



Portfolio News

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

Cambridge Capital
Management Corp.

Second Quarter 2011

Alternative financing and small businesses: made for each other

On any given day, we are in a robust business recovery. Then the recovery drags. One thing is for sure: the economy in 2011 is different than in the last couple of years. We just can't figure out how different it is.

Call it "hopeful uncertainty." In this environment, more small businesses are seeking financing and many banks are looking for ways to increase small business lending. An April survey of senior lenders conducted by the Federal Reserve reported that about 10 percent of banks reported stronger demand for loans to businesses with less than \$50 million in annual revenues. In January, only 5 percent of banks made that claim.

Some banks are expected to access the \$30 billion Federal Small Business Lending Fund. Those that do well have a plan to aggressively grow their small business loan portfolio. Its effect can be even more powerful when combined with the tried-and-true SBA 504 loan program.

SBA 504 loans were the model for alternative business loan programs. They have been available long enough that we may now take the 504's benefits for granted: low down payment for the borrowers, a stable long-term interest rate, and strong collateral position for the bank who only funds 50% of the project cost while the 504 program directly funds the next 40%.

504's are still relevant because they allow banks and other lenders to increase small business lending and still manage their risk. For business owners, SBA 504 loans

offer an excellent way of generating affordable capital.

Here's one example: In an earlier newsletter, we reported the story of Jacqueline and Tom Pelzel. They were having trouble obtaining a small business loan to expand their home health care service in rural Dearborn County. Their banker, Andy Kobs of FCN Bank, researched and found the 504 loans. "Andy made the deal for us," says Jacqueline.

The loan is helping the Pelzel expand the services of Caring First Home Health Care to home bound patients in at least six more rural counties. Tom and Jacqueline are filling a need in geographic areas that are difficult to service. Come to think of it, that also describes the SBA 504 program.

In this newsletter, please read the story of SMI Manufacturing in Newburgh. Hard work by this company made its braking systems for RVs a national brand. SBA 504 financing from Evansville's United Fidelity Bank got SMI into a larger building. Jeff Johnson of United Fidelity says the 504 loan is "fantastic."

With predictions calling for more robust small business lending activity in the second half of 2011, this is a good time for banks to assess the tools they have available to assist growing companies in their communities.

Bankers should strongly consider the SBA 504 program and the Small Business Lending Fund, either by themselves or combined. By the

way, the strongest small business owners are great candidates for these programs. Why shouldn't a bank offer its best borrowers the benefits of low down payments and affordable loans that will help them save more cash to operate their businesses?

If you are a business owner, it's OK to tell your lender that you want a 504 loan for your real estate and equipment needs. A 504 loan can provide borrowers benefits that may not be available through conventional loans. You can use the difference to conserve capital for payroll, inventory or other purchases, and maintain better cash flow.

Affordable financing for growing businesses: it's a "win-win" scenario for lenders and borrowers. Business environments are different in every community: one town's main street can look a lot different than a main street in another city, but the beauty in alternative financing is that it can be customized to fit nearly any situation.

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Tips to Ensure a Successful Loan Closing

The volume in our Loan Closing Department continues to be strong and active. If you have an approved project that is nearing completion, please give us a call to begin working towards the closing of the SBA loan.

Our objective is to make this process as easy as possible. When preparing for closing we will provide a specific list of items needed to close and fund the SBA loan. Most of what we ask for is dictated by the Loan Authorization received from SBA at the time of approval.

The SBA loans close and fund on a set schedule. The loan will fund approximately 45 days after we sign documents at closing. Along with our closing checklist, we will provide a list of upcoming closing/funding dates to make planning and scheduling most convenient.

The following are a few suggestions and/or helpful hints which

will help the closing process run more efficiently:

- If the Loan Authorization requires life insurance, a copy of the policy will be required well in advance of closing. If needed, a new policy should be ordered as soon as possible, once loan approval is received.
- The hazard insurance must designate ISCDC/SBA as "mortgagee" and/or "loss payee", as appropriate.
- For a construction project, we will typically need final lien waivers from the general contractor and a minimum standard as built survey. These items should be provided to both our office and the title company in order to have the general exceptions deleted from the final loan policy.

- For a construction project, ask the title company to add ISCDC/SBA as additional insured on the original policy so it will be easier to break it into two policies for the permanent financing.
- Keep our office informed of any major changes to the project that might require us to adjust project costs or loan amounts; revise information; or change requirements.

Even though we typically close at a title company, we will close the loan when and where it is most convenient for everyone.

