

Portfolio News

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

Cambridge Capital Management Corp.

First Quarter 2010

Lending amounts looking up: is this a trend?

It's easy to get caught up in bad news about the economy. Lately, however, we've seen reasons for optimism: the Indiana Statewide Certified Development Corporation lent more money in the first six months of fiscal year 2010 than during the same period one year ago.

In fact, these six months will be the third highest ever in the history of the Statewide CDC! Projected volume through the end of March is just over \$17 million in loans, eclipsed only by volumes in the first half of 2006 and 2007.

Coming off 2009, one of our poorest in recent years, this uptick in lending means more business owners see sound financial reasons for expanding, opening a new location or starting a business. Our local lending partners are recommending SBA 504 financing to offload a portion of their risk and secure a long-term, fixed rate for borrowers (to complement a low down payment and temporary federal fee relief).

This is good news, and we hope this upward movement becomes a trend. Of course, every business has its own reason for expanding. One of the firms spotlighted elsewhere in this newsletter, Estes Manufacturing, sees an opportunity to



grow its market share among auto components suppliers. Estes invested considerable capital in purchasing a 3D welder and training its staff to use the new machine. The

investment led to a terrific upgrade in data and sound projections. Bankers production: new parts are being built up to 40 times faster than old technology permitted.

In Kokomo, Stephens Machine upgraded its fabricated metal



shop with SBA 504 financing and is keeping 32 full and part-time employees busy.

Another borrower is expanding its fleet of delivery trucks that transport parts to companies operating just-in-time production schedules. This decision by Magnum Logistics also seems to fly in the face of



conventional wisdom that manufacturing is in a steady decline. But it is based instead on an understanding that Indiana's traditional industries will continue to power a large part of our state's future success. Even as the economy diversifies - and our portfolios contain a greater share of life science and service companies there is still money to be made in Indiana's manufacturing industries.

The new lending activity may also be the result of pent-up demand as companies shift into forward gear after idling in neutral for the past couple of years. Some of this may be related to SBA fee relief made possible by federal actions over the past year. Most borrowers that we work with provide their bankers with solid

would have made the loans regardless of federal incentives. Fee relief is an added benefit but will probably not be enough to entice someone to take on significant debt, but these days every bit can help cash flow.

All this is a reminder to lenders to continue operating as normal: look hard for potential borrowers with solid reasons to move forward. regardless of their industries.

U.S. loan volume also up

Reflecting the same upward trend noted in Indiana, the number and dollar volume of SBA 504 loans is up nationwide through the first five months of FY 2010. The SBA and its lenders made 58 percent more loans for 63 percent more dollars through March 18, 2010 compared to the same period last year.

Job creation numbers tend to follow investment by a few weeks or months as companies buy equipment, real estate or a building in preparation for adding to their staffs. It's still early, but 2010 is off to a good start.

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Indiana Statewide welcomes new Loan Committee Members

When we started the Indiana Statewide Certified Development Corporation more than 27 years ago we felt it would be important to seek local geographic input on each transaction.

We determined that would best be done by forming regional loan committees that covered Northern, Central and Southern Indiana.

We formed each of these seven-member committees with participation from five commercial lenders, one CPA and one representative of the State Economic Development Organization (Currently the Indiana Economic Development Corp.)

Our lenders provide a view of all the credit aspects, the CPA tends to provide a business point of view, and the economic development representative helps us identify additional resources that may be available to assist the company. Together they all provide input on issues effecting each region. This make-up has worked very well for us for many years.

Recently, due to retirements and job changes we have welcomed several new members. Three bankers, an economic development official and a CPA are the newest members of the three Indiana Statewide CDC loan committees.

The Southern Loan Committee welcomes **Blayr Barnard**, regional director of the Southeast Indiana Small Business Development Center in New Albany. A second addition is **Charles Fleck**, regional executive vice president of German American Bank, Jasper. Completing the committee is **Richard Robinson**, a CPA and partner at Rodefer Moss & Co., PLLC, a New Albany accounting firm.

