

**EDA/EDC – Joint Board Meeting
December 10, 2020
7:00 A.M. to 9:00 A.M.
Zoom Meeting Only**

BIG SKY ED Mission Statement: - Focused on sustaining and growing our region's vibrant economy and outstanding quality of life, **Big Sky Economic Development** provides leadership and resources for business creation, expansion, retention, new business recruitment and community development.

Agenda items may be rearranged unless an item is listed as having a "time certain". Action may be taken on any item listed on the Board Agenda.

7:00 A.M. Call to Order/Pledge of Allegiance/Roll Call – Mike Seppala, EDC Chair

7:02 A.M. Public Comment/Recognitions/Special Announcements and Introductions

- Board Member and Board Chairs Recognition
- Staff Recognition
- Intro New Board Members

7:15 A.M. Changes to Today's Agenda

7:16 A.M. Section I – Consent Agenda

- Nov. 2020 Board Meeting Minutes
- Oct. 2020 EDA and EDC Financials

(EDA/EDC Action)

(Attachment A)

(Attachment B)

7:20 A.M. Section II – Program Director Reports

- Big Sky Finance--Brandon
 - Independent Loan Review (Attachment C) (EDC Action)
 - SBA 504 Loan Request (Attachment D) (Info)
 - SSBCI Loan Request (Attachment E) (EDC Action)
- Operations—Becky
 - Nominating Committee Recommendation—Election of Officers for 2021 (Attachment F) (Action)
 - Big Sky to Sky Point Project/Wishneff Contract for Historic Tax Credits (Attachment G) (Action)
- Recruitment/Outreach and Legislative Priorities—Allison and Austin
 - BSTF Grant Applications (Attachment H) (Action)
 - Legislative Priorities Update (Attachment I) (Info)

8:00 A.M. Section III – Board/Industry Roundtable (Board Member Recap of Challenges and Successes from 2020, and Hopes for 2021)

8:50 A.M. Section IV – Executive Director Wrap Up

- FY 2021 Board Committee Sign-up
- FY 2021 Calendar
- "Thank you"

(Via Separate Email) (Info)

(Attachment J) (Info)

(Handout) (Info)

9:00 A.M. Adjourn

Next EDA/EDC Board Meeting January 14, 2021. *Big Sky Economic Development Board of Directors will make reasonable accommodations for known disabilities that may interfere with an individual's ability to participate. Persons requiring such accommodations should make their requests to Big Sky Economic Development as soon as possible before the meeting day. Please call Big Sky ED at 256-6871.*



BIG SKY
ECONOMIC DEVELOPMENT

EDA • EDC CREATING MONTANA BUSINESS OPPORTUNITIES

ATTACHMENT A

EDA/EDC Joint Board Minutes
Thursday, November 12th, 2020 – 7:00 A.M. – 9:00 A.M.
Zoom Teleconference

BIG SKY ED Mission Statement: - Focused on sustaining and growing our region's vibrant economy and outstanding quality of life, ***Big Sky Economic Development*** provides leadership and resources for business creation, expansion, retention, new business recruitment and community development.

EDA Board Members Present: Bryce Terpstra, Dana Pulis, Ken Lutton, Riley Bennett, Robin Rude, Jennifer Smith, Jennifer Owen, Judi Powers, John Brewer (Ex-Officio), Nick Altonaga (Ex-Officio), Katy Easton (Ex-Officio)

EDA Board Members Absent: George Warmer, Greg McDonald, Paul Neutgens, Don Jones (Ex-Officio), Greg Upham (Ex-Officio), Shaun Brown (Ex-Officio)

EDC Board Members Present: Aaron Ramage, Andy Gott, Ann Kosempa, Bob Wilmouth, Craig Bartholomew, Dave Ballard, Denis Pitman, Eric Simonsen, Jon Stepanek, Kim Jakub, Mac Fogelsong, Mike Nelson, Mike Seppala, Mike Phillips, Nicole Bengé, Scott Chesarek, Spencer Frederick, Steve Loveless

EDC Board Members Absent: Mitch Goplen

Staff and Guests: Steve Arveschoug, Brandon Berger, Shanna Zier, Dustin Frost, Becky Rogers, Austin Trunkle, Lorene Hintz, Marcell Bruski, Jo Ann Jones, Thom MacLean, Melanie Schwarz, Sherry O'Donnell, Deanna Langman, Allison Corbyn, Dianne Lehm, Patrick Klugman, Kevin Scharfe, Kayla Vokral, Brian Clemons, Stefani Freese, Jordan Wilson, Dr. Stefani Hicswa

Call to Order:

Robin Rude, EDA Chair, called the meeting to order at 7:02 A.M. with the pledge of allegiance.

Public Comment/Recognitions/Special Announcements and Introductions:

Public Comment

Melanie gave an update about Healthcare Appreciation Day. Melanie mentioned that the goal was to raise enough money to give every healthcare worker in Billings a \$10 gift card. Melanie is pleased to report that we have hit that goal. Tomorrow, we will be going to healthcare centers in Billings to drop off those gift cards and thank those workers.

Steve then asked the Board to welcome Dr. Stefani Hicswa, the incoming Chancellor at MSUB. Stefani is currently the President of Northwest University in Powell, WY. Stefani has background in community and economic development and is excited to engage with us. Stefani will begin in January.

Agenda Changes:

A revised agenda was sent the Monday prior to this meeting

Consent Agenda

Approval of October 8th Board Meeting Minutes and Approval of the September Financials

Motion: Judi Powers to approve the October Board Meeting Minutes and September Financials, as presented to the Board.

Second: Ann Kosempa

Discussion: None

Motion carried

FY 2020 Audit Review – Stefeni Freese

Stefeni Freese of Anderson ZurMuehlen (AZ) joined us to present the audit. Stefeni began by reviewing the EDA and indicated that there were no new accounting policies adopted or changed during 2020. Stefeni was happy to report that there were no transactions that failed to meet standards. She was also pleased to report that the auditors did not encounter any difficulties in conducting the audit. She went on to mention there was a very minor correction to adjusting for pension liabilities and one reclassification of an account. Stefeni indicated that the auditors issued a clean, unmodified opinion and stated that the financial statements present fairly. The subsequent events footnote of the audit details events subsequent to June 30, 2020. This footnote includes reference to receiving \$200,000 in coronavirus relief funds, payoff of the DBA line of credit off, and renewal of lease agreement.

In accordance with Government Auditing Standards, BSEDA is required to undergo a single audit as BSEDA receives over \$750,000 in federal funds during the year. AZ tested the Federal EDA Grant as this is the most significant federal grant received during the fiscal year. AZ issued an unmodified opinion and indicated that they did not identify any deficiencies in internal control over compliance. There were no audit findings to review.

Stefeni then reviewed the EDC financials. For the EDC, there were new accounting practices related to revenue recognition that needed to be implemented. The Financial Accounting Standards Board did allow for a one year delay for implementation, but these changes were implemented during the fiscal year and AZ completed the audit in accordance with these changes. Stefeni mentioned that these changes did not have a significant effect on how we recognize revenue. AZ issued a clean opinion and concluded that the financial statements present fairly. Stefeni also noted that the EDC is in a strong cash position with a high current ratio.

The staff and Board went on to commend Shanna and her excellent work. Mike Phillips asked a question related to pensions and how it's funded. Stefeni noted that is funded based on payroll contributions on a percentage basis. Mike asked another question related to the state small business credit initiative.

Craig asked about the EDC's cash flow and how we are trending.

Motion: Mike Nelson to accept the results of the FY 2020 Audit, as presented to the Board.

Second: Mike Seppala

Discussion: Above

Motion carried

Certificate of Deposit Signing Authority

Shanna noted that we will be investing some of the cash received from the DBA loan repayment into Certificates of Deposits. The bank has asked that we have Board approval for Becky and Steve to become signers on the new CD accounts.

Motion: Dave Ballard to grant authority to Becky and Steve as signers on the new CD Accounts, as presented to the Board.

Second: Mike Seppala

Discussion: None

Motion carried

Executive Directors' Report – Steve

Staffing Assignments and Reorganization Update – Steve

Steve began with reviewing some reorganization that has taken place across the organization. Kevin Scharfe is the Director of Entrepreneurship and oversees Rock31 and SBDC. Lorene now oversees the Regional SBDC and Kayla has now assumed the position of Small Business Advisor.

Additionally, Marcell has been elevated to Marketing Manager for the entirety of BSED and its programs.

Allison now reports directly to Steve and oversees Austin who has been moved to be a Business Outreach and Economic Development Policy Project Manager.

Kayla and Austin are wearing two hats at the moment, both are working in their new position and in the operations team during a transition period.

Rosalind Dix in our PTAC has been given the title of Senior PTAC advisor. Roz's extraordinary knowledge base and dedication to advising made this an easy decision.

We are still working to fill the BillingsWorks position and the opening at the front of the office.

Steve also mentioned how he has restructured the direct reports' responsibilities.

Salary Adjustments – Steve

Steve noted that we intend to adjust salaries for the second half of the fiscal year. Those who have had significant responsibility changes will have their pay adjusted accordingly. The balance of the team will see a moderate merit increase as well. The total expenditure for these adjustments falls within our budget projections. The board went on to discuss some of the particulars about the salary adjustments.

Motion: Ken Lutton to confirm the approval of the salary adjustments schedule, as presented to the Board.

Second: Judi Powers

Discussion: Above

Motion carried

December Board Meeting – Steve

The December Board meeting will be a Board Member roundtable where each member gives insight into their industry, the past year, and the year ahead. Steve also mentioned that everyone will receive a gift card to Bernie's to grab breakfast, courtesy of Mike Seppala and Western Security Bank.

Board Dialogue

BSED Statement of Practice – Diversity and Inclusion – Judi Powers

Judi gave a brief overview of the work the committee conducted to discern what economic development nexus a WDO Statement has. And while the committee found that the results were inconclusive, the statement that has been drafted will be used to guide our internal procedures.

Organizational Marketing – Annual Meeting Recap and Input – Marcell

Marcell asked the Board for their thoughts on the annual meeting. Ken and Spencer commended Marcell for the content and its execution. Riley wondered if there was a way to keep each business's virtual tile on the screen or on a banner across the border.

Program Directors Reports

TEDD Update – Thom

Thom mentioned things are starting to move in the TEDD. Work is still ongoing to strike a deal between the City of Billings, the Lockwood Water and Sewer District and the property owners therein.

Coulson Park – Patrick

Patrick gave some background about the Coulson Park project, the partners who have been involved, and the support from elected officials. Patrick went through a slideshow and explained the potential projects that have been developed through the Masterplan. Some of those ideas include a dog park, new boat launches, an amphitheater, a pond, bike trails and BMX park, as well as multiple shelters and green spaces. Finally, Patrick explained what needs to happen to keep this project moving forward.

Big Sky Finance – Brandon

Brandon started with their semi-annual portfolio review. This review only captures our SBA 504 Loan portfolio. All loans are current and there are 177 in the portfolio. Brandon mentioned the portfolio concentration and noted that the accommodations industry is our highest volume sector. The restaurant concentration is 7% and Brandon wanted to make mention of that given the current economic climate. Next, Brandon review stressed loans and which are on deferment and which are catching up now that the SBA subsidy payments have stopped. Brandon thinks there will be additional deferment requests over the next few months. These are generally structured in a way that the borrower pays their fees but principal and interest payments are deferred.

BSF also presented Lender Portal Information. Our Lender Purchase Rating is a 1, which is the highest rating. The SMART score increased slightly and moderate risk items are the 12-month default rate, 5-year default rate, stressed rate, and industry concentration. Apart from industry concentration, BSF out-paces their peers in all categories.

Staffing Needs Update

Brandon noted that Sherry in our Helena Office has taken a position with a CDC from Colorado. BSF will now need to hire a new loan officer/closer. The job has been posted in both the Billings and Helena markets. We are open to hiring that new person in either location. Becky mentioned there has been one applicant so far but lots of interest in that position.

Finally, Brandon made an update to the Management Services Agreement regarding the confidentiality clause. This change was required by the SBA. The change has been approved by the SBA and legal counsel.

Motion: Spencer Frederick to approve the Changes to the Management Services Agreement, as presented to the Board.

Second: Mike Phillips

Discussion: None

Motion carried

Nominating Committee Update – Becky

Becky presented the Nominating Committee's recommendation to the County Commissioners to appoint a new EDA Board member. They recommend Debbie Desjarlais. Debbie owns Debbie Desjarlais Design and Keya, LLC.

