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REVOLVING LOAN FUND LOAN ADMINISTRATIVE COMMITTEE

July 17th, 2020

1:00 pm

Videoconference per Executive Order 202.1

(please contact Andrea Palmer for log-in information)

AGENDA

1. Welcome
2. George Henry's – Business Interruption Micro-Loan Application

TRANSCRIPT

Andrea Palmer: All right, welcome. Thank you for joining us for the loan administrative committee meeting. Let's start by taking roll call.

Beth Gillis: here.

Andrea Palmer: here.

Carol Calabrese: here.

Mark Monahan: here.

Chris Hay: Here.

Carrie Yakush: here.

Chad Richards: present.

Andrea Palmer: Okay so today we're going to review George Henry's application for the business interruption micro loan This is our first viable micro loan application which is very exciting. Did everyone have a chance to go over the documents?

Marc Monahan: Yes.





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Andrea Palmer: Excellent. Is there anything that anyone would like to discuss before I let Todd in? He is in the waiting room.

Marc Monahan: So, I think Chris and I both kind of alluded to the fact that there is no cash flow for this business. So, what are we really basing our repayment off of? If they were very tight to begin with, given this circumstance. I mean, what do we see as a viable repayment source if the business is already down significantly, and obviously the other restrictions that are being placed on businesses not being able to have full capacity and being told what they do? How do we really justify repayment?

Andrea Palmer: Well, they are (inaudible), in 2019 they put a lot of cash flow into capital improvements.

Marc Monahan: Did you say in 2018 they were?

Andrea Palmer: Yes.

Marc Monahan: 2018 they did not cash flow. If you took their staffing business, they pretty much lost money. So...

Andrea Palmer: My understanding is that the staffing is what they use for...

Marc Monahan: their payroll.

Chris Hay: Yeah, it ends up if you net the two businesses there's nothing left. The restaurant has a big profit, which I was shocked with when I saw it. And like Marc saying when you add in, but there's no payroll expense and when you add in the staffing company, you combine the two, there is nothing left.

Marc Monahan: It's about like six grand. So, you can't just look at the Schedule C from the restaurant without paying attention to the Schedule C from the staffing company, which pays all the wages. You know, I don't know what it looks like in 2019 from because we don't have a tax return yet. I know P&L is one thing, but tax returns are always a little different. But if we're basing off of 2018 and good times, they don't have any money to pay anything.

(Multiple people talking.)





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Marc Monahan: When you say cash flow, what do you mean?

Andrea Palmer: Do you want to look at the cash flow for the restaurant or globally? I guess I should...

03:37

Marc Monahan: Well, the restaurant we have to look at the restaurant and the staffing is one. You can't look at just the staffing the restaurant without the staffing because it's not a true picture the way they report.

Andrea Palmer: Okay. What are your thoughts?

Director Beth Gilles: Before we move into talking about financial stuff which we should probably do in an executive session, is there anything that anyone specifically wants to ask Todd? Or just have him kind of go over, I'm interested to know why his EIDL loan was rejected. Because there was a response in there but there wasn't a actual reason for the rejection. So, I would like to ask him that, but...

Chris Hay: I don't think it's unrealistic to ask him, how does he think he's going to have the capacity to pay the loan back if he doesn't show documented cash flow when times were good.

Andrea Palmer: Do you want me to let Todd in? Or did you want to discuss anything before?

Marc Monahan: So, I guess I'm having a hard time understanding, what are we deciding on here? If he doesn't have cash flow, I guess, what I'm looking at, is just from a lending standpoint, if he doesn't have cash to repay the debt, what are we discussing?

Director Beth Gilles: I think we should give him the chance to answer that question. And then let him kind of say his piece and then we'll go to an executive session and talk more about the finances and how the committee feels about it. If that works for you guys.

Andrea Palmer: Hi Todd.
Hi Todd. Can you hear me?





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Todd Trulli: Did you say Todd or Doug?

Andrea Palmer: I said, Todd. Hi, Todd.

Todd Trulli: Hi. I can hear you.

Andrea Palmer: Okay. Good. Thank you for joining us today. This is the loan committee. Why don't you tell them a little bit about yourself, the business, etc.

