



Portfolio News

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

Cambridge Capital
Management Corp.

Second Quarter 2013

Bankers: Get Ready for Small Business Loan Requests

Did you know that about 22,000 of Indiana's smallest businesses may apply for a loan this year? This conclusion is based on new statistics released by Bank of America. The findings reveal that 19% of U.S. small business owners will go to their bank for a loan. Indiana has about 113,000 businesses with fewer than 500 employees; if 19% seek a loan, 22,000 small businesses will be in the market for financing from Indiana lenders.

The Bank of America Small Biz Spring 2013 report contains several other interesting items: 67% of small business owners say they have enough access to capital right now (note that this is two-thirds and the key phrase is "right now.") Could these businesses be in the market for new loans next year or the year after if their businesses do well? Are the remaining 33% of small businesses hampered by their lack of access to capital markets for alternative capital? For example an alternative to conventional lending is working with Indiana Statewide CDC to access the SBA 504 program. Indiana Community Business Credit Corp can provide capital from a mezzanine fund put together by 30 Indiana banks. Another example, Lynx Capital

Corporation can be part of the financing solution for companies owned by a minority. And Cambridge Ventures is always looking for companies with strong management teams that need growth capital.

As the 2nd quarter of 2013 reaches an end, these are important issues to contemplate. For lenders of alternative capital, this is the time to be reaching out to business owners who need access to funds for capital and growth.

The importance of lenders to be ready to provide small business financing cannot be overstated. As you know, small business owners tend to be risk-takers who invest their capital and time to build something new. They are visionaries who identify solutions to perceived needs, creating local jobs as a result.

Small business owners are often local people who are deeply invested in the community outside of their business. NFIB-Indiana posted a national study on its website reporting that small business owners invest an average of \$6,600 per year in time, in-kind or direct cash contributions to their communities. (Adding up to \$40 billion annually across the country.) So,

lending to small businesses allows your bank to increase its stake in your hometown.

You will read stories in this newsletter about people who are taking business risks in small towns such as Westport and New Point; in urban neighborhoods of Indianapolis; and who compete against far larger companies for contracts with major corporate clients.

Small business expansions depend on many things: the overall economy, the success of marketing in finding new customers, investing in new equipment at the right time (when there are enough orders to keep the machines busy and trained employees to run them) and maintaining expertise (or creating new products) in the small businesses' particular industry.

You can see why running a small business is not for the faint of heart. Fortunately, those 22,000 Indiana small business owners who may look for financial help can access a variety of programs to fuel their companies. Your bank is likely their front door to a world of financing that may be unknown to them.



LYNX Corp. borrowers and board members gathered at the annual meeting and reception. Among them were Gene and Cynthia Gardner of HG Metals in Indianapolis, Lynx board chairman Bill Mays of Mays Chemical and Lynx board member Dobbie Smith of Perfect Impressions Printing.

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Second Quarter 2013



Billman Kegley Enterprises, LLC (the holding company for Billman Trucking, Inc. and Tommy's Diesel Shop, Inc.) is owned by Jerome Billman and Ryan Kegley. They recently moved into a new and larger building in New Point, within sight of I-74 in eastern Decatur County. The Friendship State Bank and Indiana Statewide CDC helped with SBA 504 financing.

Billman founded Billman Trucking with one truck in 1982. The company now employs more than 40 people hauling general freight including metal, motor vehicles, machinery, farm equipment, logs, paper products and beverages.

Tommy's Diesel Shop's eight employees repair trucks and trailers and perform 24-hour road service and towing. Tom Tellas formed the company in 1972. Billman, a longtime friend, purchased it when Tellas died in 1998.

