

# The Contractors Critic

Reporting on Safety, Productivity and Honesty in the Construction Industry

SHILO AUTOMATIC SPRINKLERS, SUBSIDIARIES & ASSOCIATES

## Costly goofs, pay scams, suits settled 'on the side'

### Foul-ups small and large tied to Shilo, Beus

Idaho court records show that Shilo Automatic Sprinkler and other shell companies concocted by Stanley Beus and his wife and business partner Jan Bues have been "named parties" in numerous court actions, Idaho records show.

The couple and their son, Stanely Beus II, and/or firms they control were accused of wrongful actions in at least 15 suits - a majority of the cases.

The court cases do not include any liens or the numerous Occupational Safety and Health Administration (OSHA) actions in which they have been parties.

Some of their legal problems raise concerns about the competence of their employees.

In 2003, for instance, Malheur County, Ore. building authorities filed a compliance action against Shilo Plumbing and Mechanical LLC, one of the several business aliases Beus

operates under. (Plumbing Board Compliance Action #2003-0692).

It seems that the company used unlicensed individuals to install 16677942

11 PEX water service lines at

400 Washington Street, Adrian, Ore., according to three complainants. Needless to say, policing agencies were not happy.

"PEX" is a kind of polyethylene

*Foul-ups cont'd, pg 3*

### New hiring discrimination charges brought against Shilo

The National Labor Relations Board (NLRB) has revealed that new charges of discriminatory hiring practices have been brought against Shilo Automatic Sprinkler, Inc.

Specific details of Case #27-CA-20415 were not immediately available, but a copy of a "letter of advisement" was obtained by *The Contractors Critic* from federal agents in Denver, Colo. The letter in-

forms Shilo that three qualified workers have filed a documented hiring complaint against the company and its owner, Stan Beus.

The complaint alleges that the Nampa, Idaho sprinkler company knowingly engages in unlawful and discriminatory hiring practices such as failure to consider all job applicants.

A March 1, 2007 letter from NLRB Region 27 Director *Discrimination cont'd, pg 2*

### Table of Contents

Nursing home negligence. . . . .	2	Irresponsible bidder. . . . .	4-5	Hire a lawyer. . . . .	7
Discrimination cont'd. . . . .	2	Disappear. . . . .	5-6	Scam. . . . .	10-11
Foul-ups cont'd. . . . .	3	Fire at job site. . . . .	6	Source Notes. . . . .	12
OSHA. . . . .	3	Litigation/From the docket. . . . .	7-11	Corporate information. . . . .	12
Safety record. . . . .	4	Nightmare. . . . .	7-9	LASER Information. . . . .	12

# Shilo quietly settles nursing home negligence suit

Shilo quietly settled its part of a lawsuit brought because of a result of a fire at the Pocasset Lodge, an assisted living residence in Johnston, R.I., federal court documents show.

A “stipulation of dismissal” in *Travelers Indemnity Company of Illinois and Johnston Retirement Residence Partnership v. Simplex/Grinnell, Shilo Automatic Sprinkler, et al*, case #CA 03-511 was filed Nov. 6, 2003 in U.S. District Court in Rhode Island.

The suit against Shilo was dismissed “with prejudice,” which means the suit can never be re-filed against Shilo. Terms of the settlement were not disclosed.

Documents show that a Nov. 10, 2002 fire at the lodge caused significant property damage. “As result of the failure of the sprinkler system to contain, control and/or extinguish the fire... the fire spread,” causing over \$75,000 in damages.

The suit alleged that Shilo failed to install a fully operational fire

protection system pursuant to a design and installation contract ... with the Plaintiffs.

A judicial memorandum in the suit also alleged that “Grinnell, who performed peri-

tion system known as RI-CONN Fire Systems” which had been outed by Grinnell.

From that point on the memorandum recounts a series of courthouse maneuvers



---

*A Nov. 10, 2002 fire at Pocasset Lodge caused significant property damage to the 62- resident Rhode Island assisted living home. Shilo had installed the fire protection system at the lodge.*

---

odic inspections of the Lodge’s fire protection system, failed to properly inspect the sprinkler system and to warn the Plaintiffs of the sprinkler system’s deficiencies.”

Unsurprisingly, Grinnell filed a cross-claim against Shilo on Jan. 9, 2004 and asked for a summary judgment against the plaintiffs “based upon exculpatory language in a fire inspection and testing agreement ... between (the Holiday Retirement Corp., owners of the Pocasset facility)” and a previous fire protec-

by Shilo and other defendants claiming the suit was invalid or should be dismissed on various grounds, such as allegations that the suit should be junked because of “ten-year limitations period on certain construction-related tort claims,” “a lack of privity” and objections to alleged “pleading inaccuracies.”

This federal case was stretched out over 118 actions and cross-actions from the fire in 2002 to its settlement in 2006. The settlements terms were undisclosed.

