MINUTES OF THE COMMUNITY DEVELOPMENT BLOCK GRANT REVOLVING LOAN COMMITTEE

WEDNESDAY, MAY 12, 2021, 5:00 PM
Virtual Meeting. Public may join via Zoom.

A. ZOOM MEETING INSTRUCTIONS.

1. This item contains documents which provide call in information and instructions for the Zoom meeting.

B. ROLL CALL.

1. Members: Matt Schuller - Chair, Chad Van Handel - Vice Chair and Ald. Brian Johnson.

Present: Brian Johnson, Matt Schueller, Chad VanHandel, Excused:

C. APPROVAL OF THE AGENDA.

1. Approval of the Agenda for the May 12, 2021, meeting of the Community Development Block Grant Revolving Loan Committee.

Moved by Ald. Brian Johnson, seconded by Chad VanHandel to approve the agenda. Motion Passed.
Yes- Brian Johnson, Matt Schueller, Chad VanHandel, Abstain- None.

D. APPROVAL OF MINUTES.

1. Approval of the minutes from the April 13, 2020, meeting of the Community Development Block Grant Revolving Loan Committee.

Moved by Ald. Brian Johnson, seconded by Board Member Chad VanHandel to hold over the approval of the minutes until the next meeting. Motion Passed.
Yes- Brian Johnson, Matt Schueller, Chad VanHandel, Abstain- None.

E. REGULAR BUSINESS.

1. Consideration with possible action on the Community Development Revolving Loan Fund application from Buffalo Equity, LLC and American Tent, LLC.

The Committee may convene in closed session pursuant to Sections 19.85(1)(e), Wis. Stats., for purposes of deliberating or negotiating the sale of public properties, investing of public funds or conducting other specified public business as necessary for competitive or bargaining reasons. The Committee may thereafter reconvene in open session pursuant to Section 19.85(2), Wis. Stats., to report the results of the closed session and consider the balance of the agenda.

Moved by Ald. Brian Johnson, seconded by Matt Schueller to open the Floor for discussion. Motion Passed.
Yes- Brian Johnson, Matt Schueller, Chad VanHandel, No- None, Abstain- None.

Moved by Ald. Brian Johnson, seconded by Matt Schueller to close the floor and return to regular order of business. Motion Passed.
Yes- Brian Johnson, Matt Schueller, Chad VanHandel, No- None, Abstain- None.

Moved by Ald. Brian Johnson, seconded by Matt Schueller to approve the Community Development Revolving Loan Fund application from Buffalo Equity, LLC and American Tent, LLC, for $250,000 at rate of 4 percent interest amortized over 10 years with a first position lean on the collateralized furniture, fixtures and equipment along with a requirement to create eight (8) new full time equivalent positions that will be made available to individuals of low-to-moderate income. Motion Passed.
Yes- Brian Johnson, Matt Schueller, Chad VanHandel, No- None, Abstain- None.

F. ADJOURNMENT.

Moved by Matt Schueller, seconded by Chad VanHandel to adjourn. Motion Passed.
Yes- Brian Johnson, Matt Schueller, Chad VanHandel, Abstain- None.

VERBATIM MINUTES

- Matt, are you our chair?

- Yes, I am.

- Are we all set? Jessica, you want to give us a thumbs up to begin? Gatekeeper? All right.

- Okay. Let's roll call then, and we'll get into it. Chad Van Handel.

- Here.

- Alderman Brian Johnson.

- Here.

- Excellent. And Matt Schueller is here as well. Why don't we move into the first agenda item, which is the approval of the agenda for today's meeting, May 12th, 2021?

- Motion approved.

- Second.

- We have a motion and a second. I think the motion was by Alder Johnson, second by Chad. All those in favor, say aye.

- Aye.

- Rolling. Next is to approve the minutes of the meeting from April 13th, and look closely at the year 2020. But Wendy, I did not see the minutes in your packet.

- Yeah, this is part of a new piece that after the meetings, the minutes will be dispersed. If there's any changes, then we're supposed to make the changes and then we would bring it forward. But otherwise, if there's no changes, then they're not posted and we just continue on. This is a new procedure. Unfortunately, I don't know if our grandfather had in to the 20 year. But Jessica, would you like to comment on that?

- Yeah, we were just told that the minutes worked did not to be put into the agenda packets anymore. Apparently, we were the only department that was doing that. So they have decided not to put them in. However, if you guys would like them in, we can continue with that.

- It's helpful for me. Otherwise, we're going somewhere separately searching for them.

- Yeah.

- Chad, how you feel, and Alder Johnson, how do you feel?

