



# Building Blocks

Construction Financial Management Association  
Honolulu Chapter

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## President's Message

### CFMA Annual Conference in Waikoloa

I'd like to recognize and thank the following Honolulu Chapter members for attending the CFMA Conference in Waikoloa (June 25<sup>th</sup> to 30<sup>th</sup>).

Ben Nakaoka	Pacific Shipyard
Craig Yamasaki	Grant Thornton
Garrett Sullivan	Kaikor Construction
Lester Sakamoto	Isemoto Construction
Lori Isara	Koga Engineering & Construction
Michelle Danihel-Kreusling	Hinchcliff Drywall Construction
Nick Tan	Atlas Insurance Agency
Raymond Nii	Grace Pacific
Tiffany Trang	Maryl Group
Wade Kodama	Watts Construction
Ward Letvin	Dorvin Leis
Wesley Mikuni	Ralph S. Inouye
Yurica Griffin	Allied Builders

From talking to CFMA National folks I understand there were nearly 500 attendees and the response exceeded expectations. Not bad in a down economy!

A few of my highlights from the conference:

- Striking up a conversation with an airline passenger on the flight to Kona and discovering that Ben Nakaoka is a new Honolulu Chapter member and also headed to the CFMA conference.
- Listening to Lori Isara (Koga Engineering & Construction) speak as a featured panelist for the "Document Imaging, Content Management & Workflow Automation". Chicken skin kine impressive!
- Attending the Seminar "75 Sites in 75 Minutes". I never thought a session could be fast paced, informative and entertaining all at the same time. If you attend next year's conference remember the name James Spellos.
- Witnessing Lester Sakamoto (Isemoto Construction) win the Grand Prize drawing for a trip for two to next year's National Convention in Dallas, Texas. Good things happen to great people!
- The Chapter Dinner at Sansei Seafood. Great company, great food, and great beverages. What more could you ask for?



*Ben Nakaoka (Pacific Shipyards) a new member.*



*Lester Sakamoto (Isemoto Construction) the grand prize winner.*



*Wade Kodama (Watts Construction) contemplates which restaurant serves the best tripe stew.*



*Wes Mikuni (Ralph S. Inouye), Tiffany Trang (Maryl Group), and Lori Isara take a break in between seminars.*



*Featured Panelist (left to right): Brendon Ressler, Ted Lindsay and Lori Isara (Koga Engineering & Construction).*

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# My Space: Garrett Sullivan & Janis Loo

Garrett Sullivan and Janis Loo of Kaikor Construction, married to each other for 27 years, were recently honored in Hawaii for two different awards. Garrett was selected by the U.S. Small Business Administration of Hawaii as the Small Business Person of the Year for the Island of Oahu. Garrett, formerly CEO of Kaikor Construction, recently sold his majority interest, but remains full time at the company to assist the new President in his transition.

A general contractor, Kaikor specializes in concrete structure construction and bridge work. A 25 year old company, Kaikor has placed in the top 5 of Honolulu Magazine's Best Places to Work the past 2 years and has received numerous safety and industry awards.

Born and raised in Cambridge, MA, Garrett has been a Hawaii resident since 1976, after matriculating at the UH. Janis is a lifelong kama'aina, born and raised on Kauai. They "ran into each other" at a Garden Island Road Runner's Club and have been exercising together ever since. They hike Koko Head Stairs on Saturday mornings, enjoy swimming at the Y, and love to travel to distant lands. Global highlights have included an African safari, Machu Picchu, and the 2010 Passion Play of Christ in Oberammergau, Germany.

Garrett, CFMA's 2003-2004 Hawaii Chapter President, has also served on several CFMA national committees as well as on its Executive Committee. He attended the acclaimed CFMA Spring Creek Leadership Program and was a member of the first CFMA National Mentoring Program. Garrett feels that CFMA offers a wonderful opportunity to make new friends, network with others in the industry, and to stay on the edge of new trends in the construction field.

Until recently, Janis worked as the Office Manager of Kaikor. Her Hawaii Jefferson Award for Public Service was prompted because of her passions of organ donation (she donated her kidney altruistically 8 years ago), adoption (the Sullivans adopted two 12 year old girls from China), and international mission work. She represented Hawaii at the national ceremonies in DC in June and was further inspired to volunteer after sharing with 150 other winners from across the nation. In July Garrett and Janis traveled to Mexico with their church's youth group to work at an orphanage, renovating the buildings and grounds as well as sharing the Gospel with the 50+ children.

