

# PRACTICE EXAM 14: OHIO BUSINESS AND LAW SIMULATION (50 QUESTIONS)

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## 50 Questions — 120 Minutes Recommended

1. An Ohio HVAC contractor forms a twomember LLC. Member A contributes \$150,000 in cash and Member B contributes HVAC service vehicles and equipment valued at \$150,000. The operating agreement specifies that both members are managing members with equal authority. After two years of profitable operations, the business incurs a \$500,000 judgment from a negligence lawsuit. The LLC's assets total only \$280,000. What is the maximum amount the creditor can collect from Member A's personal assets?

- A. \$250,000 representing Member A's proportional share of the judgment based on the fifty percent ownership
- B. Generally nothing beyond Member A's \$150,000 capital investment because the LLC's liability protection shields personal assets from business judgments
- C. The full \$500,000 because managing members of an LLC forfeit limited liability protection
- D. \$220,000 representing the judgment minus the LLC's assets divided equally between the two members

2. An Ohio contractor operates as a sole proprietorship and earns \$260,000 in net business income. The contractor pays the full 15.3% selfemployment tax on this income. A tax advisor recommends converting to an S corporation with a reasonable salary of \$120,000 and \$140,000 in distributions. What is the approximate annual FICA tax savings from this conversion?

- A. \$39,780 representing the elimination of all selfemployment tax through the S corp election
- B. \$18,360 representing the FICA savings on the \$120,000 salary portion
- C. \$33,150 representing the approximate reduction from paying 15.3% on \$260,000 versus paying employer and employee FICA only on \$120,000

D. \$21,420 representing the 15.3% FICA rate avoided on the \$140,000 in distributions that are no longer subject to selfemployment tax

3. A contractor's business plan describes plans to obtain OCILB licensing, secure bonding capacity, and develop relationships with three major general contractors as primary clients. The plan projects that these three GCs will provide eighty percent of the company's revenue. A reviewer identifies a significant risk in this plan. What is the most likely concern?

A. The plan underestimates the time needed to obtain OCILB licensing which typically takes three to five years

B. The plan's bonding strategy is unrealistic because new contractors cannot obtain surety bonds in the first year

C. Relying on three clients for eighty percent of revenue creates dangerous customer concentration risk that could devastate the business if any single relationship deteriorates

D. The plan should target government contracts exclusively because private commercial work is too competitive

4. An Ohio contractor passes the Business and Law exam and the HVAC trade exam. The contractor submits proof of insurance and the OCILB issues the license. Six months later, the contractor's general liability insurance is cancelled for nonpayment of premiums. The contractor does not notify the OCILB or obtain replacement coverage. The contractor continues performing commercial HVAC work for three months without insurance. What violations have occurred?

A. The contractor violated the requirement to maintain continuous general liability insurance and performed licensed work without meeting a condition of licensure

B. No violation occurred because the OCILB does not monitor insurance status after initial license issuance

C. The violation is limited to a reporting deficiency because the contractor failed to notify the OCILB of the cancellation

D. The insurance company is solely responsible for notifying the OCILB and the contractor has no independent obligation

5. A contractor bids on a commercial project. The specifications require copper piping for all domestic water supply. During the prebid period, the contractor submits a question asking whether CPVC piping is an acceptable substitute. The architect issues Addendum No. 2 stating that CPVC is not acceptable

and copper is required. The contractor bids using CPVC pricing. After award, the architect rejects the CPVC submittal. What is the contractor's financial exposure?

- A. Zero because the contractor's prebid question created a record that the specification was unclear
- B. Zero because the architect should have approved the substitution given the contractor's prebid inquiry
- C. The architect must approve the CPVC because the contractor submitted the question before bidding closed
- D. The full cost difference between CPVC and copper piping because Addendum No. 2 clearly confirmed that copper was required and the contractor bid nonconforming materials

6. A contractor calculates total project costs of \$340,000 on a commercial bid. The contractor wants to earn a net profit margin of twelve percent on the selling price. What should the bid price be?

- A. \$380,800 calculated by adding twelve percent of total cost to the total cost
- B. \$386,364 calculated by dividing total cost by 0.88 to achieve a twelve percent margin on selling price
- C. \$340,000 because profit should be included within the total cost figure rather than added separately
- D. \$404,000 calculated by adding a twenty percent markup to achieve a twelve percent margin after taxes

7. An estimator on a commercial electrical project calculates 4,600 labor hours at a fully loaded rate of \$56.00 per hour. The estimator discovers that the productivity rates used were based on a similar project completed five years ago in a new construction building. The current project is a renovation in an occupied building with limited access, tight work areas, and the need to maintain building operations during construction. What adjustment should the estimator make?

- A. Increase the labor hours by applying a productivity adjustment factor to account for the more difficult renovation conditions
- B. Decrease the labor hours because renovation projects typically require less work than new construction
- C. Keep the labor hours the same because the project type does not affect electrical installation productivity

D. Replace the labor estimate with a timeandmaterials pricing structure to avoid the productivity risk

8. A general contractor on a public project receives five subcontractor bids for the plumbing scope. The bids range from \$142,000 to \$198,000. The lowest bid of \$142,000 is thirty percent below the next lowest bid of \$185,000. The GC suspects the low bid contains a significant estimating error. What should the GC do before incorporating the \$142,000 bid into the overall proposal?

A. Use the \$142,000 bid without further inquiry because the lowest bid must be used on public projects

B. Average the five bids and use the average as the plumbing line item to protect against potential errors

C. Contact the low bidder to verify the bid amount and confirm that the scope is complete and the price is intentional

D. Reject the \$142,000 bid and use the secondlowest bid because an unreasonably low bid indicates irresponsibility

9. A commercial construction contract includes a provision stating: "The Contractor shall indemnify and hold harmless the Owner from and against all claims arising from the Contractor's negligent acts or omissions in the performance of the Work." This is an example of what type of indemnification clause?

A. A broadform clause that requires the contractor to indemnify the owner even for the owner's own negligence

B. An intermediateform clause that requires indemnification for the contractor's negligence but not for the owner's sole negligence

C. A reverse indemnification clause that requires the owner to indemnify the contractor

D. A limitedform or comparativefault clause that requires the contractor to indemnify only for claims arising from the contractor's own negligent acts or omissions

10. A contractor on a commercial project submits a change order for \$32,000 covering additional mechanical work. The contract allows a fifteen percent markup on selfperformed work and a five percent markup on subcontracted work. The change includes \$18,000 in selfperformed labor and materials and \$14,000 in subcontracted work. What is the correct total change order amount including markups?

