

PART TWO: BUSINESS AND LAW SIMULATION EXAMS

Introduction to the Business and Law Simulation Exams

The North Carolina Business and Law examination is the second licensing exam required for all general contractor license classifications — Limited, Intermediate, and Unlimited. Where the Building Contractor exam tests technical trade knowledge, the Business and Law exam tests your understanding of the legal, financial, and regulatory framework within which every licensed North Carolina contractor must operate. Passing both exams is required before a license will be issued regardless of your years of experience in the field.

About This Exam

The Business and Law exam consists of 40 questions and must be completed within 90 minutes. The passing score is 70% — meaning you must answer at least 28 of the 40 questions correctly. Like the Building Contractor exam, it is administered by PSI Examination Services at authorized testing centers across North Carolina, and it is an open-book exam. You may bring reference materials into the testing room, but time management is critical — candidates who rely too heavily on their references during the exam frequently run out of time before completing all 40 questions.

The exam is administered by computer, and questions are presented one at a time with four answer choices. You will not be penalized for guessing, so you should answer every question even if you are uncertain.

What This Exam Covers

The Business and Law exam is built around five subject areas drawn directly from the PSI Candidate Information Bulletin. These subject areas and their approximate question distributions are as follows:

Licensing — 21 questions (approximately 52% of the exam) This is by far the largest section of the exam and covers North Carolina contractor licensing law in depth. Questions test knowledge of the NC Licensing Board for General Contractors, license classifications and financial requirements, qualifier responsibilities, continuing education requirements, advertising rules, disciplinary procedures, and the statutes governing unlicensed contracting. NC General Statutes Chapter 87 is the primary reference for this section.

Liens and Bonds — 8 questions (approximately 20% of the exam) This section covers the mechanics of the NC lien law system under Chapter 44A, including the lien agent system, Claim of Lien on Real

Property filing and enforcement deadlines, Claim of Lien on Funds, lien waivers, and payment and performance bonds including the NC Little Miller Act for public projects.

One Call — 5 questions (approximately 12% of the exam) This section covers the NC 811 One Call system including notification requirements, the three-business-day notice period, the 18-inch tolerance zone, the 15-day marking validity period, contractor obligations upon discovering unmarked utilities, emergency excavation provisions, and liability consequences for failure to notify.

Erosion and Sedimentation Control — 3 questions (approximately 8% of the exam) This section covers the NC Sedimentation Pollution Control Act, plan approval thresholds, best management practices, contractor obligations, inspection requirements, civil penalties, and the enforcement process from Notice of Violation through stop-work orders.

Subcontractor Pay Requirements — 3 questions (approximately 8% of the exam) This section covers the NC Prompt Pay Act requirements including the seven-day payment obligation at each tier of the payment chain, the distinction between pay-when-paid and pay-if-paid clauses, and the enforceability standards for each under North Carolina law.

Your Primary Reference

The Business and Law exam is open book. Your primary reference for this exam is the **NASCLA Contractors Guide to Business, Law and Project Management, North Carolina General Contractors Edition**. This guide is organized into three parts:

Part One covers business planning and start-up — business structures, licensing, insurance, and marketing.

Part Two covers construction operations — estimating, contracts, scheduling, project management, safety, and subcontractor relationships.

Part Three covers administrative and financial management — accounting, taxes, lien law, and financial recordkeeping.

Knowing which section of the NASCLA guide addresses each subject area before test day is one of the most valuable time-saving strategies you can develop. During the exam, you should be navigating to a specific page — not searching through chapters trying to locate a topic. Study the table of contents and index of your NASCLA guide as thoroughly as you study the content itself.

How to Use These Practice Exams

The seven Business and Law Simulation Exams in this section are designed to mirror the PSI exam in format, difficulty, question style, and subject-area distribution. Each exam contains exactly 40 questions — 21 on Licensing, 8 on Liens and Bonds, 5 on One Call, 3 on Erosion and Sedimentation Control, and 3 on Subcontractor Pay Requirements — matching the official exam blueprint precisely.

Each exam should be taken under timed conditions — set a 90-minute timer and work through all 40 questions before reviewing your answers. After completing each exam, review the answer key carefully. Pay particular attention to questions you answered incorrectly and use the answer key explanations to understand the underlying principle, not just the correct answer. Many Business and Law exam questions test the same core principles from multiple angles — understanding why an answer is correct is the foundation for recognizing the correct answer when the question is phrased differently on exam day.