As always, we are available if you have any questions. **Please ask for Attorney, Amy Thurmond at (317) 844-9810 ext. 127 or Rita Hutcheson, Closing Specialist at ext. 121.**

Deposit Program Incentive Update

Indiana Statewide CDC's Deposit Program Incentive is entering the home stretch. The finish line is September 30, 2011. Therefore Lenders, you have three months to submit your loan to us for SBA approval.

This will be the fourth year that the special "thank you" has been offered to financial institutions for their utilization of the 504 program.

Each year we open a \$100,000 deposit account with the five institutions that generated the greatest dollar volume of loans.

This is a formal way to recognize the positive difference you are making in your local economy. This is a one year commitment. To keep this deposit past one year you must remain in the top five the following year.

It's not too late. Submit your loans today!



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

Effective Interest Rate

2011	10-yr.	20-yr.
April	—	5.900
May	4.592	5.639
June	—	5.521

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SBA 504 financing was the financing of choice for Dr. Segun Rasaki when he expanded his two-decades-old practice in Indianapolis.

Zions First National Bank and the Indiana Statewide CDC provided the SBA 504 loan so Dr. Rasaki could purchase new equipment and remodel his office on the mid-north side.

Christopher Call of Zions Bank says, **“Dr. Rasaki’s practice involves many long-time patients as well as immigrants to the U.S. seeking their first health-care experience in this country. He is dedicated to his patients, and the SBA 504 loan made it possible for him to expand while maintaining operating capital for training his staff and running the business.**

“It’s always a pleasure to work with Indiana Statewide CDC.”

As a result of the loan, the Dr. Rasaki’s practice looks forward to the addition of three more employees.

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Segun Rasaki, MD, LLC

Indianapolis

In participation with

Zions First National Bank

Salt Lake City, UT



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Indiana Statewide Certified Development Corporation

Permanent fixed-rate equipment financing for

Ben’s Quarry, LLC

Springville

In participation with

German American Bank

Bloomington



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Limestone is one of Indiana’s great natural assets. Indiana Limestone is in the Washington Monument, Empire State Building and the Pentagon.

When Ben Ingram of Bloomington saw the opportunity to buy a quarry near Springville in Monroe County, SBA 504 financing was there to help.

Mark Franklin of German American Bank in Bloomington came to the Indiana Statewide CDC to arrange the loan, and Ingram purchased his quarry and equipment.

Franklin says, **“Ben is a very hard worker who has been successful in other businesses. The SBA 504 program was perfect for him because of the specialized nature of the quarry equipment such as rock crushers, screeners and haulers.”**

“And, the SBA was able to meet a pretty aggressive time line so Ben could take over and run the quarry without it ceasing operations,” Franklin says.

Jim Sharp began Magnum Express in 1997 to transport full truck loads of inventory for big-box customers such as Lowes and Dick’s Sporting Goods. As Magnum Express grew, Sharp and CEO Rodney Graham realized that their customers needed more. Sharp says, **“Even though Magnum Express serves a 500 mile radius of Indianapolis, an area that encompasses 70% of the US population, our customers needed help moving and managing freight throughout the continental US.”** As a result, Sharp and Graham started Magnum Logistics in 1999 to provide a broader array of supply chain services.

Sharp says, **“We can provide the transportation and distribution for any kind of product, from household appliances to volleyballs to dried fruit snacks.”**

When Magnum needed more convenient quarters, it obtained SBA 504 financing from Marine Bank and the Indiana Statewide CDC to buy land and build a new headquarters west of Indianapolis International Airport.

“It’s a terrific location,” says Sharp. **“We have easy access to intermodal rail ramps, the Indianapolis International Airport’s air cargo hub, the ports of Indiana, and the interstate highway system.”**

Sharp says, **“This 504 loan put our business in a good long-term strategic position and made it easier for the bank to finance us.”**

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Magnum Express, Inc.

Plainfield

In participation with

CIB Marine Bank

Indianapolis



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Indiana Statewide Certified Development Corporation

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SMI Manufacturing is building a going business by making things stop. Peter Schuck's father, John, invented a better braking system for his RV in 1997 and started a company to build it. Peter, now the president of the company, has grown the company into a national brand. **"We have a unique product and it has a phenomenal reputation,"** says Peter.

SMI Manufacturing's major products -- Air Force One and Stay-In-Play DUO -- are attached to towed vehicles such as RVs and trailers. The big advantage of systems produced by SMI, says Schuck, is that they use a vacuum to allow the car's own power brakes to stop both the coach and towed vehicle with only a small amount of pedal pressure.

