



Fee: \$100.00

STATE OF TENNESSEE
BOARD FOR LICENSING CONTRACTORS
Mailing Address: 500 JAMES ROBERTSON PKWY., NASHVILLE, TN 37243-1150
(615) 253-5741 or (800) 544-7693 - Fax (615) 532-2868
http://tn.gov/commerce/boards/contractors/ or Email: Karen.Baker@tn.gov

INSTRUCTIONS/CHECKLIST
TRANSFER-CHANGE MODE OF BUSINESS OPERATION (Revision Request)

The attached "Transfer - Change Mode of Operation" application may be used to change the mode of operation, only. This form cannot be utilized to add new owners or to transfer the license to another business entity. For example, if you are licensed as a corporation, you cannot transfer to another corporation (new or existing).

- 1. Complete pages 2-3. The "Contractor's Affidavit" (page 3) must be notarized and states the liabilities of prior mode of operation of the license have or will be satisfied.
2. Must attach a current financial statement prepared by a CPA, with a "Reviewed" or "Audited" opinion, in the name to be licensed (see page 9 for financial guidelines.)
3. Attach proof of insurance for General Liability and Workers' Compensation insurance (see page 5). All certificates of insurance must be in the same name to be licensed.
4. Attach applicable certificates, such as an amended Charter, Articles of Organization, Certificate of Authority, which are obtained from the Tennessee Secretary of State's office at (615) 741-2286 or from their website at: http://tn.gov/sos/bus\_svc/forms.htm
5. Letter of Relinquishment (Page 4) if there are owners or officers leaving licensed entity.
6. Mail to the address above with \$100.00 fee (no cash). Make check payable to the Contractor's Board. Must be received by the deadline date, which is the last day of the month prior to the Board meeting (to ensure it is processed timely).

Revisions require Board review for approval. Meetings are in January, March, May, July, September and November. Personal appearance before the Board is NOT required, unless license violations are questioned. (To obtain a license revision prior to the next Board meeting, see the "Hardship" criteria on the website.

Note: Transfer is for a mode of operation change, only, as the license is not transferable to a new entity. If there has been a change in ownership, merger, reorganization or purchase by nonstockholders, please notify our office for a new license application instead of completing this form or download from the website. Partnerships must apply for a new license (may retain license number) when dissolving and cannot transfer by changing mode (see Rule 0680-1-.08).

- Do not operate in the new mode of operation before license is approved. When submitting this form at renewal time, you may receive a renewed license in the former mode before the revised license. Revisions must be approved by the Board at their regularly scheduled meetings. Do NOT send or attach with renewal; mail separately.
If there has been a change in ownership, merger, reorganization or purchases by nonstockholders, please notify our office for the new license application instead of completing this form, or download from our website.
Please allow up to six (6) weeks to be processed. Revision requires Board approval at their regular scheduled meetings, unless approved for a "Hardship" (see criteria on website). If your application was submitted incomplete, you will be notified in writing to supply additional information.
Do not operate in the new mode of operation until your license has been approved and issued! The revised license will be mailed within two weeks after the Board meeting, or you may view on the website at: http://verify.tn.gov/ (Always contract in the exact name as licensed!)
If your QA (Qualifying Agent) has changed, please submit their exam scores with "QA - Add" Form which may be obtained from the downloadable forms from our website at: http://tn.gov/commerce/boards/contractors/



**TENNESSEE BOARD FOR LICENSING CONTRACTOR**  
 Mailing Address: 500 JAMES ROBERTSON PKWY.  
 NASHVILLE, TN 37243-1150  
 (615) 253-5741 or (800) 544-7693 - Fax (615) 532-2868  
<http://tn.gov/commerce/boards/contractors/> or Email: [Karen.Baker@tn.gov](mailto:Karen.Baker@tn.gov)  
**TRANSFER FEE: \$100.00**

Contractors – Prof 1801 – Revision Fee \$100

**TRANSFER - CHANGE MODE OF OPERATION**

**Current License Mode of Operation:**  Individual  Corporation  Partnership  LLC  
**Transferring to:**  Individual  Corporation  Partnership  LLC

License ID#: \_\_\_\_\_ Expiration Date: \_\_\_\_\_ [Renewal Pending:  Yes  No]