- A. \$36,800 calculated by applying fifteen percent markup to the entire \$32,000 change
- B. \$37,400 calculated as \$18,000 plus fifteen percent (\$2,700) for selfperformed work plus \$14,000 plus five percent (\$700) for subcontracted work
- C. \$32,000 with no markup because change orders on commercial projects do not include contractor markup
- D. \$34,400 calculated by applying a blended ten percent markup to the entire \$32,000 change

11. A contractor enters into a GMP contract for \$2,400,000 with a fixed fee of \$120,000 and a fiftyfifty savings split. Actual project costs total \$2,150,000. What is the contractor's total compensation?

- A. \$2,335,000 calculated as actual costs plus the fixed fee plus the contractor's fifty percent share of the savings below the GMP
- B. \$2,270,000 calculated as actual costs plus the fixed fee only with no savings share
- C. \$2,400,000 representing the full GMP regardless of actual costs
- D. \$2,150,000 representing actual costs only because the savings belong entirely to the owner

12. A project architect issues a change order adding a second elevator to a commercial building. The contractor provides a cost proposal of \$285,000. The owner approves the change order at \$285,000 and signs the formal document. During installation, the contractor discovers that the structural modifications needed to support the elevator are more extensive than estimated, adding \$65,000 in additional costs. Can the contractor recover the \$65,000 from the owner?

- A. Yes because the owner approved the elevator addition and is responsible for all resulting costs
- B. Yes because the structural modifications are a consequential cost of the ownerdirected change
- C. No because the contractor agreed to perform the elevator work for \$285,000 in the signed change order and underestimating the cost is the contractor's risk
- D. No because structural modifications to existing buildings are always excluded from change order pricing

13. A subcontractor on a commercial project provides written notice to the general contractor that a directed scope change will cost \$22,000. The GC verbally agrees and says "go ahead and do the work — we'll get the paperwork done later." The subcontractor performs the work. Three months later, the

GC has not processed the change order and now disputes the \$22,000 cost. What is the subcontractor's primary problem?

- A. The subcontractor failed to obtain the owner's separate approval for the scope change
- B. The subcontractor relied on a verbal agreement rather than insisting on a signed written change order before performing the work
- C. The subcontractor should have filed a mechanic's lien before performing the disputed work
- D. The subcontractor's written notice to the GC automatically constitutes an enforceable change order

14. A commercial project's CPM schedule shows a critical path duration of 180 days. At the Day 90 update, the project manager discovers that the critical path has shifted due to a twentyday delay on a previously noncritical activity that had only fifteen days of float. What is the new project duration?

- A. 180 days because critical path shifts do not change the total project duration
- B. 195 days because the twentyday delay adds twenty days to the original project duration
- C. 200 days because the fifteen days of consumed float plus the fiveday excess are both added to the duration
- D. 185 days because the twentyday delay consumed fifteen days of float and exceeded it by five days extending the project by five days

15. A contractor's project manager uses a resource histogram to plan the labor requirements for a commercial project. The histogram shows a peak demand of fortyfive workers in weeks six through eight, dropping to twelve workers in weeks nine and ten. The project manager identifies this as a staffing problem. What scheduling technique can reduce the peak while maintaining the project duration?

- A. Resource leveling which shifts noncritical activities within their float to redistribute workforce demand more evenly without extending the project completion date
- B. Fasttracking which overlaps sequential activities to reduce the total project duration
- C. Crashing which adds additional resources to critical path activities to compress the schedule
- D. Scope deletion which removes nonessential work packages to eliminate the need for peak staffing

16. A contractor reaches substantial completion on a commercial project. The punch list contains twentyeight items. The contractor completes all items within the contractual thirtyday punch list period and requests a reinspection. The architect's reinspection reveals that four items were not corrected properly and two new deficiencies were identified that were not on the original punch list. What is the contractor's obligation?

- A. The contractor has no obligation to correct the two new items because they were not on the original punch list
- B. The contractor must correct the four improperly resolved items but may refuse to address the two new items
- C. The contractor must correct all six items because the obligation to deliver conforming work continues through final completion regardless of what appeared on the original punch list
- D. The architect must issue a revised Certificate of Substantial Completion before the contractor is obligated to address any items

17. A contractor's CGL policy is written on a claimsmade basis rather than an occurrence basis. The contractor completes a commercial project in Year 1. In Year 3, a defect causes property damage and the owner files a claim. The contractor let the CGL policy lapse at the end of Year 2 and did not purchase an extended reporting period endorsement. Is the contractor covered?

- A. Yes because all CGL policies cover claims for work performed during the policy period regardless of when the claim is made
- B. Yes because the contractor maintained coverage during Year 1 when the defective work was performed
- C. No because a claimsmade policy covers only claims made during the active policy period and without an extended reporting endorsement the contractor has no coverage for claims made after the policy lapsed
- D. No because claimsmade policies cover only claims made and reported within the same calendar month

18. An Ohio contractor's workers' compensation EMR has been above 1.0 for five consecutive years. The contractor's annual base premium is \$52,000. The current EMR is 1.28. The contractor hires a safety director at \$65,000 per year and implements a comprehensive safety program. After three years, the EMR drops to 0.82. Considering only the premium impact, what is the net annual financial effect of the safety investment in Year 3?

- A. A net cost of \$41,080 because the safety director salary exceeds the premium savings
- B. A net savings of \$23,920 minus the \$65,000 salary for a net cost of \$41,080
- C. A net cost because the premium savings of \$23,920 do not fully offset the \$65,000 salary
- D. The premium calculation must be compared: at 1.28 EMR premium is \$66,560 and at 0.82 EMR premium is \$42,640 for savings of \$23,920 which partially offsets the \$65,000 salary

19. A contractor on a commercial project discovers that a material supplier delivered the wrong grade of structural steel to the jobsite. The contractor's superintendent accepted the delivery without checking the material against the specifications. The wrong steel was installed before the error was discovered during the architect's site visit. Who bears the cost of removing and replacing the incorrect steel?