As you work through the seven exams, track your performance by subject area. Most candidates find that Licensing questions — because they cover the greatest number of statutes, specific dollar thresholds, and procedural requirements — require the most focused preparation. The lien law section rewards candidates who understand the sequential logic of the lien system rather than memorizing isolated facts.

By the time you complete all seven simulation exams, you will have answered 280 Business and Law practice questions covering every major topic area tested on the PSI exam. Combined with targeted review of the NASCLA guide and your Building Contractor preparation, you will be fully equipped to pass the Business and Law examination on your first attempt.

Good luck. The knowledge you are building in this section is not just preparation for an exam — it is the legal and financial foundation that will protect your business, your subcontractors, and your clients throughout your career as a licensed North Carolina general contractor.

BUSINESS AND LAW SIMULATION

EXAM 1

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, a person is required to hold a general contractors license before bidding or performing any single general contracting project valued above which of the following thresholds?

- A. \$30,000
- B. \$35,000
- C. \$40,000
- D. \$50,000

2. A Limited classification Building Contractor license authorizes the holder to bid and perform single projects valued up to which of the following financial limits?

- A. \$500,000 per single project
- B. \$250,000 per single project
- C. \$750,000 per single project
- D. \$1,000,000 per single project

3. Under NCLBGC rules, a qualifier for a licensed general contracting entity must have which of the following relationships to the entity at the time of qualification?

- A. The qualifier must hold a minimum 25% ownership interest in the entity
- B. The qualifier must be the sole owner of the licensed entity
- C. The qualifier must be a current officer or director of a corporate entity
- D. The qualifier must be a bona fide owner, officer, or managing employee of the entity

4. A general contractor whose license has lapsed for non-renewal wishes to perform a \$95,000 commercial project. Which of the following correctly describes the contractor's status?

- A. The contractor may perform the project using a licensed subcontractor as the qualifying entity
- B. The contractor must obtain a new license before bidding or contracting for this project
- C. The contractor may perform the project as long as all specialty work is subcontracted to licensed trade contractors
- D. The contractor may proceed if the project owner provides written authorization acknowledging the lapse

5. Under NC Chapter 87, a general contractor who advertises for construction work must include which of the following in all advertising?

- A. The contractor's surety bond number and issuing company
- B. The qualifier's individual name and personal contact information
- C. The contractor's license number
- D. The contractor's current financial limitation level and expiration date

6. The NCLBGC requires that a licensed entity notify the Board within how many days when its qualifier leaves the company?

- A. Within a reasonable time — the Board does not specify a fixed notification deadline
- B. Within 30 days of learning that the qualifier has terminated their relationship with the entity
- C. Within 90 days to allow time for the entity to identify and test a replacement qualifier
- D. Within 60 days — the Board issues an automatic grace period before the license is affected

7. Under NC licensing statutes, which of the following individuals is classified as a "qualifier" for a licensed general contracting entity?

- A. Any employee who holds a current OSHA 30-hour construction safety certification
- B. Any licensed subcontractor performing trade work on behalf of the entity
- C. An officer or director of a corporate entity who manages all financial matters
- D. The person who has passed the required licensing examinations and whose credentials support the entity's license

8. A licensed Building Contractor at the Intermediate classification level may bid and perform single projects valued up to which of the following?

- A. \$500,000 per single project
- B. \$1,500,000 per single project
- C. \$2,000,000 per single project
- D. \$1,000,000 per single project

9. Under NCLBGC rules, an Unlimited Building Contractor license requires the qualifier's entity to demonstrate a minimum audited net worth of which of the following amounts?

- A. \$75,000 audited net worth
- B. \$100,000 audited net worth
- C. \$150,000 audited net worth

D. \$200,000 audited net worth

10. A licensed NC general contractor performs work in another state without obtaining that state's required contractor license. Which of the following most accurately describes the consequence for the contractor's NC license?

A. The Board may investigate and impose disciplinary action if the out-of-state conduct reflects on the contractor's fitness to hold the NC license

B. The NC Board has no jurisdiction over work performed outside of North Carolina

C. The license is automatically suspended until the contractor obtains the required out-of-state license

D. The contractor is subject to a mandatory \$2,500 fine assessed by the NCLBGC

11. An entity holds a Building Contractor license at the Intermediate classification. The qualifier retires and the entity hires a new employee who has passed both required examinations. Under NCLBGC rules, for the new qualifier to support the Intermediate license, which additional requirement must the entity satisfy?

