

BUSINESS AND LAW SIMULATION

EXAM 4

Instructions: Select the single best answer for each question. Time allowed: 90 minutes. This is an open-book examination.

LICENSING — 21 Questions

1. Under NC General Statutes Chapter 87, which of the following persons is exempt from the requirement to hold a Building Contractor license regardless of the project value?

- A. A person performing construction work solely on property they personally own and occupy as their primary residence — under the owner-builder exemption in specific circumstances
- B. A licensed real estate agent who supervises construction of investment properties valued above \$40,000
- C. A property management company that hires unlicensed workers to renovate apartments above \$40,000
- D. A licensed plumbing contractor who also performs general building work above \$40,000

2. Under NCLBGC rules, the qualifying examination for a Building Contractor license consists of which of the following components?

- A. One written examination covering all aspects of building construction and NC law in a single sitting
- B. A practical field examination and a written business law examination administered at the job site
- C. Two separate examinations — the Building Contractor trades examination and the Business and Law examination — both of which must be passed before a license will be issued
- D. One examination covering trade knowledge only — business and law questions are incorporated as a scored section within the trades examination

3. A contractor holds a Building Contractor Unlimited license as an LLC. The contractor wants to add a second qualifier to the license to provide backup coverage when the primary qualifier is unavailable. Under NCLBGC rules, which of the following describes a requirement for adding a second qualifier?

- A. The second qualifier must have passed the required examinations at least three years prior to the addition request
- B. The second qualifier must have passed the required Building Contractor and Business and Law examinations and must have the required qualifying relationship to the entity
- C. The second qualifier must hold a minimum 25% ownership interest in the LLC before they may be added
- D. The Board requires a six-month waiting period after the primary qualifier was added before a second qualifier may be listed

4. A contractor receives a final judgment against them in NC Superior Court for construction fraud totaling \$45,000. The contractor files an appeal. While the appeal is pending, the NCLBGC receives a complaint about the fraud finding. Which of the following most accurately describes the Board's authority during the appeal period?

- A. The Board must wait until all appeals are exhausted before opening an investigation
- B. The Board may open an investigation but may not schedule a hearing while the appeal is pending
- C. The Board has no authority to act until the civil matter is completely and finally resolved
- D. The Board may investigate and proceed with disciplinary action independent of the civil appeal — licensing disciplinary proceedings are separate from civil litigation and not required to await the final civil outcome

5. Under NCLBGC rules, a licensed contractor who changes their principal place of business address must notify the Board within which of the following timeframes?

- A. Within a reasonable time — the Board requires timely notification of address changes to maintain accurate records for regulatory correspondence
- B. Within 90 days — the standard period for all administrative updates to license records

C. Within 180 days — notification at the next renewal cycle is sufficient for address changes

D. No notification is required — the contractor's license is not location-specific

6. A contractor advertises a construction business using a trade name that does not include the licensed entity's legal name. Under NCLBGC requirements, which of the following is the minimum information that must appear in this advertisement?

A. Both the trade name and the legal entity name must appear in all advertising

B. The legal entity name in full, plus the qualifier's personal name and contact number

C. The contractor's license number — which links the advertisement to the licensee's public record regardless of the trade name used

D. The trade name, license number, and a statement that the business is licensed by the NCLBGC

7. A contractor performs work on a religious institution's building project valued at \$85,000 without holding the required Building Contractor license. The institution is a nonprofit organization. Which of the following is correct?

A. The licensing requirement does not apply to nonprofit organizations — they receive the same exemption as government entities

B. The licensing requirement applies — nonprofit status does not exempt the contractor from licensing requirements, and the contractor is subject to civil penalties and prohibition on recovering payment

C. The contractor may proceed if the nonprofit provides written authorization acknowledging the contractor's unlicensed status

D. The contractor has a 30-day cure period to obtain the required license before penalties are assessed for nonprofit projects

8. Under NC Chapter 87, the NCLBGC has authority to take which of the following actions against a licensee without first holding a formal hearing?

A. Revoke a license upon receiving a verified complaint from a property owner

- B. Suspend a license for up to 90 days based solely on the Board's internal investigation findings
- C. Assess civil penalties of up to \$1,000 without a formal hearing under emergency enforcement provisions
- D. Issue a consent order — a negotiated resolution agreed to by the contractor — which does not require a formal contested hearing

9. A contractor completes a public school renovation project without problems and is paid in full. Two years later, the school discovers extensive water damage caused by the contractor's improper window installation. The school files a complaint with the NCLBGC. Which of the following describes the Board's jurisdiction over this complaint?

- A. The Board may investigate the complaint because the defective work reflects on the contractor's competency as a licensee — there is no fixed statute of limitations preventing the Board from investigating licensing matters
- B. The Board's jurisdiction expires two years after project completion — the complaint is time-barred
- C. The Board may only investigate if the school also files a civil lawsuit within the same period
- D. The Board must refer the matter to the NC Department of Public Instruction before investigating complaints involving school projects

10. Under NCLBGC rules, an entity's license is automatically suspended if the licensed entity does which of the following?

