

21 NCAC 12A .0204 LICENSE LIMITATIONS; ELIGIBILITY

(a) All licenses shall have an appropriate limitation as set forth in this Rule.

(b) Limited License. The applicant for a limited license shall:

- (1) meet the requirements set out in G.S. 87-10 and Section .0400 of this Chapter;
- (2) have current assets that exceed the total current liabilities by at least seventeen thousand dollars (\$17,000) or have a total net worth of at least eighty thousand dollars (\$80,000);
- (3) pass the examination which shall contain subject matter related to the specific contracting classification chosen by the applicant with a score as set out in Rule .0404 of this Chapter; and
- (4) if the applicant or any owner, principal, or qualifier is in bankruptcy or has been in bankruptcy within five years prior to the filing of the application, provide to the Board an agreed-upon procedures report on a form provided by the Board or an audited financial statement with a classified balance sheet as part of the application. This requirement shall not apply to shareholders of an applicant that is a publicly traded corporation.

(c) Intermediate License. The applicant for an intermediate license shall:

- (1) meet the requirements set out in G.S. 87-10 and Section .0400 of this Chapter;
- (2) have current assets that exceed the total current liabilities by at least seventy-five thousand dollars (\$75,000), as reflected in an agreed-upon procedures report on a form provided by the Board or an audited financial statement prepared by a certified public accountant or an independent accountant who is engaged in the public practice of accountancy; and
- (3) pass the examination which shall contain subject matter related to the specific contracting classification chosen by the applicant with a score as set out in Rule .0404 of this Chapter.

(d) Unlimited License. The applicant for an unlimited license shall:

- (1) meet the requirements set out in G.S. 87-10 and Section .0400 of this Chapter;
- (2) have current assets that exceed the total current liabilities by at least one hundred fifty thousand dollars (\$150,000), as reflected in an agreed-upon procedures report on a form provided by the Board or an audited financial statement prepared by a certified public accountant or an independent accountant who is engaged in the public practice of accountancy;
- (3) pass the examination which shall contain subject matter related to the specific contracting classification chosen by the applicant with a score as set out in Rule .0404 of this Chapter.

(e) Surety Bonds. In lieu of demonstrating the level of working capital as required in Subparagraphs (c)(2) and (d)(2) of this Rule or net worth under Subparagraph (b)(2) of this Rule, an applicant may obtain a surety bond from a surety authorized to transact surety business in North Carolina pursuant to G.S. 58 Articles 7, 16, 21, or 22. The surety shall maintain a rating from A.M. Best, or its successor rating organization, of either Superior (A++ or A+) or Excellent (A or A-). The bond shall be continuous in form and shall be maintained in effect for as long as the applicant maintains a license to practice general contracting in North Carolina or until the applicant demonstrates the required level of working capital as required by Subparagraphs (c)(2) and (d)(2) of this Rule. The applicant shall submit proof of a surety bond meeting the requirements of this Rule with the application form and subsequent annual license renewal forms. The applicant shall maintain the bond in the amount of one hundred seventy-five thousand dollars (\$175,000) for a limited license, five hundred thousand dollars (\$500,000) for an intermediate license, and one million dollars (\$1,000,000) for an unlimited license. The bond shall list the State of North Carolina as obligee and be for the benefit of any person who is damaged by an act or omission of the applicant constituting breach of a construction contract, breach of a contract for the furnishing of labor, materials, or professional services to construction undertaken by the applicant, or by an unlawful act or omission of the applicant in the performance of a construction contract. The bond required by this Rule shall be in addition to and not in lieu of any other bond required of the applicant by law, regulation, or any party to a contract with the applicant. Should the surety cancel the bond, the surety and the applicant both shall notify the Board within 30 days in writing. If the applicant fails to provide written proof of financial responsibility in compliance with this Rule within 30 days of the bond's cancellation, then the applicant's license shall be suspended until written proof of compliance is provided.

(f) Financial statements, accounting, and reporting standards. Financial statements submitted by applicants to the Board shall be no older than twelve months from the date of submission. Financial statements shall conform to United States "generally accepted accounting principles" (GAAP). The Board may require non-GAAP financial statements from applicants wherein the only exception to GAAP is that such presentation is necessary to ascertain the working capital or net worth of the particular applicant. Examples of the circumstances when non-GAAP presentation may be necessary to ascertain the working capital or net worth of the applicant shall be when the only exception to GAAP is that assets and liabilities are classified as "current" and "noncurrent" on personal financial statements and when the only exception to GAAP is that the particular applicant is not combined with a related

entity into one financial statement pursuant to AICPA Financial Interpretation 46R (ASC 810). The terminologies, working capital, balance sheet with current and fixed assets, current and long term liabilities, and any other accounting terminologies, used herein shall be construed in accordance with GAAP Standards as promulgated by the Financial Accounting Standards Board (FASB). The terminologies, audited financial statement, unqualified opinion, and any other auditing terminologies used herein shall be construed in accordance with those standards referred to as "generally accepted auditing standards" (GAAS) as promulgated by the American Institute of Certified Public Accountants (AICPA).

*History Note: Authority G.S. 87-1; 87-4; 87-10; 87-15.1;
Eff. February 1, 1976;
Readopted Eff. September 26, 1977;
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Amended Eff. August 1, 1998; April 1, 1997;
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