



Portfolio News

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

Cambridge Capital
Management Corp.

Third Quarter 2019

Help Your Borrowers Compare Business Loans

You've probably encountered small business owners with an otherwise solid expansion plan that exceeds the limits of their cash and financing ability. They ask you for help. You suddenly become a trusted advisor. Can you help them compare loan programs? Can you look at their industry from the outside and offer a balanced option as to the advisability of expanding now or waiting?

Your commercial lending team should be up to handling these situations. In fact, you can market this expertise if you're good at it.

A business owner wants the benefit of your expertise and, hopefully, a small business loan he or she can afford.

Be sure you know the basics of the U.S. Small Business Administration programs. The SBA's two most popular loan programs are the SBA 504 and the SBA 7(a). These loans are different with clear distinctions from one another, and you have probably explained these differences to many potential borrowers.

The SBA 504 loan is commercial real estate financing for owner occupied properties and for major equipment purchases. Owners may use their 504 loan to buy an existing building, purchase major equipment (such as an expensive drill press), or buy a piece of land and construct a building. Project sizes range from \$125,000 to \$20 million or more. Repayment times may stretch to 10 years for equipment and 20 or 25 years for buildings and real estate.

The SBA 7(a) loans are geared to help borrowers buy a business from someone else or obtain working capital. Furniture and fixtures to a leased property may also be financed with 7(a) funds. Five million dollars is the maximum 7(a) loan amount. The 7(a) may be repaid over 25 years.

What about interest rates and collateral? A 504's interest rate is fixed and no outside collateral is required. The 504's locked-in rate is particularly attractive now when interest rates are near record lows. The 504 borrower will be paying the current low rate even if interest rates climb in the coming years.

The interest rate on a 7(a) loan generally floats and is typically tied to prime. Additional collateral is generally required when the business assets do not fully collateralize the loan. Collateral is required at 90 percent of the loan amount and generally will require a mortgage on the owner's personal residence.

This requirement alone may make a 504 loan the best choice if there are multiple partners in a business whose homes have different values. The SBA 504 loan does not take a lien on outside collateral or a personal home.

Also, fees on a 7(a) loan will rise with the project size, while SBA 504 loan fees stay flat as a percentage when the loan amount increases.

The down payment on a \$1.25 million project? The typical down payment under the SBA 7(a) program is 10 percent to 20 percent compared to 10 percent with a 504. If there is a difference in the down payment, the 504 borrower reaps the savings. Down payments on either SBA loan are likely to be less than the 20 percent or higher commanded by a regular commercial loan.

Financing a small business is a big deal for the owner. Your bank can build your local economy — and your loan portfolio — by being expert in guiding business owners confidently through the loan process.

Call us when we can help you.

The "effective" interest rates on SBA 504 loans include the monthly amortization of the notes and the monthly payment of servicing fees.



Effective Interest Rate

<u>2019</u>	<u>10-yr.</u>	<u>20-yr.</u>	<u>25-yr.</u>
July	3.94	3.91	4.01
August	—	3.53	3.63
September	3.56	3.36	3.46

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Indiana Statewide Certified Development Corp.

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Mohinder Dhillon brought his business experience back to Indiana when he purchased the Cloverdale Travel Plaza with SBA 504 financing from The Farmers Bank and Indiana Statewide CDC.

Dhillon managed truck stops in Indiana for several years, then sold them and operated a truck stop in Texas. This year, he and his family decided to return.

Dwain Pitzer of The Farmers Bank says, “**Mohinder is an experienced business manager who is growing this business in Cloverdale for the benefit of that community and western Indiana.**”

The Indiana Travel Plaza is located a couple-hundred yards south of the I-70 & Indiana 231 interchange (exit 41) in Putnam County. Operating under the Marathon sign, Dhillon’s business includes fuel, overnight facilities, shows, convenience store and a full restaurant with American and Indian menu choices. He has about 30 employees.

Pitzer adds, “**The SBA 504 loans help The Farmers Bank promote growth in Indiana by providing financing options to business owners who might otherwise not be able to qualify for conventional bank financing. The 25 year amortization and fixed interest rate options are valuable components in maximizing our borrowers’ ongoing cash flow.**”

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Indiana Travel Plaza
Cloverdale, IN

In participation with
The Farmers Bank
Frankfort, IN



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Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Reliable Staffing, Inc.
Indianapolis, IN

In participation with
PNC Bank
Indianapolis, IN



ISCDC managed by:
Cambridge Capital Management Corp.