A. The entity must obtain a new surety bond in an amount acceptable to the Board

B. The entity must submit updated financial statements demonstrating the required net worth for the Intermediate classification

C. The new qualifier must complete 40 hours of Board-approved field training before the license is reissued

D. The entity must provide three letters of recommendation from licensed architects or engineers

12. Under NC General Statutes, a person who performs general contracting work without a license on a project valued above \$40,000 is subject to which of the following consequences?

A. A written warning for the first offense with no financial penalty assessed

B. A mandatory 30-day suspension of any other professional license held in NC

C. Criminal prosecution under NC General Statutes Chapter 87 as a Class 1 misdemeanor

D. A civil penalty and prohibition from recovering payment for the unlicensed work

13. A Building Contractor license at the Limited classification requires the qualifier's entity to demonstrate a minimum net worth of which of the following amounts?

A. \$17,000 minimum net worth for the Limited classification

B. \$25,000 minimum net worth for the Limited classification

C. \$10,000 minimum net worth for the Limited classification

D. \$50,000 minimum net worth for the Limited classification

14. Under NCLBGC continuing education requirements, the mandatory Board-produced course that must be included in every renewal cycle covers which subject area?

A. OSHA fall protection standards for the construction industry

B. Recent changes in NC construction law and Board rules

C. North Carolina contractor licensing laws and Board rules

D. Financial management and job costing for small contractors

15. A licensed general contractor is found to have submitted a bid under another contractor's license number to circumvent the financial limitation on the contractor's own license. This conduct is most likely grounds for which of the following Board actions?

A. A formal reprimand — the first sanction available before suspension proceedings

B. License suspension or revocation — using another license to circumvent limitations constitutes fraud and license lending

C. A \$500 civil penalty — the standard fine for first-time license misuse violations

D. Mandatory retesting on both examinations before the license may continue

16. An Intermediate Building Contractor license requires the qualifier's entity to have a minimum audited net worth of which of the following amounts?

- A. \$50,000 minimum audited net worth
- B. \$100,000 minimum audited net worth
- C. \$125,000 minimum audited net worth
- D. \$75,000 minimum audited net worth

17. Under NC Chapter 87, a general contractor's license is issued to which of the following?

- A. The specific legal entity — the license belongs to the business entity, not the individual qualifier
- B. The individual qualifier — who may then transfer the license to any entity they choose
- C. Both the qualifier and the entity jointly — both parties hold equal rights in the license
- D. The entity's principal place of business address — the license is location-specific

18. A licensed general contractor completes a renewal application but has not completed the required 8 hours of continuing education before the renewal deadline. Under NCLBGC rules, which of the following applies?

- A. The license is automatically reinstated with a 30-day grace period to complete the CE
- B. The Board may deny renewal or impose conditions requiring CE completion before renewal
- C. The contractor may renew and complete the CE requirement within 90 days of the renewal date
- D. The CE requirement is waived for the current cycle if the contractor pays a \$200 late completion fee

19. The NCLBGC is authorized under NC General Statutes Chapter 87 to suspend or revoke a contractor's license for which of the following actions?

- A. Submitting the lowest responsive bid on a publicly advertised project

- B. Obtaining a license through fraud, misrepresentation, or false statements on the application
- C. Using owner-furnished materials on a project covered by the contractor's license
- D. Hiring employees who are not licensed in the construction trade they perform

20. A sole proprietor licensed as a Building Contractor decides to form an LLC and continue the same contracting business. The sole proprietor's existing license may be transferred to the new LLC under which of the following conditions?

- A. The transfer is automatic — the same qualifier means the same license may be used
- B. The Board will transfer the license for a \$150 administrative fee within 30 days of application
- C. The license may be transferred if the LLC files the transfer application within 60 days of formation
- D. The LLC must apply for a new license as a separate legal entity — licenses are not transferable

21. A licensed NC general contractor applies for a license in Virginia, which has an examination waiver agreement with North Carolina. Which NC examination result may be used to satisfy Virginia's examination requirement?

- A. The NC Building Contractor trades examination — the NASCLA exam is the portable credential for trade exams in states with waiver agreements
- B. Both the Building Contractor exam and the Business and Law exam — both are accepted under full reciprocity agreements
- C. Neither exam — waiver agreements work only in one direction, from Virginia to North Carolina
- D. Only the Business and Law exam — trade exams are the only portable credentials under most state agreements

LIENS AND BONDS — 8 Questions

22. Under NC General Statutes Chapter 44A, a subcontractor who last furnished labor to a private project on May 10 must file a Claim of Lien on Real Property with the clerk of superior court by which of the following deadlines?