- A. Fails to complete a project within the originally scheduled completion date
- B. Fails to pay a civil judgment obtained against it within 30 days of the judgment
- C. Fails to renew the license by the December 31 expiration date — the license lapses automatically upon expiration
- D. Fails to submit updated financial statements when requested by the Board

11. A contractor holds both a Building Contractor Unlimited license and a Residential Contractor Unlimited license. The contractor is awarded a contract to build a 400-unit apartment complex — a residential use building governed by the IBC rather than the IRC due to its size. Which license governs this project?

- A. The Residential Contractor license — because the use is residential regardless of the building code applied
- B. The Building Contractor Unlimited license — because the project is a large multi-family building governed by the IBC and falls within the Building Contractor classification scope
- C. Either license — the contractor may choose which license to use for mixed-use or large residential buildings
- D. Both licenses simultaneously — the contractor must list both on the construction contract

12. An NCLBGC complaint investigation results in a finding that a contractor engaged in dishonest conduct on a project. The contractor's license was issued five years ago and has been renewed without incident. Under NC Chapter 87, which of the following most accurately describes the range of disciplinary sanctions available to the Board?

- A. A formal reprimand or a fine not exceeding \$500 — first-time offenses are limited to these sanctions
- B. A suspension of not more than 12 months — the maximum period for a first disciplinary action
- C. A 30-day suspension pending the contractor's submission of a remediation plan
- D. The full range of sanctions including reprimand, probation, conditions, suspension, or revocation — the Board's authority to impose appropriate sanctions is not limited by the contractor's prior clean record

13. A contractor who holds a Building Contractor Limited license at the \$500,000 level bids a project where the owner's budget is \$600,000. The contractor plans to subcontract all work exceeding \$500,000 to a licensed Unlimited contractor. Under NCLBGC rules, this arrangement is which of the following?

- A. Permissible — subcontracting the excess scope to a licensed Unlimited contractor satisfies the financial limitation
- B. Permissible only if the owner provides written authorization for the arrangement

C. Impermissible — the financial limitation applies to the total contract value the licensed entity assumes, not just the self-performed portion. A Limited contractor may not contract for a \$600,000 project regardless of subcontracting arrangements

D. Permissible if the Unlimited subcontractor assumes direct contractual responsibility to the owner for all work above \$500,000

14. A contractor has been notified by the NCLBGC that their license renewal application has been denied due to failure to complete required continuing education. The contractor has now completed all required CE hours. What is the contractor's most appropriate next step?

A. Submit a complete renewal application to the Board including documentation of CE completion — the Board will review the application and may reinstate the license upon confirming all requirements are met

B. Retake both licensing examinations before submitting a new application

C. Wait 12 months and submit a new application as if applying for the first time

D. File a petition with the NC Superior Court to compel license renewal

15. Under NCLBGC rules, which of the following actions by a licensed contractor constitutes a violation of the Board's advertising requirements?

A. Including the license number at the end of a television advertisement rather than at the beginning

B. Using a trade name in advertising that is different from the legal entity name on the license

C. Advertising in multiple counties simultaneously using the same license number

D. Advertising as a "licensed NC contractor" without including the specific license number in the advertisement

16. A contractor's qualifier passes the required examinations for a Building Contractor Intermediate license. The entity's audited financial statements show a net worth of \$68,000. The Intermediate classification requires a minimum net worth of \$75,000. Which of the following describes the Board's action?

A. Issue the Intermediate license provisionally with a condition to improve net worth within six months

- B. Issue the Limited license instead — the entity's net worth qualifies for the Limited classification — and advise the contractor to reapply for Intermediate when the net worth requirement is met
- C. Deny the application entirely until both the financial requirement and additional examination criteria are met
- D. Issue the Intermediate license because the \$68,000 net worth is within a reasonable tolerance of the \$75,000 requirement

17. Under NC Chapter 87, a licensed contractor who is convicted of a criminal offense involving fraud, dishonesty, or moral turpitude may face which of the following consequences from the NCLBGC?

- A. No consequence from the Board — criminal matters are handled exclusively by the courts
- B. An automatic license suspension of 30 days upon notification of the conviction
- C. Board disciplinary action including potential license suspension or revocation — criminal convictions involving fraud or dishonesty are independent grounds for licensing consequences
- D. A mandatory referral to the NC Attorney General for additional criminal prosecution

18. A contractor applies for a Building Contractor license and lists their business address as a post office box. Under NCLBGC rules, which of the following is required?

