

PRACTICE EXAM 3: SRE SIMULATION

(100 QUESTIONS)

Time Limit: 240 Minutes | Passing Score: 70%

This exam combines multi-step scenarios, cross-topic integration, and questions requiring synthesis of multiple statutory provisions. Difficulty is elevated beyond Exams 1 and 2.

1. A licensed general contractor hires four framers and classifies all of them as independent contractors. The contractor provides all tools, sets the daily work schedule, directs the methods of construction, and pays the workers hourly. One of the framers is injured on the jobsite. The contractor does not carry workers' compensation insurance. Which of the following best describes the contractor's total legal exposure?

- A. No exposure because the workers were classified as independent contractors in writing
- B. Exposure for misclassifying employees as independent contractors, failure to maintain workers' compensation, and potential license suspension or revocation
- C. Exposure limited to the cost of the injured worker's medical treatment and lost wages
- D. Exposure only if the injured worker files a formal complaint with the AZ ROC

2. A homeowner contracts with a licensed residential contractor to build a guest house for ninety thousand dollars. The contractor collects a fifteen-thousand-dollar deposit, begins excavation, and then abandons the project after two weeks without explanation. The homeowner files an AZ ROC complaint and simultaneously files a civil lawsuit. During the investigation, the Registrar suspends the contractor's license. The homeowner then files a Recovery Fund claim. Which of the following combinations of remedies is the homeowner entitled to pursue?

- A. The Recovery Fund claim only, because the civil lawsuit bars all administrative remedies

- B. The civil lawsuit only, because filing a complaint automatically waives Recovery Fund eligibility
- C. Either the Recovery Fund claim or the civil lawsuit, but not both simultaneously
- D. Both the civil lawsuit and the Recovery Fund claim, because the two systems operate independently

3. A contractor holds a KB-1 Dual Building Contractor license with a combined bond of twenty-two thousand dollars — fifteen thousand for the commercial portion and seven thousand for the residential portion. A claim is filed against the bond by a residential subcontractor for twelve thousand dollars. Under ARS § 32-1152, what is the maximum amount the subcontractor can recover from the bond?

- A. Seven thousand dollars, because liability under the bond is limited to the amount established for the residential classification
- B. Twelve thousand dollars, because the combined bond covers all claims regardless of classification
- C. Fifteen thousand dollars, because the commercial portion of the bond has the higher limit
- D. Twenty-two thousand dollars, because the full combined bond amount is available for any claim

4. A contractor enters into a residential construction contract for one hundred twenty thousand dollars. The contract includes all eight mandatory elements of ARS § 32-1158. Midway through the project, the contractor discovers asbestos in the existing structure. The contractor stops work. Under ARS § 32-1129.03, what right does the contractor have when hazardous substances are encountered?

- A. The right to terminate the contract immediately and retain all payments received to date
- B. The right to charge the owner double the contract amount for hazardous materials remediation
- C. The right to interrupt performance without penalty when hazardous substances are encountered
- D. The right to file a Recovery Fund claim against the owner for failing to disclose the hazard

5. A person who has never held a contractor license in any state applies to the AZ ROC for a B-1 General Commercial Contractor license. The applicant's Qualifying Party has six years of commercial construction experience and has passed both the SRE and the PSI trade examination. The applicant submits background checks for all named persons, a financial statement, and a fifteen-thousand-dollar surety bond. Which additional requirement must be met before the license can be issued?

- A. The applicant must obtain a Transaction Privilege Tax license from the Arizona Department of Revenue
- B. The applicant must complete a two-year apprenticeship program approved by the Registrar
- C. The applicant must pass a supplemental business management exam administered by the AZ ROC
- D. The applicant must provide three letters of recommendation from licensed Arizona contractors

6. A contractor operating as a corporation has five persons named on the license: three officers, the Qualifying Party, and one shareholder who owns thirty percent of the stock. How many background checks must be submitted with the license application?

- A. One, for the Qualifying Party only because other named persons are exempt
- B. Two, for the Qualifying Party and the majority shareholder with the largest ownership stake
- C. Three, for the officers only because shareholders are exempt from background check requirements
- D. Five, for every person named on the license as required by the application process

7. A contractor's surety bond is currently five thousand dollars based on an annual gross volume of less than one hundred fifty thousand dollars. The contractor wants to take on a single commercial project worth four hundred thousand dollars, which would push the annual volume into a higher tier. What should the contractor do before accepting the project?

- A. Accept the project and increase the bond at the next license renewal cycle as permitted
- B. Increase the bond to the amount required for the higher volume tier before accepting the project
- C. Decline the project because contractors cannot exceed their current bonded volume tier
- D. Accept the project and notify the Registrar within thirty days of the volume increase

8. Under ARS § 32-1158.02, residential construction contracts must include specific provisions that go beyond the standard eight elements of ARS § 32-1158. A contractor is building a new single-family home. Which of the following is the contractor most likely required to address under the residential-specific provisions?

- A. A guarantee that the home will appreciate in value by at least ten percent within five years

- B. An agreement that all disputes will be resolved exclusively through the AZ ROC complaint process
- C. Provisions relating to warranty obligations, defect notification, and the contractor's duty to correct
- D. A requirement that the contractor post a separate performance bond for the specific project

9. A contractor receives a citation from the Registrar alleging that the contractor departed from the approved plans on a residential addition. The contractor believes the departure was a minor, inconsequential change that improved the design. Under ARS § 32-1154, the ground for discipline requires the departure to be which of the following?

- A. Willful and in a material respect without the consent of the owner, meaning both intentional action and significance of the change are required elements
- B. Any departure from plans regardless of intent, materiality, or the owner's awareness
- C. A departure that results in actual physical damage to the structure or adjacent property
- D. A departure that the building inspector identifies as non-compliant during a scheduled inspection

10. A contractor builds a residential garage and the homeowner is satisfied with the work. Three years later, the contractor's license is revoked for unrelated violations on a different project. The homeowner from the garage project then discovers a defect in the foundation. Can the Registrar investigate a complaint filed by this homeowner even though the license has already been revoked?

- A. No, because the revocation terminates the Registrar's authority over the contractor's past work
- B. No, because the homeowner was satisfied at the time of completion and accepted the work
- C. Yes, but only if the complaint is filed within one year of the license revocation date
- D. Yes, because the Registrar retains jurisdiction regardless of the license status

11. A material supplier serves a preliminary twenty-day notice on a residential project with an estimated total price of twenty-five thousand dollars. Six months later, the project is complete but the general contractor has not paid the supplier. The supplier wants to file a mechanics' lien. Before recording the lien, the supplier must verify that which of the following conditions has been met?

- A. The general contractor's AZ ROC license was active at the time the materials were delivered
- B. The property owner was notified at least ten days before the lien is recorded
- C. The notice and claim of lien is recorded within the applicable timeframe after project completion
- D. The Registrar of Contractors has approved the lien amount through a preliminary review

12. A contractor is awarded a public school construction project. The architect's specifications require a specific brand of window that is no longer available. The contractor wants to substitute an equivalent product from a different manufacturer. What is the correct procedure?

- A. Install the substitute product and notify the architect after installation is complete
- B. Submit a formal substitution request to the architect for review and approval before installation
- C. Contact the AZ ROC to obtain authorization for the material substitution
- D. Use the nearest available brand without notification because the original is unavailable

13. Under Arizona law, the Registrar of Contractors has the authority to adopt rules establishing minimum standards for workmanship. When developing these standards, the Registrar must be guided by which principle?

- A. Established usage and procedure as found in the construction business in Arizona
- B. The most conservative interpretation of the International Building Code and International Residential Code
- C. Standards recommended by national trade associations and labor unions
- D. Written recommendations submitted by licensed contractors through the public comment process

14. A contractor completes a residential roofing project and the homeowner makes the final payment by personal check. Two weeks later, the check bounces due to insufficient funds. The contractor wants to file a mechanics' lien to secure the unpaid amount. Under Arizona law, which prerequisite must the contractor have met to file a valid lien?

- A. The contractor must have filed a written complaint with the AZ ROC before recording the lien

- B. The contractor must have given the homeowner a formal ten-day demand letter before recording
- C. The contractor must have attempted mediation through the AZ ROC dispute resolution program
- D. The contractor must have served a timely preliminary twenty-day notice on the property owner

15. A licensed contractor operates in both Maricopa County and Pima County during the same tax period. The Transaction Privilege Tax rates differ between the two jurisdictions. How should the contractor handle TPT reporting?

- A. Report all work at the higher of the two county rates to ensure full compliance
- B. Report all work at a single blended rate calculated by averaging the two county rates
- C. Report each project at the specific rate for the jurisdiction where the project is physically located
- D. Report all work at the state rate only because county rates apply only to retail businesses

16. A homeowner hires a contractor to install a backyard swimming pool. The written contract includes all standard mandatory elements plus the additional disclosures required by ARS § 32-1158.01 for swimming pool construction. During construction, the contractor discovers that the pool design conflicts with the required setback from the property line. What is the contractor's most appropriate action?

- A. Stop the pool installation at the conflicting point and notify the homeowner and the design professional to resolve the setback issue before proceeding
- B. Continue installation because the contractor is not responsible for verifying zoning setbacks
- C. Modify the pool design in the field to comply with the setback and bill the owner for the change
- D. File a complaint with the building department against the architect who designed the pool

17. A contractor's employee classification is audited by the Industrial Commission of Arizona. The audit reveals that three workers classified as independent contractors should have been classified as employees. Which of the following is the most likely consequence?

- A. A written warning with no financial penalty for the first occurrence of misclassification

B. Back payment of workers' compensation premiums, potential penalties, and possible AZ ROC license action for failure to maintain coverage

C. Reclassification of the workers with no retroactive financial obligations for the contractor

D. A fine payable to the three misclassified workers equal to the employer's share of FICA taxes

18. A contractor who has been continuously licensed in Arizona for fifteen years receives a complaint from a homeowner about work performed on a project completed twelve years ago. The contractor argues that the complaint is too old to investigate. Under Arizona law, which of the following is correct?