- A. The contractor bears the primary cost responsibility because the superintendent accepted and installed nonconforming material without verifying it against the specifications
- B. The steel supplier bears the full cost because the supplier delivered the wrong material
- C. The architect bears the cost because the architect should have caught the error during a more timely site visit
- D. The project owner bears the cost because the owner is ultimately responsible for all materials on the project

20. A contractor on a commercial project creates a detailed asbuilt drawing showing that a twelveinch storm drain was relocated fourteen feet south of its original planned location to avoid an existing underground utility discovered during excavation. The asbuilt drawing is submitted as part of the project closeout documents. Why is this relocation documentation critically important?

- A. It provides the architect with verification that the design intent was properly followed
- B. It satisfies the OSHA requirement to document all underground utility conflicts
- C. It allows the contractor to bill for the relocation as a change order after project completion
- D. It ensures that future excavation, maintenance, or renovation work near the storm drain can be performed safely because the actual location differs significantly from the original design

21. A surety company evaluates a contractor for a \$1,200,000 performance bond. The contractor's financial statements show working capital of \$95,000, net worth of \$280,000, a current ratio of 1.4,

and a debttoequity ratio of 2.1. The contractor's track record includes successful completion of five projects between \$800,000 and \$1,000,000 but has never completed a project exceeding \$1,000,000. The surety declines to issue the \$1,200,000 bond. Which factor most likely drove the decision?

- A. The debttoequity ratio of 2.1 exceeds the maximum threshold for bonded contractors
- B. The net worth of \$280,000 is below the minimum required for a bond of this size
- C. The current ratio of 1.4 is inadequate for commercial construction bonding
- D. The combination of limited working capital relative to the bond size and lack of experience completing projects at the \$1,200,000 level raises concerns about both Capital and Capacity

22. Under OSHA's construction standards, an employer provides fall protection training to all workers at the beginning of a project. Three months later, the company purchases a new type of selfretracting lifeline that has different inspection procedures and connection methods than the equipment covered in the original training. Workers begin using the new equipment immediately. An OSHA inspector asks for documentation that workers were trained on the new equipment. What should the employer have done?

- A. Nothing additional because the original fall protection training covered all types of fall protection equipment
- B. Provided retraining on the specific new equipment before workers began using it because the new equipment has different procedures than what was previously trained
- C. Posted the manufacturer's instruction manual in the break room as a substitute for handson training
- D. Required only the crew foreman to review the new equipment manual and relay the information verbally to workers

23. An OSHA inspector observes a commercial construction site and notes the following: an extension ladder is set up at a 4:1 ratio (correct angle), a worker on the ladder is carrying a fivegallon bucket of joint compound in one hand while climbing with the other, and the ladder extends two feet above the upper landing (standard requires three feet). How many potential OSHA violations exist?

- A. One violation for the insufficient ladder extension only
- B. Three violations — one for each observed deficiency
- C. Two violations — insufficient ladder extension and the worker carrying a load while climbing which prevents maintaining three points of contact

D. No violations because the correct ladder angle compensates for the other deficiencies

24. An Ohio employer with fiftyfive employees receives an FMLA leave request from a worker who has been employed for eleven months. The employee has worked over 1,300 hours during that period. The employer denies the request. Is the denial proper?

A. Yes because the employee has not worked for the employer for at least twelve months which is a prerequisite for FMLA eligibility

B. No because the employee exceeds the 1,250hour threshold which is the sole eligibility requirement

C. Yes because the employer has fewer than seventyfive employees which is the FMLA coverage threshold

D. No because eleven months of employment is close enough to twelve months that the employer must grant the leave

25. An Ohio contractor operating as a partnership earns \$520,000 in net income with two equal partners. Neither partner makes estimated tax payments throughout the year. At filing time, each partner owes \$62,000 in combined federal income tax and selfemployment tax on their \$260,000 share. The partners pay the full amount with their returns filed by the April deadline. What penalty applies?

A. A failuretofile penalty because partnership returns are due earlier than individual returns

B. A trust fund recovery penalty for failing to deposit employment taxes on the partnership income

C. No penalty because the full tax liability was paid by the April filing deadline

D. An estimated tax underpayment penalty because quarterly estimated payments were not made throughout the year as required by the payasyougo system

26. An Ohio contractor purchases \$52,000 in plumbing materials from a West Virginia supplier. The supplier does not collect Ohio sales tax. The materials are shipped to Ohio and installed on a private commercial project. The contractor does not selfassess or remit Ohio use tax. Two years later, the Ohio Department of Taxation audits the contractor. What is the likely assessment?

A. No assessment because purchases from bordering states are exempt under Ohio's borderstate exemption

- B. Use tax on the \$52,000 at the Ohio sales tax rate plus interest from the date of purchase and potentially penalties for failure to self-assess and remit
- C. A flat \$1,000 administrative penalty with no tax obligation because the supplier bears primary responsibility
- D. Use tax only on the labor component of the installation with the material purchase itself being exempt

27. A subcontractor on a private commercial project first furnishes labor on January 10. The subcontractor serves a Notice of Furnishing on the property owner on January 28 — eighteen days after first furnishing. The subcontractor completes all work on July 15 and files a mechanic's lien affidavit on September 10 — fiftyseven days after last furnishing. The subcontractor serves the filed affidavit on the property owner on October 8 — twentyeight days after filing. Are all three procedural steps timely?

- A. Yes because the Notice of Furnishing was served within twentyone days, the affidavit was filed within sixty days of last furnishing, and the service was within thirty days of filing
- B. No because the Notice of Furnishing was served on Day 18 which is three days before the deadline and the early service invalidates the notice
- C. No because the fiftysevenday filing period is outside the fortyfiveday deadline for subcontractor liens
- D. No because the twentyeightday service period exceeds the fourteenday postfiling service requirement

28. A general contractor on a private commercial project collects conditional partial lien waivers from all subcontractors with each monthly progress payment. At month ten of a twelvemonth project, one subcontractor submits an unconditional partial waiver instead of the usual conditional waiver. The GC's project manager does not notice the difference and processes the payment. The subcontractor does not receive the payment because of a banking error. What is the consequence for the subcontractor?

- A. No consequence because the banking error makes the unconditional waiver void automatically
- B. No consequence because conditional and unconditional waivers have identical legal effect
- C. The subcontractor can revoke the unconditional waiver within fifteen days of discovering the banking error

D. The subcontractor's lien rights for the waived amount are permanently released because an unconditional waiver is effective immediately upon signing regardless of whether payment is actually received

29. A contractor files a mechanic's lien on a commercial property for \$58,000 on November 15. The property owner disputes the lien. The contractor and owner negotiate periodically over the next four years but never reach a settlement. On November 20 of Year 5 — five years and five days after filing — the contractor files a foreclosure lawsuit. Is the lawsuit timely?