- A. The contractor must provide a physical business address — the NCLBGC requires a verifiable street address for the licensed entity's principal place of business in addition to any mailing address
- B. A post office box is sufficient — the Board only requires a mailing address for correspondence
- C. The contractor must provide both a post office box and the address of the project site being worked on
- D. The Board will assign a registered agent address if the contractor does not have a physical location

19. Under NCLBGC rules, when must a licensed contractor display or produce their license for inspection?

- A. Only when requested by a building inspector during a routine site visit
- B. Only when requested by the property owner before contract execution

C. Only at the NCLBGC's offices during an audit or investigation

D. Upon request by any authorized person — including the Board's investigators, owners, and other parties with a legitimate need to verify the license — the contractor must be able to produce evidence of licensure

20. A construction company has been licensed as a Building Contractor for 8 years. The company's primary qualifier retires and the company promotes an internal project manager to serve as the new qualifier. The project manager passed both required examinations two years ago. Under NCLBGC rules, which of the following best describes what the company must do to maintain its license?

A. The license remains valid as long as the retiring qualifier signs a transition letter to the Board

B. The company must notify the Board of the qualifier change and submit documentation confirming the new qualifier's examination results, qualifying relationship, and the entity's continued financial compliance

C. The company must surrender the existing license and apply for a new license under the new qualifier

D. The company must wait 90 days after the retirement before the new qualifier can be added to avoid administrative complications

21. A contractor holds a Building Contractor Limited license. The contractor employs a subcontractor to perform all concrete work on a \$450,000 project. The subcontractor fails to pay its own workers, who then file mechanic's liens on the project. The owner demands that the general contractor resolve the liens. Which of the following most accurately describes the general contractor's position?

A. The general contractor has no liability for the subcontractor's failure to pay its workers

B. The general contractor may be financially responsible for resolving the liens because the general contractor's contract with the owner typically obligates the GC to deliver the project lien-free

C. The owner must resolve the liens directly with the subcontractor's workers — the GC's contract is only with the owner and the subcontractor

D. The subcontractor's workers must pursue their claims exclusively against the subcontractor — they have no remedy against the general contractor's contract

LIENS AND BONDS — 8 Questions

22. A subcontractor on a private project sends a Notice of Claim of Lien on Funds to the general contractor by certified mail. The general contractor refuses to sign for the certified mail. Under NC Chapter 44A, the service of this notice is which of the following?

- A. Ineffective — certified mail that is refused is not valid service under NC lien law
- B. Effective only if the subcontractor immediately follows up with personal service within 3 business days
- C. Effective only if the subcontractor can produce a witness who observed the GC refuse the delivery
- D. Effective — service by certified mail is complete upon mailing under NC Chapter 44A, regardless of whether the recipient accepts or refuses delivery

23. A general contractor completes a commercial project and receives a certificate of substantial completion from the owner on October 1. The contractor performs minor punch list work through October 20 before final acceptance on November 1. The contractor was not paid for the final \$32,000. For purposes of calculating the 120-day lien filing deadline, what is the last date of furnishing?

- A. October 20 — the date the contractor last performed legitimate punch list work on the project
- B. October 1 — the date of substantial completion, which terminates furnishing for lien purposes
- C. November 1 — the date of final acceptance is the official last date of furnishing
- D. September 15 — the date the contractor last performed structural work before the punch list phase

24. Under NC Chapter 44A, which of the following correctly describes who is protected by a payment bond on a private construction project?

- A. Only first-tier subcontractors who have a direct contract with the prime contractor
- B. Subcontractors and material suppliers at all tiers who have furnished labor or materials to the project and have not been paid — the payment bond provides an alternative payment remedy to the lien system
- C. Only the property owner — payment bonds on private projects protect the owner against subcontractor claims

D. Only second and third-tier subcontractors — first-tier subcontractors must use the lien system

25. A property owner on a private project receives a valid Notice of Claim of Lien on Funds for \$25,000 from a tile subcontractor and subsequently pays the full remaining contract balance of \$180,000 to the general contractor without withholding the \$25,000 claim. Under NC Chapter 44A, which of the following is the consequence?

A. The owner's payment to the GC extinguishes the tile subcontractor's claim — the owner is no longer liable

B. The tile subcontractor must pursue its claim exclusively against the general contractor

C. The owner becomes personally liable to the tile subcontractor for the \$25,000 — disbursing funds in the face of a properly served Notice of Claim of Lien on Funds makes the owner directly responsible to the claimant for the improperly disbursed amount

D. The tile subcontractor must re-serve the notice before making the owner liable for the disbursed amount

26. Under NC Chapter 44A, which of the following correctly describes the relationship between the 120-day lien filing deadline and the 180-day enforcement deadline?

A. The 180-day enforcement deadline begins running from the date the Claim of Lien on Real Property is filed, not from the last date of furnishing

B. Filing the lien before day 120 extends the enforcement deadline proportionally beyond 180 days

C. The 120-day and 180-day deadlines are alternative remedies — the claimant may choose which deadline to follow

D. Both deadlines run from the same date — the last date of furnishing. The lien must be filed within 120 days and the enforcement lawsuit must be filed within 180 days of that same date — filing the lien early does not extend the 180-day enforcement deadline

27. A general contractor on a private project has both a Claim of Lien on Real Property and a Claim of Lien on Funds filed for the same unpaid balance of \$95,000. The owner challenges whether both remedies may be pursued simultaneously. Under NC Chapter 44A, which of the following is correct?