- I would second that, Matt. And I think without having, I think it's pretty apparent, Matt, that you haven't seen them. I didn't review them. I don't want to speak for Chad, but I would prefer, and I would make a motion to hold this item for the next meeting until we can adapt to this new procedure or whatever it is to review them.

- Sure. I can put them in the agenda packets. That's not a problem at all. So if we hold them over, I will just put them in the next meeting to be approved.

- Okay.

- I propose my motion.

- We have a motion then from Brian, and we have a second from Chad. All those in favor, say aye.

- Aye.

- So we will review those with our next meeting, and we'll hope it's not 13 or 14 months. So then why don't we kick into the first regular order of business here with civil action on a community development, revolving loan fund application from Buffalo Equity and American Tent LLC. And we, you know, Wendy, I think, why don't we let you kick off and give us a little intro, and then I bet we're gonna open the floor again?

- Yeah. So thank you for that, chair. As you know, Tony probably has been before the committee now, I think for the third time. So you'd probably recognize his face, and his entrepreneurial spirit. He has American Tent, which they did do the revolving loan fund for 929 Cedar Street for his 10th company there. But as you can imagine, some businesses through the pandemic time have done very well, like making tents, and some other businesses have not done as well. But tent making is a very big booming industry right now. And so his business has taken off as you can see from the information that was provided in the packet with some of the projections and things like that. But his manufacturing company is moving into, has signed a five-year lease with

GB East Town LLC, and they'll be moving a manufacturing company into the East Town Mall, and his new business location. There's gonna be some demolition there. There's gonna be, my watch is talking back to me in the meeting. I apologize for that, but his kitchen suddenly thing enough off, can you? Sorry about that. But there's gonna be a build-out. Those costs are gonna be part of his landlord's piece so that we don't have to worry about the Davis Bank and with our revolving loan. But if you look at it, the Greenleaf Bank has entered into financial agreement with Credit East Town. The loan funds will go towards the renovation. The funds allocated to Buffalo Equity space as part of the loan will be roughly 2 million which results in a $500,000 shortfall. And this is where our $250,000 revolving loan fund would come in. It would provide furniture, fixtures, equipment for the office and for the warehousing. There's also some warehousing, racking, and material handling. So you'll see a forklift added to his business expansion project. He is also securing some other funds in there, and we'll probably talk to that with investors to further capitalize this. We also have a working capital as part of his 250. So that's 35,000 out of the 250 will be his working capital for this project. I don't know what else I, what the chair or, you know, what we would like to pass for that, but I'll open it to questions. I think I can give you the background, and you can see what's going on. So...

- Okay. I would suggest why don't we open up the floor if others are agreeable to this to let Tony, and I'm assuming, Tony, you are at the start of your day, your Friday, if you're in South Korea.

- It's the start a Thursday, yes.

- Oh yeah. We're Wednesday still, aren't we? Yeah.

- I'm 14 hours in the future. So I can let you know who win basketball games and stuff.

- Lots of, yeah. Let us know so we can open the floor, would be helpful. But I would suggest that we open the floor, and I'd make the motion that we open the floor for Tony. And do we have a second?

- Second.

- So we have a motion and a second. All those in favor, say aye.

- Aye.

- Okay. Let's open the floor. And Tony, if you could tell us some about, hey, what's going on with the business, and what has happened. And remember that right now, we are in open session. So not looking for you to reveal anything that's confidential. And if there are things that are confidential, we can go into closed session.

- Yep. Yeah. So we started the business 14. We manufacture party tents in the time of COVID. They are socially-distanced tents. Have grown the business from three employees to over 60. I don't know what's there's anyone keep records as to how quickly people cover their employee growth. But we covered our employee growth pretty quickly on the 929 project that we worked on with Garrett. So we've grown the business, time's over. This last year, we grew 160%. This year, we're planning to almost double again. In addition to that, I'm in Korea right now, securing a deal for a noble recyclable fabric that can replace PVC, and almost all applications, including agriculture. Hopefully, the deal is inked. It's just waiting to be signed. But that deal I've been here for three weeks, two weeks in quarantine, and a week meeting with our partners here. So the building will be primarily used externally. There'll be a gym. There'll be eventually, hopefully a brewery. Right now, there's a consignment store and they're moving the bath and bodyworks exterior. To the building right now, all those units are empty, including what used to be the old office max, or office depot there. And then the interior, the mall will be completely demolished, and will take over 125,000 square feet. So that's going from 35,000. We've moved into 929 in 2017, and occupied about 15,000 square feet of that. We've taken over the whole building up to 35,000 square feet now. And so this new building will be used to allow us to manufacture additional products. It'll be significantly more efficient. It will allow us to take our machines right now that are all cramped in a small space, and allow them to breathe a little bit. And then we'll actually have offices for our team. I'm keeping a movie theater. If you guys want to come over, watch packer games with me, and there'll be a showroom to show off our products for customers coming into town. So yeah.

