

The Construction Phase – What to Expect

Building a new home is exciting, but it can also be complex. With its complexity customers often have many questions while their new home is being built. In an effort to make you as well informed as possible, this document answers many common questions that arise during the course of the construction project.

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COMPANY ROLES

As you know, ALOSI Builders Inc. is a family owned business run by Andrew Alosi and sons, Jonathan & Christopher Alosi. Since there's a potential for confusion, and you may see all on site at once, here is a breakdown of responsibilities:

Construction Related Activities

Andrew Alosi & Christopher Alosi are in charge of all on-site construction activities, such as:

- Construction drawings management (more on this under 'Construction Document Review')
- Structural support decision-making (more on this under 'Construction Document Review')
- Building Department interaction
- Communicating plans and construction specifications to subcontractors
- Releasing of raw construction material (concrete, lumber, siding, roofing, etc)
- Quality control (including monitoring of subcontractor progress and final signoff of subcontractor performance prior to payment authorization)
- Troubleshooting of complex design problems and construction issues
- Establishing (along with your help, of course) the placement of the home and driveway on the lot. This may also extend to additional site prep such as grading, clearing and placement of septic system and/or well.
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- Customer site visits
- Creating final punch list and coordinating the detailing of the home immediately prior to occupancy
- Accompanying you on Walkthrough prior to occupancy (more on this under 'Occupancy').
- Warranty construction related activities (more on this under 'Warranty')

Office Related Activities

Jonathan Alosi is in charge of all off-site office related activities, such as:

- Documentation and sign off
- Hiring and scheduling of subcontractors
- Ordering of raw construction material (concrete, lumber, siding, roofing, etc)
- Change management (more on this under 'Change Orders')
- Pricing and estimating (both initially and for changes)
- Draw management (more on this under 'Construction Draws')
- Bill paying and accounting
- Managing the customer selections (more on this under 'Customer Selections')
- Ordering of customer selected items such as fireplaces, windows, doors, lighting fixtures, plumbing fixtures, flooring, cabinetry and countertops
- Progress reporting
- Warranty processing (more on this under 'Warranty')
- Lot Procurement and any other Real Estate related business.

COMMUNICATION

In order to ensure proper documentation, the vast majority of the communication (including all e-mail communication) during the construction process will go through either Andrew or Jonathan. From time to time, there will be a situation which is best handled on the phone or in person with Andrew. In those cases,

Andrew will consult with Jonathan of this situation and Andrew will then call the Customer to discuss or to set up a site visit. In the event of a phone call or a site visit with Andrew, it is still important that the results of those conversations be documented. As such, Andrew will provide Jonathan with a verbal update and a set of meeting minutes will be drafted in writing, for disbursement.

AVAILABILITY

Being a general contractor is a time consuming occupation. We want to be as responsive as possible but we have to maintain a good balance between our work lives and our families. As such, we try to be disciplined about keeping to the following schedule:

Monday through Friday 7am – 5pm

E-mails

Obviously, we can receive e-mails outside of those hours, but we might not respond until the next business day. And from time to time, we are away from the office during the week (usually not more than a day), so please be patient if it takes more than a day to respond – we do guarantee a response within two business days. If something is more urgent than this, please call.

Site Visit Scheduling

We prefer for site visits to take place early in the morning if possible (the later in the day, the crazier things seem to get for us). If morning is not viable, we ask that we meet no later than 2pm as sometimes the site visits can take longer than expected. Please let us know well in advance of your trip so we can make arrangements.

Saturday Visits

We realize that a lot of our Customers work during the week and that visiting the site may require a special trip for them. However, we don't think it is unreasonable to be able to schedule these visits for a Friday or Monday, but if it is absolutely necessary, we can make an exception for an occasional Saturday. We only ask that we be able to schedule this for early morning so that we can have the balance of the day available for our families. On occasion Jonathan can be available on the weekends, for he may already be out showing property.

Vacations

Yes, we take vacations as well. Since there are three of us in the business, we are never gone at the same time. So work will continue to progress on your house while we are gone. However, some items (mostly ones that require Andrew's quality control skills) may be delayed. We will notify you well in advance of when we will be out of town as part of an effort to prepare in advance for our absence. However, both of us will take some time during our vacation to handle critical work related tasks and will be available to make phone calls and answer e-mails (depending on reception). We've found that the best practice is email. But if we need to talk on the phone, let us know that via e-mail and give us a few convenient times when you'll be available to be called back.

CONSTRUCTION DOCUMENT REVIEW

During the estimating phase, we worked together extensively to document both the design and the important features of your future home. Most of the estimating and creation of the Proposal is performed by Jonathan with collaboration from Andrew.

Design Review

Once we get closer to the start date of your project, Andrew and Jonathan will get together to do an in-depth design and proposal review. This is essentially a process of transferring knowledge of your project from the estimator to the construction supervisor. It gives Andrew a thorough understanding of all the construction requirements and design elements. This review may result in the need for additional clarification on certain elements and may generate additional suggestions for design improvements. This is typically followed up with a written form called an RFI (Request for Information).

Engineering Review

Also, prior to start of construction, Andrew will have to make a variety of decisions about structural aspects of your home. These structural aspects include floor systems, beams, headers and the various load bearing support walls and posts for these members. Similar review takes place for concrete basement walls (or masonry), retaining walls and deck support posts. Stairwell (sufficient rise and headroom) design and HVAC chase locations are also considered these structural decisions will then be brought to the local Building Department to ensure their approval. Note that depending on complexity, either the Building Department or ALOSI Builders Inc. may require the services of a structural engineer (these costs are not typically included in your contract price). Also note that this review may result in some design changes. If that's the case, we will consult with you to ensure that you understand the needed changes and can give input should various options exist. Depending on their significance, these changes may result in additional cost.