Todd Trulli: Sure. Well, first of all, thank you everybody for coming together to listen to our story today. My name is Todd Trulli. I'm the owner of George Henry's restaurant in Warrensburg, New York. This is a business that's been in my family since 1985. It's gone through a couple corporation changes into my current hands right now. We're a business that's consistently looking to do capital improvements, looking to make ourselves better all the time. One of the corny business things I really like is you can't do business today like you did yesterday in business tomorrow. We were really primed for an excellent 2020 and then like most small businesses COVID came along and it's just about completely destroyed us, unfortunately. I do have some options in terms of keeping my business going outside of the loan committee. But I think like many small businesses in Warren County we need help. And obviously troubling times for everybody, hopefully, with the paperwork that we provide you see that we have a strong case, not only for the loan, but in terms of paying back. One of the things I'm proud of is the amount of debt I took my mother, who was one of the original owners, I carved her out of about \$80,000 worth of debt. We're a business that makes money, we're a business that pays our taxes on time. We've never had a lien against us. We're a business that's, again, like I said, with the amount of capital improvements we've done, whether it's equipment, whether it's in the floor, whether it's a furnace, whether it's a new air conditioning system, you know everything we're doing here is trying to make ourselves better. And now we're just kind of in a spot where it's like, alright, well, how do we maintain during the Coronavirus. Is there anything else I can add to that?

Andrea Palmer: No, that's good. Does anyone have any questions for Todd? We did have a question. Did they give you a reason for the SBA EIDL loan being denied?

Todd Trulli: Sure. So, when we first applied for that loan was when we applied for the PPP loan as well. And I did not have a record or historical data to





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show them just how damaged we were. I think when Cuomo closed all non-essential businesses was March 22. We applied for the EIDL loan very quickly after that. So, I didn't really have statistics to show them how greatly we've been damaged. When we reapplied for the loan, as you can see, maybe some of the paperwork has been submitted to you, my typical sales from March 23 through to July 4 weekend, the past two years averaged about \$210,000. This year we ranked \$60,000. So, we have reapplied for that EIDL loan. I am getting assistance from Elise Stefanik's office. I've gotten assistance from Dan Stec and Kirsten Gillibrand's office is kind of monitoring that for us. I don't know the extent of their involvement or what exactly that means that they're going to try to help us. But we have reapplied for that loan. And it did state in the letter that we were not able to show economic injury due to COVID. Again, that was in a time when the sales statistics I had were only two - three weeks into the actual pandemic.

Andrea Palmer: Thank you.

Marc Monahan: Hey, Todd, did you, sorry Marc Monahan from NBT. Did you guys get PPP money?

Todd Trulli: We did get PPP money.

Marc Monahan: Is that, have you been able to, I know, a lot of people had trouble getting people back to work. Did you guys have that to spend is it a challenge?

Todd Trulli: You know, well, it certainly wasn't a challenge to spend it, you know, because you wind up paying, paying people for time that they're not here, you know, which was encouraged and one of the things to do to try to keep people off unemployment. Initially, we were able to bring everybody back. It's only in the past week and a half to two weeks that we're having to start to look at cutting staff again. I think when, I think I had unrealistic expectations about out when restaurants were allowed to open. I certainly didn't expect we'd be back to the same type of numbers we typically do in the spring in the summer season. But I think the general fear from the public about coming out to eat and to dine in, regardless of how strict we are with our social distancing with our cleanliness, adhering to 100% everything New York State tells us, now we're having to look at cutting back a little bit and moving some shifts around. But initially we were able to bring everybody back and include new hire in the process. The PPP loan was very helpful to us.





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Marc Monahan: The, obviously, the change yesterday, you guys have you know, probably regulars that come in frequent the bar and this new food thing, I guess, what's the plan for that? Are you guys going to try to just give somebody complimentary stuff and add a surcharge to it or how does that work?

