

BUSINESS AND LAW SIMULATION

EXAM 7

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

LICENSING — 21 Questions

1. A contractor holds a Building Contractor Limited license and is awarded a \$460,000 renovation contract. The owner later requests a \$55,000 scope addition. Before executing the change order, the contractor's primary obligation under NCLBGC rules is which of the following?

- A. Notify the owner in writing that the addition exceeds the original budget estimate
- B. Obtain a performance bond equal to the revised total contract value
- C. Verify whether executing the change order would cause the total contract value to exceed the \$500,000 Limited classification limit — and if so, upgrade to Intermediate first
- D. Submit the change order scope to the NCLBGC for pre-approval

2. Under NC Chapter 87, the NCLBGC's primary purpose in licensing general contractors is which of the following?

- A. Protecting the public by ensuring that contractors performing work above the \$40,000 threshold have demonstrated minimum competency through examination and financial qualification
- B. Generating revenue for the state through license fees and civil penalties
- C. Regulating the quality of construction materials used on licensed projects
- D. Providing contractors with legal immunity from civil lawsuits for completed work

3. A contractor holds a Building Contractor Unlimited license as an LLC. The contractor is convicted of felony embezzlement in connection with a construction project. The conviction is unrelated to any NCLBGC complaint. Which of the following most accurately describes the Board's authority?

- A. The Board has no jurisdiction over criminal matters — only civil and administrative violations
- B. The Board must wait until all criminal appeals are resolved before acting
- C. The Board must refer the matter to the NC Attorney General before opening its own proceedings
- D. The Board may independently investigate and impose disciplinary action — a criminal conviction involving dishonesty or fraud is independent grounds for licensing consequences

4. A general partnership applies for a Building Contractor license at the Intermediate classification. The partnership has two partners. Only one partner has passed both required examinations. The entity's audited financials show a net worth of \$82,000. Which of the following most accurately describes the application?

- A. Denied — both partners must pass the examinations for a partnership to qualify
- B. May be issued — one qualifying partner who has passed both examinations and has the required relationship to the entity satisfies the qualifier requirement, and the \$82,000 net worth exceeds the \$75,000 Intermediate minimum
- C. Issued at the Limited classification only — partnerships are restricted to the Limited classification regardless of financial qualifications
- D. Denied — partnerships must submit audited financials from each individual partner separately

5. A contractor receives an NOV from the NCLBGC and is given 30 days to respond. The contractor's attorney advises waiting until the deadline to respond. The contractor misses the 30-day response period. Which of the following most accurately describes the consequence?

- A. The complaint is dismissed — Board complaints that are not timely responded to are automatically closed
- B. The Board may not take action without hearing from both sides — the period is extended automatically

C. The Board may proceed with disciplinary action based on the available evidence without the contractor's response — missing the response deadline does not protect the contractor and may worsen the outcome

D. The Board issues a default judgment immediately upon expiration of the response period

6. Under NCLBGC rules, which of the following most accurately describes the relationship between the licensed entity's financial qualification and the license classification?

A. Financial qualification determines the maximum single-project dollar value the entity is authorized to contract for — Limited requires \$17,000 net worth, Intermediate \$75,000, and Unlimited \$150,000

B. Financial qualification determines only the entity's bonding capacity — not its project value limits

C. Financial qualification is verified only at initial application — ongoing compliance is voluntary

D. Financial qualification applies only to public projects — private projects have no minimum net worth requirement

7. A contractor performs a \$90,000 commercial project and is paid in full. Eighteen months later, the owner files a complaint with the NCLBGC alleging the contractor was unlicensed at the time of performance. The Board investigates and confirms the contractor's license had lapsed for the entire project. Which of the following most accurately describes the consequence?

A. No consequence — the statute of limitations prevents the Board from acting on matters more than one year old

B. No consequence — the owner accepted and paid for the work, waiving any licensing objection

C. No financial consequence for the owner but the contractor may face Board disciplinary action for performing licensed work while unlicensed

D. The contractor must refund the owner's payment as a condition of Board settlement

8. A contractor advertises as "Licensed and Bonded" on a billboard but fails to include the NC license number. Under NCLBGC advertising requirements, which of the following applies?

- A. The advertisement is compliant — "Licensed and Bonded" satisfies the general public interest in knowing the contractor is regulated
- B. The advertisement violates NCLBGC rules — the license number must appear in all advertising for construction services
- C. The advertisement is compliant if the contractor's phone number appears and the license number is accessible by calling
- D. The advertisement requires only the contractor's name — a license number is required only in written contracts

9. A contractor applying for a Building Contractor license lists their home address as the entity's principal business address. The entity is a single-member LLC operating from a home office. Under NCLBGC rules, which of the following applies?