SITE VISITS

Required Visits

There are only three times that we'd like you to be on-site during the construction process:

1. *House site layout.* We'd like you to approve the final location of your home before we start excavating. This visit can be avoided if:
 - a. We discussed this in great detail during our initial meeting and you trust us to make a good decision on your behalf.
 - b. You've visited the site at some previous time and have laid out the corner of the house on your own (in which case, we still may require a site visit if we have some concerns over the placement).
2. *Electrical rough-in.* We'd like you to walk through the house with us in person to place light fixtures, can lights, fans, audio video wiring and especially light switches (you'd be surprised at how many options there are for the location and configuration light switches). At this time, you can also provide us with any special requirements you might have (such as additional outlets or other pre-wiring considerations). However, you can also waive this requirement and we'll place everything ourselves (with a little direction from you, we usually do a good job at this as we are detail oriented and think this is an important feature of the home).
3. *Walkthrough.* More on this under 'Occupancy.'

Optional Visits

During construction, you are welcome to visit the site as much as you'd like. But we do have a few guidelines we'd like to ask you to follow:

1. *Be careful.* I'm sure this is obvious, but it bears mentioning. The job site is a dangerous place. We don't take steps to prepare the site for non-construction traffic. So please watch your step.

2. *Come after hours.* The job site is usually empty after 3:30 pm. It's safer at that time for obvious reasons.
3. *Please don't talk to the workers.* They have very limited knowledge about the project and are not authorized to provide information or make decisions on the behalf of ALOSI Builders Inc.
4. *Leave the QC to us.* One of our primary roles as general contractor is quality control. During the course of construction, we visit the job site regularly to review the progress and work of our sub-contractors. It is not uncommon to discover punch list items at each visit and these items often don't get fixed immediately. But be assured that all these items will get resolved in the due course of construction. Of course, if you see something that seems critical to you, please feel free to bring it to our attention.
5. *Be prepared for what you're about to see.*
 - a. The job site can be a messy place. Some sub-contractors are better than others at cleaning up after themselves, but in general they are an untidy bunch. We guarantee it will all get cleaned up eventually.
 - b. The job site can get wet. The floor decking is designed to get wet and even standing water is acceptable. And if any exposed lumber warps due to water exposure, we'll get it fixed. Your house will have several weeks to dry out inside once the roof and the windows are on before we start doing insulation.
 - c. There are often periods where no one is working on your home (more on this under 'Scheduling').

SECURITY

Another area where Customers sometimes have questions is job-site security. While our building service area has a fairly low crime rate, we do take some measures to try to minimize risk. For instance, we try to schedule deliveries of material for immediately prior to installation (especially plumbing and lighting fixtures). And we install door locks as soon as practical. However, the job site by definition is very hard to secure and it is impossible not to have some exposure to theft. So if you do purchase some of your own fixtures for house, do not drop them off at the job-site. Instead, please arrange with Andrew or Jonathan to drop them off directly so that they can hold until we are ready for installation.

SCHEDULING

Before we started construction on your home, we usually give the Customer a wide time range for completion of their home (usually 6-9 months). We suggest that you prepared for the outside of this range and then you'll be pleasantly surprised if it takes less time. Please be assured that we share a mutual Interest in completing the project as soon as possible and we do our best to move the project forward as quickly as possible.

Sources of Delays

Since delays are often a cause of worry for our Customers, it's important that you understand the various factors that affect the scheduling and completion of your project:

1. *Quality.* This is tops on the list because we never sacrifice quality for speed. We want the job done right. And sometimes this slows down the project. For instance, we sometimes need to get an engineer's opinion on something structural or need a determination from the Building Department. Often times, we won't let the next sub-contractor start until we're sure the previous one is completely done. And there are steps that we require get finished that other contractors might not worry about (such as requiring the exterior siding to be on and caulked before we start insulation).

2. *Inspections.* Our local inspectors are fairly responsive, but sometimes we may have to wait a week or more to get a required inspection (of which there are usually half a dozen).
3. *Weather.* There are many tasks that can't get performed in wet weather due to safety concerns. And sometimes weather has a ripple effect on scheduling. For instance, we're trying to finish up the siding in order to be ready for insulation. We are planning on two more days of siding and then the rains come. Well, the insulation guys won't wait for us and may move onto another job before returning back to us. So then a two day rain delay may cause the project to be delayed a week or even two.
4. *Sub-contractor availability.* This can be the biggest scheduling issue. It is not uncommon that the subcontractors we hire are available upon immediate request. They usually have other jobs going on when we need them the most, however we are in a major metropolitan area and are able to find replacements if need be it.
5. *Carpentry.* This deserves a special mention because carpentry labor (framers, siders, trim carpenters) occupies such a significant chunk of the total labor for the project. So it's no coincidence that this is the area where we can experience the biggest delays. At the start of a project (right after the concrete is poured), it is not unusual to wait several weeks or even a month for our carpentry crew to come available. Once they get started on a house, they usually stay until it's completely framed and sided.

DEALING WITH THE UNFORESEEN

Every custom home is different. Rarely do we build the same home twice. And even if a floor plan is nearly identical to start with, each Customer makes many different choices about how they want to occupy their space. This ability to heavily customize is what makes building your own home so great. But it also means that your builder is usually dealing with something new every time. Compounding this is the fact that every job site is different and we are almost always building your home bad soil. As you know, ALOSI Builders Inc. is very thorough when it comes to planning your project. But even with this preparation, unforeseen difficulties and problems arise. Additionally, there are sometimes mistakes made by ourselves or our subcontractors. Most of these are fixed fairly easily and we take full responsibility. Others can't be fixed as easily and result in the need for exploring other alternatives. There is no easy recipe for dealing with these difficulties. Fortunately, they don't arise with great frequency and many homes never have any at all.

Be assured that we will always come to you directly when something like this comes up and we'll do our best to explain why or how it came about and provide you with alternatives (we are pretty good with coming up with solutions). All we ask is that you be patient with us and help us make the best decision possible. We realize that it is never easy to make a compromise, but please understand that it is a normal part of building a custom home.

INSURANCE

For your reference, ALOSI Builders Inc. carries two types of company insurance.

1. *Worker's Compensation* – This covers uninsured sub-contractors and Alosi Builders employees in the event of a jobsite related injury.
2. *General Liability* – This covers us in the event of other personal injury claims. Note that this covers only Alosi Builders and does not cover anyone else, including the Owner of the house being built.

