

STATE OF MICHIGAN  
IN THE 17th CIRCUIT COURT FOR KENT COUNTY

MILLER JOHNSON,

Plaintiff,

vs.

STEVEN KROPF,

Defendant.

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Case No. 17-03440-CBB

HON. CHRISTOPHER P. YATES

FINDINGS OF FACT, CONCLUSIONS OF LAW, AND VERDICT

Does a guaranty provide an ironclad assurance of payment in full for the debts of a company? Under the circumstances presented in this case, it does. For years, Plaintiff Miller Johnson furnished legal services to Appletree Marketing, LLC (“Appletree”), including representation in a high-profile case that resulted in a significant decision from the Michigan Supreme Court in 2010. See Dep’t of Agriculture v Appletree Marketing, LLC, 485 Mich 1 (2010). Unsurprisingly, Appletree fell behind in its payments to Miller Johnson, so the parties negotiated a financial agreement in 2007. As part of that financial arrangement, Appletree’s principal, Defendant Steven Kropf, executed a personal guaranty on April 23, 2007. That document included a promise by Steven Kropf to “unconditionally guaranty to [Miller Johnson] payment by [Appletree] of all indebtedness and obligations of whatever nature [Appletree] may have to [Miller Johnson] as they become due, whether such indebtedness or obligations exist on the date of this instrument or are incurred after the date of this instrument.” See Trial Exhibit 1. Then, on November 1, 2007, Steven Kropf signed a promissory note “in the amount of \$38,416.70” as an acknowledgment of the extent of the outstanding financial obligation to Miller Johnson as of that date. See Trial Exhibit A.

In early 2017, Plaintiff Miller Johnson apparently concluded that Defendant Appletree would not satisfy its financial obligations to the law firm, so Miller Johnson filed a complaint on April 19, 2017, requesting recovery from Appletree on a breach-of-contract claim and from Defendant Steven Kropf on a claim for breach of the personal guaranty that he had signed on April 23, 2007. Because Appletree did not defend itself in any form or fashion, the Court entered a default judgment against Appletree in the amount of \$72,471.43. That judgment reflected an obligation for legal services in the amount of \$72,296.43 (as alleged in Count One of the complaint), augmented by court costs of \$175.00. See Trial Exhibit 2 (default judgment). With the default judgment in hand, Miller Johnson then moved for summary disposition against Steven Kropf on the claim for breach of his guaranty. On January 11, 2018, the Court awarded summary disposition under MCR 2.116(C)(10) to Miller Johnson with respect to Steven Kropf's liability, but the Court scheduled a hearing on damages, so the parties appeared for a bench trial on damages on March 2, 2018.

The evidence adduced at the bench trial established several important points. First, Miller Johnson furnished extensive legal services to Defendant Appletree, both before and after Defendant Steven Kropf signed the personal guaranty on April 23, 2007. Second, Steven Kropf plainly signed the guaranty, thereby assuming a personal obligation to pay for Appletree's financial obligations to Miller Johnson in the absence of payment from Appletree itself. Third, Appletree incurred financial obligations to Miller Johnson, but failed to satisfy those financial obligations. Fourth, the extent of those financial obligations on November 1, 2007, was \$38,416.70. See Trial Exhibit A. Fifth, those obligations increased substantially after November 1, 2007, because Miller Johnson performed legal services in representing Appletree (and Steven Kropf) on appeals to the Michigan Court of Appeals and the Michigan Supreme Court. Sixth, the Court entered a default judgment against Appletree in

the amount of \$72,471.43 before the Court conducted the bench trial to determine the damages that Steven Kropf must pay to Miller Johnson. See Trial Exhibit 2. Seventh, Steven Kropf has not made payments to Miller Johnson to reduce Appletree’s obligation to the law firm. These determinations establish that Steven Kropf owes Miller Johnson \$72,471.43 based upon his personal guaranty.

As an initial matter, Defendant Steven Kropf’s personal guaranty constitutes a contract under Michigan law. See Comerica Bank v Cohen, 291 Mich App 40, 46 (2010). ““Contracts of guaranty are to be construed like other contracts,” id., so the Court must turn to settled principles of contract interpretation in order to determine the extent of Steven Kropf’s obligation to Miller Johnson. Here, the personal guaranty requires Steven Kropf to cover “all indebtedness and obligations of whatever nature [Appletree] may have to [Miller Johnson] as they become due, whether such indebtedness or obligations exist on the date of this instrument or are incurred after the date of this instrument.” See Trial Exhibit 1. This capacious undertaking manifestly renders Steven Kropf personally liable for the entire amount of the default judgment entered in favor of Miller Johnson and against Appletree. Moreover, the evidence in the record leaves little doubt that that amount, *i.e.*, \$72,471.43, reflects the actual outstanding balance due from Appletree to Miller Johnson for legal services. Accordingly, the Court hereby renders a verdict in favor of Miller Johnson, and against Steven Kropf, in the total amount of \$72,471.43. The Court invites Miller Johnson to submit a proposed judgment under the so-called seven-day rule, see MCR 2.602(B)(3), that memorializes the Court’s verdict.

IT IS SO ORDERED.

Dated: March 8, 2018



HON. CHRISTOPHER P. YATES (P41017)  
Kent County Circuit Court Judge