- A. The application must be denied — home-based businesses are ineligible for Building Contractor licensure
- B. The Board requires a separate commercial address — home addresses are not acceptable
- C. A home address may be acceptable as the principal place of business provided it is a legitimate operational address for the entity — the Board requires a verifiable physical address but does not prohibit home-based business addresses
- D. The contractor must obtain a registered agent with a commercial address before the application will be processed

10. A licensed contractor completes a project and moves to another state permanently. The contractor wants to maintain their NC Building Contractor license while working primarily in another state. Under NCLBGC rules, which of the following applies?

- A. The contractor may maintain the active NC license by continuing to meet renewal and CE requirements — there is no residency requirement for NC licensure
- B. The license must be placed on inactive status when the contractor no longer maintains a NC business address
- C. The license automatically lapses when the contractor establishes primary residence in another state

D. The contractor must designate a NC-resident managing employee to maintain the license while out of state

11. A contractor holds a Building Contractor Unlimited license and simultaneously applies for a Residential Contractor Unlimited license. The contractor's qualifier has passed both the Building Contractor and Business and Law examinations. Which of the following most accurately describes the Residential Contractor application?

A. Approved automatically — passing the Building Contractor examinations satisfies all Residential Contractor requirements

B. Denied — a contractor may not hold both a Building Contractor and a Residential Contractor license simultaneously

C. Denied — the contractor's existing examination results do not satisfy the Residential Contractor examination requirement

D. Subject to the Residential Contractor licensing board's separate requirements — the Building Contractor examination does not automatically satisfy the Residential Contractor examination requirement, which may be administered by a different licensing board

12. A complaint against a licensed contractor is investigated by the NCLBGC. The investigation finds no violation but identifies a pattern of poor record-keeping that could make future complaints difficult to resolve. Which of the following is the Board's most likely response to the record-keeping concern?

A. No action — the investigation found no violation and the Board has no authority beyond the specific complaint

B. Issue an advisory communication to the contractor recommending improved record-keeping practices without imposing formal discipline

C. Immediately suspend the license pending a full audit of the contractor's records

D. Refer the record-keeping concern to the NC Secretary of State for business compliance review

13. Under NC Chapter 87, a licensed contractor who performs work under another contractor's license — rather than their own — is subject to which of the following?

- A. A \$250 administrative fine for the first offense
- B. Referral to the NC Department of Commerce for unfair trade practice review
- C. NCLBGC disciplinary action for both the contractor performing the work and the contractor whose license was used — license lending violates Chapter 87 and subjects both parties to sanctions
- D. A civil penalty assessed by the local building department where the project is located

14. The NCLBGC's authority to impose civil penalties against a licensed contractor is separate from its authority to impose license sanctions. Under NC Chapter 87, the maximum civil penalty the Board may assess per violation is which of the following?

- A. \$500 per violation — the amount specified in NC General Statutes Chapter 87
- B. \$1,000 per violation — the amount specified in NC General Statutes Chapter 87
- C. \$2,500 per violation — the standard administrative penalty under NC law
- D. \$5,000 per violation — the maximum for repeat offenders

15. A building contractor entity's qualifier moves from managing employee status to a passive investor role with no operational involvement. The qualifier continues to be listed on the license. Which of the following most accurately describes the situation?

- A. Acceptable — the license belongs to the entity and the qualifier's level of involvement is an internal business matter
- B. Acceptable — the qualifier only needs to be operationally involved at the time of application
- C. Acceptable if the entity employs a licensed project manager to supervise all field operations
- D. A potential license lending violation — a qualifier who is no longer a bona fide managing participant may not legitimately support the entity's license

16. A contractor receives a disciplinary order from the NCLBGC imposing a 45-day license suspension and a \$500 civil penalty. The contractor disagrees with the order and wants to challenge it. The first step in the appeals process is which of the following?

- A. File a petition in NC Superior Court within 30 days of the order
- B. Request a formal hearing before the full Board or a designated hearing officer — contesting the disciplinary order before the Board is the first step prior to any judicial appeal
- C. Submit a written objection to the NCLBGC executive director within 10 days
- D. File a notice of appeal with the NC Court of Appeals within 60 days of the order

17. A contractor who holds both a Building Contractor Limited license and a separate Residential Contractor Unlimited license is asked to build a 12-unit apartment building. Under the NC licensing framework, which license governs this project?

