

CONSTRUCTION LEGAL EDGE

This newsletter is informational only and should not be construed as legal advice. © 2019, Pietragallo Gordon Alfano Bosick & Raspanti, LLP. All rights reserved.

WINTER 2019

ARTICLES CONTAINED IN THIS ISSUE OF THE CLE:

- 1 BE WARY OF CASHING A CHECK DURING A PENDING FEE DISPUTE
- 2 AIA OR CONSENSUS DOCS CONTRACTS: WHICH STANDARD CONSTRUCTION CONTRACTS ARE BEST FOR YOUR PROJECT?
- 3 GETTING PAID - PENNSYLVANIA STATUTORY HELP FOR CONTRACTORS AND SUBCONTRACTORS
- 4 SUPERIOR COURT AFFIRMS INJUNCTION AGAINST CRANE RENTAL SALESMAN WHO DID NOT SIGN NON-COMPETE
- 5 THE IMPORTANCE OF SECURING A MECHANIC'S LIEN THROUGH BANKRUPTCY

BE WARY OF CASHING A CHECK DURING A PENDING FEE DISPUTE

A construction company must be careful when cashing a check if there is a fee dispute because accepting payment can have the effect of settling the dispute entirely. In legal terms, this is called an “accord and satisfaction”. Settling the dispute can prohibit the construction company from bringing a lawsuit to recover the remaining balance.

A subcontractor recently learned this lesson the hard way. In *Ruple Builders*, the subcontractor, Ruple Builders, Inc., was hired by general contractor, Brackenridge Construction Company, to erect a pre-engineered metal building on a project site. *Ruple Builders, Inc. v. Brackenridge Const. Co.*, No. 2:17-cv-00004, 2019 WL 109329 (W.D. Pa. Jan. 4, 2019). The subcontract agreement included a specific payment amount for all work performed. But during the course of the project, the subcontractor, Ruple, engaged the services of another entity to provide labor, which ultimately increased Ruple’s costs. Ruple did not seek prior approval from Brackenridge to increase costs. Instead, Ruple later submitted invoices that exceeded the formerly agreed upon subcontract amount.

Brackenridge refused to pay any amount beyond the fee that was initially agreed to in the written subcontract. Brackenridge issued payment to Ruple in the amount due under the subcontract, which was accompanied by a letter stating that the enclosed check “represents their balance due” for the work. Ruple felt constrained to cash the check to pay its bills and operating expenses, even though it continued to assert that additional fees were due. A few months later, Ruple attempted to give the money back to Brackenridge, which Brackenridge refused. Ruple ultimately sued Brackenridge, claiming that it was due additional fees.

Brackenridge filed a motion for summary judgment, arguing in part that it had already settled the fee dispute with Ruple because Ruple had accepted and cashed the check. Brackenridge argued that, at the time it offered payment, there was a fee dispute, Brackenridge made an offer to settle the dispute by sending a check with a letter stating

that the enclosed check “represents their balance due”, and Ruple accepted that offer by depositing the check in its bank account.

The three elements for accord and satisfaction are: (1) an actual and substantial difference of opinion as to the amount due, (2) an offer to satisfy the dispute, and (3) acceptance of the offer. The court found that all three elements were met because the parties knew of the fee dispute, Brackenridge offered payment that was demarcated as the full balance due, and Ruple accepted when it placed the money into its bank account. Thus, the parties had entered into an accord and satisfaction and the lawsuit was dismissed.

Nothing in the *Ruple Builders* decision indicates that a general contractor would be held to a different standard than a subcontractor. Thus, a general contractor should be wary to accept payment from a landowner when the contract amount is in dispute.

It should be recognized that Brackenridge's letter, which indicated that the check was for the full balance due, was critical to the court's determination. Without such a letter, or where different payment obligations apply, the result may have been different. For example, a contract that calls for installment payments may be treated differently because no single check would indicate full and final payment. Even so, a wise contractor will not cash any payment until it has ensured that acceptance of payment will not be construed as a claim settlement.