**Current Name on License:** \_\_\_\_\_

Address: \_\_\_\_\_  
 (Address Change:  Yes - Address above indicates new address;  No change of address)

Telephone: \_\_\_\_\_ Cell: \_\_\_\_\_ Fax: \_\_\_\_\_

**Owner(s)/Officer(s) and Titles (may submit attachments) Email:** \_\_\_\_\_

1. \_\_\_\_\_ % 2. \_\_\_\_\_ %  
 3. \_\_\_\_\_ % 4. \_\_\_\_\_ %

**Qualifying Agent(s):** \_\_\_\_\_  
 (Person(s) who passed exam; or designated employee/ officer if licensed prior to exams)

Are there complaints (past/current) or outstanding judgments against this company?  No  \*Yes  
 \*(If yes, please attach an explanation)\*

**NEW COMPANY NAME INFORMATION**

**1. New Name to be on License:** \_\_\_\_\_  
 (Name must be exact as on attachments)

- 2. Has there been a change in \*owners, officers or titles:**  No;  \*Yes – If \*new ownership, must complete new license application and not this form [see TCA 62-6-111(e)(2)]. List changes in officers or titles:  
 1. \_\_\_\_\_ % 2. \_\_\_\_\_ %  
 3. \_\_\_\_\_ % 4. \_\_\_\_\_ %

**3. Has Qualifying Agent Changed:**  No  \*Yes – Please attach exam scores with “Add QA” form.

**4. Reason for Change in Mode:**  Tax Reasons;  Dissolved;  Owners/officers left;  
 \_\_\_\_\_ - Other: \_\_\_\_\_

**5. Proof of Insurance:** General Liability:  Yes  No – Cannot obtain license.  
 Workers’ Compensation:  Yes  No – No employees and exempt by law

**6. Financial Statement prepared by CPA attached:**  Yes  No – Cannot obtain license.

**7. Complete “Contractor’s Affidavit” (page 3); supply amended corporate documents, if applicable.**  
 - FOR OFFICE USE ONLY -

\*\*\*\*\*  
 Classification: \_\_\_\_\_ Monetary Limit: \_\_\_\_\_  
 Need:  F/S  AFF  INS  SOS  Other Auditor: \_\_\_\_\_  
 Ack Ltr: \_\_\_\_\_ Add Ltr. \_\_\_\_\_  
 \*\*\*\*\*

\_\_\_\_\_ Denied - \_\_\_\_\_; \_\_\_\_\_ Approved; \_\_\_\_\_  
 Board Member Date



**Tennessee Board for Licensing Contractors**  
 Mailing Address: 500 James Robertson Pkwy.,  
 Nashville, TN 37243-1150  
 Telephone: (615) 253-5741 or 800-544-7693  
 Fax: (615) 532-2868  
<http://tn.gov/commerce/boards/contractors/>  
 Email: [Karen.Baker@tn.gov](mailto:Karen.Baker@tn.gov)



**\*LETTER OF RELINQUISHMENT**

*(Required if company has more than one existing owner, for the one(s) leaving the licensed entity)*

Date: \_\_\_\_\_

LICENSE ID # \_\_\_\_\_

I, \_\_\_\_\_, formerly of \_\_\_\_\_,  
*(Print Name of Person Leaving) (Name on License)*

Hereby relinquish all rights of contractor's license to the remaining owner(s) of the licensed entity. No ownership has been sold to non-stockholders, which would constitute new ownership, making the license invalid, with the requirement to file a new license application. While a business may be sold, the license cannot be sold or transferred to a new entity. Further, I understand by relinquishing these rights, I would need to reapply for a contractor's license before conducting business as a licensed contractor.

\_\_\_\_\_  
**(Signature)**

Subscribed before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_  
**(Notary Public)**

My Commission Expires: \_\_\_\_\_  
 State of \_\_\_\_\_

(Seal)

**\*A "Letter of Relinquishment" is not required unless an existing owner approved on the license is leaving the licensed entity, in order for the remaining owner(s) to continue with license. A change in ownership where the majority is new owners, who were not originally approved on the license, requires a new license application. (See TCA 62-6-111)**



STATE OF TENNESSEE  
DEPARTMENT OF COMMERCE AND INSURANCE  
**BOARD FOR LICENSING CONTRACTORS**

Mailing Address: 500 JAMES ROBERTSON PARKWAY; NASHVILLE, TENNESSEE 37243-1150  
TELEPHONE: 800-544-7693 OR (615) 741-8307 OR FACSIMILE (615) 532-2868  
<http://tn.gov/commerce/boards/contractors/>