- A. The Building Contractor license — a 12-unit apartment building is a multi-family residential structure that typically falls within the Building Contractor classification when governed by the IBC
- B. The Residential Contractor license — the use is residential regardless of the governing building code
- C. Either license — the contractor may designate which license to use on the contract
- D. Both licenses — the contractor must list both on all contracts and permits for multi-family projects

18. Under NCLBGC rules, a contractor's license is subject to renewal on what schedule?

- A. Every two years — the standard renewal cycle for all NC professional licenses
- B. Every five years — Building Contractor licenses have a longer cycle than trade licenses
- C. Annually — Building Contractor licenses must be renewed each year by December 31
- D. On a rolling three-year cycle based on the original issuance date of the license

19. A contractor who has been licensed for eight years without disciplinary incident fails to pay a subcontractor \$22,000 for completed work. The subcontractor files a complaint with the NCLBGC. Which of the following most accurately describes the Board's authority over the payment dispute?

- A. The Board may order the contractor to pay the subcontractor within 30 days
- B. The Board may mediate the dispute and issue a binding payment order
- C. The Board may garnish the contractor's accounts receivable to satisfy the subcontractor's claim
- D. The Board does not have jurisdiction to resolve payment disputes — the subcontractor must use lien law or civil litigation, but the Board may investigate whether the failure to pay reflects conduct supporting independent disciplinary action

20. A contractor's qualifier retires but remains listed on the license while the entity recruits a replacement. The entity performs no licensed contracting work during the six-week transition period. After six weeks a new qualifier is added and approved by the Board. Which of the following most accurately describes the entity's situation during the transition period?

- A. A technical violation — the entity should have notified the Board immediately when the qualifier retired
- B. The entity managed the transition appropriately — performing no licensed work during the period without an active operational qualifier and promptly obtaining a replacement
- C. A serious violation — the license should have been surrendered when the qualifier retired
- D. No issue — a qualifier's retirement does not affect license validity for any period up to 90 days

21. Under NC Chapter 87, the term "general contracting" encompasses which of the following activities when the project value exceeds \$40,000?

- A. Only new commercial construction — residential and repair work are excluded from the definition
- B. Only government-funded construction projects — private residential work is excluded
- C. The construction, reconstruction, alteration, repair, or removal of any building or structure — the definition broadly covers the full range of building activities regardless of project type or ownership
- D. Only projects requiring a building permit — unpermitted work is excluded from the licensing requirement

LIENS AND BONDS — 8 Questions

22. Under NC Chapter 44A, which of the following parties may designate a lien agent for a private construction project in lieu of the property owner?

- A. The property owner's construction lender — who may designate the lien agent as a condition of the construction loan
- B. The general contractor — who assumes lien agent designation authority when the owner fails to act
- C. The title insurance company — who automatically serves as lien agent for all projects with title insurance
- D. No party other than the property owner — the lien agent designation is exclusively the property owner's obligation under NC Chapter 44A

23. A first-tier subcontractor files a Claim of Lien on Real Property for \$45,000 on day 118 after their last date of furnishing. The owner argues the lien is untimely because the subcontractor performed only minor cleanup work on the last day — the substantial work was completed 130 days before filing. Which of the following most accurately describes the lien's status?

- A. Valid — the lien was filed within 120 days of the subcontractor's actual last furnishing date regardless of whether that activity was substantial or minor, provided it was a legitimate project activity
- B. Invalid — the 120-day deadline runs from the date of substantial completion of the subcontractor's scope
- C. Invalid — cleanup work does not count as furnishing labor for lien purposes under NC Chapter 44A
- D. Valid only if the subcontractor can produce a contemporaneous work order for the cleanup activity

24. An owner on a private construction project receives a properly served Notice of Claim of Lien on Funds from a subcontractor for \$18,000. The owner has a \$95,000 draw application pending from the general contractor. Which of the following most accurately describes the owner's obligation?

- A. Pay the full \$95,000 to the GC — the lien on funds does not affect payment obligations already in process

B. Withhold at least \$18,000 from the draw — paying only \$77,000 to the GC while holding the claimed amount pending resolution of the subcontractor's claim

C. Freeze the entire \$95,000 pending resolution of the subcontractor's claim

D. Notify the subcontractor that the claim must be filed with the clerk of superior court before any withholding applies

25. A performance bond surety on a private project receives a valid default declaration from the owner after the contractor abandons the project. The surety's investigation confirms the default. Under the performance bond, the surety's primary obligation is which of the following?

A. Immediately pay the owner the full bond amount within 10 business days of confirming the default

B. Hire the owner's preferred replacement contractor within 15 days of the default confirmation

C. Elect a remedy — completing the project, financing the defaulting contractor, or paying the owner's completion costs up to the bond amount — after a reasonable investigation period

D. Obtain court approval for the elected remedy before taking any action on the default

26. A material supplier delivers roofing materials to a construction site on March 1 and March 15. The last delivery occurs on March 15. The materials are incorporated into the building by March 22. The supplier is not paid and considers filing a lien. For lien purposes, the last date of furnishing is which of the following?

