



CDA Agenda Item

Meeting Date:	November 21, 2024
Agenda Item:	Rodriguez Assignment & Assumption Agreement
Staff Contact (name, email, phone):	Taylor Zeinert, EDD tzeinert@whitewater-wi.gov 262-473-0148

BACKGROUND
(Enter the who, what when, where, why)

On August 15, 2024 EDD, Zeinert presented a recent update to the CDA regarding the status of the Assignment and Assumption Agreement related to the Black Sheep a/k/a Fine Food Arts LLC (the "Agreement"). At that meeting, EDD Zeinert shared that Dan Rodriguez wanted to sign the Agreement and assume the debt created by Jay Stinson. EDD Zeinert suggested this matter be referred to CDA Attorney Rick Manthe. The Board concurred with that suggestion.

At the September 19, 2024 CDA Meeting, EDD Zeinert shared an update of the project. EDD Zeinert shared that a full inventory of what assets were in the Black Sheep had been made. Additionally, Attorney Olivier Reiher, an associate of Attorney Manthe, specializes in Business Law, Bankruptcy and Creditor's Rights. Attorney Reiher moved forward with a draft of an Assignment and Assumption Agreement which is attached to this memo. The summary of the Agreement is that, despite Fine Food Arts LLC d/b/a The Black Sheep having initially accrued the debt, Mr. Rodriguez, who is the sole member of KLD LLC, will take on said debt. Mr. Rodriguez will make payments on said debt until the debt is paid in full. The payments will be amortized over 43 months. The Board approved a motion. The board approved the Agreement, and staff moved forward with making arrangements to execute the Agreement.

Staff reached out to Dan Rodriguez to execute the Agreement. Rodriguez shared that he priced out the equipment in the storefront and determined that it is not in his best interest to sign the Agreement. Rodriguez said that he prefers that the CDA remove the assets and then he would just purchase the assets at auction. To be clear, at this time Rodriguez no longer wishes to sign the Agreement.

Staff then reached out to Attorney Manthe requesting recommendations on how to proceed. Attorney Manthe shared that to collect on the loan and interest, we would need to file an action against the Fine Food Arts company and Jay Stinson. However, both the company and Mr. Stinson have outstanding judgments against them that are unpaid. Additionally, the CDA is third in line to recover from the assets of Mr. Stinson's business. Rick feels that it is highly unlikely that the CDA would recover any money even if successful. So, while we could certainly pursue an action to recover the outstanding loan amount, it would likely result in the CDA spending more money on attorney fees and not actually recovering any amounts.

Since the Mr. Rodriguez is not willing to sign the Agreement, it becomes a question of whether or not the CDA should still try to facilitate this deal. We could remove the requirement to sign the assumption agreement. **Essentially, we would write off the debt as uncollectable. Or, we could hold firm on the requirement that the Agreement be signed, but not take any action to recover from Mr. Stinson.** Mr. Rodriguez noted that if the assets were removed, he would just buy the current assets at auction. This would deny him that opportunity, however, the property would remain in its current condition.

PREVIOUS ACTIONS – COMMITTEE RECOMMENDATIONS
(Dates, committees, action taken)

FINANCIAL IMPACT

(If none, state N/A)

If the decision were made to write off the loan, the CDA would take the loss of the \$31,810.

If the decision were made to pursue this legally, the cost of doing so would most likely be less than the amount the CDA could recover.

STAFF RECOMMENDATION

Staff's recommendation is to write off the loan. Staff recognizes that this is not the ideal situation, nor are these two great options. However, Staff believes that writing off the loan is the best financial decision.

Suggested Motion:

I move to have staff work with the Finance Director to write off the debt accrued by Fine Food Arts LLC as uncollectable.

ATTACHMENT(S) INCLUDED

(If none, state N/A)