A. The contractor is correct because complaints must be filed within five years of project completion

B. The contractor is correct because the statute of limitations for construction defects is eight years

C. The contractor is incorrect because the Registrar has a ten-year jurisdictional window

D. The contractor is incorrect because there is no statutory time limit on the Registrar's jurisdiction

19. A property owner hires a contractor to build a commercial office building under a cost-plus contract. The contract specifies that the contractor will be reimbursed for all direct costs plus a twelve percent fee. Midway through the project, the owner requests detailed backup documentation for all material invoices. Under the terms of a standard cost-plus arrangement, is the owner entitled to this documentation?

A. No, because the contractor's internal cost records are proprietary business information

B. No, because cost-plus contracts require the owner to accept the contractor's total billing without itemization

C. Yes, because cost-plus contracts require transparent accounting and the owner has the right to review all cost documentation

D. Yes, but only if the contract specifically includes an audit clause permitting document review

20. A contractor is performing a kitchen renovation and the homeowner asks the contractor to also replace the electrical panel and add three new circuits. The contractor holds a B General Residential Contractor license but does not hold an electrical specialty license. The contractor agrees to perform the electrical work to keep the customer happy. Which provisions of Arizona law has the contractor violated?

- A. The contractor has acted beyond the scope authorized by the license because electrical work must be subcontracted to a licensed electrical contractor
- B. The contractor has violated only the contract requirements by performing work not described in the original scope
- C. The contractor has violated only the building code by performing electrical work without an electrical permit
- D. The contractor has not violated any provision because kitchen renovations include incidental electrical work

21. A subcontractor serves a preliminary twenty-day notice on a residential project. The property owner receives the notice and immediately calls the general contractor, threatening to cancel the contract because the subcontractor is "filing a lien." The general contractor calls the subcontractor demanding that the notice be withdrawn. Under Arizona law, which of the following is correct?

- A. The subcontractor must withdraw the notice if the general contractor provides written assurance of payment
- B. The subcontractor should withdraw the notice to maintain the business relationship with the contractor
- C. The preliminary notice is a lien and the property owner has the right to demand its removal
- D. The preliminary notice is not a lien, is a standard legal requirement, and the subcontractor has no obligation to withdraw it

22. A contractor completes a residential project and the homeowner is dissatisfied with the quality of the interior paint finish. The homeowner files an AZ ROC complaint alleging that the paint application does not meet the Registrar's minimum standards for workmanship. During the investigation, the Registrar determines that the paint application, while not aesthetically ideal, meets all applicable standards. What is the most likely outcome?

- A. The complaint is dismissed because the work meets the Registrar's minimum standards for workmanship
- B. The contractor is cited for a minor violation with a requirement to repaint at no cost to the homeowner
- C. The contractor's license is placed on probation until the homeowner confirms satisfaction
- D. The Registrar orders mediation between the contractor and homeowner with binding outcome

23. A contractor's license is suspended for failure to maintain a surety bond. During the suspension, the contractor continues to perform work on two active projects. When the Registrar discovers this, what additional violation has the contractor committed?

- A. Failure to comply with the building codes of the state and local political subdivisions
- B. Material misrepresentation in obtaining or maintaining the contractor's license
- C. Engaging in contracting without a valid license in violation of ARS § 32-1151
- D. Failure to take corrective action within the timeframe specified in a written directive

24. A residential contractor completes a bathroom renovation. The homeowner pays the full contract price of eighteen thousand dollars. Fourteen months later, a water leak develops behind the shower tile due to improper waterproofing installation. The homeowner contacts the contractor, who refuses to return and make repairs. The homeowner files an AZ ROC complaint and a Recovery Fund claim. For the Recovery Fund claim to be eligible, which condition must first be satisfied?

- A. The homeowner must obtain a court judgment against the contractor before filing the claim
- B. The contractor's license must be suspended or revoked as a direct result of the complaint filed by the homeowner
- C. The homeowner must have attempted to resolve the dispute through private mediation first
- D. The homeowner must demonstrate that the contractor has no assets available to satisfy a judgment

25. A contractor builds a new home and installs the foundation four inches off the plan-specified location, shifting the entire structure toward the property line. The homeowner did not authorize this change. The building inspector does not catch the error during inspection and issues a certificate of occupancy. Two years later, a survey reveals the encroachment. Under ARS § 32-1154, which ground for discipline applies to the contractor?

- A. Failure to comply with the building codes because the foundation location violates the setback
- B. Material misrepresentation in obtaining the contractor's license from the Registrar
- C. Failure to maintain adequate workers' compensation coverage during the construction period
- D. Willful departure from plans or specifications in a material respect without the owner's consent

26. Under Arizona law, a contractor who encounters hazardous substances during construction may suspend performance under ARS § 32-1129.03. If the contractor suspends performance, which of the following protections applies?

- A. The contractor may not be penalized for the suspension and is protected from breach of contract claims related to the stoppage
- B. The contractor must continue work in all unaffected areas while the hazardous condition is remediated
- C. The contractor is required to remediate the hazardous condition at the owner's expense before resuming
- D. The contractor must notify OSHA within twenty-four hours and obtain a federal clearance to resume work

27. A contractor applies for license renewal and submits all required documents including the renewal fee, bond verification, and updated financial statement. The contractor's workers' compensation policy expired three days before the renewal submission. The contractor is currently arranging a new policy. Can the Registrar renew the license?

- A. Yes, because a three-day gap in coverage is within the permissible grace period for renewal
- B. Yes, because the renewal application takes precedence over the insurance requirement
- C. No, because the contractor's surety bond or cash deposit must be in full force and effect, and workers' compensation must be maintained or the contractor must be exempt
- D. No, because any gap in workers' compensation coverage results in permanent disqualification

28. A homeowner hires a contractor to build a detached workshop. The contract is for nine hundred fifty dollars and no building permit is required. The contractor is not licensed. Has the contractor violated Arizona law?

- A. Yes, because all construction work performed for compensation requires a contractor license
- B. Yes, because workshops are classified as habitable structures requiring licensure regardless of cost
- C. No, but only if the contractor registers as an exempt handyman with the local building department
- D. No, because the total cost does not exceed one thousand dollars and no permit is required

29. A contractor operating as an LLC has a single member who also serves as the Qualifying Party. The member decides to add a second member who will own fifty percent of the LLC. What licensing obligations does this change trigger?

- A. The contractor must notify the Registrar and the new member must undergo a background check because any person owning twenty-five percent or more must be identified on the application
- B. No obligations are triggered because adding a member does not affect the license
- C. The contractor must apply for a completely new license under the restructured LLC
- D. The new member must pass the SRE and trade examination before being added to the license

30. A contractor is working on a commercial building renovation. The building owner asks the contractor to perform emergency plumbing repairs to stop an active water leak that is causing damage to the building contents. The contractor holds only a B-1 General Commercial Contractor license. Under Arizona law, what should the contractor do?

- A. Attempt to contain the water damage while immediately calling a licensed plumbing contractor
- B. Perform the emergency plumbing repair because emergency situations create a temporary exemption from specialty licensing requirements
- C. Perform the repair and document it as emergency maintenance rather than construction
- D. Refuse to take any action because the contractor has no legal authority to touch plumbing systems

31. A homeowner enters into a construction contract with a licensed contractor for a home addition valued at two hundred thousand dollars. The contract includes a provision requiring all disputes to be resolved through binding arbitration rather than through the AZ ROC complaint process or civil litigation. Is this arbitration clause enforceable?

- A. No, because all construction disputes must be resolved through the AZ ROC complaint process
- B. No, because binding arbitration clauses are prohibited in residential construction contracts
- C. Yes, but the clause cannot prevent the homeowner from filing a separate AZ ROC complaint
- D. Yes, and the arbitration clause waives the homeowner's right to file an AZ ROC complaint

32. A contractor completes a residential project and the homeowner refuses to make the final payment of eight thousand dollars, claiming the work is defective. The contractor files a mechanics' lien against the property. The homeowner demands that the lien be removed, claiming it is invalid because the contractor has a direct contract with the owner. Under Arizona law, is the contractor's lien valid?

- A. Yes, because the contractor timely served a preliminary notice and the lien was recorded within the applicable deadline
- B. No, because general contractors with direct owner contracts are exempt from mechanics' lien provisions
- C. No, because mechanics' liens are available only to subcontractors and material suppliers
- D. Yes, but only if the contractor first files a complaint with the AZ ROC and obtains authorization

33. A contractor is building a new commercial structure. The architect issues an addendum changing the structural steel specification from ASTM A992 to a lower-grade steel. The contractor has concerns that the change may compromise the structural integrity. What is the contractor's most appropriate course of action?

- A. Install the lower-grade steel as specified because the architect bears design responsibility
- B. Refuse to install the lower-grade steel and file a complaint against the architect with the state board
- C. Document the concern in writing to the architect and request written confirmation that the change meets all code requirements before proceeding
- D. Contact the AZ ROC for guidance on whether the steel substitution complies with building codes

34. A licensed contractor advertises on a real estate website offering "complete home renovation services including electrical, plumbing, and HVAC." The contractor holds only a B General Residential Contractor license. Under Arizona law, what violation has the contractor committed?

- A. No violation, because the contractor can subcontract all specialty work to appropriately licensed firms
- B. A potential advertising violation because the advertisement implies the contractor performs specialty work that requires separate licenses
- C. A criminal violation punishable by immediate license revocation and fines
- D. A violation only if the contractor actually performs the specialty work without subcontracting

35. A contractor builds a residence and the homeowner moves in. Three months later, a significant foundation crack appears. The homeowner files an AZ ROC complaint, and the Registrar issues a written directive to the contractor to investigate and repair the foundation within thirty days. The contractor hires a structural engineer who determines that the crack is caused by naturally expansive soil conditions, not defective construction. What should the contractor do?

- A. Respond to the Registrar in writing within the compliance period, providing the engineer's report and requesting that the directive be reconsidered based on the findings
- B. Ignore the directive because the engineer's report proves the contractor is not at fault
- C. Repair the foundation regardless of the cause to avoid any risk of a civil penalty
- D. File a counter-complaint against the homeowner for filing a frivolous complaint

36. Under ARS § 32-1152, a contractor's license bond serves as a financial guarantee primarily for the protection of which parties?