## Discrimination

*cont'd from pg 1*

Michael Josseland, informed Bues that it would be wise for either him, or his attorney to cooperate.

“I request and strongly urge you or your counsel to promptly present to the Board agent any and all evidence relevant to the

investigation. It is my view that a refusal to fully cooperate during the investigation might cause a case to be litigated unnecessarily,” Josseland warned Bues.

The letter outlines some of the protections and rights employer Beus and Shilo have, but it also warns him that the “submission of a position let-

ter or memorandum, or the submission of affidavits not taken by a Board agent, does not constitute complete cooperation.”

*The Contractors Critic* has made a formal federal Freedom of Information Act request for the complaint and related documents. A reply is pending.

# Foul-ups

cont'd from pg 1

pipng material used for potable water plumbing applications. It is flexible, and therefore considered easy to install and service.

Shilo refused to cooperate. "Compliance Achieved: No," official records showed.

Penalties in that action against Shilo came to \$5,000, records showed.

Elsewhere, however, Shilo's wrong-doing allegedly has resulted in the deaths of workers.

In 2001, Shilo's failure to abide by basic job safety regulations brought on the death of Nampa, Idaho worker Sho Ueda, 69 (*OSHA inspection #303953277*).

According to reports, a 346-

pound pipe slipped from a forklift and struck Ueda, crushing his head and chest. Seven other pipes dropped off of the forklift and scattered. One of those pipes smashed into Ueda's legs. He was pronounced dead when emergency response officials arrived on the scene, four minutes later.

A follow-up OSHA investigation

---

*OSHA found that Shilo's management was aware of the hazards, but did not ensure that the proper equipment was available or used to protect their employees.*

---

determined that Ueda's death could have been prevented by use of appropriate equipment for the unloading of pipe, including a lifting device such as a rod that goes into a pipe or a gripping device or a cradling device. OSHA found that while Shilo's management was aware of the hazards, they did not ensure that the proper equipment was available or used to protect the employees unloading and moving pipe loads.

OSHA issued a serious citation against Shilo Sprinkler, because Beus had failed to furnish a work place that was free of recognized hazards likely to cause death or serious physical injury. OSHA also levied a \$3,000 fine.

## Shilo's history of OSHA violations and fines

<u>Inspection #</u>	<u>Date</u>	<u>Location</u>	<u>Violations</u>	<u>Fine</u>
306441494	10/19/04	Pocatello, Idaho	1 serious	\$ 1,250
303953277	10/15/01	Nampa, Idaho	1 serious	\$ 3,000
303949929	06/21/01	Boise, Idaho	1 serious	\$ 3,000
302587837	07/17/00	Moscow, Idaho	5 serious	\$12,500
107234163	06/15/93	Meridian, Idaho	1 other	
109320051	06/12/92	Scottsbluff, Nebraska	2 serious, 1 other	\$ 1,350
107301467	02/27/91	Boise, Idaho	1 serious, 1 other	\$ 200
103191151	04/26/88	Boise, Idaho	1 other	
003092566	11/07/85	Pendelton, Oregon	3 other	

**Total violations: 18 Percentage of serious violations: 61% Total initial fines: \$21,300**

*The violations listed reflect initial citations and fines. They may have been reduced or bargained down at later dates. The listing above is only a sampling of the OSHA history of Shilo Automatic Sprinklers, its subsidiaries and associates.*

# University news shocked by Shilo's safety record

That Shilo Automatic Sprinklers could be cited by federal inspectors for *four serious safety violations* at the University of Idaho (UI) *yet still be rehired* in to do similar work in 2004, strained both common sense and the credulity of a college newspaper reporter.

"A company that drew serious safety violations four years ago at UI has returned to campus," reporter Ryan Moroz wrote in the April 23, 2004 edition of the *Argonaut* school newspaper.

The Nampa-based company was contracted to install fire sprinklers at the school's Living Learning Community, "despite a history eight Occupational Safety and Health Administration serious violations, four of which occurred in 2000 at UI," Moroz reported.

By "Serious," Moroz explained, OSHA meant something that created a "substantial probability that death or serious physical harm could result and that the employer knew, or should have known, of the hazard."

The violations occurred in work on the Brink-Phinney buildings in 2000. An initial compiled fine of \$12,500 was bargained down to \$5,000, an OSHA area director was quoted as saying.

Shilo's eight OSHA citations were given between 1986 and 2001, the most serious of them being an incident in 2001 in which a pipe fell off a forklift and truck and killed a worker at Shilo's main facility.

The four violations at the university in 2000 involved employees being exposed to "poisonous lead,"

Moroz reported.

Moroz quoted a UI fire safety specialist as saying that he was not sure you could get away without that "no matter who the contractor was."

On the other hand, a UI construction inspector was much mellow in his views.

