



***Contractor**Score*



KNOW THE SCORE

What Is Contractor Score?

Contractor Score was developed as a tool to address an old challenge in the construction industry. Understanding the current financial capacity of a contractor and their ability to successfully fund work has not been easy.

This task is important, but has often been dealt with ineffectively. There is a reluctance to share confidential financial information, a lack of experience interpreting this information and a chronic shortage of resources to assess this information and render good judgment.

Contractor Score is designed to have the familiarity of a consumer credit score, but the focus is on construction contracting.

Unlike a consumer credit score, a Contractor Score is derived from the client's verified financial statements, IRS tax information, their own operational reports and banking references.



How Is It Used?

Contractor Score communicates the contractor's financial capacity while maintaining their confidentiality. The score is used for pre-qualification, re-qualification or refinement to a contract's terms' and conditions. Owners, general contractors and anyone engaging a contractor will want to better understand the hired contractor's financial position.

Regular updates to the score keep users apprised of the contractor's current financial status. Many users request quarterly updates of their contractors to maintain an effective project flow and keep everyone on schedule. Financially weak contractors are a major contributor to blown schedules and delayed projects. Contract defaults are costly to everyone even when secured by a bond or subcontractor default insurance.

How Is Contractor Score Calculated?



There are over thirty metrics taken from the submitted information. An empirical algorithm, derived from years of experience in the industry as financial and management consultants, objectively measure the critical aspects of a contractor's financial position.

The submitted information includes:

- The contractor's latest year-end financial statement from either their outside CPA or their IRS tax return
- Their most recent year-to-date internal financial statement
- Their corresponding work-in-process statement
- Their line of credit information from their bank

There are some major categories with differing weighted emphasis. The most important category is liquidity. Ratios like the current, acid, working capital turnover weigh the most. This emphasizes cash, receivables, payables and all short term obligations. Next most important is leverage. For example, a score with low total debt relative to equity is rewarded because additional cash would be easier and cheaper to acquire if needed. Net profits rank third in importance. A small loss for the year is not a significant detriment to the score if the other metrics show strength. Sustained losses or significant ones, however, deplete those other metrics. The bank line of credit is a "bonus" at the end of the calculation. It is there to enhance the score because it says a bank is willing to back that contractor. Not having a LOC does not hurt the score, but having those available funds helps.

The main calculations weigh different aspects of the ratios and factors dynamically, or in other words, weighting increases or decreases depending on where the ratios fall. An example would be if the liquidity ratios are strong, than some additional points are applied. The stronger the individual calculations are, the score gets an increasing boost.

What Is A Good Score?

The scores range from 0 to 2500. The grade of Weak, Fair, Good and Excellent are subjective and the values should be seen as a continuum.



How Is The Confidential Information Protected?

Confidentiality is a cornerstone to our business. Only a limited number of Contractor Score employees have access to the submitted information. All of the information is secured in locked safes and disconnected hard drives. All of the submitted information is destroyed thirty days after a certificate is generated. Only the subscribing contractor receives the score certificate. We never share scores unless they are made public by the contractor.

How Do I Get A Contractor Score?

Step by step instructions are detailed on the web site link, "**Getting a Score**".

Go to: <http://www.ContractorScore.net>

What Is The Cost?

There is a nominal fee of \$85 for each update. This is usually paid by the subscribing contractor on-line with a credit card.

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