



Portfolio News

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

Cambridge Capital
Management Corp.

Third Quarter 2016

Alternatives to Pre-payment of an SBA 504 Loan

Many of you are real champions of the SBA 504 loan program. You've seen it in action as you help borrowers in your market build successful businesses.

The 504's key features are mouth-watering to borrowers interested in conserving capital to fund growth.

- Below market interest rate
- Fixed for an extended length of time (20 years for real estate purchases and construction; 10 years for long-term machinery and equipment)
- Lower down payment than the usual requirement for conventional financing

We greatly appreciate your confidence in allowing us to work with you on placing SBA 504 loans around the state. As a recent borrower told us: "The 504 loan helped us deploy our financial assets more effectively."

Sometimes a borrower's success leads him or her to consider getting out of the loan early by prepaying, either with accumulated cash or through a refinance.

As you know, it is rarely advisable to expend valuable cash to pay off low-interest debt. The borrower should be encouraged to keep the cash to reinvest in the company or provide a cushion in case unforeseen hard times suddenly appear on the horizon.

In addition, borrowers who relinquish a fixed rate for a temporarily lower one may regret their decision down the road when the new rate inevitably climbs.

So, borrowers may want to hold tight to the 504 loan, even if there may be a lower interest rate available for the short term. The fixed SBA 504 rate can never go up, and will likely be lower than any commercial rate for the life of the loan. Borrowers can use the reliable payment amount as an asset; a concrete figure for a specific term in a budget of rising and falling amounts for salaries, costs of sales and materials, and other operating expenses.

It is always possible to refinance the bank's first lien without disturbing the 504 loan. The new lender simply needs to request that the SBA subordinate to the new loan, which can be accomplished by contacting our office. The SBA wants the borrower to have the freedom to refinance the senior debt if better terms become available, but the 504 is meant to remain as a long-term benefit.

One of the ways the SBA encourages the borrower to keep the 504 loan in place as long as possible is through a pre-payment premium. While not overly cumbersome, it is another factor to consider when contemplating the pre-payment of a 504 loan. There is often no reason to incur an unnecessary fee just to prematurely pay off or refinance debt.

The SBA 504 loan is a smart choice for many borrowers that will see them well into the future. It is important that the long-term benefits of this very wise decision are not cut short by an early pre-payment.

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

2016	10-yr.	20-yr.
July	4.12	4.09
August	—	4.09
September	4.29	4.08

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David and Karyn Nirschl are building a successful business by cleaning up other companies' waste.

Engineers and technicians from their Industrial Services Group remove sludge and chemicals from water, soil and factory floors. They cap landfills and monitor retention ponds, industrial lagoons and ground water. And they roll out 24 hours a day, ready to clean up fuel on a highway or corrosive acids in a plant.

Industrial Services Group bought a warehouse and offices in Zionsville with SBA 504 financing from Huntington National Bank and Indiana Statewide CDC.

David Nirschl says, **"At 18,000 square feet, our new building is larger and allows us to expand. The SBA 504 loan also allows us to own; our building is now an asset."**

He adds, **"I was leery about doing an SBA 504 loan. But the process is really good. The terms help us keep more working capital, which is important to us because we are in an equipment-intensive industry in a competitive field."**

Rob Larger of Huntington Bank says companies can plan more accurately when they finance with the SBA 504's low down payment and low, long-term fixed rate.

Nirschl founded Industrial Services in 1997. Most of its ten employees possess degrees in biology or industrial engineering.

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Industrial Services Group Inc.
Zionsville, IN

In participation with
Huntington Bank
Indianapolis, IN



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Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage & equipment financing for

Quality Inn
Plainfield, IN

In participation with
Salin Bank & Trust Co.
Indianapolis, IN



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Plainfield's Quality Inn has reopened after an extensive remodeling by new owners Jayesh and Anitaben Patel.

Redecorated rooms, lobby and entryways, and several additional rooms are part of the new look. The Patels financed the project with a loan from SBA 504 loan program through Salin Bank and Indiana Statewide CDC.

The Quality Inn is just north of the I-70 Plainfield exit and within a few minutes of Indianapolis International Airport. It features an indoor pool, free breakfast, business center, free WiFi and laundry facilities.

John Belden of Salin Bank says, **"This upgrade is a real plus for the Plainfield community. The SBA 504 loans' main features; the long-term fixed interest rate and low capital injection, are great for the borrower. And the SBA loan lowers the bank's risk."**

Jayesh Patel says, **"We are investing a lot of money in re-decorating the hotel, so the below-market, fixed rate is important to us."**

Even though Magna Machine and Tool has been in business for over 40 years, it is a thriving modern company with a commitment to quality that keeps its customers coming back.

Magna started as a small New Castle machine shop in 1975. The company's three current owners Kirk Robbins, Bruce Schmidt, and Doug Hinshaw were all veteran employees when asked to become partners.