A. March 15 — the date of the supplier's last delivery to the project site

B. March 1 — the date of the supplier's first delivery establishes the furnishing period

C. March 22 — the date the materials were incorporated into the improvement

D. The date the supplier invoiced the general contractor for the materials

27. A subcontractor completes work on a private project. The general contractor fails to pay. The subcontractor serves a Notice of Claim of Lien on Funds on both the GC and the owner and files a Claim of Lien on Real Property within 120 days. The subcontractor then fails to file the enforcement lawsuit by the 180-day deadline because their attorney miscalendared the date. Which of the following most accurately describes the consequence?

- A. The court may extend the deadline upon a showing of excusable neglect by the attorney
- B. The lien on funds remains active and may still be enforced independent of the lien on real property
- C. The subcontractor may refile the enforcement lawsuit within 30 days of discovering the missed deadline
- D. The Claim of Lien on Real Property is extinguished — the 180-day enforcement deadline is absolute and attorney error does not toll or extend it

28. A contractor on a public project fails to provide the required payment bond before beginning work on a \$450,000 school renovation. A second-tier supplier performs work and is not paid. The supplier attempts to make a Little Miller Act payment bond claim. Which of the following most accurately describes the supplier's situation?

- A. The supplier may make a payment bond claim — the GC's failure to obtain the bond creates liability for the GC personally in the bond's place
- B. The supplier has no payment bond remedy because no bond was obtained — the supplier must rely on the lien system, but mechanics' liens are generally not available on public property
- C. The school district must provide the payment bond on the GC's behalf to protect the supplier
- D. The supplier may claim against the school district's errors and omissions insurance

ONE CALL — 5 Questions

29. A contractor calls NC 811 on a Friday afternoon. Saturday and Sunday are non-business days. The following Monday is a state holiday. Which of the following is the earliest date the contractor may legally begin excavation?

- A. The following Tuesday — day one of the notice period
- B. The following Wednesday — day two of the notice period
- C. The following Friday — after Tuesday, Wednesday, and Thursday have elapsed as the three required business days
- D. The following Thursday — day three of the notice period

30. A utility operator's marks show a water line running parallel to the planned trench at a distance of 24 inches. During excavation the contractor encounters the water line at only 14 inches from the trench wall — within the 18-inch tolerance zone. The contractor is using a backhoe. Which of the following is required at this point?

- A. Stop mechanical excavation immediately and use hand tools or vacuum excavation to expose and confirm the water line's exact position before resuming mechanical work
- B. Continue with the backhoe using reduced bucket size and careful movement
- C. Call the water utility to report the discrepancy before taking any further action
- D. Proceed — the line was marked and the contractor is within their rights to excavate in the area

31. A locate request is submitted for a commercial building pad. All utility operators respond and mark their facilities. The project engineer later redesigns the foundation requiring excavation 15 feet beyond the original marked area. Which of the following is required before excavating the new area?

- A. The existing ticket covers the entire project site — no new request is needed for the redesigned area
- B. The engineer must submit a revised request in their own name before excavation expands
- C. A photo of the existing marks is sufficient documentation to cover the expanded area
- D. A new locate request must be submitted covering the new excavation area before any excavation begins outside the originally marked zone

32. Under NC 811 law, an excavator who causes damage to an underground utility is required to report the damage to which parties?

- A. The property owner and the general contractor only
- B. The NC 811 center and the utility operator whose facility was damaged — both must be notified immediately after the damage occurs
- C. The NC 811 center only — the utility operator is automatically notified through the NC 811 system
- D. The local building inspection department and the utility operator only

33. A homeowner contracts with a landscaper to plant six trees in the backyard using a hydraulic tree spade. The landscaper submits a NC 811 locate request and receives all utility markings before the work begins. No utilities are marked in the planting locations. While planting the fourth tree, the spade strikes a natural gas service line. Which of the following most accurately describes the landscaper's compliance status?

- A. The landscaper complied with NC 811 requirements — a locate request was submitted, all utilities were marked, and work proceeded in unmarked areas
- B. No violation — the gas service line should have been marked by the utility operator in response to the locate request
- C. The landscaper is fully liable because tree planting requires hand digging regardless of locate results
- D. The landscaper must file an incident report with NC OSHA within 24 hours of the gas line strike

EROSION AND SEDIMENTATION CONTROL — 3 Questions

34. A contractor grading a 1.8-acre commercial site receives an approved Erosion and Sedimentation Control Plan from the county's delegated program. The approved plan specifies a specific BMP layout. During construction, the contractor's engineer proposes a more effective BMP configuration that differs from the approved plan. Which of the following is the correct approach?