Motion: Judi Powers to approve the Nominating Committee's recommendation, as presented to the Board.

Second: Riley Bennett

Discussion: None

Motion carried

Big Sky to Sky Point – Becky

Becky noted that the team is working on submitting the first part of the historic tax credits application with the help of Randy Hafer. Becky also mentioned that Cushing Terrell will be holding a design finishes meeting with the BSED Staff next week.

COVID Response Update

Economic Response and Recovery Plan and Next Steps – Thom

Thom mentioned the work that the ERR team is working on and the upcoming Healthcare Appreciation Day. There will also be a community update in December that notes the economic recovery efforts that are occurring and what the fallout has been so far this year. Allison will be giving some economic impact data as well to give context to the decision making. Steve continued by letting the Board know that there will be Public Service Announcements hitting the airwaves in the coming days and weeks.

EDA RLF Grant Update – Brandon, Dianne, Steve

No updates at this time. The EDA has postponed some announcements due to yearend clerical work and there is a backlog on those decisions.

Legislative Priorities Update/Partner Priorities Review – Allison and Austin

Austin updated the Board about the legislative work that Allison, Steve and Austin are undertaking. Part of the work has centered on putting the Legislative Priorities in chart form. The idea behind this was to give each priority a bit more context and history as we look forward to the next session in January. Austin and Allison are still working to pull together the priorities of partner organizations across the state. Steve and Austin have been meeting with legislators to share our priorities and to get a sense of what the session will look like come January. As of yet, the format has not been determined with respect to how legislators will gather and how individuals will testify whether in person or remotely.

Public Comment

None

Adjourn

Robin adjourned the meeting at 8:57 A.M.

Next Meeting – December 10th, 2020

Respectfully submitted,

Ken Lutton, EDA Secretary/Treasurer

Ann Kosempa, EDC Secretary/Treasurer

When approved, minutes and meeting materials will be filed electronically in the Big Sky EDA office.

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BIG SKY
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ATTACHMENT B

Big Sky Economic Development Authority
Financial Report for the Executive Committee and Board of Directors
November 24, 2020

Included with this report is balance sheet reflecting the assets, liabilities, and net assets of Big Sky EDA as of October 31, 2020. Also included is the statement of revenue and expenses through four months of FY21 as compared to budget.

Balance Sheet

Current assets increased to about \$5,148,000 at the end of October from \$4,709,000 in September. The fluctuation in current assets is attributed to repayment of the Downtown Billings Partnership Loan. A portion of this money (\$250,000) has been invested in a short-term CD. The remaining portion (\$150,000) will also be invested in a CD after gathering the necessary information to open the account. Accounts receivable decreased from \$217,000 to \$141,000. The receivable consists of PTAC (\$101,000), VBOC (\$22,000), and SBDC (\$18,000).

Due To/Due From EDC totaled approximately \$48,000 at the end of October and consists of the October amount due from EDC. The tax levy receivable increased to \$1,239,000 with the addition of the 2020 property tax receivable. Protested tax receivable remains unchanged and totaled an additional \$21,000. An allowance totaling approximately \$21,000, or 100% of protested tax levy receivable is reflected to allow for potentially uncollectible protested tax levy. Interest receivable and loans receivable decreased to \$0 with the payoff of the Downtown Billings Partnership loan.

Total fixed Assets increased in March 2020 due to the transfer of the bank building from EDC to EDA. As discussed previously, the breakdown of the building and land values was not presented in the appraisal. Following the direction of Anderson Zurmuehlen, the book value of the building and land was divided based on the values from the Yellowstone County Property Tax information. Corresponding depreciation was also booked to begin depreciating the value of the building over 39 years. Total fixed assets totaled \$1,577,000 at the end of October.

Accounts payable have decreased slightly from \$86,000 at September 2020 to approximately \$47,000. The majority of the decrease is attributed to the payment of outstanding September invoices for PTAC subrecipients. Accrued expenses total approximately \$100,000 and consist largely of salary/benefits accruals (\$73,000) and Space2Place Grant accruals (\$17,000). Deferred revenue increased to \$65,000. Deferred revenue consists of \$50,000 conditional grant award amount from Beartooth RC&D and \$15,000 from MSU/City of Bozeman for PTAC support.

Statement of Revenue and Expenses

Revenue is about \$92,000 over budget through the first four months of the fiscal year. There are a few factors attributing to this variance in revenue. In October, Mill Levy Revenue increased \$1,236,000 with the recognition of the 2020 property tax receivable. This revenue is about \$16,000 over budget. As a reminder, when we budgeted for FY21, we took a conservative approach and budgeted for 3% in property tax protest. In addition, based on revenue recognition guidance, \$150,000 of the \$200,000 from the Beartooth RC&D CARES Act Grant is recognized immediately. The remaining \$50,000 will be recognized at the end of the next year following all conditions being satisfied (this amount is in deferred revenue).

Department of Defense (PTAC) and VBOC revenue remains under budget due to actual expenses. EPA-Brownfields is about \$38,000 below budget due to timing of when revenue/expenses are

budgeted for the fiscal year. SBA/MT Dept of Commerce revenue (SBDC) is about \$18,000 below budget as we have decided not to fill the SBDC COVID-19 position. With this change in hiring plans, we have received approval for reimbursement for our SBDC Business Advisor salary, benefits, and rent through December. This will add about \$28,000 in revenue for FY21.

Most expenses remain under budget through October. Salary/wage expense totaled \$514,000 through October. This amount is about \$43,000 under budget due to vacancy savings. Professional fees remain significantly under budget and totaled \$34,000 through October. This expense line is under budget as we have not incurred budgeted architectural fees and Brownfields fees through October. We have received the first invoice from Cushing Terrell, so we will see an increase in professional fees in December. Travel/training expenses remain under budget and totaled approximately \$9,000 through October.

Through four months of FY21 Big Sky EDA recognized revenue in excess of expense totaling about \$1,055,000, which was approximately \$324,000 more than the budgeted amount. When excluding the non-operating income/expenses (contribution revenue, in-kind revenue, interest income, and depreciation expense), Big Sky EDA recognized revenue in excess of expense of about \$1,062,000, which is about \$385,000 more than budgeted.

Big Sky EDA
Comparative Balance Sheet
As of October 31, 2020 and 2019

	10/31/2020	10/31/2019	+/-	6/30/2020	+/-
Assets					
First Interstate Bank	\$448,198	\$75,599	\$372,599	\$164,986	\$283,212
FIB-Recovered Property Taxes	148,202	53,202	95,000	148,202	-
Opportunity Fund-FIB	521,369	54,376	466,993	16,169	505,200
Opportunity Fund-Stockman	44,528	3,614	40,914	44,519	9
Opportunity Fund-Opportunity Bank	622,630	616,319	6,312	621,300	1,331
Stockman GE Maintenance	15,128	15,128	-	15,128	-
Rocky Mountain Bank Money Market	493,009	-	493,009	492,843	166
Opportunity Fund - CDs (current)	2,654,278	3,063	2,651,215	2,404,278	250,000
Yellowstone County Funds	200,958	24,827	176,131	535,969	(335,011)
Total Current Assets	5,148,300	846,127	4,302,173	4,443,392	704,907
Other Assets					
Accounts Receivable	140,857	239,783	(98,926)	680,373	(539,516)
Grants Receivable	150,000	-	150,000	-	150,000
American Revenue Guarantee	6,887	6,887	-	6,887	-
Due To/Due From EDC	48,380	103,664	(55,284)	57,548	(9,168)
Tax Levy Receivable	1,238,532	1,208,538	29,994	26,597	1,211,935
Tax Levy Receivable - Protested	21,479	2,455	19,024	21,479	-
Allowance for Doubtful Accounts	(21,479)	(2,455)	(19,024)	(21,479)	-
Prepaid Expenses	16,324	11,284	5,040	18,556	(2,233)
Deposit	1,390	-	1,390	1,390	-
Undeposited Funds	-	-	-	-	-
Interest Receivable	-	2,421	(2,421)	8,509	(8,509)
Miscellaneous Receivable	-	-	-	-	-
Total Other Assets	1,602,369	1,572,576	29,793	799,860	802,510
Non-Current Assets					
Opportunity Fund - CDs (non-current)	1,251,137	4,592,880	(3,341,743)	1,250,358	779
Loans Receivable	-	400,000	(400,000)	400,000	(400,000)
TEDD Receivable	34,100	64,775	(30,675)	34,100	-
Cabela's Conduit	9,649	4,983	4,666	9,649	0
Deferred Outflow of Resources	146,350	247,689	(101,340)	147,067	(717)
Total Non-Current Assets	1,441,236	5,310,327	(3,869,092)	1,841,173	(399,938)
Fixed Assets					
Bank Building - Land	272,000	-	-	272,000	-
Bank Building - Building	1,328,000	-	-	1,328,000	-
Accumulated Depreciation	(22,701)	-	-	(11,350)	-
Total Fixed Assets	1,577,299	-	-	1,588,650	-
Total Assets	9,769,204	7,729,032	2,040,172	8,673,075	1,096,129
Liabilities & Equity					
Current Liabilities					
Accounts Payable	46,542	31,894	14,648	51,901	(5,359)
Accrued Expenses	99,861	104,239	(4,379)	109,334	(9,474)
Deferred Revenue	65,000	-	14,000	1,598	-
Payroll Liabilities	(757)	687	(1,444)	355	(1,112)
Compensated Absences	164,026	147,540	16,486	170,250	(6,224)
Total Current Liabilities	374,671	284,360	90,311	333,438	41,233
Long Term Liabilities					
Deferred inflow or Resources	68,045	13,741	54,304	68,045	-
Pension Liability	825,316	884,804	(59,488)	825,316	-
Total Long Term Liabilities	893,361	898,545	(5,184)	893,361	-
Current Year Excess of Expenses over Revenue	1,055,613	772,976	282,637	1,673,125	(617,512)
Balance at Beginning of Year	7,445,559	5,773,151	1,672,408	5,773,151	1,672,408
Net Assets	8,501,172	6,546,127	1,955,045	7,446,276	1,054,896
Total Liabilities & Equity	9,769,204	7,729,032	2,040,173	8,673,075	1,096,129