After occupying two sites in Newburgh, a small town east of Evansville, SMI needed a larger place for assembly and other work. United Fidelity Bank and Indiana Statewide CDC provided SBA 504 financing to Schuck to purchase a larger building. Nine employees work in the new location.

Jeff Johnson of United Fidelity says, **"The loan is fantastic. It did just what Peter needed."**

Schuck says, **"As a small business, we spend money just as fast as it comes in. The 504 loan allowed us to get into a larger building and make it affordable."**

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

SMI RV Parts and Accessories, Inc.

Newburgh

In participation with
United Fidelity Bank

Evansville



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Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage & equipment financing for

Taco Bell

Hobart

In participation with
1st Source Bank

Plymouth



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You can work up an appetite driving busy US 6 in Hobart. A familiar Taco Bell sign up ahead looks good. The Opperman Group took care of Mexican-themed cravings in the area by opening a Taco Bell eatery last year.

Brothers Eric and Karl Opperman and their father, Gilbert, operate the Opperman Group of businesses that includes restaurants and hotels. 1st Source Bank and the Indiana Statewide CDC provided a loan from the SBA 504 program to assist the Opperman group in buying real estate and equipment and building the Taco Bell.

Brad Bucher of 1st Source is a veteran SBA 504 lender. **"It's a great value for the borrower and helps us participate in more projects,"** Bucher says.

The Taco Bell employs about 15 people, providing good career opportunities as well as entry-level part-time employment.

Scott Giddings is taking a proven business formula and making the most of it, delighting patrons and some 70 or so employees.

Giddings owns and operates Subway restaurants in northern Indiana. He recently obtained SBA 504 financing from Old National Bank and Indiana Statewide CDC to open his seventh Subway, located in Wakarusa.

For his latest project, Giddings purchased land and built a stand-alone building in a new commercial strip along Indiana SR 19 on the north side of Wakarusa.

Jason Taeye of Old National says, **"The low equity contribution from the borrower and long-term fixed rate allowed him to retain capital for the continued growth of the business. That's one of the good features of the SBA 504 program."**

Giddings says, **"The 504 financing works well for me, and the turn-around time was better than I expected."**

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Subway

Wakarusa

In participation with
Old National Bank

Mishawaka



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Mark Didier grew up in his family's hardware business in Versailles, Ohio. In 2005, he decided to open his own store and purchased an existing business in Union City, Indiana. He and his wife Deb proudly put their own name on the store and affiliated with the Do It Best buying cooperative. Didier Hardware was open for business!

"I took the plunge and our store is gaining in sales ever since," Didier says. This year, he completed the purchase by buying the land and building housing Didier Hardware. Old National Bank and Indiana Statewide CDC arranged for SBA 504 financing.

Marc Edwards of Old National says, **"The 504 loan was a good fit as it helped us to go to a higher loan-to-value on the real estate so Mark could utilize more capital in the business."**

Didier says, **"The 504 loan allowed me to complete my purchase with a much lower down payment than I otherwise would have had."**

Didier Hardware has four full-time and three part-time employees. They stock the traditional tools, pipes electrical wiring, paint, plants and mulch, and also lifestyle amenities such as lawn furniture and decorative lighting.

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Didier Hardware Union City

In participation with
Old National Bank
Portland



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Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Vision Financial Group, Inc. Seymour

In participation with
Indiana Bank & Trust Company
Seymour



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Vision Financial Group helps clients plan their futures. Trina Tracy started the firm in 1993 by renting an office from a CPA in Seymour. As Tracy grew her company, she moved to two other locations. Last fall Vision Financial Group broke ground on its own building and recently moved into its new office, constructed with SBA 504 financing from Indiana Bank & Trust and Indiana Statewide CDC.

"Thanks to the SBA program," Tracy says, **"I qualified for a lower interest rate on part of the loan package than the commercial rates the bank was able to offer and was also able to make a 10 percent down payment instead of 20 percent down."**

She says Ray Eakins of Indiana Bank & Trust coordinated everything and Indiana Statewide CDC explained everything and were easy to work with. Today, Vision Financial Group -- consisting of Trina, Deb Reinhart, Beth Veatch and Pam Eakins -- offers financial advice and investment and insurance products such as stocks, bonds, mutual funds, and life insurance.

Tracy says, **"We help our clients achieve the peace of mind that goes along with a life well planned."**

The Drury Family Funeral Home in Lebanon already seems like a local fixture. Matthew and Elizabeth Drury grew up in Lebanon, worked in the funeral industry elsewhere and returned home to establish their business.