- A. The contractor may implement the improved configuration — professional judgment supersedes the approved plan when safety is not compromised
- B. The contractor must proceed with the approved plan only — no deviations are permitted regardless of improved effectiveness
- C. The contractor may implement the improved BMP only after submitting a plan revision and receiving written approval from the county program
- D. The contractor may implement the change and submit an as-built drawing within 30 days of project completion

35. Under the NC SPCA, a land-disturbing contractor who receives a Notice of Violation must correct the identified deficiencies within the period specified in the NOV. If the contractor fails to correct the deficiencies within that period, which of the following may occur?

- A. The NOV is automatically dismissed after 60 days without further action
- B. The contractor receives a second NOV for the same violation — the first NOV has no ongoing enforcement effect
- C. The Board refers the matter to DEMLR's headquarters office for federal EPA notification
- D. The approving agency may issue a stop-work order and assess civil penalties for each day the violation continues beyond the correction period

36. A contractor completes a commercial project and all disturbed areas are stabilized with permanent seeding. The contractor submits a request to close the Erosion and Sedimentation Control Plan. The inspector visits and finds that while 92% of the disturbed area has good vegetative cover, an 8% area near a stormwater outlet pipe has only sparse grass due to poor seed germination. Which of the following applies?

- A. Plan closure may be granted — 92% vegetative cover exceeds most industry standards for final stabilization
- B. Plan closure may be denied — all disturbed areas must have permanent ground cover with no significant bare or sparsely vegetated areas before closure is granted
- C. Plan closure may be granted if the contractor submits a bond guaranteeing completion of the remaining area
- D. Plan closure may be granted for 92% of the site with a partial closure notation for the remaining 8%

SUBCONTRACTOR PAY REQUIREMENTS — 3 Questions

37. A general contractor receives owner payment for a subcontractor's completed work on a Tuesday. Under the NC Prompt Pay Act, the latest date the GC may pay the subcontractor without incurring interest liability is which of the following?

- A. The following Tuesday — seven calendar days after the Tuesday receipt
- B. The following Thursday — allowing standard banking processing time
- C. The following Friday — the end of the work week following receipt
- D. The following Monday — seven business days after the Tuesday receipt

38. A subcontract contains the following clause: "Payment terms are net 30 from General Contractor's receipt of Owner payment." Under NC law, this language most likely creates which payment obligation?

- A. A pay-if-paid provision — permanently eliminating the GC's obligation if the owner never pays
- B. An unenforceable provision — the NC Prompt Pay Act supersedes all conflicting subcontract payment terms
- C. A pay-when-paid timing provision — the GC's obligation is delayed until owner payment but not permanently eliminated if the owner fails to pay. However, the 30-day term may conflict with the NC Prompt Pay Act's 7-day requirement
- D. A valid contractual modification of the Prompt Pay Act — parties may extend the 7-day period by written agreement

39. A general contractor withholds a subcontractor's entire \$72,000 application claiming that 15% of the work — valued at \$10,800 — does not meet specifications. The GC has received full owner payment for all \$72,000. No formal dispute resolution has been initiated. Under the NC Prompt Pay Act, which of the following most accurately evaluates the GC's conduct?

- A. The withholding is proper — a quality dispute over any portion of the application permits withholding the full amount
- B. The GC may withhold the full \$72,000 for up to 30 days while conducting a formal quality inspection

C. The withholding of the disputed \$10,800 may be permissible — but withholding the undisputed \$61,200 for which owner payment has been received violates the Prompt Pay Act

D. The GC must pay the full \$72,000 — quality disputes must be resolved through a separate back-charge claim after payment

40. The NC Prompt Pay Act's payment obligation flows through every tier of the payment chain. A first-tier subcontractor receives payment from the general contractor on a Monday. Under the Act, which of the following most accurately describes when the first-tier subcontractor must pay a second-tier supplier?