"For the most part it passes code ... There have



been some corrections along the way," the school inspector reportedly said.

The same university inspector offered this familiar alibi; UI officials had little control over which company installs sprinklers because "contracting guidelines force the university to pay the least amount for construction work."

## ***Landmark court case: Contractor charged as irresponsible bidder***

According to news reports at the University of Idaho, Shilo was rehired to work on the college campus even after the company had been cited and fined for an unsafe work site and violation of federal safety laws while working at UI. The university newspaper questioned why the company was allowed to return to do similar work on the premises in 2004.

In response, university officials maintained that "UI officials had little control over which company installs sprinklers because 'contracting guidelines force the university to pay the least amount for construction work.'"

This disregard for a company's safety and work history simply because they are the lowest bidder was challenged in court by a mechanical contractor who sued a school district

after they refused to accept the contractor's lowest bid.

In January 2003, the Ohio Construction Law newsletter publicized a detailed discussion of the legal case in which Steingass Mechanical Contracting, an Ohio mechanical contractor, sued the Warrensville Heights (Ohio) Board of Education after the Board of Education rejected the contractor's bid. Steingass protested strenuously when their "low" bid was rejected by claiming that the law mandates that the lowest bid must be accepted, no matter how bad the contractor's reputation is. Steingass sought a judicial court order to force the Warrensville Board of Education to hire them.

However, this legal tactic backfired on them. Not only did *Irresponsible bidder cont'd on pg 5*

# How to disappear in Idaho: complain to state officials

Idaho fire officials have proved woefully – not to say suspiciously – unresponsive to safety warnings when Beus-controlled companies are involved.

Readers are left to reach their own conclusions as to what inducements, if any, were needed to get city and state officials to look elsewhere and whistle Dixie when confronted with hard evidence of dangerously substandard work done by Shilo Automatic Sprin-

kler at Idaho State University's Performing Arts Center in Pocatello, Idaho.

The piping project was independently examined and photographed by specialists who found inferior and faulty welds in the pipes and mains being installed for the new fire protection system being installed at ISU's PAC.

The evidentiary photos were examined by other qualified experts who

also concluded that holes for the weld-lets were not sufficiently "burned out" for the diameter of the piping to be attached to fire mains.

These faults created a potentially fatal danger that the hydraulically calculated sprinkler system might fail to provide sufficient firefighting water sources when needed, experts concluded.

That is to say, without the required *Disappear cont'd on pg 6*

## Irresponsible bidder

*cont'd from pg 4*

the judge rule that the Warrensville Board of Education was justified in rejecting Steingass because of the company's poor work record, but the lengthy court decision is now being touted in various legal publications as particularly relevant to construction customers and contractors.

The Ohio Construction Law newsletter questioned what implications the case had for other public agencies faced with low bids from shoddy contractors. They stated, "Steingass was the low bidder on the plumbing and fire protection contracts for a series of renovations to Warrensville Heights High School. Although Steingass was the lowest bidder, the Board determined that Steingass was not a responsible bidder, based on information from various sources. One of these sources was a "fact book"... The book noted problems the company had working

with other contractors, maintaining a safe work environment, following prevailing wage laws, and completing work in a timely and competent manner.

"The Board allowed Steingass to attend a meeting to rehabilitate its responsibility, in light of the allegations. Steingass failed to con-

incorrect legal standard..." and "failed to argue or present any evidence to challenge the finding that it was not a responsible bidder ... [T]he court questioned what Steingass hoped to achieve with this argument because the Board's decision that Steingass was not a responsible bidder statu-

---

*The judge ruled that the Warrensville Board of Education was justified in rejecting Steingass bid because of the company's poor work record.*

---

vince the Board it was responsible, and the Board awarded each contract to the second lowest bidder.

"Steingass Mechanical filed suit to obtain an injunction to stop the Board from awarding contracts to the second low bidder. Steingass lost in the trial court and ... appeal[ed]."

The article noted that Steingass "did not provide direct evidence that indicated the Board used an

torily removed it from consideration for the contracts at issue."

The construction law newsletter concluded, "Contractors, if challenged, must be prepared to prove they are indeed responsible. An argument that 'you scrutinized my company harder than you did the other guy' may not carry the day."

The Critic could not agree more. (*Case #80921*)

# Disappear

cont'd from pg 5

volume of water needed a fire protection system would fail in an emergency, potentially resulting in extensive property damage and possibly a loss of life.

The photographic evidence and the accompanying opinions were subsequently presented to state and local fire authorities.

An inspection by Pocatello fire officials and Idaho fire marshal officials (people who are not welding experts) followed.

After looking over the evidence and opinions presented, city and state fire officials came to a different conclusion.

With no additional countervailing evidence, the local government officials announced they could see no problems with the welds and decided the original complaint must have been filed by a "disgruntled worker."