- And for right now, maybe a quick question is the previous loan, we had done with you for 929 Cedar Street. And Wendy, has that loan been paid back, or is that still open with a balance?

- That loan is still open with a balance. And that loan actually was tied to the property. And so it really didn't go to Tony. He was the occupant that provided the employment-related portions of that loan.

- And so what did we add on that?

- So 929 Cedar Street, it was 250,000. It was granted on nine, 15, 17. And it has an outstanding balance. I have this $212,353.24. So it's still in the works as part of the property acquisition at that location.

- The landlord there is moving a tenant in behind us. McDonald Industries is gonna take over the entire building, and then eventually there's plans further down the line to repurpose that building for residential purposes. There's those new apartments that we built across the street on main streets, and that's right on frontage on East Town, or I'm sorry, East River where the the future East River trail will go through. So we intentionally kept it with Garrett as opposed to with us, and that this loan is for things for our business.

- Yeah. And that's just part of what I was trying to understand was, was that loan actually made to an entity that Garrett Bader is controlling, Wendy?

- That's right. So he had the property portion of that project.

- And what secures that loan for the city?

- We have a lien on the property. We have a mortgage on the property.

- Okay.

- And Tony did meet the employment requirements at that location already to fulfill our revolving loan fund HUD requirements. So those requirements have been met, and then the loan would just continue on as so.

- Yeah, you guys last time helped us add 40 employees. So thank you.

- Yeah. And so just now, going into this one, Tony. So is the loan in this particular situation, the loan is intended to be taken by, is it Buffalo Equity is gonna take the loan?

- Yeah. So Buffalo Equity is our parent company. When we started with American Tent, we were just manufacturing tents. Adding in this Korean fabric business, we've moved ourselves up to a parent holding company. And so American Tents and this new fabric business from Korea will be two separate FBI ends. There'll be disregarded tax entities that roll up to Buffalo Equity. So Buffalo Equity will be where all of my investors sit.

- Okay. And is the intent then that both the fabric property business that you're in Korea now to do, and American Tent will both be co-located in the East Town Mall property?

- Correct.

- Okay.

- Yep. So we'll use about 60,000 square feet for manufacturing, and then additional 40,000 for warehousing, and then there'll be about 20,000 for offices and showroom.

- Okay. And the loan that you're asking for the revolving loan fund committee today, that is all gonna be basically furniture, fixtures, equipment related to American Tent, or is it any of it related to this new entity?

- So the new entity will be, well, employees will be kind of split between the two so that both businesses will be in their American Tents and the fabric business. So, but it's being used for furniture. We're working with KI. We're keeping our money local for furniture into the offices. It'll be any other types of fixtures that we can use in the offices. We have some equipment that American Tent will use out on the manufacturing floor, and then there'll be warehouse racking and material handling will be used for both businesses. We'll be a fabric distributor, and then a manufacturer of agricultural domed greenhouses, pressurized greenhouses that we'll be manufacturing on those pieces of equipment as well. So it'll be to answer your question on very long way, it'll be split between both the businesses pretty equally.

- Okay. And hey, for me, it'd be helpful in the documentation that you provided. And I do want to say the 615 pages of documentation that were provided, and I'm sure have been all thoroughly read to every detail. And I have a question on page 437 line 12. That's a joke. But you talk in there about there's American Tent and then there's Tent Gurus.

- Oh yeah.

- And help me understand, like, what's what?

- Yeah. Tent Gurus is not its own entity. Tent Gurus is when a customer comes to us right now, they buy a tent and then they normally ask, hey, we need to buy chairs or tables or dance floors or fans or set up equipment, all of those accessories. And so that's an accessories business that we're putting together that will allow us to work with the best accessory companies in the industry. So we're utilizing. There's a guy down in Appleton who was one of the most well-known tenters in the US. I call him smokey, the bear of tents, Pete McVeigh. And he's basically working with the suppliers he use for his big rental business. It was a nationwide rental company. And so we sell, 50% of our business is selling into tent rental businesses who then turn around and rent these tents out. And then the other half are a lot of customers who are calling in, looking for accessories, anything you would need underneath the tent to make it inhabitable for a business.