Big Sky EDA
Statements of Operations
For the Periods Ending October 31, 2020

	Month			YTD			Fiscal Year
	Actual	Budget	Variance	Actual	Budget	Variance	Budget
Operating Revenue							
County Taxes (Mill Levy Revenue)	\$1,235,690	\$1,220,100	\$15,590	\$1,236,386	\$1,220,100	\$16,286	\$1,220,100
Entitlement	-	-	-	59,832	58,750	1,082	\$235,000
Health Insurance Mill Levy	7,950	9,922	(1,972)	33,390	37,863	(4,473)	117,236
Recovery of Protested Taxes	-	-	-	1	-	1	-
Department of Defense	40,000	45,868	(5,868)	169,426	183,474	(14,048)	550,421
EDC Reimbursement	47,992	48,251	(259)	191,921	193,004	(1,083)	579,012
EPA-Brownfields	4,721	10,833	(6,112)	8,446	45,833	(37,387)	132,500
SBA/MT Dept of Commerce	18,129	21,779	(3,651)	69,422	87,048	(17,626)	261,282
SBDC Program Income	-	-	-	-	-	-	-
VBOC	21,977	25,965	(3,988)	88,926	101,903	(12,977)	300,000
Rents/Leases	-	-	-	1,912	1,912	-	-
Grant Administration	-	292	(292)	2,000	1,167	833	3,500
Beartooth RC&D CARES Act	150,000	-	150,000	150,000	-	150,000	-
Other Intergovernmental Revenue	5,000	-	-	6,598	-	6,598	-
Miscellaneous Revenue	-	-	-	5,000	-	5,000	3,862
Total Revenue	1,531,459	1,383,010	143,449	2,023,259	1,931,054	92,205	3,402,913
Operating Expenses							
Salaries/Wages	124,797	140,435	(15,638)	514,847	557,572	(42,725)	1,679,819
Employer Contributions	40,415	46,893	(6,478)	169,658	182,453	(12,795)	559,084
Contingency	-	4,208	(4,208)	-	16,833	(16,833)	50,497
Community Development Projects	2,851	2,500	351	4,989	10,000	(5,011)	30,000
Dues and Subscriptions	1,245	1,166	79	28,822	28,267	555	64,643
Event Expense	-	-	-	-	-	-	-
Insurance	1,226	1,236	(10)	6,047	7,992	(1,945)	23,984
Marketing - Departmental	374	2,036	(1,662)	1,917	8,144	(6,227)	24,432
Marketing - Organizational	6,612	2,667	3,945	15,926	10,667	5,259	32,000
Office Equipment	335	-	335	395	4,500	(4,105)	6,500
Office Expense	2,526	1,597	929	6,044	9,388	(3,344)	23,289
Professional Fees	1,250	41,833	(40,583)	33,811	189,931	(156,120)	167,958
Property Tax Protests	-	-	-	-	-	-	37,350
PTAC Satellite	9,588	12,481	(2,893)	39,803	49,924	(10,122)	149,773
PTAC Subcenter	12,253	14,764	(2,511)	53,268	59,057	(5,789)	177,171
Rent	11,622	11,724	(102)	47,276	47,297	(22)	142,295
Repairs	-	-	-	-	-	-	-
Sponsorships	-	-	-	-	-	-	2,500
Strategic Priorities	-	1,250	(1,250)	-	5,000	(5,000)	15,000
TEDD	-	-	-	60	500	(440)	2,000
Telecommunications	4,646	5,161	(515)	19,060	20,645	(1,585)	61,933
Travel/Training	3,559	7,804	(4,244)	9,095	30,882	(21,787)	100,258
Utilities	829	2,000	(1,171)	4,233	8,000	(3,767)	24,000
Miscellaneous	772	1,687	(915)	5,913	6,518	(605)	23,200
Total Operating Expenses	224,900	301,442	(76,541)	961,164	1,253,570	(292,406)	3,397,686
Net Operating Revenue	1,306,559	1,081,569	219,990	1,062,096	677,484	384,611	5,227
Non-Operating Income/Expense							
Interest Income	2,181	1,687	494	4,763	6,749	(1,986)	20,247
US EDA Reimbursement	-	14,600	(14,600)	105	58,400	(58,295)	148,822
Grant Revenue (GASB 68)	-	-	-	-	-	-	-
Architectural/Professional Fees	-	-	-	-	-	-	302,492
Pension Expense	-	-	-	-	-	-	-
Depreciation Expense	2,838	2,838	-	11,350	11,350	-	34,051
Total Non-operating Income/Expense	(657)	13,450	(14,106)	(6,483)	53,799	(60,281)	(167,474)
Net Revenue Over (Under) Expense	1,305,902	1,095,018	205,884	1,055,613	731,283	324,330	(162,247)

Big Sky Economic Development Corporation
Financial Report for the Executive Committee and Board of Directors
November 24, 2020

Included with this report is the balance sheet reflecting the assets, liabilities, and net assets of Big Sky EDC as of October 31, 2020. Also included is the statement of revenue and expenses through four months of FY21 as compared to budget.

Balance Sheet

Current assets totaled approximately \$1,998,000 at the end of October, an increase from \$1,810,000 at the end of September. This is partially attributed to the collection of the \$100,000 from the State of Montana Coronavirus Relief Funds. Accounts receivable increased with the invoicing for the first two quarters of member investor pledges. The receivable totals \$73,000 and consists of Member Investor pledges for FY21 (\$51,500), Member Investor pledges for FY20 (\$19,000) and Business Healthcare Sponsorship receivable (\$2,500). The receivable balance has decreased to about \$54,000 in November.

The RLF portfolio totaled \$405,000, the SSBCI portfolio totaled \$641,000, and the Stabilization Loan portfolio totaled \$125,000 through the end of October. We received two stabilization loan payoffs in October and an additional payoff in November.

Accounts payable remained relatively consistent and totaled \$20,000 at the end of October. Accrued expenses totaled \$10,000 and consisted of amounts accrued for legal expenses associated with the 504 loan portfolio. Deferred 504 revenue totaled \$28,000, an increase from \$24,000 in September. This deferred 504 revenue will be recognized as loans fund. As mentioned previously, we received \$100,000 in State of Montana Coronavirus Relief Funds in October. This revenue is being recognized as we incur expenses and will need to be expended by the end of December. The balance of this grant is in deferred revenue and totaled \$97,000 at the end of October. Due to/Due from EDA totaled approximately \$48,000 and represents the amount owed to EDA from EDC for October reimbursement.

Statement of Revenue and Expenses

The 504 loan servicing revenue totaled \$178,000 through October. This is approximately \$2,000 over budget. The 504 loan origination revenue totaled \$53,000 through October, which is approximately \$39,000 below budget. This variance is attributed to timing of budgeted revenue. Member investor revenue totaled approximately \$94,000. Member investor revenue increased \$86,000 with the quarterly invoicing that was completed in early October. We have received \$50,000 in payments for these invoices. Miscellaneous revenue totaled approximately \$13,000 through October and consists largely of \$10,500 in loan fees. I have added a new account to the Statement of Revenue and Expenses to better track the State of Montana Coronavirus Relief Funds. Through October, these funds total a little over \$17,000. The restricted donations for the Coulson Park project are also being tracked in a separate Coulson Park revenue account and total \$32,000 through October.

Expenses remain close to or in-line with budget as we begin the fiscal year. Through October, event expense totaled approximately \$16,500. Professional fees increased and totaled \$30,000 through October. This consists of \$12,500 in expenses related for Anderson ZurMuehlen's financial statement audit, \$10,000 in legal fees related to the 504 loan program, \$2,000 in consulting fees, and \$5,000 in other professional fees. Sponsorship expense totaled \$7,000 and remains below budget through October. This is also attributed to timing of budgeted expenses.

Through four months of FY21 Big Sky EDC recognized revenue in excess of expenses totaling about \$84,000, which was approximately \$64,000 more than the budgeted amount. When excluding the non-operating income/expenses (Coulson Park donations), Big Sky EDC recognized revenue in excess of expenses of about \$52,000, which is \$32,000 more than budgeted. This is largely attributed to the State of Montana Coronavirus Relief Funds. In addition, member investment revenue is currently over budget based on the timing of the invoicing compared to budgeted revenue.

Big Sky EDC
Comparative Balance Sheet
As of October 31, 2020 and 2019

	10/31/2020	10/31/2019	+/-	6/30/2020	+/-
Assets					
First Interstate Bank	\$403,330	\$187,833	\$215,497	\$245,165	\$158,165
FIB SSBCI Principal	1,050,513	1,388,592	(338,079)	1,005,566	44,947
FIB-Long Term Reserve	250,000	250,000	-	250,000	-
FIB-Opportunity Fund	22,200	22,200	-	22,200	-
FIB-RLF	69,872	221,050	(151,178)	179,960	(110,088)
FIB-OBSD Restricted	-	-	-	-	-
Accounts Receivable	72,810	9,500	63,310	58,684	14,126
Contributions Receivable	-	44,500	(44,500)	2,500	(2,500)
Miscellaneous Receivable	-	148	(148)	-	-
Prepaid Expenses	8,281	2,500	5,781	8,276	5
Undeposited Funds	-	-	-	-	-
Stabilization Portfolio - Current	40,175	-	-	137,000	(96,825)
RLF Portfolio-Current	41,425	18,588	22,836	42,141	(717)
SSBCI Portfolio-Current	39,552	83,758	(44,206)	48,307	(8,755)
Total Current Assets	1,998,158	2,228,669	(230,511)	1,999,799	(1,641)
Other Assets					
RLF Portfolio-Non Current	363,655	236,477	127,178	268,210	95,445
SSBCI Portfolio-Non Current	601,615	800,791	(199,176)	601,051.9	563.09
Stabilization Portfolio-Non Current	84,825	-	-	-	-
Allowance for Loan Losses	(21,934)	-	(21,934)	(21,934)	-
Total Other Assets	1,028,160	1,037,268	(9,108)	869,262	96,008
Fixed Assets					
Bank Building - Building	-	-	-	-	-
Bank Building - Land	-	-	-	-	-
Total Fixed Assets	-	-	-	-	-
Total Assets	3,026,318	3,265,937	(239,619)	2,869,060	94,367
Liabilities & Equity					
Current Liabilities					
Accounts Payable	19,551	7,646	11,905	14,200	5,351
Property Tax Payable	-	-	-	-	-
Accrued Expenses	10,000	(1,438)	11,438	-	10,000
Deferred 504 Revenue	27,684	52,043	(24,360)	35,811	(8,128)
Deferred Revenue	97,021	-	97,021	-	-
Due to/Due from EDA	48,380	103,899	(55,519)	57,548	(9,168)
Total Liabilities	202,635	162,151	40,485	107,559	95,077
Current Year Excess of Expenses over Revenue	84,116	(116,097)	200,213	(480,316)	564,432
Balance at Beginning of Year	2,739,567	3,219,883	(480,316)	3,219,883	(480,316)
Net Assets	2,823,683	3,103,786	(280,103)	2,739,567	84,116
Total Liabilities & Equity	3,026,318	3,265,937	(239,619)	2,847,126	179,192

Big Sky EDC
Statements of Operations
For the Periods Ending October 31, 2020

	Month			YTD			Fiscal Year
	Actual	Budget	Variance	Actual	Budget	Variance	Budget
Operating Revenue							
504 Loan Origination	\$0	\$5,455	(\$5,455)	\$52,539	\$91,364	(\$38,825)	\$135,000
504 Loan Servicing	50,805	40,500	10,305	177,771	175,500	2,271	499,500
Float Income	-	-	-	-	-	-	-
CTE Director Donations (Restricted)	-	-	-	-	-	-	-
Member Investment	86,400	-	86,400	93,900	63,250	30,650	253,000
RLF Business Loan Interest	1,549	1,417	132	3,111	5,667	(2,556)	17,000
RLF Origination Fees	-	-	-	-	-	-	5,000
Stabilization Loan Interest	253	417	(163)	963	1,667	(703)	-
SSBCI Revenue	1,766	1,500	266	6,884	6,000	884	18,000
Recovery of Bad Debt	-	-	-	-	-	-	-
Coronavirus Relief Funds	2,979	-	2,979	17,598	-	17,598	-
Miscellaneous Revenue	1,298	-	1,298	12,501	-	12,501	-
Total Revenue	145,051	49,288	95,762	365,269	343,447	21,822	927,500
Operating Expenses							
Business Incubation	-	125	(125)	-	500	(500)	1,500
Business Recruitment	-	208	(208)	851	833	18	2,500
Bad Debt Expense	-	1,042	(1,042)	1,500	4,167	(2,667)	12,500
Contingency	-	1,667	(1,667)	-	6,667	(6,667)	20,000
Dues and Subscriptions	1,841	4,546	(2,705)	5,480	7,310	(1,830)	21,561
EDA Reimbursement	47,992	48,251	(259)	191,921	193,004	(1,083)	579,012
Event Expense	6,427	15,000	(8,573)	16,485	16,500	(15)	33,500
Insurance	843	865	(22)	3,367	3,460	(93)	10,380
Investment in Economic Activity	-	-	-	-	-	-	5,000
Marketing - Departmental	2,494	1,958	536	7,867	8,233	(366)	23,900
Marketing - Organizational	2,181	1,292	889	5,011	5,167	(155)	15,500
Membership Development	122	700	(578)	247	2,800	(2,553)	8,400
Office Supplies	2,201	300	1,901	5,755	1,200	4,555	3,800
Professional Fees	2,708	2,583	125	29,689	21,333	8,355	67,500
Postage and Printing	49	75	(26)	425	300	125	900
R31 Outreach	94	75	19	188	300	(112)	2,300
Rent	2,519	2,588	(69)	10,090	10,352	(262)	31,629
Repairs	-	-	-	-	-	-	-
Sponsorships	3,500	-	3,500	7,000	15,200	(8,200)	19,700
Telecommunications	623	555	69	1,894	2,219	(325)	6,656
Travel/Training	4,224	5,213	(988)	8,141	10,580	(2,439)	27,505
Miscellaneous	1,922	1,782	140	17,242	13,028	4,214	39,884
Total Operating Expenses	79,739	88,825	(9,086)	313,154	323,153	(9,999)	933,628
Net Revenue Over (Under) Expense	65,312	(39,537)	104,848	52,115	20,294	31,821	(6,128)
Non-Operating Income/Expense							
Coulson Park	-	-	-	32,000	-	32,000	-
Total Non-operating Income/Expense	-	-	-	32,000	-	32,000	-
Net Revenue Over (Under) Expense	65,312	(39,537)	104,848	84,115	20,294	63,821	(6,128)



BIG SKY
ECONOMIC DEVELOPMENT

EDA • EDC CREATING MONTANA BUSINESS OPPORTUNITIES

ATTACHMENT C

BIG SKY ECONOMIC DEVELOPMENT CORPORATION
2020 INDEPENDENT LOAN REVIEW
BOARD SUMMARY – DECEMBER 10, 2020

BSEDC Board of Directors –

Attached is the 2020 Independent Loan Review for BSEDC's SBA 504 loan portfolio. The review and report have been completed by Advisors, an independent third party. This portfolio review is required biannually by SBA. The last completed Independent Loan Review was in 2018.