Todd Trulli: I think that's a bad look, actually. You know, one of the things, I don't want to skirt the issues or skirt or rules on anything we do. And my thought is some of the establishments are saying, well, we'll sell you a basket of potato chips, we'll sell you a packet of oyster crackers. I think you're asking for trouble and you think you're asking attention for when that happens. One of the things that we typically tell people, and I mean this as no disrespect to Cooper's Cave, we kind of tell people we're similar to Cooper's Cave in terms of what we try to do with a little bit more aggressive pricing options. So one of the things that I tell our customers or we will tell our customers moving forward is, listen, we've bent over backwards for years to keep our prices low, whether its food, whether it's alcohol, and again, as I've mentioned previously, you know, over the past 15 years, new floors, new tables, new bar, new television sets, new draft system, new products, my thought is listen, if you're going to want to come in and you're going to want to enjoy a couple cocktails, then you're just going to have to buy some food. I'm not going to discount my product any further just to make \$3.75 off of a bottle of beer or things like that. I don't, I don't think it's worth the risk to try to skirt the rules. You know, one thing we might do is we have a homemade pretzel with beer cheese. It's immensely popular. I can sell that for \$4. I was just actually taking a look today at the State Liquor Authority guidelines. And for retail on premise cites it listed items such as sandwiches, soups, frozen and other produce products. So to me, I don't think selling people a pack of crackers or selling people a Slim Jim, not only is that not allowed, but it's just a bad look. So, you know, our goal is to just keep going with what we're doing. We've been aggressive with our family style to go meals which has been very popular. We put those on hiatus the first week, we open for indoor dining, and it probably cost us about \$2,500. So we've reimplemented that. You know, we're making enough to keep the doors open right now. And, you know, that's about, that's really about all you know, we can do. There's no more room to discount prices. You certainly don't want to raise prices during this pandemic. You know and if the bar business has to suffer, the bar business just has to suffer. But you know, one of the things is we absolutely want to play within the rules.

Marc Monahan: Thank you.





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Chris Hay: Todd this is Chris Hay with Dannemora Federal. I appreciate your play within the rules concept. We're just having a discussion earlier today about a place up here in Plattsburgh who's selling the chips for \$1. And that's how they're going to get around it. I'm worried they're going to eventually lose their liquor license by playing those games. So, kudos to you for trying to play by the rules and do it the right way. Sounds like you have a great business going. When we have to look at the numbers, looking at your 2018 tax returns and your 2019 internal numbers, the business doesn't seem to generate, on paper, the cash flow that would be able to support, you know, a \$450 or \$500 a month payment. Can you talk to us a little bit about what we're not seeing when we look at the tax return and the profit and loss statement that could maybe give us a little more comfort?

Todd Trulli: Sure. So, a lot of that is dictated through my accountant. And, again, sort of the playing within the rules kind of idea. What's also included in there, as I mentioned previously, was all the capital improvement projects, I try to take every bit of money that we make in the business and put it back into the business. Not only for the purpose of making the business better, but to also make sure that I'm not going to be taxed heavily. One of the things we discussed is we're always looking to not necessarily save money but to keep our money. So, for instance, one of the things I just did two days ago was I traded in my vehicle which saved us \$280 a month. Some of the items that were included in 2018-2019, a lot of new equipment is in there. You know, already this year, there's a new fryer, there's a new freezer. We used to use Marlin leasing, which would include maybe \$1,000 a month lease payment, where at the end of the lease, we pay \$1. And you know, the property becomes ours. And I think that's kind of why, and I'm not an accountant, so when I take everything and kind of hand it over to my accountant, I do it to him in good faith. My accountant is Mike Laney, and we investigated him at length with my attorney to figure out who would put us in the best spot as we kind of push forward in the business. I don't know what I can tell you specifically in terms of those figures to say, well, hey look at this month or look at this line item, other than to say this is a business that's been going, you know, since I came home to take over in 2006 has paid every sales tax payment, have never defaulted on a bill, and never defaulted on a loan, and I've never had problems making any payments of any sorts. You know, so if you're telling me that, I'm going to have to find \$500 a month to pay back a loan, I can tell you with 100% confidence that that's not a challenge whatsoever.

