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TO: Detroit City Council

FROM: David Whitaker, Director 
Legislative Policy Division

DATE: May 19, 2022

RE: **Report on Ownership and Compliance Status of Contractor, Major Contracting Group, Inc. and Major Cement Co.**

Legislative policy Division (LPD) has been requested to provide an analysis regarding the ownership and operation for Major Contracting Group, Inc., which appeared to be formerly named Major Cement Co., as well as the assumed names identified; Imperial Contractors; Major Cement; Major Cement Contracting; and Major Construction.

In presenting this response LPD initially highlights the manner in which Michigan law regulates business entities. The ability of an entity to conduct business in the State of Michigan is governed by state law under Public Act 284 of 1972, Business Corporation Act. The Act is codified “to provide for the organization and regulation of corporations; to prescribe their duties, rights, powers, immunities and liabilities; to provide for the authorization of foreign corporations within this state; to prescribe the functions of the administrator of this act; to prescribe penalties for violations of this act; and to repeal certain acts and parts of acts.”

A fundamental part of the Act is the governance of the establishment of a business operating in the State. The statute provides under MCL 450.1201, Incorporators, Sec. 201.

(1) One or more persons may be the incorporators of a corporation by signing and filing articles of incorporation for the corporation.

The actual existence of a business entity in the State is set forth under MCL 450.1221 which provides:

The corporate existence shall begin on the effective date of the articles of incorporation as provided in section 131. Filing is conclusive evidence that all conditions precedent required to be performed under this act have been fulfilled and that the corporation has been formed under this act, except in an action or special proceeding by the attorney general.

Once the articles of incorporation have been filed in accordance with the Act, the entity's corporate existence becomes effective. The articles of incorporation can be amended as set forth under MCL 450.1602. Also as set forth in MCL 450.1611, Subsection (7), "If an amendment to the articles of incorporation is made, a certificate of amendment must be filed as provided in section 631."

In addition to establishing a business entity with the State, an entity may transact the authorized business under an assumed name approved by the State by obtaining a Certificate of Assumed Name pursuant to MCL 450.1217, *Transacting business under assumed name; certificate*, which provides in pertinent part:

(1) Except as provided in section 212 or otherwise prohibited by law, a domestic or foreign corporation may transact business under any assumed name or names other than its corporate name by filing a certificate that states the true name of the corporation and the assumed name under which the business is to be transacted. A certificate of assumed name is effective, unless sooner terminated by filing a certificate of termination or by the dissolution or withdrawal of the corporation, for a period that expires on December 31 of the fifth full calendar year following the year in which it was filed...

The information requested to be provided in this report is relative to Major Contracting Group, Inc.¹ The request was to provide information and analyses to the following:

1. Formation details for each organization affiliated with Major Contracting Group, Inc., including but not limited to incorporation details and amendments.

Major Cement Co./Major Contracting Group, Inc.

According to the records filed with the Michigan Department of Licensing and Regulatory Affairs (LARA) the subject entity began by filing its articles of incorporation on May 23, 1978. The business entity incorporated as Major Cement Co. LARA ID # 800115388. The business entity filed a Certificate of Assumed Name as Major Construction on February 27, 2001, which

¹ LPD notes that there are business entities that appear to be legally doing business under assumed names as well as there being separate legal entities with similar names, controlled by officers affiliated with other legal business entities.

expired on December 31, 2006. Major Cement Co. filed a Certificate of Assumed Name as Imperial Contractors on August 23, 2017, which is set to expire on December 31, 2022.