Additionally, Alosi Builders may have purchased a Builder's Risk policy which covers the house during construction against typical hazards such as fire or windstorm. Alternatively, the Customer may have opted to obtain this type of hazard insurance independently.

Please note that when it comes to insurance, we strongly recommend that you talk with your insurance agent about all your options. If you have trouble finding one, we can put you in touch with one of our preferred insurance brokerages.

CONSTRUCTION DRAWS

The construction draw process is relatively straightforward, but Customers do have questions from time to time. So here is brief summary of the draw process itself as well as answers to a handful of frequently asked questions about the subject.

Draw Process

Draws are governed by a draw schedule that was agreed upon prior to construction (usually with the Bank's involvement). Each draw schedule includes the dollar amount of the draw as well as the construction phase(s) that must be completed prior to issuance of the draw. In order to receive a draw, the following steps must occur:

1. ALOSI Builders Inc. completes a phase that is tied to a draw event in the draw schedule.
2. ALOSI Builders Inc. requests a draw. Usually this is requested directly from the Bank, but occasionally the Bank requires that the Builder request the draw from the Customer directly (in which case, you would turn around and make the request from the Bank). Note that if there's a choice in this respect, we prefer to interact directly with the Bank as we find this more efficient.
3. The Bank will order an inspection. The inspector will visit the job site and report the construction progress back to the Bank.
4. If the Bank agrees that the construction progress is sufficient (based on the draw schedule), then it will also get the Customer's approval to issue the draw (unless the draw request came initially from the Customer). To further protect your interest, the Bank often requests that the attorney do an updated title search to ensure that no liens have been put on the property since the last title search.
5. The Bank will then release funds. There are several ways this gets done, but our preference is a wire transfer directly to ALOSI Builders Inc. construction account.

Common Draw Questions

Here are a few items that Customers sometimes have questions about:

1. *Inspection Fees* – A Bank will typically 'allow' a certain number of draws (based on the draw schedule). At closing, you are usually charged an inspection fee that will cover this agreed upon number of draws. If that number is exceeded, you are usually charged a fixed amount for each additional draw. Therefore, we'll always want to stick with the original draw schedule to avoid additional inspection fee charges.
2. *Number of draws* – Typically the Bank will allow 5-6 total draws, which may or may not include an initial draw and a final draw. Generally the more draws they allow the better (no sense in paying more interest than is necessary).
3. *Initial draw* – ALOSI Builders Inc. requests that we be given an initial draw. This is typically 10% of the construction costs and will pay for the building permit, the builder's risk insurance (more on this under 'Insurance'), various job supplies, and excavation/site prep. The initial draw also ensures

that ALOSI Builders Inc. isn't paying for labor and supply costs out of its own pockets – instead all payments are made using funds supplied by the Customer.

4. *Final draw* - The final draw is due after we've received the Certificate of Occupancy from the Building Department and we have performed the final Walkthrough together (exact terms are spelled out in your Construction Agreement). Please note that the final draw is not meant to be a holdback that is released upon completion of any punch list items discovered in the Walkthrough (more on this under 'Occupancy').

CUSTOMER SELECTIONS

The primary responsibility of the Customer while their house is being built is shopping. While it seems straightforward, this actually involves quite a bit of documentation and communication between Builder and Customer. And it is a critical task. If selections are not made by their due date, the construction schedule can easily be delayed.

Who Chooses What

The array of items that the Customer will select is usually determined during the Proposal process. The selection process itself is fairly self-explanatory, but we do get some questions from time to time about whether the Builder or the Customer is the one making the choice.

1. On many items, ALOSI Builders Inc. has already chosen the product and the Customer is only being asked to choose the style or color or pattern. A good example of this is roofing. We may have specified a 30 year architectural shingle or a metal roof. The only guidance we are looking for from the Customer is the color. Another example would be fiber cement siding. We have chosen the manufacturer already, but are only asking you to choose the style.
2. On lighting and plumbing, there are usually some items the Builder will choose and other items the Customer will choose. For instance, the Builder will choose utility lighting such as under cabinet lights, can lights, fluorescent lights or exterior flood lights, but the Customer will be asked to choose all the decorative fans and fixtures. For plumbing, the Builder may be responsible for selecting tubs, drop-in shower units, vanity bowls and toilets and the Customer will be asked to choose faucets and the kitchen sink. Again, these decisions are usually made during the Proposal process and we are flexible with regards to who picks which items. If you have a strong preference to pick out your toilets or exterior flood lighting, we can accommodate that.
3. From time to time, Customers will ask us to make selections on their behalf and with some guidance from them (often based on what they've seen in another home we've built) we are glad to assist. The risk here is that when they see the item in person, they might reconsider and want to make a change. That's okay as well, but any additional costs associated with the change will be passed through to the Customer (including the cost of the original item if it can't be returned, any restocking fees, additional labor costs and possibly a Change Order fee).
4. On a final note, there are often some items where installation of an item is included in the Proposal, but not the item itself (a good example is bathroom accessories such as towel bars or even mirrors). In these cases, the Customer is required to both pick out and purchase the item and arrange to get it to the house (usually at the time of Walkthrough – more on this under 'Occupancy').

Customer Selection Schedule

In between the signing of the Construction Agreement and the start of construction, ALOSI Builders Inc. creates a document called a Customer Selection Schedule. This is an Excel spreadsheet that lists all the

items that the Customer is responsible for picking out or shopping for during the course of construction. Not all items need to be chosen at once and the schedule is organized by due date. The Customer Selection Schedule contains the following information:

1. The item that needs selecting and its location in the house.
2. The date when that selection needs to be made. The entire list is organized in groups of items that share the same selection due date and then those groups are sorted in chronological order. For the most part, similar items are grouped together with a few exceptions:
 - a. Shower and tub faucets need to be picked out very early because their valves need to be installed in the walls during framing. The rest of the plumbing fixtures don't need to be picked out until later. Of course, there's no harm in picking everything out together if you prefer.
 - b. Exterior wall-mounted lighting needs to be picked out earlier than the rest of the fixtures because we need to know the size of the lights in order to build the appropriate sized shadow boxes on the wall during siding.
 - c. Fireplace models need to be chosen early since we have to frame for their specific sizes and requirements. But the rockwork doesn't have to get chosen until much later.
3. The actual selection itself. Often times, this will be partially completed when you first receive it as we may have discussed the selections during the course of working on the Proposal. If you are updating the selections yourself, please be as thorough as possible in the description. If you have a SKU or an item number, include it as well.
4. In an effort to be as detailed as possible, please also indicate the store where you picked out the item. Also include its location if applicable. For instance, most products at the major home improvement centers have a specific stocking location associated with them (usually a letter followed by a number). And finally indicate the price of the item (excluding tax and delivery).
5. Next there is a place for comments. This column will be used for Alosi Builders to make suggestions or provide guidance. Or it can be used by the Customer to add further information about the item.
6. Finally there is a column for questions. This will be used for Alosi Builders to ask you questions about your selection if we are uncertain about aspects of it or need further clarification. If we send you a version with some questions included, please respond back with the answers as soon as you can.

Updating the Schedule

Typically, we will trade the document back and forth via e-mail. You can either update directly into the document (preferred) or you can send your selections back to us via email. If you do update the document, we ask that you make all your changes in **red** so we can easily recognize what's changed. If you don't use a computer, you can always hand write your changes and we can exchange the document via fax or regular mail.

In either case, we will then update our master document and send a copy back to you for confirmation and to use for future choices. Unless you pick out everything in the first pass, we will exchange the document several times as we work our way through the entire selection process. Note: if you don't have Excel on your computer, we would be happy to convert the document to another format such as Word (which will allow you to edit the document) or Adobe's .pdf format (which will allow you to view, but not edit).

Customer Selection Guide

In addition to providing you with a Schedule, we publish a helpful Customer Selection Guide. This Guide provides valuable information about material choices and information about the vendors we use to supply our products. It is designed to both help you make decisions and give you guidance as to where to shop.

Vendor Selection

The Customer Selection Guide will recommend suppliers for many of the selection items. In most cases, however, you are free to select the item from the vendor of your choosing. However, some caveats do apply:

1. If an item is not available locally, we can have it shipped. Alosi Builders will not travel beyond the immediate local area to pick up items. The cost of shipping is then added to the cost of the item (for allowance calculations).
2. You are certainly welcome to bring us items directly. If you find an item in your home town and want to arrange to get it to us or to the job site when it is needed, that is okay with us. Note that we don't have warehouse space to store items ahead of when they are needed.
3. If an item is not part of an allowance and you choose to pick out a supplier or a product that is not recommended, this could result in a price increase. For instance, paint is a good example. We have a single supplier for paint. We like the quality of their product and we've negotiated a very good price with them. If you choose an alternative brand, you'll be responsible for the difference in price.
4. In addition, if you choose a product or a supplier that is not from our recommended list we reserve the right not to warranty that item. This is especially true with suppliers that also act as sub-contractors such as cabinet makers or countertop installers.

Purchasing

When it comes to actually buying the products that you've selected, there are a few additional pieces of information you might find valuable.

1. *Who buys?* - We are flexible with respect to which of us actually does the purchasing on allowance items (note that ALOSI Builders Inc. will always do the purchasing on non-allowance items). There are three options:
 - a. ALOSI Builders Inc. does all the purchasing. This is the most typical. You just tell us what you want and we place the order and make the payment.
 - b. The Customer does some or all of the purchasing and provides us with receipts. ALOSI Builders Inc. will then reimburse the Customer. With respect to the allowance, this will be treated just as if ALOSI Builders Inc. made the payment.
 - c. The Customer does some or all of the purchasing and does not seek reimbursement. Regarding the allowance, obviously none of the non-reimbursed purchases count against the allowance.
2. *Price increases* - As mentioned before, ALOSI Builders Inc. does not have a warehouse. That means we won't actually place the order for an item until we are ready to receive it (although we will order in advance if we know there is a lead time). On occasion, this delay between selection and ordering may result in a price increase. Therefore, ALOSI Builders Inc. does not guarantee the price you were quoted when you made your initial selection. On bigger ticket items (such as fireplaces), some suppliers will allow us to order items well in advance so we can lock in a certain price and then they will hold the items for us until we need them. If you are worried about this situation, please let us know and we will see if the supplier offers this option.

3. *Delivery costs* - Large items, heavy items and items bought in large quantities will need to be delivered to the job site. Shipping costs (and sales tax) do factor into your allowance limits (more on this under 'Allowances').
4. *Shopping on-line* – We encourage shopping on-line. It is very convenient for the Customer, easy to document and simple to arrange for delivery. On-line suppliers often offer free shipping and no sales tax, so that can be an added benefit.

GOING OVER BUDGET

While a home is under construction, it is very tempting to want to add previously unplanned features or to make a few changes along the way. Every Customer does it and it is one of the great benefits of building your own home. The same temptation exists for allowances. It seems that regardless of the amount of the allowance, Customers routinely pick out fixtures and products that exceed the agreed upon allowances. While ALOSI Builders Inc. makes sure that Customers know how much a change is going to cost (more on this under 'Change Orders'), it often is an unpleasant experience for the Customer when they get the bill (more on this under 'Paying for Overages and Change Orders'). So that's why we think it's important that Customers recognize up front that they will more than likely go over budget, often by a significant amount. This understanding will allow them to plan for this eventuality (both financially and in the choices they have to make). And we hope that good planning will make this potentially worrisome part of the process a little easier.

CHANGE ORDERS

Once we've finalized the Construction Documents (the Proposal and the Construction Drawings), any change we make is considered a Change Order. Requesting a Change Ideally, all change requests should be made in writing (e-mail being the preferred method). Occasionally, a change request will be made verbally by the Customer (often during a site visit). In either case, ALOSI Builders Inc. will evaluate the feasibility of the change, calculate the cost of the change and communicate this information back to the customer. The Customer will then approve the change via an e-mail response or signed document.