When investigators tried to retrieve the photographic evidence, they were informed "there are no pictures" and "there never were any."

All those confirming pictures had somehow disappeared. The official explanation?

The corroborating evidentiary documents were not lost, nor were they stolen, or strayed.

No, they never existed and even if they had existed, they would not have been kept, officials said.

A notarized "declaration of fact" made for the public record, a Fire Marshal official explained, cryptically enough, that, "it was not their policy to keep complaints from individuals they have no knowledge of."

Or, put more simply and directly, if an Idaho state employee does not already know you, nothing you say is worth remembering.

Which must considerably speed up the state Fire Marshal's investigative and records-keeping process.

## Shilo starts fire at job site, causing \$3 million damages

In one incident that is almost impossibly embarrassing for a plumbing company, a court complaint charged that Shilo Plumbing & Mechanical, while installing a plumbing system, actually started a fire that totally destroyed four apartment buildings of one of its customers. This strange story began in March 1998 when Shilo Plumbing & Mechanical was working as the plumbing systems installer for the construction of the seven, three-story buildings that would make up the Gateway Crossing Apartments on 500 6th Road, in Nampa, Idaho.

Somehow, in the course of soldering copper piping, "Principals, agents or employees of Shilo started a fire in Building E of the Apartments, that spread and completely destroyed Buildings C,D,E and F," stated the court complaint. The fire caused over \$3 million in property damages.

The hapless folks at Hartford Insurance, who had issued a policy to

general contractor, Wensel Construction, then had to pay out the \$3 million to the owners of the buildings that were burnt down by Shilo Plumbing & Mechanical. Hartford Insurance, in turn, sought to recoup their \$3 million from Shilo

---

*"Shilo started a fire in Building E of the Apartments, that spread and completely destroyed Buildings C,D,E and F..."*

---

Plumbing & Mechanical by filing their own court suit which charged that, "Shilo personnel breached their duty [to take reasonable safety measures] when they failed to exercise reasonable care and caution while soldering at the apartments. Shilo's breach of duty includes, but is not lim-

ited to, the failure to drape soldering areas with fire resistant materials; the failure to solder safely; and the failure to maintain a one-hour fire watch after completing the day's soldering operations."

The suit went on, "Shilo's repeated failure to employ reasonable safety precautions demonstrated deliberate indifference to the harmful consequences to others, creating an unreasonable risk of harm and/or exposed others to greater risk than would have been necessary to make Shilo's conduct negligent. Shilo's breach of its duties constitutes gross negligence."

Hartford Insurance also sued Shilo Plumbing & Mechanical's insurance carrier, Continental Western. Continental Western refused to honor its coverage under the Shilo Plumbing & Mechanical policy and demonstrated a breach of contract and bad faith, according to the court complaint. (Case #CV-00-01734C)

# From the docket

*The following lawsuits are just a sampling of Shilo and it's related companies' voluminous and varied legal problems.*

---

*Shilo Automatic Sprinklers, Inc. v. Inland Construction Company, Logger Creek, LLC, et al, Case #CV OC 0305199D, 7/3/03, Fourth Judicial District Court, Ada County, Idaho*

Shilo placed a lien and filed a lawsuit in the Fourth Judicial District Court, Ada County, July 3, 2003 against Inland Construction Company and Logger Creek, LLC. They were seeking an unpaid debt of \$12,812.80 for services and materials supplied.

Shilo claimed both named firms were owned by one Thomas E. Clemson.

The lien was lodged against a property listed at 320-390 W. Hale Street, Boise, Idaho.

*Shilo Automatic Sprinkler, Inc. v. Interwest Construction Company, Inc., Fireman's Fund Insurance Company, Case #CV OC 0207650D, 2/5/03, Fourth Judicial District Court, Ada County, Idaho*

In connection with work allegedly done on the Lewis and Clark Middle School project, Shilo filed suit September 27, 2002 in the Fourth Judicial District Court, Ada County, claiming Interwest Construction Company owed them \$5,310.65 for work done.

On February 5, 2003, Shilo filed a "notice of voluntary dismissal," the other party not having answered the complaint.

*Franklin Building Supply Co. v. Shilo Plumbing & Mechanical, LLC, et al, From the docket cont'd on pg 8*

---

## Hiring Shilo? Hire a lawyer

When there are problems on a construction job, customers and contractors can usually work it out. Yet some contractors would rather call their lawyer and plunge everyone into a scorched earth mire of litigation, rather than compromise on a situation. In at least some instances, Shilo has preferred to file a mechanic's lien and drag its customers into a legal thicket. Some observers may read the litany of court cases and think that Shilo had to sue all of their deadbeat customers and suppliers.

However, in the *Critic's* experience, on some occasions, these disputes over services rendered could be indicative of a hidden dispute over the quality of the construction services that were provided. While the sparse court record in the litigation presented in this issue of *The Contractors Critic* does not provide evidence that services in these matters were faulty, a repeating tale of events emerges from dozens of court suits filed in the last few years.