- A. The Registrar of Contractors and the state general fund for enforcement-related expenses
- B. The contractor's employees for unpaid wages and benefits owed by the employer
- C. The contractor's insurance company as collateral for workers' compensation claims
- D. Persons providing labor, materials, or construction equipment used in the direct performance of a construction contract

37. A contractor who has had their license suspended for ninety days wants to maintain the business during the suspension. Which of the following activities can the contractor legally perform during the suspension period?

- A. Complete work on projects that were under contract before the suspension took effect
- B. Bid on new projects provided the bids are contingent on license reinstatement
- C. Perform only administrative functions such as bookkeeping, estimating, and marketing — no construction work
- D. Subcontract all construction work to another licensed contractor under the suspended license

38. A homeowner files a Recovery Fund claim after a contractor abandons a residential project. The Registrar investigates and suspends the contractor's license. During the claim evaluation, the Registrar determines that the homeowner's actual damages are twenty-two thousand dollars. However, the homeowner also submitted repair bids from an unlicensed handyman totaling thirty-one thousand dollars. Under ARS § 32-1132, how does the Registrar evaluate the damage claim?

- A. Actual damages must be established by bids from licensed contractors — bids from unlicensed persons cannot be used to calculate the Recovery Fund award
- B. The Registrar accepts the higher amount because it represents the full cost of completing the work
- C. The Registrar averages the licensed and unlicensed bids to determine a fair market value
- D. The Registrar accepts whichever bid is lower to minimize the impact on the Recovery Fund balance

39. A contractor is performing a residential addition and the building inspector fails the foundation inspection because the rebar placement does not match the approved structural plans. The contractor disagrees with the inspector's interpretation. What is the contractor's correct course of action?

- A. Accept the failed inspection and file an appeal with the local building official if the contractor believes the interpretation is incorrect
- B. Correct the rebar placement to match the approved plans and request a re-inspection
- C. Contact the AZ ROC to overrule the building inspector's decision on the project
- D. Continue with the project and address the rebar issue at the framing inspection stage

40. A licensed contractor enters into a contract to build a custom home for four hundred fifty thousand dollars. The contractor collects progress payments totaling three hundred thousand dollars but completes only sixty percent of the work. The contractor then files for personal bankruptcy. Can the homeowner recover from the Residential Contractors' Recovery Fund?

- A. No, because the contractor's bankruptcy eliminates all obligations including Recovery Fund liability
- B. No, because the Recovery Fund only covers claims where the contractor's license has been revoked
- C. Yes, but only if the homeowner first obtains a bankruptcy court order authorizing the claim

D. Yes, provided the contractor's license is suspended or revoked as a result of the homeowner's complaint and all eligibility requirements are met

41. Under Arizona law, a city issues a contractor a building permit for a residential project. During construction, the city discovers that the contractor's AZ ROC license has expired. Under ARS § 32-1169, what action should the city take?

A. The city may issue a stop-work order because the contractor must hold a valid license for the classification of work covered by the permit

B. The city must allow the contractor to complete the project because the permit was validly issued

C. The city must contact the AZ ROC and request that the license be reinstated on behalf of the contractor

D. The city has no authority to verify license status after the initial permit is issued

42. A contractor operating as a corporation has its corporate registration revoked by the Arizona Corporation Commission for failure to file annual reports. The contractor continues working for four months before discovering the issue. Upon discovering the lapse, the contractor immediately reinstates the corporate registration. What is the contractor's exposure for the four-month period?

A. No exposure because prompt reinstatement retroactively cures the lapse in all respects

B. Potential exposure for the lapsed bond if the surety company voided coverage during the period

C. Potential exposure to AZ ROC disciplinary action because the license may have been affected during the period when the corporation was not in good standing

D. Exposure only if a complaint was filed during the specific four-month lapse period

43. A contractor builds a commercial strip mall with five tenant spaces. After completion, one tenant reports water intrusion through the exterior wall. The contractor investigates and determines the flashing was improperly installed at one window location. The contractor offers to repair the single window at no charge. The tenant demands that the contractor remove and reinstall all flashing on the entire building at no charge. Under Arizona law, what is the contractor's obligation?

A. To replace all flashing on the entire building because a defect in one area suggests systemic failure

- B. To repair the specific deficiency that caused the water intrusion and verify that similar conditions do not exist at other locations
- C. To make no repairs because the warranty period has expired for the commercial project
- D. To pay the tenant for the cost of hiring another contractor to perform all repairs

44. A contractor is building a residential addition and the homeowner verbally authorizes a change that increases the contract price from sixty thousand to seventy-five thousand dollars. The contractor does not obtain a written change order. After the work is complete, the homeowner refuses to pay the additional fifteen thousand dollars. Under Arizona law, which of the following factors is most relevant to the contractor's ability to collect?

- A. Whether the contractor served an updated preliminary twenty-day notice reflecting the higher amount
- B. Whether the homeowner's verbal authorization was witnessed by a third party on the jobsite
- C. Whether the contractor included all eight mandatory contract elements in the original written agreement
- D. Whether the contractor can prove the additional work was actually performed and the verbal authorization was given

45. Under Arizona law, a contractor who receives a written directive from the Registrar to correct defective work must be given a minimum compliance period. If the contractor disagrees with the directive, what is the contractor's proper remedy?

- A. Comply with the directive within the specified timeframe and then file a formal appeal or hearing request
- B. Ignore the directive and wait for the Registrar to initiate formal proceedings
- C. Request a hearing to contest the directive while simultaneously complying within the specified timeframe to avoid civil penalties
- D. Contact the Arizona Attorney General to challenge the Registrar's authority to issue the directive

46. A homeowner's Recovery Fund claim is approved for twenty-eight thousand dollars. The Registrar issues the payment to the homeowner. Under Arizona law, who selects and hires the contractor to perform the repair work funded by the Recovery Fund payment?

- A. The homeowner selects and hires the contractor directly because the payment is issued to the homeowner
- B. The Registrar selects a pre-approved contractor from the AZ ROC's list of qualified repair contractors
- C. The original contractor must perform the repairs as a condition of license reinstatement
- D. The Registrar assigns the repair work through a competitive bidding process among licensed contractors

47. A contractor holds a B-2 General Small Commercial Contractor license. The contractor enters into a contract for a commercial project valued at one million eight hundred thousand dollars. Nine months into the project, the scope increases through change orders, bringing the total contract value to two million three hundred thousand dollars. Has the contractor violated Arizona law?

- A. No, because the original contract was within the B-2 limit and change orders are not counted
- B. No, because the B-2 license has a limit of two million five hundred thousand dollars
- C. Yes, because the original contract value was within the limit but change orders do not increase the limit
- D. Yes, because the total contract value now exceeds the B-2 limit of two million dollars

48. Under the Arizona Administrative Code, a person is required to be identified on a contractor license application if they own what percentage or more of the stock or beneficial interest in a corporation?

- A. Fifty-one percent or more of the voting stock in the corporation
- B. Twenty-five percent or more of the stock or beneficial interest in the corporation
- C. Ten percent or more of the total outstanding shares of any class of stock
- D. Any ownership interest regardless of percentage requires identification on the application

49. A contractor's Qualifying Party passes the SRE on January 15 and the trade examination on March 1. The contractor submits the license application on December 20 of the following year. Are both exam scores still valid?

- A. Only the trade exam score is valid because SRE scores expire after twelve months
- B. Neither score is valid because both examinations must be completed within six months of each other
- C. Both scores are valid because they are within two years of the testing dates
- D. Only the SRE score is valid because trade exam scores expire after eighteen months

50. A contractor operating as a partnership has two equal partners. One partner is convicted of embezzlement in connection with a construction project. Under ARS § 32-1154, what impact can this conviction have on the contractor's license?

- A. No impact because criminal convictions are handled by the court system, not the Registrar
- B. The convicted partner must resign from the partnership but the license is not affected
- C. The conviction affects only the convicted partner's ability to serve as Qualifying Party
- D. The conviction may constitute grounds for license action under the provision regarding subsequent discovery of facts that would have justified denial of the license

51. A homeowner files a Recovery Fund claim alleging that a residential contractor failed to complete a roofing project. During the investigation, the Registrar discovers that the homeowner does not live in the home and has no intention of living there — the property is a rental investment. Under ARS § 32-1132, what is the effect on the claim?

- A. The claim is ineligible because the homeowner does not occupy or intend to occupy the property as their primary residence
- B. The claim remains eligible because any residential property owner can file a Recovery Fund claim
- C. The claim is reduced by fifty percent because investment properties receive partial coverage
- D. The claim is eligible but capped at fifteen thousand dollars instead of thirty thousand

52. A contractor builds a new home and the building department issues a certificate of occupancy. Six months after move-in, the homeowner discovers that the roof trusses were installed with the wrong spacing — twenty-four inches on center instead of the sixteen inches specified on the approved plans. The homeowner files an AZ ROC complaint. The contractor argues that the building inspector approved the framing. Under Arizona law, which of the following is correct?

- A. The contractor is protected by the building inspector's approval because it constitutes final acceptance
- B. Passing a building inspection does not protect the contractor from AZ ROC disciplinary action for departing from the approved plans
- C. The building inspector's approval transfers liability from the contractor to the building department
- D. The contractor may invoke the inspection approval as an affirmative defense that bars any complaint

53. A contractor enters into a residential contract that includes a clause stating: "The contractor shall not be held liable for any defects discovered more than six months after the completion of work." Under Arizona consumer protection principles, what is the enforceability of this clause?

- A. Fully enforceable because both parties agreed to the limitation at the time of signing
- B. Enforceable only if the homeowner was represented by an attorney during contract negotiations
- C. Enforceable for minor cosmetic defects but not for structural or code-related deficiencies
- D. Likely unenforceable to the extent it attempts to contractually limit the statutory consumer protections provided by the licensing chapter

54. A contractor operating in Arizona performs both prime contracting work (new construction) and MRRA work (maintenance, repair, replacement, and alteration) during the same tax period. Under the Arizona TPT system, how are these two types of work treated for tax purposes?

- A. They are taxed under different classifications with different tax bases, and the contractor must report each type separately
- B. They are taxed at the same rate regardless of the type of work performed
- C. Only prime contracting is subject to TPT because MRRA work is exempt from taxation
- D. The contractor may elect to report all work under a single classification at the higher rate

55. A homeowner files a Recovery Fund claim and simultaneously files a civil lawsuit against the contractor. The civil court awards the homeowner forty-five thousand dollars in damages. The Recovery Fund claim is also approved. Under Arizona law, can the homeowner collect from both sources?