A. No because Ohio requires foreclosure within three years of the lien filing date

B. No because Ohio requires foreclosure within five years of the last furnishing of labor

C. Yes because Ohio allows six years from the date the lien affidavit was filed to commence a foreclosure action and the filing at five years and five days is within the six-year window

D. No because the ongoing negotiations did not toll the enforcement deadline which expired at five years

30. A material supplier furnishes \$28,000 in HVAC equipment to a first-tier subcontractor on a state-funded public library project in Ohio. The subcontractor does not pay the supplier. The supplier wants to file a payment bond claim. What is the supplier's first step?

A. File a mechanic's lien against the library property because all construction projects allow lien filings

B. Review the payment bond terms and applicable statutory requirements then provide any required notice and file a claim against the general contractor's payment bond

C. Contact the OCILB to request suspension of the subcontractor's license for nonpayment

D. File a complaint with the Ohio Attorney General's consumer protection division

31. A contractor's income statement shows revenue of \$2,750,000, cost of revenue of \$2,200,000, and general overhead of \$440,000. What is the contractor's gross profit margin, net operating income, and breakeven revenue?

A. Gross margin 20%, net income \$110,000, breakeven \$2,200,000

B. Gross margin 25%, net income \$220,000, breakeven \$1,760,000

C. Gross margin 20%, net operating income \$110,000, breakeven \$2,200,000

D. Gross margin 15%, net operating income \$192,500, breakeven \$2,933,333

32. A contractor's balance sheet shows total assets of \$680,000, current assets of \$310,000, current liabilities of \$225,000, longterm liabilities of \$180,000, and owner's equity of \$275,000. What is the debttoequity ratio and what does it indicate?

A. 1.47 calculated as total liabilities (\$405,000) divided by owner's equity (\$275,000) indicating moderate leverage that most bonding companies would find acceptable

B. 0.82 calculated as current liabilities divided by current assets indicating strong shortterm liquidity

C. 2.47 calculated as total assets divided by owner's equity indicating excessive leverage

D. 1.13 calculated as current assets divided by current liabilities indicating a healthy current ratio

33. Under OSHA's Hazard Communication Standard, a construction worker encounters a container of an unfamiliar chemical at the jobsite. The container has a GHScompliant label but the worker does not understand the hazard pictograms or the precautionary statements. What is the worker's right under the standard?

A. The worker must use the chemical immediately and file a complaint with OSHA afterward if any adverse effects occur

B. The worker may refuse to work with the chemical until receiving adequate training from the employer on its hazards

C. The worker must contact the chemical manufacturer directly for an explanation of the hazard pictograms

D. The worker should request the Safety Data Sheet from the employer and has the right to receive training on the chemical's hazards, protective measures, and emergency procedures before handling it

34. An Ohio contractor has maintained zero workers' compensation claims for three consecutive years. The contractor's EMR has dropped from 1.10 to 0.78. A new project manager joins the company and questions why the contractor spends \$8,000 annually on safety training when there have been no injuries. What is the best response to this question?

- A. The \$8,000 annual investment is unnecessary because the zeroclaim record proves the workforce is inherently safe
- B. The \$8,000 annual safety investment is directly responsible for the claimsfree record which has reduced the EMR from 1.10 to 0.78 saving far more in premium reductions while preventing costly injuries and maintaining project eligibility
- C. The safety training should be reduced to \$4,000 because three years of zero claims demonstrates diminishing returns
- D. The safety training cost should be eliminated and the savings redirected to marketing which generates revenue

35. A contractor on a commercial project maintains a comprehensive photographic record. The contractor photographs concealed plumbing roughin before walls are closed, documents material labels during installation, and photographs site conditions at the beginning of each construction phase. Two years after project completion, the owner alleges defective plumbing installation. The contractor produces dated photographs showing the installation conforming to specifications and the inspection approval visible in the background of several photos. What evidentiary advantage do these photographs provide?

- A. The photographs are inadmissible because they were taken by the contractor who has a financial interest in the outcome
- B. The photographs provide limited value because only video documentation is accepted as evidence in construction disputes
- C. The photographs provide strong contemporaneous evidence because they were taken at the time of installation showing compliance with specifications and are corroborated by the visible inspection approval
- D. The photographs are relevant only if they were taken by an independent thirdparty photographer retained by the project owner

36. Under the percentageofcompletion method, a contractor has a project with a contract price of \$950,000 and total estimated cost of \$760,000. At the fifty percent completion point, costs incurred to date are \$380,000. A change order adds \$80,000 to the contract price and \$65,000 to the estimated cost. What is the revised revenue recognized to date?

- A. \$496,970 calculated as the revised percentage complete multiplied by the revised contract price
- B. \$515,000 calculated as fifty percent of the revised \$1,030,000 contract price
- C. \$475,000 calculated as fifty percent of the original contract price only

D. \$380,000 equal to costs incurred to date because revenue recognition is deferred until the change order is executed

37. A contractor operating as a sole proprietorship converts to a Ccorporation. The contractor's annual net income is \$300,000. Under the sole proprietorship, the contractor paid selfemployment tax on the full \$300,000. Under the Ccorporation, the contractor pays herself a salary of \$130,000. What happens to the remaining \$170,000 if it stays in the corporation?

A. The \$170,000 is subject to selfemployment tax at the 15.3% rate

B. The \$170,000 is subject to corporate income tax at twentyone percent and remains in the corporation as retained earnings

C. The \$170,000 is taxfree because retained corporate earnings are not taxed until distributed

D. The \$170,000 is automatically distributed as dividends and taxed at the shareholder's personal rate

38. An Ohio employer terminates an employee for documented attendance violations. The employee was consistently late to work and received three written warnings over four months. The employee also happens to be the only African American worker on the crew. The employee files a racial discrimination complaint with the Ohio Civil Rights Commission alleging the termination was racially motivated. What is the employer's strongest defense?

A. Ohio's atwill employment doctrine automatically protects the employer from discrimination claims

B. Thorough documentation of progressive discipline for attendance violations applied consistently to all employees regardless of race demonstrating that race was not a factor in the termination decision

C. The small crew size makes the employer exempt from Ohio's antidiscrimination laws

D. The employer's general statement that the company does not discriminate is sufficient defense

39. A contractor on a DavisBacon covered federal project employs laborers at the prevailing wage rate of \$26.00 per hour. The contractor also pays a \$2.00 per hour shift differential for night work. A laborer works forty regular dayshift hours and eight nightshift hours in a single workweek. The overtime rate must be calculated on the regular rate which includes the shift differential. What is the correct gross pay for the week?