The Drurys and another partner purchased a former furniture store and converted it into a modern, 14,000 square-foot funeral home.

That was in 2008. Recently, the Drurys completed their purchase of the entire business by turning for a second time to the SBA 504 loan program. Bloomfield State Bank and the Indiana Statewide CDC provided financing.

"Thanks to our original business partners, the SBA, our banks and the Indiana Statewide CDC, my dream is coming true," says Drury.

Brad Barkley of Bloomfield State Bank says, **"Matt's experience and passion, his modern, state-of-the-art funeral home, and the great loan-to-value feature of the 504 loan, made this a project we are happy to be involved in."**

Drury add, **"Our motto is, 'A modern concept of service with traditional values.' Our emphasis is on the life this person lived,"** says Drury.

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Drury Family Funeral Services, LLC Lebanon

In participation with
Bloomfield State Bank
Indianapolis



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Indiana Statewide Certified Development Corporation

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Scott and Mindy Smith obtained SBA 504 financing from JPMorgan Chase Bank and the Indiana Statewide CDC to open their second Primrose School last fall.

Like their first school in Fishers, their Carmel Primrose School offers education for infants from six weeks old to 5-year-olds.

The Smiths opened their first school after moving to central Indiana from Colorado where their son had been enrolled in a Primrose School.

Having both attained advanced degrees themselves, the Smiths recognized the need for enriched programs balancing education with care.

Mindy Smith operated the Fishers school while Scott continued a job with a local company. But he joined the Primrose staff full-time when the couple opened their Carmel location.

Michelle Marietta of Chase Bank arranged the 504 financing with Indiana Statewide CDC. **“The 504 loan’s excellent features are a perfect match for the Smiths and their Primrose School,”** she says.

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage & equipment financing for

Primrose

Carmel

In participation with

JPMorgan Chase Bank

Indianapolis



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Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage & equipment financing for

Hoosier Mart Phillips 66

Indianapolis

In participation with

Wayne Bank & Trust Company

Richmond



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Gas station/convenience stores not only keep us going on the road, they provide jobs. Manjit “Manny” Singh has created more than 15 jobs by opening two Hoosier Marts in Indianapolis with the assistance of SBA 504 loans from Wayne Bank & Trust Company in Richmond and the Indiana Statewide CDC.

Singh’s latest Hoosier Mart opened one year ago at 38th & Mitthoeffer Road, a busy intersection on Indianapolis’ east side. Eight people are employed at the Hoosier Mart.

“I think the SBA 504 is a good program for gas stations,” Singh says. **“There is no other opportunity for small businesses like ours outside the 504 program.”**

Dennis King of Wayne Bank and Trust says, **“504 loans really work for entrepreneurs such as Manny. They are essential for a growing business and offer a level of security for Wayne Bank & Trust.”**

From 1979 until they sold the store to Jim Arnold in the 1990s, Louise and Carol Kahn established Kahn’s Fine Wine & Spirits as a regional name for service and selection.

Recently, Jim and Cheryl Arnold took Kahn’s downtown. The National Bank of Indianapolis and Indiana Statewide CDC provided SBA 504 financing so the Arnolds could buy John’s Fine Wines and renovate the 1892 building in which it is located, including a basement wine cellar resembling the bank vault it once was. The location, on Pennsylvania Street just north of Washington, is now Kahn’s Fine Wine & Spirits Downtown.

The Arnolds also used SBA 504 financing to build a new signature Kahn’s on North Keystone and remodel a former supermarket for a Kahn’s on the north-west side.

Andrew Thornton of the National Bank of Indianapolis says, **“Using the SBA 504 financing with the Indiana Statewide CDC was a great experience for the Arnolds and me.”**

Jim Arnold says, **“The Indiana Statewide CDC, National Bank of Indianapolis and the SBA approached our loans with care and concern for our needs.”**

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Kahn’s Fine Wines Downtown

Indianapolis

In participation with

The National Bank of Indianapolis

Indianapolis



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Indiana Community Business Credit Corporation

Second Quarter 2011



A rebounding economy helped Crossroads Vintners achieve 30 percent growth in 2010 and the company expects to grow at a similar rate this year.

Bill Kennedy and Nolan Smith started Crossroad in 2005. The company, located on the northwest side of Indianapolis, grew steadily until 2009 when growth slumped, but did not disappear entirely. But the down year left Crossroads short of cash to fund current growth.

Kennedy and Smith worked with Travis Caulk of First Merchants Bank and the Indiana Community Business Credit Corporation to secure financing. Smith says, **“The Credit Corp. is key to our funding some of the growth we are experiencing.”** Crossroads has hired one employee so far this year, bringing the total to 13.