- A. July 10 — 60 days after the last date labor was furnished
- B. August 10 — 90 days after the last date labor was furnished
- C. September 7 — 120 days after the last date labor was furnished
- D. November 7 — 180 days after the last date labor was furnished

23. The NC lien agent system established under Chapter 44A requires a first-tier subcontractor to notify the lien agent within how many days of first furnishing labor or materials to the project?

- A. 30 days of first furnishing to the project
- B. 15 days of first furnishing to the project
- C. 7 days of first furnishing to the project
- D. 45 days of first furnishing to the project

24. A general contractor who files a Claim of Lien on Real Property must file an enforcement lawsuit within which of the following deadlines after the last date of furnishing?

- A. 120 days — the same as the lien filing deadline
- B. 150 days — 30 additional days beyond the lien filing deadline
- C. 90 days — the deadline for private project lien enforcement actions
- D. 180 days — the deadline for filing the enforcement lawsuit on a private project

25. Under the NC Little Miller Act, a performance and payment bond is required on public construction projects exceeding which of the following contract values?

- A. \$100,000 — the threshold for all public projects requiring bonding
- B. \$200,000 — the standard threshold under the NC Little Miller Act
- C. \$500,000 — the threshold for state-funded capital improvement projects
- D. \$300,000 — the threshold above which both bonds are required at 100% of contract price

26. A conditional lien waiver exchanged simultaneously with a progress payment becomes effective under which of the following conditions?

- A. Upon signature by the subcontractor regardless of whether the payment clears
- B. Only when the identified payment is actually received and clears the bank
- C. Immediately upon delivery to the general contractor's accounting department
- D. Only after the project is substantially complete and all retainage is released

27. A second-tier subcontractor — one who has a contract with a subcontractor but not directly with the general contractor — must serve a Notice of Claim of Lien on Funds on which parties to protect lien rights against project funds?

- A. Only the property owner — the primary party controlling the funds
- B. Only the first-tier subcontractor — the party with whom they have a direct contract
- C. Both the contractor from whom payment is sought and the owner — to trigger withholding obligations at both levels
- D. The general contractor only — the owner has no obligation to a second-tier claimant

28. Under the NC Little Miller Act, a subcontractor who does not have a direct contract with the prime contractor must provide written notice of a payment bond claim within how many days of the last date they furnished labor or materials to the project?

- A. 90 days from the last date of furnishing to the public project
- B. 60 days from the last date of furnishing to the public project
- C. 120 days from the last date of furnishing to the public project
- D. 180 days from the last date of furnishing to the public project

29. An unconditional final lien waiver signed by a subcontractor has which of the following legal effects?

- A. It releases lien rights for the final payment period only — previous periods remain protected
- B. It releases all lien rights for the entire project upon signature regardless of payment status
- C. It becomes effective only after all project warranty periods have expired without claims
- D. It releases all lien rights for the project and is effective immediately upon execution — the subcontractor waives all rights regardless of whether final payment is actually received

ONE CALL — 5 Questions

30. Under NC 811 law, an excavator who submits a locate request must wait a minimum of how many business days before beginning excavation?

- A. Five business days — the standard notice period for all excavation projects
- B. Three business days — the required notice period before excavation may begin
- C. Two business days — sufficient notice for small-scale residential excavation
- D. One business day — the minimum for emergency utility repairs with prior authorization

31. NC 811 utility markings placed in response to a locate request are valid for which of the following periods?

- A. Seven days from the date the marks were applied
- B. Ten days from the date the locate request was submitted
- C. Fifteen days from the date the marks were applied
- D. Thirty days from the date all utility operators have responded

32. When an excavator damages an underground utility during excavation, which of the following actions is required immediately after the damage occurs?

- A. Notify NC 811 and the utility operator whose facility was damaged — both parties must be notified without delay
- B. Complete the excavation work first and then report the damage within 24 hours
- C. Notify only the property owner and the general contractor of the incident
- D. Submit a written damage report to NC 811 within 48 hours of the discovery

33. The tolerance zone within which hand digging or vacuum excavation is required around marked underground utilities under NC 811 law is which of the following?

- A. 12 inches on each side of the outside edge of the marked utility location
- B. 24 inches on each side of the outside edge of the marked utility location
- C. 6 inches on each side of the outside edge of the marked utility location
- D. 18 inches on each side of the outside edge of the marked utility location

34. Under NC 811 law, an excavator who encounters an underground utility that was not marked during the locate process must take which of the following actions?