Billman says, **"I was impressed by the attention to detail and follow-through from Indiana Statewide CDC and The Friendship State Bank. The 504 loan is great for my business."**

Jeff Dougan of The Friendship State Bank says, **"This is a great project for Mr. Billman, our bank and Indiana Statewide CDC. This new facility allows Billman and his employees to accept additional business that they had to turn away before."**

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Billman Trucking New Point

In participation with
The Friendship State Bank
Friendship



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Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Xtreme ADS Limited Anderson

In participation with
STAR Financial Bank
Anderson



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When a company makes something people call "lightning in a briefcase," that's dramatic. Xtreme Alternative Defense Systems (Xtreme ADS) invents and manufactures protection devices such as a green laser that temporarily blinds a target. Customers include every branch of the U.S. military, the departments of State and Homeland Security and large private companies.

Xtreme ADS added capacity to its 80,000 square-foot building in the Anderson Innovation Center with SBA 504 financing from STAR Financial Bank and Indiana Statewide CDC.

Owner Pete Bitar says, **"The 504 loan had two advantages: The term was set at 20 years, longer than with a conventional commercial mortgage loan. And, the interest rate was about 1 full point lower than the bank's standard commercial mortgage rate. These two things mean that the loan payment can be covered by our sublease of about 25 percent of our total space."**

Lori Alexander of STAR Financial Bank says, **"Xtreme ADS is an exciting company, and the SBA 504 loan perfectly fits its needs."**

Bitar says he founded his company to **"make a difference with directed energy solutions that make the world a better and safer place."**

The Washington Post was enthusiastic: "Lightning guns, heat rays, weapons that can make you hear the voice of God. This is what happens when the war on terror meets the entrepreneurial spirit."



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

Effective Interest Rate

2013	10-yr.	20-yr.
April	—	4.16
May	3.61	4.15
June	—	4.53

Indiana Statewide Certified Development Corp.

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Ad-Vision Graphics' work is visible almost everywhere in the southwest Indiana tri-state area, from athletic uniforms to church bulletins.

Greg Gray started Ad-Vision Graphics more than 20 years ago and this year, for the first time, is moving into a company-owned building to accommodate higher-technology equipment and more employees. First Bank of Evansville and Indiana Statewide CDC are providing SBA 504 financing for construction of Ad-Vision's new building.

Gray says, **"Our new building allows us to do more. For example, we bought laser cutting equipment, which we simply didn't have room for before. Our workers love the new building and our clients love the work that comes from it."**

Gray says, **"I like the SBA 504 program because of the long-term, fixed interest rate and low down payment."**

Don Price of First Bank says, **"The SBA 504 program is a key building block for many small companies."**

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Ad-Vision Graphics Evansville

In participation with
First Bank
Evansville



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Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Keystone Food Mart Indianapolis

In participation with
Wayne Bank & Trust Co.
Richmond



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Kameljit Kaur and her family renamed and upgraded the gas station and convenience store at South Keystone and East Troy avenues in Indianapolis, when they purchased it with SBA 504 funding from Wayne Bank and Trust and Indiana Statewide CDC. The location is now known as Keystone Food Mart and rebranded as a Marathon gas station.

Dennis King of Wayne Bank and Trust says, **"Kameljit brought a better look to that intersection, and, as a result, more customers have been stopping in."**

Kaur says, **"The SBA 504 loan is very good,"** she says.

About ten employees staff the Keystone Food Mart Marathon. Kaur operates another gas station and convenience store about a mile further east.

The opening of ECS Fasteners was a welcome event in Westport. Residents and business people in the Decatur County town had seen more jobs move away than were added to the local economy in recent years.

Michael Conrad -- a veteran engineer with Stanley Black & Decker -- and two other business partners, opened ECS Fasteners to manufacture pallet nails for the pallet manufacturing industry.

Napoleon State Bank's Joe Moorman and Indiana Statewide CDC provided SBA 504 financing for ECS to lease a building in Westport and buy equipment.