The Central Loan Committee named **Tim Schlichte**, senior vice president and senior loan officer for Salin Bank in Indianapolis

Joining the Northern Loan committee is **Shelli Alexander**, vice president of commercial banking of Lake City Bank, Mishawaka.

Executive Director Jean Wojtowicz says, "the members of the loan committees are ambassadors of our program and they are very important to our success."

Loan committee members are unpaid. They devote many volunteer hours to reading applications and attending meetings to determine their committee's recommendations.

Fleck says, "Given the current economic conditions, I believe that the Indiana Statewide CDC and its partner banks are a great financial resource for Indiana. I look forward to helping the program assist growing businesses."

Executive Director Jean Wojtowicz says that the Indiana Statewide CDC has provided more than \$334 million to 893 Indiana companies, creating more than 26,000 jobs, since 1983.

"The SBA 504 program is more relevant than ever," she says. "Banks are under pressure to lend to small businesses. With 504 loans, the lenders can reduce their risk and provide their borrowers with affordable financing."

NORTHERN LOAN COMMITTEE

Shelli Alexander—Lake City Bank Corinna Askins—Fifth Third Bank Brad Bucher—1st Source Bank John Lowenstine—John Lowenstine CPA Ken McCrory—Small Business Development Center Robert McElwee—KeyBank Scott Shishman—Old National Bank CENTRAL LOAN COMMITTEE

Mike Alerding—Alerding & Co., LLC Greg Gault—Indiana Business Bank Victoria Hall—Small Business Development Center Dennis King—Wayne Bank & Trust Co. Tim Schlichte—Salin Bank & Trust Co. Jon Slaughter—First Merchants Bank Matt Vessely—Huntington National Bank

Development Center Charles Fleck—German American Bank Steve Hunt—Community First Bank Tom Krodel—Old National Bank Larry Myers—First Savings Bank

SOUTHERN LOAN COMMITTEE

Blayr Barnard—Southeast Small Business

William Perry—Regions Bank

Richard Robinson—Rodefer Moss &

Co., PLLC

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

Effective Interest Rate				
2010	<u> 10-yr.</u>	<u>20-yr.</u>		
January	4.914	5.794		
February		5.555		
March	4.602	5.605		

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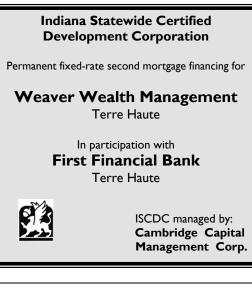
Weaver Wealth Management is a new business in Terre Haute's oldest neighborhood, Farrington Grove.

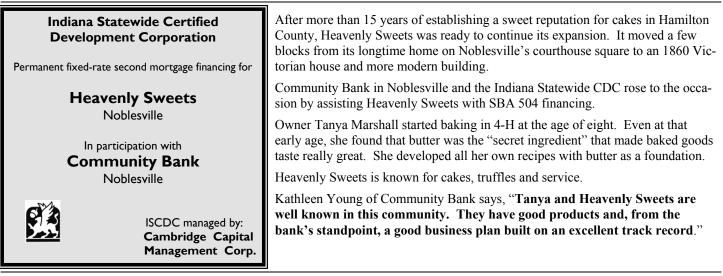
Gay Ann Weaver is the branch manager of Wells Fargo Advisors Financial Network in Terre Haute. She is joined by one employee. Weaver, a 13-year veteran of financial services industry is opening Weaver Wealth Management with partial financing from the SBA 504 loan program from First Financial Bank of Terre Haute and the Indiana Statewide CDC.

Weaver says, "The SBA loan has helped me purchase office fixtures and equipment as well as provide funds to renovate a historic building. We are obviously very pleased to open our business and to participate in the revival of the Farrington Grove District."

Thomas Clary of First Financial Bank says, "First Financial Bank strives to find 'win-win' outcomes with our customers, and the SBA 504 is a good example."

