Distress in a Familiar Industry: Construction Contracting

BY ALEXANDER A. CALDERONE, CTP, MARCH GUEST EDITOR

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When I last served as guest editor for *JCR*, I worked with a team of talented authors who as recently as seven years ago could never have imagined that they would one day contribute turnaround-themed articles related to an industry that for years was considered recession-proof: casino gaming. Looking back, that issue was indeed timely, as many turnaround practitioners spent the duration of 2014 closely following events leading to what will unquestionably be one of the largest, most complex U.S. bankruptcy filings ever: Caesars Entertainment Operating Company Inc.

Unlike the casino gaming industry, which had not historically been known for cyclicality, the construction industry has experienced its share of distress. Most practitioners have touched the construction industry through many economic cycles, and few would find it hard to believe that the construction industry will continue to face periods of distress in the future. What better industry for turnaround professionals to focus on in this issue of *JCR* than one we know will provide opportunities to put our skills to good use? I am confident that even the most skilled practitioners will find valuable nuggets of information in articles contributed by our disparate group of industry experts.

Edward Longville, vice president of commercial lending at FirstMerit Bank, shares deep professional insight designed to help today's turnaround consultants meet lender expectations during contractor turnaround situations. His advice is particularly helpful and, in my opinion, sets the standard for how turnaround practitioners should consider approaching lenders of distressed contractors.

My colleague Brandon Macklin of BRHEN-TECH LLC and I have co-authored an article focusing on the pervasive but infrequently discussed issue of distress facing minority-owned construction contractors. The chance to help a growing minority-owned business survive and thrive can be particularly rewarding, and we provide some critical advice for turnaround practitioners in such situations.

My former colleague and mentor Michael Correra of Conway MacKenzie Inc. (whose tutelage was invaluable to my own personal development as a turnaround practitioner) provides valuable tips regarding how a construction contractor's turnaround plan can actually be pre-engineered. Importantly, he indicates that it is during boom times that construction contractors should be designing their turnaround plans.

Steve Roach, Nelson Ropke, and Larry Dudek of the Miller Canfield law firm focus on critical legal issues that are sometimes overlooked by turnaround professionals working with construction contractors—those related to construction liens and builder trust funds. Every constituent involved in a contractor-related turnaround should be keenly aware of these topics.

Jon Lunderberg of Buiten & Associates tackles the issues of managing risk and maintaining bonding capacity through a crisis situation. His article helps to demystify some of the issues surrounding the surety-contractor relationship and moreover, discusses why not only "bad" contractors but also "good" ones can find themselves facing distressed situations.