## Shilo work is nightmare for Hanson school

When Shilo-installed fire protection sprinklers ruptured at the Junior/Senior high school in Hansen, Idaho, flooding the school's main entrance and the girls' gym locker room, Dennis Coulter, the school superintendent, discovered that his problems with Shilo's sprinkler system were just beginning.

When another fire protection company inspected the broken pipes that Shilo had installed, the School District learned that Shilo had installed sprinklers in areas that had not been insulated, leaving the pipes exposed to freezing temperatures and rupture. The installation did not meet the fire codes, which require sprinkler pipes be installed in areas not subject to freezing temperatures. The School District's lawyers complained in writing to Shilo, insisting they correct the problem, "Inspections for Fire Sprinkler Systems ... indicat[e] 'the wet pipe sprinkler piping located in the cold unheated entry shall be relocated so that the piping is in a warm heated area so that it will not

*Nightmare cont'd on pg 8*

## Nightmare

*cont'd from pg 7*

freeze.' As you will note from the Inspection sheet ... the sprinkler system was not installed pursuant to fire code. The pipes were installed in areas subject to freezing, and in fact, did freeze and burst earlier this year. This is a demand that you immediately take steps to bring the sprinkling system within code before June 18, 1999."

Shilo denied that they were responsible for the pipes breaking, yet the State of Idaho's Department of Insurance (which conducted the inspection of Shilo's work) responded to Shilo's refusal to accept responsibility for the failure of their work saying, "[Shilo's installation is] DISAPPROVED. ...You stated you were not responsible for the pipes freezing in the unheated entrys.... It is our opinion that it does not matter ... who is responsible for those areas to be maintained ... but that you the installing sprinkler contractor must install per [Fire] code.... Our view is that the pipe in these areas are installed in an area subject to freezing and must be moved as requested..."

School and state inspec-

*Nightmare cont'd on pg 9*

## From the docket

*cont'd from pg 7*

*Case #CV 0C 0201674D, 3/4/02, Ada County 4th Judicial District Court, Idaho*

A 2002 case involved a construction project in Ada County, Idaho. When the job was completed, Shilo Plumbing and Mechanical, LLC filed a lien in the amount of \$15,949 against the property. Some of the other contractors and suppliers also filed their own liens. Finally, Franklin Building Supply sued Shilo and others to sort out the whole mess.

*Jim's Appliance & Furniture, Inc. v. Dustin Coates d.b.a. Coates Construction, Beus Excavation, LLC, Intermountain Custom Plumbing, LLC, et al, Case #CV 0C 0105712D, 8/31/01, Fourth Judicial District Court, Ada County, Idaho*

In this court action, Jim's Appliance filed a mechanic's lien against numerous defendants, alleging "unjust enrichment" (the legal way of calling someone a "deadbeat") and seeking \$5,142.79 from Beus Excavation and \$3,198.67 from Intermountain Custom Plumbing. Additional amounts were sought from Coates and other defendants.

*Shilo Plumbing and Mechanical, LLC v. Chad R. Olsen, Amy M. Olsen, et al, Case #CV 98-00109, 1/8/98, Canyon County, Third District Court, Idaho*

Shilo also filed a lien against and then sued Chad and Amy Olson over work

*From the docket cont'd on pg 9*

## More companies have sued Shilo

These cases are examples where Shilo filed liens or otherwise expressed a financial interest in the property of their construction customers, suppliers or fellow contractors. Both Ashley Heating and Air Conditioning and Sunset Interiors have sued Shilo twice.

- *Sunshine Electric*
- *Mascroft Construction*
- *Anderson Lumber Company*
- *JB Roofing, Inc.*
- *Ultrawall, Inc.*
- *Ashley Heating and Air Conditioning*
- *Sunset Interiors*
- *Low's Ready Mix*



## From the docket

*cont'd from pg 8*

at their home at 3820 Ringneck Drive in Nampa. Shilo's court suit asserted the Olsons owed Shilo \$5,659.

*Sav-A-Lot, Inc. dba Sav-A-Lot Concrete v. Stan Beus and Jan Beus, et al, Case #CV-95-05144, 10/4/95, Canyon County 3rd District Court, Idaho*

Sav-A-Lot Concrete also sued both Shilo and the Bues', in litigation over \$2,004 worth of concrete sold for construction work at the Bues' property at 925 West Franklin Road in Nampa. Sav-A-Lot won a judgement against the Beuses in that case.

*3-H Mechanical, Inc. v. Shilo Automatic Sprinklers, Inc., Case #CV95-02317, 5/1/95, First Judicial District Court, Kootenai County, Idaho*

A judge did not think much of Shilo's curious attempt to move a lawsuit from Kootenai County to a more convenient place.