They worked with STAR Financial Bank and Indiana Statewide CDC on the SBA 504 loan that helped them make a major transition. Robbins says, **"The SBA 504 loan gave us opportunity. We bought out our old owners and expanded all at once, rather than stretch out the project."**

Trent Dowling of STAR Financial says, **"Magna Machine got a great rate for 20 years."**

The company's 45 employees work in the same plant, albeit one that is significantly larger, where Magna Machine started. They offer simple to very detailed machining services, but also design and build custom machines from start to finish.

A new 3-D printer is an example. Robbins says, **"It was a leap of faith. We've been able to sell parts simply by producing a scale prototype very quickly in our 3-D printer. It's brought us new work we didn't expect to get."**



Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Magna Machine & Tool Company
New Castle, IN

In participation with
STAR Financial Bank
Muncie, IN



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Eleven years after selling their flagship store, the owners of Kittle's Furniture repurchased it from GE Capital.

They worked with Lake City Bank and Indiana Statewide CDC on SBA 504 financing for re-buying the real estate and 160,000 square-foot store.

The Kittle's Castleton Superstore is located at I-465 and Allisonville Road, on the north side of Indianapolis. It's the #1 free-standing retail location in Indiana, according to a statement from: Jim Kittle, chairman; John Kittle; vice chairman and Eric Easter, president and CEO of Kittle's.

They say, **"Hundreds of thousands of loyal Kittle's customers have been served from this one store. We look forward to serving more of our fellow Hoosiers every day and are proud we are once again the owner of this iconic Indiana store. We are bullish on Kittle's!"**

David Findley, president and CEO of Lake City Bank, says, **"Kittle's is an Indiana institution and we are delighted to work with them."**

Jean Wojtowicz, Indiana Statewide CDC executive director, says, **"It's exciting to partner with Lake City Bank to help a firm of Kittle's experience and stature realize a new vision."**

Kittle's Furniture is a top 100 furniture retailer in the United States, operating 13 stores in Indiana and Ohio.

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Permanent fixed-rate second mortgage financing for

Kittle's Home Furnishings Center, Inc.
Indianapolis, IN

In participation with
Lake City Bank
Indianapolis, IN



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Kittle's

FURNITURE

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Indiana Chiropractic and Rehab LLC
Bloomington, IN

In participation with
German American Bank
Bloomington, IN



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When Aaron Mobley established his chiropractic practice more than six years ago, Bloomington was the only place he considered. He grew up in Bloomington, graduated from Indiana University and after graduating from Logan College of Chiropractic in St Louis he returned to Bloomington to practice with another doctor.

Dr. Mobley established Indiana Chiropractic and Rehab in 2010. A year ago, he expanded his practice and moved to a larger location along North Walnut Street in Bloomington. He worked through a local bank, German American Bank, and Indiana Statewide CDC to secure SBA 504 financing.

Mark Franklin of German American Bank says, **"The below market, fixed rate and low down payment are key items for all of our SBA 504 borrowers. Dr. Mobley used these features wisely to provide the most modern, comfortable facility for his patients."**

Jennifer Mobley, Mark's wife and business partner, says the terms of the 504 loan meant that Indiana Chiropractic did not have to borrow as much as they might have otherwise.

Indiana Chiropractic and Rehab is a family practice. Patients of all ages, including children, seek relief from head, neck and back pain, sports injuries and headaches and migraines.

Dr. Mobley says, **"Pain affects everyone differently, and how we treat it may be different from patient-to-patient. But pain can seriously limit the lifestyle and happiness of anyone."**



Indiana Statewide Certified Development Corp.

Third Quarter 2016



Ever wonder what happens to old CDs and DVDs? They might become the next plastic device you purchase. Or a plastic heart stent that could save your life.

JIC Acquisitions LLC is the corporate name for a plastics recycler in Evansville. The small company hauls in used plastic material, removes ink labels and grinds them into plastic pellets. Good as new.

JIC's ten employees then ship the pellets to plastic extruding companies such as their major customer, Crosspoint Polymers. Crosspoint operates its plastic manufacturing plant with 70 employees, just a few miles away in Evansville's old Westinghouse plant along U.S. 41.

Benjamin Schmidt, Benjamin Kunkel and Todd Bitter own both companies. They purchased the JIC plant and equipment using two SBA 504 loans from First Financial Bank and Indiana Statewide CDC.

Craig Kirk, VP and senior commercial loan officer of First Financial Bank says, **"Mr. Schmidt feels buying and installing JIC's equipment gives Crosspoint Polymer better control over its supply chain. The SBA 504 is a good deal for them and a good deal for us."**

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage & equipment financing for

JIC Acquisitions, LLC
Evansville, IN

In participation with
First Financial Bank
Vincennes, IN



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Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Lighthouse Inn
Frankfort, IN

In participation with
First Merchants Bank
Mooresville, IN



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For his entry into business ownership, Aurangzeb "Zeb" Qaimkhani purchased the Lighthouse Inn hotel just east of Frankfort.

