



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

500 JAMES ROBERTSON PARKWAY / NASHVILLE, TENNESSEE 37243-1150

TELEPHONE: 800-544-7693 OR (615) 741-8307 OR FAX (615) 532-2868

Website: <http://www.tn.gov/regboards/contractors/> Email: Contractor.Renewal@tn.com

Financial Statement Supplement Options

1. **Guaranty Agreement with Supplemental Financial Statement** (*Pages 2 – 4*)
A supplemental financial statement may be used to increase the working capital and net worth, with a “Guaranty Agreement” and the “Notice of Liability” form, in the Board’s **exact format**. The guarantor’s supplemental financial statement (***Personal or Parent***) must show to be financially solvent enough to support the monetary limit on the license at 50% value. The actual guaranty may be limited to 10% of the shortfall. For those supplying a parent without a financial statement in the business name, the guaranty may be limited to 10% of the total monetary limit.
2. **Line of Credit** (*Page 5*)
A “Line of Credit” (LOC) may be used to supplement **Working Capital; only**, in the Board’s **exact format** (*any changes/omissions to the form will render the LOC unacceptable*).
 - LOC will be added to overall working capital (*does not affect net worth*)
 - If contractor’s financial statement shows a “negative” working capital, the LOC amount added to working capital is reduced by 50%; therefore, an additional or increased LOC would be needed.
 - The LOC must be from a lending institution, such as a bank, savings and loan which is FDIC approved
 - The LOC does not waive the requirement for a financial statement
3. **Contractor’s License Bond** (*Pages 6 - 7*)
In lieu of supplying a corporate “Guaranty Agreement” as the indemnity, the contractor may request to supply the Board with an original “*Contractor’s License Bond*” in the **exact format** as the Board’s form; no deviation from the language is acceptable. Depending on the financial statement and monetary limit requested, the Board will consider either a \$500,000 (*for limits less than \$1,500,000*) or \$1,000,000 (*for a limit more than \$1,500,000*) bond amount. Please note, the “*Contractor’s License Bond*” may be used only in lieu of the “*Guaranty Agreement*” and does not waive any other license requirements.
 - The bond must have a “Power of Attorney” attached from the bonding/insurance provider.
 - The provider must have an approved rating from “*A.M Best Company, Inc.*”
 - The bond cannot be released from liability for one (1) year after the license expiration or replacement of another indemnity (if required based on financial statement).
4. **Lower Limit - Another option available would be to lower your limit** (*Page 8*)

More information on indemnities and financial statements is available at the following links:

- <http://www.tn.gov/regboards/contractors/documents/BLC-GuarantyAgreementPolicy.pdf>
- <http://www.tn.gov/regboards/contractors/documents/RenewalInstructBookletWeb.pdf>

See Attached for Supplemental Forms (*Pages 2 – 8*)



GUARANTY AGREEMENT

(Required with supplemental financial statements to increase working capital or net worth or by parent companies indemnifying subsidiaries)

Personal Guarantors must attach "Notice of Liability" statement (see attached) acknowledging risk. The Board encourages obtaining advice from an attorney.

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, et seq.

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 be valid for a period of two (2) years 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 limited to the amount of \$ _____ is executed at the request of:

(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 style="text-align: center;"><input type="checkbox"/> Corporate Guaranty</p> <p><i>Must be signed by an authorized corporate official of the following business entity:</i></p> <p>_____ Name on Corporate Financial Statement (Attached)</p> <p>_____ Name of Corporate Official</p> <p>Title: _____</p> <p>_____ *Signature of Corporate Official</p> <p><i>*As a corporate official, I am fully authorized to bind and obligate corporation to the terms and conditions of this document as stated herein.</i></p> | <p style="text-align: center;"><input type="checkbox"/> Personal Guaranty</p> <p><i>Must be signed by all persons named on the attached personal financial statement:</i></p> <p>_____ Name of Personal Guarantor</p> <p>_____ Signature of Personal Guarantor</p> <p>_____ Name of Additional Personal Guarantor</p> <p>_____ Signature of Additional Personal Guarantor</p> |
|--|--|

NOTARIZE

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

(Notary Public Signature)

My Commission Expires: _____

-(Notary Seal) -

**NOTICE OF LIABILITY
GUARANTY AGREEMENT**

This is to confirm, I _____ have read and understand the
(Print Name)
liability associated with utilizing a “Guaranty Agreement”.