Calculating the Cost

ALOSI Builders Inc. has an extensive database of costs for both materials and labor to pull from when estimating how much a change will cost. And if there is a doubt, we will get quotes from sub-contractors for the extra work being performed. However, it is not always possible to obtain a precise estimate and you should be aware that your estimate may factor in a small degree of uncertainty. It is also important to note that these costs also include taxes and delivery. On changes that result in additional cost and whose additional cost is not already specified, you will be billed the actual cost of the change plus 15%. Excluded from this 15% charge are any overages on material allowance items such as lighting fixtures, plumbing fixtures, etc. (See 'Paying for Change Orders and Allowance Variances' for more information about the process of paying for these changes).

Common Change Requests

There are a few commonly requested changes that sometimes elicit questions from Customer with respect to their cost.

1. *Windows and doors* – Calculating the cost of adding a window or door involves much more than just the actual cost of the item. There are also costs of framing, installation, staining or painting, hardware and both interior and exterior trim. So a small interior door that costs \$150 can end up adding \$400 to the overall cost of the project when all the other items are included. Note also that

all windows and doors are special order items for us and usually cannot be returned. So if you want to change the size of a window or door after they've been ordered, you will have to pay for the full cost (including delivery and taxes) of the original door or window.

2. *Plumbing* – Both our gas and our plumbing contractors charge us by the drop (each item or fixture they run piping to is a drop) rather than charging us for time and material. This makes it much easier to estimate how much a job is going to cost and keeps our costs fixed. However, the price per drop can seem somewhat pricey when we are only adding one more of something. See your Proposal for the specific per drop costs.
3. *Electrical* – If the Customer wants electrical outlets that exceed code requirements or lighting and switches that were not specified in the original Proposal, additional costs are charged per leg of wiring that is run. The additional costs are specified in your Proposal.
4. *Framing* – If the Customer wants to add to or make changes to the interior framing, we try to figure this in terms of the number of framing hours plus lumber costs. In some cases (like adding square footage to the deck), we charge a pre-determined square footage charge that is specified in your Proposal.

Change Order Documentation

Since there are often quite a few changes made over the course of construction, Alosi Builders doesn't create individual Change Orders for each item. Instead, we create a Change Log. This is basically a running list of each change including the details of the change as well as the cost.

Change Order Approval

Periodically, we will formalize these Change Logs by grouping them together, adding up their total effect on the contract price and sending them to the Customer for a physical signature.

Keeping Construction Documentation Updated

Whenever a change is made, a variety of supporting documentation (such as various schedules or blueprints) is also updated. The most critical update is to the construction version of your proposal which we call Construction Instructions. This document is basically a synopsis of your original Proposal which is reorganized for each subcontractor and organized in a way that facilitates their understanding of the job requirements. It is updated with any changes as the project progresses. We are happy to share this document with our Customer if they wish (just ask and we will release updated versions to you at the same time we release to the construction personnel).

Change Order Definition

To avoid confusion, it is important to try to define what constitutes a Change Order:

1. *Single item, multiple sub-contractors* - If we get a request to change or add a single item and it involves multiple trade professionals, it is still only one change. For instance, a request to add a wet bar involves electricians, plumbers, cabinet makers, countertop makers and trim carpenters. But it is still only one change.
2. *Single request, multiple items* - Conversely, if a single request involves distinct separate items, each separate item is its own change. For instance, the Customer e-mails that they want to change the flooring in the basement from carpet to wood and at the same time, they want to change a door to a pocket door – that is two separate and distinct changes despite the fact that they were requested at the same time.

3. *Grey areas* - There certainly can be grey areas with respect to what constitutes a change; but our goal is always to provide good customer service. So we tend to be relatively accommodating when there is some uncertainty.
4. *Corrections* – If we are fixing something that was not done in accordance with the original Construction Documents, this does not constitute a change.
5. *Large changes* – Significant changes such as finishing a previously unfinished basement or adding a detached garage and would be considered outside the norm, and would require either an amendment to the contract documents or a fully executed specialty change order.

ALLOWANCES

Since many of the items that go into the house vary in price based on the Customer's selection choices, allowances are set up in the Proposal that give the Customer a target budget for these items. Labor Generally, the allowance does not include labor or installation costs. If labor is part of the allowance, this will be clearly spelled out in the Proposal.

Taxes and Delivery

The amount of the allowance includes both taxes and delivery charges.

Communication

Once all items that constitute an allowance have been acquired, ALOSI Builders Inc. will communicate any variances to the Customer and will provide backup documentation if requested.

Variance Documentation

Variances to allowances (both positive and negative) automatically become Change Orders, but do not require Customer signature (per the Construction Agreement). They are documented on the Change Log alongside other Change Orders.

Allowance Categories

There are some specific areas where Customers sometimes have questions about allowances:

1. *Fireplaces* – Your fireplace allowance includes the cost of the fireplace unit itself as well as any inserts, faces or face kits, log sets, andirons, blowers, remotes, thermostats and all piping and ventilation. The allowance does not include framing, gas piping or installation costs (these are paid for by Alosi Builders).
2. *Cabinetry* – The cabinetry allowances include construction and installation costs as well as knobs / handles and other hardware such as hinges, lazy susans, drawer glides, etc. It also includes any specialty glass door fronts or shelving. And in cases where a separate allowance has not been given for countertops (in the case of cultured marble or formica), these are also included in the cabinetry allowance.
3. *Countertops* – A separate allowance is usually provided for higher-end countertops such as granite or quartz (as opposed to cultured marble or formica). This allowance includes the countertop fabrication, backsplashes (if matching backsplashes were specified), installation and all cutouts for cooktops, sinks and faucet holes.
4. *Plumbing fixtures* – We don't recommend (and won't warranty) faucets and shower valves from the big box home improvement centers. However, there are some excellent on-line suppliers of good quality products at reasonable prices. But with these suppliers it is common that their faucets are offered a la carte – in other words we may have to order each component of the faucet separately.

A valve, a faucet trim kit, the shower head and even sometimes faucet handles are separate options. The on-line systems are good at identifying that additional parts have to be ordered, but it does cause some confusion occasionally. All these components are part of the allowance. Note that in your Proposal we specified an approximate cost for each plumbing fixture included in your allowance. These item costs only serve as a rough guide to assist you in your shopping. Your plumbing fixture allowance is a total number though and is not figured against each individual item.