A. Within 14 days of receiving payment — the second tier has a longer payment window than the first tier

B. Within seven calendar days of receiving payment from the general contractor — the same seven-day obligation applies at every tier of the payment chain

C. Within 30 days — the standard commercial payment term applies below the first-tier level

D. Within 10 days — a modest processing allowance applies to second-tier payment obligations under the Act

BUSINESS AND LAW SIMULATION

EXAM 7 — ANSWER KEY

1. C — The financial limitation on a Limited Building Contractor license applies to the total contract value including all change orders. A \$460,000 base contract plus a \$55,000 change order equals \$515,000 — exceeding the \$500,000 limit. The contractor must upgrade to Intermediate before executing the change order. Proceeding without upgrading constitutes contracting above the authorized financial level and is grounds for Board disciplinary action.
2. A — The NCLBGC's primary purpose is protecting the public by ensuring contractors performing work above the \$40,000 threshold have demonstrated minimum competency through examination and meet minimum financial qualification standards. This public protection mandate — not revenue generation, materials regulation, or legal immunity — is the foundational purpose that drives all of the Board's licensing, renewal, and disciplinary functions.
3. D — A criminal conviction involving dishonesty or fraud is an independent basis for NCLBGC disciplinary action regardless of whether a separate complaint has been filed. The Board does not need to wait for criminal appeals to conclude before acting — licensing proceedings are administrative proceedings separate from criminal proceedings. The contractor's unfitness demonstrated by the conviction is immediately relevant to their fitness to hold a license.
4. B — One qualifying partner who has passed both required examinations and has the required ownership or management relationship to the partnership satisfies the qualifier requirement. With a net worth of \$82,000 exceeding the \$75,000 Intermediate minimum, the financial requirement is also met. Both partners are not required to pass the examinations — only the designated qualifier must be examined.
5. C — Missing the Board's response deadline does not protect the contractor and does not result in automatic dismissal. The Board may proceed with disciplinary action based on available evidence — the contractor's silence is not a defense and may be treated as non-cooperation. The contractor who fails to respond loses the opportunity to present their side of the matter before a decision is made.
6. A — Financial qualification is the mechanism by which the Board determines which classification a contractor may hold — and therefore the maximum single-project dollar value they may contract for. The three-tier system requires \$17,000 net worth for Limited (\$500,000 limit), \$75,000 for Intermediate (\$1,500,000 limit), and \$150,000 for Unlimited (no limit). These thresholds are mandatory minimum standards, not targets or guidelines.

7. C — The Board may impose disciplinary action against a contractor for performing licensed work while unlicensed regardless of the elapsed time — there is no fixed statute of limitations preventing the Board from acting on licensing violations. The owner's payment and acceptance does not constitute a waiver of the licensing requirement or immunize the contractor from Board consequences. The Board's disciplinary authority protects future consumers, not only those directly harmed.
8. B — NCLBGC rules require the license number to appear in all advertising for construction services. "Licensed and Bonded" without the license number does not satisfy this requirement because it gives the public no way to verify the contractor's actual license status, classification, or current standing with the Board. The license number is the essential identifying element that links the advertisement to the licensee's public record.
9. C — The NCLBGC requires a verifiable physical address for the licensed entity's principal place of business — but does not prohibit home-based business addresses. A single-member LLC operating from a home office may use that address provided it is a legitimate operational address where the business is actually conducted. The Board's address requirement is about verifiability and regulatory accessibility, not the commercial character of the location.
10. A — NC Building Contractor licensure has no residency requirement — a contractor who moves to another state may maintain their active NC license by continuing to meet all renewal and continuing education requirements. The license remains valid as long as the entity continues to comply with NCLBGC requirements. Many contractors hold licenses in multiple states while residing in only one.
11. D — The Building Contractor examination does not automatically satisfy the Residential Contractor examination requirement — these are separate licensing classifications potentially administered under different statutory frameworks. The Residential Contractor license has its own examination and qualification requirements that must be independently satisfied. A contractor seeking both licenses must meet the separate requirements of each.
12. B — When an investigation finds no violation but identifies a concern that does not rise to the level of formal discipline, the Board may issue an advisory communication or guidance letter recommending improved practices. This informal communication falls short of formal discipline but puts the contractor on notice of the concern. The Board's authority includes both formal disciplinary action and informal guidance — the latter is used when the facts support concern but not sanction.
13. C — License lending — performing work under another contractor's license or allowing one's license to be used by another — violates NC Chapter 87 and subjects both parties to Board disciplinary action. The contractor performing the work is liable for performing licensed work without their own proper authority, and the contractor whose license was used is liable for

facilitating the circumvention of the licensing system. Both are independent violations warranting independent sanctions.

