

Sample Contractor, LLC

Sample Veterinary Clinic
123 Main Street
Wolf Point, Montana 59201

Contractor Capability Evaluation

Sample Bank

Engagement Agreement Date: September 24, 2024

Sample Vet Clinic, Inc.

Report Date: December 3, 2024

Contact: ryan.jones@usainspect.com

Sandy Banker
SVP Banker
Sample Bank
123 Broad Street
Austin, Texas 73301



Dear Ms. Banker,

At your request, we have completed our Contractor Capability Evaluation of Sample Contractor, LLC. in connection with the proposed Sample Veterinary Clinic project to be constructed in Wolf Point, Montana.

Thank you for choosing our firm to monitor this project on your behalf. Please carefully review this report, and feel free to call should you have any questions or need clarification in any way.

Sincerely,

A handwritten signature in blue ink, appearing to read "RJ", with a long horizontal line extending to the right.

Ryan Jones | Manager

USA Construction Consultants

RJ/al

Email Distribution:

Sandy Banker via email: Sandy.Banker@SampleBank.com

Attachments:

- Exhibit A: Sample Contractor - Questionnaire
- Exhibit B: Contractor Experian Business Credit Report
- Exhibit C: Contractor Licensure Information

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Purpose of the Contractor Capability Evaluation

The purpose of our Contractor Capability Evaluation (CCE) is to evaluate the proposed General Contractor engaged by the Owner in regard to the construction to occur for the Sample Veterinary Clinic project located in Wolf Point, Montana.

Note, we have been engaged to perform a Pre-Construction Cost and Document Review of the project which will be provided as a separate report. However, this report is limited to a review of the Contractor's capability to complete the project based on referenced information regarding the history and organization of the noted General Contractor. Specific project construction documents, including the construction agreement, construction plans, and project scope details, have not been reviewed for sufficiency as part of this report.

In order to review the Contractor's capability to complete the project as currently contemplated, we have requested and received information related to the topics listed below:

- I. Organization
 - a. Project Team Organization
 - i. Owner
 - ii. Contractor
 - iii. Architect
 - b. General Contractor Organization
 - i. Years in Business
 - ii. Date and State of Incorporation
 - iii. Officers
- II. Construction Project Scope of Work
- III. Licensing
 - a. Jurisdictions in which legally qualified to do business
 - b. Contractor License Numbers
- IV. Experience
 - a. Legal Claims and Suits
 - b. Projects Completed in the past 5 years
 - c. Average Annual Construction Work over the past 5 years
 - d. Experience of Key Company Individuals

- V. References
 - a. Trade, Financial, and Surety References
- VI. Financial Information
 - a. Financial Statement
 - b. Business Credit/Information Report
- VII. Summary of Evaluation

I. Organization

It is our understanding that the following entities are involved in the project in the capacities listed below:

PROJECT TEAM ORGANIZATION:

- I. Owner Entity: Sample Vet Clinic, Inc (Jim Smith)/Land Owner, LLC (Ted Smith).
 - a. It is our understanding that the Owner and the General Contractor are not related entities.
- II. General Contractor: Sample General Contractor, LLC.
 - a. Sample General Contractor, L.L.C. is a newly formed construction firm which was initially established in 2022 by Partners Bennett Jones and Owen Saxon (according to the Contractors' resume).
- III. Architect: Martin D. Signer

For the purposes of this report, we will be reviewing the General Contractor, Sample Contractor L.L.C, only.

GENERAL CONTRACTOR ORGANIZATION:

- i. The questionnaire provided by the Contractor notes that Bennett Jones and Owen Saxon are the principal partners of Sample Contractor L.L.C. with equally split Ownership (50/50). According to the Contractors' Resume, Mr. Jones has 20 plus years of experience in the construction industry and is the current Owner of Jones Construction. Mr. Jones holds an active Independent Contractor Certificate with the State of Montana and has been specializing in roofing, siding, windows, remodels, and additions throughout Eastern Montana since 2013. Mr. Saxon has a background in the Mining Industry and Real Estate Development. Mr. Saxon actively holds a large real estate portfolio throughout the state of Montana.
- ii. The Montana Department of State website indicates that Sample Contractor, L.L.C. is "Active-Good Standing" and was filed with the state on August 4, 2021. Owen Saxon is listed as the Registered Agent.