- Okay. And hey, obviously from the documents that you provided, your business took off last year. Might be a little bit of an understatement. Hey, why does that business stick? Or, hey, you know, people get vaccinated, the world starts going back to normal. Does your business go back to where it was before COVID?

- Yeah, so we had actually projected ourselves to get to. Our aim is to get to about $12 million this year. And that's where we had projected ourselves last year. So we were planning to grow with our rental customers. Our business in the rental industry dried up, went to zero last year. And so rental companies have come back very strong this year. Additionally, we've seen, we expected this year to slow down, maybe a hair, and we have a $2 million backlog. We're already to on plan for year. And so people are just not. They're unwilling to do big events inside as much as they used to. So tents are the new hotel ballroom, if you will, for outdoor events. And so it's been real popular with school, restaurants. As the economy returns, there are a bunch of small rescue packages that are being put out for a bunch of different industries that are our customer base. So there was one for the restaurant revitalization. They're working on one for event venues. Those are squarely our customers. And as soon as they... Every time one of those rescue packages come out, we see a huge surge in customers coming in, looking to use those funds, those grant dollars. So I don't expect it to slow down at all through this year. But next year we've actually projected ourselves to be flats. Like I said, if you looked at our trajectory of where we plan to be, we're just kind of a year ahead. In most cases, maybe a year and a half to two years ahead. And then the fabric business projects to dwarf the tent business, and I didn't include any of that in my revenue projections. That's all upside.

- Tony, can you touch on it? I didn't see what the re-imagine financials versus the actual key. Can you talk through kind of what the differences are supposed to.

- Oh yeah. It was going back and looking at. So it was looking at 2020. When we headed into the year, we kind of had three parts to the season. There was the first three months of 2020 were scary for everybody 'cause we didn't know what was gonna happen. All of our customers started to pull their orders. And so we were operating well under where we had expected. April, we got the PPP, and all of a sudden orders started coming in from all over the place. So we ramped up production five times once. And in doing so, had a lot of operators inefficient at the street and destroying them on the floor without any training. We were paying a lot of external consultants. By putting people out on the floor, there was a cost of quality of someone didn't know that this piece was different than this piece. And so they packed this piece and send it off to the customer. And so shipping costs got a little out of control. And then our lead times were 15 to 16 weeks at one time. And so we were quoting shipping to a customer in May and shipping it to them in April or in September. And you know what happened with shipping last year. There were people laying across highways in Chicago. And so a lot of the cost structure supply chain went out of control. We were previously buying from customers, from our competitors here in the US, and we got to a big enough volume that they just cut us off because they wanted to keep their own supply for themselves not knowing what the market was gonna do. And so we had to go out, and we were manufacturing parts in Nina that normally get manufactured in China. And so there was a lot of cost overruns. And so we basically said 2020 in a better scenario in which we had the operations staff that we have now, here's what it could look like. And you can see that playing out in 2021, we've been profitable every single month since October, and right around at net income, 15 to 20% EBITDA. And I do apologize. I will have to go in a couple of minutes. We have a train to catch.

- Okay. Hey, I'll try to go really quick then 'cause yeah. In the documents that we received, you had shown some financials for October to January, you know, operating income, you know, close to the 10% range. And I'm just kind of wondering how has since that was in January, how's February, March, April? You know what you're seeing so far in May, give us a sense on that in your financials.

- Yeah. I just got our April numbers in, and we were at 10%. So every month we've been operating about a million dollars in revenue, and about 10% in EBITDA. In the first couple of months of the year, we were close to 15 to 20%.

- And what do you think is the going kind of EBITDA margin rate for this business as you get going?

- 15. A lot of that will have to do with, if you visited our warehouse, I don't know, Brian or Chad, if either of you have. But right now, we're making tents on top of tents on top of tents. So our manufacturing base is 15,000 square feet where it's just a pile of everything trying to get made. It looks like spaghetti on the floor if you were to map out how all the products go through. And so this new building will allow us to have individual value stream for individual products. So there'll be so much operational efficiency unlocked from a labor perspective, from a supply perspective, from a waste perspective. That was why we were very excited about the space. Bin space, it's a space that since I moved back to Green Bay in 2014 has been talked about what they're gonna do with it. And so I was very proud that we were able to find a good use for it.

- You also, in the documents, Tony, you referenced a patent from something called Giffy or Giffy ballast.

- Yeah.

- Can you explain what that is, and what the relevance is to the business?