The Court also found that the express terms of the contract required written permission to perform extra work in exchange for an increase in the contract price. But the Court's entry of summary judgment on the basis that Brackenridge and Ruple had entered into an accord and satisfaction was an independent ground to dismiss the lawsuit. For this reason alone, construction companies must be wary of cashing payments when a fee dispute is pending.



FOR MORE INFORMATION, CONTACT PETER W. NIGRA AT
PWN@PIETRAGALLO.COM

AIA OR CONSENSUS DOCS CONTRACTS: WHICH STANDARD CONSTRUCTION CONTRACTS ARE BEST FOR YOUR PROJECT?

Success on a construction project can rise or fall on the contract you choose. Remember, financial solvency often depends on it. If just one contract out of 10 goes bad, this might lead to a general contractor shutting its doors. I'm often asked why should I choose ConsensusDocs over American Institute of Architects (AIA) standard construction contract documents? While many express dissatisfaction with AIA contracts to me, they often say it's the devil they know (and make extensive changes). This article points out the fundamental differences between ConsensusDocs versus AIA contracts and how making a few word changes might not address the fundamental differences.

Mission

The American Institute of Architect's (AIA's) mission includes “to organize and unite” and “promote” the architectural profession. The AIA's contracts show a bias towards architects. AIA contracts give architects a disproportionate share of decision-making authority without the same level of responsibility.

ConsensusDocs' goal is to write fair contracts that advance better project results. Fairness stems from neutralizing bias by giving all the stakeholders to the A/E/C industry an equal voice to the drafting table.

Communications

Historically, AIA contract documents funnel all communications through the architect. The AIA A201 General Conditions is for a contract between an owner and contractor, and yet the most prevalent word is architect. When coupled with an AIA agreement, the word architect appears 400 times. Historically, the owner and contractor were NOT supposed to communicate directly with one another, but ONLY through the architect. Thankfully this obstacle was finally removed in 2017, but the basic structure remains.

ConsensusDocs emphasizes positive and direct party communications. Parties are encouraged to speak directly to one another, early and often in the project to facilitate a positive relationship. Electronic communications are recognized as an effective means of communication in notice provisions as well as for use in project administration through documents such as the ConsensusDocs Electronic Communications Protocol.

Role of the Owner, Passive Check-Payer or Decider

AIA documents demote the owner into a passive project role. An owner's main function is to do one thing – write checks. Beyond that, the message in the AIA B101 Owner/Architect agreement and AIA A201 General Conditions Document, is the architect knows best. And owners need protection from the contractor, who should be kept at arms-length.

ConsensusDocs gives Owners an active role. After all, an Owner has the most to gain or lose in the success of the construction project, which ultimately is the Owner's capital asset. An Owner may delegate its authority to an outside architect, such as approving change orders, but decision-making authority defaults to the owner. All decision making doesn't default to the architect. Keep in mind that an owner might have an internal construction manager or hire a construction manager externally, which would certainly change the equation.

Project Financial Information and Sharing Information

ConsensusDocs allows a builder to request and receive project financial information before and during construction. ConsensusDocs provide the industry's only standard questionnaire and guidelines to help ask reasonable questions about project financing.

AIA restricts access to receive financial information once the project commences. Under AIA, the default for commencement of the project is the date of contract signing, which is before dirt is even moved. Thereafter, a contractor must show a reason (as determined by the architect) to receive financial information. The consequences for not receiving reasonably requested information is not clear because new AIA language in this section is vague.

Writing Style

The ConsensusDocs are written from the perspective that good legal writing is simply good writing. Contract language with a clear and concise language helps the parties understand, administer, and interpret the contract. A distinguishing feature in ConsensusDocs is the integration of the general terms and conditions and the agreement into one document. This avoids the two documents from conflicting and avoids confusion. Provisions are written so that the responsibilities and obligations, such as indemnification, are reciprocal on both parties in a consistent fashion. What is good for the goose should be good for the gander.

Over ConsensusDocs' 10-year history a great deal of effort has been made to refine the language and make sure it is consistent in style and even placement throughout the family of 100+ contract documents. ConsensusDocs comprehensively revises its documents once every 5 years but also allow the flexibility for discrete revisions typically based on changes to caselaw or the insurance market. Timely updates keep users from being out of date and exposed.