14. A — Under NC General Statutes Chapter 87, the NCLBGC may assess civil penalties of up to \$500 per violation. This specific statutory amount is directly tested on the Business and Law examination. The civil penalty authority is separate from and in addition to the Board's authority to impose license sanctions — a contractor may face both a civil penalty and a license suspension for the same conduct.
15. D — A qualifier who has transitioned to a passive investor role without genuine operational involvement in the entity's contracting operations no longer satisfies the bona fide qualifying relationship requirement. The license is based on the qualifier's competency being actively applied to the entity's work — a passive investor whose credentials are maintained on paper while someone else runs the operation creates a license lending situation that the Board is empowered to address.
16. B — The first step in challenging an NCLBGC disciplinary order is requesting a formal hearing before the Board or a designated hearing officer. The Board's hearing process — conducted under the NC Administrative Procedure Act — must be exhausted before seeking judicial review. Bypassing the Board's hearing process and filing directly in Superior Court is procedurally premature in most circumstances.
17. A — A 12-unit apartment building is a multi-family residential structure governed by the International Building Code — not the North Carolina Residential Building Code — due to its size and occupancy classification. Structures governed by the IBC fall within the Building Contractor classification regardless of the residential nature of the use. The applicable building code, not the residential use, is the determining factor for license classification.
18. C — Building Contractor licenses must be renewed annually by December 31 of each year. The annual renewal cycle — combined with the December 31 expiration date — is one of the most basic and directly tested facts about NC contractor licensing. Contractors who miss the December 31 deadline operate on a lapsed license beginning January 1 and must renew promptly to restore their licensing authority.
19. D — The NCLBGC does not have jurisdiction to resolve payment disputes between contractors and subcontractors — payment remedies are through the lien system and civil litigation. However, the Board may investigate whether a pattern of failing to pay subcontractors reflects conduct — such as dishonesty or financial incompetence — that supports independent disciplinary action on licensing grounds. The distinction between the payment dispute (outside Board jurisdiction) and the underlying conduct (potentially within Board jurisdiction) is important.
20. B — The entity handled the transition appropriately — performing no licensed contracting work during the period between the qualifier's retirement and the approval of the replacement qualifier, and promptly seeking a replacement. The key protective measure was refraining from licensed contracting work during the gap. Had the entity continued bidding and contracting during this

period, it would have been operating without a valid qualifier and facing potential disciplinary exposure.

21. C — NC Chapter 87 defines general contracting broadly — the construction, reconstruction, alteration, repair, or removal of any building or structure when the value exceeds \$40,000. The definition encompasses new construction, repair, remodeling, and demolition equally. There is no exclusion for residential projects, private projects, or unpermitted work. The breadth of this definition is a frequently tested aspect of the licensing threshold analysis.
22. A — Under NC Chapter 44A, the lien agent designation is the property owner's obligation. However, the property owner's construction lender may designate a lien agent as a condition of the construction loan, effectively fulfilling the designation on the owner's behalf. No other party — not the general contractor, title company, or any other project participant — may make the designation in the owner's place absent this lender arrangement.
23. A — The 120-day lien filing deadline runs from the claimant's actual last date of furnishing labor or materials that are genuinely part of the project scope — not from the date of substantial completion or the date of the subcontractor's primary work scope completion. Legitimate cleanup and finishing activities count as furnishing. The owner's argument that only substantial work counts is not supported by NC Chapter 44A — any genuine last project activity resets the clock.
24. B — When an owner receives a properly served Notice of Claim of Lien on Funds, NC Chapter 44A requires the owner to withhold at least the claimed amount from any subsequent payment to the general contractor. The owner must pay only \$77,000 to the GC and hold \$18,000 pending resolution. Disbursing the full \$95,000 makes the owner directly liable to the subcontractor for the amount improperly paid beyond the protected claim.
25. C — Upon confirming a valid default, the surety must elect one of its available remedies — completing the project using a replacement contractor, financing the defaulting contractor's continued performance, or paying the owner's reasonable completion costs up to the bond amount. The surety is not obligated to pay the full bond amount immediately, is not required to use the owner's preferred contractor, and does not need court approval to elect its remedy. The election must occur within a reasonable investigation period.
26. A — The last date of furnishing for lien calculation purposes is the most recent date the supplier delivered materials to the project site — March 15. The date of incorporation into the building, the date of the first delivery, and the invoice date are not the controlling dates for the supplier's last furnishing calculation. Tracking the actual last delivery date to the project site is the critical step for a material supplier preserving their lien rights.
27. D — The 180-day enforcement lawsuit deadline is absolute under NC Chapter 44A — it is not subject to extension for excusable neglect, attorney error, or any other equitable consideration. Missing the deadline permanently extinguishes the Claim of Lien on Real Property. The underlying

breach of contract claim against the GC survives, but the lien remedy against the property is gone. Attorney malpractice may be the subcontractor's remaining practical remedy for the lost lien.