Please consider some of the following concerns:

- 1. Other options may be considered in place of providing a personal guaranty, such as:**
 - Providing more capital and fixed assets to be reflected in the business financial statement.
 - Considering accepting a lower limit in which you may qualify.
 - Obtaining a “Line of Credit” to supplement working capital.
 - Consulting with a bonding agency relative to obtaining a “Contractor’s License Bond”.

- 2. Consulting with an attorney for advisement before utilizing the personal guaranty agreement option is encouraged.**

- 3. Whenever providing a personal financial statement, you should also consult with parties affected, such as your spouse or beneficiary(s), to make them aware of possible ramifications should your business become unable to financially fulfill contracting obligations.**

Signature

Affirmed, subscribed and witnessed before me this _____ day of _____, 20_____.
(Day) (Month) (Year)

(NOTARY PUBLIC - SIGNATURE)

(COMMISSION EXPIRATION DATE)

-Notary Seal-

PERSONAL FINANCIAL STATEMENT

(Attach Guaranty Agreement)

Date: / /

Name: _____

Residence Address: _____

City, State & Zip _____

| CURRENT ASSETS <i>(Readily Converted to Cash)</i> | | Dollars Only | |
|--|--|---------------------|--|
| | Cash on Hand & in Banks | | |
| | Savings Accounts | | |
| | IRAs, 401(k) or Other Retirement Accounts | | |
| | Accounts & Notes Receivable | | |
| | Life Insurance (Cash Surrender Value) | | |
| | Securities, Stocks and Bonds | | |
| | Other Assets Readily Convertible to Cash (List) | | |
| | | | |
| A | TOTAL CURRENT ASSETS | | |
| | NON-CURRENT ASSETS <i>(NOT Readily Converted to Cash)</i> | | |
| | Personal Residence | | |
| | Other Real Estate Owned | | |
| | Personal Property (automobiles, boats, jewelry, etc.) | | |
| | Other Personal Property (household items, jewelry, collections) | | |
| | Accounts & Notes Receivable | | |
| | Other Non-Current Assets (List:) | | |
| | | | |
| B | TOTAL ASSETS | | |
| | CURRENT LIABILITIES <i>(Due within one (1) Year)</i> | | |
| | Current Debt (credit cards, accounts) | | |
| | Notes Payable (residence, home equity) | | |
| | Other Notes Payable (other real estate) | | |
| | Other Notes Payable (automobiles, boats, etc.) | | |
| | Unpaid Taxes | | |
| | Other Current Liabilites (List) | | |
| | | | |
| C | TOTAL CURRENT LIABILITIES | | |
| | LONG TERM LIABILITIES <i>(NOT due within one (1) Year)</i> | | |
| | Notes Payable (residence, home equity) | | |
| | Other Notes Payable (other real estate owned) | | |
| | Other Notes Payable (automobiles, boats, etc.) | | |
| | Loan on Life Insurance | | |
| | Other (List) | | |
| | | | |
| D | TOTAL LIABILITIES | | |
| E | NET WORTH <i>(Total Assets minus Total Liabilities = Net Worth)</i> | | |
| | TOTAL LIABILITIES & NETWORTH | | |

LINE OF CREDIT FORMAT

TO BE WRITTEN ON BANK, SAVINGS & LOAN LETTERHEAD
(May be used to supplement Working Capital)

(DATE)

TO: CONTRACTOR'S LICENSED NAME (Individual, Corporation, Partnership or LLC)
Address
City, State and Zip

RE: Contractor's License ID# 000_____

Dear _____:
(Contractor's Name)

You have requested of (Name of FDIC approved Bank, Savings & Loan) to establish a line of credit which will be available to (Name as on License) for use in conducting the contracting business for which a license is being sought from the State of Tennessee Board for Licensing Contractors.

We hereby establish a line of credit for these purposes in the amount of \$(Dollar Amount), which will be maintained for a period of one (1) year from the date of license issuance, subject to no adverse change in your financial condition.

As a condition of this arrangement, it is our understanding you will inform us and the Board for Licensing Contractors of any significant change(s) in your financial condition during the term of this commitment.