AIA contract documents are updated once every ten years. Given their long history, AIA's substance and language style is slower to change. The substantive terms are not always consistent when comparing an architect's responsibilities and a contractor's. An architect's services are at times aspirational or silent in regard to clear consequences for not performing completely or in a timely fashion. Conversely, obligations falling on the contractor come with hard deadlines and broad consequences, especially when such obligations coordinate with an architect's responsibility. One examples is a contractor's obligations to provide a submittal schedule, and unclear consequences for not processing submittals in a timely fashion.

Case Law and Litigation

AIA has published contract documents since 1888. AIA documents, old and new revisions, generate a great deal of caselaw and decisions interpreting the language in the documents. There are entire caselaw books devoted to the cases generated by litigated projects using the AIA contract documents. AIA touts the breadth of caselaw associated with AIA contract documents.

ConsensusDocs has been around for over 10 years. Billions of dollars have been put in place using the documents. Not one reported case has been generated using ConsensusDocs. ConsensusDocs touts the infrequency of projects that fall into litigation using their documents.

Dispute Mitigation vs Dispute Escalation

AIA's first line of disputes is through an initial decision maker (IDM), which defaults to the architect. Architects are not trained to serve in a quasi-judicial role, but the AIA contracts thrust an architect in the role of judge, jury, and executioner, even if they are not interested in many small decisions monitoring contract administration. According to the AIA, the architect serves as the IDM on almost all projects. And even if the architect isn't the IDM, architects retain authority to make certain decisions regarding design intent. Moreover, the IDM process is complex with technical timing requirements to finalize IDM decisions that have important consequences that might get easily overlooked by some parties.

ConsensusDocs utilizes an innovative tier approach that requires the parties to talk with each other at the project and senior project level to mitigate claims before they are escalated to a formal claim. ConsensusDocs also employs innovative dispute mitigation techniques in calling out options for a project neutral or a dispute review board (DRB) which have proven to be effective on projects that can afford to carry the cost. ConsensusDocs even publishes two standard DRB agreements to implement DRBs.

Design Documents

The AIA B101 Owner/Architect Agreement strongly protects architects' interests in their intellectual property in design documents. If there are any disputes or potential disputes

between the architect and the owner, the architect can stop the project in its tracks from advancing, unless and until full payment for services are rendered and a blanket waiver favoring the architect is given. Protecting an architect's IP rights takes precedence over advancing a project forward. AIA forbids an owner from using design documents on a future project, even renovations, unless the architect is involved.

An architect is "entitled to rely on, and not be responsible for the accuracy, completeness, and timeliness of services and information furnished by Owner." The owner may not rely upon the design professionals provided information in a reciprocal manner. An owner's protection rests upon the architect's standard of care, which is a different and lower standard. Commenters have cautioned owners from basing their Owner/Architect agreement on an AIA document because AIA's mission is to protect and promote the architectural professional. The view that AIA documents are owner-friendly is considered a myth.

ConsensusDocs 240 Owner/Design Professional Agreement takes a balanced approach regarding a design professional's IP rights and an owner's need to build or renovate a project. An owner is allowed to continue a project if there is a dispute between the owner and architect provided payment for services performed have been paid. An architect retains their claim rights. Additionally, there is an option (although it is not the default) for an Owner and architect to mutually agree for an Owner to use the design documents for future projects along with a waiver of claims to the architect, if the architect is not involved in that future work.

The ConsensusDocs architect agreements provide the owner with construction phase design documents that are sufficient "to bid and build the work." Reciprocally, the design professional may rely upon the design services provided by others. Unbuildable design documents are the equivalent of pretty pictures. ConsensusDocs provides owners a balanced architectural agreement that isn't written by an architectural association.

Conclusion

Now with a 10-year track record, ConsensusDocs provides an industry-wide developed choice for standard design and construction contracts. ConsensusDocs takes a plain English and fair to all parties' approach. ConsensusDocs encourages direct party communications to build positive collaboration. Owners gain more control and an active say in their projects. Constructors are viewed as problem solvers rather than problem makers. In comparison AIA provides a more traditional approach that gives architects more control. Architects make most decisions and protect owners from potential contractors' abuses. AIA contracts' long history and usage is well known with a history of litigation and case law.