Weaver is a certified financial planner, assisting clients with investments, retirement, estate planning and education. The building in which Weaver Wealth Management is located was built as a home in 1894.





Julia Bowman's first Primrose School in Hamilton County was so successful she opened another, the Primrose School at Bridgewater, in Westfield. Eighty students were enrolled from day one and enrollment is growing steadily toward capacity of 185 students. Eighteen employees were on staff initially and more have been added since opening.

Primrose School at Bridgewater is housed in a new 11,000 square-foot building financed with an SBA 504 loan from Salin Bank and the Indiana Statewide CDC.

The Primrose School schedules a full day of educational and enrichment activities for children from six weeks old until they go to full day kindergarten. Before and after school care is also offered for children up to 12 years old.

Bowman is a former special education teacher and public school principal. She says, "Our curriculum is based on a balanced approach between child initiated and teacher directed activities."

Bowman says, "The SBA 504 loans are great for helping small businesses receive the necessary funding to start or expand."

Tim Schlichte, vice president for Salin Bank, says, "The SBA program allowed the borrower to retain precious working capital for the start-up of the school."

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Primrose School at Bridgewater Westfield

> In participation with Salin Bank & Trust Co. Indianapolis

ISCDC managed by: Cambridge Capital Management Corp.

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Gary and Merry Thoe once were part owners of three newspapers: Farm World, Antique Week and Auction Exchange and Collectors' News. Now they are the new owners.

Their company, MidCountry Media, Inc. bought the newspapers with SBA 504 loans for real estate and equipment from Indiana Bank & Trust and Indiana Statewide CDC.

All the company's operations and most of its 84 employees (57 fulltime) are in Knightstown, including editorial, advertising, circulation and production. Remaining employees work in locations throughout the newspapers' circulation areas.

Gary Thoe says, "We will continue to provide high quality and relevant content that informs our readers, and excellent customer service to our advertisers and partners."

"We could not have purchased the business without the help of the SBA, Indiana Bank & Trust and the Indiana Statewide CDC."

Stacey Roberts of Indiana Bank & Trust says, "This financing was crucial in keeping this local, family-owned business in Knightstown."

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage & equipment financing for

MidCountry Media Knightstown

In participation with Indiana Bank & Trust Indianapolis



ISCDC managed by: Cambridge Capital Management Corp.

Indiana Statewide Certified Development Corporation	One man's dream has become a favorite dining destination for thousands. Samuel Mancino had the dream, and in the late 1950's, Samuel and his wife Marion opened their first restaurant in St. Clair Shores, Michigan.
Permanent fixed-rate second mortgage financing for Mancino's Connersville In participation with Main Source Bank New Castle ISCDC managed by: Cambridge Capital Management Corp.	Samuel Mancino, Jr. and his wife Michele followed up thirty years later by open- ing their first restaurant in Three Rivers, Michigan.
	Now, dozens of Mancino's restaurants offer Italian dining in the Midwest, includ- ing Mancino's in Connersville, operated by Michael Brock. Indiana Statewide CDC and Main Source Bank provided SBA 504 financing to help Brock build and open Mancino's.
	The combination of quality and value create an unforgettable dining experience. Indeed, loyal patrons appreciate the fresh ingredients and superb seasonings used in the grinders, pizzas, and salads.
	Michael Brock's location currently employs nine people with plans to hire three more within the first two years of opening their doors.

Stephens Machine in Kokomo built a new fabrication shop to meet increased customer orders in more than ten different industries.

Greg Stephens lists several: "Automotive, electronics, medical, steel manufacturing, construction, environmental testing, heavy equipment, plastic injection molders, food products and the Defense Department."

The strategy: grow the company by diversifying.

Stephens' new fabricating shop joins the company's machine, panel and assembly shops that produce component parts, tool and die work, molds and prototype R&D work. "We try to find market niches and fill them," Stephens says.

