



Portfolio News

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

Cambridge Capital
Management Corp.

Third Quarter 2013

Don't Forget Old Tactics To Build New Business

How do you divide your work day? Do you spend a few hours a week trying to drum up new business? Here's an idea: start by revisiting proven tactics that have been successful for you in the past.

Setting goals, calling on existing clients to expand their resources and diversification of client bases may seem like obvious solutions to this age old problem of filling your project pipeline and utilizing available resources.

How do you find new prospects in this increasingly competitive market? We find the investment in new business is becoming key to maintaining a robust portfolio. Developing these new relationships will not only allow your client to benefit from new credit options available, this will expand your institution's portfolio and improve and support the local community.

Another key to expanding relationships: don't be afraid to ask for referrals. Let's say you have enjoyed a good-standing, long term relationship with successful client and the owners are involved in the local business community. This client,

who you have helped become a "superstar borrower", will be happy to open the door for you to other possible clients, and small business owners. The key is, never be afraid to ask. Sit down with them for a few minutes, perhaps they could give you their perspective on the local business climate and suggest other business owners you could call. You can learn from their real life point-of-views.

Perhaps the most valuable resource to you is your reputation. This along with a willingness to help and be creative for your clients, will create confidence and enthusiasm that your clients will share with their peers. As well, your clients may be in a position to mentor other business owners, who have no knowledge of the variety of banking services you provide. If your client is confident in you, they can help explain the access to capital you have provided, and help new clients overcome the fear of taking the important first step of approaching your bank for financing.

The best way to get rolling? Go talk with them. Face time is an old tactic that remains most effective.

Mike Newbold, president of the Indiana market of Huntington National Bank, says, "**There is no substitute for pounding the pavement looking for customers.**"

Your competitors are just down the street. They are also across the country, and they use e-mail and social media to establish ties, just as you do.

You cannot outnumber your competitors, but nothing beats in-person contact with present clients and word of mouth and personal advertising to potential future business borrowers.

If you're interested in keeping pace with the latest in alternative lending resources, that's our job, and we would love to talk with you. Please call (317) 843-9704.

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Prepays May Seem Attractive, But They May Not Be Worth It

Borrowers constantly tell us that they are grateful to obtain a fixed, long-term rate with their SBA 504 loan. It's a sound decision for them to lock in a fixed rate for 20 years for real estate and 10 years for equipment. Many small business owners even say that they couldn't have expanded or purchased new property without their 504 loan. For some, their 504 loan enables them to stay in business.

But the success of the SBA 504 program is creating a problem. Your borrowers may now be getting calls from other lenders offering attractive teaser rates to refinance their debt. Perhaps you have even mentioned prepayment to a borrower. Beware the hidden drawbacks to prepayment that may not make it worthwhile for a borrower to exit the 504 program prematurely.

It will be important for your borrower to question what he or she is really being offered. The attractive

teaser rate may be a floating rate or a fixed rate good for only a few years. What shape will the business be in when the floating rate is scheduled to be readjusted?

And, if your borrower plans to sell the company during the life of the loan, you should remind them that 504 loans can be assumed by the new business owner (assuming they are credit worthy). That's a great selling point for the borrower, because it lets a potential new owner know that they may be able to step into the fixed rate that is already attached to the business. (And the owner avoids a prepayment penalty.)

Bankers who offer SBA 504 loans to their small business borrowers always explain the benefits of the program: it's a good idea to remind borrowers -- and yourself -- that prepaying a 504 loan may not be the best strategy for continued progress.

The Indiana Statewide CDC board continued its annual custom of holding its summer meeting at a borrower's business. This June, Keith Payne hosted the board at his North Meridian Hardware store in downtown Indianapolis.

Board members and staff attending the meeting included, L-R:

Carrie Kosac, 1st Source Bank South Bend; Paige Burgett and Rita Hutcherson, Indiana Statewide CDC; Sam Schlosser, Plymouth Foundry; Dan Fehrenbach, Western Indiana Financial; Jean Wojtowicz, Indiana Statewide CDC; Keith Payne, North Meridian Hardware; David Spade, First Merchants Muncie; Sandy McCleese, Indiana Statewide CDC; Tom Surgener, civic volunteer, Noblesville; Barbara Quandt, NFIB-Indiana; Amy Thurmond, Indiana Statewide CDC; Sam Eckhart, Community First Corydon.