BRIAN PERLBERG, EXECUTIVE DIRECTOR & SENIOR COUNSEL OF
CONSENSUS DOCS

GETTING PAID - PENNSYLVANIA STATUTORY HELP FOR CONTRACTORS AND SUBCONTRACTORS

If you are a contractor or subcontractor working on a project in Pennsylvania and having or anticipating having trouble getting paid for your work, two Pennsylvania statutes may help provide a remedy.

One such statute is the Contractor and Subcontractor Payment Act, found at 73 P.S. § 501, *et seq.* (“CASPA”).

The other such statute is the Commonwealth Payment Act, found at 62 Pa.C.S. § 3931, *et seq.* (“Procurement Code”).

Note that the Pennsylvania Supreme Court has held that CASPA does not apply to public works projects.

A listing and a comparison of some of the provisions of each follows:

STATUTORY PROVISIONS

1. CASPA

- Applies to construction projects involving private parties, except for those involving improvements to real property which consists of six or fewer residential units which are under construction simultaneously, and for contracts for the purchase of the materials by a person performing work on his or her own real property. Waiver of CASPA’s provisions by contract or other agreement is generally prohibited. [73 P.S. § 503.]
- Provides that a contractor or subcontractor is entitled to payment once it has performed in accordance with the provisions of a contract. [§ 504.] The owner is required to make payment strictly in accordance with the terms of the contract. [§ 505(a).] If there is no payment term in the contract, a contractor is entitled to invoice the owner for progress payments “at the end of the billing period and to submit a final invoice for payment in full upon completion of the “agreed-upon work.” [§ 505(a)(1).]
- Unless otherwise agreed, payment is due from the owner 20 days after the end of a billing period or 20 days after delivery of the invoice, whichever is later. [§ 505(c).]
- Unless otherwise agreed, failure by the owner to make payment within seven days of the due date as specified above entitles the contractor to interest, beginning on the 8th day, at the rate of 1% per month or fraction of a month on the balance then due and owing. [§ 505(d).]
- A contractor is entitled to suspend its performance if payment is not received as specified above or by the terms of the contract and at least 30 days has passed since the end of the billing period for which payment has not been received according to the terms of the contract and notice has been provided as specified by the statute. [§ 505(e).]
- An owner, contractor or subcontractor is likewise permitted to withhold payment, in a “reasonable amount,” for “deficiency items,” in accordance to the terms of the construction contract, provided that notice has been given as specified by the statute. [§§ 506(a)(b), 511.] However, payment must still be made for items which have been “satisfactorily completed under the construction contract.” [§§ 506(a), 511.] In addition, failure to provide notice as specified constitutes “a waiver of the basis to withhold payment and necessitates payment of the contractor in full.” [§§ 505(b)(2), 511(b)(2).]
- Subcontractors are to be paid in accordance with the provisions of the construction contract by the party with whom the subcontractor has contracted. [§ 507.] Payment dates must be disclosed to the subcontractor by the contractor or subcontractor with whom it has contracted, including, before a subcontract is executed, the due date for receipt

of payments from the owner. [§ 507(b).] Failure to accurately disclose the due date to a subcontractor entitles the subcontractor to be paid “as though the due dates established by [§ 505(c)] were met by the owner.” This subsection does not, however, apply “to a change in due dates because of conditions outside of the contractor’s control, including, but not limited to, design changes, change orders or delays in construction due to weather conditions.” [§ 507(b).]