- iii. The questionnaire provided by the Contractor does not list any managing officers or employees. We reached out to Mr. Saxon who confirmed he has 4 full-time employees on payroll and 2 1099 employees.

II. Construction Project Scope of Work

Your client proposes the development and construction of an approximately 8,500-square-foot office building located on a total site area of 5.4 acres. Per the documentation and conceptual drawings provided for our review, the site work activities will consist of site grading for the newly proposed building and the installation of a septic system. The building will be constructed on a typical shallow foundation system made up of continuous “Concrete Frost Footings” and a monolithic concrete slab. The structure of the building will be framed with all wood framing components consisting of 2-foot by 6-foot exterior wall framing, a ceiling joist girder system, and a rafter system supporting the roof structure. The room layout of the building will consist of a Lobby, Pharmacy, Exam rooms, Surgical Rooms, Breakroom/Kitchen, Kennels, Office Rooms, a Large Animal Facility, and a Garage space. The drawings do not provide an interior finish schedule; thus, we are unable to verify the planned interior finishes for the building. New MEP systems are shown to be installed within the building. The electrical plans note the building will be served with a 320-Amp power service. Typical supply, waste, and vent piping are shown to be installed.

III. Licensing

According to the Montana Department of Labor & Industry, statewide licenses for General Contractors are not required; however, Construction Contractors or Independent Contractors must be registered and certified through the Department of Labor and Industry and adhere to local city and county licensing requirements.

We were provided with information regarding Mr. Saxon’s Independent Contractors Exemption Certificate issued by the Montana Department of Labor with an expiration date of August 14, 2026. We also confirmed the active status of this certification on the Montana Department of Labor database.

Per conversations with Mr. Jones, they will be submitting the application for the state required Building Permit once all the design drawings have been finalized.

Thus, it appears that the Contractor possesses adequate licensing to perform the intended work.

IV. Experience

We received the Contractor’s Questionnaire document for Sample Contractor L.L.C. The document indicates that the company is in good standing and has never had their license revoked.

The Questionnaire indicates Gross Sales of \$1.1M in 2022, \$1.5M in 2023, and \$328K in 2024. No completed projects are provided for these years. The document also notes there are no current projects within the Contractor’s pipeline currently. The Questionnaire does provide 4 completed

projects in the last 7 years: Sample Housing Complex – City of Standard , Sample Barndominium – City of Central, Prime Farms – City of Wolf Point, ABC County Museum – City of ABC.

We did not locate Sample Contractor L.L.C. on Buildzoom.com; however, based on the information provided, it appears that the Contractor is likely familiar with local building practices and permitting/inspection processes in the subject area and appears to have experience in the geographical area of the subject project.

According to the Contractors Resume, Sample Contractor L.L.C. specializes in Residential and Multi-Family Construction, Barndominiums, Barns, Shops, and other agricultural buildings. Specific details as to the scope of work for each of the projects listed has not been provided, yet the general project types and overall contract values suggest that the work to be completed for the subject project will have similar trade involvement and overall scope as those previously completed by the Contractor.

V. References

The Contractor has provided (3) Commercial Project references, (3) Client references, (3) Subcontractor references, (3) Supplier references, (1) Bank reference, and (1) Insurance reference. A bonding capacity has not been provided.

We reached out to all 3 Commercial Project Reference but were only able to get in touch with the Owner of Green Veterinary Research Services. The Owner confirmed Sample Contractor, LLC successfully completed the construction of their facility and in a timely manner. The Owner also stated the Contractor showed excellent customer service by assisting with the procurement of permitting in the beginning phases of the project as well as returning to the project after the project had been completed to assist with additional items.

We reached out to all 3 Subcontractor references but were only able to hold of Acme (Electrical) and ABC Concrete (Concrete). Both Subcontractors confirmed they have worked with Sample Contractor, LLC for over 20 years and have never experienced any delinquent or late payments.