- Yeah. When you put a tent up, you have to stake it. If you don't stake it into the ground, it's a kite. It will blow away. The other option is to use cement, or you can use a water ballast. Previously, customers would just use gallon, like 55 gallon drums, which are not engineered for those purposes and are actually unsafe. We were working with the guy, an inventor out in Rhode Island, and he had invented this product that looks like a 60-gallon trash can essentially. But the way it is attached to the tent makes its effective weight equivalent to its actual weight meaning you can. And water ballast, as opposed to having to lug around tons and tons and tons of concrete, they stack inside of each other, transport to the site. You fill them up with water. So we did one time, we set up a tent in the parking lot at Lambeau, and you couldn't stay into the parking lot. We use these ballasts as opposed to cement, and you end up saving a significant amount of labor, significant amount of material handling. And so we bought that patent's ouch from that individual for pretty cheap. And it's probably paid back about a million dollars on about a $20,000 investment.

- Okay. So is this giving you some sort of competitive advantage in the tent business?

- Nobody else has it. And so people will buy the tents from us because these tents are, like it or not, a little bit more of a commodity. Everyone has rain tents, everyone has cross cable tents. And so they can use these ballasts. A customer will buy their tent with us more than likely. We rarely sell the ballast just by themselves.

- Okay. And I know you're tight on time, and Brian especially, I want to give you a chance. I'm not meaning to hog this here with questions and so.

- Matt, you actually asked a lot of the questions that I had but I do have just two more. And one, I just have to be clear about, and I'll make a statement on this later. But this loan is being requested by Buffalo Equity, and does not have any direct connection to Garrett. Is that correct?

- Correct. Okay. And then the equity loan or the, I mean, because obviously RLF has gap financing. So the way that I understand this, it was just a little bit confusing to me that $2 million that's being viewed as the primary lender that is being taken out by GB real estate, or the East Town subsidiary. And that is, I guess I've just never seen it occur that way. But that works. That meets all of our criteria and guidelines.

- Yeah. I wanted to elaborate on it. And I kind of tried to call that out in our introduction just because it is a little different structure. But to check with our senior accountant, Stephanie, and she's our gatekeeper right now. I'm on the line and we did. Part of it is to make sure that we don't kick off Davis Bacon for this particular project. And so by having things separated out into categories, that's how we made sure that everything is, that Buffalo Equity is responsible for Buffalo Equity's piece. The build-out components of Buffalo Equity is working with the property owner, but it isn't any part of this revolving loan fund, but it is part of the total project.

- Okay.

- So I didn't know how to say that any clearer, but I hope that that makes sense. But I did check with our internal review here with Christina and Stephanie.

- And I'm raising a million dollars of equity. I'm currently raised about 700,000 of that. And that's what's the gap $50,000 that we're providing on our side is coming from.

- But you're right. There are a lot of moving parts on this particular one. So a lot of good questions.

- Yeah. And Tony, how much debt does the business have today?

- We're refinancing with, hopefully we'll find out tomorrow with Greenleaf. We'll be funding our business. We have in bank debt currently about $650,000. We have a PPP that got forgiven. We have an idle loan for 150. And then we have about 300,000 in equipment financing. So call that around a million dollars.

- And has your PPP been formally forgiven?

- Yes, it is no longer on my bank statement. It made me very happy.

- Okay. Good forever but.

- Do you have a line, like a revolving line at this point or?

- We're working right now with Greenleaf to get 1.5 million in term plus another half a million in revolving a line of credit. But I do have to excuse myself. I was told this is going to be closer to Benson since we started a little late, we're gonna miss a train to somewhere.

- Don't miss your train. I understand. That's why we were trying to do rapid fire on your tone.

- Yep. Any other questions for me?

- Hey, there probably could be if we had time, but that's why I know for myself, at least I went to the ones that I saw as being most critical.

- Okay.

- Take care, Tony.

- Yep, see ya. Thanks, Wendy. You let me know the outcome.

- We'll follow up with you afterward. Thank you, Tony. Safe travels.

- A motion to close the floor.

- Second.

- So we have a motion and a second to close the floor. All those in favor, say aye. Okay. We're back in. Just that we're not in closed session, but it looks like it's just us. Correct, Wendy?

- This is being recorded. But yes, it's only us. Yep. There's city in committee.

- Okay. Thank you.