- Pages 1-17 pertain to this year's review (this is the section I will be reporting out).
- Appendix 2 is a summary of the 2018 Independent Loan Review
- Appendix 3 is a summary of our most recent SMART review
- Appendix 4 provides summary of exceptions with error rates
- Appendix 5 provides summary of loan samples with error rates

Per the Executive Summary, 20 loan files were reviewed for compliance with 99 specific SBA Loan Program requirements, constituting a review universe of 353 items. Of the 20 loans reviewed, four (4) were new loans originated within the past 12 months and 16 were seasoned loans (originated greater than 12 months). The file review identified nine exceptions, resulting in an aggregate error rate of 2.5%. Two Findings were cited along with four Recommendations for Improvement. A "Finding" is considered a systemic exception and noncompliant with SBA Regulations. "Recommendations for Improvement" are generally derived from exceptions that were deemed non-systematic/isolated in nature as of the Review. They are generally not considered immediate material issues. The Finding and exceptions are discussed below.

Findings:

- 1. Internal controls are inadequate for ensuring that other loan appropriate insurance is required in the SBA Loan Authorization as mandated by SBA regulations.**

Response: Finance Department had updated its policies and procedures adding language for Other Appropriate Insurance. The two occurrences noted in the review were an oversight on CDC's part. One loan we added Liquor Liability and Workers Compensation Insurance as other loan appropriate insurance but had neglected to add Liability insurance. The other we neglected to add Liability insurance as other loan appropriate insurance. By practice, although not specifically stated in manual, Liability insurance should be a requirement for all loans as it is typically required of the business in order to operate. Two loan officers will review each Authorization going forward for the required insurance.

- 2. Internal controls are inadequate to ensure loans in Catch Up or Deferment are reviewed on a semi-annual basis as required by SBA regulations.**

Response: Loan Policy Manual will be updated within the Servicing section – Deferrals. Deferral section to be updated with current procedures for approving deferrals as well as monitoring of loans in Deferment or Catch-Up. Monitoring language will be obtained from Chapter 12.I. Deferrals and CDC Monitoring During Deferment and Catch-up Period in SOP 50 55. Semi-annual financial statements and year-end tax returns to be obtained and analyzed along with monitoring the Borrower's operations by other means listed in SOP 50 55.

Recommendations for Improvement:

- 1. Management should consider revising the Loan Policy Manual to include the salient elements of credit available elsewhere as set forth in SBA SOP 50 10 6.**

Response: Credit Available Elsewhere is discussed in Loan Policy under Eligibility. CDC Management will consider adding additional language and implementing this in its own section under Eligibility with the salient elements set forth in SBA SOP 50 10 6 (Pages 131-132). Current language in Loan Policy referring to SOP 50-10-5 needs to be updated to SOP 50-10-6 in all sections.

- 2. Management should consider revising the Loan Policy Manual to include the requirement for the semi-annual review of loans in Deferment or Catch Up**

Response: See comments above in Findings #2.

- 3. Management should consider revising the Loan Policy Manual so that the Risk Rating Methodology algorithm assigns debt service coverage a factor greater than the sum of the other components included in the algorithm at origination and annual risk rating.**

Response: Risk Rating Methodology will not be changed at this time by Management. Risk Rating has been reviewed by SBA and meets their requirements. Loan Officers do take into account debt service coverage as it is part of the rating system, within Profitability, and they have the ability to provide additional comments and adjust the overall rating if necessary. Profitability is weighted at 25% for both At Origination and Annual Risk rating, which is a greater weighting than the other components.

- 4. Management should consider reviewing the Internal Control Policy and Loan Policy Manual periodically to ensure compliance with any changes in SBA regulations.**

Response: CDC Management will review with the Big Sky Finance team at least annually, or at any time there is a new SOP or program alterations delivered by SBA, the Internal Control Policy and Loan Policy Manual. Any material changes needing to be made will be reported to the Board for approval.

- 5. Management should consider revising the Internal Control Policy to reference Professional Services Contracts rather than Lender Service Providers, which is related to the 7a Program not the 504 Program. Details regarding the periodic evaluation of the Professional Services Contracts should also be included in the Internal Control Policy. Management should ensure the contract does not lapse and any changes to the contract are submitted to SBA in a timely manner for approval.**

Response: The Professional Services Contracts language will be updated within the Internal Control Policy with the next revision, or at the time of the Loan Policy Manual review. Timely

submission of the contract will continue to be monitored by CDC Management upon any changes or renewal.

The following items were identified as non-systemic, and no further action is required. Practices are in place to alleviate these exceptions going forward.

1. **Credit Standards & Borrower Equity Contribution** – One deficiency/exception was noted regarding ratio analysis of the financial statements including comments on any trends and comparisons with industry averages was performed.
 - a. Response – RMA information was depicted on the companion loan (GKS, LLC) but not on this credit, which was an oversight. Comments were not as in depth as they could have been. Exception noted and changes will be made on future credits.
2. **Regular Loan Servicing** – There was one deficiency/exception identified related to annual risk rating per CDC's policies and one exception regarding the current risk rating reasonably reflects the current financial status and credit risk profile of borrower.
 - a. Response – This loan was last risk rated on 6/24/19 for 2018 tax year. 2019 financials received in August 2020 and had not yet been spread and risk rated as of the time of the ILR. Loan is current and paid as agreed so no adverse action causing immediate concern. 2019 tax year risk rating to be completed.
 - b. Response – CDC risk rated the loan based on its current risk rating matrix. No adjustment made to the rating at that time. Loan has always performed as agreed and monitored annually. Per the recommendation of reviewer, loan has been downgraded to Substandard from Special Mention based on the historical financial performance of the business. Loan continues to be paid as agreed and current.

I am pleased with the results of the independent loan review and agree with the findings and recommendations. The necessary steps will be taken to update any policies and procedures needed as recommended in the review. John Valdez commented that our portfolio was doing very well and that overall, we have very good practices in place pertaining to our SBA 504 loan portfolio. None of the findings or deficiencies are detrimental to our loans or negatively impacted any of our loan decisions.

Thank you,



Brandon Berger
Director of Business Finance

ADVISORS

Working for your success

October 30, 2020

Mr. Mike Seppala
Board Chair
Mr. Steve Arveschoug
Executive Director
Big Sky Economic Development Corporation
Granite Tower
222 N. 32nd Street, Suite
Billings, Montana 59101-6877

Dear Messrs. Seppala and Arveschoug:

This letter is considered an integral component of the Independent Loan Review and should be submitted to the Board along with the Report.

ADVISORS performed Big Sky Economic Development Corporation's (BSEDC) 2020 Independent Loan Review. The Loan Review was performed in accordance with the public, official guidance provided by SBA's Office of Credit Risk Management (OCRM) as of the date of the engagement. It specifically reviewed BSEDC's compliance with SBA Loan Program Requirements regarding: Eligibility; Credit Standards; Collateral, Appraisals and Environmental Policies; Loan Authorization, Closing and Disbursement; Regular Loan Servicing, Intensive Loan Servicing & Liquidation; and Risk-Rating Methodology.

The loan sample consisted of loan case files, randomly and judgmentally selected by ADVISORS. The loan sample was comprised of four new loan originations (loans less than 12 months since origination), and 16 seasoned loans (loans greater than 12 months since origination) with an appropriate mix of loans in various performance classifications **as of the selection date**. The loan sample was deemed sufficient to support the Loan Review conclusions, as it represented 28.3% of the total dollars of BSEDC's 504 loan portfolio as of the review date. Furthermore, new originations in the sample represented, by dollars, 61.3% of loans originated in the previous 12 months and 23.1% of seasoned loans.

OCRM requires management to submit its corrective action plans for the specific **Findings and Recommendations for Improvement** cited in the Report to the Board for its review and approval. Periodically, management should report to the Board on its progress in implementing its corrective actions and the effectiveness of these actions.

Additionally, SBA requires that the Independent Loan Review include documentation that the Report was presented to the Board of Directors along with a summary of the Board's position on Findings, and their plan for operational improvement. Please ensure that the Board minutes are

adequately documented to satisfy SBA's preceding requirement.

Should you or any member of the Board have any questions regarding the Loan Review, please call me at 210.601.8191. Thank you for giving us the opportunity to assist Big Sky Economic Development Corporation.

Respectfully yours,

A handwritten signature in black ink that reads "John Valdez". The signature is written in a cursive, flowing style.

John Valdez
Principal

attachments: 2020 Loan Review Report
Appendix 1 (File Review Exceptions by Category)
Appendix 2 (Prior Independent Loan Review Summary)
Appendix 3 (SBA SMART Analytical Review Report Summary)
Appendix 4 (File Review Summary of Exceptions with Error Rates)
Appendix 5 (Summary of Loan Sample with Individual Error Rates)



Loan Review Report

Client Name

Big Sky Economic Development Corporation

Client Address

Granite Tower
222 N. 32nd Street, Suite
Billings, Montana 59101-6877

This report is **Confidential** and **Proprietary**. The report and its contents are for the sole use of Big Sky Economic Development Corporation, its senior management and Board of Directors. The report may be released to the United States Small Business Administration Office of Credit Risk Management (OCRM) as deemed appropriate by Big Sky Economic Development Corporation. The report, however, should not be disseminated or reproduced by any of the parties, in any form, to any other entities or individual(s) without the written permission of ADVISORS.

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SCOPE AND METHODOLOGY

Overview

The loan review process is the cornerstone of internal controls for assessing and maintaining credit quality of the loan portfolio, compliance with commercially prudent lending practices and SBA Loan Program Requirements.

The process provides an objective review of the inherent credit and regulatory risk of the loan portfolio by testing and analyzing a randomly and judgmentally selected sample of loans to assess compliance with SBA Loan Program Requirements and Big Sky Economic Development Corporation's (BSEDC) risk rating practices. The risk-rating portion of the Review is often used to draw conclusions about underwriting practices, compliance with BSEDC's Loan Policy, credit administration, the integrity of the loan management information system, the adequacy of financial documentation, and the effectiveness of certain internal loan control functions.

The objective of ADVISORS' Loan Review (Review) was to assess loans originated under BSEDC's SBA 504 Program. The loans were reviewed for compliance with SBA Loan Program Requirements and BSEDC's risk rating practices for those loans. The Review may include Recommendations for Improvements to the loan practices and procedures resulting from any exceptions identified.

Independence

ADVISORS is an independent, private firm providing regulatory compliance and risk management solutions for SBA lenders. It has no financial or other interest in BSEDC, nor do any family members of its principal or associates and members of their immediate family.

Qualifications

ADVISORS' principal has extensive experience in commercial lending and performing SBA Risk-Based Reviews as a reviewer and senior examiner-in-charge. He has a core competency in commercial middle-market lending, commercial loan portfolio management, credit risk management, regulatory compliance, credit loan policies and procedures, cross-border financing, credit analysis, credit administration, managing problem loans and generally accepted commercial lending practices.

Portfolio Characteristics

As of 7/31/20, BSEDC's portfolio consisted of 173 loans, totaling \$87.2 million. New loans (less than 12 months since origination) totaled 12 with a gross principal balance of \$12 million. The number of "seasoned loans" (greater than 12 months since origination) totaled 161 with a gross principal balance of \$75.2 million.

As of 7/31/20, management reported two purchased debentures totaling \$1.5 million. One loan totaling \$1.3 million was restructured. One loan with a balance of \$227 thousand, the remaining balance after short sale of the collateral, is pending charge-off.

Loan Sample Scope

The review loan sample consisted of 20 disbursed loans (see Appendix 5) that were selected by ADVISORS' principal, and included randomly and judgmentally selected disbursed loans with an aggregate original loan balance of \$31.2 million and a current gross principal balance

of \$24.7 million, representing approximately 28.3% of total portfolio dollars as of 7/31/20. The sample loans supported total project costs of \$98.9 million.

