

April 30, 2013

Ladies and Gentlemen

My name is Edmund Tubel and I am CEO of Tricor Inc a licensed franchisee of Sonny's Real Pit Bar B Q Restaurants.

Today I will attempt to provide as objective a position in regards to the impact the Affordable Care Act has on a small business such as our company.

I was fortunate to start Sonny's in the Carolina's in 1978 with an SBA guaranteed loan. Over 34 years, we have built 27 restaurants in four states. We currently operate 5 locations in North and South Carolina and employ 178 full and part-time people. Tricor/Sonny's has a very strong reputation locally as a family restaurant that provides not only for their customers but also their own people.

Our current health program is an HRA and a mini medical where we contribute to both our salary and hourly employees.

Our census includes 75 Full time and 103 part time workers with less than 30 hours per week.

Our interest today is to illustrate not only the complexity of operating under this legislation but also the negative consequences the Affordable Care Act will have on our Company. In essence it's really not affordable.

Since its passage, we having observed and studied various outlines and participated in numerous seminars, to develop our best estimate in implementing this program as currently outlined. Based upon this information, it would cost our company anywhere from \$150,000 -\$200,000 to meet this mandate. This is disastrous financially since we are only projecting 2013 net profit of \$240,000.

Our loan covenants require us to maintain a coverage ratio of 1.5 to 1. This burdensome cost would reduce our coverage ratio to below 1 thereby placing our loan in default. Being in default would require the bank to 1) increase our interest rate, adding to our costs, 2) calling our loan, or 3) allowing us to remain in default. I believe

we all know the current atmosphere of the financial community.

Therefore we have evaluated our choices to abide by the law as presently interpreted. These include:

- 1) Increasing our menu prices to cover the additional costs thereby making us less-competitive in the marketplace and affecting our sales which eventually could lead to losses. The restaurant industry is very competitive and has experienced a very traumatic downward slide since 2008. Research shows that since the recession 70% of people have changed their eating out habits by reducing or even eliminating dining out according to the National Restaurant Association. Increasing menu prices should be a last resort.
- 2) Reduce scheduled hours to less than 29 in order to stay below the 50 full time employee equivalent, thereby reducing our people's hours and income and the resulting effect on the local economy.
- 3) Split the company into 4-5 separate companies with different ownership in order to stay under the 50 full-time requirements.

4) Or just pay the penalty for not providing coverage under the Affordable Care Act.

Major companies I am sure have legal advisors that will successfully guide them through this legislation. Small businesses such as ours must obtain as much available information as possible and do their best to live by the letter of the law. Then because this act is so complicating hope and pray we do not get penalized.

Many of our employees are very young. Many are students attending local schools working during breaks and holidays part-time to supplement their income. The restaurant business understandably has a history of high turnover due to its nature of being a second occupation or a supplement for school or even a beginning job position.

Therefore using W-2's to compute the total number of those full time equivalents under the mandate would unfairly influence these results. In addition, the majority of our FTE employees will not be able to afford this healthcare. Not to mention the administrative nightmare of our small company having to enforce.

The information provided today is our best indications of observing the act. We respectfully request that Congress reevaluate this mandate in relation to small business concerning both the 50 fulltime threshold and calculation of full time equivalents.

With new interpretations being issued regularly we can only hope and pray that we will be able to sustain our 34 year old business and survive for our employees and customers.

Respectfully Submitted

A handwritten signature in black ink, appearing to read "Edmund G. Tubel". The signature is fluid and cursive, with a large initial "E" and a long, sweeping tail.

Edmund G. Tubel, CEO

Tricor, Inc./ Sonny's Bar B Q