- A. No, because the civil judgment replaces and supersedes the administrative Recovery Fund process
- B. No, because the homeowner must choose one remedy and cannot collect from both sources
- C. Yes, but the Recovery Fund award is limited to actual damages not already collected through other means, and the total cannot result in a net gain to the homeowner
- D. Yes, and the homeowner may collect the full amounts from both sources independently

56. A contractor operates two separate contracting businesses — one as a sole proprietorship and one as an LLC. Each business holds its own AZ ROC license with the same individual serving as the Qualifying Party on both licenses. Under Arizona law, is this arrangement permitted?

- A. Yes, under all circumstances because there is no limit on the number of licenses a person may be named on
- B. Generally no, because a person cannot serve as the Qualifying Party for more than one licensee at a time unless an exception applies
- C. Yes, provided the two businesses operate in different license classifications
- D. Yes, provided the two businesses operate in different geographic areas of the state

57. A contractor is performing a commercial renovation and the building owner fails to make a progress payment as required by the contract. Under the Prompt Pay provisions of ARS Title 32, Chapter 10, Article 5, the contractor may take which action?

- A. File a complaint with the AZ ROC against the building owner for non-payment
- B. Place a lien on the building owner's personal residence as security for the unpaid amount
- C. Withhold the progress payment from subcontractors until the owner pays the contractor
- D. Suspend performance on the project after providing proper notice as authorized by the statute

58. A contractor enters into a subcontract with an electrical subcontractor. The subcontract includes a "pay-when-paid" clause stating that the electrical subcontractor will be paid only when the general contractor receives payment from the property owner. Under ARS § 32-1129.05, which of the following is true about such clauses?

- A. Arizona law addresses void provisions in construction contracts, and certain payment conditioning clauses may be unenforceable depending on their specific terms
- B. Pay-when-paid clauses are fully enforceable in all Arizona construction contracts
- C. Pay-when-paid clauses are void only in residential contracts but enforceable in commercial
- D. Pay-when-paid clauses are enforceable only if the subcontractor waives mechanics' lien rights

59. A contractor's employee is injured on a commercial construction site. The contractor carries workers' compensation insurance and the claim is processed through the insurer. The employee wants to sue the contractor for additional damages beyond workers' compensation benefits. Under Arizona law, what limits the employee's right to sue?

- A. The employee may sue only if the contractor was grossly negligent in maintaining jobsite safety
- B. The employee may sue only after exhausting all workers' compensation appeals and remedies
- C. The exclusive remedy doctrine generally bars the employee from suing the employer for workplace injuries covered by workers' compensation
- D. The employee may sue for the difference between actual damages and workers' compensation benefits

60. A contractor holds a valid license and enters into a contract to build a commercial warehouse. The contractor subcontracts the structural steel erection to a company that does not hold an AZ ROC license. If the AZ ROC discovers this arrangement, what is the licensed contractor's exposure?

- A. No exposure because the licensed contractor is responsible only for work performed by the contractor's own employees
- B. Potential disciplinary action for acting as an agent of an unlicensed contractor by subcontracting to an unlicensed entity
- C. Exposure only if the unlicensed subcontractor causes property damage or personal injury

D. No exposure because subcontractors are not required to hold separate licenses when working under a general contractor

61. A contractor receives a citation from the Registrar for abandonment of a residential project. The citation orders the contractor to pay restitution to the homeowner in the amount of twelve thousand dollars. The contractor contests the amount and requests a hearing. Under ARS § 32-1154, within how many days of service must the contractor file the hearing request?

A. Fifteen business days from the date the citation is received by the contractor

B. Thirty calendar days from the date the citation is mailed by certified mail

C. Twenty calendar days from the date the Registrar issues the original citation

D. Ten days from the date of service of the notice regarding the payment amount

62. A contractor builds a new residence and a neighbor notices that the new home's roof drainage is directed onto the neighbor's property, causing erosion. The neighbor files a complaint with the AZ ROC. The contractor argues that the neighbor has no standing because the neighbor is not a party to the construction contract. Under ARS § 32-1154(B), is the neighbor's complaint valid?

A. No, because only parties to the construction contract may file complaints with the Registrar

B. Yes, because any person who suffers material loss or injury as a result of a contractor's actions may file a complaint

C. No, because drainage issues are handled exclusively by the local building department

D. Yes, but only if the neighbor first obtains a cease-and-desist order from the civil court

63. A contractor's license has been suspended. During the suspension, the contractor receives an urgent call from a long-time client whose home has suffered major storm damage. The client begs the contractor to begin emergency repairs immediately. Under Arizona law, what should the contractor do?

A. Decline the work and refer the client to another licensed contractor because performing work during suspension is contracting without a valid license

B. Accept the work because emergency situations create a temporary exception to suspension

- C. Accept the work and apply for an emergency reinstatement from the Registrar within twenty-four hours
- D. Begin the work and notify the Registrar after the emergency repairs are completed

64. A contractor who has been the subject of multiple AZ ROC complaints over the past five years wants to check the status of their public record on the AZ ROC website. Under Arizona law, which information is available to the public through the AZ ROC's online database?

- A. Only the contractor's name, license number, and license classification
- B. Only information about complaints that resulted in formal disciplinary action
- C. The contractor's license status, bond information, complaint history, and any disciplinary actions
- D. All complaint information including the identities of homeowners who filed the complaints

65. A homeowner enters into a contract with a licensed contractor who begins work on a bathroom renovation. After demolition, the contractor discovers extensive termite damage that was not visible before the walls were opened. The repair of the termite damage will significantly increase the project cost. Under ARS § 32-1160, what claim provisions apply to termite damage in Arizona?

- A. The contractor is automatically liable for all termite damage discovered during renovation
- B. The homeowner must file a claim with the contractor's surety bond for termite remediation
- C. The contractor must remediate the termite damage at no additional cost to the homeowner
- D. The statute addresses termite damage claims separately, including specific notice and settlement offer provisions

66. A contractor enters into a time-and-materials contract with a homeowner for a bathroom renovation. The contract specifies labor rates and material markup but does not include a not-to-exceed cap. After three weeks of work, the project cost reaches forty-two thousand dollars — far exceeding the homeowner's expectations. The homeowner demands that the contractor stop work. Under basic contract principles, which of the following is true?

- A. The contractor must stop work immediately because the homeowner has an absolute right to terminate

- B. The homeowner has the right to terminate the contract but may owe the contractor for work already performed and materials already purchased
- C. The contractor has the right to complete the work because the contract has no maximum price
- D. The homeowner must file an AZ ROC complaint before having the right to terminate the contract

67. A contractor completes a residential project and submits a final invoice. The homeowner pays with a credit card that is later subject to a chargeback. The contractor wants to file a mechanics' lien for the unpaid amount. Which factor will determine whether the lien can be filed?

- A. Whether the contractor served a timely preliminary twenty-day notice and is within the applicable deadline for recording the lien
- B. Whether the contractor's license was in good standing at the time the credit card payment was reversed
- C. Whether the contractor first obtains a civil court judgment confirming the chargeback was improper
- D. Whether the credit card company provides written documentation confirming the chargeback

68. Under Arizona law, the Registrar has the authority to issue a summary suspension of a contractor's license. Which standard must be met for the Registrar to exercise this extraordinary power?

- A. The contractor must have three or more active complaints on file with the Registrar simultaneously
- B. The contractor must have failed to respond to two or more written directives from the Registrar
- C. The contractor must pose an immediate threat to the public health or safety
- D. The contractor must have exceeded the bonded volume tier by more than fifty percent

69. A contractor is cited for willful departure from plans without the owner's consent. The Registrar suspends the license for one year. The contractor appeals to Superior Court. During the appeal, what is the status of the contractor's license?

- A. The license is automatically reinstated during the appeal period pending the court's decision
- B. The suspension remains in effect during the appeal unless the court issues a stay of the Registrar's order

- C. The license is placed in a neutral status that allows the contractor to complete active projects only
- D. The appeal automatically stays the suspension for ninety days while the court reviews the case

70. A contractor operating as a sole proprietorship dies unexpectedly. The contractor's spouse wants to continue the business and maintain the license. Under Arizona law, what is the status of the license?

- A. The license automatically transfers to the surviving spouse as the heir to the business
- B. The spouse may continue operating under the license for up to one year as the estate representative
- C. The license may be transferred to the spouse if the spouse passes the SRE within sixty days
- D. The license terminates because it belonged to the sole proprietor who is deceased, and the spouse must apply for a new license

71. A contractor is performing residential roofing work and a neighbor's property is damaged by roofing debris blown by wind during installation. The neighbor files a complaint with the AZ ROC. The contractor carries general liability insurance. Under Arizona law, what is the relationship between the AZ ROC complaint process and the contractor's insurance coverage?

- A. The insurance company is required to resolve the complaint on the contractor's behalf
- B. The AZ ROC complaint process does not require the contractor to have insurance coverage
- C. The AZ ROC complaint process and the insurance claim are separate processes — the Registrar investigates workmanship and compliance while insurance covers property damage claims
- D. The Registrar will dismiss the complaint if the contractor's insurance company agrees to pay the neighbor

72. Under Arizona law, the Registrar of Contractors maintains offices in which city as the agency headquarters, with authority to establish additional offices as needed?

- A. Phoenix, with authority to maintain offices in other cities and towns as deemed necessary
- B. Tucson, with a mandatory satellite office in Phoenix for northern Arizona licensing services
- C. Both Phoenix and Tucson as co-equal headquarters with shared administrative authority

D. Scottsdale, with mobile licensing services provided throughout the state on a rotating basis

73. A contractor enters into a residential contract and collects a deposit of forty percent of the total contract price — sixty thousand dollars on a one-hundred-fifty-thousand-dollar project. Under general contracting practice and Arizona law, which concern does this large deposit raise?