According to records filed with LARA, on June 28, 2021, Major Cement Co. filed a Certificate of Amendment to the Articles of Incorporation with the State of Michigan, changing the name of the business entity to Major Contracting Group, Inc.² On September 30, 2021, Major Contracting Group, Inc., filed a Certificate of Assumed Name as Major Cement which is set to expire on December 31, 2026. Major Contracting Group, Inc., also filed a Certificate of Assumed Name as Major Cement Contracting on November 19, 2021, which is set to expire on December 31, 2026.³

The Officers and Directors of the Corporation are listed as:

Title	Name	Address
PRESIDENT	FRANK JACOBONI ⁴	15347 DALE DETROIT, MI 48223 USA
TREASURER	MICHAEL SCAPPATICCI	15347 DALE DETROIT, MI 48223 USA
SECRETARY	DANIEL SCAPPATICCI	15347 DALE DETROIT, MI 48223 USA
DIRECTOR	MICHAEL JACOBONI	15347 DALE DETROIT, MI 48223 USA
DIRECTOR	ALFREDO SCAPPATICCI	15347 DALE DETROIT, MI 48223 USA

Major Contracting Group, Inc/ Major CG, Inc

On June 21, 2019, Articles of Incorporation were filed with the State establishing the business entity Major Contracting Group, Inc., LARA ID # 802329856. The Articles of Incorporation were filed by Michael Scappaticci. The Officers and Directors of the Corporation were listed as:

Title	Name	Address
PRESIDENT	MICHAEL SCAPPATICCI	15430 DALE DETROIT, MI 48223 USA
TREASURER	MICHAEL SCAPPATICCI	15430 DALE DETROIT, MI 48223 USA
SECRETARY	MICHAEL SCAPPATICCI	15430 DALE DETROIT, MI 48223 USA
DIRECTOR	MICHAEL SCAPPATICCI	15430 DALE DETROIT, MI 48223 USA

On June 28, 2021, the Articles of Incorporation for Major Contracting Group, Inc., were amended and the name was changed to Major CG, Inc. The Certificate of Amendment to the Articles of Incorporation was filed by Michael Scappaticci. LPD notes this is the same date that Major Cement Co. filed its Certificate of Amendment to the Articles of Incorporation changing its name to Major Contracting Group, Inc. When the Michael Scappaticci entity changed its name from Major Contracting Group, Inc. to Major CG, Inc., the name was legally available for Major Cement Co. to change its name to Major Contracting Group, Inc.⁵

² As stated later in this report, on June 21, 2019, an officer of Major Cement Co. Michael Scappaticci established a separate legal entity named Major Contracting Group, Inc. which later changed its name to Major CG, Inc.

³ LPD notes as previously stated, under MCL 450.1217 a business entity may use more than one assumed name by filing a certificate with the State.

⁴ According to the LARA summary for Major Contracting Group, Inc., the President is listed as Frank J. Jacoboni. The Annual Report for 2022 was filed by Michael Scappaticci, who identified as President.

⁵ MCL 450.1212(1)(b) Shall distinguish the corporate name upon the records in the office of the administrator from all of the following: (i) The corporate name of any other domestic corporation or foreign corporation authorized to transact business in this state.

Major Constructing Group, Inc.

On August 1, 2019, Articles of Incorporation were filed with the State establishing the business entity Major Construction Group, Inc., LARA ID # 802348821. LPD notes this is not the assumed named previously used by Major Cement Co. (Major Construction). The Articles of Incorporation were filed by Frank J. Jacoboni. The Officers and Directors of the Corporation were listed as:

Title	Name	Address
PRESIDENT	FRANK JACOBONI	15430 DALE DETROIT, MI 48223 USA
TREASURER	MICHAEL JACOBONI	15430 DALE DETROIT, MI 48223 USA
SECRETARY	ANTHONY BOSCO	15430 DALE DETROIT, MI 48223 USA
DIRECTOR	FRANK JACOBONI	15430 DALE DETROIT, MI 48223 USA

Major Cement Paving/Montes Contracting, Inc.

A separate business entity was established on March 4, 2009. The Articles of incorporation were filed for Major Cement Paving, Inc., LARA ID# 800715901. The Articles of Incorporation were filed by Sonia Montes Scappaticci. On February 24, 2012, a Certificate of Amended Articles of Incorporation was filed changing the name to Montes Contracting, Inc. The officers and Directors were listed as:

Title	Name	Address
PRESIDENT	SONIA MONTES SCAPPATICCI	15430 DALE STREET DETROIT, MI 48223 USA
TREASURER	SONIA MONTES SCAPPATICCI	15430 DALE STREET DETROIT, MI 48223 USA
SECRETARY	SONIA MONTES SCAPPATICCI	15430 DALE STREET DETROIT, MI 48223 USA
DIRECTOR	SONIA MONTES SCAPPATICCI	15430 DALE STREET DETROIT, MI 48223 USA

2. Governance details for each organization affiliated with Major Contracting Group, Inc., including but not limited changes.

