

CASHIN SPINELLI & FERRETTI, LLC

Surety Consultants and Construction Managers

QUARTERLY NEWSLETTER

July 2006

Highlighting CSF's Illinois Office

Volume 1

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Durbin Creek Elementary School Jacksonville, Florida



Owner: St. Johns County School Board

CSF Illinois Scope: On-site review of punch list work; litigation support; investigation of payment bond claims; and negotiation of subcontractor change orders and punch list responsibilities.

Hektoen Building Mechanical Renovation Chicago, Illinois



Owner: Cook County, Illinois.

CSF Illinois Scope: Review of punch lists and allocation of subcontractor responsibilities; analysis of multiple change orders; investigation and negotiation of payment bond claims; and litigation support.

Foundation Demolition Washington, D.C.



Owner: International Monetary Fund

CSF Illinois Scope: Review and analysis of completion costs incurred by general contractor; close-out of bonded projects; and collection of contract balances.

CSF Illinois Personnel

Steven G. Mollenhauer, Esq. – Regional Manager

Steve manages the Illinois office and handles claims for multiple CSF clients and their counsel. Steve is a graduate Civil Engineer and a licensed attorney; and was the former manager of surety claims groups for two, top-10 Sureties. Steve can be contacted directly at 847.415.9003 or smollenhauer@csfllc.com.

Scott L. Moritz, P.E. – Senior Project Manager

Scott is a Graduate Civil Engineer who handles performance bond and construction issues. Scott is a licensed P.E. in 17 states including Illinois, Wisconsin, Indiana, Iowa and Missouri. Scott has extensive experience in environmental design and construction as well as project management. Scott can be contacted at 847.415.9004 or smoritz@csfllc.com.

We are currently investigating and handling claim activity on several projects in the Chicago area and on the East Coast including: elementary schools; medical facilities; sewer and water systems; and colleges.

[Surety Issue: Reasons Why Contractors Fail](#)

A common topic of discussion among Surety Claim professionals is the reason behind a principal's failure. The list below includes some of the reasons that we have encountered during our tenure in the Surety industry. We are not making this up...

Succession Issues: "Dad always wanted me to take over the family construction business but I like to fish."

Overexpansion: "I know how to install stone in NYC building lobbies so of course I can tile a tunnel in Boston."

Poor Business Practices: "I don't believe in sub-contracts, a handshake is good enough for me."

Problem Owners "The Owner must have the money to fund the project; they signed a contract with me didn't they?"

Outside Interests: "My joint-venture partner is a great guy and has this wonderful restaurant in Florida with lots of statues and a \$5,000 espresso machine."

Contractor failures are caused by a variety of reasons. While these failures make for interesting war stories, they present serious challenges to Sureties responsible for "picking up the pieces".

Succession planning is critical to the survival of any business. Qualified successors to senior management need to be identified and developed so that a Contractor can avoid major disruptions in the event of the retirement or sudden death of a key executive officer.

A Contractor needs to avoid growing its business too quickly or expanding into different geographic or technical areas. A concrete subcontractor with limited working capital is unlikely to survive as a general contractor for a public school project.

The implementation and proper use of appropriate project management and accounting controls are essential tools for a contractor. It is critical that a contractor know "where it stands" on every project at all times.

While a Contractor who has outside interests such as racehorses, race cars or restaurants may have interesting stories, he or she may be devoting too much time or financial resources to these interests. These types of distractions can cause a contractor to neglect his or her core business operations and lead to financial ruin.

Have you encountered another interesting reason behind a bond principal's failure? Send us an email at smollenhauer@csfllc.com and we will include your comments in a future newsletter.

CSF's services include: accounting reviews, construction management, surety claims consulting, affirmative claim consulting, forensic consulting, litigation support and fidelity claim consulting.

CSF's team is multi-disciplinary and includes: P.E.s licensed in 31 states; Attorneys; Registered Architects and Certified Public Accountants. The CSF team's experience includes: projects involving transportation, public works, mechanical, environmental, school, housing and utility construction.

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