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

Effective Interest Rate

| <u>2013</u> | <u>10-yr.</u> | <u>20-yr.</u> |
|-------------|---------------|---------------|
| July | 4.42 | 5.23 |
| Aug | — | 5.24 |
| Sept | 4.86 | 5.70 |

Indiana Statewide Certified Development Corp.

Third Quarter 2013



Dennis and Christine Grubb bought the Hilltop Restaurant -- located on a hilltop south of Spencer -- just in time to celebrate the well-known restaurant's 65th anniversary.

The Grubbs were available to buy the Hilltop only because of a business reversal: The couple was forced to close their 30-year-old catering business near Bloomington when construction of the I-69 extension took the land.

A local banker, Bonnie Patton of Owen County State Bank, and the Indiana Statewide CDC helped the Grubbs buy the restaurant by providing SBA 504 financing.

Christine Grubb says, **"The 504 loan was great for us. We got a long-term loan with a low, fixed interest rate and had to put only 10 percent down."**

Patton says, **"The 504 program is attractive to the bank because it allows the bank to keep its first mortgage position, similar to a regular commercial loan, while the SBA guarantees a portion of the loan which reduces our loan-to-value ratio to 50 percent."**

The Hilltop Restaurant continues to employ 20 people to prepare and serve its high-quality food to the wide regional following attracted to the Hilltop over the decades.

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Hilltop Restaurant

Spencer

In participation with

Owen County State Bank

Spencer



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Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Chesterfield Self Storage

Chesterfield

In participation with

Marine Bank

Indianapolis



ISCDC managed by:
Cambridge Capital Management Corp.

Chesterfield Self Storage was performing below potential when Ryan Tholen purchased and renovated it with SBA 504 financing from Marine Bank and Indiana Statewide CDC.

Now, nearly all the 122 storage units are filled and three jobs have been created. Tholen improved Chesterfield Self Storage's profit margins and revenues. **"We reduced operating expenses by 20 percent by replacing outdated phone and Internet services with VOIP technology. We increased income by renting unused office space, boosted web visibility by partnering with a national brand that takes online reservations, established online billing and added truck rentals."**

Tholen adds, **"Arranging for the SBA 504 process through Marine Bank and the Indiana Statewide CDC was painless. The SBA loan enabled me to finance the purchase with a rate low enough to maintain a positive return on investment while achieving my desired cash-on-cash return."**

Marine Bank Corporate Banking Division's Mel Novilla says, **"Ryan had a solid plan but he was a new entrepreneur to the bank. He has executed his plan very well and the financing went smooth as in the past with Indiana Statewide CDC."**

A lot of people like to buy groceries close to home. New Market Supermarkets -- a chain in several small northern Indiana communities -- has built a successful business for 30 years by keeping that in mind.

Since opening in North Manchester in 1973, New Market has opened stores in Garret, Marion, Gas City, North Webster and Syracuse employing about 400 people in full-and part-time positions.

Clete Miller and Todd Taylor bought New Market stores when the company founder retired in 2008. This year, they used SBA 504 financing from First Merchants Bank and Indiana Statewide CDC to buy the store's buildings in the lake communities of Syracuse and North Webster.

"The 504 loan program is very good," Miller says. **"It allows us to get a good long-term rate and that helps us keep those stores open and better serve the communities."**

Joe Cavacini of First Merchants says, **"The fact that the borrower only needs to inject 10 percent equity allows them to retain their liquidity, while at the same time, almost half their debt on these properties is fixed at a low rate for 20 years. It's great for the bank as well as in that it improves our collateral position and frees up additional funds."**

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage & equipment financing for

New Markets Supermarkets

North Webster

In participation with

First Merchants Bank

Wabash



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Indiana Statewide Certified Development Corp.

Third Quarter 2013



Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Daily's Farm Market Columbus

In participation with

Old National Bank Evansville



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The Daily family has one simple goal for their farm market in Columbus: offer customers food that is as local as possible.

That formula: hard work in the fields, constant contact with local suppliers, and friendly customer service is paying off for Daily's Farm Market. Owners James and Carol Daily originally leased a building for the market when they opened in 2010. This year they purchased the land and building, securing a below-market fixed interest rate with an SBA 504 loan from Old National Bank's John Whyman and Indiana Statewide CDC.