5. *Lighting fixtures* – Keep in mind that there are many lighting fixtures that are Builder provided and are not part of your allowance. The delineation between Builder provided and Customer allowance fixtures is spelled out in the Proposal. Like the plumbing fixtures, your Proposal showed you an approximate cost for each lighting fixture included in your allowance. Again, the lighting fixture allowance is a total number. The individual costs are only there to help you understand how we came up with the total.
6. *Flooring and tile* – Flooring and tile allowances don't include labor costs but they do include the cost of other related supplies such as:
 - a. Carpet pad.
 - b. Wood flooring transition pieces (when we change material going from one room to another) and stair trim boards (bullnose edging pieces).
 - c. Tile grout, shower accent pieces, bullnose trim pieces and shower accessories such as shampoo shelves and soap dishes.
7. *Concrete walls* – One of the most difficult components of a house to estimate are the concrete foundation and sub-foundation walls. So rather than build in a price that has an excessive amount of cushion, we often give Customers an allowance for this work. While there is some uncertainty involved, it does result in a lower cost to the Customer. When we give the allowance, we try to be as accurate as possible and somewhat conservative – so hopefully the variance will be in favor of the Customer. The allowance for the concrete walls and sub-foundation work includes all foundation-related concrete-related work. This includes labor and material (concrete, formwork, rebar, etc.). It also includes any gravel or fill (and the labor to deliver and spread the gravel or fill) that's needed behind any subfoundation walls to support the slab. It also includes any concrete piers and poured concrete beams that are involved in the foundation work (piers and beams are sometimes used to avoid more costly sub-foundation walls). It does not include any excavation costs – those are included in your price. It also does not include any post-foundation concrete work such as your basement slab, stoops, pads, patios, walkways, driveways or concrete used to support deck posts.
8. *Engineering* – Engineering fees are incurred whenever the Building Department requires us to get some aspect of the home reviewed and approved by an engineer. In these cases, we'll bring the engineer a situation (such as how big a ridge beam needs to be) and they will perform various calculations and give us a stamped engineering drawing to give to the Building Department. These fees typically range in price from \$200 - \$500. Since these costs are often unpredictable, they are usually not included in your Proposal and will be billed separately if incurred.
9. *Appliances* – Customers usually want some sort of appliance allowance so that these can be included in the construction loan. As the builder, our involvement in the purchase of the appliances is usually minimal. We recommend three courses of action with respect to paying for the appliances:
 - a. The Customer pays for the appliances directly and we simply reimburses the Customer for the amount of the allowance.

- b. The Customer pays for the appliances directly and we give the Customer credit for the amount of the allowance when it comes to settling up for other items (more on this under ‘Paying for Change Orders and Allowance Variances’).
- c. ALOSI Builders Inc. pays the appliance retailer the amount of the allowance and the Customer pays the balance.

Note that the appliance retailer will usually also install the appliances free of charge. If there is any additional installation required (such as venting or hooking up a dishwasher or refrigerator to the plumbing), Alosi Builders will perform this work at no additional cost to the Customer. The only time installation may result in additional cost is when an item is purchased that requires additional work not previously specified in the Proposal (such as the purchase of a gas dryer or gas range when no gas was specified to be run to these locations).

If you do not purchase your appliances locally, delivery and installation can be very difficult. Appliances are heavy and ALOSI Builders Inc. does not have the equipment and staff needed to get the appliances from the truck up into the house. So if you are not purchasing locally, be sure to specify that the appliances must be delivered into the house and uncrated (and the crating materials removed). Local suppliers have competitive pricing and all offer free delivery and installation.

Special note on gas appliances: Please make sure that any gas appliance that is purchased is preconverted to run on propane. If the appliance needs to be converted on-site, additional costs will be incurred.

- 10. *Landscaping* – The landscaping allowance tends to be very similar to the appliance allowance in that ALOSI Builders Inc.’s involvement is usually minimal. As a practical matter, landscaping is not something that we are well versed in and do not feel comfortable making recommendations and supervising. We only include the cost of landscaping in the Proposal so that you can plan for this expense (usually in getting financing with the bank) in the overall budget.

This being said, the Customer usually chooses a landscaper (we have one we can recommend) and the Customer and landscaper meet to discuss options. As we are generally not involved, it is important for you to get a detailed plan along with the costs spelled out before they start the job. In addition, since the landscaping often takes place after our job is complete (and since this is not an area where we have expertise), the quality control and inspection of the actual landscaping is left up to the Customer. With respect to the landscaping allowance, we recommend giving credit back to the Customer for the allowance prior to the final draw (since the landscaping work isn’t usually done until after construction is complete) and then letting the Customer pay the landscaper directly for any work they performed. This allows the landscaping work to be done at any time (based on the convenience of Customer visits and the best timing for plantings – usually the fall).

PAYING FOR CHANGE ORDERS & ALLOWANCE VARIANCES

Here is some additional information on the process of settling up for change orders and allowance variations.

Allowance Variances as Change Orders

If you'll recall, an allowance variance becomes a Change Order automatically (see the Documentation section under 'Allowances'). So in this section, when we discuss paying for changes we are by definition also discussing paying for allowance variances.

Notification

ALOSI Builders Inc. doesn't actually send out a formal 'bill' for the changes. Each time we send a group of changes off for Customer approval (see the Documentation and Approval sections under 'Change Orders'), we include the total dollar amount effect on the overall contract. So this is, in effect, our bill for those changes.

Timing of Payment

In addition to showing the total dollar amount effect on the contract, this notification will also include the requested timing of the payment. Most often, payment is due upon receipt unless the changes aren't going to take place until quite some time in the future. If the payment is going to be some time in the future, either a specific date or triggering event (such as the completion of some specific item) will be included. When that date or triggering event is reached, payment will then be due.

Positive Variance

If the change or allowance variation is in the Customer's favor, then Alosi Builders owes that amount back to the Customer. In these cases, we specify that the next draw will be adjusted downward by the amount owed to the Customer. Then when the next draw is requested, it is requested for this lesser amount.