- A. No concern because Arizona law does not limit the size of deposits on construction contracts
- B. A concern about the contractor's financial stability and ability to complete the work, and potential exposure if the contractor fails to perform
- C. A concern only if the deposit exceeds the contractor's surety bond amount
- D. No concern because the deposit is described as a mandatory element in ARS § 32-1158

74. A contractor builds a new home with a concrete slab foundation. Two years after completion, the slab develops significant cracking due to expansive soil conditions. The homeowner files an AZ ROC complaint. The contractor argues that the plans did not specify any special foundation treatment for expansive soils. Under the Registrar's minimum standards for workmanship, which principle applies?

- A. The contractor is automatically at fault because slab cracking indicates defective workmanship
- B. The contractor is protected because following the approved plans constitutes compliance
- C. The Registrar must defer to the structural engineer who designed the foundation
- D. The Registrar evaluates whether the contractor met the standard of established usage and procedure in the Arizona construction industry, which may include knowledge of local soil conditions

75. A contractor's employee is working on a residential construction site and accidentally damages a water main belonging to the local municipality. Under Arizona law, the contractor's potential liability includes which of the following?

- A. Liability for the cost of repairing the water main, potential fines for failing to call Arizona 811 before excavating, and potential AZ ROC disciplinary action if the contractor failed to follow required procedures
- B. No liability because underground utilities are the responsibility of the utility owner

- C. Liability limited to the cost of the contractor's surety bond amount
- D. Liability only if the municipality files a formal complaint with the AZ ROC

76. Under Arizona law, when a contractor receives a progress payment from the property owner, the contractor has an obligation to pay subcontractors and material suppliers within the timeframe established by the Prompt Pay provisions. What is the primary purpose of these provisions?

- A. To protect the Registrar of Contractors from complaints related to payment disputes
- B. To ensure that the property owner is not responsible for disputes between the contractor and subcontractors
- C. To ensure that payments flow through the construction payment chain in a timely manner, protecting subcontractors and suppliers who depend on prompt payment
- D. To eliminate the need for mechanics' liens by ensuring all parties are paid promptly

77. A contractor's license application is denied by the Registrar due to insufficient qualifying experience. The applicant disagrees with the Registrar's evaluation and believes the experience documentation is adequate. What is the applicant's remedy?

- A. Resubmit the application with additional documentation and hope for a different result
- B. Request a hearing or administrative review of the denial decision through the procedures established under Arizona administrative law
- C. File a civil lawsuit against the Registrar for wrongful denial of the license application
- D. Contact the Governor's office to request that the Registrar's decision be overridden

78. A contractor who serves as the Qualifying Party on an Arizona contractor license also works full-time as a project manager for a different construction company that is not licensed by the AZ ROC. Under Arizona law, which concern does this dual employment raise?

- A. No concern because the Qualifying Party's activities outside the licensed business are not regulated

B. No concern as long as the Qualifying Party works at least twenty hours per week for the licensed business

C. A potential concern that the Qualifying Party is not genuinely available to be actively engaged in the licensed work

D. A concern that is automatically resolved by the Qualifying Party being regularly employed in the licensed classification

79. A contractor has a valid license and enters into a contract to renovate a commercial building. During the project, the contractor discovers that the building contains lead paint. Under OSHA regulations and Arizona law, what is the contractor's obligation?

A. The contractor must comply with OSHA's lead standards including worker protection, containment, and proper disposal, and must follow all applicable state and federal environmental regulations

B. The contractor may proceed with the renovation without special precautions if the lead paint is intact

C. The contractor must immediately evacuate the building and contact the EPA for a federal hazardous materials response

D. The contractor's only obligation is to notify the building owner and let the owner decide how to handle the lead paint

80. A contractor holds a valid B General Residential Contractor license and wants to add a solar installation component to the business. Under ARS Article 4 of Chapter 10, what additional requirement must the contractor meet?

A. The contractor must obtain a separate general commercial license to perform solar installations

B. The contractor must pass the solar qualification examination in addition to holding the appropriate trade license

C. The contractor must complete a forty-hour solar installation training course approved by the Registrar

D. No additional requirements because the B license authorizes all residential work including solar

81. A contractor receives a written directive from the Registrar to correct defective gutter installation within twenty days. The contractor corrects the work within fifteen days and notifies the Registrar. The homeowner is satisfied with the repair. What is the most likely outcome?

- A. The Registrar imposes a civil penalty because the original work was defective regardless of correction
- B. The Registrar places the contractor's license on probation for one year as a precautionary measure
- C. The matter is resolved and no further action is taken because the contractor complied within the specified timeframe
- D. The Registrar requires the contractor to post an additional bond as a condition of continued licensure

82. A contractor builds a commercial building and the tenant reports persistent roof leaks during the first monsoon season. The contractor investigates and determines the leaks are caused by a design deficiency in the roof drainage plan — not by faulty installation. Under ARS § 32-1154, is the contractor subject to disciplinary action?

- A. Generally no, if the contractor can demonstrate the work was performed in accordance with the approved plans and the deficiency is in the design, not the construction
- B. Yes, because the contractor is responsible for ensuring the building does not leak regardless of the cause
- C. No, but only if the contractor had the roof design reviewed by a second engineer before construction
- D. Yes, because the contractor should have identified the design deficiency during the bidding process

83. A homeowner files a Recovery Fund claim after a contractor's license is revoked. The Registrar evaluates the claim and determines the actual damages are twenty-six thousand dollars. However, the homeowner has already collected eight thousand dollars from the contractor's surety bond. Under Arizona law, what is the maximum Recovery Fund award?

- A. Twenty-six thousand dollars because the fund pays actual damages up to the statutory maximum
- B. Thirty thousand dollars because the bond recovery does not reduce the fund's maximum award
- C. Eighteen thousand dollars because the fund reduces awards when the claimant collects from the bond first

D. Eighteen thousand dollars, because the fund pays the remaining actual damages not already recovered from the bond, up to the thirty-thousand-dollar maximum

84. A contractor enters into a residential construction contract that does not include the contractor's license number as required by ARS § 32-1158. The project is completed satisfactorily and the homeowner pays in full. Two years later, the AZ ROC conducts a routine audit and discovers the omission. What is the contractor's exposure?

- A. No exposure because the project was completed satisfactorily and the homeowner did not complain
- B. Potential AZ ROC disciplinary action for failure to include a mandatory contract element, even though the contract remains enforceable
- C. Criminal prosecution for fraud because omitting the license number constitutes misrepresentation
- D. Automatic license revocation because contract compliance is a condition of maintaining licensure

85. A contractor operating as an LLC has three members. Member A serves as the Qualifying Party with a forty percent ownership interest. Member B has a thirty-five percent ownership interest. Member C has a twenty-five percent ownership interest. Under Arizona law, which members must be identified on the license application and undergo background checks?

- A. Only Member A because the Qualifying Party is the only person required to be identified
- B. Only Members A and B because Member C's ownership is less than thirty percent
- C. All three members because each owns twenty-five percent or more of the beneficial interest
- D. Only Member A and Member B because Member C does not meet the twenty-five percent threshold

86. A contractor builds a residential addition that requires a building permit. The contractor obtains the permit, completes the framing, and calls for a framing inspection. The inspector discovers that the contractor installed 2×8 floor joists instead of the 2×10 joists specified on the approved plans. The contractor claims the 2×8 joists are adequate for the span. Under Arizona law, what is the correct resolution?

- A. The contractor must install the 2×10 joists as specified on the approved plans or obtain an approved plan revision from the design professional before proceeding
- B. The building inspector must accept the 2×8 joists if the contractor provides a written justification
- C. The contractor may proceed with 2×8 joists if the contractor signs a liability waiver
- D. The issue is referred to the AZ ROC for determination of whether the substitution is acceptable

87. Under Arizona law, a contractor who voluntarily surrenders their license during an active investigation may face which consequence even after the surrender?

- A. The contractor faces no further consequences because the surrender resolves all pending matters
- B. The Registrar may continue the investigation and render a decision including suspension, revocation, or denial of renewal even after the voluntary surrender
- C. The investigation is automatically suspended for twelve months from the date of surrender
- D. The contractor must repay all license fees collected during the license period as a condition of the surrender

88. A contractor operates in a jurisdiction that has adopted the 2018 International Building Code with local amendments. The contractor builds a commercial structure and follows the 2018 IBC as published by the ICC, but does not incorporate the local amendments. During inspection, the building official identifies a violation of a local amendment. Who is responsible for the violation?

- A. The architect, because the plans should have incorporated all local amendments
- B. The building official, because the amendment was not communicated to the contractor
- C. The ICC, because the local amendment contradicts the model code provisions
- D. The contractor, because it is the contractor's responsibility to comply with the locally adopted code including all amendments

89. A contractor builds a new home and the homeowner moves in. One year later, the contractor's license is revoked for violations on a different project. The homeowner from the new home then discovers that the contractor failed to install the required under-slab vapor barrier. The homeowner files a Recovery Fund claim. Which eligibility requirement is critical for this claim?

- A. The homeowner must demonstrate that the missing vapor barrier has caused actual damages
- B. The contractor must have been licensed at the time the homeowner's contract was signed
- C. The contractor's license must have been suspended or revoked as a direct result of the homeowner's own complaint — not a different homeowner's complaint
- D. The homeowner must file the Recovery Fund claim within one year of the license revocation

90. Under Arizona's mechanics' lien law, a contractor who has been paid in full must file a lien release within what timeframe to discharge the lien from the property record?

- A. Within twenty days after receiving full payment, the contractor must file a release to discharge the recorded lien
- B. Within thirty days after the project is completed regardless of payment status
- C. Within sixty days after the owner records a Notice of Completion
- D. Within ten business days after the property owner demands the release in writing

91. A contractor is building a commercial office building and the city building inspector issues a stop-work order because the structural steel connections do not match the approved structural drawings. The contractor contacts the structural engineer, who confirms that the connections as built are adequate and issues a letter of equivalency. What must happen before work can resume?

- A. The structural engineer's letter must be accepted by the building department as a formal plan revision
- B. The contractor must submit the engineer's letter to the building department and obtain authorization to resume work based on the revised approval
- C. The contractor may resume work immediately because the engineer's letter supersedes the stop-work order
- D. The AZ ROC must authorize the resumption of work after reviewing the engineer's letter

92. A contractor completes a residential project and issues a warranty for the work. Six months after completion, the contractor's license expires because the contractor forgot to renew. Two months later (eight months after completion), the homeowner discovers a defect covered by the warranty. Can the contractor return to make the warranty repair even though the license is expired?

