



Portfolio News

A quarterly update from Cambridge Capital Management Corp.™
professional manager of non-traditional financing sources

Cambridge Capital
Management Corp.

First Quarter 2018

New SBA Regulations = New Opportunities to Help Clients

The SBA recently published new regulations covering the 504 loan program. They make a difference, but they do not damage the 504's valuable benefits for bankers and borrowers. Over the next few issues we will address changes that you may need to be aware of. As always, contact us anytime we can help you and your small business clients work through the regulations to reach a successful deal.

Special Purpose Buildings

Most of us have worked with small business owners who either have, or want to own, a "single use" building. Most of them come to us unaware that the SBA has required a "single use" or "special purpose" building (hotels, car washes and gas stations are good examples) to have an additional 5% equity injection. This means the financing will be split 50% bank, 35% Indiana Statewide CDC and 15% borrower injection instead of the standard 50%/40%/10%.

New SBA regulations became effective January 1, 2018. They increase the equity injection for borrowers who are purchasing their second special purpose property. The new rule applies to all inclusive owners, affiliate businesses, loans across state lines, and loans with any CDC.

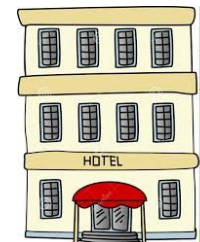
1. For the first special purpose property financed with an SBA 504 loan, the borrower is required to inject 15% equity into the project as has been the case historically.

2. For each additional special purpose project the borrower will automatically be required to inject 20% equity into the project if there is still a prior 504 loan outstanding.

3. The SBA rules provide a list of special purpose properties, but the SBA can also determine a property to be special purpose based on other factors such as those provided in an appraisal.

Let Indiana Statewide CDC assist you with your project structure to ensure the correct equity injection is determined up front.

If you have a question on a project that may be considered special purpose, give us a call so that we can review the situation in advance to provide a smoother 504 experience for you and your borrower.



Indiana Statewide Certified Development Corporation

The "effective" interest rates include the monthly amortization of the notes and the monthly payment of servicing fees.



Effective Interest Rate

<u>2018</u>	<u>10-yr.</u>	<u>20-yr.</u>
January	4.65	4.64
February	—	4.94
March	5.11	4.92

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Software developer Xanatek, based in South Bend since 1995 and serving customers in 38 states, purchased and remodeled a new headquarters building downtown with a loan from the SBA 504 loan program.

Owner and Founder Brent Sheppard worked with PNC Bank and Indiana Statewide CDC on the financing. Sheppard says the SBA 504 loan helped his company more than a conventional business loan would have. **“The 10 percent down payment and fixed interest rate for 20 years were most attractive to us,”** he says.

Eve Wilkerson of PNC Bank says, **“Xanatek supports the community by providing strong, high income job opportunities in South Bend. This transaction represents PNC’s commitment to South Bend and a reaffirmation of its ‘great place to live and work’ status.”**

Xanatek’s main products are information management systems for insurance agencies. The company’s 29 employees include software developers, programmers and technical assistants. The company is adding employees, Sheppard says.



Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Xanatek, Inc.
South Bend, IN

In participation with
PNC Bank
Indianapolis, IN



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Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Central Indiana Insulation, LLC
Westfield, IN

In participation with
First Merchants Bank
Indianapolis, IN



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In its first decade, Central Indiana Insulation built a strong customer base among commercial and industrial clients in Indiana and adjacent states.

This year, Central Indiana Insulation finalized the purchase of a headquarters building in Westfield that brings the company’s 40 employees under one roof for the first time, says co-owner Jim Rooney.

Rooney — co-owner with Matt Falls and Tom Panyard — used SBA 504 financing for the purchase. The new building houses CII’s office, warehouse and garage. CII insulates industrial and commercial plumbing and ammonia pipes and HVAC equipment for clients in a wide variety of industries.

First Merchants Bank and Indiana Statewide CDC worked with Rooney on the SBA 504 loan. Rooney says, **“We were able to put down 10 percent vs. 20 percent (required by most commercial loans). And the fixed interest rate for 20 years is also helpful.”**



Indy Pawn Owner Erik Botts describes his business as “the largest pawn shop in the Midwest.” Indy Pawn pays cash and resells tools, musical instruments, electronics and a variety of other merchandise. Most in-person customers are from Central Indiana. Online sales attract buyers and sellers from all 50 states, Botts says.