## INSURANCE INFORMATION

The Board for Licensing Contractors regulates licensing for five (5) professions. Their insurance and bonding requirements are listed in each of their applications; however, the following is a summary:

<b><u>LICENSE TYPE</u></b>	<b><u>INSURANCE</u></b>
Contractors <i>(Building, Electrical, Mechanical, Specialty, etc)</i>	General Liability and Workers' Comp
Home Improvement	General Liability/Workers' Comp/Bond
Limited Licensed Electricians (LLE)	None
Limited Licensed Plumbers (LLP)	None
Pre-License Course Providers	\$50,000 Bond

*(Note: Local municipalities permit issuing agencies and bid awarding authorities may also require insurance and bonding)*

### **General Liability**

Effective July 1, 2007, the state law requires all contractors to obtain General Liability insurance in order to renew or apply for a contractor or home improvement license. (In addition, Workers' Compensation insurance is also required.)

The Board has established the following as a "minimum" amount of coverage and it's based on the monetary limit (amount the contractor may contract) designated on the license. Please check with your insurance provider, as they may advise to apply for more or additional coverage, based upon your individual needs and the amount of projects you perform.

<b><u>Contractor's License Monetary Limit</u></b>	<b><u>Minimum General Liability Insurance</u></b>
Less than \$25,000 (Home Improvement)	\$ 100,000
Up to \$500,000	\$ 100,000
\$500,001 to \$1,500,000	\$ 500,000
\$1,500,001 to Unlimited	\$1,000,000

## **Workers Compensation**

### **Law Requiring Proof of Insurance for Contractors Licensing**

T.C.A. § 62-6-111(a)(1), “Any application for initial licensure or for renewal of licensure also shall be accompanied by an affidavit affirming that the applicant maintains general liability insurance and workers’ compensation insurance and specifying the amount of such insurance as well as any other information the board may require.” *(This law is part of the Board for Licensing Contractors and does not define who’s required, as in the law with the Department of Labor.)*

### **Law Change with the Department of Labor and Workforce Development**

T.C.A. § 50-6-113 (Public Chapter 1) – January, 2010

SECTION 2. Tennessee Code Annotated, Section 50-6-113, is amended by deleting subdivision (f)(1)(B) and substituting instead the following: (f)(1)(B) Notwithstanding subdivision (f)(1)(A), a sole proprietor or partner engaged in the construction industry shall not be required to carry workers' compensation on themselves if they are doing work directly for the owner of the property pursuant to subdivision (f)(1)(C), but shall be required to carry workers' compensation insurance on any subcontractor, employee or worker not otherwise covered by a policy of workers' compensation; however, if a sole proprietor or partner is working as an intermediate contractor or subcontractor contractor, then workers' compensation insurance shall be required on themselves. SECTION 3. The provisions of Section 1 shall take effect upon becoming a law, the public welfare requiring it, and shall remain in effect until 12:01 a.m. on March 28, 2011. The provisions of Section 2 shall take effect at 12:01 a.m. on March 28, 2011.

**Effective March 28, 2011, owners as sole proprietors, partnerships, LLC’s, and up to three (3) members of corporate officers, may obtain an exemption to the Workers’ Compensation Insurance coverage on themselves as owners, if they register as a “Construction Services Provider”, which will be available in January, 2011.** Note: In order for contractors to apply for this exemption, they must have or obtain a Federal Employee Identification number (FEIN) to be able to register as a “Construction Services Provider” with the Tennessee Secretary of State; not available until January 1, 2011.

Secretary of State

<http://tn.gov/sos/index.htm>

Department of Revenue

<http://www.state.tn.us/revenue/index.html>

<http://www.irs.gov/businesses/small/article/0,,id=102767,00.html>

Internal Revenue Service

Unemployment – Employer Information

<http://www.state.tn.us/labor-wfd/Employers/employers.html>

**Excerpt of Law Pertaining to Mode Changes**  
*(2009 Edition)*

62-6-111. License and examination — Transfer of license. —

(e) (1) Whenever a partnership licensed as a contractor dissolves, no former member of the partnership shall further undertake contracting before filing a new application with the board and receiving a license.