- A. The general contractor may pursue both the lien on real property and the lien on funds simultaneously — they are complementary remedies that together protect the contractor's right to payment from both the property asset and the project payment stream
- B. Filing the Claim of Lien on Real Property extinguishes the Claim of Lien on Funds
- C. The contractor must elect one remedy and abandon the other before filing suit
- D. The Claim of Lien on Funds supersedes the Claim of Lien on Real Property once served

28. A contractor obtains a performance and payment bond from Surety A for a public project. Midway through the project, the contractor defaults and the owner calls on the performance bond. Surety A elects to complete the project using a replacement contractor. Which of the following correctly describes the surety's right of subrogation after completing the project?

- A. The surety forfeits all recovery rights against the defaulting contractor once the performance bond is called
- B. The surety is subrogated to the owner's rights against the defaulting contractor — the surety may pursue the contractor for all costs incurred to complete the project, stepping into the owner's position as the injured party
- C. The surety may only recover from the contractor's bonding premium fund — not through direct legal action
- D. The surety must obtain separate court authorization before pursuing recovery against the defaulting contractor

ONE CALL — 5 Questions

29. A property developer submits a locate request to NC 811 and receives all utility markings. The developer begins excavation on day four after submitting the request. All three business days have elapsed. On day 10, the developer's crew strikes a gas line that was properly marked. Which of the following correctly describes the developer's liability situation?

- A. The developer has no liability — they complied with all NC 811 requirements before excavating
- B. The developer is fully liable — the marked location means the strike was entirely the developer's fault
- C. The developer's liability depends on whether the strike occurred within or outside the 18-inch tolerance zone — excavating within the tolerance zone without hand digging is a violation regardless of overall NC 811 compliance
- D. The developer has no liability because gas line damage within a marked zone is the utility operator's responsibility

30. An excavator's locate request ticket expires after 15 days. The excavator has completed 60% of the planned excavation but needs an additional week to finish. Which of the following is required before resuming excavation after the ticket expires?

- A. The excavator may continue for up to 30 additional days using the expired ticket as reference
- B. The excavator must obtain written permission from the property owner to continue past the 15-day window
- C. The excavator may continue if all utility operators provided their verbal confirmation that facilities have not changed
- D. A new locate request must be submitted to NC 811 and a new set of markings must be obtained before excavation continues — the original ticket has expired and the markings are no longer valid

31. Under NC 811, which of the following correctly describes the penalty framework for excavators who damage underground utilities without having submitted a prior locate request?

- A. Excavators who cause utility damage without a prior locate request bear full liability for all repair costs, emergency response costs, service restoration costs, and consequential damages — and may face civil penalties under the NC 811 statute
- B. Penalties are limited to the cost of physical pipe or conduit repair only
- C. Penalties apply only if the damaged utility was within a public right-of-way
- D. No statutory penalties exist — liability is determined entirely through civil tort claims

32. A contractor submits a locate request for excavation beginning on a specific date. A utility operator responds that they have no facilities in the area — they mark the area with an "all clear" notation. The excavator finds and damages a utility belonging to that same operator during excavation. Which of the following most accurately describes the liability situation?

A. The contractor is fully liable — the final responsibility for avoiding utility strikes always rests with the excavator

B. Liability may shift toward the utility operator who provided an incorrect "all clear" response — a utility operator who incorrectly certifies no facilities exist when facilities are present bears responsibility for the consequences of that false certification

C. Liability is split equally between the contractor and the utility operator as a matter of law

D. The contractor is fully liable because the utility operator's records are not legally binding on the excavator

33. NC 811 law establishes that underground utility operators who are members of the NC 811 system have an obligation to respond to locate requests within the three-business-day notice period. This obligation requires the utility operator to do which of the following?

A. Provide a general map showing all utility systems in the county where the excavation is occurring

B. Send a representative to meet with the excavator at the job site and verbally describe facility locations

C. Contact the excavator directly by phone to discuss utility locations before the markings are placed

D. Either mark the location of their underground facilities in the proposed excavation area or notify the excavator that they have no facilities in that location — both constitute a valid response to the locate request

EROSION AND SEDIMENTATION CONTROL — 3 Questions

34. A contractor on a 1.8-acre commercial project receives an approved Erosion and Sedimentation Control Plan from the local delegated program. Construction begins. Three months later, the owner requests that the contractor expand the building footprint, adding 0.4 acres of additional grading beyond the approved plan boundaries. Which of the following is the contractor's required action before grading the additional area?

