

Notes From The Corner Office

David K. Main, President HCDC

The "Naysayer" Revisited

In our last newsletter I wrote about the value of a naysayer, someone whose negativity can sometimes be very valuable.

My point was that naysayers, by providing a useful check and balance, keep naturally exuberant entrepreneurs in line with reality. I warned, though, that entrepreneurs also have to make sure that the nay saying doesn't stifle their drive and determination.



In my 20 years at HCDC, nothing I've written has ever gotten so much positive response. Thanks to all of you who wrote and commented on the piece. One of those people, Erland Russell of Erland Russell Associates, Inc., sent me his story about a naysayer. I found it so striking that I asked his permission to reprint what he wrote. Here it is:

I had a boss similar to your naysayer. No matter what situation he was in, he would consistently say, "There's something wrong here." When handed a set of drawings and almost before he had had a chance to look at them, he would say, "There's something wrong here." When walking through the manufacturing facility, we'd stop to look at some product, and again he would say, "There's something wrong here." While it was oppressive and debilitating to be in his negative presence, I noticed that in fact, most times there really was something wrong. It was amazing. He had a 90% hit ratio.

I thought long and hard about this and decided that I could adopt this as my own "There's something wrong here" Management Technique. I began by forcing myself to stop in my tracks three times per day and simply say to myself, "There's something wrong here." Unbelievably, I would usually find something wrong. I practiced this for several months and decided that this negative technique brought positive results. Soon, I began to teach this to the managers who reported to me. They, like me, met this with skepticism and distaste at first. Until one day when I was trying to convince one of the managers that it was a valuable technique, I said, "OK, lets just walk 30 feet in that direction, stop, and say, 'There's something wrong here.'" Then we did just that. When we got there, I said, "Go ahead. Say the phrase." And he reluctantly said, "There's something wrong here." And then immediately said, "There isn't anything wrong here! See! What'd I tell you?"

Trying to keep my cool, I asked him for the work order and a set of drawings for the product we were standing in front of. He brought them over to the spot and just as he handed them over to me he said, "Oh my God! These are all screwed up! They're supposed to have squared edges not rounded ones. And, they are supposed to ship today!" Rather than make the point at that moment, I immediately went into problem solving with him. However, I did take the opportunity to go over the event with him the next day. I had another convert to the positive/negative technique of "There's something wrong here."

Give me your thoughts on "The Development Source" at maind@hcdc.com.

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Don't Look To The Hills Of California For A Fine Wine; Look To Cincinnati's Western Hills Instead



By [Abby Stevenson](#), Loan Processor

While there may be no "Lucy Ricardo" stomping on the grapes, Henke Wine, LLC is known for producing its own wines – varying from Chardonnay and Merlot to its award winning Vendange A Trois.

Henke Wine, which began in 1996, is now located in Westwood, near Cheviot, on Harrison Avenue. The "Winery with Food" was originally in Winton Place, where it quickly earned a fine reputation. An SBA 504 loan, consisting of 85% financing from HCDC and Fifth Third Bank, allowed Henke Wine to purchase its current building and stretch out monthly payments over a 20 year period of time – a considerable advantage over conventional financing. The loan and the move have created 9 new jobs, and now that the company is in a larger facility, it can accommodate more customers than ever before.



Joe and Joan Henke of Henke Wine, LLC
with their award-winning bottle, Vendange a Trois

Joe Henke began making wine in 1974, and in his own words, "It was a hobby that got out of control." In the 1990's, Henke began entering wine competitions, and soon was encouraged to open a winery in Northern Ohio along Lake Erie. After contemplating whether or not to pursue this business venture, Henke and his wife Joan decided to open their business here in Cincinnati. They began purchasing equipment to produce the wine, and in 1996 opened their doors in the Winton Place business district.

Their dinner menu is full of foods that complement their variety of wines. From cheese trays and appetizers to pizzas and filet mignon, Henke Wine offers many pallet pleasing choices that will suit just about every mood. A notable feature of Henke Wine is the Tasting Room designed to inform and show off award winning wines. Tours are also offered by Joe and Joan Henke.

Henke Wine was honored in early April by receiving a bronze medal at the 2003 Cincinnati International Wine Festival for its Cabernet Sauvignon, Merlot, and Cabernet Franc blend, *Vendange A Trois*.

This unique gem on the western hills of Cincinnati is a secret worth sharing. For tasting, tours, meals and more, think of Henke Wine. We are pleased that an SBA 504 loan helped make it all possible. To learn more about Henke Wine, LLC visit www.henkewine.com. To find out how an SBA 504 loan may be able to help your business grow, contact Angela Howard or Andrew Young.

Bringing The City And County Together... One Person At A Time



By [Harry Blanton](#), *Economic Development Manager*

Greg Kathman has joined HCDC as a Senior Development Specialist. Greg will work in the Economic Development Office, focusing on land development, redevelopment of brownfield sites and county retail expansion projects.