(2) In the case of a merger, purchase by nonstockholders of the majority interest, or reorganization pursuant to a bankruptcy proceeding, of any licensee engaged in contracting, the licensee shall make written application to the board and obtain a new license before undertaking contracting.

(f) (1) Upon application of any individual who was formerly a partner in a dissolved partnership, the board shall transfer to such individual the license formerly held by the partnership upon a showing that:

(A) The individual was a partner in a dissolved partnership;

(B) The current financial statement of such individual meets the requirements promulgated by the board. If such financial statement fails to meet such requirements, the board may in its sole discretion modify the monetary limitation prior to transfer; and

(C) All liabilities of the partnership were satisfied prior to dissolution or will be satisfied by the individual.

(2) The board for transferring such license shall collect a fee as set by the board.

(g) (1) The board shall transfer, upon application and payment of a fee as set by the board, by any proprietorship or partnership which subsequently incorporates as a Tennessee corporation, the license formerly held by such proprietorship or partnership to such corporation upon a showing that:

(A) The officers or directors or management of the corporation were the owners or managers of the proprietorship or partnership;

(B) A copy of the corporation's charter has been filed with the board;

(C) The partnership or proprietorship is currently in good standing with the board;

(D) The current financial statement of such corporation meets the requirements promulgated by the board. If such financial statement fails to meet such requirements, the board may in its sole discretion modify the monetary limitation prior to transfer; and

(E) All liabilities of the proprietorship or partnership were satisfied prior to incorporation or will be satisfied by the corporation.

**Note: Effective January 1, 2011, “Masonry” contractors must be licensed with a new “LMC” (Licensed Masonry Contractor) classification in order to perform masonry as a subcontractor in the amount of \$100,000. In addition, the masonry contractor must be listed on the outside of the bid envelope, effective July 1, 2010. This new classification requires passing a LMC trade exam. The BC or BC-9 will no longer be acceptable. See the Board’s website to download the “Add Class” revision form.**

## Excerpt from Rules and Regulations

### **0680-1-.09 CHANGE IN MODE OF OPERATION.**

(1) Whenever a partnership licensed as a contractor dissolves, no former member of the partnership shall further undertake contracting before filing a new application with the Board and receiving a license.

(2) In case of a merger, purchase by non-stockholders of the majority interest, or reorganization pursuant to a bankruptcy proceeding, of any corporation engaged in contracting, the corporation shall make written application to the Board and obtain a new license before further undertaking contracting.

(3) Individuals or Corporations seeking a new license pursuant to *T.C.A. §§ 62-6-111(f) and (g)* shall submit a letter which addresses the requirements of *§§ 62-6-111(f) and (g)*. In addition, the applicant shall submit an affidavit that all liabilities of the partnership or proprietorship were satisfied or will be satisfied by the individual or corporation.

(4) In the event of a change in mode of operation as outlined in *T.C.A. §§ 62-6-111(e)*, appearance before the Board will be necessary unless specifically waived by the Board.

**Authority:** *T.C.A. §§62-6-108 and 62-6-111(e), (f), and (g).* **Administrative History:** *Original rule filed July 22, 1974; effective August 21, 1974. Repeal and new rule filed January 20, 1977; effective February 19, 1977. Amendment filed May 19, 1980; effective July 3, 1980. Amendment filed June 28, 1984; effective July 28, 1984. Amendment filed January 31, 1996; effective April 16, 1996.*

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### **0680-01-.25 CONTRACTING IN CORRECT NAME.**

Upon receiving certificate of licensure from this Board, the licensee has an affirmative responsibility to enter into contracts and operate its related contracting business under the name in which it is licensed in order to notify and prevent confusion on the part of the public at large of an entity's licensure status. Contracting in a name different than that in which an entity is licensed by this Board is considered a violation of this chapter, and will be subject to discipline accordingly.

**Authority:** *T.C.A. §§62-6-108(a) and 62-6-115.* **Administrative History:** *Original rule filed March 19, 2009; effective June 2, 2009.*

The law may be reviewed in its entirety at our website at:  
<http://tn.gov/commerce/boards/contractors/>

## Financial Statement Requirements (Change in Mode of Operation)

**Financial statement** is a balance sheet listing all of the assets and liabilities of the entity owning the license

- A company's financial statement should not include any personal assets or liabilities
- A classified balance sheet is preferred over an unclassified balance sheet (classified- separates assets and liabilities into current and non-current (long-term))
- The financial statement must be in the **exact name as licensed**
- The balance sheet should contain a full date, including the month, day, and year (*those dated in excess of 12 months is not current*)

♦**Reviewed Financial Statement** by an actively licensed CPA/PA is required if your monetary limit is **\$1,500,000 or less**.