Reliable Staffing has built a 16-year track record by supplying, as its name promises, productive and efficient employees for virtually any type of business in and near downtown Indianapolis.

Owner Deon Rowie worked with Jason Vohs of PNC Bank and Indiana Statewide CDC on an SBA 504 loan to assist Reliable Staffing in completing its new downtown Indianapolis office.

The significant features of a 504 loan that many borrowers appreciate — a low, fixed rate and small down payment — are major factors for Rowie as he builds for the future of his small company. Reliable Staffing recruits, helps train and handles drug tests and other pre-employment work for its clients.



Property Pros Land Management started in 2010 as a small landscaping company based out of a storage unit. One job at a time, they have grown into a significant presence in Central Indiana, and Property Pros now designs and builds custom paver patios, pergolas, outdoor kitchens, and swimming pools.

Josh Springer, the owner of Property Pros, used SBA 504 financing from STAR Financial Bank and the Indiana Statewide CDC to purchase land in Fortville and construct a much larger office space, design studio, and shop.

Springer says that Property Pros appreciates the SBA 504’s focus on small businesses, as opposed to larger commercial companies. “**Lower interest rates and fixed terms were important factors, when looking at loan options.**”

STAR Financial Bank’s Jennifer Van Handel says “**Property Pros’ 35 employees not only build client projects, but provide year-round maintenance, as well.**”

Recent projects by Property Pros include work with a westside Indianapolis homeowners’ association to design a more modern and welcoming entrance to their neighborhood entrance, as well as constructing a backyard oasis — including a new pool and beautiful greenery — for a family whose health limitations prohibit traveling.

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Property Pros Land Management LLC
Fortville, IN

In participation with
STAR Financial Bank
Indianapolis, IN



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Cambridge Capital Management Corp.

Indiana Statewide Certified Development Corp.

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Purdue grads Andrew and Elizabeth Whittaker worked in New York City’s hospitality industry for several years. They began to think about returning to Indiana during a getaway at a rural B&B in Connecticut seven years ago. Andrew says, **“We wanted to create something of our own that would allow us to work together, to use our career experience to be part of a community, and to get back to why we went into the hospitality industry in the first place.”**

Their plans were realized in April when they opened The Whittaker Inn, a new 15-room upscale boutique bed-and-breakfast. The Whittaker Inn is a new structure on 25 wooded acres north of West Lafayette. The Whittaker’s built their inn with a loan from the SBA 504 program from Centier Bank and Indiana Statewide CDC. Ten new jobs were created.

The Whittaker Inn is distinctly “country” on the outside; the exterior is a sunny yellow farmhouse with a red roof. The inside communicates varied influences, including several Indiana touches. As the B&B’s chef, Andrew will combine ingredients grown locally with what he terms “an international twist.”



Andrew says, **“Without the SBA loan we would not have been able to move forward. Centier and Indiana Statewide CDC guided us through each step with ease.”**

Patrick Morrissey of Centier Bank says, **“The Whittaker Inn is an ambitious project and Centier is excited about providing project financing for Andrew and Elizabeth.”**

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

The Whittaker Inn
West Lafayette, IN

In participation with
CentierBank
Lafayette, IN



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Hard Truth Distilling produces gin, vodka, rum and rye whiskey. The distillery and Big Woods on the Hill restaurant share 325 acres of rolling woodland east of Nashville in Brown County called Hard Truth Hills. More than 100 employee’s welcome travelers who come to eat at the restaurant and tour the distillery.

Open less than two years, Hard Truth Hills realizes the vision owners Ed Ryan and Jeff McCabe had for several years. Its roots are in Big Woods restaurant, a tiny building wedged into a Nashville alley. (Big Woods now includes a pizza restaurant on Nashville’s main street and restaurants in Speedway and Franklin.)