- Subcontractors and sub subcontractors are to be paid “the full or proportional amount received for such subcontractor’s work and materials, based on work completed or service provided,” 14 days after receipt of each progress or final payment or 14 days after receipt of the subcontractor’s invoice, whichever is later unless payment is being withheld under § 511. [§ 507(c).] If payments are not made as provided for above, interest must be paid as provided for in Section 505(d) “on the balance due and owing.” [§ 507(d).] In addition, a subcontractor who is not paid “in accordance with this section” is entitled to suspend its performance in the same fashion as a contractor is under § 505(e). [§ 507(e).]
- Retainage must be paid within 30 days after final acceptance of the work. Even if the owner is not withholding retainage, a contractor may do so pursuant to contract. Subs must be paid within 14 days after receipt of the retainage. Interest is payable on retainage withheld for more than 30 days after final acceptance. [§ 509.]
- If arbitration or litigation is instituted to recover payment due under CASPA, the court or an arbitrator may impose a penalty on the amount wrongfully withheld and, in addition, award attorney fees and expenses to “the substantially prevailing party.” [§ 512.]
- Third-party claims against a contractor by a party owed payment by a sub which has been paid are barred. [§ 516.]

2. Procurement Code

- Allows for a provision for retainage in a contract for public works, under specified conditions [62 Pa.C.S. § 3921.] A contractor, in the absence of sufficient reason, must pay its subs their earned share of any payment received within 20 days of receipt. [§ 3922.] Retainage must be paid upon substantial completion, in amounts specified. [§ 3941(a).]
- Unpaid “final” payments are subject to the payment of interest at specified rates. [§ 3941(b).]
- Disputes with respect to the payment of retainages and final payments are to be arbitrated under the applicable terms of the contract, or, in the absence thereof, then as the parties may mutually agree, under the rules of the American Arbitration Association or in accordance with 52 Pa.C.S. Ch. 73. In any event, “either party shall have the right of appeal from any decision and award as provided by law.” [§ 3942.]
- Provides that performance by contractors and subcontractors entitles them to payment. [62 Pa.C.S. § 33931.]
- Payment by a government agency is to be made in accordance with contract provisions. If a contract does not contain a term with respect to the time for payment, application can be made for progress payments, which must be paid, less applicable retainage, within 45 days of the date application is received. If progress payments are not timely made, the government agency is required to pay interest at a specified rate, after allowing for a 15 day

or contractually specified grace period of 15 days. [§ 3932(c)(d).]

- Similar requirements apply to payments due from contractors or subcontractors, the contractor or subcontractor having an obligation to disclose to its subs before a contract is executed, the due date for the receipt of progress payments from the government agency. [§ 3933(a)(b).] Payments are due 14 days after receipt of a progress payment, except for payments being withheld for good faith claims under § 3934. Progress payments not timely paid accrue interest as above, subject to application of a grace period. [§ 3933(c), (d)(e).]
- The government agency can withhold payment for “deficiency items” [“good faith claims”] “according to the terms of the contract,” as can a contractor, provided notice is given within the time period specified in the contract or 15 calendar days of the date the application for payment is received. If a contractor withholds payment from a subcontractor for a deficiency item, it must notify the subcontractor or supplier and the government agency of the reason within 15 calendar days of the date after receipt of the notice of the deficiency item from the government agency.” [§ 3934.]
- An arbitrator or the Board of Claims or a court may award a penalty equal to 1% per month of an amount that was withheld “in bad faith,” if an action is commenced to recover payment due. “An amount shall be deemed to have been withheld in bad faith to the extent the withholding was arbitrary or vexatious. An amount shall not be deemed to have been withheld in bad faith if it was withheld pursuant to Section 3934 (withholding of payment for good faith claims.)” [§ 3935(a).] In addition, the prevailing party in such a proceeding “may be awarded a reasonable attorney fee in an amount to be determined by the Board of Claims, court or arbitrator, together with expenses if it is determined that the government agency, contractor or subcontractor acted in bad faith.
- Certain payment obligations mandated by the Procurement Code are subject to suspension where funds have not been allocated or paid to the government agency which is the contracting party. [§ 3938.] In addition, the Code provisions are not applicable to certain specified entities including distressed municipalities and school districts. [§ 3938(b).]
- Claims against a government agency by third parties are barred as are claims against a contractor once it has paid its sub or subs. [§ 3939.]