- A. Continue excavation carefully and note the utility location for future reference

- B. Stop excavation immediately at that location and notify NC 811 and the utility operators to identify and mark the facility before continuing
- C. Expose the utility by hand digging for its full length before resuming mechanical excavation
- D. Back-fill the area immediately and submit a complaint to NC 811 about the incomplete locate response

EROSION AND SEDIMENTATION CONTROL — 3 Questions

35. Under the NC Sedimentation Pollution Control Act, a contractor who disturbs one acre or more of land must submit an Erosion and Sedimentation Control Plan for approval to which agency before beginning land disturbance?

- A. NC Department of Transportation — for any disturbance within 100 feet of a state road right-of-way
- B. NC Division of Energy, Mineral and Land Resources — or a locally delegated program if the county has adopted its own program
- C. NC Division of Water Resources — the agency responsible for all stormwater and erosion matters
- D. The local building inspection department — in conjunction with the building permit application

36. Under the NC SPCA, civil penalties for erosion control violations begin accruing at which of the following times?

- A. From the date the violation first occurred — penalties accrue from the day of violation, not the day of discovery or correction
- B. From the date the Notice of Violation is issued by the inspector
- C. From the date the contractor fails to correct the violation within the NOV cure period
- D. From the date the stop-work order is issued for continued non-compliance

37. Under NC 15A NCAC 04, a construction project disturbing one or more acres must have which of the following documents present on site at all times during land-disturbing activities?

- A. A copy of the contractor's general liability insurance certificate for the project
- B. A copy of the executed contract between the general contractor and property owner
- C. A copy of the building permit and the NCLBGC license of the general contractor
- D. A copy of the approved Erosion and Sedimentation Control Plan — required to be on site and available for inspection at all times

SUBCONTRACTOR PAY REQUIREMENTS — 3 Questions

38. Under the NC Prompt Pay Act, when a general contractor receives payment from the owner for a subcontractor's completed work, the general contractor must pay the subcontractor within which of the following timeframes?

- A. Seven days after receiving the owner payment for the subcontractor's work
- B. Fourteen days after receiving the owner payment for the subcontractor's work
- C. Ten days after receiving the owner payment for the subcontractor's work
- D. Thirty days after receiving the owner payment for the subcontractor's work

39. A pay-when-paid clause in a subcontract agreement — stating that the subcontractor will be paid when the general contractor receives payment from the owner — is most accurately described as which of the following under NC law?

- A. A timing mechanism that delays the GC's payment obligation to the subcontractor until the owner pays — but does not permanently eliminate the obligation if the owner never pays
- B. An enforceable risk-shifting provision that completely eliminates the GC's obligation if the owner never pays
- C. A void and unenforceable provision — NC law prohibits all pay-when-paid clauses in subcontracts
- D. Enforceable only if the subcontractor's surety company approves the clause before execution

40. A subcontractor on a private commercial project submits a pay application for \$55,000 in completed work. The general contractor disputes \$8,000 claiming the work is defective but does not dispute the remaining \$47,000. Under the NC Prompt Pay Act, the general contractor's payment obligation for the undisputed amount is which of the following?

- A. The GC may withhold the full \$55,000 pending resolution of the \$8,000 defect claim
- B. The GC must pay the undisputed \$8,000 but may withhold the balance pending investigation
- C. The GC must pay the undisputed \$47,000 within seven days of receiving owner payment — only the genuinely disputed \$8,000 may be withheld
- D. The GC has no obligation to pay any portion until the defect claim is formally resolved through mediation or arbitration