The firm 3-H Mechanical, Inc. filed suit against Shilo in the First Judicial District Court of Kootenai County in May 1995 seeking an unstated sum.

Summoned to appear in court in person, Shilo opted instead to telephone the court the day of the hearing to ask that the lawsuit be moved to a more conveniently located court.

The lawyer for 3-H Mechanical objected, claiming it was the first he'd ever heard of convenience as a cause for moving a case and asked Judge James Judd to deny Shilo's request.

The judge subsequently denied the motion. Two years later on February 27, 1996, the suit was dismissed in a settlement between the parties.

*Steven A. Adamson v. Lynn Beus, Case #CV94-02496, 5/17/94, Third Judicial District Court, Canyon County, Idaho*

An irate Pocatello, Idaho lawyer sued a Shilo executive for skipping out on a bill of almost \$1,000, court records showed.

On May 17, 1994, Attorney Steven A. Adamson sued Lynn Beus, a purchasing agent for Shilo, in the Third Judicial District Court, Canyon County, seeking \$987.46 for unpaid legal fees.

"Between the months of February, 1991 and April 1993, [Adamson] performed legal services for [Lynn Beus] on an open account and there is a balance owing," the suit stated.

"Although [Lynn Beus] has been requested to pay the debt for the legal services... [she] has failed and refused whatsoever."

The case was dismissed November 23, 1994, with no objection from either party, the Canyon County Court clerk reported.

*United States Fidelity & Guarany Co. v. Shilo Automatic Sprinkler, Inc., et*

*From the docket cont'd on pg 10*

## Nightmare

*cont'd from pg 8*

tors found even more problems with Shilo's work, including improper placement of attic drains, damage Shilo had caused to a new brick wall, and a loud system air compressor that was disturbing students.

Then, when the Shilo-installed sprinkler heads were recalled in January 2002, because of O-ring defects, Coulter photographed the heads and sent the photos to the manufacturer. Their response was that these sprinkler heads did not fit according to Shilo's "as-built" plans. "As-built" plans are an important asset for a construction project. The documents provide a priceless guide to the new fixtures. However, according to Coulter, when Shilo Automatic Sprinkler provided its "as-built" plans for the sprinkler system, all that Shilo gave the school was some scrawled drawings on a piece of sheet rock! And that "as-built" drawing was given to the school months late.

Understandably, Coulter was upset. "Since the incident, I requested that Stan Beus, owner of Shilo ... leave the building and not return," Coulter told *The Contractors Critic*.

# Shilo investigated in apprentice scam

When Washington State investigators began looking into a complaint that Shilo Automatic Sprinklers had underpaid their apprentices, they uncovered a multi-year wage scam that shaved thousands of dollars off hard-earned paychecks.

The drama began in November 2002 when an apprenticeship program field representative filed a prevailing wage complaint with the Washington State Department of Labor and Industries.

In the complaint, John R. Iles of REBOUND, Inc. told state officials that after examining Shilo's activities, he had developed spreadsheets which ascertained that Shilo had underpaid eight workers more than \$4,800.

The complaint alleged that the com-

---

*Washington State investigators discovered a multi-year wage scam that shaved thousands of dollars off paychecks.*

---

pany was alternately claiming the same workers to be apprentices, laborers or supervisors, depending on which designation provided for the lowest wage in the particular circumstances.

Shilo attorney James L. Arslanian attempted to shuck and jive the company's way out of it. Shilo's excuse was that they didn't understand the law.

The contents of Arslanian's February 27, 2003 letter to Industrial Relations Agent Carlos Reyes explained, "In 2000, Shilo opened a branch office in

*Scam cont'd on pg 11*

# From the docket

*cont'd from pg 9*

*al, Case #CV93-06211, 12/29/93, Canyon County, Third District Court, Idaho*

Shilo Automatic Sprinkler was accused of negligence during their work at Giacobbi Square in Ketchum, Idaho.

According to the court complaint, "... while performing ... the repairs, Shilo negligently failed to close a shut off valve. By failing to close the shut off valve, Shilo negligently activated the sprinklers located within the premises of property leased to Mountain Tops [a store in Giacobbi Square]. Water sprayed from the sprinklers as a direct and proximate result of Shilo's negligence ... damag[ing] the premises and retail stock of Mountain Tops, in the sum of \$17,229.48 Mountain Tops also sustained lost income in the sum of \$12,557.50 as a direct and proximate result of... Shilo's negligence."

## Shilo skates on liability lawsuit

In an opaquely-worded legal decision that left a dissenting judge wondering why his fellow justices had declined to apply the "plain language" of the law, the Idaho Supreme Court sided with corporate interests in a third-party injury claim.

In September 1999, Marty Robison smacked his head on a sprinkler pipe and fell to a concrete floor about 18 feet below while trying to access the roof of a building going up at a Fred Meyer Stores site in Bannock County.