COMPARISON OF THE TWO STATUTES

Both statutes make provision for retainage and specify when it is to be paid. They also act to reinforce contractual payment terms. Both statutes also permit the withholding of payment for “deficiency” items and provide for the payment of interest. Under CASPA, penalties may be imposed for wrongful withholding, and a “substantially prevailing party” may be awarded attorney’s fees and expenses. Under the Commonwealth Procurement Code, penalties, as well as attorney’s fees, may be awarded for “bad faith” [“arbitrary or vexatious”] withholding. Arbitration of disputes is specifically provided for under the Procurement Code. Under CASPA, it is assumed.



FOR MORE INFORMATION, CONTACT MARTHA S. HELMREICH AT
MSH@PIETRAGALLO.COM

SUPERIOR COURT AFFIRMS INJUNCTION AGAINST CRANE RENTAL SALESMAN WHO DID NOT SIGN NON-COMPETE

In *AmQuip Crane Rental, LLC v. Crane & Rig Services, LLC*, 2018 PA Super 315 (November 27, 2018) the Superior Court affirmed injunctions entered by the Court of Common Pleas of Bucks County against a crane rental branch manager and three salesmen, who left the AmQuip Crane Rental Atlanta branch for a startup crane rental company in Atlanta. The branch manager and two of the salesmen had signed noncompetition, nonsolicitation and confidentiality covenants with AmQuip. All four, however, signed an employee handbook that set forth a company confidentiality policy. The four left AmQuip for the startup while a merger with Maxim Crane was imminent. They worked to divert AmQuip's Atlanta customers to the startup.

The Superior Court found that there was ample evidence that the employees utilized AmQuip's confidential business in successfully diverting business to the new company. The salesman who had not signed a covenant not to compete argued that he could not be subject to the injunction, but the Superior Court disagreed. The court held that the salesman nonetheless breached his common law duty of loyalty to AmQuip by diverting its customers to the startup while still employed by AmQuip and inducing the other employees to breach their covenants not to compete. Under Pennsylvania law an agent can properly compete with his principal after the termination of his agency in the absence of a restrictive agreement, but is not entitled to solicit customers for such rival business before the end of his employment. *SHV Coal, Inc. v. Continental Grain Co.*, 545 A.2d 917 (Pa. 1988), citing Restatement (Second) of Agency §393, comment (e).

The confidential information the salesman utilized included crane utilization schedules, market conditions and operation costs unique to AmQuip's Atlanta location, customer lists and pricing models and significantly AmQuip's quotation template while still working at AmQuip. This evidence, along with the salesman's diversion of customers to the startup and his assistance to the other employees in breaching their noncompetition covenants provided sufficient grounds for the trial court to enjoin him from making further use of the confidential information.

In addition, the Superior Court ruled that the employees' dissatisfaction with the upcoming merger with Maxim Crane did not entitle them to breach their noncompetition covenants or common law duty of loyalty.



FOR MORE INFORMATION, CONTACT MARK T. CALOYER AT
MTC@PIETRAGALLO.COM

THE IMPORTANCE OF SECURING A MECHANIC'S LIEN THROUGH BANKRUPTCY

As anyone in the construction industry is aware, the bankruptcy of any participant in a construction project is likely to create trouble for everyone involved. Bankruptcy creates delays, additional costs, and raises the real concern that payment will never be received. Even in the best of circumstances, bankruptcy may mean waiting years in order to only receive pennies on the dollar.

As knowledgeable contractors know, Pennsylvania law permits unpaid contractors, and

subcontractors, to file a mechanic's lien against the property involved in the construction project. This mechanic's lien acts as a security interest in that property to ensure payment of the outstanding debt. As this security interest attaches to the property, the lien can typically only be removed after the underlying payment is provided.

While the law generally provides very few mechanisms for removing a lien, other than satisfaction of the underlying debt of course, bankruptcy is one area of law where lien treatment differs significantly. The largest example is the debtor's (or the trustee in the event one is appointed) ability to "avoid" some types of liens. Found generally in 11 U.S.C. §§ 544-553, these broad set of rights may grant the debtor the right to unilaterally remove the lien from a property. This will eliminate any security interest and removes the lien from the title of the subject property. Under these provisions in some instances the Debtor will also be permitted to recover money which it has already paid to creditors.