Greg and Sheila used SBA 504 financing as part of their success formula. Community First Bank of Howard County and Indiana Statewide CDC provided the loan to build Stephens' fabrication shop.

"The 504 funding helped us by allowing for a smaller capital infusion and then supplementing cash flow and working capital. It allowed the company to expand," Greg Stephens says.

Kelly Ayres of Community First Bank says, "This 504 loan contributes to the stabilization and enhanced capacity of SMI's steel fabrication capabilities, thus creating new employment and increased business growth for the community."

Indiana Statewide Certified Development Corporation

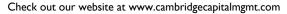
Permanent fixed-rate second mortgage financing for

Stephens Machine Kokomo

In participation with Community First Bank Kokomo



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Richard's Elevator in Taylorsville purchases corn, soybeans and wheat from local farmers and resells it to companies that produce bio fuel, nutritional food products for animals and bourbon.

Newton and his son, co-owner and operations manager Jason Newton, expanded by building a new grain elevator about one mile south of the existing elevator, which remains open.

First Financial Bank of Columbus and Indiana Statewide CDC provided SBA 504 financing to the Newtons.

Phil Newton says, "The 504 loan was very instrumental in allowing us to secure the loan to expand our business at a time when many businesses are not expanding."

Richard's Elevator has four employees including one hired after the expansion.

The Newtons have owned Richard's Elevator since 1999. They are the third owners since school teacher Frank Richards bought the elevator out of bankruptcy in 1908.

Craig Lichtenberger of First Financial Bank says, "We were surprised that the SBA and Statewide CDC acted so quickly on the loan request."

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage financing for

Richard's Elevator Taylorsville

In participation with First Financial Bank Columbus



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Indiana Statewide Certified Development Corporation		Travelers near Elkhart looking for a clean room, free Wi-Fi and complimentary breakfast find the Ramada Inn meets their needs.	
Permanent fixed-rate second mortgage financing for Ramada Inn Elkhart In participation with Community South Small Business Lending Denver, CO		Jagjeet Wadwa obtained SBA 504 financing to buy and completely remodel the Ramada Inn from the Indiana Statewide CDC and Community South Bank.	
		Wadwa and his 20 employees cater to business travelers and families on vacation The hotel is close to the Indiana Toll Road and other major highways, is just und 20 miles from the South Bend Michiana Regional Airport and 15 miles from	
		Notre Dame. It is also a short drive from Nappanee and Shipshewana, the centers of area Amish culture and crafts.	
		"We offer an indoor and outdoor pool, fitness room, free newspaper, whirl- pool and in room coffee makers, plus several other amenities," says Wadwa.	
	ISCDC managed by: Cambridge Capital Management Corp.	He says, "We received excellent service from the SBA, Community South Bank and the Statewide CDC. Our rates and the low down payment helped me devote more money to decorating our hotel to make it nice for visitors."	

Monogram Comfort Foods expanded its Muncie operations and is adding approximately 86 new jobs with SBA 504 loans from First Merchants Bank, Muncie and the Indiana Statewide CDC.

Monogram Chief Financial Officer Don Brunson says the company is improving the building and purchasing new equipment.

"The 504 financing is really critical to our ability to finish the expansion and create jobs," he says. "More than quadruple the number of employees currently produce food products at the plant compared to two years ago."

Monogram Comfort Foods prepares and packages corn dogs and corn fritters for grocery retailers, restaurants, private labels, and other manufacturers.

Ryan Tolle of First Merchants Bank says, "Our bank can participate in more loans with the SBA 504 loans with less risk to the bank than with conventional loans. It's a good program that helps us build the local economy."

Brunson adds, "First Merchants Bank and the Indiana Statewide CDC are very professional and great to work with. We couldn't ask for better financial partners."

Indiana Statewide Certified Development Corporation

Permanent fixed-rate second mortgage & equipment financing for

Monogram Comfort Foods Muncie

> In participation with First Merchants Bank Muncie



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Check out our website at www.cambridgecapitalmgmt.com

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Estes Design & Manufacturing Inc. of Indianapolis invested in new equipment to move ahead of its competition.