Smith says Crossroads fits a middle-sized niche among wholesalers and distributors of fine wines and spirits. It serves restaurants and retail stores, providing hard-to-find brands. Crossroads maintains relationships with U.S. wineries and distillers, and importers of wines and spirits from Argentina, Chile, South Africa, Europe and many other locations.

“We want to stay small, but keep growing,” says Smith. He notes the contradictory nature of the sentence, but says the company wants to focus on service to its educated clientele. Crossroads customers are concentrated in central Indiana but are located in many parts of Indiana.

Caulk says, **“Crossroads does a great job of growing while keeping expenses in line. They are a great fit for our bank and working with the Credit Corp. is a pleasure.”**

Indiana Community Business Credit Corporation

Growth Capital for

Crossroads Vintners

Indianapolis

In participation with

First Merchants Bank

Plainfield



ICBCC managed by:
Cambridge Capital Management Corp.

Indiana Community Business Credit Corporation

Growth Capital for

Enterprise Electrical & Mechanical

Indianapolis

In participation with

Stock Yards Bank

Indianapolis



ICBCC managed by:
Cambridge Capital Management Corp.

A loan from the Indiana Community Business Credit Corporation that was “really important” to Enterprise Electrical & Mechanical, helped the company increase its financial capacity to take on more work.

Enterprise built its business through consistent, high-quality work. Enterprise designs and builds heating, ventilation and air-conditioning, plumbing and electrical systems for commercial buildings. As a full-service sub-contractor, with 175 employees, Enterprise participates in projects across North America.

Owner Charles Mandrell arranged SBA 504 financing with the Indiana Statewide CDC to purchase the assets of a predecessor company to establish Enterprise. The company has experienced steady growth for eight years. This year, Enterprise continued its expansion with financing from the Credit Corp.

Stock Yards Bank (a new Credit Corp. member) and the Credit Corp. worked together to provide working capital and debt consolidation for the company.

Enterprise General Counsel Thomas P. Dakich says **“The Credit Corp. is really, really important to us. It shifted our short-term debt into long term debt so we could increase our capacity. Indiana is lucky to have the Credit Corp.”**

Scott Dvornik of Stock Yards Bank says, **“Enterprise is a visionary company. We are happy to work with the Credit Corp. to help connect them with the capital they needed.”**

ICBCC Annual Meeting Update

Mike Newbold, market president of Huntington Bank, is the new president of the board of the Indiana Community Business Credit Corp. Newbold was elected at the Credit Corp. annual meeting in Indianapolis.

Kevin Smith, vice president and credit officer of KeyBank was re-elected as board vice president and treasurer. Jean Wojtowicz, president of Cambridge Capital Management Corp., was re-elected as secretary of the board.

Three others were elected to three-year terms, expiring in 2014, on the 12-member board. They are:

- Richard Barbercheck, senior vice president, First Financial Bancorp
- Nancy Huber, market president, Fifth Third Bank
- Steve McGlothlin, executive vice president, Old National Bank

The Credit Corp. manages a pool of risk capital that currently contains \$30.7 million provided by 33 Indiana banks that are members of the Credit Corp.

Check out our website at www.cambridgecapitalmgmt.com

Lynx Capital Corporation

Second Quarter 2011



HG Metals

A curving steel staircase is the showpiece of Taylor University's new Greg and Mary Fran Euler Science Complex, set to open next year.

The staircase -- with accompanying standard stairs, handrails and guardrails -- is the latest high-profile project for HG Metals, an eastside Indianapolis metal fabricator and a member of the Lynx Capital Corporation portfolio.

The Lynx investment came at a crucial moment for Gardner and her employees. HG Metals needed working capital to produce work for customers while recovering from a slow 2009. The alternative was to close and throw a dozen people out of work. Gardner says, "**We were touch-and-go when the recession hit. Without Lynx we might not be in business today. But Lynx is our lifeline and we appreciate it.**"

It would be a big loss for central Indiana if HG Metals were no longer in business. The company's work ranges from steel beams to metal sculptures and it is becoming more visible. Besides Taylor University's signature staircase, HG has fabricated and installed a quarter-mile of guardrails at Indianapolis International Airport, the cornice for the Carmel Lofts & Shoppes, and the entrance to White River State Park.



Picture at right of showpiece staircase at Taylor University in Upland, Indiana.

The staircase was fabricated by HG Metals, borrower of Lynx Capital Corporation.

Cambridge Capital Management Corp.

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