The loan sample included a mix of four new loans with a gross principal balance of \$7.3 million, which represented by dollars 61.3% of new loan originations; and 16 seasoned loans, with a gross principal balance of \$17.4 million, which represented by dollar amount 23.1% of the legacy loan portfolio. Thirteen were Current, three were on Deferment (COVID-19 related), three Catch Up and one Purchased.

Loan Sample Adequacy

The sample of disbursed loans provided a reasonable confidence level to support the loan review conclusions, as the loan sample represented 28.3% of the total dollars of BSEDC's loan portfolio and, was a combination of randomly and judgmentally selected loans that included a mix of loans, and risk classifications including loans in industries with elevated credit risk characteristics **as of the selection date**. In the aggregate, the loan sample was considered representative of the loan portfolio as of the **selection date**.

Depth of Review

The loan review primarily focused on: Commercially prudent risk management practices; Compliance with governing Code of Federal Regulations (CFRs) as set forth in Title 13-Business Credit and Assistance, key components within SBA 504 Loan Program Requirements (applicable versions of SBA SOP 50 10 and SBA SOP 50 55): Eligibility; Credit Standards & Borrower Equity Contribution; Collateral, Appraisals & Environmental Policies; Loan Authorization, Closing & Disbursement; Regular Loan Servicing, Intensive Loan Servicing & Liquidation; and Risk Rating Methodology & Loan Classifications.

To assess compliance, **all relevant documents were reviewed during the engagement including, but not limited to:** the credit memoranda; SBA Form 1244; SBA Loan Authorization; corresponding 327 Action(s); financial statements and spreads; tax transcripts; credit reports; closing documents (promissory note, mortgage deed of trust, guaranties, title policies, UCC searches, insurance policies, flood determination, lease agreements, appraisals, environmental reports, third party lender agreement, etc.); eligibility documents such as SBA Form 912, SBA Form 2462 and credit elsewhere assessment; loan transcripts/histories; servicing requests; mandatory servicing reports; intensive servicing documentation; site visit reports; Wrap-Up Reports; and **other pertinent documentation as deemed appropriate.**

Report Terminology

Generally, the cited exceptions listed in the Report are classified as either a **Finding** or **Recommendation for Improvement**. The distinction between the two classifications is dependent on the inherent risk resulting from non-compliance with SBA Loan Program Requirements.

Findings are considered systemic exceptions and deemed a pattern of practice of noncompliance with SBA regulations. **Findings require immediate Corrective Action by the CDC.**

Recommendations for Improvement, on the other hand, are generally derived from exceptions that were deemed non-systemic/isolated in nature as of the Review. Recommendations for Improvement may also include items that will assist the CDC in improving its internal controls/procedures/practices. Recommendations for Improvement

are generally not considered immediate material issues; however, they may become material and rise to the level of a Finding at a future date if not addressed.

Certain exceptions may not warrant classification as either a Finding or Recommendation for Improvement at the conclusion of the Review. Senior management should nonetheless assess the causal factors contributing to the exceptions, as they may be indicative of an emerging systemic trend.

Findings & Recommendations for Improvement

Generally, Findings and Recommendations for Improvement are derived from the file review. However, some are associated with weaknesses in the Internal Control Policy and Loan Policy that may have, in one form or another, contributed to the exceptions identified during the file review. Others are related to items specified in OCRM's guidance for Independent Loan Reviews.

Report Format

Findings and Recommendations for Improvement are summarized in the Executive Summary of the Report, along with overview of the file review universe and aggregate error rate.

In the Summary Results section of the Report, Findings and corresponding Corrective Actions along with any Recommendations for Improvement are noted and discussed.

Five appendices are included to provide the specifics of the Review results:

- Appendix 1 lists all exceptions by category with comments for each citation. Items listed in "red" are those associated with Findings, "blue" are those associated with Recommendations for Improvement, and "black" are those considered non-systemic.
- Appendix 2 details the prior Independent Loan Review Findings and Recommendations for Improvement, and current status within the context of the current Loan Review results.
- Appendix 3 details the prior SBA Review (SMART, SAR and Targeted Review as applicable) and current status within the context of the current Review results.
- Appendix 4 details the aggregate exceptions with the associated review universe and error rates with items in "red" as those associated with Findings, "blue" as those associated with Recommendations for Improvement, and "black" as those considered non-systemic.
- Appendix 5 details exceptions with error rates for each loan in the review sample.

Date of File Review

The file review was performed from September 26-30, 2020.

Work Papers

Each loan case file was processed using a loan file review checklist (see Appendix 4 for a populated summary of the checklist) along with a Deficiency Report that was submitted to BSEDC's senior management for acknowledgement and comment; and field notes.

The Deficiency Report was used to summarize the exceptions recorded on the checklist after reviewing each loan case file. **Each exception is listed in the Report, either in Appendix 1 or the Report narrative, with a brief explanation/comment of the deficiency/exception, and governing SBA regulation(s), when applicable.**

ADVISORS' work papers are Proprietary and Confidential, and are for the sole use of ADVISORS, BSEDC's senior management and its Board of Directors. The work papers should not be disseminated or reproduced in any form to any other entities or individual(s) without ADVISORS' written permission.

Report Prepared by:



October 30, 2020

John Valdez
Principal

Date

EXECUTIVE SUMMARY

Twenty loan files were reviewed for compliance with 99 specific SBA Loan Program Requirements, constituting a review universe of 353 items. The file review identified nine exceptions, resulting in an aggregate error rate of 2.5%. Two Findings were cited along with four Recommendations for Improvement. These are listed below.

Findings

1. Internal controls are inadequate for ensuring that other loan appropriate insurance is required in the SBA Loan Authorization as mandated by SBA regulations.
2. Internal controls are inadequate to ensure loans in Catch Up or Deferment are reviewed on a semi-annual basis as required by SBA regulations.

Recommendations for Improvement

1. Management should consider revising the Loan Policy Manual to include the salient elements of credit available elsewhere as set forth in SBA SOP 50 10 6.
2. Management should consider revising the Loan Policy Manual to include the requirement for the semi-annual review of loans in Deferment or Catch Up.
3. Management should consider revising the Loan Policy Manual so that the Risk Rating Methodology algorithm assigns debt service coverage a factor greater than the sum of the other components included in the algorithm at origination and annual risk rating.
4. Management should consider reviewing the Internal Control Policy and Loan Policy Manual periodically to ensure compliance with any changes in SBA regulations.
5. Management should consider revising the Internal Control Policy to reference Professional Services Contracts rather than Lender Service Providers, which is related to the 7a Program not the 504 Program. Details regarding the periodic evaluation of the Professional Services Contracts should also be included in the Internal Control Policy.

SUMMARY RESULTS

Eligibility

There were no Findings. Four loan files classified as new originations were reviewed for compliance with 19 specific 504 Loan Program Eligibility Requirements, comprising a review universe of 50 items; no exceptions were noted.

Underwriters should note that with each iteration of SBA SOP 50 10 revisions may be made to the requirements for the assessment of credit otherwise not available from non-Federal sources. Consequential changes occurred from SOP 50 10 5 (H) to SOP 50 10 5(J) and once again in SOP 50 10 5(K). The current SOP, 50 10 6, Chapter 1(E)(2), page 131, states that **the CDC must include in its credit memorandum the determination that some or all of the loan is not available from the liquidity of owners of 20% or more or the equity of the applicant, their spouses and minor children** as well as conventional lenders or other non-Federal, non-State, or non-local government sources of credit. Underwriters should ensure that their assessment of credit elsewhere is addressed as specified in each applicable version of SBA SOP 50 10. As a **Recommendation for Improvement** management should consider revising the Loan Policy Manual to include the salient elements of credit available elsewhere as set forth in SBA SOP 50 10 6.

Findings

None.

Credit Standards & Borrower Contribution

There were no Findings. A total of four loan files classified as new originations were reviewed for compliance with eight specific 504 Loan Program Credit Standards and Borrower Contribution requirements, comprising a review universe of 28 items; one exception was noted resulting in an aggregate error rate of 3.6%.

When financial projections are used for analyzing a credit application, underwriters should consider stress testing the borrower's projections using industry averages or averages from borrowers in the portfolio that are in the same industry and general market, and including its "most likely" scenario to assess the feasibility of the financial projections in combination with their break-even financial analysis. **After the first full year of operations, the operating results should be compared with the borrower's projections.**

Historical trends are essential in analyzing the consistency of a business' operations, its ability to reliably service its financial obligations, its financial health and future financial prospects. Underwriters should consider the **financial trends for all periods under review.** Are the trends mixed/erratic, stable, improving or declining? What are the factors driving the trends? Is the borrower increasing its reliance on debt to fund its operations or are earnings being retained to reduce its reliance on debt? The analysis should be commensurate with the size of the total project cost under consideration. **For the new loan originations reviewed, the total project costs ranged from \$2.3 million to \$8.3 million with an average project size of \$5.3 million. The total project cost associated with the four new loan originations was \$21.1 million.**

In March when the national and regional economies began experiencing the brunt of the COVID-19 pandemic, many non-essential businesses were forced to close, not knowing when they would be able to resume normal operations. The adverse market conditions affected all industries/businesses to varying degrees; some were more susceptible to the

economic downturn while others are able to maintain normal operation or gain market share. Against this background, underwriters should remain cognizant of the importance of assessing the economic viability of a borrower's market, which encompasses factors such as industry dynamics/conditions and local/regional/national economic conditions that may affect a borrower's ability to maintain normal operations during periods of economic volatility.

As a general observation, the financial analysis narrative should, on its own merits, demonstrate sufficient information regarding the applicant's operating financial and balance sheet trends, strengths, weaknesses and mitigating factors that offset or minimize identified weaknesses **during all periods being reviewed** to support the approval of the credit application.

Findings

None.

Collateral, Appraisal and Environmental Policies

There were no Findings. A total of four loan files classified as new originations were reviewed for compliance with five Collateral, Appraisal and Environmental Policies requirements, comprising a review universe of 18 items; no exceptions were noted.

Underwriters should note that the newly released SBA SOP 50 10 6, Part 2, Section C, Chapter 1(E), page 476, that states "...the cash flow of the Applicant is the primary source of repayment, not any expected recovery from the liquidation of collateral." Generally BSEDC/SBA's second lien position is considered adequate. As a "best practice" underwriters may consider addressing the four items listed in SOP 50 10 6, page 485, Adequacy of Collateral, in the collateral section of the credit memoranda as further support for the second lien position: 1) Strong, consistent cash flow that is sufficient to cover the debt; 2) Demonstrated, proven management; 3) The applicant has been in operation for more than 2 years; and 4). The proposed project is a logical extension of the applicants current operations. The four factors were in various sections of each of the credit memoranda reviewed.

Findings

None.

Loan Authorization, Closing and Disbursement

There was one Finding for not requiring other loan appropriate insurance in the SBA Loan Authorization. Four files classified as new originations were reviewed for compliance with 27 specific Loan Authorization, Closing and Disbursement requirements, comprising a review universe of 67 items; two exceptions were noted resulting in an aggregate error rate of 3%.

The error rate for the Finding was 50%. Two exceptions were noted related to loans originated on 7/21/19 and 5/16/18. SBA SOP 50 10 5(K), Subpart C, Chapter 5(I)(D)(5) requires other loan appropriate insurance. Both loans should have required general liability insurance in the SBA Loan Authorization. BSEDC's Loan Policy Manual, page 24, includes guidance for requiring other loan appropriate insurance.

A review of the loan committee minutes for new originations did not indicate that any credit decision was overridden, and that the majority of votes decided whether a loan application was approved or declined. BSEDC's Internal Control Policy and Loan Policy do not indicate that any one individual (staff or Board member) has the ability to override a credit decision.

Findings

1. **Finding:** Internal controls are inadequate for ensuring that other loan appropriate insurance is required in the SBA Loan Authorization as mandated by SBA regulations.

Corrective Action: Internal controls must be strengthened to ensure that other loan appropriate insurance is included in the SBA Loan Authorization as required by SBA regulations.

Regular Loan Servicing

There were no Findings. Fifteen legacy loan files were reviewed for compliance with eleven specific 504 Loan Program Regular Loan Servicing Requirements, comprising a review universe of 177 items. The file review identified three exceptions resulting in an aggregate category error rate of 1.7%.

Findings

None.

Intensive Loan Servicing & Liquidation

There was one Finding for not reviewing loans in Catch Up on a semi-annual basis. Four loan files were reviewed for compliance with eleven specific Intensive Loan Servicing & Liquidation Requirements, comprising a review universe of items; 13 exceptions were noted resulting in a category error rate of 23.1%.