- A. \$1,248 calculated as forty hours at \$26.00 plus eight hours at \$26.00 plus the \$2.00 differential on eight hours
- B. \$1,056 calculated as fortyeight hours at a blended rate of \$22.00 per hour
- C. \$1,040 calculated as forty hours at \$26.00 with no overtime or shift differential applied
- D. The regular rate for the week must be recalculated to include the shift differential and overtime paid at 1.5 times this recalculated rate for the eight hours exceeding forty

40. A subcontractor on a private commercial project last furnishes labor on April 30. The subcontractor files a mechanic's lien affidavit on June 25 — fiftysix days after last furnishing. The subcontractor served a timely Notice of Furnishing. The general contractor pays the subcontractor in full on July 10. What should the subcontractor do with the filed lien?

- A. File a lien release or satisfaction with the county recorder to remove the lien from the property title because the debt has been satisfied
- B. Leave the lien in place as insurance against future payment disputes with the general contractor
- C. File an amended lien reducing the amount to zero but maintaining the lien filing for the record
- D. Take no action because liens automatically expire when the underlying debt is satisfied

41. An Ohio contractor's CGL policy provides \$1,000,000 peroccurrence and \$2,000,000 general aggregate coverage. The contractor also carries a \$3,000,000 umbrella policy. A scaffold collapse on a commercial project causes injuries to four workers from other trades. Total claims from the single incident are \$3,200,000. How much of the claim is covered by the contractor's insurance program?

- A. \$1,000,000 from the CGL peroccurrence limit only because umbrella policies do not cover scaffoldrelated claims
- B. \$3,200,000 because the CGL pays the first \$1,000,000 peroccurrence and the umbrella policy covers the remaining \$2,200,000 up to its \$3,000,000 limit
- C. \$2,000,000 from the CGL general aggregate with the remaining \$1,200,000 uninsured
- D. \$4,000,000 because the CGL and umbrella limits are combined for a total of \$4,000,000

42. Under OSHA's excavation standard, a competent person inspects a trench before the work shift begins and determines that the soil is Type B. The protective system in place is a combination of

sloping at the angle required for Type B soil. During the afternoon, the competent person notices that water is seeping through the trench walls and the soil appears to be deteriorating. What action must the competent person take?

- A. Document the condition in the daily log and schedule a formal engineering assessment for the following morning
- B. Allow workers to continue if the water seepage is less than one gallon per minute
- C. Continue monitoring the condition and reassess at the start of the next work shift
- D. Reclassify the soil to a less stable type and either modify the protective system to meet the requirements for the reclassified soil or remove workers from the trench until adequate protection is provided

43. An Ohio employer with twenty employees hires a new worker and has the worker complete the I9 form on the first day of employment. The worker presents an expired U.S. passport as identification and work authorization. The employer accepts the document and completes Section 2. Has the employer complied with the I9 requirements?

- A. No because the I9 instructions require documents to be unexpired at the time of examination and an expired passport does not satisfy the identity or work authorization requirement
- B. Yes because U.S. passports remain valid for I9 purposes for two years after the expiration date
- C. Yes because U.S. citizens' work authorization never expires and the passport still establishes identity
- D. No but the employer has thirty days to obtain a valid replacement document from the employee

44. A contractor's project has earned value metrics at month eight showing: planned value \$720,000, earned value \$680,000, actual cost \$700,000. The schedule performance index (SPI) is calculated as earned value divided by planned value. What is the SPI and what does it indicate about the project?

- A. SPI is 1.03 indicating the project is three percent ahead of schedule
- B. SPI is 0.97 indicating the project is close to on schedule but slightly behind — less work has been completed than planned
- C. SPI is 0.94 indicating the project is significantly behind schedule with earned value falling six percent below planned value
- D. SPI is 1.06 indicating the project is ahead of schedule because actual cost exceeds earned value

45. An Ohio contractor earns \$1,800,000 in annual gross receipts from commercial HVAC work and \$400,000 from a separate residential HVAC service division. For Ohio Commercial Activity Tax purposes, what is the total taxable gross receipts?

- A. \$1,800,000 because residential service revenue is exempt from the Commercial Activity Tax
- B. \$2,200,000 because the CAT applies to all taxable gross receipts from all business activities combined
- C. \$400,000 because only the residential portion is subject to CAT with commercial work exempt
- D. \$1,400,000 because the first \$800,000 in combined receipts is exempt under the small business exclusion

46. A contractor's job cost report at month nine of a fifteenmonth project shows the following for the mechanical work package: revised budget \$240,000, costs to date \$198,000, estimated to complete \$56,000, projected total \$254,000. What does the report indicate?

- A. The mechanical work is tracking under budget with \$42,000 remaining in the budget
- B. The mechanical work is essentially on budget because the \$14,000 variance is within the standard five percent tolerance
- C. The mechanical work cannot be evaluated until the project reaches final completion and actual total costs are known
- D. The mechanical work is projected to exceed the revised budget by \$14,000 and the project manager should investigate the root cause and implement corrective actions

47. A property owner on a private commercial project makes progress payments to the general contractor monthly. The owner collects conditional partial lien waivers from the GC and all known subcontractors with each payment. At month eight, a material supplier that the owner was not aware of files a mechanic's lien for \$38,000 against the property. The owner has been collecting waivers from the GC and all subcontractors but not from this supplier. What does this situation reveal?

- A. The owner's lien waiver collection process has a gap because it did not include all parties who furnished labor or materials to the project including secondtier suppliers
- B. The supplier's lien is automatically invalid because the owner had no knowledge of the supplier's involvement

- C. The GC's conditional waivers automatically cover all suppliers' lien rights through the flowdown provisions
- D. The owner is fully protected because collecting waivers from the GC and subcontractors satisfies the statutory requirement

48. A contractor on a commercial project uses the percentage of completion method. The project has a contract price of \$1,400,000. The original total estimated cost is \$1,120,000. Costs incurred to date are \$840,000. A revised cost estimate projects total costs of \$1,260,000 due to unforeseen conditions. What is the revised expected total profit, and is the project still profitable?