LPD obtained the information relative to the business entities from the corporate filings required by State law and available on the LARA website. Pursuant to MCL 450.1201 the business entity is established upon the States acceptance of the filing of the Articles of Incorporation. The Articles of Incorporation can be amended pursuant to State law MCL 450.1601 et seq. The use of assumed names by an authorized business entity is governed by MLC 450.1217. Each business entity is required to submit an annual report to the State pursuant to 450.1901 et seq., which includes any changes in officers or directors of the business entity.

The information provided under the response to the first inquire was derived from the required documentation filed by the respective business entities with LARA.

3. List of Board of Directors and Officers of Corporation for each affiliated business.

Please see the response provided under the first inquire.

4. Whether major construction companies have engaged in patterns or practices of changing names to avoid compliance concerns.

LPD is unable to ascertain whether the actions regarding the name changes of the business entities or the use of assumed names were part of a pattern or practice to avoid compliance concerns. There are a number of legitimate reasons why an entity changes a business name or use assumed names to transact business. With regard to compliance with the City of Detroit's Executive Order 2021-2, the Civil Rights and Inclusion Office (CRIO) has indicated the following:

There are three paths to compliance with Executive Order 2021-2. • Hiring a workforce made up of at least 51% bona fide Detroit residents on projects that trigger the EO. • If there are not enough qualified Detroiters to achieve 51% hiring, contributing to a workforce training fund to prepare more Detroiters for these skilled trades jobs. • Hiring trade unions that participate in the Skilled Trades Education Program (STEP), wherein various unions have committed to significantly expanding the number of Detroit residents in their apprenticeship programs.

Currently, Rickman Enterprise Group LLC, RDC Construction, and Turner Construction are non-compliant due to nonpayment of workforce contribution funds owed. Herman Kiefer Development LLC and Moss Company, LLC are noncompliant due to failure to submit payrolls for compliance monitoring.

Based upon the information provided, none of the subject business entities are part of the non-compliant list. Additionally, the Office of Contracting and Procurement has provided the following information to question presented:

Question: Is Major Cement in Compliance with Civil Rights, Inclusion, and Opportunity Department (CRIO)

Response: Yes. Unfortunately, the system did not update the information until May 6, 2022. They are in compliance and there are no unpaid invoices. Please see attached letter from CRIO.

Question: What is the corporate structure of Major Cement and Major Contracting Group? Are they the same?

Response: Upon further review, we have determined that yes Major Contracting Group and Major Cement is the same entity. The company executed a name change only. The corporate structure is the same for both. Michael Scappaticci - President/ Treasurer, Daniel Scappaticci - Vice President/ Secretary. OCP regrets any confusion caused regarding this matter.

5. Whether a request for investigation should be made to the Office of Inspector General upon evidence of compliance manipulation efforts.

LPD has not identified any action that has been taken by the subject business entities that can be determined on its face to be illegal, fraudulent, or a manner of waste, abuse or corruption. The Business Corporation Act allows for the changing of corporate name, the transacting of business under assumed names and the establishment of other business entities by the same individuals of another business entity. However, the law prohibits the formation of any business entity for an illegal purpose. MLC 450.1251 provides in pertinent part:

Sec. 251.

(1) A corporation may be formed under this act for **any lawful purpose**, except to engage in a business for which a corporation may be formed under any other statute of this state unless that statute permits formation under this act.

The formation of a corporation for the intended purpose of evading compliance with federal, state or local laws would arguably be an unlawful purpose. Also, the City Code Section 17-5-355 *Grounds for Debarment* details a list of actions if shown by a preponderance of the evidence may determine the debarment of a business entity, including but not limited to the following:

- (a) A contractor may be debarred, based upon a preponderance of the evidence, for:
 - (6) Submission of false or misleading documentation, or making false or misleading statements;
 - (9) Any other conduct that evidences the inability of the contractor to act responsibly in its conduct on behalf of the City.