The error for the Finding for not reviewing loans in Catch Up on a semi-annual basis was 100%. Three exceptions were noted. Loans in Deferment or Catch Up should be reviewed on a semi-annual basis as outlined in SBA SOP 50 55, Chapter 12(C).

Findings

2. **Finding:** Internal controls are inadequate to ensure that loans in Catch Up or Deferment are reviewed on a semi-annual basis as required by SBA regulations.

Corrective Action: Internal controls must be strengthened to ensure that loans in Catch Up or Deferment are reviewed on a semi-annual basis as required by SBA regulations.

Risk Rating Methodology & Loan Classifications

There were no Findings. BSEDC's current risk rating system is compliant with the standardized loan classification system used by the Federal Financial Institution Regulators as required by 13 CFR § 120.826(b)(3)(ii): Superior, Above Average,

Acceptable, Special Mention, Substandard, Doubtful and Loss. Each loan classification is defined in the Loan Policy Manual.

The risk-rating methodology is two pronged: at origination and annual loan rating (servicing) and is detailed in the Loan Policy Manual. Other non-financial factors considered in arriving at the final loan risk-rating/loan classification are also set forth in the Loan Manual Policy as well as the process for upgrading and downgrading loans. BSEDC also employs an alternative risk rating methodology in the absence of financial statements that incorporates non-financial such as recent payment history, loan status, insurance status, real estate tax status and other similar factors.

At origination the risk rating components and weightings are: Ownership/Management, 25%; Repayment Ability, 25%; Credit History, 25%; Industry, 15%; and Collateral Valuation, 10%.

Annual risk rating components and weighting are: Profitability, 25%; Balance Sheet, 20%; Management, 15%; Portal Information, 15%; Compliance, 10%; Payment History, 10%; and Loan Seasoning, 5%.

SBA's credit standards are set forth in SBA SOP 50 10 6, Part 2, Section C, Chapter 1(E), page 476, that states "...the cash flow of the Applicant is the primary source of repayment, not any expected recovery from the liquidation of collateral." Given the preceding, as a **Recommendation for Improvement** management should consider revising the Loan Policy Manual so that the Risk Rating Methodology algorithm assigns debt service coverage a factor greater than the sum of the other components included in the algorithm at origination and annual risk rating.

Findings

None.

Professional Services Contracts

BSEDC had a contract with Big Sky Economic Development Authority to provide staff and support services to BSEDC with a term from 7/1/18 to 6/30/20 and an option to renew for two additional years. The contract was approved by SBA on 12/12/18. A change to the contract was required and a revised contract has been submitted to SBA HQ and is pending approval. **As a Recommendation for Improvement, care should be taken to ensure that the contract does not lapse and that changes to the contract are submitted to SBA HQ in a timely manner for approval and in compliance with the requirements set forth in SBA SOP 50 10 6, Part 2, Section A, Chapter 5(E)(6), page 196.**

Findings

None.

Debt Refinance Program

None of the new loan originations reviewed were funded under the Debt Refinance Program.

Findings

None.

PCLP CDCs with Liquidating Authority
BSEDC is not a PCLP CDC.

Findings
None.

PCLP Loan Loss Reserve
BSEDC is not a PCLP CDC.

Findings
None.

Appendix 1

File Review Exceptions by Category

CREDIT STANDARDS & BORROWER EQUITY CONTRIBUTION
#25 A ratio analysis of the financial statements including comments on any trends and comparisons with industry averages was performed. [Governing regulation(s): 13 CFR § 120.150, 13 CFR § 120.191 and SOP SBA SOP 50 10 5(K), Subpart C, Chapter 1(II)(A-B)](1)
Loan #1: The loan was approved on 7/10/19 and disbursed on 6/17/20 in the amount of \$2,107,000. The current loan balance is \$2,082,598. The credit memorandum did not include trends or comparison of financials with industry averages. SBA SOP 5010 5(K), Subpart C, Chapter 1(II)(B)(3), the applicable SOP when the loan was underwritten, requires: "A ratio analysis of the financial statements including comments on any trends and a comparison with industry averages." While the underwriter provided an extensive analysis of company financials, no references to industry averages were made.
LOAN AUTHORIZATION, CLOSING & DISBURSEMENT
#36 SBA Loan Authorization was prepared in accordance with CDC's credit memorandum and included mandatory SBA requirements such as other loan appropriate insurance (e.g. personal property, general liability, disability, malpractice, product liability, etc.). [Governing regulation(s): SOP 50 10 5(K), Subpart C, Chapter 5(I)(D)(5)] (2)
Loan #1: The loan approved on 7/21/19 and disbursed on 6/27/20 in the amount of \$836,000. The total project cost was \$2,317,000. The requirement for general liability insurance should have been included in the SBA Loan Authorization.
Loan #2: The loan was approved on 5/16/18 and disbursed on 11/3/19 in the amount of \$2,170,000. The total project cost was \$5,303,314. The requirement for general liability insurance should have been included in the SBA Loan Authorization.
REGULAR LOAN SERVICING
#64 Evidence that the loan has been risk rated at least annually in accordance with CDC's risk rating policies and prudent commercial lending practices. [Governing regulation(s): 13 CFR §120.970(a-b) and 13 CFR §120.535(a)] (1)
Loan #1: The loan has current balance of \$1,813,439. The loan was last risk rated on 6/24/19. Loans should be risk rated annually or upon an adverse change impacting the borrower's ability to service its financial obligations.
#65 Current annual risk rating reasonably reflects current financial status/credit risk profile of borrower. [Governing regulation(s): 13 CFR §120.970(a-b) and 13 CFR §120.535(a)] (1)
Loan #1: The loan has a current balance of \$828,267. The loan was last risk rated on 9/1/20 and classified Special Mention. Reviewer recommends Substandard at this review given that DSC for 2017 was 1.75x, 2018 was negative 3.14x and 2019 was .16x. Net worth has been negative for the last two years. Revenues have declined from \$12.7MM in 2017 to \$10.4MM in 2018 and up to \$10.7MM in 2019. Net income was \$233M in 2017, there was a loss of \$1.3MM in 2018 and another loss of \$207M in 2019.
INTENSIVE SERVICING & LIQUIDATION

#86 Deferments and Catch Ups are monitored semi-annually by obtaining/analyzing financial information (tax returns or financial statements) or other prudent actions and documented. [Governing regulation(s): 13 CFR § 120.535 and SBA SOP 50 55, Chapter 12(C)] (3)

Loan #1: The loan has a current balance of \$531,536. There was no documentation of the semi-annual review for loans in Catch Up. Loans in Catch Up or Deferment must be reviewed semi-annually.

Loan #2: The loan has a current balance of \$567,100. There was no documentation of the semi-annual review for loans in Catch Up. Loans in Catch Up or Deferment must be reviewed semi-annually.

Loan #3: The loan has a current balance of \$570,815. There was no documentation of the semi-annual review for loans in Catch Up. Loans in Catch Up or Deferment must be reviewed semi-annually.

Appendix 2

December 16, 2018 ADVISORS' Independent Loan Review

Findings & Recommendations for Improvements

Findings

1. Internal controls and procedures are deficient for performing timely site visits within 15 calendar days of a loan being placed into liquidation status because of a non-payment default as required by SBA SOP 50 55, Chapter 16(A)(2).

2020 Status: No exceptions were noted.

Recommendations for Improvement

None.

SBA SMART Analytical Review Report June 27, 2018

SBA's Independent Loan Review Guidance requires that the Independent Loan Review determine whether exceptions noted in the most recent internal/external audit/review have been addressed and/or corrected by the CDC's management. However, some of SBA's Findings and Recommendations for Improvement may fall outside the scope of the Independent Loan Review.

ADVISORS' assessment of BSEDC's corrective action is based upon its professional experience. However, SBA is the final arbiter on what it deems acceptable corrective action on its Findings and Recommendations for Improvement.

SBA approved BSEDC's corrective action proposal on November 14, 2018.

Findings & Recommendations For Improvement

Findings

1. Big Sky Economic Development Corporation does not provide the Board with reports on the 504 loan portfolio asset quality and industry concentration on at least a semiannual basis as required by 13 CFR §120.823(d)(8). Additionally, Board meeting minutes are not signed, and the CDC does not maintain Executive Committee minutes as required by SOP 50 10 5(J), sub. A, ch. 3, para. II.B.10. Without these requirements, Board minutes do not indicate that the Board is maintaining adequate oversight of the CDC.

2020 Status: An assessment of the above falls outside the scope of the independent loan review.

2. Big Sky Economic Development Corporation has not submitted Statements of Personal History (SBA Form 1081) to SBA within 30 days of Board member changes as required by 13 CFR §120.830(b) and the previous SBA Standard Operating Procedures guidance in SOP 50 10 5(I), sub. A, ch. 3, para. II.C.1. The new SOP 50 10 5(J) effective January 1, 2018 includes an updated requirement (sub. A, ch. 3, para. II.C.1) for submission of SBA Forms 1081 and fingerprint cards for all new officers, Board members, and professional staff, including contractors. The CDC must obtain prior written approval of these submissions before any staff begin working with the CDC, and within 30 days of Board members being appointed. The CDC must obtain an SBA Form 1081 from all Loan Committee Members and must keep that on file at the CDC. The CDC only needs to send the Loan Committee member's SBA Form 1081 (along with a fingerprint card) to SBA if an individual answers yes to question numbers 10a, 10b, 10c, 11a, and/or 11b does the Loan Committee member's SBA Form 1081. As a general statement and not applying to these particular Board members, failure to submit timely required documentation to SBA for new Board members could result in a delayed determination that a Director has the requisite background and experience to support the CDC.

2020 Status: An assessment of the above falls outside the scope of the independent loan reviews.

3. Big Sky Economic Development Corporation does not have appropriate controls in place related to loan approvals, as an affiliated Board member voted on loans for which the Third Party Lender is his employer, which does not comply with 13 CFR §120.823(d) and SOP 50 10 5(J), sub. A, ch. 3, para. II.A.5.k. This situation presents a conflict of interest.

2020 Status: An assessment of the above falls outside the scope of the independent loan reviews.

4. Big Sky Economic Development Corporation's Internal Control Policy does not include: 1) loan quality classification standards consistent with the standardized classification systems used by the Federal Financial Institution Regulators (FFIR), as the risk rating system lacks the ratings of Special Mention and Doubtful classifications (13 CFR §120.826(b)(3)(ii)); and 2) specification of the control requirements for the oversight of Lender Service Providers (13 CFR §120.826(b)(3)(iii)). These Internal Control Policy deficiencies may result in the inadequate governance of the CDC.

2020 Status: The changes related to FFIR have been incorporated into Big Sky's Internal Control Policy and Loan Policy Manual. The Internal Control Policy references Lender Service Providers which relates to the 7a Program. The Internal Control Policy should be amended to reference Professional Services Contracts.

5. Big Sky Economic Development Corporation's CPA engagement letter does not contain the language providing SBA access to work papers, policies, and procedures related to the services performed without written authorization from the CDC, as required by 13 CFR §120.826(d)(2). Additionally, the CDC's FY 2016 audit report did not include the CPA's letter to management on the CDC's internal control weaknesses, as required by 13 CFR §120.823(d)(6) and §120.830(a)(1)(i)(E). Without these requirements, SBA may not be able to conduct adequate oversight of the CDC. Additionally, the lack of an internal control review during the financial audit may result in inadequate governance and management of CDC risk.

2020 Status: An assessment of the above falls outside the scope of the independent loan reviews.

Recommendations for Improvement

1. Big Sky Economic Development Corporation should ensure that its bank deposits are fully protected by federal deposit insurance or collateralized by the depository (13 CFR §120.825).

2020 Status: An assessment of the above falls outside the scope of the independent loan reviews.

2. Big Sky Economic Development Corporation should provide its Board of Directors with 504-related training to ensure that the Board has the requisite program knowledge to fulfill its obligation to be responsible for all corporate actions and business. The training topic(s) and dates should be documented accordingly (13 CFR §120.823(d)).

2020 Status: An assessment of the above falls outside the scope of the independent loan reviews.

3. Big Sky Economic Development Corporation should modify its Conflict of Interest Policy to ensure that potential conflicts of interest are re-evaluated on an ongoing basis. Board members should sign an acknowledgment of the policy on at least an annual basis, while staff members should sign an acknowledgment of the policy when they are hired or when there are changes to the document (13 CFR §120.823(d)(11), §120.140, and §120.851).

