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Date: August 13, 2024

To: Taylor Zeinert, Economic Development Director  
Community Development Authority Board

From: Rachelle Blitch, Financial and Administrative Services Director

Re: Inventalator Loan Investigation

We have been diligently working over the past few months to address the outstanding loans. Inventalator is the final account to be reviewed. Below, I have outlined the background, my findings, and recommendations.

### Background

On December 22, 2014, Inventalator was issued a capital catalyst loan of \$27,500. This loan was secured by a promissory note (**Exhibit 1**) and a general business security agreement (**Exhibit 2**). The terms of the agreement were as follows: a 5-year loan with an interest rate of 4%, with all principal and interest due upon maturity on December 22, 2019. Annual payments were required on the anniversary date, based on the applicable percentage of the prior four quarters' net revenues, and the submission of annual financial statements was also required. On April 8, 2016, Inventalator received a second capital catalyst loan of \$77,500, secured by a promissory note (**Exhibit 3**) with the same terms as the first loan and a maturity date of April 8, 2021.

### Findings

1. On December 22, 2015, the first annual payment and financial report were due but were not received. A memo (**Exhibit 4**) from Executive Director Pat Cannon to the CDA Seed Capital Screening Committee, dated January 16, 2016, notes that Inventalator was applying for a second capital catalyst loan of \$75,000. While the memo references the previous loan and grant, it does not mention that the original loan was in default.
2. On April 8, 2016, an amended and restated secured promissory note (**Exhibit 5**) was executed for the \$27,500 loan that was in default. At this time, no payments or financial reports had been received, and the maturity date of the original agreement remained unchanged.
3. On August 10, 2018, a demand letter (**Exhibit 6**) was sent to Inventalator, stating that the company was in default for failing to make annual payments and submit financial statements.
4. On August 23, 2018, an email response (**Exhibit 7**) was received from Inventalator's CEO, Coby Skonord. The email outlined the steps the company planned to take to ensure the loan remained current. A payment of \$886.77 was received, with an assurance from Mr. Skonord that the full note and all accrued interest would be paid by the original due date. Financial statements (**Exhibit 8**) for the years 2014 through the second quarter of 2018 were also attached.

5. On August 26, 2020, a memo (**Exhibit 9**) from Economic Development Director Cathy Anderson to Inventalator's CEO acknowledged two payments of \$500 each toward their outstanding loans. Additionally, the maturity date of the \$27,500 loan was extended to February 1, 2021. Financial statements for 2019 (**Exhibit 10**) were included.
6. A memo (**Exhibit 11**), dated August 10, 2021, from Economic Development Director Cathy Anderson to Inventalator's CEO, stated that the CDA agreed to defer the loans. The maturity date for loan 910-15006 (\$27,500) was deferred to February 1, 2022, and for loan 910-15012 (\$77,500) to August 1, 2022. No further communication has been received.

### **Recommendations**

It would be prudent to have the attorney assess the feasibility and means of pursuing collection. The company remains operational, and I have ordered their 2023 financial documents from the DFI website to evaluate their ability to repay the outstanding loans. The current principal for loan 910-15006 is \$27,500, with accrued interest of \$18,061.10, bringing the total amount due to \$45,561.10. The current principal for loan 910-15012 is \$77,500, with accrued interest of \$42,639.50, totaling \$120,139.50. Interest was calculated at 4% through the dates specified in Exhibit 11, and at 15% thereafter.