We the undersigned will endeavor to notify the Board for Licensing Contractors should we become aware of any significant change(s) in financial conditions of the above named applicant.

The undersigned hereby agrees to notify the Board for Licensing Contractors should we withdraw and/or eliminate the above named applicant's credit line.

By _____
Name Title

SAMPLE LETTER -- FOR BANK USE ONLY

Instructions to Contractor

- To increase the working capital, a contractor may take this **SAMPLE** form to their bank
- The line of credit (LOC) does not increase the net worth. (DO NOT add to Financial Statement!)
- If a contractor's working capital is negative, only 50% of the LOC's value is applied to the working capital
- The LOC is for the contractor's use and may be utilized at any time by the contractor
- This **format's exact wording must be used** in order for the Board to consider accepting
- Original LOC document must be submitted; copies are not acceptable
- Name on LOC must be in the **EXACT NAME** as on the license and financial statement
- Lending institution must be a bank, savings and loan which is FDIC approved

Contractor's License Bond

Bond No. _____

KNOW ALL MEN BY THESE PRESENTS, THAT
we, _____ as Principal and
_____ a _____
Corporation, having its principal office in the City of
_____, _____ as Surety, are held and firmly
bound unto the State of Tennessee, Department of Commerce and
Insurance, Board for Licensing Contractors, Nashville, Tennessee,
hereinafter called the Obligee, in the penal sum of five hundred
thousand and no/100 (\$500,000); OR one million and no/100
(\$1,000,000) lawful money of the United States of America to be paid
to said Obligee, for which payment well and truly to be made, we
bind ourselves, our heirs, executors, administrators, successors
and assigns, jointly and severally, firmly by these presents.

WHEREAS, a license has been granted by the Obligee to the above
bounden Principal authorizing the Principal to practice
contracting.

NOW THEREFORE, The conditions of the foregoing obligation are such
that if the Principal shall comply with and be subject to the
provisions of Contractor's License Law and Rules and Regulations
Title 62, then this obligation shall be null and void; otherwise to
remain in full force and effect.

Any person bringing claim against this bond may bring action in a
proper court of law for the amount of damages they may suffer as
the result of such act or omission by the Principal constituting
breach of a construction contract or breach of a contract for the

furnishing of labor, materials or professional services to construction undertaken by the Principal in the performance of a construction contract, except that such action must be brought within one (1) year after the expiration of the license period during which the act or omission occurred.

The aggregate liability of the Surety hereunder on all claims whatsoever shall not exceed the penal sum of this bond in any event.

The Surety may cancel this bond at any time by filing with the Obligee ninety (90) days written notice of its desire to be relieved of liability. The Surety shall not be discharged from any liability already accrued under this bond, or which shall accrue hereunder before the expiration of the ninety (90) day period.

Signed with our hands and sealed with our seals this, the _____ day of _____, 20_____.

Witness

By: _____
(Principal)

Witness

(Surety)
By: _____
Attorney-in-Fact

(Attach Power of Attorney)



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LOWER LIMIT REQUEST

1. Contractor's License ID# 000 _____
2. Contractor's License Name: _____
3. I agree to lower the contractor's license monetary limit to \$ _____

I understand that by agreeing to lower the monetary limit on the contractor's license, that in order to obtain a future increase, this licensed entity must complete the license "**Increase Request**" revision form which requires a "Reviewed" or "Audited" financial statement (*depending on limit*) prepared by an actively licensed CPA/PA. A revision request must be reviewed by the Board at their regularly scheduled meetings before the limit may be increased. See T.C.A. § 62-6-111(k).

Name: _____ (Print name of authorized owner/officer) _____ (Title)

*Signature: _____ (Date)

**Must be signed by an Owner, Officer or other individual fully authorized to bind and obligate the entity to the terms of this document.*

Note: Contractor's not currently performing work may place the license in "**Retirement**" (inactive status) in lieu of completing the renewal process. Retiring the license does not require a financial statement, insurance, etc., (*renewal requirements*) until the license is reinstated from retirement, by completing the renewal form at that time. Retirement fee is \$25.00 for each year. See website for retirement application and instructions at: <http://www.tn.gov/regboards/contractors/documents/RETIREMENT.pdf>