The Sullivans also enjoy trying new restaurants and reading – adoption books for Janis and business improvement books for Garrett. A nutritionist by profession, Janis also enjoys modifying recipes for "healthy living."



# Group Builders and Tradewind Insurance Co. versus Admiral Insurance Co.

Written by: Chad Karasaki, CEO, Aon Risk Services, Inc. of Hawaii

On May 19, 2010, The Intermediate Court of Appeals of the State of Hawaii issued a ruling as respects to the Group Builders, Inc. and Tradewind Insurance Company, Ltd. v. Admiral Insurance Company; Servco Insurance Services Corp. and National Interstate Insurance Company of Hawaii, Inc.

While the particular facts and numerous court cites are too lengthy for purposes of this article, the conclusion reached by the Court, we believe was significant.

“We hold that under Hawaii law, construction defect claims do not constitute an “occurrence” under a CGL policy. Accordingly breach of contract claims based on allegations of shoddy performance are not covered under CGL policies. Additionally, tort based claims, derivative of these breach of contract claims, are also not covered under CGL policies.”

We have always been in agreement, that faulty workmanship, in and of itself, was never an insurance claim, but rather a business risk retained by the Contractor. If they performed faulty work, then it was their own responsibility to remediate the faulty work, as agreed upon contractually. However, any resultant property damage not to their own work, or bodily injury that emanated from their faulty work, would indeed be covered by their CGL policy.

We believe that the Court’s opinion, can defeat coverage for this resultant damage, which essentially eliminates completed operations coverage for Contractors.

While there is a 90 day window that an appeal can be filed by the Plaintiffs of this case. We have been working diligently with Insurers who are currently providing CGL coverage to Contractors in Hawaii, to understand what their response is, in light of this recent decision.

Thus far, to the best of our knowledge, only one carrier, Old Republic, has affirmatively stated, that they are amending their definition of occurrence, to ensure that their policies can respond to claims that their policy would have covered, prior to this decision.

We believe that the potential ramifications of this decision, can have a profound impact on all of the stakeholders in this issue. Lender’s, Surety Companies, Contractors, Subcontractors, etc. who have entered into projects assuming they had effectively transferred a portion of their project risk to financially secure insur-

ance carriers, are now left retaining, or self insuring this exposure.

We are hopeful that a comprehensive solution to this issue can be identified before its effects become problematic to the construction industry. In the interim, however, it is important that all stakeholders in the construction industry are fully informed of this issue, so they can respond proactively, and craft their own individual risk transfer methodology to mitigate this issue in their own operations.

Written by: Harvey King & Stephanie McGuire, King & Neel, Inc.

On May 19, 2010 the decision in Group Builders, Inc. v Admiral Insurance Company was published by Hawaii’s Intermediate Court of Appeals. This decision is the result of coverage disputes over insurance claims filed in the Kalia Tower mold loss at the Hilton Hawaiian Village.

The decision is generating a lot of talk among contractors, insurers and others. This is not surprising as the decision not only says there is no coverage under a general liability policy for construction defect claims but it also says that tort based derivative claims arising out of construction defects are not covered.

The completed operations coverage in the general liability policy has always covered injury claims to people as well as damage to property that is not part of the building. The Court is saying that claims like these are not covered by general liability insurance even though insurers have consistently said they intend to cover them.

Construction insurers are working in different ways to rectify the situation. Some have already revised and others are in the process of revising policy wording to deal with this. Knowing that owners and lenders will not accept the current situation, insurance companies that plan to continue insuring contractors will have to come up with acceptable solutions to the problem.

Don’t be alarmed by scare stories that you may hear. Contact King & Neel for more information.