- A. Yes, because warranty repairs on previously completed work are exempt from licensing requirements
- B. Yes, because the contractor has a legal obligation to honor the warranty regardless of license status
- C. No, because performing any contracting work without a valid license is a violation of ARS § 32-1151
- D. No, but the contractor may send a licensed subcontractor to perform the warranty repair at no charge to the homeowner

93. A property owner hires a contractor to build a custom home. During construction, the property owner provides detailed daily instructions to the contractor about construction methods, material selections, and sequencing of work. A dispute arises and the owner files a complaint alleging the contractor departed from plans. The contractor argues that the owner was directing the work. Under general construction law principles, which factor is most relevant?

- A. Whether the contractor documented the owner's instructions in writing before complying with them
- B. Whether the contract designates the owner as the construction manager with authority to direct methods
- C. Whether the owner's interference constitutes a material breach of the original contract terms
- D. Whether the contractor's license classification authorizes the specific type of work being directed

94. A contractor has completed ninety percent of a residential project when the homeowner stops making progress payments. The contractor has exhausted the previously collected payments and cannot afford to continue. The contractor notifies the homeowner in writing and suspends work. Under ARS § 32-1129.04, which of the following is true?

- A. The contractor may suspend performance after providing proper notice when the owner fails to make required payments, and this does not constitute abandonment
- B. The contractor must complete the project regardless of non-payment to avoid an abandonment citation
- C. The contractor may suspend performance only if the unpaid amount exceeds fifty percent of the contract

D. The contractor must file a complaint with the AZ ROC before suspending performance for any reason

95. A contractor performs work on a residential project and the homeowner pays with a check that bounces. The contractor serves a demand for payment and the homeowner fails to respond. The contractor records a mechanics' lien. Six months and two days after recording the lien, the contractor files a lawsuit to foreclose. Under Arizona law, what is the status of the lien?

A. The lien is valid because the lawsuit was filed within a reasonable timeframe after recording

B. The lien is valid because the two-day delay is within the permissible ten-day grace period

C. The lien is enforceable because the homeowner's bounced check constitutes fraud

D. The lien has expired because the lawsuit was not filed within six months of recording

96. A licensed contractor enters into a contract with a homeowner to build a room addition. The contract includes a clause stating that the homeowner waives all rights under the Residential Contractors' Recovery Fund. The contractor completes the work defectively and abandons the project. The homeowner files a Recovery Fund claim. Can the Registrar process the claim?

A. No, because the homeowner voluntarily waived Recovery Fund rights in the written contract

B. Yes, because contractual waivers of statutory consumer protection rights are generally unenforceable under Arizona law

C. No, because the waiver clause is binding if both parties signed the contract willingly

D. Yes, but the Recovery Fund award is reduced by fifty percent because of the waiver clause

97. A contractor builds a commercial building and receives the certificate of occupancy. The building owner moves in and begins operations. Eighteen months later, a portion of the exterior masonry veneer separates from the building. The owner files an AZ ROC complaint. The contractor argues that the defect is a design issue, not a construction issue. Under the Registrar's investigation process, what happens next?

A. The Registrar investigates and may retain technical experts to determine whether the failure is attributable to design, construction, or both before making a determination

B. The Registrar dismisses the complaint because the building passed all inspections

- C. The Registrar automatically cites the contractor because masonry failure indicates poor workmanship
- D. The Registrar refers the matter to the architect's licensing board without conducting an investigation

98. A contractor who holds a license in good standing receives a letter from the AZ ROC informing the contractor that the agency is conducting a random audit of license compliance. The letter requests copies of the contractor's current insurance certificates, bond documentation, and financial records. Under Arizona law, must the contractor comply?

- A. No, because random audits are not authorized by the licensing statutes
- B. No, because the contractor's financial records are protected by privacy laws
- C. Yes, because the Registrar has the authority to require documentation to verify ongoing compliance with licensing requirements
- D. Yes, but only if the Registrar obtains a court order before requesting financial records

99. A contractor is renovating a commercial building and the project specifications require fire-rated drywall assemblies for certain wall and ceiling areas. The contractor installs standard drywall instead of Type X fire-rated drywall in a required area. The error is not discovered until after the walls are finished and painted. Under ARS § 32-1154, which ground for disciplinary action most directly applies?

- A. Abandonment of the construction project without legal excuse or valid justification
- B. Material misrepresentation in obtaining or maintaining the contractor's license
- C. Acting in the capacity of a contractor beyond the scope authorized by the license
- D. Willful or deliberate failure to comply with the building codes of the state or local jurisdiction

100. A homeowner hires a licensed contractor to perform a complete home renovation. The project is completed and the homeowner pays in full. Two years later, the homeowner sells the house. The new owner discovers significant structural defects caused by the contractor's work. Can the new owner file a complaint with the AZ ROC?

- A. No, because only the original contracting party has standing to file an AZ ROC complaint
- B. Yes, because any person who suffers material loss or injury as a result of a contractor's work may file a written complaint with the Registrar
- C. No, because the sale of the property transfers all rights and claims to the original homeowner
- D. Yes, but only if the original homeowner provides written authorization for the new owner to file

PRACTICE EXAM 3: ANSWER KEY AND EXPLANATIONS

1. B — The contractor faces multiple layers of exposure: misclassifying employees as independent contractors based on the degree of behavioral control exercised, failure to maintain workers' compensation insurance for employees, and potential AZ ROC license suspension or revocation under ARS § 32-1154 for failing to establish that the licensee has workers' compensation coverage. These violations compound — each creates independent liability.
2. D — The AZ ROC complaint process and the civil court system operate independently under Arizona law. A homeowner may file a complaint with the Registrar, pursue a civil lawsuit, and file a Recovery Fund claim — these are not mutually exclusive remedies. The Recovery Fund claim requires that the contractor's license be suspended or revoked as a result of the homeowner's complaint.
3. A — Under ARS § 32-1152, dual licensed contractors furnish a single bond with amounts for each classification, but liability under the bond is limited to the amount established for each commercial or residential license. A claim arising from residential work is limited to the residential bond portion — seven thousand dollars — not the combined total.
4. C — ARS § 32-1129.03 (now renumbered in the Prompt Pay article) provides that a contractor who encounters hazardous substances during construction may interrupt performance without penalty. This protection prevents contractors from being held in breach of contract for stopping work when hazardous conditions make continued performance unsafe or impractical.
5. A — All contractors must obtain a Transaction Privilege Tax license from the Arizona Department of Revenue before conducting taxable contracting activity. The TPT number must be included on the contractor license application. This is a separate requirement from the AZ ROC examination, bonding, experience, and background check requirements.
6. D — Every person named on the contractor license application must undergo a criminal background check. This includes all officers, the Qualifying Party, and any shareholder who owns twenty-five percent or more of the stock or beneficial interest. With five persons named, all five require background checks.
7. B — Bond amounts are based on anticipated annual gross volume, and contractors should increase their bond to the appropriate tier before accepting projects that push the volume higher. Accepting a project and waiting until renewal to adjust the bond leaves the contractor operating with inadequate bonding — a violation that the Registrar can act upon.

8. C — ARS § 32-1158.02 imposes additional requirements on residential construction contracts that go beyond the standard eight elements of ARS § 32-1158. These provisions address warranty obligations, defect notification procedures, and the contractor's duty to investigate and correct defective work on residential dwelling construction.
9. A — Under ARS § 32-1154, the ground for discipline requires the departure to be both willful (intentional, not accidental) and in a material respect (significant, not trivial) without the consent of the owner. Both elements must be present — an unintentional error or an immaterial change, standing alone, does not satisfy the statutory standard.
10. D — Under ARS § 32-1154(D), the revocation of a license does not deprive the Registrar of jurisdiction to proceed with any investigation or disciplinary proceeding. The Registrar retains jurisdiction regardless of the current status of the license, ensuring that contractors cannot escape accountability through license changes.
11. C — Before recording a mechanics' lien, the supplier must verify that the notice and claim of lien is recorded within the applicable timeframe — one hundred twenty days after project completion if no Notice of Completion is filed, or sixty days if a Notice of Completion is properly recorded and served. Missing the deadline renders the lien unenforceable.
12. B — Material substitutions require formal submission to the architect or engineer of record for review and written approval before installation. The design professional evaluates whether the substitute product meets the performance specifications and code requirements. Installing a substitution without approval constitutes a deviation from the contract documents.
13. A — Under ARS § 32-1104, the Registrar adopts minimum standards for workmanship guided by established usage and procedure as found in the construction business in Arizona. This means the standards reflect actual industry practices in the state, not theoretical ideals or standards from outside jurisdictions.
14. D — Under ARS § 33-992.01, the preliminary twenty-day notice is a necessary prerequisite to the validity of any mechanics' lien claim, except for persons performing actual labor for wages. All contractors, including those with direct owner contracts, must serve the preliminary notice to preserve lien rights in Arizona.
15. C — Arizona's TPT rates vary by jurisdiction, and the applicable rate is determined by the physical location of each project, not the contractor's office location. A contractor working in multiple jurisdictions must report and remit tax at the specific combined state and local rate for each project location.
16. A — When a contractor discovers a conflict between the construction plans and zoning or setback requirements, the appropriate action is to stop work at the conflicting point and notify both the property owner and the design professional. Proceeding without resolution could result in code violations, required demolition, and liability for the contractor.

