the whole home and garden plus selecting every component precisely as you wish. Having the ability to accomplish the custom home, at a cost that is within your means, will invariably determine the quality of your building experience. Being involved early, letting the budget do its job...that is what a budget's to do!

31. Mansionization Ordinance and Building Basements

In March 2008, the City of Los Angeles enacted the Baseline **Mansionization Ordinance** in response to an overwhelming public outcry to stop building McMansions on small lots. The ordinance implemented restrictions on the size of a home that could be built above ground, thereby reducing the architectural mass of a home visible within the neighborhood. This was done by establishing limits of size based upon lot area

and zoning designation with a sliding scale of percentage floor area ratios (FAR). For example, if you have a 7,000 square foot lot in the R-1 zone, the ordinance provides for a maximum home above grade equal to 50% of the lot area or 3,500 sq. ft. In addition the ordinance provides for an additional 400 sq. ft. of garage area, 250 sq. ft. of exterior covered patios and 250 sq. ft. of detached accessory structures. Furthermore, the ordinance provided for a 20% bonus if one of two building articulation features were incorporated into the design or if LEED Certification was accomplished. Since a basement, fully below grade and hence, not visible in the neighborhood, is exempted square footage from the ordinances size limitations, a natural outgrowth of the new code is a sharp increase in the number of basements being built in Los Angeles. Structure Home has completed 6 basements in client homes since the code became effective and we are currently building two new basements with two more in the planning and permitting phases.

From the standpoint of architectural design, the trend of basement construction offers some great advantages. First and foremost, and consistent with the positive intentions of the anti-mansionization movement, reducing the mass of a building by pushing square footage below grade creates better looking streetscapes in the neighborhoods within our community. In addition, the design and functionality of a home can be enhanced in several ways. To begin with, basements typically house play rooms, gyms, home theatres, offices/studios, guest quarters, wine cellars, storage and the like. This organization of space not only improves the function of the home by segregating these types of uses to a more private space within the home but also opens space on the prime above-grade living areas thereby improving the quality of the space enjoyed by the whole family on the first and second floors of the home. Therefore, basements offer significant advantages that make them even more attractive to the discerning custom home client.

Since a basement is livable area built below the surface of the ground, there are several challenges that must be addressed including sub-grade excavation, soil export, protection of neighboring improvements, waterproofing, light and ventilation, emergency egress, water/sewage ejection, etc. As a result of the best practices employed to properly build and anticipate all of the physical circumstances inherent in sub-grade construction, the cost of basement space is higher and the time to complete a home is longer. These are the obstacles that a client wanting the advantages of a basement must overcome. On a positive note, the building technology and products available to mitigate the potential issues with this type of construction are so far superior today than ever before that basements properly executed, can and do provide beautiful living areas that feel as much a part of the home as the above ground areas. Hence, the value of the space is arguably as valuable as the portions of the home above ground. In fact, every Structure client who builds a basement...loves the space for all of the benefits it brings to the quality and use of the home.

Glossary of Important Structure Home Terms

Vision Statement: Relationships for Life

Mission Statement:

We are committed to **growth and excellence at every level and in every activity.**

We encourage an open environment that stimulates creativity, pride, dedication and knowledge enrichment.

We are committed to improve performance and quality by continually examining and upgrading the processes through which work is performed.

We are dedicated to the social purpose and value of our work and to enhance the lives and communities of our customers.

We are a vital and contributing resource within our industry.

We profit as a result of our integrity and our commitment to quality, customer satisfaction, innovation and leadership.

Our Core Values:

1. Honesty
2. Integrity
3. Respect
4. Responsibility
5. Thoughtfulness
6. Passion for high-quality custom home building

Structure:

1. The action of building; construction
2. To bring order, make implementation easier
3. Something arranged in a definite pattern of organization
4. Elements in relationship to each other

Journey:

1. Passage or progress from one stage to another.
2. A process or course likened to traveling; a passage: the journey of life

Process:

1. A systematic series of actions directed to some end
2. A continuous action, operation, or series of changes taking place in a definite manner
3. The path, route, or channel along which anything moves
4. A systematized or prescribed series

Source:

1. The point at which something springs into being or from which it derives or is obtained.
2. One that causes, creates, or initiates; a maker.