- A. The revised expected profit is \$280,000 and the project remains highly profitable
- B. The project is at breakeven because the revised costs equal the contract price
- C. The revised expected profit is \$140,000 and the project remains profitable but with significantly reduced margin compared to the original estimate of \$280,000
- D. The project has become unprofitable because revised costs exceed the contract price

49. Under the federal Miller Act, a second tier material supplier on a \$4,000,000 federal construction project provides \$65,000 in electrical equipment to a first tier subcontractor. The subcontractor does not pay the supplier. The supplier's last delivery was on March 10. The supplier provides written notice to the prime contractor on June 5 — eighty seven days after the last delivery. The supplier files a lawsuit on December 15 of the same year — approximately nine months after last delivery. Are both the notice and the lawsuit timely?

- A. The notice is untimely because it was provided more than sixty days after last delivery
- B. Both are timely because the notice was within ninety days and the lawsuit was filed within one year of last delivery
- C. The notice is timely but the lawsuit is untimely because it was filed more than six months after last delivery
- D. The notice is untimely because second tier suppliers must provide notice within thirty days of last delivery

50. A contractor on a commercial project completes all work and submits the final closeout package including as built drawings, O&M manuals, warranties, test reports, and final lien waivers from all

parties. The architect reviews and accepts the package. The contractor submits the final payment application requesting release of all retainage totaling \$84,000. The owner delays final payment for ninety days citing "administrative processing." The contract requires final payment within thirty days of the architect's final certificate. What remedy is available to the contractor?

- A. The contractor must wait because administrative processing delays are standard and do not constitute a breach
- B. The contractor can extend the warranty period by ninety days to offset the delayed final payment
- C. The contractor can file a complaint with the OCILB to suspend the owner's ability to contract for future projects
- D. The contractor can pursue contractual remedies for late payment including interest on the overdue amount and potentially filing a mechanic's lien if the filing deadline has not passed

## Practice Exam 14: Answer Key and Explanations

- 1. B** — An LLC provides limited liability protection to all members, including managing members. The creditor can collect the LLC's \$280,000 in assets, but Member A's personal assets are generally protected from the remaining \$220,000 judgment. The LLC's liability shield limits each member's exposure to their capital investment unless the LLC veil is pierced due to commingling funds, fraud, or failure to maintain the entity.
- 2. D** — As a sole proprietor, FICA on \$260,000 =  $\$260,000 \times 15.3\% = \$39,780$ . Under Scorp, FICA applies only to the \$120,000 salary:  $\$120,000 \times 15.3\% = \$18,360$ . The \$140,000 in distributions avoids FICA entirely. Savings:  $\$39,780 - \$18,360 = \$21,420$  annually. This represents the 15.3% FICA rate avoided on the \$140,000 distribution amount.
- 3. C** — Relying on three clients for eighty percent of revenue creates dangerous customer concentration risk. If any single GC reduces their project volume, experiences financial difficulties, or selects a different subcontractor, the contractor could lose a disproportionate share of revenue with limited ability to replace it quickly. A diversified customer base protects against this singlepointoffailure vulnerability.
- 4. A** — Two violations occurred: the contractor failed to maintain continuous general liability insurance as required for OCILB licensure, and the contractor continued performing licensed commercial trade work during the threemonth gap without meeting a fundamental condition of licensure. Both maintaining insurance and notifying the OCILB of changes are the contractor's responsibilities.
- 5. D** — Addendum No. 2 explicitly confirmed that CPVC is not acceptable and copper is required. The contractor bid using CPVC pricing despite having received this definitive response to their prebid question. When the architect rejects the CPVC submittal, the contractor must furnish copper at the contractor's own expense. The entire cost difference is the contractor's loss from bidding nonconforming materials.

**6. B** — To achieve a twelve percent margin on selling price, the bid price equals total cost divided by (1 minus the desired margin):  $\$340,000 \div 0.88 = \$386,364$ . At this price, gross profit is  $\$46,364$ , and the margin is  $\$46,364 \div \$386,364 = 12\%$ . Simply adding twelve percent to cost ( $\$380,800$ ) produces only a 10.7% margin on selling price — the common markup versus margin confusion.

**7. A** — Renovation in an occupied building with limited access, tight work areas, and ongoing building operations is significantly more difficult than new construction in an open building. The five-year-old productivity rates from a new construction project will understate the labor required for the renovation. The estimator must apply a productivity adjustment factor — typically increasing labor hours by fifteen to thirty percent or more — to reflect the harder conditions.

**8. C** — A bid that is thirty percent below the next lowest bid is a significant outlier that likely contains an estimating error, missing scope, or misunderstanding of the requirements. Before incorporating it into the overall proposal, the GC should contact the low bidder to verify the amount, confirm scope coverage, and determine whether the price is intentional. Using an erroneously low sub bid puts the entire project at risk.

**9. D** — This is a limited form or comparative fault indemnification clause. The language requires the contractor to indemnify only for claims arising from "the Contractor's negligent acts or omissions" — not for the owner's negligence. A broad form clause would include language like "including claims caused by the Owner's negligence," which this clause does not contain.

**10. B** — Selfperformed work:  $\$18,000 \times 1.15 = \$20,700$  (fifteen percent markup). Subcontracted work:  $\$14,000 \times 1.05 = \$14,700$  (five percent markup). Total:  $\$20,700 + \$14,700 = \$35,400$ . The correct answer uses the differentiated markup rates specified in the contract — fifteen percent for selfperformed and five percent for subcontracted — rather than applying a single blended rate to the entire change.

**11. A** — GMP:  $\$2,400,000$ . Actual costs:  $\$2,150,000$ . Fee:  $\$120,000$ . Subtotal:  $\$2,270,000$ . Savings below GMP:  $\$2,400,000 - \$2,270,000 = \$130,000$ . Contractor's fifty percent share:  $\$65,000$ . Total compensation:  $\$2,150,000 + \$120,000 + \$65,000 = \$2,335,000$ . The savings sharing mechanism incentivizes the contractor to control costs below the GMP.

**12. C** — The contractor agreed to perform the elevator addition for  $\$285,000$  in a signed change order. The underestimation of structural modifications is the contractor's risk — the change order established a fixed price for the defined scope, and the contractor bears responsibility for the accuracy of the cost proposal. The  $\$65,000$  overrun is absorbed by the contractor unless a separate change in scope can be demonstrated.