We reached out to all 3 Supplier References but have yet to receive a response from these suppliers as of the issuance of this report.

Based on the feedback received from the references, it appears the Contractor is in excellent standing with previous clients and has proven their ability to maintain excellent relationships with their subcontractors.

VI. Financial Information

The Contractor has provided copies of Sample Construction, LLC's U.S S-Corporation Income Tax Return for the past 3 years (2021-2023). The copies provided are not signed and dated; however, they appear to be copies of the electronically filed returns.

According to the tax returns, the company earned a Total Revenue of \$5,410,462 and a Gross Profit of \$1,011,700 in 2021, a Total Revenue of \$6,160,096 and a Gross Profit of \$1,219,495 in 2022, a Total Revenue of \$6,078,190 and a Gross Profit of \$588,804 in 2023. This equates to an average Gross Profit Margin of approximately 16.1%:

Year	Total Revenue	Gross Profit	Gross Profit Margin
2021	\$ 5,410,462.00	\$ 1,011,700.00	18.70%
2022	\$ 6,160,096.00	\$ 1,219,495.00	19.80%
2023	\$ 6,078,109.00	\$ 588,804.00	9.69%

The balance sheets reflected an increase of cash on hand from the beginning of year 2021 (\$967,409) to the end of year 2022 (\$1,210,786). The balance sheet for 2023 reflects a decrease of (\$473,025) from the cash on hand at the beginning of the year.

A business credit report as produced by Experian was requested for Sample Contractor, LLC. This credit report is attached as Exhibit B to this report. The report notes only 1 year of financial reporting on the company and that the credit file was established in December 2023. The report also notes that the company has 3 employees. ***Experian calculates a Business Credit Score for the company and notes it as a 27 out of 100 for the subject company. This places it within the Medium-Risk Category in relation to the probability of serious credit delinquencies. Key Score Factors include the risk associated with the company's industry, company's business type, and number of employees. See the report for more specific details regarding past-due balances and an increasing trend of payment past-due dates.***

The credit report also establishes a calculated Financial Stability Risk rating of 4 out of 5. This score places them in the Medium-High risk category, indicating a 10% potential risk of severe financial distress within the next 12 months.

The report also indicates no bankruptcies, no liens, no judgements filed, and no collections filed.

Based on the findings of the credit report, it seems that Sample Contractor, LLC has a Medium Risk of probability of delinquent payment and a Medium-High risk of financial instability based on the factors noted.

We recommend that you review the findings of the noted credit reporting and Contractor explanations. We are available to further discuss the validity and circumstances of the findings to assist in formulating a risk assessment of the company.

Of note, utilizing Funds Control Services to assure payment of suppliers, subcontractors, and other project vendors should improve on-time payments and reduce the likelihood of project partners being paid later than anticipated.

VII. Summary of Evaluation

Upon review of the above information and the project information on Sample Contractor, LLC and their ability to perform on the noted construction of the Sample Veterinary Clinic project in Wolf Point, Montana. it is our opinion that the Contractor has adequate experience and demonstrated past performance to complete the project. The Contractor has a Medium financial risk rating in relation to the probability of serious credit delinquencies and a Medium-High financial stability risk rating based on the Experian Credit Report (see Exhibit B).

Our CCE conclusions are solely based on a review of experience as presented for our review, information contained in the referenced report, and our own experiences with key elements necessary to ensure Contractor performance.

Of note, utilizing Funds Control Services to assure payment of suppliers, subcontractors, and other project vendors should improve on-time payments and reduce the likelihood of project partners being paid later than anticipated.

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THIS REPORT HAS BEEN COMPLETED IN CONFORMANCE WITH THE PROPOSAL TO THE LENDER REGARDING THIS PROJECT. PLEASE REFER TO THE PROPOSAL DOCUMENT FOR THE SPECIFIC SCOPE AND LIMITATIONS OF OUR SERVICES.

Appendix

EXHIBIT A: SAMPLE CONTRACTOR QUESTIONNAIRE