A business that was in violation of the City Code or Executive Order creating a new business entity for the purpose of avoiding compliance with the law may be in violation of State law and subject to debarment under the City Code. However, LPD does not have access to all information relative to the rationale or reason the business entities have made name changes and the user of assumed names and in such cases a referral to the Office of the Inspector General may be necessary to investigate.

LPD notes that if City Council believes that an entity has been created for an improper purpose such as avoiding the City ordinance or Executive Order, this Honorable Body always has the ability to not approve the contract.

Major Cement Co./Major Contracting Group Inc.'s Contracts with the City

The City of Detroit has been doing business with Major Cement Co. since 2007, with approximately 75% of the contracts approved with this company occurring after 2016. These contracts included multiple streetscape projects and sidewalk repairs with Detroit Public Works Department, as well as water main/system repairs for the Water & Sewerage Department.

Prior to the business entity operating as Major Cement Co. filed articles of incorporation to legally change its name to Major Contracting Group on July 28, 2021, the City had approved approximately 51 contracts with Major Cement between 2007 and 2021, ranging from about \$200,000 to a little over \$12.3 million, Based on the list on non-compliant companies CRIO provided, LPD could not ascertain if Major Cement was ever considered out of compliance during this time.

Since the name change at the end of 2021, the City has approved approximately 9 more contracts with this company, ranging from approximately \$2.4 million to about \$42 million. Subsequent to operating under the new business name, Major Contracting Group, Inc. has not been cited as being out of compliance with any City ordinance or executive orders.

In addition, more than half of all Major Cement Co. (Major Contracting Group, Inc.) contracts have been joint ventures with either Gayanga, Giorgi Concrete, or Cadillac Asphalt. All of which, are certified as one or more of the following: Detroit Based, Headquartered, Resident, or Minority owned Business. Major Contracting Group, Inc. is itself certified as a Detroit Based and Headquartered Business.

Information provided in this section is based upon the data compiled in Attachment A.

If we can be of further assistance, please call upon us.