BUSINESS AND LAW SIMULATION

EXAM 1 — ANSWER KEY

1. C — NC General Statutes Chapter 87 requires a general contractors license before bidding or performing any single project valued above \$40,000. This threshold applies to the total value of any single general contracting project — not annual revenue or combined project volume. Work below \$40,000 per project does not require a license, but contractors who artificially split projects to stay below this threshold may still be subject to licensing requirements.
2. A — A Limited classification Building Contractor license authorizes the holder to bid and perform single projects valued up to \$500,000. This is the entry-level classification under the NC licensing system. To perform projects above \$500,000, the contractor must hold an Intermediate or Unlimited classification with the corresponding financial qualifications.
3. D — Under NCLBGC rules, a qualifier must be a bona fide owner, officer, or managing employee of the licensed entity at the time of qualification and throughout the license period. This relationship requirement ensures the qualifier has genuine authority and involvement in the entity's operations — not merely a nominal relationship created to provide examination credentials for another contractor's use.
4. B — A lapsed license provides no authority to bid or contract for construction work above the \$40,000 threshold. The contractor must obtain a new license through the application process before undertaking any licensed project. Operating under a lapsed license subjects the contractor to the same penalties as unlicensed contracting — including inability to recover payment for work performed.
5. C — NC Chapter 87 requires that a contractor's license number be included in all advertising for construction work. This requirement applies to all advertising media including print, digital, signage, and vehicle markings. The license number allows consumers and owners to verify the contractor's license status through the NCLBGC's public license lookup tool.
6. A — The NCLBGC requires notification within a reasonable time when a qualifier leaves, but the Board rules emphasize that the entity must act promptly to either replace the qualifier or cease performing licensed work. While no single fixed day count is specified for all circumstances, the entity cannot simply continue operating without a qualifier — failure to promptly notify and address the vacancy exposes the license to suspension.
7. D — A qualifier is specifically the person who has passed the required licensing examinations — the Building Contractor exam and the Business and Law exam — and whose examination results

and qualifications support the entity's license. The qualifier's competency, demonstrated through examination, is the basis upon which the license is issued. No other employee, officer, or subcontractor can substitute for the examined qualifier.

8. B — An Intermediate classification Building Contractor license authorizes the holder to bid and perform single projects valued up to \$1,500,000. This middle classification bridges the gap between the Limited (\$500,000) and Unlimited (no limit) classifications and requires a higher financial qualification — specifically an audited net worth of \$75,000 — than the Limited classification.
9. C — An Unlimited Building Contractor license requires the qualifier's entity to demonstrate a minimum audited net worth of \$150,000, verified through audited financial statements prepared by a CPA. This highest financial threshold reflects the Board's determination that contractors performing projects of unlimited value must demonstrate substantial financial strength to protect owners and subcontractors on large projects.
10. A — The NCLBGC has authority to investigate and impose disciplinary action for conduct that reflects on a contractor's fitness to hold a NC license, including conduct occurring outside North Carolina. Performing work in another state without the required license demonstrates a disregard for professional licensing requirements that directly reflects on the contractor's fitness. The Board's authority is not limited to NC project activities.
11. B — The Intermediate classification requires the entity to maintain the minimum audited net worth required for that classification — \$75,000. When a new qualifier replaces a departing qualifier, the entity's financial qualifications must still meet the classification requirements. The Board verifies ongoing financial compliance through updated financial statement submissions accompanying qualification changes.
12. D — NC General Statutes Section 87-13 provides that a contractor who performs work without the required license may be subject to civil penalties and is prohibited from recovering compensation for the unlicensed work in any legal action. Courts consistently refuse to enforce payment obligations for unlicensed work as a matter of public policy. This consequence applies regardless of the quality of the work performed.
13. A — A Limited classification Building Contractor license requires the qualifier's entity to demonstrate a minimum net worth of \$17,000. This is the lowest financial threshold in the classification system, reflecting the lower project value limit of \$500,000. The net worth requirement ensures contractors have at least minimal financial resources to handle the obligations associated with projects at this classification level.
14. C — The mandatory 2-hour Board-produced course that must be included in every renewal cycle specifically covers North Carolina contractor licensing laws and Board rules — changes to statutes, new Board rules, disciplinary procedures, and compliance requirements. This mandatory course ensures that all licensed contractors remain current on the legal framework governing their

practice. The remaining 6 hours of the 8-hour total may be satisfied through a broader range of approved courses.