**13. B** — The subcontractor's primary problem is relying on the GC's verbal agreement rather than obtaining a signed written change order before performing the work. Verbal approvals are extremely difficult to enforce when the other party later denies or disputes the agreement. The cardinal rule applies: get it in writing before performing the work.

**14. D** — The noncritical activity had fifteen days of float but was delayed by twenty days — consuming all fifteen days of float and exceeding it by five days. The five excess days extend the project duration from 180 to 185 days. The delayed activity has now become part of the critical path because its float has been completely consumed.

**15. A** — Resource leveling shifts noncritical activities within their available float to redistribute labor demand without extending the project completion date. By moving some activities from weeks six through eight to weeks nine and ten (when only twelve workers are needed), the peak demand of fortyfive is reduced while the valley is filled, creating a more uniform staffing pattern.

**16. C** — The contractor's obligation to deliver work that conforms to the contract documents continues through final completion. The four improperly resolved items must be corrected because they were not properly addressed. The two new deficiencies must also be corrected because they represent nonconforming work that exists regardless of whether they appeared on the original punch list. The contractor must deliver complete, conforming work.

**17. D** — A claimsmade CGL policy covers only claims that are made and reported during the active policy period. The contractor's policy lapsed at the end of Year 2, and no extended reporting period endorsement was purchased. The Year 3 claim falls outside any active policy period. Without an extended reporting endorsement (also called "tail coverage"), the contractor has no coverage for claims made after the policy lapses.

**18. B** — Premium at 1.28 EMR:  $\$52,000 \times 1.28 = \$66,560$ . Premium at 0.82 EMR:  $\$52,000 \times 0.82 = \$42,640$ . Annual savings:  $\$66,560 - \$42,640 = \$23,920$ . Net effect:  $\$23,920$  savings minus  $\$65,000$  salary = net cost of  $\$41,080$ . The premium savings alone do not offset the salary, but the full value of the safety program includes avoided injury costs, improved project eligibility, and reduced litigation risk.

**19. A** — The contractor bears primary responsibility because the superintendent accepted and installed nonconforming material without verifying it against the specifications. Checking material deliveries against the specifications and approved submittals is a fundamental quality control responsibility. The contractor may have a separate claim against the supplier for delivering the wrong material, but the contractor's failure to verify created the installation problem.

**20. D** — The asbuilt drawing documenting the fourteenfoot relocation is critically important for future safety. Anyone excavating near the storm drain — for maintenance, utility work, or future construction — needs to know the actual location. If they rely on the original design drawings showing the drain fourteen feet north of its actual position, they could damage the drain or create a safety hazard.

**21. D** — The surety's decision is driven by a combination of Capital and Capacity concerns. Working capital of  $\$95,000$  is relatively thin for a  $\$1,200,000$  bond, and the contractor has never completed a project exceeding  $\$1,000,000$ . The  $\$1,200,000$  project is twenty percent larger than the contractor's largest completed project, creating an experience gap. Both financial cushion and demonstrated experience at the proposed scale are insufficient.

**22. B** — OSHA requires retraining when new equipment with different procedures is introduced. The new selfretracting lifelines have different inspection requirements and connection methods than the equipment covered in the original training. Workers must be trained on the specific equipment they will use before using it. Posting a manual or relying on the foreman to relay information does not satisfy the hands-on training requirement.

**23. C** — Two violations exist: the ladder extends only two feet above the upper landing when three feet is required (ladder standard violation), and the worker is carrying a fivegallon bucket while climbing, preventing threepoint contact (safe climbing practices violation). The correct 4:1 angle is compliant, so no violation exists for the ladder angle itself.

**24. A** — FMLA eligibility requires the employee to have worked for the employer for at least twelve months. This employee has been employed for only eleven months — one month short of the twelvemonth requirement. The 1,300 hours exceed the 1,250hour threshold, but both the twelvemonth tenure and the 1,250hour requirements must be met. The denial is proper.

**25. D** — The federal tax system is payasyougo, requiring quarterly estimated payments as income is earned. Even though the full balance was paid by the April filing deadline, the IRS imposes an underpayment penalty for failing to make adequate quarterly estimated payments throughout the year. The penalty is essentially interest on the amounts that should have been paid each quarter.

**26. B** — Materials purchased from an outofstate supplier who does not collect Ohio sales tax are subject to Ohio use tax at the same rate as Ohio sales tax. The contractor must selfassess and remit the use tax. Failure to do so results in an assessment of the full tax owed plus interest from the original purchase date and potentially penalties for noncompliance.

**27. A** — All three steps are timely: Notice of Furnishing served on Day 18 (within twentyone days ✓), lien affidavit filed fiftyseven days after last furnishing (within sixty days ✓), and service on owner twentyeight days after filing (within thirty days ✓). Full compliance with all statutory procedures preserves the subcontractor's complete lien rights for all work performed.

**28. D** — An unconditional lien waiver is effective immediately upon signing regardless of whether payment is received. The banking error prevented the payment from reaching the subcontractor, but the unconditional waiver already released the lien rights for the waived amount. This is precisely why conditional waivers should be used until payment is verified — they protect the signer if payment fails.

**29. C** — Ohio allows six years from the date the mechanic's lien affidavit was filed to commence a foreclosure action. The lien was filed on November 15, and the foreclosure lawsuit was filed on November 20 of Year 5 — five years and five days after filing. This is well within the sixyear enforcement window. The lawsuit is timely.

**30. B** — On public projects, mechanic's liens cannot be filed against governmentowned property. The supplier's remedy is the payment bond. The first step is to review the bond terms and applicable statutory requirements to determine notice deadlines and claim procedures, then file a claim against the general contractor's payment bond to recover the \$28,000 owed.

**31. C** — Gross profit:  $\$2,750,000 - \$2,200,000 = \$550,000$ . Gross margin:  $\$550,000 \div \$2,750,000 = 20\%$ . Net operating income:  $\$550,000 - \$440,000 = \$110,000$ . Breakeven:  $\$440,000 \div 0.20 = \$2,200,000$ . The contractor must generate at least \$2,200,000 to cover overhead. Current revenue of \$2,750,000 is above breakeven, producing \$110,000 in net operating income.

**32. A** — Total liabilities:  $\$225,000 + \$180,000 = \$405,000$ . Debttoequity:  $\$405,000 \div \$275,000 = 1.47$ . A ratio of 1.47 indicates the company has \$1.47 in debt for every \$1.00 of equity — moderate leverage that most lenders and bonding companies would find acceptable. Ratios above 3.0 typically raise concerns.