- So Matt, if I could just real quickly, you know, the reason I wanted to verify the relationship with Garrett for those who follow anything that I do with city council, I abstained from projects related to Garrett because he is a member of my executive committee and oversees my compensation. And so it's an important disclosure. I did check with Legal, and they've verified that I do not have a conflict of interest because there is no financial benefit from me voting on this issue. But they did suggest that I disclose the potential for the impropriety of bias. However, talking through this with them, they also corroborated that bias in this situation really wouldn't exist unless I personally feel conflicted because Garrett is not a direct applicant of this to just directly to American Tent. So even though he is providing that loan, that principal loan, this particular loan that we're taking action on really is not related to that. And so Legal basically said, "If anything is not a direct relationship, "it's an indirect relationship." But they did suggest that I go on record explaining that. So that way there weren't any issues that would potentially arise from it.

- Perfect. And thank you, Alder Johnson, for clarifying that for the whole group here. And hey, Wendy, just clarify this for me. And the actual loan from Greenleaf to Green Bay East Town LLC doesn't really have any bearing on the loan we're making. Does it, I mean, it's there, it's informational. But the reality is Buffalo Equity needs $500,000 to finish this work, and they're coming to us looking for 250 of it.

- That's right. But I thought there was a better projection of really what the project was about because there's a lot more to the project than just that 500,000. And so knowing that I felt it was worth disclosing that information because I thought if it was helpful to understand the project.

- Well, I think, correct me if I'm wrong, Wendy, but it's also being applied as the primary lender. So that's the real bearing.

- It's gonna be for leasehold improvements, and I thought it was good to call that out that we are not financing the leasehold improvements or the construction that we're gonna be. There's other people financing that portion of the project. That we will be financing another part of the project.

- So we have like a purchase money security interest on the equipment that were, it's equipment, right?

- Yeah. Furniture FF&E. And then it's gonna be a forklift equipment, and then warehouse racking. So there's a list that he will be submitting for the items that he's actual purchasing, and then we'll put a lien on those items, or FF, you know, UCC filing.

- And hey, Chad, you're the banker here. So I don't have any perspective on this. Hey, how do you guys feel about loaning money into FF&E?

- Yeah, I mean, again, obviously, the revolving loan fund is a little bit because it's gap financing. I mean, I think it serves a little bit of a different purpose. But like yeah. I mean, we struggle trying to, you know, come up with a value on that, mostly on leasehold, I mean, it's not leasehold improvements, but, you know, it is fixtures and things like that, which again, it's don't keep their value quite as well. Obviously, the 10-year is also another thing where, you know, as we go, I mean, I don't know they're gonna be worth as much even five years down the road. But again, it's a project that, like I said, I think, you know, this is a good fit for kind of our funds, and what the revolving loan funds are made for, I guess.

- Yeah. And I kind of assumed, Chad, that's how you'd be like, ah, you know, like I'll be working in a forklift 10 years from now. Like that stuff's probably got almost no value. That by the way was the reason I asked the questions about.

- Yep.

- I wondered if we might want to use that as some security. And that's why I was asking a little bit about, right? Hey, what was this patent? And does that have value? 'Cause I do worry about like five years from now. I'm afraid this stuff just doesn't have much value. And I don't see us selling wracking into the open market. Not like we'd be great brokers of a patent, but, you know, there might be a way to capture some value on that.

- We do also require a personal guarantee if that makes any difference. But that's just a standard operation.

- And I see that there's a ton of investors that have, you know, slivers of, I mean, I assume Tony's just gonna take the full responsibility on the personal guarantee.

- Typically that's what we do. But if there's anybody over 50% or even, we can probably even go up to a larger percentage, we can also ask for that so we can take a look. But I think everybody's kind of in the minority position. I think they're in the 20 or under percentile. It seems smaller.

- Wendy, would that UCC filing, does that apply only to the products being purchased with this loan, or is that a blanket filing that would also apply to all of their inventory?

- You know, I did check with our attorney, and we can only put it on the items that are purchased. So the money has to stay with whatever items are purchased was Legal head talked to me about. That it can't be just everything that they have there. We could sign some other piece, but I understand that it has to be the items that the money would go towards. We would have to list them individually. Sometimes people put up other equipment when they do have a loan, but that's what he has listed for the loan.

- The balance sheet that I saw looked like it had it all zeros. I don't know if anybody saw anything different in our 615 pages but.

- That's what I saw. So agreed.

- So it's really not a balance sheet. It's just piece of paper.

- Yeah.

- Sorry about that.

- The growth is, you know, it's great. Like you said, I mean, it was a great question about, you know, does it continue, you know, in this new normal. But again, it's hard to argue that they've had a really nice year all things considered.

- Yeah. And Wendy, do you know 'cause this data wasn't in there. Has the business ever been profitable?