2020 Status: An assessment of the above falls outside the scope of the independent loan reviews.

4. Big Sky Economic Development Corporation should ensure that its Independent Loan Reviews are conducted at least annually, so that loans and appraisals are continually assessed for compliance with SBA Loan Program Requirements (13 CFR §120.826(b)(3), SOP 50 10 5(J), sub. A, ch. 3, para. II.B.4.a.i).

2020 Status: This independent loan review complies with the current regulations for independent loan reviews.

5. Big Sky Economic Development Corporation should revise its risk rating methodology to define the process for managing exceptions, overrides, upgrades, and downgrades, and include alternate methods for loan grading when updated financials are not received (13 CFR §120.826(b)(3)(ii) and SOP 50 10 5(J), sub. A, ch. 3, para. II.B.4.a.iv).

2020 Status: The proposed corrective action has been implemented.

6. Big Sky Economic Development Corporation should incorporate key SBA Loan Program Requirements for eligibility, underwriting, closing, and servicing into its Loan Policy Manual. These are detailed in the Asset Quality and Servicing section of this Report (13 CFR §120, SOP 50 10 5(J) and SOP 50 55).

2020 Status: These changes have been incorporated into Big Sky's Loan Policy Manual.

7. Big Sky Economic Development Corporation should ensure that it maintains a diversified loan portfolio so that industry concentrations do not reach a level that would increase financial risks for SBA in the event that a particular industry experiences an economic decline (13 CFR §120.828(b)).

2020 Status: An assessment of the above falls outside the scope of the independent loan reviews.

Appendix 4
ADVISORS' 2020 Loan Review
File Review
Summary of Exceptions with Error Rates

		Total Possible	Not Correct	Percentage Error
	ELIGIBILITY			
1	Business is a for-profit domestic operation. [Governing regulation(s): 13 CFR § 120.100(b) and SOP 50 10 5(K), Subpart C, Chapter 2(II)(B)].	4	0	0.0%
2	Size determination performed and eligible. [Governing regulation(s): 13 CFR § 120.880(b) and SOP 50 10 5(K), Subpart C, Chapter 2(II)(D)(8)].	4	0	0.0%
3	Franchised arrangement was identified on the SBA Franchise Directory, was eligible by SBA requirements, and SBA Negotiated Addendum or SBA Form 2462 obtained and executed, and complies with the requirements. [Governing regulation(s): 13 CFR §121.301(f)(5) and SOP 50 10 5(K), Subpart C, Chapter 2(II)(D)(8)].	0	0	0.0%
4	Credit not available elsewhere assessment was performed by both TPL and CDC, and considered adequate with SBA requirements. [Governing regulation(s): 13 CFR § 120.101 and SOP 50 10 5(K) Subpart C, Chapter 2(II)(E)(1-3)]	4	0	0.0%
5	All owners, loan guarantors and key management, if applicable, were verified as being of being of "good character" as verified by SBA Form 1244 and/or Form 912, and with any question answered in the affirmative properly cleared by SBA. [Governing regulation(s): 13 CFR § 120.110(n), 13 CFR § 120.140, 13 CFR § 120.150 and SBA SOP 50 10 5(K), Subpart C, Chapter 2(III)(D)(n)]	4	0	0.0%
6	No prior loss to Federal Government from prior Federal assistance (using CAIVRS as of October 2012). [Governing regulation(s): SBA SOP 50 10 5(K), Subpart C, Chapter 2(III)(A)(16)]	4	0	0.0%
7	Owner(s) and guarantor(s) are eligible citizens or have eligible non-citizen status. [Governing regulation(s): SOP 50 10 5(K), Subpart C, Chapter 2(III)(B)]	4	0	0.0%
8	All EPC/OC requirements met. [Governing regulation(s): 13 CFR §120.111 and SOP 50 10 5(K), Subpart C, Chapter 2(III)(C)]	3	0	0.0%
9	Project meets required SBA job opportunity standard and/or policy goals. [Governing regulation(s): 13 CFR § 120.860, 120.861, 120.862 and SBA SOP 50 10 5(K), Subpart C, Chapter 2(IV)(A)(1-2)].	4	0	0.0%
10	Project is not a relocation causing a reduction in workforce or increasing unemployment in any area of the county. [Governing regulation(s):13 CFR § 120.860, 120.861, 120.862 and SBA SOP 50 10 5(K), Subpart C, Chapter 2(IV)(C)]	4	0	0.0%
11	All occupancy percentage and proceed requirements are met. [Governing regulation(s): SBA SOP 50 10 5(K), Subpart C, Chapter 2(III)(C)(5)(d)(vi)]	3	0	0.0%

12	#12 No actual or apparent conflicts of borrower and/or lender interest exist. [Governing regulation(s):13 CFR § 120.823(d), 13 CFR § 120.823(d)(4)(ii)(D) and SOP SBA SOP 50 10 5(K), Subpart A, Chapter 3(II)(A)(6)(b)(ii)]	4	0	0.0%
13	Loans proceeds used for eligible business proceeds in accordance with the SBA Loan Authorization. [Governing regulation(s): 13 CFR § 120.120, 13 CFR § 120.201, 13 CFR § 120.332 and 13 CFR § 120.130]	4	0	0.0%
14	Refinancing without expansion complied with all SBA restrictions including but not limited to zero subsidy, CDC's prior year's loan volume, Qualified Debt, loan status, Eligible Fixed Asset(s), occupancy and Eligible Business Expense(s). [Governing regulation(s): 13 CFR § 120.120, 13 CFR § 120.332, 13 CFR § 120.882(g) and SOP SBA SOP 50 10 5(K), Subpart C, Chapter 1(IV)(E)].	0	0	0.0%
15	Refinancing without expansion properly documented: credit memorandum, SBA Form 1244 debt certification by CDC and TPL documentation, loan transcripts, appraisal, lien verification and interim lender documentation (SBA For 2288R). [Governing regulation(s): 13 CFR § 120.120, 13 CFR § 120.332, 13 CFR § 120.882(g) and SOP SBA SOP 50 10 5(K), Subpart C, Chapter 1(IV)(E)(7)]	0	0	0.0%
16	Refinancing without expansion of same institution debt complied with SBA requirements/restrictions. [Governing regulation(s): 13 CFR § 120.120, 13 CFR § 120.332, 13 CFR § 120.882(g)(15) and SOP SBA SOP 50 10 5(K), Subpart C, Chapter 1(IV)(E)(8)]	0	0	0.0%
17	Refinancing with expansion complies with all SBA restrictions including but not limited to cost of expansion limited to 50% of debt being refinanced, eligibility of refinanced loan proceeds, Substantial Benefit to borrower, Eligible Fixed Assets, 504 loan providing better term and interest rate, refinancing prohibited debt and project within CDC's area of operations . [Governing regulation(s): 13 CFR § 120.120, 13 CFR § 120.332, 13 CFR § 120.882(e) and SOP SBA SOP 50 10 5(K), Subpart C, Chapter 1(IV)(F)].	0	0	0.0%
18	Refinancing with expansion, in CDC's loan analysis (credit memorandum) submitted to SBA for non-PCLP loans, the CDC included a conclusion that the proposed debt refinancing with expansion met all the required conditions listed with supporting analysis and documentation. PCLP CDCs must maintained the required documentation in their loan file.	0	0	0.0%
19	Loan meets loan program-specific eligibility requirements/restrictions for delivery method under which the loan was approved.	4	0	0.0%
	Category Error Rate	50	0	0.0%
CREDIT STANDARDS & BORROWER EQUITY CONTRIBUTION				
20	Assessment of personal resources eligibility performed and adequately documented.	0	0	0.0%
21	Borrower's equity contribution was appropriate to the project and verified prior to disbursement through supporting documentation. [Governing regulation(s): 13 CFR § 120.801, 13 CFR § 120.910-913, and SBA SOP 50 10 5(K), Subpart C, Chapter 1(IV)(C)]	4	0	0.0%
22	Credit analysis was satisfactory and included an analysis of repayment ability based on historical cash flow (financials or tax returns). [Governing regulation(s): 13 CFR § 120.150, 13 CFR § 120.191 and SOP SBA SOP 50 10 5(K), Subpart C, Chapter 1(II)(A-B)]	2	0	0.0%

23	Credit analysis of repayment ability was satisfactory and included an analysis based on projections with reasonable assumptions. [Governing regulation(s): 13 CFR § 120.150, 13 CFR § 120.191 and SOP SBA SOP 50 10 5(K), Subpart C, Chapter 1(II)(A-B)]	2	0	0.0%
24	Credit analysis included the economic viability of market in which the loan was made. [Governing regulation(s): 13 CFR § 120.150, 13 CFR § 120.191 and SOP SBA SOP 50 10 5(K), Subpart C, Chapter 1(II)(A-B)]	4	0	0.0%
25	A ratio analysis of the financial statements including comments on any trends and comparisons with industry averages was performed. [Governing regulation(s): 13 CFR § 120.150, 13 CFR § 120.191 and SOP SBA SOP 50 10 5(K), Subpart C, Chapter 1(II)(A-B)]	4	1	25.0%
26	Owners' and key managers' relevant experience in business, credit histories and explanation of adverse information on credit histories. [Governing regulation(s): 13 CFR § 120.150, 13 CFR § 120.191 and SOP SBA SOP 50 10 5(K), Subpart C, Chapter 1(II)(A-B)]	4	0	0.0%
27	Life insurance assessment was performed and documented at underwriting. [Governing regulation(s): SBA SOP 50 10 5(K), Subpart C, Chapter 5(I)(D)(4)(a-d)]	4	0	0.0%
28	Life insurance determination was reasonably demonstrated/documentated in the credit memorandum. [Governing regulation(s): SBA SOP 50 10 5(K), Subpart C, Chapter 5(I)(D)(4)(a-d)]	4	0	0.0%
	Category Error Rate	28	1	3.6%
	COLLATERAL, APPRAISALS & ENVIRONMENTAL POLICIES			
29	CDC collateral analysis included liquidation value of pledged project collateral. [Governing regulation(s): SBA SOP 50 10 5(K), Subpart C, Chapter 1(II)(B)(5)]	4	0	0.0%
30	Lender determined second lien on project collateral was sufficient and no additional collateral required. [Governing regulation(s): 13 CFR § 120.150(h), 13 CFR § 120.934 and SBA SOP 50 10 5(K), Subpart C, Chapter 3(I)(A-B)]	4	0	0.0%
31	Third Party Lender did not obtain any preference. [Governing regulation(s): 13 CFR § 120.10(3), 13 CFR § 120.920 and 13 CFR § 120.921]	4	0	0.0%
32	Appraisals were obtained and meet SBA regulations. [Governing regulation(s): 13 CFR § 120.160(b) and SBA SOP 50 10 5(K), Subpart C, Chapter 3(II)]	3	0	0.0%
33	Environmental study was performed, documented and meets SBA regulations. [Governing regulation(s): SBA SOP 50 10 5(K), Subpart C, Chapter 3(III)]	3	0	0.0%
	Category Error Rate	18	0	0.0%
	LOAN AUTHORIZATION, CLOSING & DISBURSEMENT			
34	Loan was approved in accordance to SBA regulations with a quorum of five and at least two with commercial lending experience in attendance. [Governing regulation(s): 13 CFR §120.823(d)(14)]	4	0	0.0%
35	No member of CDC management or the CDC's Board have the ability to override credit decisions, and no overrides occurred on the sampled loan.	4	0	0.0%
36	SBA Loan Authorization was prepared in accordance with CDC's credit memorandum and included mandatory SBA requirements such as other loan appropriate insurance (e.g. personal property, general liability,	4	2	50.0%

