

STATE OF MICHIGAN  
DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH<sup>1</sup>  
BOARD OF RESIDENTIAL BUILDERS AND  
MAINTENANCE & ALTERATION CONTRACTORS

DEPARTMENT OF ENERGY, LABOR &  
ECONOMIC GROWTH,  
BUREAU OF COMMERCIAL SERVICES *ex rel*  
JAMES AND CYNTHIA KNOWLTON

Docket No. 2008-961  
Complaint No. 306571

Complainant,

v

KGB DEVELOPMENT GROUP LLC  
KEITH W GROGITSKY, QUALIFYING OFFICER  
License No. 21-02-156313

Respondent.

---

FINAL ORDER

WHEREAS, this matter having come before the Michigan State Board of Residential Builders and Maintenance & Alteration Contractors, hereafter the "Board", on March 10, 2009;

WHEREAS, the Board having received a Hearing Report under MCL 339.514 for this case and the Board having considered the Findings of Fact and Conclusions of Law in the Hearing Report of Erick Williams, Administrative Law Judge, dated December 26, 2008;

WHEREAS, the hearing report is hereby incorporated by reference;

WHEREAS, the Respondent having been found in violation of the Michigan Occupational Code, PA 299 of 1980, hereafter the "Code," or rules promulgated there under, now, therefore,

IT IS ORDERED, that the following penalties authorized by Section 602 of the Code are imposed:

1. Respondent shall pay a FINE in the amount of \$10,000.00. The fine is payable to the State of Michigan within 60 days from the mailing of this Final Order. Complaint No. 306571 must be clearly indicated on the check or money order, and the payment sent to the Department of Energy, Labor & Economic Growth, Final Order Monitoring, P.O. Box 30018, Lansing, MI 48909.

---

<sup>1</sup> Effective December 28, 2008, by Executive Order 2008-20, the Department of Labor & Economic Growth (DLEG) was reorganized and renamed as the Department of Energy, Labor & Economic Growth (DELEG).

2. Respondent shall pay RESTITUTION in the amount of \$29,539.05 to James and Cynthia Knowlton by certified check made payable to James and Cynthia Knowlton and mailed to 13195 White Pine Drive, DeWitt, MI 48820, within 60 days from the mailing date of this Final Order.

3. The licenses of Respondent and Respondent's Qualifying Officer, and any and all Article 24 licenses held by Respondent or Respondent's Qualifying Officer hereby are IMMEDIATELY REVOKED. No application for licensure, relicensure, reinstatement or renewal shall be considered or granted by the Department until all Final Orders of the Board have been fully complied with. Respondent's Qualifying Officer may not serve as the Qualifying Officer of any licensed corporate entity while any other Article 24 license held by Respondent or Respondent's Qualifying Officer is in suspended or revoked status.

4. Respondent shall submit in writing to the Michigan Department of Energy, Labor & Economic Growth, Bureau of Commercial Services, Final Order Monitoring, P.O. Box 30018, Lansing, Michigan 48909, proof of compliance with each and every requirement of this Final Order, in a form acceptable to the Department.

This Final Order shall not be construed as limiting the Department of Energy, Labor & Economic Growth, any other agency of the State of Michigan, or any individual as to the use of a lawful method of collection of the payment imposed by this Final Order.

Failure to comply with the provisions of this Final Order is considered a violation of the Code pursuant to Section 604(k) and may result in further disciplinary action.

This Final Order is effective immediately upon its mailing.

Given under my hand at Okemos, Michigan, this 12<sup>th</sup> day of May, 2009.

BY:   
Mark T. Glynn, Chairperson

Date mailed: May 12, 2009

Proof of Compliance should be filed with:

Department of Energy, Labor & Economic Growth, Bureau of Commercial Services  
Final Order Monitoring  
P.O. Box 30018  
Lansing, MI 48909

STATE OF MICHIGAN  
STATE OFFICE OF ADMINISTRATIVE HEARINGS AND RULES

In the matter of

Docket No. 2008-961

Bureau of Commercial Services,  
Petitioner

Agency No. 306571

v

Agency: Bureau of Commercial  
Services

KGB Development Group LLC  
Keith W Grogitsky QO,  
Respondent

Case type: Sanction

Issued and entered  
this 26th day of December 2008  
by Erick Williams  
Administrative Law Judge

HEARING REPORT

BACKGROUND

The Bureau of Commercial Services issued a complaint against KGB Development Group LLC on May 13, 2008, under MCL 339.604 and MCL 339.2411. A hearing convened under MCL 24.271 et seq. on December 17, 2008. William Wilhelm Jr represented the Bureau of Commercial Services. Notice was sent to KGB at an address in Grand Blanc, but no one appeared in behalf of KGB. Since Mr. Grogitsky and KGB had actual notice of the proceedings, having earlier filed an adjournment motion, the hearing continued in the absence of a KGB representative. This opinion finds the complaint substantiated.