Attachment A

Contract #	Department	Business Name	Date Approved	Amount
6004390	DPW	Major Contracting Group/Giorgi Concrete	5/17/2022	\$2,489,183.00
6004417	DPW	Major Contracting Group/Gayanga	5/17/2022	\$8,801,126.28
6004418	DPW	Major Contracting Group/Gayanga	5/17/2022	\$8,220,934.62
6004420	DPW	Major Contracting Group/Gayanga	5/17/2022	\$8,841,461.28
6003664	DWSD	Major Cement	11/16/2021	\$41,992,557.51
6003574	DPW	Major Cement /Girogi Concrete	6/15/2021	\$5,080,667.55
6003126 - Amd. 2	DWSD	Major Cement /Girogi Concrete	5/25/2021	\$28,338,861.50
6003418	DPW	Major Cement /Girogi Concrete	4/13/2021	\$5,870,000
6002939	DPW	Major Cement /Girogi Concrete	Recess 8/30/2020	\$2,343,065
6002242 Amd. 1	DPW	Major Cement /Girogi Concrete	7/14/2020	\$640,722.07
6002898	DPW	Major Cement /Girogi Concrete	6/30/2020	\$9,256,585
6002235	DPW	Major Cement /Girogi Concrete	10/22/2019	\$1,998,333.60
6001953	DPW	Major Cement /Girogi Concrete	6/18/2019	\$7,819,046.10
6001954	DPW	Major Cement /Girogi Concrete	6/18/2019	\$2,612,630
6001955	DPW	Major Cement /Girogi Concrete	6/18/2019	\$2,776,158
6002065	DPW	Major Cement	7/9/2019	\$2,348,246.41
6000062 - Amd. 1	DPW	Major Cement /Girogi Concrete	9/26/2017	\$14,956,534.84
6000262 - Amd. 2	DPW	Major Cement / Cadillac Asphalt	4/2/2019	\$3,457,375
2902588 - Amd. 2	DPW	Major Cement / Giorgi Concrete	7/18/2017	\$5,338,265.99
6001343	DPW	Major Cement / Girogi Concrete	5/8/2018	\$16,739,212.30
6001346	DPW	Major Cement / Giorgi Concrete	5/8/2018	\$8,593,103.25
6001347	DPW	Major Cement / Giorgi Concrete	5/8/2018	\$8,593,103.25
6000672 - Amd. 1	DPW	Major Cement / Giorgi Concrete	2/6/2018	\$13,053,613.03
6000868	DPW	Major Cement / Giorgi Concrete	7/15/2017	\$5,314,692.50
6000869	DPW	Major Cement / Giorgi Concrete	7/16/2017	\$5,182,700
2902708 - Amd. 1	DPW	Major Cement / Giorgi Concrete	3/21/2017	\$6,828,247.08
6000035	DPW	Major Cement / Giorgi Concrete	6/7/2016	\$2,086,980
6000036	DPW	Major Cement / Giorgi Concrete	6/7/2016	\$2,077,150
2886923 - Amd. 1	DPW	Major Cement /Giorgi Concrete	7/14/2015	\$6,846,699.37
2814058	DPW	Major Cement /Girogi Concrete	9/7/2010	\$5,610,909.15
2736111 - Amd. 1	DPW	Major Cement /Girogi Concrete	9/7/2010	\$1,828,310.69
2784268	DPW	Major Cement /Girogi Concrete	6/23/2009	\$4,855,199.75
2634038	DPW	Major Cement	9/9/2008	\$1,412,207.68
2764699	DWSD	Major Cement /Girogi Concrete	7/29/2008	\$6,187,145
2764701	DWSD	Major Cement /Girogi Concrete	7/29/2008	\$6,187,145
2764704	DWSD	Major Cement /Girogi Concrete	7/29/2008	\$1,441,595
2733796	DPW -	Major Cement /Girogi Concrete	11/13/2007	\$4,912,479.65
2693587 - Amd. 1	DWSD	Major Cement /Girogi Concrete	10/30/2007	\$1,063,410
2695192 - Amd. 1	DWSD	Major Cement /Girogi Concrete	10/31/2007	\$3,976,927
6003707	DWSD	Major Cement /Gayanga	7/27/2021	\$3,921,560.84
6003695	GSD	Major Cement	Recess 8/30/21	\$14,000,000
6003684	DPW	Major Cement	7/6/2021	\$884,657.58
6003610	DPW	Major Cement	7/27/2021	\$12,336,544.30
6003418	DPW	Major Cement /Giorgi Concrete	4/13/2021	\$5,870,000
6002942	DPW	Major Cement /Gayanga	9/15/2020	\$3,311,396.52
6002941	DPW	Major Cement /Gayanga	Recess 8/30/20	\$878,774
6002912	DPW	Major Cement /Gayanga	6/16/2020	5,334,671.38
6002750	DWSD	Major Cement	6/23/2020	\$12,978,108
6002749	DWSD	LPD has no record. Only in Oracle	2020	9,126,359.80
6002243 replaces 6002065	DPW	Major Cement	2019	2,348,246.41
6002066 - Amd. 1	DPW	Major Cement	2/2/2021	\$2,042,337
6002064	DPW	Major Cement	10/1/2019	\$7,523,467.26
6001600 - Amd. 4	DWSD	Major Cement	9/21/2021	\$9,602,800
6001599	DWSD	LPD has no record. Only in Oracle	2018	10,117,139.00
6001366	DWSD	Major Cement	7/10/2018	\$12,839,074
6000898 - Amd. 1	DPW	Major Cement	2/12/2019	\$1,302,921.32
6000709/ 6000802	DWSD	Major Cement /Giorgi	6/13/2017	\$23,681,475
2895687	DWSD	Major Cement	7/29/2014	\$14,879,042.75
3051413	DPW	Major Cement	9/7/2021	\$191,307.92