

## What Contractors can Learn From Smurfit and Quimonda

It will come as no shock to you that the economy has put a hit on the construction industry. Left and right we hear about developers and contractors hitting the skids, both through bankruptcy and otherwise. Personally, I take the view that the construction industry will end up stronger for the house cleaning that is occurring. However, this is a topic of discussion for another day.

What we can learn, both in Richmond, VA where the two now [Chapter 11](#) bound companies in the title of this post have major facilities, is that contractors who work on land owned by even the formerly most stable of companies must be careful to protect themselves. If staples of the Central Virginia like [Smurfit](#) and [Quimonda](#) can go belly up, anyone can.

Your first line of defense is a good [mechanic's lien](#) system that keeps you secured in the face of a bankruptcy. You may not get everything, but without a secured claim you could get nothing. Remember, that while you may want to get along with a general contractor or owner that may hire you again, if you don't get paid getting along doesn't matter. A good general contractor will understand the plight of a subcontractor who feels the need to lien a project out of worry that an *owner* will be unable to make the payments that can allow the general contractor to make payments down the line. Of course a good [payment bond](#) on the project does not hurt either.

The second line of defense is the expertise of an [attorney](#) skilled in the ways of the bankruptcy court to help you when an owner does in fact go bankrupt. Creditor's committees, secured versus unsecured, even where the courthouse is are all things someone who knows their way around the Bankruptcy Courthouse can help you navigate.

In short, in dicey economic times such as these, make sure you stay protected. Doing so will go a long way toward getting you through to the light at the end that is *not* the oncoming train.