- A. Add the required BMPs to the new area and begin grading — the approved plan's general approach covers minor expansions
- B. Notify the local delegated program of the change within 30 days and obtain approval retroactively
- C. Submit a revised Erosion and Sedimentation Control Plan for the expanded area and obtain approval before disturbing the additional acreage
- D. Stop all grading on the entire project until a revised plan is approved for both the original and expanded areas

35. Under the NC SPCA, civil penalties for erosion control violations may be assessed at which maximum rate per day?

- A. \$5,000 per day per violation — the maximum daily civil penalty under the NC SPCA
- B. \$2,500 per day — the standard daily maximum for all SPCA violations
- C. \$10,000 per day — the maximum for violations in HQW and ORW watersheds only
- D. \$1,000 per day — the daily maximum for first-time violations only

36. A contractor completes all grading and construction work on a 2-acre commercial site. The building is occupied and the parking lot and all hardscape are complete. A 500-square-foot area adjacent to a stormwater swale remains bare and unseeded at the time of the final inspection. Under NC DEMLR final stabilization standards, which of the following applies?

- A. The site may receive plan closure — 97.5% stabilization exceeds the 95% threshold for plan closure
- B. The site does not meet final stabilization requirements — all disturbed areas must have permanent ground cover with no significant bare areas remaining before plan closure may be granted
- C. The contractor may obtain plan closure and address the remaining bare area as part of normal landscaping maintenance
- D. Final stabilization requires only that the building and parking surfaces be complete — vegetated areas adjacent to hardscape are excluded from the stabilization calculation

SUBCONTRACTOR PAY REQUIREMENTS — 3 Questions

37. Under the NC Prompt Pay Act, a general contractor who receives payment from the owner but fails to pay a subcontractor within the required seven days is liable for which of the following in addition to the unpaid principal amount?

- A. Double damages — the Prompt Pay Act imposes a 2x penalty for late payment violations
- B. Treble damages plus attorney's fees — the standard remedy for willful Prompt Pay Act violations
- C. Attorney's fees only — the Act imposes attorney's fee shifting but no interest penalty
- D. Interest on the unpaid amount at the rate established by the NC Prompt Pay Act — accruing from the day after the seven-day payment deadline expires until the date of payment

38. A subcontract agreement requires the subcontractor to submit pay applications by the 25th of each month. The general contractor receives the subcontractor's application on November 25 and receives owner payment for that work on December 10. Under the NC Prompt Pay Act, the GC must pay the subcontractor no later than which of the following dates?

- A. December 25 — thirty days after the subcontractor submitted the application
- B. December 17 — seven days after December 10, when the GC received owner payment
- C. December 10 — the same day the GC receives owner payment
- D. December 31 — the end of the calendar month following the subcontractor's application

39. A general contractor's subcontract with a masonry subcontractor includes the following provision: "In the event General Contractor does not receive payment from Owner within 90 days of subcontractor's application, Subcontractor agrees to release all claims against General Contractor and shall look solely to Owner for payment." Under NC law, which of the following most accurately describes this provision?

- A. This provision is likely unenforceable as written — it purports to permanently extinguish the subcontractor's payment rights after 90 days without clear and unambiguous risk-shifting language and without adequate consideration for the subcontractor's waiver of rights

B. This provision is fully enforceable — subcontractors may contractually agree to release claims as a condition of contracting

C. This provision is enforceable only if the masonry subcontractor also provides a lien waiver at the time of signing

D. This provision is a standard pay-if-paid clause that is fully enforceable under NC law without any additional requirements

40. A first-tier subcontractor receives payment from the general contractor for work completed in October. The subcontractor retains the payment for 14 days before paying their second-tier material supplier. Under the NC Prompt Pay Act's flow-through requirements, which of the following has occurred?

A. No violation — the first-tier subcontractor's payment obligation to the second tier is governed only by their subcontract terms, not the Prompt Pay Act

B. A violation — the first-tier subcontractor was required to pay the second-tier supplier within seven days of receiving payment, and the 14-day retention violates the Prompt Pay Act's flow-through obligation at every tier of the payment chain

BUSINESS AND LAW SIMULATION

EXAM 4 — ANSWER KEY

1. A — The owner-builder exemption under NC Chapter 87 allows a person to perform construction work on property they personally own under specific circumstances without holding a general contractors license. This exemption recognizes that the licensing requirement is primarily directed at commercial contractors performing work for compensation on others' property. The exemption has defined limits — it does not extend to developers building for resale, to owners who hire unlicensed workers to perform the work, or to situations where the exemption is used as cover for commercial contracting activity.
2. C — The NC Building Contractor licensing examination consists of two separate, independently administered examinations — the Building Contractor trades examination covering technical construction knowledge and the Business and Law examination covering NC licensing law, lien law, erosion control, and subcontractor payment requirements. Both examinations must be passed before the NCLBGC will issue a license. A passing score on one examination does not waive or reduce the requirement to pass the other.
3. B — Adding a second qualifier to a licensed entity requires the proposed qualifier to have passed both required licensing examinations and to have the required qualifying relationship to the entity — owner, officer, or managing employee. A second qualifier provides continuity of licensing coverage when the primary qualifier is unavailable, but they must independently meet all qualification requirements. The examining history of the primary qualifier, ownership thresholds, and waiting periods are not conditions for adding a second qualifier.
4. D — The NCLBGC's disciplinary authority is independent of civil litigation proceedings and does not require civil matters to be finally resolved before the Board may investigate and act. The Board's jurisdiction is over the contractor's fitness to hold a license — a finding of fraud in a civil proceeding is relevant evidence for the Board's purposes regardless of whether an appeal is pending. Waiting for final civil resolution would allow contractors to delay Board proceedings indefinitely through the appellate process.
5. A — The NCLBGC requires licensees to keep the Board's records current including business address — notification within a reasonable time is required to ensure that Board correspondence, renewal notices, and complaint notifications reach the licensee. A contractor who fails to update their address may miss critical Board communications — including complaint notices and hearing dates — with serious disciplinary consequences. Timely address updates protect both the contractor and the Board's ability to administer the licensing system effectively.