- That's a great question. I guess I didn't analyze that portion of it. So I just saw the growth and saw that this would be potentially a nice participation for us and talk to his previous lender. You know, I talked to Greenleaf Bank in how they were participating, and just confirmed all of his paperwork. But I did not go through year over year projections or comparables. And I don't know if that was in there. There was other.

- Yeah, I thought I saw it some place.

- I thought I saw something too at one point. I did this a little while ago.

- I couldn't find anything that I saw. One of the pages has revenue by year, but I didn't see anything that showed profitability by year. And then, you know, once we got into the tax documents, I just thought, oh my God, it's just tax documents. I'm not gonna spend my time.

- Correct. Right. And I didn't, if I missed that, I... I thought I saw a perform of balance sheet, which would help a little bit with being able to compare year over year. Of course, I can't find it now that I'm looking for it.

- And man, I think guys instead of history by year, I think I was recalling the monthly financials.

- Okay. For 2020 that are in, yeah.

- Yeah.

- Yeah. The reality is right. If they deliver the year that they're on track for right now, you know, and they do it 10 to $12 million a year and drop 15% to the bottom line, Chad, I'm assuming the banker would say, oh, well this is great.

- Yeah.

- This is wonderful. That's where my question comes from about. Well, has the business ever been profitable? 'Cause right. 2020 was not so good. And that's why I just wondered about that. And they clearly have made a lot of changes in the business and it looks like they're starting to, you know, "get the right people in the right seats on the bus." So I was just trying to understand that element of the business.

- You know, to that point, Matt, I wonder, and I don't know. He mentioned that he's working with Greenleaf, right? And he's supposed to get an answer by tomorrow on a new loan that they were applying for with Greenleaf? I mean, if there's not that comfort level from a bank to extend the credit, I mean, if there is that comfort level, I think that's a pretty strong indicator. So I wonder if perhaps we could hitch our cart to that wagon or hitch our wagon to that horse, you know, and add that as a contingency? Approved is contingent upon successful approval of the Greenleaf loan.

- Yeah, I would probably agree with that 'cause obviously the other piece is, you know, with the revolving line of credit that they need, they're gonna need to buy inventory, and, you know, if they're gonna ramp up this quickly, they gotta be able to have the reserves to be able to build a product and collect the other sales.

- Otherwise what probably happens is the revolving loan fund ends up filling that gap. Right? And then it doesn't really position them that well for success.

- Okay.

- I will note one thing that's sort of outside of the scope of consideration of this that I like about this deal. We've had a lot of restaurants that have come before us. I think that this diversifies our portfolio, and kind of irrelevant to the approval, but just an observation.

- That and, you know, Brian, I also have some great love for, you know, something that's going into East Town that keeps it busy, keeps it viable from a property tax entity, you know, right? Really starts to utilize that space in a bunch of it in nothing that we, hey, it's not the use to any of us had ever envisioned, but it's way better than empty and vacant.

- Yeah.

- Point considerations here.

- It's industrious. And everybody likes activity.

- Yes.

- Yeah. And then, you know, one of the other important considerations is looking at one of the requirements of this particular loan program and that's the job creation component. And he has exceeded, I think, every metric that's been laid before them with the previous loan. And obviously they're on a path right now to likely exceed that number once again. And so if we look at this and kind of wrap our brains around that particular objective, we're definitely checking that box in a strong way.

- I really have been hitting a home run on that regard. And that's a very, very good point.

- You know, two points. He's taken a blighted property and also job creation. So it actually it's community development revolving loans. So it's kind of, you know, working into a mall space is creative.

- Oh yeah. When I had heard, you know, the news about American Tent going in there, must've come out a couple months ago, I don't exactly remember. But I was like, oh wow, never would have seen that coming.

- You know, it was a very complex deal because retailers don't necessarily welcome this, that. And, you know, Garrett didn't have control over that, right? Kohl's is owned by someone else. Hobby Lobby is owned by someone else. And so they all have to sign off on this. But there was an interesting article that Wall Street Journal came out with not long ago that talked about how this is the trend converting these underperforming malls into manufacturing space on the backend, and, you know, pushing the retail to the front. So what he's doing there is in perfect alignment with what you're seeing in other markets.

- Interesting.

- I just want to say that's kind of what's happening over at the old Cub Food Building is Burlington's in the front, and HJ Martin Manufacturing's in the back. Toys RS is the same building. Planet Fitness is in the same property. The owner. Plant Fitness is in the front and he's got manufacturing in the back. So...

- I didn't realize that.

- Yep. It's happening all over.

- And hey, any advice then, you know, Chad, or on just, you know, kind of how we word the contingency on the Greenleaf loan, or what we ought to do there?