The physical location of Indy Pawn’s enterprise is a rambling store along Pendleton Pike in Lawrence, on Indianapolis’ far northeast side. Botts improved his balance sheet with a refinance loan from the SBA 504 program.

Lake City Bank and Indiana Statewide CDC provided the financing to Indy Pawn. Botts used it to refinance his existing commercial loan and gain a lower, fixed long-term interest rate on new financing.

Botts says, **“The SBA 504 loan really changed my world. It allowed me to grow my business and not worry about the financing so much. It was a good experience.”**

Lake City Bank’s Ryan Hart says, **“The long-term, fixed interest rate is a great feature of the SBA 504 loan and is great for Erik. The loan helps the bank lend to a strong borrower in an industry that may otherwise be difficult to lend to.”**

Indy Pawn employs 15 people, including five hired since Botts received his loan. Botts bought Indy Pawn from a business partner in 2010.

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Fixed Asset Debt Refinancing for

Indy Pawn
Lawrence, IN

In participation with
Lake City Bank
Indianapolis, IN



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A welcoming cafe has long been a familiar sight along U.S. 31 near Grissom Air Reserve Base and Grissom Aeroplex. For the last 11 years, Wilber & Norma Jess have operated, expanded and renamed the cafe, now known as Dutch Cafe.

In early 2018, the Jess's completed the purchase of the seven and-a-half acres of real estate comprising the Dutch Cafe and an outdoor special events venue that includes a pond. They used SBA 504 financing from First Farmers Bank & Trust and Indiana Statewide CDC.

Michael Kuhn of First Farmers Bank & Trust says, **"The 504 includes a participation on part of the loan for the bank. Wilber and Norma Jess have a good, profitable business without a lot of cash laying around, and they were able to get a low down payment and long-term, fixed interest rate."**

Wilber Jess says, **"The SBA loan is very good for us."** And the Jess' are very good for the Dutch Cafe, doubling its size to seat 200 and employing 40 people.

The Dutch Cafe serves American fare seven days a week. It is open from breakfast until 2 p.m. Sunday-Thursday and until 8 p.m. Friday and Saturday.

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Dutch Cafe
Peru, IN

In participation with
First Farmers Bank & Trust
Peru, IN



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Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage & equipment financing for

Country Inn & Suites
Indianapolis, IN

In participation with
The Farmers Bank
Lebanon, IN



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Sunil "Neil" Patel has completed a two-year turnaround of the Country Inn & Suites on Southport Road near I-65 on Indianapolis' south side. He bought and extensively remodeled the hotel with SBA 504 financing from The Farmers Bank and Indiana Statewide CDC.

The project is Patel's second SBA 504 loan from The Farmers Bank and Indiana Statewide CDC. Patel is a successful owner/operator of several hotels near I-65 between Indianapolis and Chicago. The Southport Road location is convenient to downtown Indianapolis, Greenwood and Indianapolis International Airport.

Kendra Price of The Farmers Bank says, **"Neil is extremely good to deal with. He is well-organized and very knowledgeable. The hotel stayed open during the remodel and turned a profit his first year as owner."**

Price says the 504's low, long-term interest rate and low down payment are attractive to Patel. **"Many borrowers come to us because of those features,"** she says. She adds that the 504 loan's 50 percent loan-to-value ratio is a useful tool for the bank.

Home Care Assistance satisfied its need for on-site training space when it moved into its new headquarters recently near downtown Carmel.

The six-year-old company trains and manages Certified Caregivers, Home Health Assistants and Certified Nurse Aides who provide in-home senior care, says President Michael Rothenberger. **"We were in leased space. Now, we purchased an office condo that has the space we needed to provide face-to-face training that we couldn't before."**

Home Care Assistance bought the building with a SBA 504 loan through Centier Bank and Indiana Statewide CDC. Rothenberger says, **"The low, guaranteed interest rate really helps us."**

Jon Walker of Centier Bank says, **"Home Care Assistance is able to retain more capital which is vital to growth of operations. They also locked in a long-term fixed rate for a portion of the funding. Centier Bank gains a great client relationship with a growing company that actively gives back to the community."**

Home Care Assistance employs about 110 caregivers and five office staff members. Rothenberger says, **"Our aim is to allow our clients to age in place at various levels of need. We do this by providing balanced care that includes emotional, spiritual and social support as well as meeting physical needs."**



Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Home Care Assistance
Carmel, IN

In participation with
Centier Bank
Indianapolis, IN



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Indiana Statewide Certified Development Corp.