6. C — The minimum advertising requirement under NC Chapter 87 is the inclusion of the contractor's license number in all advertising. The license number is the key identifier that links any advertising — regardless of the trade name, entity name, or personal name used — to the licensee's public record on the NCLBGC database. An owner or consumer who sees only a license number can verify the licensee's full identity, classification, and status through the Board's online lookup tool.
7. B — The licensing requirement under NC Chapter 87 applies to all general contracting work above the \$40,000 threshold regardless of the owner's nonprofit status, religious affiliation, or tax-exempt designation. Nonprofit status is an IRS and state tax classification — it creates no exemption from construction licensing requirements. A contractor who performs unlicensed work for a nonprofit organization faces the same civil penalties and prohibition on recovering payment as for any other unlicensed project.
8. D — A consent order is a negotiated resolution between the Board and the contractor that does not require a formal contested hearing because the contractor agrees to the terms. Consent orders may include conditions, fines, probation, or other requirements that the contractor voluntarily accepts to resolve a disciplinary matter without proceeding to a full hearing. The Board's ability to resolve matters through consent orders makes the disciplinary process more efficient and gives contractors an opportunity to participate in shaping the resolution of their case.
9. A — The NCLBGC's jurisdiction over a licensed contractor's competency and conduct does not expire on a fixed timeline after project completion. Defective work that surfaces years after a project was completed may still reflect on the contractor's competency as a licensee at the time the work was performed. The Board investigates complaints based on the licensing conduct involved — not based on when the defect became apparent. This ongoing jurisdiction protects the public from contractors whose poor workmanship only manifests over time.
10. C — An NC Building Contractor license expires automatically on December 31 of each year if the renewal application and required CE documentation are not submitted by that date. The license lapses — it does not automatically suspend, but the contractor has no authority to perform licensed work on a lapsed license. Renewal after the expiration date requires late fees and demonstration that all renewal requirements have been met. Operating on a lapsed license is treated as unlicensed contracting.
11. B — A 400-unit apartment complex is governed by the International Building Code — not the Residential Building Code — because of its size and multi-family nature. Buildings governed by the IBC fall within the Building Contractor classification scope regardless of their residential use. The Residential Contractor classification covers structures built under the IRC — primarily single-family homes, duplexes, and townhouses. Large multi-family residential buildings require a Building Contractor license because they are commercial-scale construction projects.

12. D — The NCLBGC's disciplinary authority includes the full spectrum of available sanctions from reprimand through revocation — the Board is not constrained to impose only minor sanctions for first-time disciplinary matters. The severity of the sanction should reflect the severity of the conduct, the risk to the public, and any mitigating or aggravating circumstances. Dishonest conduct is one of the more serious categories of licensing violations, and the Board may impose significant sanctions even for a first finding depending on the circumstances.
13. C — The financial limitation on a Building Contractor license applies to the total contract value that the licensed entity assumes — not merely the portion the contractor self-performs. A Limited contractor who takes a \$600,000 contract and subcontracts the work above \$500,000 is still contracting for \$600,000 — a value that exceeds the authorized limit. The financial limitation cannot be circumvented through subcontracting arrangements. The contractor must hold the appropriate classification for the total contract value assumed.
14. A — When a license renewal has been denied for failure to complete required CE and the contractor subsequently completes all required CE hours, the proper course is to submit a complete renewal application to the Board with documentation proving CE completion. The Board will review the application and reinstate the license upon confirming that all requirements are satisfied. Retaking examinations, waiting a year, or filing court petitions are not the appropriate or required steps for resolving a CE-based renewal denial.
15. D — Advertising as a "licensed NC contractor" without including the specific license number is a violation of NC Chapter 87's advertising requirements. The license number is mandatory in all advertising — its presence allows consumers to independently verify the contractor's status and protects against misrepresentation by unlicensed persons who falsely claim to be licensed. The placement of the number within the advertisement is less critical than its presence — the requirement is that it appear, not that it appear in a specific position.
16. B — When an applicant meets the examination requirements for the Intermediate classification but the entity's audited net worth falls below the \$75,000 minimum, the Board will issue a license at the classification level for which the financial requirements are met — in this case, the Limited classification at \$17,000 net worth. The contractor is advised to improve the entity's net worth and reapply for the Intermediate classification when the financial requirement is satisfied. Provisional licenses at a higher classification are not issued.
17. C — A criminal conviction involving fraud, dishonesty, or moral turpitude is an independent basis for NCLBGC disciplinary action separate from any criminal sentencing. The Board's concern is the contractor's fitness to hold a license and the protection of the public — a criminal conviction for fraud demonstrates character deficiencies that directly affect the contractor's trustworthiness in construction transactions. The Board may impose license sanctions including suspension or revocation based on the conviction regardless of whether the criminal sentence has been fully served.