♦**Audited Financial statement** is required if your monetary limit is **over \$1,500,000**.

### Guide to Classifying Assets and Liabilities:

**CURRENT ASSETS** are cash and those assets that are reasonably expected to be realized in cash or sold or consumed **within one year** or within a business's normal operating cycle if it is longer. Generally, current assets include the following:

- Cash and cash equivalents available for current operations
- Marketable securities representing the investment of cash available for current operations, including investments in debt and equity securities classified as trading securities.
- Underbillings on work in progress
- Inventories (to include materials and/or houses built for sale). Also, developed lots for sale. Raw, undeveloped land is not a current asset.
- Retirement Plans, specifically an IRA, 401K and Profit Sharing, will be allowed at 50% (**Personal IRA's not allowed on Company Financial Statement**)
- Cash surrender value of life insurance policies (Not face value of life insurance)
- Trade accounts receivable, notes and other receivables that are expected to be collected within one year
- Prepaid expenses such as insurance, interest, rents, taxes, etc.

**NONCURRENT ASSETS** are not **current assets** since they generally are not expected to be converted into cash within one year:

- Related party or owners receivables (not allowed as a current asset)
- Cash restricted for special purposes (Restricted cash may be classified as a current asset if it is considered to offset maturing debt that has been properly classified as a current liability, however.)
- Long term investments
- Receivables not expected to be collected within one year
- Land and other natural resources
- Depreciable assets (buildings, equipment, tools, etc.)
- Prepayments or deferred charges that will not be charged to operations within one year
- Notes receivables from stockholders

**CURRENT LIABILITIES** are obligations whose liquidation is reasonably expected to require (a) the use of current assets or (b) the creation of the other current liabilities. Generally, current liabilities include the following:

- Line of Credit balances and credit card balances
- Payables for materials and supplies
- Amounts collected before goods or services are delivered (overbillings on jobs in progress)
- Accruals for wages, salaries, commissions, rents, royalties, and taxes
- Other obligations, **including portions of long-term obligations**, expected to be liquidated within one year\*

**LONG TERM LIABILITIES** do not include long term notes, bonds and obligations that will not be paid out of current assets.

\*If listing a long term liability, you should classify the portion of the liability due within one year as a current liability. If no current portion of the liability is listed then a percentage of the liability will be classified as current for the purpose of determining the working capital.

### Supplemental Financial Statements (Sample on Page 13)

A personal financial statement (or parent company) may supply a supplemental financial statement with Guaranty Agreement, in addition to the contractor's financial statement, to help support monetary limit. Supplemental's are utilized at 50% value. Guarantees must be signed by all persons (owner, spouse, etc.) listed on the personal; or authorized company officer submitting the parent supplemental financial statement.

- Personal “supplemental” financial statements may be self-prepared or compiled (*CPA/PA not needed*)
- Working capital and net worth are calculated for supplemental financial statements
  - These values are then decreased by 50% and added to overall working capital and net worth
  - A negative working capital or net worth value is not reduced by 50%.

Supplemental financial statements may include an investment in the contractors company; however, the board will not allow the value of the investment in the contractors company in calculating overall working capital and net worth. Receivables from related parties will not be counted as a current asset (this also applies to the contractor’s financial statement). In instances where a parent indemnifies a subsidiary for an unlimited monetary limit, the Board may allow a bond, in the Board’s format, to be supplied.

Retirement plans will be accepted on a personal financial statement as a current asset; however, the value of the retirement plans will be reduced by 50% to account for tax liabilities. Life insurance documentation is needed when listed on personal statements where their value supplies 50% of the working capital needed.

**Line of Credit**

You must submit original letter of credit in board’s format.

- Any changes/omissions will render the line of credit obsolete in calculating working capital.
- Line of credit will be added to overall working capital at 100% value (*Does not affect net worth*), unless contractor’s financial statement shows a negative working capital; the line of credit amount added to the working capital is reduced by 50%.

