

M U T U A L
BUSINESSMATTERS

Chelsea Groton understands big business concerns, small business needs... and where the two intersect.

Racing to Success: Our Lending Story with Callaway Cars

Situation

In the early 1970s, Reeves Callaway decided to end his racing career, after winning the National Championship in SCCA's Formula Vee. The son of Ely Callaway, founder of Callaway Golf, Reeves became a racing instructor. After many years of building engines as a driver, and learning more about the power of different vehicles as a coach, he began to quietly construct and install his first prototype turbocharger system. Don Sherman of Car and Driver Magazine heard about the car. He arranged with Reeves to take it for a test drive and wrote a short article about the incredible power of the vehicle. Readers of the article thought the turbocharger kits were built and ready for distribution to the BMW community, when in reality, Reeves didn't have the tools or the means to produce the product for the masses. His friends rallied behind him though, and working around the clock in Reeves's garage, they were able to machine and assemble the parts, and keep up with demand.



In 1976, Callaway Cars, Inc. was officially founded, and in 1982, the company moved from Reeves's home to its current location in Old Lyme, CT. A few years later, GM asked Callaway to use their turbocharging technology to build Turbocharged Corvettes. The initial idea was to build 50, but over 500 were built from 1987 – 1991. By 1994, they opened a shop, Callaway Competition, which focuses on the builds of their race cars, in Leingarten, Germany. And in 2006, an additional location in California was opened.

Today, Callaway Cars is run by Mike Zoner, President, Lead Engineer, and a 30-year employee, and Reeves, the company's founder.

Funding Plan

Mike met with Dave Stone, VP, Commercial Loan Officer, and the Chelsea Groton team to discuss Callaway Cars' business. In 2015, Chelsea Groton provided a Commercial Mortgage for the building in Old Lyme, CT and a Line of Credit facility. A year later, after continuing to review the company's finances and business plans, Mike and the Chelsea Groton team determined the company was in need of a Commercial & Industrial (C&I) term loan to purchase a 2016 Chevrolet Corvette Z06 test car, which would allow Callaway's team of engineers to test and develop the latest Callaway patented supercharger system and performance offerings on the most recent model Corvette Z06.



"We needed capital so we would have the flexibility to design, engineer, develop, and tool technology-leading products, while simultaneously building efficiencies in our production process. Each time a car model changes, changes need to be made in our products and processes. Without capital, we can't effectively bring our products from concept to commercial realization – inclusive of validation and regulatory compliance requirements," shared Mike. "Dave and the Chelsea Groton team have worked with us to write up terms that work for the nature of our business, and we're looking forward to the future with Chelsea Groton as our financial partner."

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Callaway Today

In addition to the Corvette, Callaway builds supercharged versions of the Camaro; Silverado and Sierra; Tahoe, Yukon and Escalade; Suburban, Yukon XL, and Escalade ESV; and the CTS-V.



Callaway doesn't sell individual engine parts. Instead, they include their patented supercharger engine technology, as well as additional custom touches, on each car that comes in to their shop. They also offer supporting optional performance equipment. Each time a vehicle alters its build and a new model comes out, Callaway has to revise their products and processes. They continue to focus on ensuring every vehicle that leaves their property is built with care and precision, and will serve the future driver well.

All Callaway modified GM vehicles are recognized by GM. In most cases, the vehicles are shipped directly from GM factories to Callaway's facilities for modification, and subsequently shipped on to the ordering dealer, prior to the new owner taking final delivery of their Callaway vehicle. Callaway supercharged vehicles are sold and distributed through a Callaway GM dealer network. This affords the vehicle owners the opportunity to purchase and finance in one stop – with the security of knowing a nationwide network is in place to address service and warranty concerns.

"Of all the technical challenges, horsepower targets are traditionally the most straightforward to achieve. The real challenge comes in making a car with this type of horsepower drivable for the everyday driver. The car needs to be reliable, emission-compliant, and retain a warranty. We need to ensure the vehicle operates well at high altitude as well as sea-level, and in the heat of summer and cold of winter. Each of these factors has a big effect, so we view any change very holistically. One small change to the vehicle or engine means we need to test to ensure all other functions are capable of supporting the change that was made. What we do is very precise, and requires a lot of engineering, testing, development and validation," explained Mike. "Our partnership with Chelsea Groton has given us the funding and flexibility to develop new products, and to ensure the solutions we have come up with are repeatable at scale, and will serve the vehicle's owner well."

"In Callaway's line of business, it's critical they have access to funds for research and development of the engine and complimentary products. Their ability to deliver a state of the art product, at the timeline they've promised, is what keeps their relationships and reputation with manufacturers, dealers and drivers intact," explained Dave. "We're proud of how we've been able to support Callaway and look forward to continuing to do so."

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(cont.)

"At Callaway, form and function are of equal value. It's our hallmark in this industry," shared Mike. "It's why thirty years after GM authorized Callaway to construct the Callaway Twin Turbo Corvette as a factory GM option, Callaway has been kept on stage with Corvette. Further supporting this message, Callaway has earned the sole authorization from GM to engineer, construct and distribute the Corvette C7 GT3 specification race cars – world-wide. Over the years, our engineering services have been brought in to design and develop powertrain solutions for a number of other vehicle manufacturers as well. We've been able to gain efficiencies by utilization of best practices achieved over many years of continuous development and process improvement – all leading to Callaway's creation of Powerfully Engineered Automobiles."

Callaway's tradition of developing a superior technical solution, with uncompromised engineering refinement, attention to aesthetics, and sophistication of end product is one that began in a small garage, and has now transformed vehicles that have been delivered around the world. Chelsea Groton Bank is proud to be a lending partner for Callaway Cars.

757

horsepower of
the Callaway Corvette

3

Locations —
CT, CA and Germany

30

employed
by Callaway worldwide

