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## **Court Keeps Garnishment Order against STATA's Assets In Place**

On July 9, 2010, a judge in the Ninth Judicial District Court of Nevada rejected an argument from the South Lake Tahoe Area Transportation Authority (STATA) that a portion of the funds in STATA's bank account were not subject to garnishment and should be released. The Court ruled the garnishment order against STATA's assets would remain in place.

On June 16, 2010, the Court ordered garnishment of all of South Lake Tahoe Area Transportation Authority (STATA) assets in its bank account and farebox revenues after MV Transportation, Inc. (MV) filed a lawsuit against the agency in an effort to recover approximately \$3 million owed to the company. Soon after the Court order, STATA filed a motion requesting the Court release a portion of the funds in its bank account. MV opposed STATA's motion arguing the frozen funds should be used to pay amounts owed MV in its lawsuit against STATA for breach of a \$825,000 promissory note. The Court agreed. On July 9, 2010, the Court ruled the garnishment order against STATA's assets would remain in place. The frozen funds will be moved to an interest bearing account.

"I am pleased with the Court's decision to keep the garnishment order in place," said Kevin Klika, MV's Chief Operating Officer. "I hope STATA will now do the right thing and offer a plan to repay the \$3 million it owes MV."

Despite owing MV about \$3 million, the STATA Board of Directors voted to terminate its contract with MV for the operation and maintenance of fixed route, ski shuttle, and demand responsive services and replace MV with the same consultant it hired to evaluate the agency's overall performance. MV incurred approximately \$1 million in start-up costs needed to get the system back on its feet when it took over the contract, and when STATA was unable to repay MV for the start-up costs, MV agreed to let STATA repay the \$825,000 over a four year period and wrote off approximately \$175,000. In December 2009, STATA signed a promissory note for the \$825,000 debt. The promissory note states the entire amount of the debt would become immediately due and payable if STATA ever elected to terminate the contract for convenience. Since the start of the contract, STATA has only made partial payments of MV's invoices and when the agency did make a payment, it was usually more than 160 days late. STATA now owes MV approximately \$3 million.

On June 11, STATA presented a "take it or leave it" offer to MV that included no up-front payment to the company and unilaterally reduced the amount owed to MV by more than \$1 million. As a result, MV was left with no choice but to file suit to recover the amounts it is owed. MV attempted to resolve the issue of repayment without the need to file a lawsuit, but was forced to file a suit when it became clear that STATA had no intention of repaying MV the full amounts owed.

STATA is a Nevada nonprofit corporation comprised of 12 members: Tahoe Regional Planning Agency, Tahoe Transportation District, Douglas County, El Dorado County, City of South Lake Tahoe,

Harveys Lake Tahoe, Harrah's Lake Tahoe, Heavenly Lake Tahoe, The Ridge Resorts, Lakeside Inn, Horizon Casino Resort, and the MontBleu Resort Casino & Spa.

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