17. B — Worker misclassification results in multiple consequences: the contractor must pay back premiums for workers' compensation insurance covering the misclassified period, potential penalties from the Industrial Commission, and potential AZ ROC license action under ARS § 32-1154 for failure to maintain workers' compensation coverage for employees.
18. D — Arizona's licensing statutes do not impose a specific time limit on the Registrar's jurisdiction to investigate complaints against licensed contractors. The Registrar retains jurisdiction regardless of how many years have passed since the work was performed, as long as the contractor was licensed at the time.
19. C — Cost-plus contracts inherently require transparent accounting because the owner is paying actual costs plus a percentage or fixed fee. The owner has the right to review all cost documentation — invoices, receipts, time records — to verify that the charges are legitimate. This transparency is fundamental to the cost-plus arrangement.
20. A — The B General Residential Contractor license specifically excludes electrical work, which must be subcontracted to a licensed electrical contractor. Performing electrical panel replacement and circuit additions without the appropriate specialty license constitutes acting beyond the scope authorized by the license under ARS § 32-1154.
21. D — The preliminary twenty-day notice is not a lien — it explicitly states this in the statutory language. It is a standard legal requirement that preserves the subcontractor's right to file a lien in the future if not paid. The subcontractor has no obligation to withdraw a properly served preliminary notice.
22. A — If the Registrar's investigation determines that the work meets the Registrar's minimum standards for good and workmanlike construction, the complaint is dismissed. The Registrar's standards represent the regulatory threshold — work that meets these standards, even if the homeowner is not fully satisfied aesthetically, does not constitute a violation.
23. C — A contractor whose license is suspended is not authorized to perform contracting work. Continuing to work during a suspension constitutes engaging in contracting without a valid license under ARS § 32-1151, which is a criminal offense and a separate ground for additional disciplinary action.
24. B — For a Recovery Fund claim to be eligible, the contractor's residential or dual license must be suspended or revoked as a direct result of the formal complaint filed by the homeowner against the contractor. This requirement links the fund eligibility to the disciplinary process — the complaint must result in license action before the fund can pay.
25. D — Shifting the foundation four inches from the plan-specified location without the owner's authorization constitutes willful departure from plans or specifications in a material respect without the consent of the owner under ARS § 32-1154. The deviation was intentional (the contractor made the placement decision) and material (it caused an encroachment).

26. A — Under Arizona's construction contract provisions, a contractor who encounters hazardous substances may suspend performance without penalty. This protection ensures that contractors are not forced to continue working in hazardous conditions or face breach of contract claims for stopping work when safety is at risk.
27. C — A contractor's license cannot be renewed unless the surety bond is in full force and effect and all other requirements are met. Workers' compensation coverage must be maintained or the contractor must be exempt. A gap in coverage, even a brief one, must be resolved before the renewal can be processed.
28. D — Arizona law requires a contractor license only when the total cost of labor and materials exceeds one thousand dollars or when the work requires a building permit. At nine hundred fifty dollars with no permit required, neither threshold is met, and the unlicensed contractor has not violated the licensing statute.
29. A — Under Arizona law, any person who owns twenty-five percent or more of the stock or beneficial interest in a business entity holding a contractor license must be identified on the application. A new fifty-percent member clearly exceeds this threshold and must undergo a background check. The contractor must notify the Registrar of the ownership change.
30. A — A B-1 General Commercial Contractor license does not authorize plumbing work, even in emergency situations. Arizona law does not provide a temporary exemption for emergencies. The contractor should take reasonable steps to contain the damage — such as shutting off the water supply — while immediately calling a licensed plumbing contractor.
31. D — Under ARS § 32-1152, bond amounts are based on anticipated annual gross volume. The B-2 license limits commercial projects to two million dollars total. When change orders push the total contract value above two million dollars, the contractor has exceeded the scope of the B-2 classification and needs a B-1 license for the higher amount.
32. A — A contractor who served a timely preliminary notice and recorded the lien within the applicable deadline has a valid mechanics' lien. General contractors with direct owner contracts are not exempt from lien rights — they are entitled to file liens like any other party who furnishes labor or materials, provided they have met all statutory prerequisites.
33. C — When a contractor has concerns about a design change that may affect structural integrity, the correct procedure is to document the concern in writing and request written confirmation from the architect that the change meets all applicable code requirements. This creates a paper trail and ensures the design professional takes responsibility for the specification.
34. B — Advertising that implies the contractor personally performs electrical, plumbing, and HVAC work when the contractor holds only a general residential license may be misleading. While the contractor can subcontract this work, the advertisement should clearly indicate that specialty work is performed by licensed subcontractors to avoid misrepresenting the contractor's own capabilities.

35. A — When a contractor receives a written directive, the proper course is to respond within the compliance period. If the contractor has evidence that the defect was not caused by the contractor's work, the appropriate action is to submit the evidence — such as the engineer's report — and request reconsideration. Ignoring the directive risks a civil penalty.
36. D — Under ARS § 32-1152, the contractor's license bond serves as a financial guarantee for the benefit and protection of persons providing labor, materials, or construction equipment on a rental basis used in the direct performance of a construction contract. The bond protects the payment chain, not the contractor's own interests.
37. A — During a license suspension, the contractor may complete work on projects that were under contract before the suspension took effect, as authorized by ARS § 32-1161, which addresses the rights of a contractor after suspension. However, the contractor cannot bid on, contract for, or begin any new work during the suspension period.
38. A — Under ARS § 32-1132, actual damages for Recovery Fund purposes cannot be established by bids supplied by or work performed by a person who is not licensed but is required to be licensed. Only bids from properly licensed contractors may be used to calculate the Recovery Fund award amount.
39. B — When a building inspector fails an inspection because the work does not match the approved plans, the contractor's primary obligation is to correct the work to match the plans and request a re-inspection. The approved structural plans are the standard, and the contractor must build to those plans or obtain an approved plan revision.
40. D — The Recovery Fund is available to eligible homeowners when the contractor's license is suspended or revoked as a direct result of the homeowner's complaint. The contractor's bankruptcy does not eliminate Recovery Fund eligibility — the homeowner must still meet all statutory requirements including the discipline requirement tied to their specific complaint.
41. A — Under ARS § 32-1169, local jurisdictions must verify that a contractor holds a valid license for the classification of work covered by the permit. If the license has expired, the contractor no longer meets this requirement, and the city may issue a stop-work order until the license is restored to active status.
42. C — Corporations must maintain good standing with the Arizona Corporation Commission throughout the license period. When the registration is revoked, the corporation's legal status is compromised, which may affect the contractor license. The four months of operating with a revoked corporate registration exposes the contractor to potential AZ ROC disciplinary action.
43. B — The contractor's obligation is to repair the specific deficiency that caused the reported problem and to verify that similar conditions do not exist at other locations. The contractor is not automatically required to remove and replace all flashing on the entire building based on a single deficiency — the repair scope should be proportionate to the identified problem.

44. D — Without a written change order, the contractor must prove that the additional work was actually performed and that the homeowner authorized it. Verbal authorizations are not inherently invalid but are extremely difficult to enforce when disputed. The contractor's ability to collect depends on demonstrating both performance and authorization.
45. C — The most prudent approach is to comply with the directive within the specified timeframe to avoid civil penalties while simultaneously requesting a hearing to contest the directive. Compliance protects the contractor from penalties; the hearing provides the opportunity to challenge the directive on its merits.
46. A — The Recovery Fund does not select or hire the contractor to perform repairs. The payment is issued directly to the homeowner, who then contracts with a licensed contractor of the homeowner's choosing. The homeowner is responsible for managing the repair process independently.
47. D — The B-2 General Small Commercial Contractor license limits the total amount paid to the licensee to two million dollars per project. When change orders push the total contract value to two million three hundred thousand dollars, the project exceeds the B-2 limit. The contractor has acted beyond the authorized scope of the license.
48. B — Under Arizona law, any person who owns twenty-five percent or more of the stock or beneficial interest in a corporation holding a contractor license must be identified on the license application and must undergo a criminal background check. This threshold ensures that significant owners are vetted as part of the licensing process.
49. C — Examination results are valid for two years from the date of testing. The SRE was passed on January 15 and the trade exam on March 1. The application submitted on December 20 of the following year is within two years of both testing dates, so both scores remain valid.
50. D — Under ARS § 32-1154(A)(19), subsequent discovery of facts that, if known at the time of license issuance, would have been grounds to deny the license is a basis for disciplinary action. A partner's felony conviction for embezzlement in connection with construction work constitutes such a discovery.
51. A — Under ARS § 32-1132, eligible Recovery Fund claimants must own and actually occupy or intend to occupy the residential property as their primary residence. A rental investment property owner who does not live in or intend to live in the property does not meet this eligibility requirement.
52. B — Passing a building inspection does not insulate the contractor from AZ ROC disciplinary action for departing from the approved plans. The Registrar's regulatory authority is independent of the building department's inspection process. If the contractor installed trusses at a different spacing than specified, the departure from plans is a potential ground for discipline regardless of the inspection outcome.

53. D — Arizona's licensing statute provides consumer protections that cannot easily be waived by contract. A clause attempting to limit defect liability to six months likely conflicts with the statutory protections of the licensing chapter, including the Registrar's jurisdiction to investigate complaints and the Recovery Fund's availability, making it likely unenforceable.
54. A — Arizona's TPT system treats prime contracting and MRRA work as different classifications with different tax bases. Prime contracting typically uses a sixty-five percent tax base, while MRRA work is taxed on total gross income. The contractor must track and report each type of work separately under the applicable classification.
55. C — The homeowner may collect from both the civil judgment and the Recovery Fund, but the total recovery cannot result in a net gain. The Recovery Fund award is limited to actual damages not already collected through other means, ensuring the homeowner is made whole but does not receive a windfall.
56. B — Arizona generally restricts a person from serving as the Qualifying Party on more than one license at a time. The Qualifying Party must be regularly employed and actively engaged in the work of the licensed business. Serving on two licenses simultaneously raises questions about whether the individual can genuinely be actively engaged in both.
57. D — Under the Prompt Pay provisions (ARS Title 32, Chapter 10, Article 5), a contractor may suspend performance after providing proper notice when the property owner fails to make required progress payments. This right protects contractors from being forced to continue investing labor and materials on projects where the owner has stopped paying.
58. A — ARS § 32-1129.05 addresses void provisions in construction contracts, and certain clauses that condition payment to a subcontractor on the contractor's receipt of payment from the owner may be unenforceable depending on their specific terms. Arizona law provides protections against payment conditioning that unfairly shifts risk to subcontractors.
59. C — The exclusive remedy doctrine under Arizona workers' compensation law generally bars an employee from suing the employer for workplace injuries that are covered by workers' compensation insurance. In exchange for guaranteed benefits regardless of fault, the employee gives up the right to pursue a tort claim against the employer.
60. B — Subcontracting work to an unlicensed entity constitutes acting as an agent of an unlicensed contractor under ARS § 32-1154. The licensed general contractor bears responsibility for ensuring that all subcontractors are properly licensed for their classification of work. The civil penalty for this violation is up to one thousand dollars per occurrence.
61. D — Under ARS § 32-1154, when the contractor contests the amount or propriety of a payment order, the contractor must respond within ten days of the date of service by requesting a hearing. Failure to respond within this timeframe is deemed a waiver of the right to contest.