18. A — The NCLBGC requires a verifiable physical street address for the licensed entity's principal place of business — a post office box is not sufficient as a standalone address. The physical address requirement allows the Board, investigators, and the public to locate the licensee's actual business operations. A mailing address such as a P.O. box may be provided in addition to the physical address for correspondence purposes, but it cannot replace the physical address requirement.
19. D — A licensed contractor must be able to produce evidence of licensure upon request by any authorized person with a legitimate need to verify the license — including NCLBGC investigators, property owners before contracting, building officials, and other parties. The ability to demonstrate licensed status on demand is a fundamental aspect of the licensing obligation. A contractor who cannot produce evidence of their license when requested may be creating the impression of unlicensed status and may be subject to Board inquiry.
20. B — When a licensed entity's primary qualifier changes, the company must notify the Board and submit documentation confirming the new qualifier's examination results, the qualifying relationship between the new qualifier and the entity, and the entity's continued financial compliance with the classification requirements. The existing license is maintained and the qualifier information is updated — the entity does not need to surrender the license or start over, provided all requirements are met with the new qualifier in place.
21. B — The general contractor's contract with the property owner typically includes an obligation to deliver the project free and clear of mechanics' liens from subcontractors and suppliers. When a subcontractor fails to pay its workers and they file liens, the general contractor is legally obligated to address those liens as part of the obligation to deliver a lien-free project. The GC may have recourse against the subcontractor for indemnification, but the GC's first obligation is to the owner to resolve the liens — typically through joint checks, bond over the liens, or direct payment to the lien claimants.
22. D — Under NC Chapter 44A, service of a Notice of Claim of Lien on Funds by certified mail is effective upon mailing — the refusal of delivery by the recipient does not invalidate the service. This rule prevents the party being served from defeating the notice requirement simply by refusing to accept certified mail. The claimant should retain proof of mailing and the tracking documentation showing the delivery attempt and refusal as evidence that proper service was made.
23. A — The last date of furnishing for lien calculation purposes is the last date the contractor actually performed legitimate project work — including punch list activities. October 20 is the last date the contractor performed genuine project work and is the correct last date of furnishing. Substantial completion on October 1 does not terminate furnishing — punch list work is part of the contracted scope. Final acceptance on November 1 is an administrative event, not a work activity. The 120-day clock runs from October 20.
24. B — A payment bond on a construction project — whether public or private — protects subcontractors and material suppliers at all tiers who have furnished labor or materials and have

not been paid. The payment bond provides a financial guarantee from the surety that claimants will be paid up to the bond amount even if the prime contractor fails to pay. This protection is the primary purpose of the payment bond — protecting the payment chain — which is distinct from the performance bond's purpose of protecting the owner against project incompleteness.

25. C — When an owner receives a proper Notice of Claim of Lien on Funds and subsequently disburses funds that should have been withheld, the owner becomes personally liable to the lien claimant for the amount improperly paid — up to the amount of the claim. This personal liability is the enforcement mechanism that gives the lien on funds system its power. The owner cannot escape this liability by pointing to the payment made to the GC — the notice created a legal obligation that the owner violated by disbursing without withholding.
26. D — Both the 120-day lien filing deadline and the 180-day enforcement lawsuit deadline run from the same starting date — the last date of furnishing labor or materials to the project. Filing the lien on day 5 does not extend the enforcement deadline to day 245 — the enforcement lawsuit must still be filed within 180 days of the last date of furnishing regardless of how early the lien was filed. Contractors who file liens early must immediately calendar the 180-day enforcement deadline from the last-furnishing date to avoid inadvertently missing it.
27. A — Under NC Chapter 44A, a general contractor may simultaneously pursue both a Claim of Lien on Real Property and a Claim of Lien on Funds — these are complementary remedies that together provide the broadest possible protection for an unpaid contractor's right to payment. The lien on real property creates a security interest in the land and improvements; the lien on funds creates a claim against project payment flows. Using both remedies maximizes pressure on the owner to resolve the payment dispute.
28. B — The doctrine of subrogation gives the surety, after paying a performance bond claim and completing a defaulted project, all the rights and remedies that the owner had against the defaulting contractor. The surety steps into the owner's shoes and may pursue the contractor for all costs incurred — completion costs, delay damages, and other losses — just as the owner could have. Subrogation is the mechanism that prevents the defaulting contractor from avoiding financial responsibility for the cost of their own default simply because the surety stepped in to perform.
29. C — Complying with the three-business-day notification requirement and receiving utility markings does not grant the excavator permission to ignore the markings during excavation. Within the 18-inch tolerance zone on each side of a marked utility, the excavator must use hand tools or vacuum excavation — mechanical equipment is not permitted within the tolerance zone regardless of overall NC 811 compliance. Striking a marked utility while using mechanical equipment within the tolerance zone is a violation even when all other NC 811 requirements were met.
30. D — NC 811 locate tickets expire after 15 days from the date the markings were placed. Once the ticket expires, the markings are no longer valid and may not be relied upon for continued

excavation. A new locate request must be submitted to NC 811 and new markings obtained before excavation resumes. There is no extension procedure for expired tickets, no verbal confirmation substitute, and no grace period for continuing excavation after expiration.