The Dailys grow much of the produce, beginning early in the growing season in a greenhouse on their Bartholemew County farm. They also raise their own beef -- and their beef, sweet corn and other produce are regional favorites at their own market, and farmer's markets in Indianapolis, Carmel and Columbus.

Daily's Farm Market started, and remains, a family business built around James, Carol and their sons Ben and Evan. There are six other full-and part-time employees. Its easy-to-find location along U.S. 46 between downtown Columbus and I-65 and steadily-growing reputation for high quality local food are the ingredients for a successful business.

Acceleration Power Sports has a 30-year track record of selling and servicing top-brand motorcycles. The business is located just north of Anderson, but it's market extends far past Madison County.

With ownership of motorcycles on the upswing, owner Cito Mamaril built a new show room and service center for his business using SBA 504 financing from First Merchants Bank and the Indiana Statewide CDC.

"It was time to grow the business," Mameril says. "Motorcycles are becoming an important transportation option because they are more economical to buy and service. The SBA 504 terms cannot be beat, and the Indiana Statewide CDC and First Merchants are great folks to work with."

Aaron Reger of First Merchants says, **"Utilization of the SBA 504 program through Indiana Statewide CDC was a perfect opportunity to make a quality loan to a quality borrower in a highly discretionary industry that has seen its share of ups and downs. Obviously, capturing the fixed rate option in this rate environment will likely play out favorably for Acceleration Power Sports. We appreciate the partnerships we have with both Indiana Statewide CDC and Acceleration Power Sports."**

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Acceleration Power Sports Anderson

In participation with

First Merchants Bank Anderson



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Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Quality By Design Seymour

In participation with

Jackson County Bank Seymour



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For Baron and Rachel Bullard, opening Quality by Design was a natural extension of Baron's career with JLM Pharmatech.

The Bullards bought and re-named JLM's packaging operation and continued packaging vitamins and supplements in blister packs. Shipments leave their Seymour plant for wholesalers and distributors across the country.

They almost immediately took the next step. Quality by Design Packaging obtained financing from the SBA 504 loan program from Jackson County Bank and the Indiana Statewide CDC to purchase new equipment and a building to expand the company's capabilities to package and ship prescription medications.

Baron Bullard says, **"We already had procedures in place to give our current and potential customers the confidence in us to handle and package their products, as required by the Food and Drug Administration. With this move, we gained the needed control we didn't have at our former location. This supports our expanding capabilities into the prescription drug market".**

David Ellis of Jackson County Bank says, **"The 504 loan was a perfect fit: it allowed Baron to complete the purchase with a smaller down payment than our bank could have otherwise required, and it assisted the bank in providing funds to complete this purchase."**

Indiana Community Business Credit Corp.

Third Quarter 2013



New Member - Indiana Business Bank

Indiana Business Bank is joining the Indiana Community Business Credit Corporation's statewide pool of loan capital for small businesses.

In becoming the 29th Indiana bank member of the Credit Corp., Indiana Business Bank is committing to a line of credit and gains full access to the Credit Corp's pool of mezzanine financing. The Credit Corp. provides growth capital to Indiana companies that compliments the funding being provided by the senior lender.



Indiana Business Bank Executive Vice President Greg Gault, says, **"The Indiana Community Business Credit Corp. represents a source of capital for the small and owner-operated businesses who are our target clients."**

Since 1986, the Indiana Community Business Credit Corp. has provided more than \$58 million to 138 Indiana companies in partnership with its member banks.

Indiana Community Business Credit Corporation

Growth capital for

BLEND Bar & Cigar Indianapolis

In participation with

Indiana Business Bank Indianapolis



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BLEND is an upscale cigar lounge located near the Fashion Mall in Indianapolis. Mark Holden, who owns BLEND with Corey Johnston and Kim Arbuckle, says Indianapolis is the first location and several others in the U.S. are planned.

Holden says, **"We are different. BLEND utilizes 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 evening with premium selections of wine, spirits and cigars."**

The business plan, says Holden, is, **"to consolidate a highly fragmented \$4 billion industry which is also highly regulated."**

Indiana Community Business Credit Corp. and Indiana Business Bank are assisting BLEND's growth plans.