**Related Party Receivables** (*related party/owner/stockholder*)

Related Party Receivables are only accepted as a current asset if the related party submits a guaranty agreement and a financial statement which shows they have the ability to pay the receivable within a year.

**Guaranty Agreements**

The Board allows supplemental statements with Guaranty Agreements to supplement working capital and net worth at 50%. A Guaranty is required by the Board should a contractor supply a “cash” only financial statement. In addition, the Board requires a Limited Liability Company (LLC) provide a Guaranty as a condition of licensing. While financial statements are confidential, guarantees are a matter of public record.

- If your company is a **subsidiary of another company**, the parent company must submit a **Guaranty Agreement** and a financial statement.

**Monetary Limit Calculation**

- 10 times the lesser of both Working Capital and total Net Worth
- Working Capital = Total Current Assets minus Total Current Liabilities
- Net Worth = Total Assets minus Total Liabilities

Monetary limit of \$1,000,000 must show Working Capital and Net Worth of at least \$100,000. A contractor may obtain an “Unlimited” monetary limit by showing \$300,000.

**Example Monetary Limit Calculation:**

This example contains a “summary” balance sheet for illustrative purposes; a summary balance sheet is not acceptable for complying with the boards requirements.

**Sample of Contractor's Financial Statement**  
(Showing a negative working capital)

XYZ Contractor Company (name must be exactly as licensed)		
Balance Sheet		
MM/DD/YYYY		
<b>Assets</b>		
Current Assets		\$14,000
Non-Current Assets		<u>20,000</u>
Total Assets		34,000
<b>Liabilities</b>		
Current Liabilities		16,000
Long-Term Liabilities		<u>10,000</u>
Total Liabilities		26,000
Equity (Net Worth)		<u>8,000</u>
Total Liabilities and Equity		34,000

- Working Capital (W/C) = \$14,000 – 16,000 = **(2,000)** (Parenthesis around number denotes a negative value)
- Net Worth (N/W) = \$34,000 – 26,000 = **8,000**

A personal financial statement may be supplied to support monetary limit requested

**Sample of Supplemental Financial Statement**  
(Guaranty Agreement must be properly filled out)

John and Jane Doe (must complete Guaranty Agreement)		
Balance Sheet		
MM/DD/YYYY		
<b>Assets</b>		
Current Assets		\$4,000
Non-Current Assets		<u>220,000</u>
Total Assets		224,000
<b>Liabilities</b>		
Current Liabilities		13,000
Long-Term Liabilities		<u>140,000</u>
Total Liabilities		153,000
Equity (Net Worth)		<u>79,000</u>
Total Liabilities and Equity		224,000

- Working Capital = \$4,000 – 13,000 = **(9,000)** (Parenthesis around number denotes a negative value)
- Net Worth = \$224,000 – 153,000 = **79,000**

The working capital listed above is taken at full value since it is negative. The net worth is accepted at 50%; both are added to the overall values. The Contractor also submitted a properly completed "Letter of Credit" from a Bank for **\$100,000**. This Letter of Credit is reduced by 50% due to a negative contractor's working capital.

Formula

Total Working Capital (W/C) = **(2,000) + (9,000) + 50,000** (50% of Line of Credit) = **\$39,000**

Total Net Worth (N/W) = **\$8,000 + 39,500** (50% of Personal Financial statement) = **\$47,500**

**Example:** These values support a maximum monetary limit of \$390,000 (10 times the lesser of W/C and N/W).

**GUARANTY AGREEMENT**

*(Required with supplemental financial statements for the following: to increase working capital or net worth; by parent companies indemnifying subsidiaries; cash only statements; and LLC's)*

I/we, the undersigned person(s), natural or corporate, do hereby pledge and agree to guarantee the debts and obligations of the within named contractor for all debts and obligations arising out of the contracting activities of the Contractor as defined by TENNESSEE CODE ANNOTATED, section 62-6-101.

I/we the undersigned Guarantors agree and contract to pay any and all debts and obligations of said Contractor as provided for above should they fail and refuse to pay and/or default on same.

I/we the undersigned Guarantors, agree to furnish and supply the Board with any and all financial reports, statements and information to which they may request in order to provide evidence of my/our financial security and stability.

I/we understand and agree that where the words "indemnities" appear in Rule #0680-1-.13 of the rules of the Board, it shall be in reference to this document, its title and wording to the contrary.