ISSUES AND APPLICABLE LAW

MCL 339.604 reads:

A person who violates 1 or more of the provisions of an article which regulates an occupation or who commits 1 or more of the following shall be subject to the penalties prescribed in section 602:...

(b) Practices fraud, deceit, or dishonesty in practicing an occupation.

MCL 339.2411 reads in part:

(2) A licensee or applicant who commits 1 or more of the following shall be subject to the penalties set forth in article 6:

(a) Abandonment without legal excuse of a contract, construction project, or operation engaged in or undertaken by the licensee....

(c) Failure to account for or remit money coming into the person's possession which belongs to others....

### **FINDINGS OF FACT**

KGB Development Inc had a builder's license active from 2000 to 2007. Keith Grogitsky is the corporation's qualifying officer; he has a builder's license which has been active since 1987 and is currently active. Exhibit 1.

In January 2006, KGB contracted to build a house in Lewiston, MI, for James and Cindy Knowlton at a price of \$300,000. Exhibit 5.

Between January and October 2006, the Knowltons paid KGB \$203,000. Exhibit 6.

KGB did not pay all its subcontractors.

In December 2006, United Building Centers filed a lien against the Knowltons. Exhibit 9.

The Knowltons paid \$29,539 to suppliers; \$61,549 remains unpaid. Exhibits 8 and 11.

Mr. Grogitsky gave the Knowltons an altered invoice purporting to show charges from an electrical subcontractor, AIM Electric Inc. The original invoice is

Exhibit 13. Exhibit 12 is the altered version handed to the Knowltons – altered to produce a lower invoice amount.

The Knowltons filed a complaint with the Bureau of Commercial Services in April 2007, and the BCS sent KGB a request for an accounting on June 26, 2007. KGB did not respond to the request for an accounting. Exhibits 2, 3 and 4.

The Knowltons terminated the contract in July 2007. Exhibit 10.

Mr. Grogitsky filed a bankruptcy petition in December 2007. Exhibit 14.

KGB Development Inc has not filed a bankruptcy petition.

### **CONCLUSIONS OF LAW**

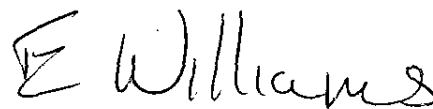
Having altered an invoice purporting to show charges from an electrical subcontractor, KGB Development Inc and Mr. Grogitsky violated MCL 339.604(b).

Having failed to complete the project by July 2007, KGB Development Inc and Mr. Grogitsky violated MCL 339.2411(2)(a).

Having failed to account for the money collected on the Knowlton project, KGB Development Inc and Mr. Grogitsky violated MCL 339.2411(2)(c).

### **Sanction**

The Bureau of Commercial Services has recommended that KGB Development Inc and Mr. Grogitsky, jointly and severally, be ordered to pay a \$10,000 fine; that KGB Development Inc be ordered to pay \$29,539.05 restitution to the Knowltons; and if payment is not made within six months after the final order, the licenses of KGB Development Inc and Mr. Grogitsky should be revoked.




---

**Erick Williams**  
**Administrative Law Judge**

**PROOF OF SERVICE**

I hereby state, to the best of my knowledge, information and belief, that a copy of the foregoing document was served upon all parties and/or attorneys of record in this matter by Inter-Departmental mail to those parties employed by the State of Michigan and by UPS/Next Day Air, facsimile, and/or by mailing same to them via first class mail and/or certified mail, return receipt requested, at their respective addresses as disclosed by the file on the 26th day of December, 2008.

  
\_\_\_\_\_  
Christy L. Livingston  
State Office of Administrative Hearings and Rules

Keith W. Grogitsky  
KGB Development Group, LLC  
8390 Jordan  
Grand Blanc, MI 48439

Stephen J. Gobbo  
Bureau of Commercial Services  
2501 Woodlake Circle  
Okemos, MI 48864

William D Wilhelm, Jr.  
Bureau of Commercial Services  
Enforcement Division  
P.O. Box 30018  
Okemos, MI 48909