First Quarter 2018



Majestic Stone Imports has a productive partnership with MutualBank in Muncie and Indiana Statewide CDC.

Majestic Stone specializes in selling and installing high-quality marble, granite, quartz and other stone materials in homes, restaurants and other commercial facilities in the Midwest. It has accomplished nearly 16,000 projects during its 20-year history.

The company, and its owner, Bob Brown, used SBA 504 financing to purchase and remodel a new corporate home just southeast of downtown Indianapolis. Early in 2018, it finalized a real estate SBA 504 loan to buy a building in Kansas City, Missouri to house regional operations.

Indiana Statewide CDC gained permission from the SBA to issue the 504 loan for a Missouri property because Majestic Stone is an existing Indiana Statewide borrower.

MutualBank's Scott Green says, **"The SBA 504 program has several unique advantages. For example, the 20-year fixed rate component provides Bob Brown with peace of mind as it eliminates the concern over future interest rate fluctuations."**

Green continues, **"The folks at Indiana Statewide are great to work with. They give us a great way to serve our clients."**

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Majestic Stone Imports
Kansas City, MO

In participation with
MutualBank
Muncie, IN



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Indiana Statewide Certified Development Corporation

Permanent fixed-rate equipment financing for

Majestic Stone Imports
Indianapolis, IN

In participation with
MutualBank
Muncie, IN



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As the company has continued to grow they again turned to Indiana Statewide CDC. In a new SBA 504 project, Majestic Stone Owner Bob Brown purchased a major piece of equipment — a stone polisher — for its Indianapolis workshop. This is the company's 4th 504 loan with Indiana Statewide CDC.

Scott Green, VP and senior commercial banker at MutualBank, says, **"The SBA 504 program provides the perfect loan structure by minimizing the down payment requirement from our borrower and allows Majestic Stone Imports to expand without depleting working capital."**



Jeff and Cindy Cregar opened their third Milkhouse in Richmond last autumn with their third SBA 504 loan from First Merchants Bank and Indiana Statewide CDC.

The Milkhouse offers milk, snacks, packaged foods and fountain drinks. Ten people employed at the new Milkhouse bring the total to 30 employees at the three locations. The newest Milkhouse is on Richmond's south side. The Cregars' first two, east and west of downtown, have been big hits in their neighborhoods. Their first one opened in 2009.

Cregar says, **"There is a lot to like about the SBA 504 loan option. Our relatively low interest rate is fixed so there are no worries about the loan payment rising during periods of possible rate increases."**

First Merchants' Lee Elzemeyer says, **"The 504 product also allows the bank to require a smaller down payment, and that helps the borrower preserve capital for other items that come up when opening a new store."**

The latest Milkhouse is a new construction and is larger and has a more contemporary look than the other two that were remodeled, long-vacant, former Miller Milkhouse stores. The Cregars' new Milkhouse even includes space for a corporate office, a first outside their home.

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

The Milkhouse, LLC
Richmond, IN

In participation with
First Merchants Bank
Richmond, IN



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Indiana Community Business Credit Corp.

First Quarter 2018



Nearly five years ago, Blend Cigar Bar with Davidoff Cigars began a successful partnership with Indiana Community Business Credit Corp. Blend has built loyal customer bases beginning in Indianapolis and spreading to Nashville and Pittsburgh allowing Blend to satisfy investors and focus on continued growth.

The Credit Corp again funded Blend in early 2018 to assist owners Mark Holden, Corey Johnson and Kim Arbuckle with expansion and remodeling of Blend's Indianapolis location and a market expansion into Houston. The State Bank of Lizton partnered with the Credit Corp to make its mezzanine pool of investment capital available to Blend for this project.

Holden says, **"Blend is an upscale, luxury cigar bar. We utilize a state-of-the-art ventilation system which changes out 100 percent of the air every six minutes. Both men and women can enjoy a relaxing and sophisticated afternoon or evening at Blend with premium selections of wine, spirits and cigars."**

The Credit Corp. financing is important to Blend's financial structure, Holden says. **"The payment flexibility helps us preserve capital to devote to our expansions. We are in the entertainment industry, and the Credit Corp. and the State Bank of Lizton understands our small, niche business very well."**

Blend Cigar Bar has 40 employees at its three locations in downtown Pittsburgh and Nashville, and on Indianapolis' north side near the Fashion Mall. Blend Cigar Bar was named one of the world's top five cigar bars in 2015. Davidoff is a high-end cigar maker in Geneva, Switzerland.