Conrad says, **"The SBA 504's low down payment and fixed, long term rate are good for us. We had a long start-up period because our equipment was imported from Denmark, and that stretched our opening into this year and not last."**

Moorman says, **"The 504 loan made it easier for our bank to help. We are happy to be involved because ECS is a good company and the area needs the jobs."**

Indiana Statewide Certified Development Corporation

Permanent fixed-rate equipment financing for

ECS Fasteners Westport

In participation with
Napoleon State Bank
Greensburg



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Michael Ruben's career success began as a 15-year-old busboy at International House of Pancakes in Phoenix, Arizona. More than 20 years later, he owns 15 IHOP restaurants in Indiana and Illinois -- growing his business along with the popular chain.

Ruben opened the IHOP just off I-74 in Brownsburg last summer with SBA 504 financing from First Merchants Bank and the Indiana Statewide CDC. About 45 employees dish out breakfast anytime as well as the lunch and dinner items that are also IHOP mainstays.

Both Ruben and First Merchant's Joe Cavacini have used the SBA 504 program several times. Cavacini says, **"I've gotten to know the individuals at Indiana Statewide CDC very well over the past six years. They make the process work smoothly for the borrower and the bank. Several of my borrowers have complimented me on how easy it is."**

Ruben says, **"The 504 program is great. Placing only ten percent down and receiving a low fixed rate for 20 years allows us to own our own properties. We can amortize the purchase over 20 years rather than the standard 15. I'm very grateful for the 504 program."**

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Brownsburg IHOP

Brownsburg

In participation with

First Merchants Bank

Wabash



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Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Nottingham Realty Group & Foundry Provisions

Indianapolis

In participation with

First Bank Richmond

Richmond



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Foundry Provisions, a new cafe, serves locally-sourced light meals and coffee in a historic Indianapolis neighborhood. It's next door to Nottingham Realty Group. Together, the businesses are in buildings whose history includes a working metal shop, car factory and gas station.

Brothers Mark and Josh Nottingham own the development: they bought and refurbished both buildings with SBA 504 financing from First Bank Richmond NA and Indiana Statewide CDC. New Markets Tax Credits from the Indianapolis arm of the Local Initiatives Support Corporation also assisted.

Jean Wojtowicz of the Indiana Statewide CDC says, **"There are several moving parts in this project, and they came together beautifully."**

"Our interest rate is very, very good," says Mark Nottingham. **"The low rate is important to us because we needed to apply as much money as possible on restoring the buildings. These old buildings were structurally sound but we had to catch up with 20 years of maintenance that hadn't been done when they were vacant."**

The flexibility of the 504 program helped make the deal, says Craig Lichtenberger of First Bank Richmond. **"Older buildings are more challenging than new ones."**

Nottingham Realty Group and Foundry Provisions dramatically rejuvenate the intersection of 16th & Alabama, a mix of commercial buildings and Victorian homes dating to the Civil War in Indianapolis' once-elegant Herron-Morton neighborhood.



New Fundings

Newton's Laws Of Transportation

Isaac Newton never rode a bus. But the English physicist's three laws of motion (an object at rest remains at rest unless acted upon by a force, etc.) inspired over 300 years of innovation creating cars, planes, rockets...and passenger buses in which Newton's Laws of Transportation give customers a ride.

Christopher and James Newton founded Newton's Laws of Transportation in 2009 in Indianapolis; their buses carry groups including youth hockey teams, corporate officials and the Wabash College Asian Studies program. They go basically **"anywhere customers want to go,"** says James Newton. In 2012, the bus company reached a fork in the road. **"We had to go on as we were or seek financial assistance to grow,"** Newton says. The company chose the latter. Indiana Community Business Credit Corporation and First Merchants Bank provided financing from the Credit Corp. risk capital pool.

"We purchased new buses," says Newton. **"We painted existing buses and added wi-fi and other improvements."** Newton's fleet is up to six buses, from 34 seats (with tables and counters) to 57. Eight drivers and three other employees work for the company.