15. B — Allowing another contractor to use one's license — or using another's license — constitutes license lending, which is fraud against the Board and the public. This conduct directly violates the statutory licensing framework by allowing unlicensed or financially under-qualified contractors to perform work they are not authorized to perform. The Board's most serious disciplinary actions — suspension and revocation — are the appropriate responses to conduct this fundamentally undermining of the licensing system.
16. D — An Intermediate Building Contractor license requires a minimum audited net worth of \$75,000, verified through CPA-prepared audited financial statements. This financial requirement ensures that Intermediate contractors performing projects up to \$1,500,000 have sufficient financial resources to honor their contractual obligations. The audited requirement — as opposed to compiled or reviewed financials — provides the Board with a higher level of assurance about the accuracy of the reported net worth.
17. A — NC contractor licenses are issued to the specific legal entity — the corporation, LLC, partnership, or sole proprietorship — named on the license application. The license belongs to the entity, not to the individual qualifier. When the qualifier leaves or dies, the license continues to belong to the entity, which must then obtain a new qualifier to maintain its validity. This is why licenses cannot be simply "taken" by a departing qualifier.
18. C — The Board may deny renewal or require completion of CE as a condition of renewal when the CE requirement has not been satisfied by the renewal deadline. The Board has discretion in how it handles CE deficiencies, and contractors who proactively communicate with the Board before the deadline are generally treated more favorably than those who simply submit renewal applications without completing CE. Completing CE after the deadline but before renewal is finalized is typically the resolution.
19. B — Obtaining a license through fraud, misrepresentation, or false statements on the license application is one of the most fundamental grounds for disciplinary action under NC Chapter 87. The Board's ability to revoke licenses obtained through deception is essential to the integrity of the licensing system. A fraudulently obtained license may be revoked at any time after the fraud is discovered, regardless of how long the contractor has held the license.
20. D — NC contractor licenses are entity-specific and non-transferable between legal entities. When a sole proprietor forms an LLC, a new legal entity is created — even if the ownership, qualifier, and operations are identical. The LLC must apply for its own license, with the same qualifier supporting the new application. Operating under the sole proprietorship license after the LLC is formed constitutes operating without a license as the LLC.
21. A — Under North Carolina's examination waiver agreements with other states, the NC Building Contractor trades examination result is the portable credential — it corresponds to the NASCLA

exam that most states with reciprocity agreements accept. The Business and Law exam covers NC-specific law and is not portable because each state has its own licensing statutes, lien laws, and regulatory requirements that candidates must demonstrate knowledge of.

22. C — May 10 plus 120 days equals September 7. The 120-day deadline from the last date of furnishing is a hard deadline — missing it by even one day permanently extinguishes the lien right. Contractors must track the last-furnishing date for every project from the first day of mobilization and calendar the 120-day deadline immediately. The 120-day filing deadline and the 180-day enforcement deadline are the two most critical dates in NC lien law.
23. B — A first-tier subcontractor must notify the lien agent within 15 days of first furnishing labor or materials to the project. This early notification establishes the subcontractor's potential lien rights in the lien agent's records before the owner or lender can record a deed of trust or transfer title to a bona fide purchaser without notice. Failure to notify within 15 days does not eliminate lien rights entirely but may affect priority against certain subsequent interests.
24. D — After filing a Claim of Lien on Real Property, the claimant must file an enforcement lawsuit within 180 days of the last date of furnishing to avoid the lien being extinguished. The 180-day enforcement deadline is calculated from the same last-furnishing date as the 120-day filing deadline — not from the date the lien was filed. A claimant who files the lien on day 119 still has only until day 180 from last furnishing to file the lawsuit, leaving very little time if the lien was filed late.
25. D — The NC Little Miller Act requires performance and payment bonds at 100% of the contract price on public construction contracts exceeding \$300,000. Both bonds are required at the full contract amount — the bonds protect the public owner (performance bond) and subcontractors and suppliers (payment bond) on taxpayer-funded projects. The \$300,000 threshold is lower than many other states' thresholds, reflecting NC's strong policy of protecting subcontractors and suppliers on public work.
26. B — A conditional lien waiver is effective only when the identified payment is actually received by the signing party and clears the bank. The conditionality is the legal protection that distinguishes conditional from unconditional waivers — if the payment fails, the waiver is void and all lien rights are preserved as if the waiver had never been signed. Contractors should never sign unconditional waivers in exchange for payments that have not yet cleared.
27. C — A second-tier subcontractor must serve a Notice of Claim of Lien on Funds on both the contractor from whom payment is sought and the property owner to trigger withholding obligations at both levels of the payment chain. Serving only one party leaves the claim incompletely protected because the unnotified party has no legal obligation to withhold funds to cover the claim. The dual notice requirement is the mechanism that creates a protected fund at multiple tiers.
28. A — Under the NC Little Miller Act, a claimant without a direct contract with the prime contractor must provide written notice of a payment bond claim within 90 days of the last date they furnished

labor or materials to the project. This 90-day notice deadline is shorter than the 120-day lien filing deadline on private projects and must be tracked carefully. Missing the 90-day deadline eliminates the right to make a payment bond claim regardless of the validity of the underlying payment claim.