28. B — When a general contractor fails to obtain a required payment bond, second-tier suppliers and subcontractors lose the Little Miller Act remedy they were entitled to expect. Mechanics' liens are generally not available against public property — leaving the supplier without either the bond remedy or the lien remedy. The supplier's practical options are a breach of contract claim against the first-tier subcontractor and potentially a claim against the GC for failing to provide the required bond.
29. C — A Friday afternoon call begins the notice period counting from the next business day. Saturday and Sunday are non-business days and do not count. The following Monday is a state holiday and does not count. Tuesday, Wednesday, and Thursday are the three required business days — making Friday the earliest legal excavation start date. The no-exceptions rule for business day calculation is critical to NC 811 compliance.
30. A — When mechanical excavation brings the contractor within the 18-inch tolerance zone of a marked utility — regardless of how the contractor arrived there — the excavator must immediately stop mechanical excavation and switch to hand tools or vacuum excavation. The contractor's equipment must stop when the excavation edge reaches 18 inches from the mark, not when it physically contacts the utility. Continuing with the backhoe after entering the tolerance zone violates NC 811 regardless of subsequent care.
31. D — A NC 811 locate ticket covers the specific excavation area described in the original locate request. When the project is redesigned to require excavation outside the originally marked area, a new locate request must be submitted covering the new area before any excavation begins there. The existing ticket does not cover areas not included in the original request regardless of proximity to the originally marked zone.
32. B — NC 811 law requires immediate notification of both the NC 811 center and the utility operator whose facility was damaged when underground utility damage occurs during excavation. The dual notification requirement ensures the utility operator can dispatch emergency repair crews while NC 811 documents the incident. Notifying only one party or delaying notification until excavation is complete violates the damage reporting requirements.
33. A — The landscaper complied with all NC 811 requirements — a locate request was submitted, all utility operators responded, markings were placed, and work proceeded in areas not marked as containing utilities. The gas service line that was struck either was not marked in response to the locate request — creating liability for the operator who failed to mark — or was not a member facility. The landscaper's compliance with the notification and locate process is the critical protective measure that affects the liability analysis.
34. C — An approved Erosion and Sedimentation Control Plan is a binding regulatory document — deviating from it without prior approval constitutes a violation of the SPCA regardless of whether

the deviation would be more effective. The contractor must submit a plan revision to the county program and receive written approval before implementing any configuration that differs from the approved plan. Professional engineering judgment does not override the regulatory approval requirement.

35. D — When a contractor fails to correct erosion control deficiencies within the period specified in a Notice of Violation, the approving agency may issue a stop-work order halting all land-disturbing activities and may assess civil penalties for each day the violation continues beyond the correction deadline. The NOV is not dismissed, does not automatically expire, and does not require federal notification — it escalates to stop-work and civil penalty enforcement.
36. B — NC DEMLR's final stabilization standard requires permanent ground cover on all disturbed areas — not 90%, not 92%, but all areas. A sparse or bare area near a stormwater outlet represents both a continued erosion risk and a failure to meet the final stabilization standard. Plan closure will be denied until the remaining area achieves adequate vegetative cover or equivalent permanent stabilization. Partial closures and bond-secured closures are not standard DEMLR practice.
37. A — The NC Prompt Pay Act's seven-day payment obligation is measured in calendar days — not business days. Seven calendar days after a Tuesday receipt means payment is due by the following Tuesday. The seventh calendar day is the deadline — interest begins accruing on the eighth day. Banking processing time, day-of-week considerations, and business day calculations are all irrelevant — the seven-day clock runs in calendar days from the day of receipt.
38. C — "Net 30 from General Contractor's receipt of Owner payment" is a pay-when-paid timing provision — it delays the GC's obligation until owner payment occurs but does not permanently extinguish it if the owner never pays. However, the 30-day payment term may conflict with the NC Prompt Pay Act's 7-day requirement, raising the question of whether the contractual term is enforceable to the extent it extends beyond the statutory deadline. NC courts have not uniformly resolved whether contractual extensions beyond seven days are permissible.
39. C — The NC Prompt Pay Act requires payment of undisputed amounts within seven days of receiving owner payment — only genuinely disputed amounts may be withheld. The GC's own quality documentation may support withholding \$10,800 for the disputed 15%, but the remaining \$61,200 in undisputed work for which full owner payment has been received must be paid promptly. Using the partial dispute as justification to withhold the entire application violates the Act and creates automatic interest liability on the improperly withheld undisputed portion.
40. B — The NC Prompt Pay Act's seven-day payment obligation applies at every tier of the construction payment chain without modification. When a first-tier subcontractor receives payment from the general contractor, a seven-day clock begins immediately for payment to second-tier suppliers and subcontractors. There is no extended window, processing allowance, or reduced obligation at lower tiers — the seven-day standard applies equally from the owner-to-GC relationship through every downstream payment relationship.