Qaimkhani bought the hotel, including the land, building, equipment and furniture with a loan from the SBA 504 loan program through First Merchants Bank and Indiana Statewide CDC.

"For both the long and short terms, the SBA 504 loan cuts down our operating costs which is very vital for small businesses," Qaimkhani says.

William Boyd of First Merchants says, **"The SBA 504 loan is an ideal way for our bank to assist Zeb and his partners in buying their first business. The 504 program finances part of the project, reducing the bank's exposure; as a result, we help entrepreneurs create jobs."**

Qaimkhani began upgrading the 30-year-old structure as soon as he took possession in March.

As roadside welcoming signs go, the teal-and-yellow Valero "V" logo is relatively new in central Indiana. But hundreds of customers a day are attracted to Brian Johnson's Valero on West Washington Street near Indianapolis International Airport.

Johnson worked with The Farmers' Bank and Indiana Statewide CDC for a loan from the SBA 504 program for small business expansions.

Though Johnson's station is new -- opening earlier this year -- he and his family have deep experience in petroleum marketing.

That factor, and the 504's money-saving features such as the low down payment and fixed, long-term interest rate, led The Farmers' Bank to view the Valero loan as a good candidate for the SBA program.

Brad Cunningham of The Farmers' Bank says, **"Gas stations and convenience store combinations are very common, but Brian's experience and business plan -- added to the clean look of his station -- help this project stand out above the rest."**

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage & equipment financing for

Valero
Indianapolis, IN

In participation with
The Farmers Bank
Frankfort, IN



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Indiana Community Business Credit Corp.

Third Quarter 2016



Here's the coolest kind of business story: **"We never envisioned the growth opportunity we had,"** says Joe Finkam, owner of iAIRE a company that designs and manufactures a metal add-on unit that is attached to commercial air conditioners to make them more efficient.

In less than two years after starting in 2014, iAIRE's market expanded. Dramatically, actually, from one state (Florida) to 40 states.

"Our customer list is the who's who of HVAC industry," Finkam says. Their two largest customers are large national brands, Carrier and York. iAIRE sells directly to the customers' local distributors.

At the end of 2015, it was decision time for iAIRE. Finkam says, **"We can capture national market quickly, or continue to grow slowly and hope our customers were still around in three years to buy what we had then."**

They decided. **"Expanding now is a better deal for us in the short-and-long-run. This additional cash infusion will bridge us to the point of gaining market share."**

Finkam called his banker, Brad Grabow of Lake City Bank. After listening, Grabow called Indiana Community Business Credit Corp. to provide mezzanine capital.

Grabow says, **"The bank was already providing working capital to iAIRE. The ability of the Credit Corp to understand this new product and demands of reaching a new, national market, were key to a successful deal. The Credit Corp. was our first call."**

iAIRE is headquartered in Carmel and manufactures its units in Florida. The Credit Corp. provides risk capital funding from a pool funded by more than 30 Indiana bank members.

iAIRE's units range from residential size to add-ons large enough for big manufacturing spaces. Finkam says that commercial building codes require units to bring outside air into workspaces to eliminate 'sick building syndrome' that occurs when unhealthy levels accumulate of "used" indoor air.

His units meet strict environmental standards for clean indoor air, and also do more with less; pulling in adequate amounts of outdoor air, while also relying on indoor air that is already cool.

Grabow says, **"If you pull in air that is 85-degrees, it takes a certain amount of energy to reduce it to 72-degrees. If you require less outside air, and mix it with air that is already cooled, it requires less energy to treat and circulate into a workspace."**

iAIRE's now has funding to get its hot product to its national market.



Indiana Community Business Credit Corporation

Provided Growth Capital For:

iAIRE
Indianapolis, IN

In participation with
Lake City Bank
Indianapolis, IN



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Check out our website at www.cambridgecapitalmgmt.com

Lynx Capital Corp.

Third Quarter 2016



Lynx Capital helps At Home Health strengthen its focus on patients in Indianapolis

Previous financing packages threatened the existence of At Home Health Services, until Lynx Capital Corporation helped the company buy out the earlier lender's high-priced capital.

At Home Health sends Certified Nurse Assistants to homes to provide massages, backrubs and other such basic assistance. They also see that patients take their correct medicines on time.

“Our entire team is committed to meeting our patients’ needs,” says Beverly Johnson, president and CEO of At Home Health. She and her husband, Robert Johnson, Sr. together have 60 years experience in health care as administrators and service providers.

Since teaming with Lynx, they can resume full attention to providing and expanding patient services.



AT HOMEHEALTH SERVICES, LLC | *quality in-home nursing & home health aide*



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