16:09





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Marc Monahan: Hey Todd, just looking at your 2018, it looks like you had like 22 grand in repairs and maintenance on that. Just to get an idea, because we can add a lot of that back non-reoccurring, what would you say like a normal repair and maintenance budget, if you aren't replacing stuff, just like what you would kind of normally budget like five, eight grand a year?

Todd Trulli: Really not even that much. You're probably looking at \$3,000 tops. One of the things with the expansion of kitchen staff, kitchen equipment is electricity. So, we're in a building that was originally built, you know, in the early 1800s. While I have enough power in the building to power the entire town of Warrensburg. I'm consistent, you know, we were consistently having to move from you know, 110 to 240. You're talking about, you know, there might be things that change within the Department of Health codes that you have to address. You might be fixing stairs. I believe wrapped up in that repair and maintenance for 2018 was a new propane furnace we used to use fuel oil and the propane furnace which was like I believe a 3800 dollar investment probably paid for itself over the course of three years because we get such an aggressive rate on our propane. So, and it's kind of funny, it's ironic in a way, you know, to use an example of another restaurant that's local. I'm not sure how many people are from down here. We always kind of look at the Log Jam and say when do we arrive? You know, when do we become the Log Jam and you become that institution where suddenly your infrastructure is solid and you have everything you need. Well 2020 was supposed to be the year for us. You know we have a new chef from the Olde Bryan Inn. We have a structurally sound building, we have, you know, we have an updated furnace. We have new air conditioning, we have cleaned vents, we have the correct Ansell system, we have the chef base, we have the correct range. You know, so over the process of the past 15 years I've been here, you're continually putting that money back in the business to get yourself to that spot where, structurally and operationally, you're in a great spot. And that's, that's, you know, the complete bummer about COVID is, you know, while we were right there, we're on the precipice of finally being able to do some things that might not have been deemed essential, you know, maybe we would have done our chairs moving forward, or we would have invested in some different tabletops moving forward, or we would have invested in a whitewashed ceiling with pine as opposed to the current popcorn ceiling that's on there. So, my building is always fluid. We're always looking to make it better. And obviously 2020 is going to be one of those years where capital improvements have come to an end.





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Marc Monahan: Yeah. And I guess my last question here is just because I'm looking at 2018 returns, your 2019's aren't filed yet are they?

Todd Trulli: No, he pushes those off for us, Mike does. We're probably going to, we're expecting back, I believe last year, we got about \$10,000. Back. This year, we expect to get a little bit more and that's money that will go right back into the business.

Marc Monahan: Okay, and so on the rent and lease payments, you pay your parents the rent?

Todd Trulli: I actually don't have to pay my mother any rent whatsoever. So, the building is in my mother's name. And we're in the process of deeding that over and because of COVID that kind of put the skids on that. And that's one of the stories about this business is the reason I don't have the historical tax data for my corporation. My mother kind of gave up in 2010. She was ready to sell the business in 2006. I left a career I worked at the University of Texas for 10 years. I came home and rescued the business just to keep the doors open. Then for the next several years, managed to pay her out at about \$80,000 worth of debt. This was a business when she would file her taxes, she would get money back. But she was getting fleeced by her accountant. And 2014 we created my corporation. And it was 2014 when my mother still had a little bit to do. And I want to let you know, I take extreme accountability with everything that happens here. But she still had dealings with the financial aspects up until 2014. And we had a process where we were broke. You know, I had spoken to my mother one day, and she said, If you check the bank account, she said, there's negative 4000, which was a shock, you know, not only do you not have anything, you actually owe money to your bank. And that was probably the best lesson that we've ever gone through is to get to this spot in February of 2014. You know, where we had no money. That was the precipice for me take over all financial dealings with the business. And the first thing that we had to figure out was all right, and this was working in conjunction with my attorney and working in conjunction with the accountant. We had to go back, file all the taxes for my mother's corporation, with which we would have had to fraudulently create corporation notes, which is something we didn't want to do, or moving forward, it was to, let's get ourselves on the books as quickly as possible, let's get ourselves paying taxes again. So that's done through the new corporation through myself, which is why you kind of see that there's the there's distinction with one corporation has the liquor license, because the buildings in her name, new corporation is under me. So, it's kind





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of a messy family scenario that is almost taken care of. And I wish I had more than just a piece of paper to show you that, you know, my integrity and my character and how we deal with the business here is the reason we got ourselves out of that situation.