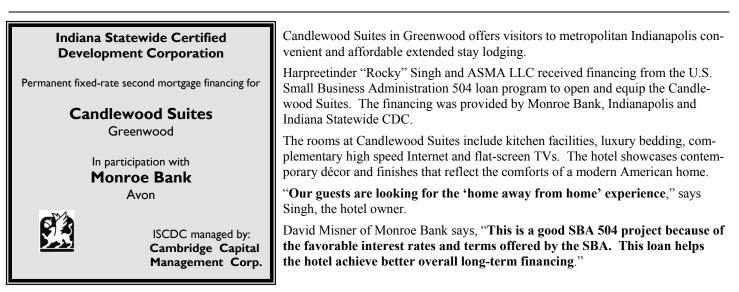
Larry and Diana Estes, owners of the 34-year old, family owned sheet metal fabricator, say the company is producing parts up to 40 times faster than before, thanks to a 3D welder it purchased with SBA 504 financing from Salin Bank of Indianapolis and Indiana Statewide CDC.

"We've grown bigger," says Larry Estes, "but our staff of engineers and designers is focused on offering value-added design guidance to all customers. We produce the best sheet metal product possible, period."

Tim Schlichte of Salin Bank says, "The SBA 504 equipment financing program allowed Estes Design to purchase a state of the art piece of equipment and preserve precious working capital."

Estes says 3D laser welding uses concentrated energy to melt metal parts and create a highly stable and resistant joint between them.

"Hotter, faster welding reduces product costs and yields superior results," says Estes. **"Our customers really like it**."



Chris Johnson and Brett VanderPlaats traveled different routes but arrived at the same destination: owning and operating People's Brewing Company in Lafayette.

Johnson brewed beer at home, and was head brewer at the Lafayette Brewing Company. VanderPlaats managed planning and data for Lafayette's Community Health Network, handling operations for physicians' practices.

People's Brewing opened in late 2009 and, in January rolled out its first barrel of beer.

"It was the People's Pilgrim Porter, our 'pilgrimage" into Indiana brewing," says Johnson.

Lafayette Savings Bank and Indiana Statewide CDC helped with SBA 504 financing.

"We purchased our equipment with the loan. That option offered us the best terms we could find to help us get started," Johnson says. Johnson and Vander-Plaats have two part-time employees and will add to the staff this year.

Keven Jennings of Lafayette Savings Bank says, "The 504 program allows the bank to take less risk and offers Brett and Chris a favorable loan package."

Indiana Statewide Certified Development Corporation

Permanent fixed-rate equipment financing for

Estes Design & Manufacturing Indianapolis

In participation with Salin Bank & Trust Co.

Indianapolis

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Indiana Statewide Certified Development Corporation

Permanent fixed-rate equipment financing for

People's Brewing Company Lafayette

In participation with Lafayette Savings Bank Lafayette



ISCDC managed by: Cambridge Capital Management Corp.



Indiana Community Business Credit Corp.



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Indiana Marine Products

For over 20 years, Indiana Marine Products in Angola built a reputation among boat manufacturers as a high quality producer of dashes, panels and wiring harnesses. In 2006, Fort Wayne businessmen Bob Nicholson, Vern Schoore and Mike Peters purchased the company and reformed it under the name IMP Holdings, LLC (IMP). The new leaders brought 60 years of combined experience in auto manufacturing to Indiana Marine, preparing them to manage a broad range of products for design, manufacture and on-time delivery to customers.

CEO Mike Peters says, "Our customers are original equipment manufacturers for boats. We apply the Delta Difference: it's a proven system in which experienced engineering resources are applied directly to the customer, employing lean manufacturing principles and an automotive style logistics system."

A 2008 investment from the Indiana Community Business Credit Corporation and First Federal Savings Bank of Huntington helped Indiana Marine modernize its production and delivery systems. This year, Indiana Marine completed its commitment to the Credit Corp. by paying off its loan, becoming the Credit Corp's latest success story.