OCCUPANCY

The completion of actual construction triggers several actions that eventually result in the Customer taking occupancy of the property.

Certificate of Occupancy

Once construction is complete, ALOSI Builders Inc. will order the final inspection of the home from the Building Department. After completing any items noted during the inspection, the Building Department will do a final review and then issue the Certificate of Occupancy (also called the CO). Basically, this document gives the Customer the right to live in the home.

Unfortunately, this doesn't always mean the home is entirely ready to be occupied. Our local power companies won't hook up the power to the home until after the Building Department sends them a copy of the CO. Then if we are lucky, the power company comes out within a few days (a week or more if we aren't lucky) to set the meter and turn on the power. Then we have to do testing of the electrical and HVAC systems and there is always a final electrical inspection. So this may delay the ability for you to live in the house for a couple weeks after the CO. Lastly, there can sometimes be a few minor incomplete items at time of the CO (we are in a hurry to get the CO so we can get the power turned on). We are usually addressing these items in the short window between CO and final power, so hopefully by the time the power is turned on and checked, we should be all done.

Cleanup

At the same time the Certificate of Occupancy is being obtained, ALOSI Builders Inc. will do a final cleanup of the yard and the interior of the house. In addition, we will make a visual inspection of the home and do a final touchup of paint and trim as well as remedy any punch list items we may see. Our goal is for the

Customer to find very little (hopefully nothing) wrong with the house during the Walkthrough when they make their final inspection of their new home.

Final Draw

Contractually, the completion of construction is indicated by the issuance of the Certificate of Occupancy and the subsequent delivery of the Certificate of Occupancy to the Customer. The Customer then has fourteen (14) days to schedule and complete the Walkthrough. At the end of either that fourteen (14) day period (if no Walkthrough has been scheduled) or immediately after the Walkthrough, the final draw becomes due.

Additionally, if payment for any Change Orders or Change Order fees is still outstanding at this time, the final draw amount includes payment of those outstanding amounts. Note that the final draw is neither a holdback nor a reserve and is not in any way dependent on the completion of any punch list items identified in the Walkthrough.

Walkthrough

The Walkthrough takes place shortly after the Certificate of Occupancy is obtained. Alosi Builders will contact you to set up the appointment. The Walkthrough has two primary goals:

1. Orient the Customer to their new home. This is a chance for Alosi Builders to share important details about your new home including the operation, location and recommended maintenance procedures for various components.
2. Provide an opportunity for the Customer to make a visual inspection of their new home. The Customer should be aware that ALOSI Builders Inc. Warranty (more on this under 'Warranty') does not cover defects that were apparent or ascertainable at the time of Walkthrough. Therefore, the Walkthrough is the Customer's only occasion to inspect the home for observable defects or omissions.

Visible Defects Rule

While ALOSI Builders Inc. strives to make your house perfect, inevitably there will be small imperfections (paint touchup, small scratches or similar touch up items). The rule of thumb we use for determining which of these items ALOSI Builders Inc. will fix has to do with whether or not they are observable in normal lighting conditions from six feet away. This rule, which we adopted from the *Residential Construction Performance Guidelines* document published by the National Association of Home Builders and which is referenced in your Warranty (more on this under 'Warranty'), helps establish a reasonable level of accountability for ALOSI Builders Inc. with respect to visible defects.

Walkthrough Checklist

ALOSI Builders Inc. uses a Walkthrough checklist document which facilitates these goals by listing key orientation and inspection items. The checklist also has room for the Customer to list items they feel need to be addressed or repaired. In keeping with construction lingo, we call this the 'Punch List'.

Punch List

Defects noted during the Walkthrough get listed on the Punch List (attached to the Walkthrough checklist). ALOSI Builders Inc. will complete any repairs or other items noted as soon as possible, but in no case later than thirty (30) days from the date of the Walkthrough. Ideally, ALOSI Builders Inc. will be allowed to retain a key to the home during this period in order to facilitate the completion of the Punch List.

Possession

The Construction Agreement specifies that the Customer agrees not to occupy the home until all payments (the final draw and payment of all outstanding Change Order and Change Order fees) have been made. Once those payments have been made, the Customer is free to move in and take possession at their convenience.

Utility Hookups

As soon as the Certificate of Occupancy is obtained, the Customer can begin the process of calling the local utilities for hookups. Check the end of this document for a list of phone numbers for the various utility companies.

1. *Electrical* – At the beginning of each project, we ask the Customer to contact the power company and establish electrical service in their name. We've found this to make for a much smoother process than for Alosi Builders to establish electrical service initially and then to coordinate switching this over at time of occupancy. If temporary power and hookup fees were included as ALOSI Builders Inc. provided items (check your final Proposal for this information), then you will have to save all your monthly bills and send as a copy once construction is complete. Then we will deduct this amount from the amount you owe at final settlement.
2. *Phone* – We centralize the termination of all phone lines into a central area (usually the mechanical room). This will make it easier for the phone company when it comes time for the hookups. If you are getting DSL internet service through the phone company, this will be activated at the same time as the phone service.
3. *Satellite television* – In preparation for satellite television, we install a standout trim area on the siding to receive the satellite dish. Then we run dual cables from the dish location to a central distribution location (usually the mechanical room). From that same central distribution location, we then run cables directly to the individual television outlets. This makes satellite dish hookup very straightforward – the satellite company just needs to mount and connect the dish and then make any connections between the satellite cabling and the individual TV cables.
4. *Propane Gas* – If you have any gas appliances or fireplaces (almost always the case), ALOSI Builders Inc. will have completed all your internal gas piping and run all pipes to a central manifold (usually located in the mechanical room). From that point, we will stub out a pipe outside the house for the tank connection.

If ALOSI Builders Inc. has not coordinated gas hookup on your behalf as part of the construction project, you will have to contact a local gas provider to bring you a tank and hookup the tank to the house. There are many options relative to tank size as well as leasing versus buying and above ground versus underground (note that some developments have restrictions related to propane tanks). The local gas company can assist you with this decision making as well as pricing.