**33. D** — Under the Hazard Communication Standard, employees have the right to receive information and training about hazardous chemicals before handling them. The worker should request the SDS from the employer and has the right to receive training on the specific chemical's hazards, required

protective measures, proper handling procedures, and emergency response. The employer must make SDSs readily accessible and provide training before workers use unfamiliar chemicals.

**34. B** — The \$8,000 annual safety investment is the direct cause of the zeroclaim record, which drove the EMR from 1.10 to 0.78. The premium savings alone (approximately \$16,720 annually on a typical \$52,000 base premium) far exceed the \$8,000 cost. Additionally, the safety program prevents costly injuries, maintains project eligibility for owners with EMR thresholds, and protects the company's most valuable asset — its workforce.

**35. C** — Dated photographs taken at the time of installation provide contemporaneous visual evidence showing specification-compliant materials and visible inspection approval. These photographs were created before the dispute arose, making them highly credible. When corroborated by daily reports and inspection records, they create a powerful evidentiary package that directly contradicts the owner's defective installation allegation.

**36. A** — Revised contract price:  $\$950,000 + \$80,000 = \$1,030,000$ . Revised total estimated cost:  $\$760,000 + \$65,000 = \$825,000$ . Revised percentage complete:  $\$380,000 \div \$825,000 = 46.06\%$ . Revised revenue to date:  $46.06\% \times \$1,030,000 = \$474,418$ , approximately \$496,970 when calculated with precise decimals. The change order affects both the contract price and estimated total cost, requiring recalculation of the percentage complete.

**37. C** — Under a Ccorporation, the \$170,000 in retained earnings is subject to corporate income tax at the twentyone percent rate. The corporation pays \$35,700 in corporate tax on the retained amount. The remaining aftertax earnings (\$134,300) stay in the corporation as retained earnings and are not taxed again until distributed as dividends. There is no selfemployment tax on Ccorp retained earnings.

**38. B** — The employer's strongest defense is thorough documentation of progressive discipline applied consistently regardless of race. Three written warnings over four months for documented attendance violations demonstrate a legitimate business reason for the termination. If the same disciplinary process was applied to employees of all races for similar attendance issues, the documentation undermines the claim that race motivated the decision.

**39. D** — When a nondiscretionary shift differential is paid, it must be included in the regular rate calculation for overtime purposes. The regular rate for the week must be recalculated: total straighttime earnings =  $(40 \times \$26) + (8 \times \$28) = \$1,040 + \$224 = \$1,264$ . Regular rate =  $\$1,264 \div 48 = \$26.33$ . Overtime premium =  $\$26.33 \times 0.5 \times 8 = \$105.33$ . Total =  $\$1,264 + \$105.33 = \$1,369.33$ .

**40. A** — Once the underlying debt has been fully satisfied, the contractor should file a lien release or satisfaction with the county recorder to remove the lien from the property title. Leaving a satisfied lien on the record creates an unnecessary cloud on the owner's title and is unprofessional. Prompt release of satisfied liens maintains good relationships and protects the contractor's reputation.

**41. B** — The CGL policy pays the first \$1,000,000 under the peroccurrence limit (all four injuries arise from one occurrence — the scaffold collapse). The umbrella policy then covers the remaining \$2,200,000, which is within the umbrella's \$3,000,000 limit. Total insurance coverage:  $\$1,000,000 + \$2,200,000 = \$3,200,000$  — fully covering the claim.

**42. D** — When the competent person observes deteriorating conditions — water seepage and soil deterioration — the soil must be reclassified to a less stable type. Type B soil showing signs of instability may need to be reclassified as Type C. The protective system must be modified to meet the

requirements for the reclassified soil, or workers must be removed until adequate protection is provided.

**43. A** — The I9 instructions require all documents to be unexpired at the time of examination. An expired U.S. passport does not satisfy either the identity or work authorization requirement because it is no longer a valid document. The employer must request an acceptable unexpired document. While U.S. citizens' work authorization never expires, the passport itself must be current to serve as an identity document.

**44. C** —  $SPI = \text{earned value} \div \text{planned value} = \$680,000 \div \$720,000 = 0.944$ , approximately 0.94. An SPI below 1.0 indicates the project is behind schedule — for every dollar of planned work, only ninetyfour cents of value has been earned. The project has completed about six percent less work than planned at this point.

**45. B** — The Ohio Commercial Activity Tax applies to all taxable gross receipts from all business activities, not just one division. Commercial HVAC revenue (\$1,800,000) plus residential service revenue (\$400,000) equals \$2,200,000 in total taxable gross receipts. The CAT is a businesslevel tax on all commercial activity regardless of the division or type of work.

**46. D** — Projected total cost (\$254,000) exceeds the revised budget (\$240,000) by \$14,000 — a negative variance indicating the mechanical work package is trending over budget. The project manager should investigate which cost elements are driving the overrun and implement corrective actions on the remaining \$56,000 of estimated work before the overrun increases.

**47. A** — The owner's lien waiver collection process failed to include all parties who furnished materials to the project. Secondtier suppliers can file liens even though the owner had no direct knowledge of their involvement. A comprehensive lien protection strategy requires the GC to identify all suppliers and subsubcontractors and provide waivers from each tier, not just the firsttier subcontractors the owner knows about.

**48. C** — Revised total estimated cost: \$1,260,000. Revised expected total profit:  $\$1,400,000 - \$1,260,000 = \$140,000$ . The project remains profitable but with significantly reduced margin — the original expected profit of \$280,000 ( $\$1,400,000 - \$1,120,000$ ) has been halved to \$140,000 due to the unforeseen conditions. The contractor should monitor costs closely to prevent further erosion.

**49. B** — The notice was provided on Day 87 (within the ninetyday Miller Act requirement ✓). The lawsuit was filed approximately nine months after last delivery (within the oneyear Miller Act deadline ✓). Both the notice and the lawsuit are timely. The ninetyday waiting period before filing the lawsuit has also been satisfied since more than ninety days elapsed between last delivery and the December filing.

**50. D** — The owner's failure to make final payment within the contractually required thirty days constitutes a breach of the payment terms. The contractor can pursue contractual interest on the overdue \$84,000, and if the mechanic's lien filing deadline has not passed, the contractor should consider filing a lien to secure the claim. A breach of contract lawsuit for the unpaid retainage is also available as a remedy.