Robison was an employee of Thomas D. Robison Roofing, Inc., which had been hired by general contractor Bateman-Hall, Inc. to do the roofing work on the Fred Meyer project.

Marty Robison filed a worker's compensation claim against Thomas D. Robison

Roofing and filed a lawsuit in county court claiming that Fred Meyer, Bateman-Hall and Shilo Automatic Sprinkler shared third-party liability.

A Bannock County judge ruled in favor of Fred Meyer and the other third parties. On appeal, two of the three justices on the panel sided with the corporations, while the third dissented.

"Rather than applying plain language approach ... the majority reads ... [the law] as if it were defined by earlier ... judicial opinions that fail to consider the current plain language of the statute," the dissenting Justice Wayne Kidwell said.

Robison was entitled to the worker's compensation benefits he received from Thomas D. Robison Roofing and nothing else from the other firms he sued. (*Docket #28349*)

# Franklin Building Supply v. Shilo, and just about everyone else

Beginning in 1997 Shilo became embroiled in what can only be described as a rats' nest of small-dollar

lawsuits, all apparently stemming from poor business practices and non-payment at several housing subdivision projects in Canyon and Ada counties.

Early in 1997, an embittered Franklin Building Supply, Inc. launched lawsuits naming Shilo and a score of other firms and individuals who allegedly had repeatedly refused to pay Franklin for materials provided.

Like a stone cast into a still pond, Franklin's civil complaints rippled into a series of liens, counter-suits, cross-complaints, counterclaims, lien foreclosures, actions to oppose lien foreclosures and a blizzard of stipulations to consolidate and orders to dismiss.

The court contests involved sums of money ranging from \$1,091.83 to \$13,042.48

At the end of the day, 10 separate – but apparently related — court actions were commenced over a three-year period, with some later consolidated. Scores of firms and private individuals became mired in the complex mess, from which an untold number of lawyers profited handsomely, certainly by more than the parties in question could reasonably hope to recover. (*Case #s: CV-97-05191; CV-97-05192; CV-98-00143; CV-98-00843; CV-98-01435; CV-98-02284; CV-98-02285; CV-OC-98-02393D, CV-OC-994200D; CV-99-03050\*C*)

## Shilo 'liens' on its customers

In 1997 we find Shilo filing a lien against property at 847 Park Center Way, Nampa owned by one Donald C. Adamson, a.k.a., Nosmada Investments, Salt Lake City, Utah.

Shilo complained that it remodeled premises and put in fire suppression equipment but was not paid.

This lien was among a slew of liens Shilo used in recent years to encumber the properties of various customers. They include:

- Shilo Automatic Sprinkler v. Donald C. Adamson, *amount not stated*. (Lien #97105329)
- Shilo Automatic Sprinkler v. Nampa Courtyards, \$66,260. (Lien #200219204)
- Shilo Automatic Sprinkler v. Herbert Monteirh, et al, \$6,717. (Lien #9938870)

## Scam

*cont'd from pg 10*

Pasco, Washington. At that time our Nampa office manager talked with both the Labor and Industries office and the Apprenticeship and Training office... We were told that as an out of state contractor with a recognized and approved apprenticeship program, we would have reciprocity. When we explained that we were going to open a branch office in Pasco, Washington, we were told that... reciprocity would not be applicable and we would then need to submit and get approved an apprenticeship program through the State of Washington."

The letter finally stated, "In March 2002, we closed our branch office in the State of Washington, and have not had an office within the State of Washington since that time."

Essentially, then, the excuse offered was that the cheating took place in the window of opportunity that existed between the time Shilo was told what the law was and they were caught underpaying the eight workers who complained.

Arslanian then padded out the rest of his letter with an enumeration of the individual worker payments, augmented with claims of "clerical errors" and mistaken identities of individual workers. In one instance Arlsanian seems to claim that payments were inadvertently made to the wrong one of a pair of brothers with similar names.

At the end of the day, when Shilo allegedly straightened out the "errors," the state chose not to pursue the investigation further.

## Source Notes

### LITIGATION:

**Travelers Indemnity Company of Illinois and Johnston Retirement Residence Partnership v. Simplex/Grinnell, Shilo Automatic Sprinkler, et al**, case #CA 03-511 was filed in March 29, 2006 in U.S. District Court in Rhode Island.

**Hartford Insurance v. Shilo Plumbing & Mechanical**. Case #CV-00-01734C; Filed 2000.

**Shilo Automatic Sprinklers, Inc. v. Inland Construction Company, Logger Creek, LLC, et al**. Case #CV OC 0305199D, 7/3/03, Fourth Judicial Dist. Court, Ada County, ID.

**Shilo Automatic Sprinkler, Inc. v. Interwest Construction Company, Inc., Fireman's Fund Insurance Company**. Case #CV OC 0207650D, 2/5/03, Fourth Judicial Dist. Court, Ada County, ID.