McCabe says he and Ryan used SBA 504 financing from Community First Bank of Indiana and Indiana Statewide CDC **“to fund a significant portion of the infrastructure for Hard Truth Hills, including buildings and equipment. These SBA loans allow our local lender to provide us excellent terms (low long-term rates) and funds to accomplish a project of this scope and complexity. We have been able to invest more of our own capital, at a faster rate, with confidence.”**

Rob Blume of Community First Bank says, **“504 loans benefit the bank by increasing the size of projects we can be involved in while limiting our collateral exposure. 504 loans benefit both parties by providing access to long-term fixed rates, reducing interest rate risk for the borrower and bank.”**

Indiana Statewide Certified Development Corporation

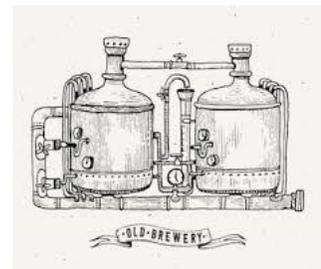
Permanent fixed-rate second mortgage & equipment financing for

Hard Truth Hills
Nashville, IN

In participation with
Community First Bank of Indiana
Noblesville, IN



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Indiana Statewide Certified Development Corp.

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B&W Plumbing and Heating is a successful Indianapolis company nearing its 60th anniversary. More importantly, B & W saw immediate business and revenue opportunities and was able to utilize the SBA 504 refinance-program to reorganize its debt and obtain additional working capital.

President Beth Rovazzini is a second-generation business owner. She says, **“My parents started B&W in our garage when I was two. My two partners and I are active daily participants and our 34 employees are well-trained to solve plumbing, heating and drain issues for homeowners and business owners. This 504 loan is helping us become leaner and more responsive.”**

Christy Smith of Greenfield Banking Company says, **“The SBA 504 refinance program allowed B&W to utilize its equity in the building for growth capital. Beth is an advocate for small businesses in our community and her company reaches out to assist schools and other groups.”**

Rovazzini says, B&W is one of four companies out of 6,000 to receive the heating, plumbing and air conditioning industry’s 2019 Building to a Higher Standard Award.



Indiana Statewide Certified Development Corporation

Fixed Asset Debt Refinancing for

B&W Plumbing and Heating Co. Inc.
Speedway, IN

In participation with
Greenfield Banking Company
Indianapolis, IN

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Management Corp.**

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Homestead Realty Group
Logansport, IN

In participation with
Centier Bank
Lafayette, IN



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Management Corp.**

There’s a red, barn-like building on one of Logansport’s main streets. Everyone from Cass County knows it, according to Abby Miller. She grew up and lives in Cass County, so she knows the building’s history as a heating & cooling store, dry cleaner and restaurant. Now she owns it and operates her company, Homestead Realty Group, in the building.

“It gives my business great visibility,” she says. Miller purchased and remodeled the red building with SBA 504 financing from Centier Bank and Indiana Statewide CDC. Miller says, **“The SBA 504 loan allows me to obtain a lower interest rate and a longer repayment term. It allows Homestead Realty Group to gain exposure and to allow agents to join me.”** Miller is adding her first employee soon.

Stephanie Snoeberger of Centier Bank says, **“The 504 is a great tool for helping borrowers with a low down payment. Abby is using it to utilize a vacant building and create jobs.”**

Miller sold real estate in Lafayette for three years while living in Cass County. She brought her business home — literally to her house — two years ago. Now, she’s giving Homestead Realty room to grow.

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Auto Dealer
North Central Indiana

In participation with
First Farmers Bank & Trust
Converse, IN



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**Cambridge Capital
Management Corp.**

SBA 504 financing from First Farmers Bank & Trust and Indiana Statewide CDC helped a longtime North Central Indiana auto dealer, build and relocate to a larger, new showroom and office.

Amie Osborn of First Farmers says, **“The low down payment required by the SBA 504 loan and long-term, fixed interest rate were important to this dealer. The new facility provides a beautiful showroom and service bays with state-of-the-art equipment to service customers from throughout north central Indiana.”**

“First Farmers often turns to the 504 loan program and Indiana Statewide CDC to provide the most attractive financing for our customers,” says Osborn.



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Indiana Community Business Credit Corp.

Third Quarter 2019



You know those large portable signs that display your speed as you drive into a road construction zone? And how accurately they display your speed? Highway Safety Services of Indiana probably put those radar signs there. The company will move them to follow the construction crews, too. They also supply range barrels, concrete barriers, lane markings and lights.

Mike Madrid founded HSS in 2007. He's also the president and is presiding over its rapid growth. He says business will increase 30 percent this year, the same as in 2018. It doubled each of the two years before that, spurred by Indiana's increased gas tax to pay for road improvements. HSS' 40 employees (the number zooms up when local temporary workers are hired) handle over 75 projects in Indiana at a time. More than 200 projects per year. The work includes putting down thermoplastic painted runway markings at airports such as at French Lick, Kokomo, Lafayette, Purdue, and Indianapolis.