Indiana Community Business Credit Corporation

Provided Growth Capital For:

BLEND Cigar Bar
Indianapolis, IN

In participation with
State Bank of Lizton
Brownsburg, IN



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Success Story: Pauly Jail Building Company, Inc.

Pauly Jail Building Company of Noblesville dates back to 1856 and has been owned by five generations of the same family. Joseph Pohrer III has been president of Pauly Jail since 1991. After the recession and other factors slowed business, Joe and his brother, Bob, who is CEO, geared up for growth by refinancing its headquarters and accessing working capital through the Indiana Community Business Credit Corporation mezzanine pool and Lake City Bank.

Many county jails the company built are long-gone. But Pauly Jail keeps up with the times by installing the latest detention systems single jail cells or rows of them, gates, walls and processing equipment, plus tables and chairs for common areas for corrections and law enforcement agencies.

Brad Grabow of Lake City Bank says, **"Joe and Bob (Pohrer) were completely dedicated to success as fifth-generation family owners and they had built a strong leadership team. Lake City Bank and the Credit Corp both saw a vital business positioned well in a strong industry that was worthy of our joint financial support. With the company having built four years of financial success during the Credit Corp's involvement, the Credit Corp also offered the company flexibility for an exit that further strengthens its financial future."**

Pauly Jail oversees projects in more than 25 states. In Indiana, recent work involves the Marion County Assessment Center and county jails in St. Joseph, Kosciusko and Elkhart counties.

Success Story: O'Reilly's Holding Company, LLC

Owner Keith Reilly says this about his O'Reilly's Irish Bar & Grill; **"We like to be in the middle of the action."**

His Speedway location is a good example. It's a block from the Indianapolis Motor Speedway and adding 60 employees to Main Street Speedway's souped-up commercial scene. Open just one year, O'Reilly's corned beef, fish and chips and Irish beers fit right in with Speedway's mix of dining, headquarters' for Indy racing teams and an indoor go-cart track.

O'Reilly's has already repaid the Credit Corp for its investment.

The Credit Corp. assisted Reilly with financing from its mezzanine pool of risk capital. Reilly says, **"The Credit Corp. financing is awesome. It's a very good way to finance our expansion,"** says Reilly.

Key locations, a traditional Irish bar menu and an atmosphere where "you can have some fun," help O'Reilly's succeed. Reilly says. The original O'Reilly's in downtown Indianapolis is a half-block north of Banker's Life Fieldhouse.

Downtown Fort Wayne's O'Reilly's overlooks the Fort Wayne TinCaps' baseball field. Greenwood's O'Reilly's is near the Greenwood Park Mall.



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Lynx Capital Corporation
Community Investment Fund of Indiana



First Quarter 2018

**Lynx Capital and CIFI produce for
Evansville's Vidal Plastics**

The shock-absorbing bumper on your new car could have originated near downtown Evansville. Vidal Plastics supplies plastic resin compounds to original equipment manufacturers (OEM) and plastic molders/processors. In turn, those customers provide finished parts and products to dozens of industries.

As the company's success grew, owner Alfonso Vidal sought to buy new equipment so Vidal Plastics could produce virtually all its plastic resins and rely less on outside vendors.

Vidal received a grant from the Indiana Department of Environmental Management to partially fund a new production line. But he still needed significant financing.

Lynx Capital Corporation and the Community Investment Fund of Indiana (CIFI) are providing loans for Vidal to buy and install a single screw extruder compounding production line and a quality control laboratory.

"This is big for us," says Vidal. "Lynx and CIFI are making it possible to buy equipment that will allow our company to manufacture our products. It will improve our delivery time and our quality control."

The new line will produce plastic compounds early in the 2018 second quarter, Vidal says. Vidal's current three employees will be joined by up to seven more in the next several months.

Vidal Plastics is MBE-certified as a resin manufacturer. Further assistance is being provided to Vidal Plastics by the Evansville regional Indiana Small Business Development Center.

Vidal says, **"We could not accomplish this without Lynx and CIFI."**