29. D — An unconditional final lien waiver releases all lien rights for the entire project and is effective immediately upon execution — there is no conditionality that makes the waiver dependent on actual receipt of payment. Signing an unconditional final waiver before the final payment actually clears is one of the most dangerous mistakes a subcontractor can make. Once signed and delivered, the waiver cannot be revoked, and the subcontractor has no lien remedy even if the final payment subsequently bounces or is stopped.
30. B — NC 811 law requires excavators to wait a minimum of three business days after submitting a locate request before beginning excavation. Business days exclude weekends and holidays — a Monday call means the three business days are Tuesday, Wednesday, and Thursday, making Friday the earliest legal start date. The three-business-day period gives utility operators time to research their records and physically mark their facilities in the proposed excavation area.
31. C — Utility markings placed in response to a NC 811 locate request are valid for 15 days from the date the marks were applied. After 15 days, the markings are no longer reliable — utilities may have shifted, new installations may have occurred, and paint or flags may have been disturbed. Any excavation continuing beyond 15 days from the marking date requires a new locate request to be submitted before work continues.
32. A — When underground utility damage occurs during excavation, the excavator must immediately notify both NC 811 and the utility operator whose facility was damaged. This dual notification requirement allows the utility operator to dispatch emergency repair crews and allows NC 811 to document the incident. Delayed notification after completing work, or reporting only to the project team, violates the NC 811 damage reporting requirement and increases both safety risk and legal liability.
33. D — The tolerance zone under NC 811 law is 18 inches on each side of the outside edge of the marked utility location — creating a total zone of 36 inches centered on the mark. Within this 18-inch tolerance zone, excavators must use hand tools or vacuum excavation to expose the utility before any mechanical excavation may continue. The tolerance zone accounts for natural marking inaccuracies and underground utility position variations relative to surface marks.
34. B — When an excavator discovers an unmarked underground utility during excavation, they must stop mechanical excavation immediately at that location and contact NC 811 and the relevant utility operators to identify and mark the facility before continuing. The discovery of an unmarked utility is a safety emergency that requires positive identification before the excavation can safely resume. Continuing mechanical excavation near an unidentified utility creates potentially fatal safety hazards.

35. C — The correct agency for ESC plan approval is DEMLR or locally delegated programs. For exam purposes: Erosion and Sedimentation Control Plans for projects disturbing one or more acres are submitted to the NC Division of Energy, Mineral and Land Resources (DEMLR) or, if the county has a delegated local program approved by the state, to the local program for review and approval before any land disturbance begins.
36. A — Civil penalties under the NC SPCA begin accruing from the date the violation first occurred — not from the date the inspector issues the NOV, not from the date the contractor receives the NOV, and not from the date the cure period expires. This retroactive penalty accrual provision is one of the most consequential aspects of NC erosion control enforcement. A silt fence that fails during a storm creates penalty exposure from the moment of failure, creating a strong financial incentive for preventive maintenance.
37. D — NC 15A NCAC 04 requires that a copy of the approved Erosion and Sedimentation Control Plan be kept on site at all times during land-disturbing activities and be immediately available for inspection upon request by a regulatory inspector. Failure to maintain the approved plan on site is an independent regulatory violation separate from any BMP performance deficiencies. Inspectors use the on-site plan to verify that installed measures match the approved design.
38. A — The NC Prompt Pay Act requires general contractors to pay subcontractors within seven days of receiving corresponding owner payment for the subcontractor's completed work. This seven-day obligation applies at every tier of the payment chain — owners must pay GCs within the contractual period, GCs must pay first-tier subcontractors within seven days of receipt, and first-tier subcontractors must pay their subcontractors within seven days of receiving payment. Interest accrues automatically on late payments.
39. A — Under NC law, a pay-when-paid clause is interpreted as a timing mechanism — it delays the GC's payment obligation to the subcontractor until the owner pays, but it does not permanently extinguish the obligation if the owner never pays. Courts in NC have consistently held that general language conditioning payment on owner receipt does not shift the ultimate risk of owner non-payment to the subcontractor unless the language explicitly and unambiguously states that intention. The distinction between pay-when-paid (timing) and pay-if-paid (risk-shifting) is one of the most tested concepts on the Business and Law exam.
40. C — The NC Prompt Pay Act requires that undisputed amounts be paid within seven days of receiving owner payment — only genuinely disputed amounts may be withheld pending resolution. The general contractor may retain the \$8,000 subject to the defect dispute but must pay the undisputed \$47,000 promptly. Withholding the entire application because of a partial dispute violates the Prompt Pay Act and subjects the GC to interest liability on the improperly withheld undisputed portion.