**Franklin Building Supply Co. v. Shilo Plumbing & Mechanical, LLC, et al**. Case #CV OC 0201674D, 3/4/02, Ada County 4th Judicial Dist. Court, ID.

**Jim's Appliance & Furniture, Inc. v. Dustin Coates d.b.a. Coates Construction, Beus Excavation, LLC, Intermountain Custom Plumbing, LLC, et al**, Case #CV OC 0105712D, 8/31/01, Fourth Judicial Dist. Court, Ada County, Idaho

**Shilo Plumbing and Mechanical, LLC v. Chad R. Olsen, Amy M. Olsen, et al**. Case #CV 98-00109, 1/8/98, Canyon County, Third District Court, ID.

**Sav-A-Lot, Inc. dba Sav-A-Lot Concrete v. Stan Beus and Jan Beus, et al**. Case #CV-95-05144, 10/4/95, Canyon County 3rd District Court, ID.

**3-H Mechanical, Inc. v. Shilo Automatic Sprinklers, Inc.**, Case #CV95-02317, 5/1/95, First Judicial District Court, Kootenai County, ID.

**Steven A. Adamson v. Lynn Beus**, Case #CV94-02496, 5/17/94, Third Judicial District Court, Canyon County, ID.

**United States Fidelity & Guarany Co. v. Shilo Automatic Sprinkler, Inc., et al**, Case #CV93-06211, 12/29/93, Canyon County, Third Dist. Court, ID

**Marty Robinson**. Docket #28349; Filed Sept. 1999; Bannock County.

**Steingass Mechanical Contracting, Inc. v. Warrensville Heights Board of Education**. Case #80921; Court of Appeals of OH, Eighth Dist., Cuyahoga County.

### LIENS:

**Shilo Automatic Sprinkler v. Donald C. Adamson**, lein #97105329.  
**Shilo Automatic Sprinkler v. Nampa Courtyards**, \$66,260; lein #200219204.

**Shilo Automatic Sprinkler v. Herbert Monterith**, \$6,717; lein #9938870.

### ARTICLES:

**"Sprinkler company returns to UI despite previous safety violations."** Ryan Moroz, April 23, 2004; Argonaut School Newspaper.

**"I am surprised at the day-in and day-out steady level of malfeasance that comes in under the radar."** March 2004 Newsletter, Mitchell Smith, Dist. 21 Org.

### OSHA:

*All information obtained through OSHA web site. Violation details can be found at: <http://www.osha.gov>. Insp. #303953277*

### MISSCELANEOUS:

**Malheur County, OR. Building Authorities v. Shilo Plumbing and Mechanical LLC**. Compliance Action #2003-0692.

**National Labor Relations Board. Shilo Automatic Sprinkler, Inc.**, Case #27-CA--20415. Includes Letter from NLRB Region 27 Director, Jossierand re: Shilo. 3/1/07.

**Ohio Construction Law.com newsletter**. Publicized by Brickler & Eckler, llp. January 2003. <http://www.brickler.com>.

**Dennis Coulter, High school in Hansen, ID**. Info about Shilo's installed sprinkler system failure.

**Prevailing Wage Complaint**, John R. Iles, Rebound, Inc.

**Jamees L. Arslanian letter to Industrial Relations Agent**, Carlow Reyes, 2/27/03.

**Building Codes Division, Plumbing Board Compliance Report**. Compliance Actions as of 5/18/04. Shilo Plumbing and Mechanical LLC, Nampa ID, No. 2003-0692.

## Corporate Information

### Shilo Automatic Sprinklers, Inc.

1404 1st St. N  
Nampa, ID 83687  
(208) 442-0007

<http://www.shilosprinkler.com/>

Stan Beus, President  
Jan Beus, Treasurer  
Trent Brice, Foreman



# LASER, INC.

LEGAL AND SAFETY EMPLOYER RESEARCH

654 Kentucky Street, Gridley, California 95948 Ph. 530-846-6352

*The information contained in The Contractor's Critic does not reflect a complete history of the business practices of Shilo Automatic Sprinklers, Inc. and/or its related companies. LASER is publishing information that contractors do not and will not publish about themselves. LASER has relied on the public record to present this information to the public in an effort to promote safety, productivity, and honesty in the Construction Industry. Shilo Automatic Sprinklers, Inc. has been given the opportunity to review this material for errors and inaccuracies.*

*As of publication, Shilo Automatic Sprinklers has not made any suggestions or refuted any of the information in this publication.*

*LASER, Inc. will continue to seek and publish additional data.*

*For more information, please contact James Wilson at (530)846-6352 or online at [laserinc@laser-inc.com](mailto:laserinc@laser-inc.com)  
Visit LASER's website at [www.laser-inc.com](http://www.laser-inc.com)*