Andy Pinegar of Indiana Business Bank says, **"Indiana Business Bank is supportive of local business people with proven track records. BLEND ownership is a great match for IBB - local ownership with local management making local decisions."**

Pinegar adds, **"Partnering with ICBC affords BLEND necessary payment flexibility to support their Indianapolis launch, while preserving the capital foundation for expansion into new markets."**

Holden says, **"The Credit Corp. and Indiana Business Bank understand small business very well. In our case, the entertainment industry."**

Five generations of one family have been helping keep communities more secure. Pauly Jail Building Company is the oldest contractor for detention structures in the U.S., dating to 1856. Pauly Jail oversees projects in 24 states from its Noblesville headquarters.

The company built many county jails now long gone, but it keeps up with the times. Pauly Jail provides the latest detention systems -- single jail cells or rows of them, gates, walls and processing equipment, plus tables and chairs for common areas -- to corrections and law enforcement agencies. Indiana projects include the Marion County assessment center and county jails in St. Joseph and Kosciusko counties.

Joseph Phorer III is president of Pauly Jail. After a slow 2012, there remains a continuing and growing need for jail cells. Indiana Community Business Credit Corporation and Lake City Bank, upon a recommendation from Somerset CPAs of Indianapolis, provided a financing package to enable Pauly Jail to access working capital and refinance its Noblesville building.

Brad Grabow of Lake City Bank says, **"Pauly Jail is an excellent, well-run business with a solid history and good growth prospects. Its current situation was the cumulative effect of the recession and the cyclical nature of the correction construction industry."**

"We appreciate the support of the Credit Corp. because it allows us to keep focused on Pauly Jail's working capital needs while the Credit Corp meets the need for long-term capital," Grabow says.

Somerset partner Ken Hedlund says, **"We believe that the ICBC provides a great financial product. Somerset and the ICBC have worked together on other projects that have helped put our clients on a solid financial footing."**

Indiana Community Business Credit Corporation

Growth capital for

Pauly Jail Building Company Noblesville

In participation with

Lake City Bank Indianapolis



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LYNX Capital Corp.
Third Quarter 2013



Mary’s Seafood & Pastries, Indianapolis

Mary’s Seafood & Pastries is a restaurant that is also an important part of its neighborhood. Mary’s is one of the few restaurants located along 38th Street on Indianapolis’ northeast side, Mary’s has been serving seafood, fried fish and homemade pastries for 30 years. Founder Mary Bishop not only cooked and served the food, she had an eye for which neighbors needed a meal.

Mary still works at the restaurant that is now owned by her grandson Eric Davis. Lynx Capital Corporation has provided financing to allow the company to properly structure its balance sheet, add new equipment and remodel the restaurant.

“Lynx was our lifesaver,” says Davis. **“We were able to stabilize our business and save several jobs. Now, we look forward and Lynx is our partner in progress.”**

For Davis, operating and expanding the restaurant his grandmother established is a labor of love. **“My grandmother started something special here,”** he says. **“We are adding new menu options and upgrading our location so that Mary’s Seafood is just as special to our customers, old and new.”**

Eric, Mary and six other employees dish up the goodies six days a week at Mary’s.



Lynx financing helps Midwest Dollar “go home” to Indianapolis neighborhood

It’s more than a store that Midwest Dollar is opening at 38th & Arlington in Indianapolis. **“We want to help build the neighborhood,”** says Anita Bradby, who co-owns the store with her husband Shawn Lee.

Minority business lender Lynx Capital Corporation is helping finance the Midwest Dollar store. **“It’s in the right place,”** says Charles Kennedy of Lynx Capital Corporation. Support is also coming from the United Northeast Community Development Corporation and its representative, Amandula Anderson.

“We looked for a neighborhood where there is a need,” says Bradby.

Midwest Dollar will open in October in a building that once housed a Value City store and, further back, a Zayres store. It has been vacant for years.

“My husband used to shop in the Value City as a child, and some of his family still lives in the area. He told me it feels like he is going home,” Bradby says.

“Lynx is a blessing to us,” she says. **“Without Lynx, there would be no store.”**

Midwest Dollar will stock frozen, refrigerated and fresh foods, clothing, greeting cards, home supplies, jewelry and religious items. The Lees plan to open more Midwest Dollar stores. They also own a cleaning business that celebrates its 10th anniversary in January.