If ALOSI Builders Inc. has coordinated the acquisition and hookup of a propane tank, you will still have to contact a local gas provider to set up a service account to provide your gas. This should be done early in the construction process to ensure there are no delays when this step in the process is reached.

5. *Alarm* – If alarm pre-wiring was part of the construction project, Alosi Builders will have pre-wired the home according to your specifications. It will be the Customer's responsibility to contract with a local alarm company to install the actual alarm hardware (sensors, control panels, etc.) and to set up a monitoring agreement.

6. *Mailbox* – While not a utility, Customers often have questions about where to get their mail. Many developments have a central mail pickup location and you should contact your development’s manager (the person who sold you your lot should have their contact information) for more information on getting a box assigned to you. Occasionally, the development will utilize individual mailboxes near the development entrance. If the development manager will not install one for you (this is something they should provide), ALOSI Builders Inc. can install one on your behalf for a small fee.

In either case, you will then have to contact the local post office to let them know you exist. Before you take possession of your home, Alosi Builders will have obtained a physical 911 address for your new home and that’s the address you’ll give to the post office. Alternatively, you can go to your local post office and open up a post office box. Some Customers (especially people with second homes) find this more convenient with respect to holding mail when they are not in the area.

7. *Garbage* – The county governments operate a variety of garbage drop off areas (some are official transfer stations with recycling; others are just a collection of dumpsters). Most residents make it part of their daily routine to drop off their own garbage, but there are some small, locally operated private pickup services available.

WARRANTY

The Warranty provided by ALOSI Builders Inc. starts on the date the Certificate of Occupancy is issued. Specifics are thoroughly covered in the Warranty section of your Construction Agreement and all Customers should read this document carefully. To summarize, there are two primary groups of items that are covered.

1. *Visible items discovered at Walkthrough* – The Walkthrough is the only opportunity for the Customer to make note of observable defects or omissions such as paint or trim touchup, wall dings and scratches in flooring or cabinetry. The reason these cosmetic items are only covered if discovered at Walkthrough is due to the possibility that the process of moving into your new home often creates similar defects.
2. *Defects not apparent or ascertainable at Walkthrough* – everything else that is covered by the Warranty falls into this category. It consists of covered items that could not have been easily noticed during the initial visual inspection at Walkthrough. A covered item is defined as a defect (in workmanship or materials) that affects your ability to use the home in some significant manner or that causes a serious health or safety concern.

Guidelines

Most of the time, the decision as to whether or not an item is covered is fairly obvious. There are times when it is not so clear and in those cases, we refer to a document published by the National Association of Home Builders called the *Residential Construction Performance Guidelines*.

This document protects both the Customer and the Builder by setting forth a comprehensive list of construction guidelines to which ALOSI Builders Inc. (by reference to this document in the Warranty) agrees to be held accountable. In addition to describing these expectations, it also elaborates on what the Builder will do should any of these expectations not be met. In other words, it describes what should be covered under the Warranty and what steps the Builder should be expected to take in order to correct these items.

Manufacturer's Warranties

By contract, ALOSI Builders Inc. assigns any manufacturer's warranties directly to the Customer. Manufacturer's warranties mostly cover things like appliances, HVAC equipment, water heaters, fans, etc. Any item that is covered under a manufacturer's warranty is not covered by ALOSI Builders Inc. and the Customer should contact the manufacturer directly. We will leave you all instruction manuals and documentation that came with any of these appliances. Usually a warranty registration card is included in this documentation and it is a good idea for the Customer to fill these out in order to register their ownership of the various products.

Requesting Service

ALOSI Builders Inc. has a Warranty Service Request Form available on its web site. In the event of an emergency situation, call us directly. Otherwise, all other warranty service requests should be in writing (mail, fax or e-mail – see the Contact page on our web site for contact details). For the convenience of all parties, we recommend that you accumulate your warranty requests and submit them all together at sixty (60) days after closing and then again just prior to the expiration of your warranty.

Turnaround Time

Our commitment to you is that within fifteen (15) days of receipt of this form, we will perform an initial inspection to determine if the problem is covered under the Warranty. And then if it is covered, we will perform the repair or replacement obligations under the Warranty as soon as possible thereafter. It might not be an immediate fix (it depends a lot on subcontractor availability), but we will attempt to work on it diligently until it is resolved.

Warranty Service Hours

Repair work will be done during our normal working hours (Monday – Friday between 7am and 5pm), except in emergency situations where delay may cause additional damage. Of course, it is your responsibility to provide access to the house for all inspections and repairs and it is also necessary for you to be present or to have present a responsible adult with authority to authorize and sign off on repair completion.

MISCELLANEOUS

After construction is over, ALOSI Builders Inc. often maintains a continuing relationship with our Customers. In addition to Warranty support, we hope that you will allow us to use you and your home as references for our custom home building business. A satisfied customer is our best source of referrals.

Web Site

With your permission, we may want to display pictures and plans of your new home on our website. In some cases, we like to describe the home and include the Customer's goals and how we went about fulfilling those goals. These pictures and descriptions help our future customers choose the type of home and features they might like. And it can be fun to show your friends pictures of your new home on the web.

Referrals

Assuming you are happy with our work (and we know you will be), we would be grateful if you would provide us with a written statement of how you felt about the project and our company. In addition, we would appreciate it if you would allow us to give out your name to prospective clients who want references. Lastly, we would love to have permission to bring prospective clients to visit your home (with lots of

advanced notice of course). There's nothing like seeing a home in person to get a feel for the quality and creativity of the work product.

Signs

As part of your contract, you may have agreed to let ALOSI Builders Inc. keep a sign in your yard for a period of time after construction was complete. This will just be a small yard sign that will let visitors and lookers know who worked on your house along with a small brochure box. We very much appreciate being allowed this privilege. Once you're tired of the sign, let us know and we'll come by to pick it up.

Keys

At the end of the project, we'll provide you with two house keys. Some customers allow ALOSI Builders Inc. to keep a key to their new home for purposes of warranty work and for showing their home to potential customers while they are out of town. This is entirely at your discretion of course.