This document and the obligation undertaken shall expire and shall become null and void upon expiration of any license granted the Contractor by the Board or upon joint request, in writing, of the undersigned Guarantors and the Contractor, with the approval of the Board, provided, however, that any and all debts and obligations for, or arising out of work in process, upon the expiration, nullification and/or cancellation of this agreement, shall be covered and the Guarantor(s) herein shall remain liable for same.

This **GUARANTY AGREEMENT** is being executed at the request of: **License ID# 000** \_\_\_\_\_

\_\_\_\_\_  
**(NAME AS ON LICENSE)**

the contractor to which this document is applicable for the express purpose of providing additional financial security and stability to, and for, said Contractor in order that they may obtain a license to engage in contracting in the State of Tennessee, Board for Licensing Contractors.

<p>_____ Name of Guarantor</p> <p>Name: _____</p> <p>Title: _____</p> <p>_____ *Signature of Corporate Official or Personal Guarantor</p> <p>_____ Signature of Additional Personal Guarantor or Spouse</p> <p>*As a corporate official, I am fully authorized to bind and obligate corporation to the terms and conditions of this document as stated herein.</p>	<p align="center"><b>Please Check the Applicable Line</b></p> <p>___ Corporate Guaranty – Must be signed by Authorized Corporate Official</p> <p>___ Personal Guaranty – Must be signed by All Persons Named on Personal Financial Statement</p>
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**NOTARIZE**

Affirmed/witnessed and subscribed before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_  
Notary Public Signature

My Commission Expires: \_\_\_\_\_

- Seal -

\*Corporate financial statements submitted to increase working capital and net worth of licensee, must complete corporate section.

\*\* Personal financial statements submitted, the personal guarantor(s) sign and signature of all persons named on financial statement, such as SPOUSE, is required.

(Rev Section – 9/2010)

**PERSONAL FINANCIAL STATEMENT OF**

NAME(S): \_\_\_\_\_

ADDRESS: \_\_\_\_\_

DATE: Financial Statement as of \_\_\_\_\_, 20\_\_\_\_  
(Month) (Day) (Year)

<b>CURRENT ASSETS</b>	<b>\$</b>	<b>Dollars Only</b>	
1. Cash on Hand and in the Bank			
2. Accounts Receivable ( <i>Completed Contracts- expected to be collected within one year</i> )			
3. Underbillings on Work in Progress ( <i>Uncompleted Contracts</i> )			
4. Marketable (Trading) Securities, Stocks and Bonds ( <i>List at Cash Value</i> )			
5. Inventories - <i>Materials or Houses Built or Developed Lots for Sale</i>			
6. Retirement Plans (IRA; 401K; Profit Sharing) <i>*(List at Cash Value)*</i>			
7. Cash Surrender Value of Life Insurance ( <i>Attach Proof of Value</i> )			
8. Prepaid Expenses ( <i>Insurance, Taxes, Interest, Rents, Other, etc.</i> )			
9. Other:			
<b>TOTAL CURRENT ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
10. Accounts / Notes Receivable ( <i>amounts not due within one (1) year</i> )			
11. Long Term Investments			
12. Land			
13. Depreciable Assets ( <i>buildings, equipment, tools, furniture, fixtures, etc.</i> )			
14. Other Assets ( <i>Non-Current</i> )			
<b>TOTAL ASSETS</b>			
<b>CURRENT LIABILITIES &amp; EQUITY (NET WORTH)</b>			
15. Credit Cards (total)			
16. Accounts Payable (due within one (1) year)			
17. Overbillings on jobs in progress ( <i>owed to subcontractors</i> )			
18. Equipment Encumbrances ( <i>Notes</i> ) (Due within 1 year)			
19. Real Estate Encumbrances ( <i>Mortgages</i> ) (Due within 1 year)			
20. Other:			
<b>TOTAL CURRENT LIABILITIES</b>			
<b>LONG TERM LIABILITIES</b>			
21. Accounts Payable (Amount due after 1 year)			
22. Equipment Encumbrances ( <i>Notes</i> ) (Amount Due after 1 year )			
23. Real Estate Encumbrances ( <i>Mortgages</i> ) (Amount due after 1 year)			
24. Billings in excess of costs (uncompleted contracts)			
25. Other:			
<b>TOTAL LIABILITIES</b>			
<b>EQUITY (Net Worth)</b>			
<b>TOTAL LIABILITIES &amp; EQUITY</b>			

Formula: Current Assets minus Current Liabilities equal "Working Capital"; Total Assets minus Total Liabilities equals "Net Worth"; 50% of the total may be added to company statement.