31. A — Excavators who damage underground utilities without having submitted a prior locate request bear full civil liability for all consequences of the strike — repair costs, emergency response, service restoration, lost revenue to the utility, and consequential damages to affected customers. Additionally, NC 811 law provides for civil penalties against excavators who violate the notification requirement. The combination of civil liability and statutory penalties creates strong financial incentives for compliance with the pre-excavation notification requirement.
32. B — When a utility operator provides an "all clear" response to a locate request — certifying that they have no facilities in the proposed excavation area — and that certification proves to be incorrect, liability for resulting damage shifts significantly toward the utility operator. The utility operator's false certification removes the excavator's ability to protect against a facility they were told does not exist. While excavators bear a general duty of care, a documented false all-clear response is powerful evidence that the operator's negligence caused the damage, and NC courts will consider this allocation of fault.
33. D — A utility operator's obligation upon receiving a NC 811 locate request is to either mark the location of their underground facilities within the proposed excavation area or notify the excavator that they have no facilities in that location. Both responses satisfy the operator's duty — the positive mark identifies facility locations; the no-facilities notification assures the excavator that no utilities from that operator are present. Failure to respond at all — neither marking nor notifying — is the specific violation that creates operator liability when excavation proceeds without response.
34. C — When a project scope change increases the disturbed area beyond the boundaries described in the approved Erosion and Sedimentation Control Plan, a revised plan must be submitted to the local delegated program and approved before the additional acreage may be disturbed. The original plan approval covers only the area and activities described in that plan — it does not automatically extend to new disturbance areas. Beginning work in the new area without an approved revised plan is an independent violation of the SPCA.
35. A — The NC Sedimentation Pollution Control Act provides for civil penalties of up to \$5,000 per day per violation for erosion control violations. This maximum daily rate applies from the date the violation first occurred. Penalties accumulate rapidly when violations persist — a 30-day unresolved violation at maximum exposure represents \$150,000 in potential civil penalties. The \$5,000 per day maximum is a directly tested value on the Business and Law examination and one of the most important numerical thresholds in the erosion control section.
36. B — NC DEMLR's final stabilization standard requires that all disturbed areas have permanent ground cover — vegetation or equivalent permanent stabilization — with no significant bare areas

remaining exposed to erosion before plan closure may be granted. There is no percentage threshold that allows closure while bare soil remains — the standard requires essentially complete coverage. A 500-square-foot bare area adjacent to a stormwater feature is specifically the type of remaining disturbance that presents ongoing erosion risk and precludes final stabilization certification.

37. D — The NC Prompt Pay Act provides for interest on unpaid amounts as the statutory remedy for late payment — interest accrues automatically from the day after the seven-day payment deadline expires at the rate established by the Act. The interest remedy is self-executing — the subcontractor does not need to file suit or demand interest separately for the obligation to arise. The Prompt Pay Act does not impose double damages or treble damages — interest at the statutory rate is the primary financial consequence for late payment violations.
38. B — The NC Prompt Pay Act's seven-day payment obligation is triggered by the general contractor's receipt of owner payment — not by the date the subcontractor submitted their application. The GC received owner payment on December 10, triggering the seven-day clock. Seven days after December 10 is December 17 — the latest date by which the GC must pay the subcontractor to avoid interest liability. The subcontractor's application date of November 25 is the starting point for the application cycle but does not independently trigger the seven-day Prompt Pay Act deadline.
39. A — The provision described purports to permanently extinguish the subcontractor's payment rights if the owner has not paid within 90 days — a more aggressive risk-shifting provision than even a standard pay-if-paid clause. Under NC law, such provisions require clear and unambiguous language that explicitly shifts the risk of owner non-payment to the subcontractor. A clause that simply releases claims after 90 days without this explicit risk-shifting language and without adequate separate consideration for the subcontractor's waiver of substantial rights is likely unenforceable. Courts scrutinize these provisions carefully to protect subcontractors from inadvertent forfeiture of payment rights.
40. B — The NC Prompt Pay Act's seven-day payment obligation flows through every tier of the payment chain. A first-tier subcontractor who receives payment from the general contractor must pay their second-tier suppliers and subcontractors within seven days of receiving that payment. Retaining the payment for 14 days before paying the second-tier supplier is a seven-day violation — the Act's flow-through obligation creates the same payment timing requirement at the subcontractor-to-sub-subcontractor tier as at the GC-to-subcontractor tier.