John Skelton of First Merchants says, **"The Newton brothers provide excellent service to their clients. The Credit Corp. funding is a good investment all the way around."**



d2p



The story of Rebecca Denison Schultz's company, d2p, is one of steady growth. The Indianapolis-based commercial interior designer started small, but gained contracts in recent years with Indiana University Health, Cummins Engine, Purdue, IU, Butler and the National Guard.

d2p now employs 21 people; designers, space planners and project managers. Kimball Office named d2p a Select Dealer. Revenue rose to around \$13 million in 2012. Shultz says hard work and the right partners created the company's success.

The Indiana Community Business Credit Corp's pool of risk capital and First Merchants Bank provided a financial package that picks up where earlier funding from the Lynx Capital Corporation leaves off. First Merchants is one of 30 contributors to the Credit Corp. pool.

Schultz says, **"Now the Credit Corp. gives us a bridge to conventional financing. Overall, Lynx and the Credit Corp. contributed greatly to d2p's financial and management stability."**

Success Story: Hubbard & Cravens

Hubbard & Cravens Coffee opened a roasting plant in an Indianapolis neighborhood in 1991 and distributes fine coffee and tea to hotels, offices and supermarkets. Loyal customers get their java jolts at H&C's three neighborhood coffee shops and four in IU Health hospitals. An eighth shop opens this autumn downtown.

The financial challenge for Hubbard & Cravens include: keeping intact long supply lines stretching to coffee producing regions in Latin America and Africa; taking advantage of a good local growth opportunity; and competing against larger companies.

The Indiana Community Business Credit Corporation stepped in with financing from its risk capital pool.

H&C CFO Erni Mann says, **"The Credit Corp. allowed us to bridge subordinated debt with traditional bank financing, helping us get a more favorable overall cost of debt."** The financing allowed Hubbard & Cravens to secure better vendor contracts.

Though Hubbard & Cravens will remain smaller than giants such as Starbucks, H&C's influence reaches nationally. Over 90 percent of its wholesale roasting ships outside Indiana-great output from H&C's 200 employees.

With successful Credit Corp. financing and repayment -- and previous Lynx Capital funding of H&C's distribution arm, HCO2 -- Hubbard & Cravens received the financial caffeine it needed to solidify growth and competitiveness.



Cambridge Capital Management Corp.
4181 E. 96th St. . Ste. 200 . Indianapolis . IN . 46240
317/843-9704
www.cambridgecapitalmgmt.com

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Cambridge Ventures LP

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New Funding: LiveLink

Forty-six percent of American adults own a smartphone, and the number is sure to rise. It's a huge potential market, and the folks who founded LiveLink in Indianapolis figure they have the products that many in that growing group will want to hold in the palm of their hand.

LiveLink designs and builds apps for smartphones. Known until recently as Boost Media Entertainment, the company adopted the LiveLink name to reflect the key attribute of it's all-in-one mobile app platform -- a live link -- connecting businesses in real time to thousands of customers.

Among hundreds of apps developed by LiveLink: titles include MyStation app (gives you two-way contact with radio stations like WTTS and KBEAR 104.1); Mobile Restaurant; RaceTrack app (such as the Indianapolis Motor Speedway and the Atlanta Motor Speedway); and Racer app (so drivers such as Tony Stewart and James Hinchcliff can contact fans).

LiveLink CEO Jason Zickler says, **“As of 2012, Apple’s iTune’s App Store was driving 46 million app downloads per day. People use apps to check their email, review their stock options, check out movie show times, and even book a reservation at their favorite restaurant. We want to be where people are going, and we want to help you get there too.”**

LiveLink’s upside (1300 percent revenue growth from mobile apps in its second year) and management skill attracted an investment from Cambridge Ventures L.P., a small business development company that provides \$100,000 to \$1 million to promising firms.

Jean Wojtowicz of Cambridge Ventures says, **“LiveLink is getting traction in an interesting market with tremendous growth potential. It also has a strong management team that should be able to realize that potential.”**

LiveLink used the investment and other financing to launch its all-in-one app and add to its ten-person staff.

Zickler says, **“Where websites have taken us over the past decade, apps will take us over the next decade.”**