Madrid received a working capital line of credit from First Merchants Bank and three Cambridge Capital Management programs; Indiana Community Business Credit Corp, LYNX Capital Corp and Community Investment Corporation of Indiana. Dan House of First Merchants suggested the project to Cambridge Capital.

Madrid says, **"The financing is great. Everyone is outstanding, easy to work with and responsive. The loans were tailored to fit our needs. They allow Highway Safety Services to grow."**



Indiana Community Business Credit Corporation

Provided Growth Capital
For:

Highway Safety Services, Inc.
Lafayette, IN

In participation with
First Merchants Bank
Lafayette, IN



ICBCC managed by:
**Cambridge Capital
Management Corp.**

Indiana Community Business Credit Corporation & Cambridge Ventures, LP

Provided Growth Capital
For:

FreightCore Inc.
Anderson, IN

In participation with
Regions Bank
Memphis, TN



ICBCC managed by:
**Cambridge Capital
Management Corp.**

At this moment, several trucks from FreightCore are on the road delivering everything you might need, from car parts to produce to medical supplies, for stocking the shelves of a nearby store or health care center.

FreightCore and its seven trucking and logistics companies cover the U.S. FreightCore is based in Anderson and Indianapolis, with affiliates in Memphis and Miami and about 40 other service providers around the country.

Nammy Eskar, president and managing member of FreightCore, has historically fueled the company's growth with Lynx financing. The company's latest financing package originates from Cambridge Ventures L.P. and Indiana Community Business Credit Corporation's mezzanine fund, with participation of Regions Bank in Memphis. The funding is for working capital to assist FreightCore's expansion in Memphis.

Eskar says, **"Lynx, the Credit Corp. and Cambridge Ventures are very important to FreightCore. Not only have these programs from Cambridge Capital Management helped our company survive; but they enabled me to create a platform to acquire other companies and helped me grow FreightCore."**

FreightCore has about 200 employees and is inviting experienced over-the-road truck drivers to apply to deliver new freight the company has been awarded.



Success Story: Blend Cigar Bar

Blend Bar with Davidoff Cigars began more than seven years ago in Indianapolis near Keystone-at-the-Crossing. Blend's success laid the foundation for expansions into Pittsburgh, Nashville and Houston and employment for more than 50 people.

Indiana Community Business Credit Corporation was an early funder and continued with a second loan in early 2018. The State Bank of Lizton partnered with the Credit Corp to make its mezzanine pool of investment capital available to Blend for its most recent project that involved remodeling the Indianapolis location and the Houston expansion.

Recently Blend's owners Mark Holden, Corey Johnson and Kim Arbuckle repaid the Credit Corp. and State Bank of Lizton, completing the working relationship that has benefitted all three parties.

Holden says, **"Blend is an upscale, luxury cigar bar. Both men and women can enjoy a relaxing and sophisticated afternoon or evening at Blend with premium selections of wine, spirits and cigars."**

Holden adds, **"We are in the entertainment industry, and the Credit Corp. and State Bank of Lizton understand our small, niche business really well. The payment flexibility helped us preserve capital to devote to our expansions."**



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LYNX Capital Corp.



Success Story: Fall Creek Flats

Lynx Capital Corporation helped an Indianapolis development group acquire land and begin preparations for Fall Creek Flats, two apartment buildings containing 47-units planned for 28th & Delaware near downtown.

“Without Lynx, we would not have even gotten started,” says Mark Young of Crossroads Development, one of the lead partners. Others were Kenneth Thorpe, also of Crossroads, and Steve Scott of SHK.

The developers repaid Lynx’s loan this summer.



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Success Story: Majestic Stone Imports

Majestic Stone Imports sells and installs high-quality marble, granite, quartz and other stone materials in homes, restaurants and other commercial facilities in the Midwest. It has accomplished nearly 18,000 projects during its 22-year history.

The company, and its owner, Bob Brown, recently completed its financial obligation to Lynx Capital Corporation. Lynx provided a working capital loan that assisted Majestic Stone in establishing a regional operation in Kansas City, Missouri.

Brown had worked previously with the Indiana Statewide CDC’s SBA 504 program in building Majestic’s corporate home in downtown Indianapolis and purchasing real estate in Kansas City. Mutual Bank of Indianapolis partnered with Indiana Statewide CDC on the 504 loans.