- Yeah. I mean, again, I certainly think it makes sense. I mean, contingent on. I'm trying to think. It's a good question

- Yeah. The concept, I think, it's easy. That's what I was just trying to think about is there a wording, or are there elements there, or, you know, is it just about, is it about securing the line of credit from Greenleaf, and that's what we really make the contingency.

- Right.

- Well, Wendy, perhaps you could verify. I mean, because we're taking that UCC filing on the purchase of those new things. So I presume then that means if we issue the loan, when there's Ricky actually purchases those things. Does he have to provide documentation or?

- Yep. We take pictures. We take pictures of any identification numbers that are on anything. So serial numbers on anything. Anything that we can do. We take pictures, we record the receipts. All of that information goes along with it. So he buys the information or he buys it, and then we verify the receipts and information.

- So really, there's probably limited concern that this could be redirected if Greenleaf didn't approve his operating line because he has to provide documentation that's being spent on what he says it's going to be spent on.

- That's accurate.

- And what would happen if that didn't occur? Would you just call the loan?

- I don't think that we would, that's right. We wouldn't agree to whatever's going on.

- [Stephanie] We don't disperse funds until all of that has been spent and considered okay.

- So it's a reimbursement loan?

- [Stephanie] Yes.

- Oh, and then I don't know if the contingency would be necessary.

- I agree. I didn't realize that. Yeah. I just figured we disperse the funds, and then they use that to go purchase the equipment. But that that's great. I agree, Brian, that that for me would remove the requirement for that. Chad, are you feeling the same?

- Yeah. I mean, again, I'm just trying to think of a scenario where he pushes ahead, you know, without, I mean, if he said he had 700,000 of investors money that was already kind of secured again, that would be the only thing is if you had that much money that was secured from investors that he would, you know, try to pin it, you know, with old financing, you know, higher. I don't know if it's higher rate, or higher payment type financing. But yeah. Like I said, as long as if the payments are going towards the fixtures and they have to go somewhere, then I guess I would agree with that.

- It looks kind of, and let me just 'cause I've been trying to jot down the notes, right? And it's the, hey, I think Wendy, you had put in here already, right? The interest rate was 4% terms with years, proposed 250,000. And oh, the job requirement was at eight.

- Yes.

- Eight. Okay.

- Did they have to sustain those eight for the tenure of the loan?

- No. They have 18 months to create them. They have to be new positions. He's listed the positions that he's going to be creating, and then they need to be made available to individuals of low to moderate income. But as far as the duration, there's not a duration requirement in anything that I have found.

- Well, the good news for us is right. He's certainly been blowing past any job creation. And then we would have, right? As our security we'd have a UCC filing on any of the fixtures and equipment that's purchased. I think that's really where I get that. And personal guarantee from Tony, right?

- I mean, unless there's more questions, I mean, I'd be per to make them.

- I'm gonna be with you, Brian. So...

- So I would move to approve $250,000 for term of 10 years, 4% interest rate with the rate that we secure a UCC filing, furniture, fixtures, equipment that are purchased with the loan, and that they'd be required to create eight full-time equivalent positions. They're low to moderate income. Did I capture everything, Wendy?

- Personal guarantee.

- Oh yeah. And a personal guarantee.

- I would second that, Brian. All those in favor, say aye.

- Aye.

- Aye.

- Excellent. We have a loan.

- Go get them, Tony, even though you're not here. Yeah. Thank you so much. Yeah. I think this is gonna be one to watch. It's gonna be kind of fun to see this unfold. So thank you for everything.

- And I'm assuming, Wendy, you will drop him an email and let him know.

- We will. I did that furnish the revolving loan status, but right now, we have 17 loans still active, and we continue to work with our businesses. We had, anyway, we still have available funds, and we have two loans that I'm working with right now. So we'll be bringing that forward pretty soon.

- So when did you expect those new projects coming forward to the balance that we have available?

- I think we may still have a little bit left. I have one working capital, and then one I just spoke with today. But I think they'll still have probably around 70,000 left.

- Okay. There's something happening, and I don't know if I can publicly talk about it yet. So I'll give you a call. But where this fund I think could be very, very applicable, not a business, but a program. I'll call you.

- That sounds fine. We're always willing to try and make the biggest impact we can. So I think this is gonna be a good one. The creation alone was really good. So thank you for this. It shows where our money has gone. It's kind of a nice success story. Thank you.

- Yep, thank you.

- Okay. Meeting again. All those in favor, say aye.

- Aye.

- Meeting is adjourned. Thanks everyone.

- Have a good night.

- Thank you too.