Peters says, "We developed the most efficient supply chain for our customers' component needs. Our customers are enjoying greater flexibility in scheduling, shorter lead times, better quality and they are carrying a small fraction of the inventory they previously held. We are adding real dollars to their bottom line and allowing them to be more responsive to their customers."

Tom Mills of First Federal says, "We worked with the Credit Corp. to provide working capital financing from the mezzanine capital pool available to our bank as a Credit Corp. member. The pool is a very valuable commercial lending tool for us."



Paws Aboard climbs ladder of success

Amber McCrocklin loves dogs and days at the lake. But anyone in the loan. We were pleased to help Amber's company and who has ever hauled a wet dog into a boat knows it's not an easy chore.

In fact, an outing on a reservoir near Indianapolis in 2003 gave McCrocklin an idea. She had a hard time getting 95-pound, seven year old Bo into her boat. The wet, heavy dog inspired her to create a ladder so he could board the boat more easily.

So McCrocklin designed a ladder to help her dogs climb out of the water and into the boat. Priced in the \$175-229 range, that first product was a success, and led to more specially designed dog toys, life jackets, ski rope dog leashes and nautical-themed dog toys. All are sold under the name Dogs Aboard.

National City Bank of Indianapolis and the Indiana Community Business Credit Corporation provided working capital from the Credit Corp's pool of mezzanine capital at the company's founding in 2003.

Sales exceeded \$1 million the last two years and 2010 looks like another good year for Paws Aboard, which is now based in Tampa, Florida. Paws Aboard works with 20 distributors to supply hundreds of retail locations in the U.S., United Kingdom, Germany, Australia and New Zealand. Petco and PetSmart, two large American retailers, carry Paws Aboard products.

McCrocklin's company repaid the Credit Corp. this year.

Brandon Siegel of National City Bank says, "Amber is a good businesswoman who took an idea and made the most of it. The Credit Corp. was the difference in National City being involved

wish her every success in the future."

McCrocklin still has Bo, a yellow lab.

"It was because of him that I started the business," McCrocklin told the St. Petersburg (FL) Times at the Paws Aboard Tampa headquarters.

The family's other dog is a terrier named Sydney. McCrocklin outfits them each with life jackets when they head for the shore.



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Cambridge Ventures, L.P.

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How many people are ditching their landlines to rely exclusively on mobile phones? It's a big number; say researchers whose data depends on large and reliable sampling. About 35 percent of U.S. households do not have land-based phones, and the overwhelming majority of them use cell phones exclusively.

With so many traditional phone numbers triggering recorded "this phone number has been disconnected" messages, the \$17 billion marketing research and polling industry is transferring attitudinal research to the web at the rate of about 30 percent annually. Civic Science, Inc. is a three-year-old company

with seven employees. The company developed the nation's first intelligent marketing research and polling engine, and is poised for growth with an investment from Cambridge Ventures L.P.

John Dick, CEO of Civic Science, says, "The demand for our services is increasing rapidly, and we sought investment capital to grow software sales and lead generation, extend marketing and product development efforts, and reach cash-flow break-even by mid-2010."

Civic Science's big seller is Intelligent Online Polling[™] technology, which Dick says harnesses results from millions of online polls and surveys, and captures key demographic and psychographic data about web users.

Advanced data mining generates in-depth consumer insights and drives personalized ads, questions and other page content.

Consumers who volunteer to participate in the surveys have access to their response history and tools to compare themselves to their peers and policymakers.

"Web publishers, marketing researchers and advertisers gain useful knowledge to target their marketing campaigns," says Dick. "Civic Science's customers currently include major media companies, professional sports teams, social networks, membership associations, and political committees."

Dick says, "And, web users love Civic Science because we guarantee their privacy while giving them a unique social and intellectual experience."

Civic Science is based in Pittsburgh, but its web business takes it everywhere.

Cambridge Capital Management Corp.

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