Marc Monahan: So, in 2018, you paid \$19,000 in rent, was that to her? Or was that kind of just something to yourself on paper?

Todd Trulli: So that was to her, and that's when that stopped, after that.

Marc Monahan: So, there's that there's no more obligation there so that we can kind of take that out of the cash flow?

Todd Trulli: Yes.

Marc Monahan: And then there was like \$10,600 for some sort of equipment lease. Did you guys have, was that the vehicle? Or was that something else?

22:03

Todd Trulli: So, let me think. So that was probably... I have to think about that that might have been continuing to pay off our point of sale system, we updated a point of sale system. We had a kind of a junky one when we first came, you know, when I first came on in 2006, this was a cash only establishment. So quickly, we got ourselves a point of sale system. We got ourselves on credit cards. I believe that's what that was, I can certainly go back and take a look. But I do not have any current lease payments right now.

Marc Monahan: Okay, so those are two things that we can kind of take out of the equation going forwards. Okay. All right, good enough. That's it for me, guys.

Todd Trulli: Actually, one of the things we just started doing was making a lot of our own bread. And before everything went down and COVID we had gotten set up to do another lease to purchase on a \$10,000 range which had two convection ovens which was really going to let us expand and do what we did. So obviously we just cancelled that. I think we've done business with Marlin Leasing, probably four times, you know, we bought new tables, new chairs, kitchen equipment. And I believe, like I said that \$10,000 was probably the last of the payments for the point of sale system.





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Andrea Palmer: Does anyone else have any questions?
Todd, is there anything else that you would want to add?

Todd Trulli: No, you know, whether or not this loan happens to come through for us or not, I appreciate the fact that you guys are doing this for other businesses as well. It's really unfortunate, I'm confident in my ability to run a business. And one of the things that makes me proud is my ability to pull up numbers to show what we can do, what we can save. How we work in the top line, how we work in the bottom line. There's a lot of businesses that can't do that right now. And the fact that you guys are out there making yourselves available to small locally owned business is really admirable. And I really appreciate it.
Thank you all very much.

Chad Richards: Thanks, Todd.

Andrea Palmer: Okay. Can I get a motion for us to go into Executive Session?

Chris Hay: I'll make the motion.

Marc Monahan: Second.

Andrea Palmer: We are now going into executive session.

EXECUTIVE SESSION

Andrea Palmer: Can I get a motion to exit executive session and begin recording again?

Marc Monahan: I'll make a motion.

Chad Richards: I'll second.

Andrea Palmer: We are out of executive session. And in the meantime, Christy Wilt has joined us for roll call Carrie.

Andrea Palmer: Okay. Can I get a motion to approve the microloan application for George Henry's in Warrensburg?





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Can I get a motion to approve the micro loan for George Henry's at a term of five years, and an interest rate of 5% and an amount of \$25,000? Carrie, thank you very much.

Chad Richards: Andrea, sorry for interrupting the six months interest only, is that still part of the structure?

Andrea Palmer: Chad, thank you very much with six months interest only to begin followed by five years of principal and interest.

Marc Monahan: So it's basically it's 66 months total term then, right?

Andrea Palmer: Correct

Marc Monahan: Okay.

Marc Monahan: I'll make the motion to accept that.

Chad Richards: I'll second.

Andrea Palmer: All in favor?

Aye.

Aye.

Andrea Palmer: Alright. Any opposed?

Andrea Palmer: Alright, thank you very much. I know you guys are very busy. Can I get a motion to adjourn the meeting?

Marc Monahan: Motion.

Chad Richards: Second.

Andrea Palmer: All in favor?

Aye.





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Andrea Palmer: Any opposed?

Andrea Palmer: Motion carried.

Alright guys, thank you very much. I hope you have an excellent day.

Meeting adjourned at 1:47pm.

Respectfully submitted, Carrie Yakush, Senior Account Clerk, LCLGRP