While these provisions provide debtors the ability to remove liens during bankruptcy, this ability is limited in such a way that substantially increases the effectiveness of mechanic's liens. In large part, this comes down to the definition of mechanic's lien as a "statutory" lien while other liens may be "judicial" or "consensual" liens. This difference may be the determining factor in whether a creditor receives a full payment or nothing at all.

This difference between these liens in bankruptcy is best demonstrated through a simple example. Suppose that a contractor has been hired to perform substantial work on a commercial property. The contractor adequately performs all of the necessary work. After completion, however, the property owner refuses to pay the \$100,000 remaining under the construction contract. In this first scenario the contractor sues the property owner for failure to pay under the contract and obtains a \$100,000 judgment. The contractor then takes steps to perfect a judicial lien in that amount. Within ninety days of that judicial lien, however, the property owner then declares for bankruptcy. Using § 547 the debtor will be able to avoid the judicial lien as well as demand repayment of any money which it did pay the contractor during this ninety day period. In this event, not only is the contractor left with only an unsecured claim against the debtor, the contractor may actually be required to repay any payment which it did receive.

Now imagine the second scenario. In this scenario after construction is completed and the property owner refuses to provide the \$100,000 payment, the contractor begins the process of filing a mechanic's lien against the property. After providing the proper notices the contractor files a perfected claim against the property. The property owner again declares bankruptcy within ninety days attempting to evade paying this debt. In this case however, the lien cannot be avoided. Since the mechanics lien is a statutory lien, § 547(c) (6) provides a specific safe harbor provision for the continuation of that lien. Absent some unrelated issue, the mechanics lien will remain unimpaired on the property throughout the bankruptcy process. At the end of bankruptcy, the contractor will still have a fully secured \$100,000 lien against the property which can then be liquidated for full payment.

As the example shows, mechanic's liens are a powerful and important tool. Given the proliferation of construction related bankruptcies a properly filed and perfected mechanics lien acts as one of the best ways for a contractor to ensure repayment (even through a bankruptcy).



FOR MORE INFORMATION, CONTACT JOHN W. KETTERING AT JK@PIETRAGALLO.COM

WHERE IN THE WORLD?



Construction Mystery: Resting below the typical path of Caribbean hurricanes, Barbados is a picturesque island. It is magical to swim beside patterned sea turtles, whose delicately designed flippers look more like butterfly wings than the prosaic appearance of Pacific Ocean turtles. Snorkelers can float over vessels wrecked in decades past. Multiple gardens showcase lush foliage and exotic blossoms. The island also has reminders of its years under British Colonial rule. During the 18th and 19th centuries, sugar plantations were a major contributor to the island economy. One such reminder is the largest, and one of only two intact windmills in the Caribbean (the second is on the Betty's Hope Estate in Antigua). Of architectural interest, concrete was unknown when the windmill was constructed, so the rubble of boulders from which it was made were held together by a concoction using egg whites and coral dust. The mill officially stopped operating in 1947, but it wasn't until 1962 that it was given to the Barbados National Trust for preservation as a museum. Now during "crop" season, the sails are put back on the spokes and the mill is operational at designated times, grinding sugar cane into juice. Glimpsed inside the mill are artifacts and old photos of island plantations. Visitors can climb to the top of the mill for panoramic views of the island's Scotland District with its wild Atlantic coast.

Question: What is the name of this windmill?

Last Issue Answer: Saqqara, Egypt

CONTRIBUTED BY JANE OCKERHAUSEN, TRAVEL EDITOR

THE CONSTRUCTION LEGAL EDGE IS A QUARTERLY PUBLICATION OF THE CONSTRUCTION PRACTICE CONSORTIUM. IF YOU WOULD LIKE TO BE ADDED TO OR DELETED FROM THE DISTRIBUTION LIST OF THE CLE, PLEASE CONTACT JOE BOSICK (THE CHAIR OF THE CPC) AT JJB@PIETRAGALLO.COM.

FOR MORE INFORMATION ABOUT THE CONSTRUCTION PRACTICE CONSORTIUM VISIT WWW.PIETRAGALLO.COM.

OHIO | PENNSYLVANIA | WEST VIRGINIA