# CFMA – Honolulu Chapter

Presents

## The BASICS of CONSTRUCTION ACCOUNTING Workshop

For people with an understanding of accounting who want to learn more about:

- Construction Accounting Processes
  - Construction Cost Management Systems
  - Cost Report & Financial Statement Analysis
  - What's Expected of Construction Financial Managers
- Attendees earn 8 CPE credits in the field of Accounting.*

**Friday, November 19, 2010**



**Hale Ikena, Fort Shafter, Hawaii • Building 711, Morton Drive • Fort Shafter, Hawaii 96858**



Registration: 8:00 am – 8:30 am  
 Workshop Program: 8:30 am – 4:30 pm  
 Luncheon: 12:00 pm – 12:45 pm

### Presenters:

**Carleton L. Williams, CPA, Managing Partner, CW Associates, CPAs**  
**Robert K. Hatanaka, CPA, Audit Partner, CW Associates, CPAs**

Upon completing this one-day workshop, you will be able to:

- Explain the core points of revenue recognition
- Discuss the importance of a job cost system
- Calculate earned revenue
- Identify what a construction company expects from its financial manager.



“The Basics” begins with an overview of the construction industry, then moves from the contract life cycle to job costing issues to financial reporting concerns to issues and processes unique to the construction industry. Along the way, you’ll learn more about your role & responsibilities as your company’s construction financial manager and receive the latest industry and benchmarking information to help you in your daily work.

**“The Basics” is more than just a textbook lecture.**

The workshop uses a sample contractor, a variety of problems and several exercises that allow you evaluate real-life situations.

As a participant, you are encouraged to share your own perspectives and to trade “war stories” during the case studies and general discussion segments of the program. You’ll come away with a deeper and broader understanding of construction accounting and financial management.

***This is a Group-Live Course at the Introductory Level. No prerequisites or advanced preparation is required.***

**SPACE IS LIMITED – REGISTER TODAY!**

### Registration Form

Name/Title: \_\_\_\_\_  
 Company Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 \_\_\_\_\_  
 Phone Number: \_\_\_\_\_ Fax Number: \_\_\_\_\_  
 E-Mail: \_\_\_\_\_

Name/Title: \_\_\_\_\_  
 Company Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 \_\_\_\_\_  
 Phone Number: \_\_\_\_\_ Fax Number: \_\_\_\_\_  
 E-Mail: \_\_\_\_\_

*(If registering more than two attendees, please use additional paper)*

Please indicate method of payment:

Check made payable to: **CFMA – Honolulu Chapter**

VISA       MC       AMEX

Expiration Date \_\_\_\_\_ Card # \_\_\_\_\_

### REGISTRATION FEE

#### PAYMENT INFORMATION

CFMA member companies: \$225

Non-Members: \$275

\_\_\_\_\_ x \$225 = \_\_\_\_\_

\_\_\_\_\_ x \$275 = \_\_\_\_\_

TOTAL ENCLOSED: \_\_\_\_\_

Return Registration with Check  
(made payable to CFMA –  
Honolulu Chapter) to:

Carleton L. Williams  
CW Associates, CPAs  
700 Bishop Street, Suite 1040  
Honolulu, Hawaii 96813

Phone: (808) 531-1040 ~ e-mail:  
cwilliams@cwassociatescpas.com

Deadline for Cancellation with Full  
Refund – Oct. 29, 2010, 5:00 p.m.