\*Retirements plans are applied at only 50% of the cash value

- This is a sample balance sheet and may be used by contactors supplying supplemental personal statements with Guaranty Agreements, in addition to CPA/PA prepared statements.
- Contractors must have their CPA/PA prepare a Reviewed or Audited financial statement. Do not use this form for such statements; supplement form provided for convenience, only.

# WORKSHEET FOR DETERMINING MONETARY LIMIT

(Attach to CPA's Reviewed or Audited Financial Statement)

**FINANCIAL STATEMENT OF:** \_\_\_\_\_ **DATE** \_\_\_\_\_  
(Must be in the exact name as to be licensed) (Less than 12 months)

\_\_\_ AUDITED                      \_\_\_ REVIEWED                      \_\_\_ CPA                      \_\_\_ LICENSED PA  
\_\_\_ SOLE PROP                      \_\_\_ PARTNERSHIP                      \_\_\_ LLC                      \_\_\_ CORPORATION

CURRENT ASSETS \_\_\_\_\_ TOTAL ASSETS \_\_\_\_\_  
CURRENT LIABILITIES \_\_\_\_\_ TOTAL LIABILITIES \_\_\_\_\_  
**WORKING CAPITAL** \_\_\_\_\_ **NET WORTH** \_\_\_\_\_

**SUPPLEMENTAL FINANCIAL STATEMENT(S)**  Not Applicable;  Yes - Guaranty Agreement – Must be attached  
Section 1. \_\_\_ Owner/Partner/Officer \_\_\_ Parent                      Section 2. \_\_\_ Owner/Partner/Officer \_\_\_ Parent

1. Company/Personal Financial Statement of \_\_\_\_\_ Date \_\_\_\_\_  
Current Assets \_\_\_\_\_ Total Assets \_\_\_\_\_  
Current Liabilities \_\_\_\_\_ Total Liabilities \_\_\_\_\_  
Working Capital \_\_\_\_\_ Net Worth \_\_\_\_\_  
**50% of W/C** \_\_\_\_\_ **50% of N/W** \_\_\_\_\_

2. Company/Personal Financial Statement of \_\_\_\_\_ Date \_\_\_\_\_  
Current Assets \_\_\_\_\_ Total Assets \_\_\_\_\_  
Current Liabilities \_\_\_\_\_ Total Liabilities \_\_\_\_\_  
Working Capital \_\_\_\_\_ Net Worth \_\_\_\_\_  
50% of W/C \_\_\_\_\_ 50% of N/W \_\_\_\_\_

3. Line of Credit in the amount of \$ \_\_\_\_\_ Bank: \_\_\_\_\_

**TOTALS:**  
**COMBINED WORKING CAPITAL \$** \_\_\_\_\_ **COMBINED NET WORTH \$** \_\_\_\_\_

**CURRENT MONETARY LIMIT: \$** \_\_\_\_\_ (General Liability Insurance must be sufficient)

\*Should the contractor's financial statement and experience fail to qualify for the monetary limit requested, the contractor may agree to lower limit (must respond in writing).

**MONETARY LIMITS ARE BASED ON TEN (10) TIMES THE LESSER OF YOUR COMBINED WORKING CAPITAL and NET WORTH:**

- SUPPLEMENTAL FINANCIAL STATEMENTS MAY BE USED TO INCREASE NET WORTH AND WORKING CAPITAL AT 50%
- LINE OF CREDIT MAY BE CONSIDERED TO SUPPLEMENT WORKING CAPITAL (50% if negative working capital)
- GUARANTY AGREEMENT MUST BE SIGNED AND NOTARIZED, BY ALL PARTIES LISTED ON THE SUPPLEMENTAL PERSONAL FINANCIAL STATEMENT (such as Spouse); PARENT COMPANY MUST BE SIGNED BY AUTHORIZED OFFICER

Note: "Line of Credit" format may be downloaded from the Board's website at: <http://tn.gov/commerce/boards/contractors/index.shtml>