Greg brings a number of years experience in local economic development, beginning with the City of Middletown and CAGIS. For the past six years, Greg worked for the City of Cincinnati's Department of Community Development. While at the City, Greg focused on downtown and Over-the-Rhine projects, so he's no stranger to negotiating complex deals in a challenging environment.



Greg Kathman, Senior Development Specialist

Greg is a life-long Cincinnati who grew up in Green Township and attended LaSalle High School and the University of Cincinnati. He currently lives in East Price Hill with his wife and two young sons. With so much in the news today about how the City and the County can and should work together in more focused and mutually beneficial ways, Greg Kathman will be an important component in making that happen. Please join me in welcoming Greg to HCDC!

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SoundingBoard's a Winner!



By [Patrick Longo](#), *Vice President/Director, HCBC*

HCBC never rests on its laurels. Known for being one of the finest incubation programs in the United States, HCBC continues to seek out ways to enhance entrepreneurship in Greater Cincinnati.

SoundingBoard, HCBC's newest tool to connect early stage entrepreneurs with resources, feedback and capital, continues to make headway in making Greater Cincinnati a destination point for angel and venture capital in the United States. A recent SoundingBoard presenter has just received \$800,000 of angel capital to help fund the growth of his business.

SoundingBoard provides aspiring entrepreneurs the opportunity to receive coaching from seasoned entrepreneurs or assistance providers as they prepare their business/strategic plans. The entrepreneurs then have the opportunity to present their plans to a panel of 6 to 8 subject matter experts and early stage capitalists who will provide feedback on the plans. Coaching, Presentation

Practice, Feedback, Introductions, and Networking.....that's what SoundingBoard is all about!

But, HCBC does not go it alone with SoundingBoard. HCBC wishes to thank Carol Frankenstein of Bio-Start, Dorothy Air of the University of Cincinnati, Paul Cashen of Emerging Concepts, Tom Churchwell of Arch Development Partners, and Christopher Baucom of Ft. Washington Capitol Partners. Each plays an important role in SoundingBoard 's success!

So, SoundingBoard works and it can work for your clients or constituents as well. If you know of someone in an early-stage company that is seeking assistance in raising funds to start or grow its business, please have that person contact Patrick Longo at 631-8292. For more details on SoundingBoard, please feel free to visit www.cincysoundingboard.com

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A Three-Way Partnership To Support Small Businesses



By Andy Young, Loan Officer/Vice President, HCDC

The SBA 504 program is like a 3-legged stool, a three-way partnership that works together to provide up to 90% financing for small businesses. The owner's equity is one leg. The SBA 504 loan is another leg. In addition to owner equity and the SBA 504 loan, there is the important third leg: the third-party lender loan. For most projects these third-party loans represent 50% of the total costs and are secured by a first lien on the project assets.

This private financing traditionally comes from commercial banks. However, pension funds, insurance companies, commercial lending companies, industrial revenues bonds, individuals and even certified development companies can be the source of third-party loans.

HCDC receives calls on potential 504 projects both directly from individuals and from potential third party lenders. Lenders prefer the 504 program because it often allows them to take part in projects they may not be able to finance without the help of HCDC. Once an applicant has decided to apply for a 504 loan, it is important that HCDC and the third-party lender start working together during the application process. In most circumstances, both the lender and HCDC are obtaining financing approval concurrently. Once an application has been approved by the lender and HCDC, the next step is for HCDC to formally prepare the 504 application that will be sent to the Cincinnati SBA office for final approval. For this application, the lender provides a copy of its letter of commitment and if applicable, an appraisal and environmental review.

After the SBA gives its approval, the lender then proceeds with the loan closing. Because the SBA loan is "take-out" financing, the lender usually provides 90% of the project costs up-front. If construction is involved, the lender oversees the construction until the project is complete. This is normally called a bridge loan. When the project is finished with all project funds expended, and necessary certifications issued, HCDC then closes the 504 loan and reimburses the lender with the SBA portion of total project amount.

All this may sound like lots of steps and unfamiliar terms. But the fact is, it's a rather simple process for us, particularly now that we have 20 years experience providing loans like these. And we handle much of the paperwork for you. In other words, we make it easy.

Each 504 project is unique, however one thing remains the same. Every project must have a partnership between the applicant, lender and HCDC. If you have any questions about the 504 process, please call Andrew Young or Angie Howard at 631-8292 for more details.

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May Rates

SBA 504: 6.10% | Regional 166: 2.83% | Microloan: 8-10%

A Sample Of Recent SBA, Ohio, And Local
Loans Done With The Help Of HCDC.

Name	Program	Bank	Project Purpose	
Adkins Insurance Agency	SBA 504	U.S. Bank	\$151,000	Real Estate
Boyer Plumbing, Inc.	SBA 504	First Clermont Bank	\$241,000	Real Estate
ClarkOil	SBA 504	Center Bank	\$213,000	Real Estate
Industrial Sew Tech	SBA 504	Bank One	\$140,000	Real Estate
London Computer Systems, Inc.	SBA 504	Sycamore National Bank	\$245,000	Real Estate

This newsletter is sent to individuals interested in the business programs and services offered by HCDC.
You may cancel this newsletter at any time.