**Reservations must be received no  
later than Oct. 29, 2010, 5:00 p.m.**

## Hawaii Chapter Members

Patricia Ahn Economy Plumb Sheet Metal	Kelton Kato Bank of Hawaii	Danford Oshima American Savings Bank	Don Taylor Unlimited Construction
Robert Alton Beachside Roofing LLC	Harvey King King & Neel, Inc.	Robert Sabatini Choice Fence	Tiffany Trang Maryl Group, Inc.
Paul Botts Risk Solution Partners LLC	Darlean Kiyokane B F Tile, Inc.	Lester Sakamoto Isemoto Contracting Co.	Aileen Utterdyke KPMG, LLP
Sandra Brewer HSI Electric, Inc.	Wade Kodama Watts Constructors LLC	Alan Schlissel KMH LLP	Lianne Uyehara Jade Painting, Inc.
Thomas Cabrinha Erwin, Cabrinha & Au, LLP	Alan Kuniyama South Pacific Steel Corp	Janet Shadron American Piping & Boiler Co.	Carleton Williams CW Associates, CPAs
Neill Char First Hawaiian Bank	Gwen Lau Hawaii Central Credit Union	Shaun Shimizu Albert C. Kobayashi, Inc.	Frank Wirt Aon Risk Services
Thalia Choy Thurston Pacific Inc.	Kent Lau First Hawaiian Bank	Larry Stubblefield Jack Wolfe Insurance, Inc.	Craig Yamasaki Grant Thornton LLP
Melissa Current First Insurance	Christopher Lee Erwin Cabrinha & Au, LLP	Clyde Sugawa Albert C. Kobayashi, Inc.	Glenn Yee Hawaiian Dredging
Michelle Danihel-Kreusling Hinchcliff Drywall	Ward Letvin Dorvin D. Leis Co., Inc.	Garrett Sullivan Kaikor Construction	
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Joyce Furukawa Royal Contracting Co., Ltd.	Larry McCarthy Revolusun LLC	Dorene Takeuchi Atlas Insurance Agency	
Michael Grossi Aon Risk Services of Hawaii	William McKillop Hawaii Central Credit Union	Nick Tan Atlas Insurance Agency	
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Marnie Hursty Mega Construction, Inc.	Donald Morrison Pacific AquaScapes, Inc.		
Lori Isara Koga Engineering & Const.	Benjamin Nakaoka Pacific Shipyards Intl.		
Brian Isobe Nishihama & Kishida, CPAs	Gary Nakata Gary Nakata, CPA, LLC		
Tricia Kamikawa Commercial Plumbing, Inc.	Raymond Nii Grace Pacific Corp.		
Michele Kaneshiro Carrier Hawaii	Jacqueline Odre P.B. Sullivan Construction		

### New Members

Benjamin A Nakaoka, CPA  
Pacific Shipyards International, LLC

Lester Sakamoto, CPA  
Isemoto Contracting Co., Ltd.

Larry McCarthy  
Revolusun LLC

Gary Nakata, CPA  
Gary Nakata, CPA, LLC

Melissa A. Current  
First Insurance Company of Hawaii

Michelle Danihel-Kreusling Michelle  
Hinchcliff Drywall Construction, Inc.

# CFMA Golf Tournament

August 13, 2010  
Ewa Beach Golf Club



**Mahalo**  
to our sponsors:  
**Travelers**  
and  
**King & Neel, Inc.**





more golf photos...



**Winners**  
The aka "Ringers"  
John Trang, John Hulihee,  
Eric Carson and Chris Ono





## The Construction Financial Management Association, Honolulu Chapter

Glenn Yee, Hawaiian Dredging Construction Co. President  
Thalia Choy, Thurston Pacific, Inc. Secretary  
Michele Kaneshiro, Carrier Hawaii Treasurer

### Directors

Neill Char, First Hawaiian Bank  
Frank Wirt, Aon Risk Services  
Nick Tan, Atlas Insurance Agency  
Tiffany Trang, Maryl Group Inc.  
Carl Williams, CW Associates, CPA's  
Wes Mikuni, Ralph S. Inouye Co., Ltd.  
Jay Miyaki, Jay Miyaki, CPA, LLC  
Ray Nii, Grace Pacific Corp.

## CFMA...GOING GREEN

We are interested in changing from a mailed format for the CFMA newsletter to an electronic format. Please let us know what you think by contacting Glenn Yee or Jay Miyaki. Contact information:

Glenn Yee, [gjee@hdcc.com](mailto:gjee@hdcc.com)

Jay Miyaki, [jay@miyakicpa.com](mailto:jay@miyakicpa.com)

Thanks for your input!



CFMA Honolulu Chapter  
c/o Jay Miyaki, CPA, LLC  
735 Bishop Street, Suite 437  
Honolulu, HI 96813

## CFMA Honolulu Chapter Seminar Thursday, July 29, 2010 Oahu Country Club

Bob Harrison shared his thoughts on the economy; insight into the bank's underwriting philosophy which has led to one of the lowest loss ratios in the country, and Hawaii's future. Paul Brewbaker provided an economic recap and construction forecast.



Paul Brewbaker, Bob Harrison, Glenn Yee, Neill Char.



A packed house attended the OCC Seminar.



President Glenn Yee starting things off.

Contact Jay Miyaki at [jay@miyakicpa.com](mailto:jay@miyakicpa.com) if you have any comments.