62. B — Under ARS § 32-1154(B)(2), the Registrar shall investigate on the written complaint of any person who suffers a material loss or injury as a result of a contractor's failure to perform work in a professional manner. The neighbor who suffered property damage from improper drainage qualifies as a person who suffered material loss.
63. A — A contractor whose license is suspended cannot perform contracting work under any circumstances, including emergencies. Arizona law does not provide an emergency exception to license suspension. The contractor should decline the work and refer the client to another licensed contractor who can perform the emergency repairs.
64. C — The AZ ROC's publicly accessible online database displays the contractor's license status, bond information, complaint history, and any disciplinary actions. This public information function allows consumers, other contractors, and the general public to verify a contractor's standing before entering into contracts.
65. D — ARS § 32-1160 specifically addresses claims for termite damages in Arizona, including provisions for notice to the contractor, an offer of settlement, and specific procedures for resolving termite-related claims. This statute creates a distinct process for termite damage that differs from the general complaint process.
66. B — Under general contract law, the homeowner has the right to terminate a time-and-materials contract, but the homeowner may owe the contractor for work already performed and materials already purchased through the date of termination. A contract without a not-to-exceed cap does not give the contractor unlimited authority to continue — the owner retains termination rights.
67. A — The validity of a mechanics' lien depends on whether the contractor served a timely preliminary twenty-day notice and recorded the lien within the applicable deadline after project completion. The payment method (credit card, check, cash) does not affect lien rights — what matters is compliance with the statutory notice and timing requirements.
68. C — The Registrar may issue a summary suspension only when the contractor poses an immediate threat to the public health or safety. This is an extraordinary power reserved for the most serious situations — not for routine violations, administrative issues, or complaint volume. The summary suspension takes effect immediately.
69. B — During an appeal to Superior Court, the Registrar's suspension remains in effect unless the court specifically issues a stay of the administrative order. The filing of an appeal does not automatically stay the disciplinary action — the contractor must request and obtain a court order to suspend enforcement during the appeal.
70. D — In a sole proprietorship, the business and the individual are the same legal entity. When the sole proprietor dies, the business entity ceases to exist, and the license terminates. The surviving spouse must apply for a new license in their own name or under a new business entity, meeting all requirements independently.

71. C — The AZ ROC complaint process and insurance claims are separate mechanisms that address different aspects of the situation. The Registrar investigates workmanship and compliance with licensing laws, while insurance handles property damage claims. One process does not replace or depend on the other.
72. A — Under ARS § 32-1104, the Registrar is required to maintain an office in Phoenix and may establish additional offices in other cities and towns as deemed advisable and necessary. Phoenix serves as the agency headquarters for the Arizona Registrar of Contractors.
73. B — While Arizona law does not specifically cap deposit amounts, a large deposit of forty percent raises practical concerns about the contractor's financial stability and the homeowner's exposure if the contractor fails to perform. If the contractor abandons the project after collecting a large deposit, the homeowner's damages — and potential Recovery Fund claim — are correspondingly larger.
74. D — The Registrar evaluates workmanship complaints against the standard of established usage and procedure in the Arizona construction industry, as required by ARS § 32-1104. In Arizona, where expansive soils are well-known, the standard of care may include knowledge of local soil conditions and appropriate foundation practices even if the plans did not specifically address them.
75. A — Damaging an underground utility creates multiple layers of liability: the cost of repair, potential fines for failure to call Arizona 811 before excavating as required by state law, and potential AZ ROC disciplinary action if the contractor failed to follow required utility location procedures. These liabilities are cumulative, not alternative.
76. C — The Prompt Pay provisions exist to ensure that payments flow through the construction payment chain in a timely manner. Subcontractors and material suppliers depend on timely payment to meet their own obligations, and delays at any point in the chain can cascade through the entire project.
77. B — An applicant whose license application is denied by the Registrar has the right to request a hearing or administrative review of the denial decision through the procedures established under Arizona administrative law. This provides due process for applicants who believe the Registrar's evaluation was incorrect.
78. D — Under ARS § 32-1154, the Registrar may issue a summary suspension when the contractor poses an immediate threat to public health or safety. However, in the context of this question about dual employment, the concern is that the Qualifying Party may not be genuinely available to be regularly employed and actively engaged in the licensed work if they work full-time elsewhere. The Registrar could investigate whether the Qualifying Party arrangement is legitimate.
79. A — When a contractor encounters lead paint during renovation, the contractor must comply with OSHA's lead standards (29 CFR 1926.62) including worker protection measures, containment of

lead-containing debris, proper disposal, and all applicable state and federal environmental regulations. Lead paint hazards require specific training, equipment, and procedures.

80. B — Under ARS Title 32, Chapter 10, Article 4, a contractor who installs, alters, or repairs solar devices must pass a solar qualification examination in addition to holding the appropriate trade license. The solar qualification is a separate requirement that cannot be satisfied by the general residential license alone.
81. C — When a contractor complies with a written directive within the specified timeframe and the homeowner is satisfied with the corrective work, the matter is typically resolved without further action. The purpose of the directive process is to achieve correction, and compliance within the deadline achieves that purpose.
82. A — If the contractor can demonstrate that the work was performed in accordance with the approved plans and specifications, and the deficiency is in the design rather than the construction, the contractor is generally not subject to discipline for a design defect. The contractor builds to the plans; the design professional is responsible for the adequacy of the design.
83. D — The Recovery Fund pays actual damages up to the thirty-thousand-dollar per-residence maximum, but reduces the award by amounts already recovered from other sources such as the contractor's surety bond. With twenty-six thousand in actual damages minus eight thousand collected from the bond, the remaining actual damages are eighteen thousand — within the thirty-thousand maximum.
84. B — Omitting the license number from a written contract violates ARS § 32-1158, and the contractor is subject to potential AZ ROC disciplinary action for the omission. However, under subsection (C), the omission does not void the contract or constitute a defense to enforcement. The contract remains valid, but the contractor's non-compliance is a separate regulatory violation.
85. C — Under Arizona law, any person who owns twenty-five percent or more of the stock or beneficial interest must be identified on the license application and undergo a background check. All three members — owning forty percent, thirty-five percent, and twenty-five percent respectively — meet or exceed this threshold.
86. A — When the installed work does not match the approved plans, the contractor must either install the specified materials or obtain an approved plan revision from the design professional. The building inspector cannot accept substitutions based solely on the contractor's assertion of adequacy — the approved plans govern until formally revised.
87. B — Under ARS § 32-1154(D), the voluntary surrender of a license does not deprive the Registrar of jurisdiction. The Registrar may continue the investigation and render a decision including suspension, revocation, or denial of renewal even after the contractor voluntarily surrenders the license.

88. D — It is the contractor's responsibility to comply with the building code as adopted by the local jurisdiction, including all local amendments. The contractor cannot build to the model code while ignoring local modifications. The locally adopted code — with all amendments — is the governing standard for construction within that jurisdiction.
89. C — For a Recovery Fund claim to be eligible, the contractor's license must be suspended or revoked as a direct result of the specific homeowner's own complaint — not a different homeowner's complaint on a different project. The homeowner must file their own complaint and that complaint must result in discipline before fund eligibility is established.
90. A — Under Arizona mechanics' lien law, a contractor who has been paid in full must file a lien release within twenty days to discharge the recorded lien from the property. Failure to release a satisfied lien can expose the contractor to liability under ARS § 33-420 for maintaining an invalid lien.
91. B — A stop-work order can only be lifted by the authority that issued it — the building department. The contractor must submit the structural engineer's letter to the building department for review and obtain formal authorization to resume work. The engineer's letter does not automatically supersede the stop-work order.
92. D — Under ARS § 32-1151, performing contracting work without a valid license is prohibited regardless of the circumstances. Even warranty repairs constitute contracting work. However, the contractor could fulfill the warranty obligation by arranging and paying for a licensed subcontractor to perform the repair at no cost to the homeowner.
93. C — When a property owner provides detailed daily instructions that interfere with the contractor's normal methods and sequencing, the owner's interference may constitute a material breach of the contract or a modification of the agreed-upon scope. Whether the owner's interference excuses the contractor from strict plan compliance depends on the specific contract terms and the nature of the instructions.
94. A — Under ARS § 32-1129.04, a contractor may suspend performance after providing proper notice when the owner fails to make required payments as specified in the contract. Non-payment by the owner is a legally recognized basis for work suspension and does not constitute abandonment when the contractor follows proper notice procedures.
95. D — Arizona law requires the lawsuit to foreclose a mechanics' lien to be filed within six months after the date the lien is recorded. Filing two days late — six months and two days — means the deadline has passed and the lien has expired. The six-month period is strictly enforced with no grace period.
96. B — Contractual waivers of statutory consumer protection rights provided by the licensing chapter are generally unenforceable under Arizona law. The Recovery Fund is a statutory protection

established for the benefit of homeowners, and a contractor cannot require a homeowner to waive this protection through a contract provision.

97. A — The Registrar investigates complaints by gathering evidence, which may include retaining technical experts such as engineers or construction consultants to determine whether the failure is attributable to the contractor's work, the design, material defects, or other causes. The investigation process is fact-based and thorough.
98. C — The Registrar has the authority under ARS § 32-1104 to require documentation to verify ongoing compliance with licensing requirements, including insurance certificates, bond documentation, and financial records. Contractors must cooperate with the Registrar's requests for information as part of maintaining their license.
99. D — Installing standard drywall instead of required Type X fire-rated drywall in a fire-rated assembly constitutes willful or deliberate failure to comply with the building codes of the state or local jurisdiction. Fire-rated assemblies are life safety requirements, and substituting non-rated materials for rated materials is a serious code violation.
100. B — Under ARS § 32-1154(B)(2), any person who suffers a material loss or injury as a result of a contractor's failure to perform work in a professional and workmanlike manner may file a written complaint with the Registrar. The new owner who discovers structural defects qualifies as a person who suffered material loss, regardless of not being the original contracting party.