	disability, malpractice, product liability, etc.). [Governing regulation(s): SOP 50 10 5(K), Subpart C, Chapter 5(I)(D)(5)]			
37	In the event SBA Loan Authorization was extended, financial analysis was performed to ensure no change in borrower creditworthiness, updated credit reports were obtained and reviewed, and judgment searches were performed to ensure there were no intervening adverse conditions.	0	0	0.0%
38	Certification of No Adverse Change was performed, documented, reasonable and performed within 14 of loan closing. [Governing regulation(s): 13 CFR §120.892(c) and SBA SOP 50 10 5(K), Subpart C, Chapter 6(III)(A)(3-4)]	4	0	0.0%
39	Flood determination performed using FEMA Form 086-0-32. [Governing regulation(s): 13 CFR §120.170, 13 CFR §120.172, and SOP 50 10 5(K), Subpart C, Chapter 5(K)(D)(3)(a)]	4	0	0.0%
40	Flood insurance obtained for real property at closing if property in a flood zone. [13 CFR §120.170, 13 CFR §120.172, and SOP 50 10 5(K), Subpart C, Chapter 5(I)(D)(3)(b-e)]	0	0	0.0%
41	Mortgagee clause obtained for real property flood insurance at closing. [Governing regulation(s): SOP 50 10 5(K), Subpart C, Chapter 5(I)(D)(3)(f)]	0	0	0.0%
42	Flood insurance obtained for personal property at closing if property located in a flood zone. [Governing regulation(s): 13 CFR §120.170, 13 CFR §120.172, and SOP 50 10 5(K), Subpart C, Chapter 5(I)(D)(3)(b-e)]	0	0	0.0%
43	Lender's loss payable endorsement obtained for personal property flood insurance at closing. [Governing regulation(s): SOP 50 10 5(K), Subpart C, Chapter 5(I)(D)(3)(f)]	0	0	0.0%
44	Real property hazard insurance obtained at closing. [Governing regulation(s): 13 CFR §120.160(c) and SOP 50 10 5(K), Subpart C, Chapter 5(I)(D)(1)(a-b)]	3	0	0.0%
45	Mortgagee clause obtained for real property hazard insurance at closing. [Governing regulation(s): SOP 50 10 5(K), Subpart C, Chapter 5(I)(D)(1)(b)(iii)]	3	0	0.0%
46	Personal property hazard insurance obtained at closing. [Governing regulation(s): 13 CFR §120.160(c), and SOP 50 10 5(K), Subpart C, Chapter 5(I)(D)(1)(a & c)]	2	0	0.0%
47	Lender's loss payable endorsement obtained for personal property hazard insurance at closing. [Governing regulation(s): SOP 50 10 5(K), Subpart C, Chapter 5(I)(D)(1)(c)(iii)]	2	0	0.0%
48	Other loan appropriate insurance obtained at closing (e.g. general liability, disability, liquor liability, malpractice, product liability, etc.). [Governing regulation(s): SOP 50 10 5(K), Subpart C, Chapter 5(I)(D)(5)]	4	0	0.0%
49	Collateral assignment of life insurance obtained at closing (if required) as required by the SBA Loan Authorization.	1	0	0.0%
50	IRS tax transcripts obtained and reconciled for last two years to verify historic financial information upon which credit decision was made. [Governing regulation(s): 13 CFR § 120.191, SOP 50 10 5(K), Subpart C, Chapter 5(I)(E)(1-4)]	3	0	0.0%
51	All corporate and personal guarantees obtained (SBA Form 148/148L) as required by the SBA Loan Authorization. [Governing regulation(s): 13 CFR § 120.160(a) and SBA SOP 50 10 5(K), Subpart C, Chapter 3(I)(E)]	4	0	0.0%

52	Stand-by agreements obtained and properly executed as require by SBA Loan Authorization and comply with regulatory requirements. [Governing regulation(s): SBA SOP 50 10 5(K), Subpart C, Chapter 5(I)(F)]	0	0	0.0%
53	All required SBA Form 159 (Fee Disclosure Form and Compensation Agreement) obtained/properly executed, when applicable. [Governing regulation(s): 13 CFR § 120.195, 13 CFR § 120.971 and SBA SOP 50 10 5(K), Subpart C, Chapter 8(III)(B)(1)]	0	0	0.0%
54	Evidence loan proceeds were used for purposes defined in the SBA Loan Authorization with documentation in file to support disbursements such as cancelled checks, paid receipts/invoices, signed HUD-1 or properly executed closing statements. If new construction or major renovations, the file contains a detailed itemization of all use of loan proceeds paid to contractors, sub-contractors, materials, supplies, services, etc. [Governing regulation(s): SBA SOP 50 10 5(K), Subpart C, Chapter 2 (II)(B)(2)(b), SBA SOP 50 10 5(K), Subpart C, Chapter 6 (III)(A)(1), 13 CFR § 120.195 and 13 CFR § 120.971]	4	0	0.0%
55	Third Party Lender Agreement (SBA Form 2287) executed, obtained and recorded as required by the SBA Loan Authorization. [Governing regulation(s): SBA SOP 50 10 5(K), Subpart C, Chapter 1(IV)(A)(8)]	4	0	0.0%
56	Evidence CDC obtained list of all equipment and corresponding serial numbers with a value of \$5,000 or greater as required by the SBA Loan Authorization: [Governing regulation(s): 13 CFR § 120.960(a), 13 CFR § 120.960(c)(1), SBA SOP 50 55, Chapter 2(A)(4)(C)(4)]	2	0	0.0%
57	All required collateral lien positions were perfected, documented and verified for all project collateral as required in the SBA Loan Authorization by post-filing UCC searches, final title policy, mortgage modifications and lien releases verifying lien(s) in proper position as required by the SBA Loan Authorization.	4	0	0.0%
58	Third Party Lender permanent loan meets the requirement established in the SBA Loan Authorization. [Governing regulation(s): 13 CFR §120.920 and 13 CFR §120.921]	4	0	0.0%
59	CDC complied with SBA Loan Authorization requirements for verification of completion of construction and occupancy (certificate of completion/certificate of occupancy) as required by the SBA Loan Authorization. [Governing regulation(s): SOP 50 10 5(K), Subpart C, Chapter 2(IV)(G)(3)]	3	0	0.0%
60	Loan risk rating at closing and reasonably reflects the risks posed by the borrower's expected performance at the time of closing.	4	0	0.0%
	Category Error Rate	67	2	3.0%
REGULAR LOAN SERVICING				
61	CDC obtained/analyzed annual financial statements in accordance with SBA Loan Authorization. [Governing regulation(s): 13 CFR §120.970(a-b), 13 CFR §120.535(a) and SBA SOP 50 55, Chapter 1(D) and Chapter 3(H)(2)(a-d)]	15	0	0.0%
62	Used traditional risk rating methodology to assess the current (annual) risk profile of the borrower and risk rate the loan. [Governing regulation(s): 13 CFR §120.970(a-b), 13 CFR §120.535(a) and SBA SOP 50 55, Chapter 3(H)(2)(a-d)]	15	0	0.0%

63	Used Alternative Risk Rating Methodology to assess the current (annual) risk profile of the borrower and risk rate the loan. [13 CFR §120.970(a-b), 13 CFR §120.535(a)]	0	0	0.0%
64	Evidence that the loan has been risk rated at least annually in accordance with CDC's risk rating policies and prudent commercial lending practices. [Governing regulation(s): 13 CFR §120.970(a-b) and 13 CFR §120.535(a)]	10	1	10.0%
65	Current annual risk rating reasonably reflects current financial status/credit risk profile of borrower. [Governing regulation(s): 13 CFR §120.970(a-b) and 13 CFR §120.535(a)]	11	1	9.1%
66	The assigned risk rating was not overridden. [13 CFR §120.970(a-b) and 13 CFR §120.535(a)]	4	0	0.0%
67	The overridden assigned risk rating was considered reasonable; loan policy provided guidance for loan overrides, and loan classification was in accordance to loan policy. [13 CFR §120.970(a-b) and 13 CFR §120.535(a)]	4	0	0.0%
68	Real estate taxes monitored annually. [Governing regulation(s): 13 CFR §120.970(c) and SBA SOP 50 55, Chapter 3(H)(4)]	15	0	0.0%
69	Real estate taxes current or on an official payment plan as of review date. [Governing regulation(s): 13 CFR §120.970(c) and SBA SOP 50 55, Chapter 3(H)(4)]	15	0	0.0%
70	Flood insurance maintained for real property as of review date. [13 CFR §120.970(c), 13 CFR §120.170, SOP 50 10 5(K), Subpart C, Chapter 5(I)(D)(3)(b-e), SBA SOP 5055, Chapter 3(H)(5) and SBA SOP 5055, Chapter 9(E)]	0	0	0.0%
71	Mortgagee clause maintained for real property flood insurance as of review. [Governing regulation(s): SOP 50 10 5(K), Subpart C, Chapter 5(I)(D)(3)(f)]	0	0	0.0%
72	Flood insurance maintained for personal property as of review date. [Governing regulation(s): 13 CFR §120.970(c), 13 CFR §120.170, 13 CFR §120.172, and SOP 50 10 5(K), Subpart C, Chapter 5(I)(D)(3)(b-e), SBA SOP 5055, Chapter 3(H)(5) and SBA SOP 5055, Chapter 9(E)]	0	0	0.0%
73	Lender's loss payable endorsement maintained for personal property flood insurance as of review date. [Governing regulation(s): SOP 50 10 5(K), Subpart C, Chapter 5(I)(D)(3)(f)]	0	0	0.0%
74	Real estate hazard insurance maintained as of review date. [Governing regulation(s): 13 CFR § 120.160(c), 13 CFR §120.970(c), and SBA SOP 5055, Chapter 3(H)(5)]	15	1	6.7%
75	Mortgagee clause for real estate hazard insurance maintained as of review date. [Governing regulation(s): 13 CFR §120.970(c) and SBA SOP 50 10 5(K), Chapter 5(1)(d)(3)(b)(iii)]	14	0	0.0%
76	Personal property insurance maintained as of review date. [Governing regulation(s): 13 CFR § 120.160(c), 13 CFR §120.970(c) and SBA SOP 5055, Chapter 3(H)(5)]	14	0	0.0%
77	Lender's loss payable insurance endorsement maintained for personal property insurance as of review date. [Governing regulation(s): 13 CFR §120.970(c) and SBA SOP 50 10 5(K), Chapter 5(1)(d)(3)(c)(iii)]	14	0	0.0%
78	Other loan appropriate insurance maintained as of review date (e.g. general liability, disability, liquor liability, malpractice, product liability, etc.). [Governing regulation(s): SOP 50 10 5(K), Subpart C, Chapter 5(I)(D)(5.)]	0	0	0.0%
79	Collateral assignment of life insurance confirmed/current as of review date. [Governing Regulation(s): 13 CFR § 120.970(a & c)]	3	0	0.0%

80	Monitoring of borrower's continued creditworthiness is considered sufficient and adequately documented in the loan file. [Governing regulation(s): 13 CFR §120.970(a-d), 13 CFR §120.535 and SBA SOP 50 55, Chapter 3(H)(2)(a-d)]	15	0	0.0%
81	CDC has documentation to support the SBA's jobs created or retained as of the two-year funding anniversary. [Governing regulation(s): (13 CFR §120.829, 13 CFR §120.861 and SBA SOP 50 10 5(K), Subpart C, Chapter 2(III)(H)]	13	0	0.0%
	Category Error Rate	177	3	1.7%
INTENSIVE LOAN SERVICING & LIQUIDATION				
82	Evidence that CDC performed a timely site visit or other intensive servicing action within 60 days of an uncured payment default or within 15 calendar days or sooner if the collateral can be misappropriated, removed, lost or dissipated. [Governing regulation(s): 13 CFR §120.535(a) and SBA SOP 50 55, Chapter 16(A)(1-2), Chapter 16(B)(1-5) and Chapter 16(C)(1-2)]	1	0	0.0%
83	Evidence that CDC performed timely site visits within 15 calendar days of the loan being placed into liquidation status because of a non-payment default (bankruptcy, business closing, etc.). [13 CFR §120.535(a) and SBA SOP 50 55, Chapter 16(A)(2)]	0	0	0.0%
84	Evidence that during the site visit a good faith effort was made to inspect, protect, preserve and inventory collateral, reconcile any missing items using equipment list at loan origination and obtain serial numbers on items with a liquidation value over \$5,000. [Governing regulation(s): 13 CFR § 120.535 and SBA SOP 50 55, Chapter 16(C)]	1	0	0.0%
85	The deferment was reasonable and the decision adequately documented in the file. [Governing regulation(s): 13 CFR § 120.530, 13 CFR § 120.531, 13 CFR § 120.532 and SBA SOP 50 55, Chapter 12(C)]	3	0	0.0%
86	Deferments and Catch Ups are monitored semi-annually by obtaining/analyzing financial information (tax returns or financial statements) or other prudent actions and documented. [Governing regulation(s): 13 CFR § 120.535 and SBA SOP 50 55, Chapter 12(C)]	3	3	100.0%
87	CDC had prior written SBA approval for servicing and/or liquidation actions such as Litigation Plan, legal fees, Offer in Compromise and another actions as described in the SBA Servicing and Liquidation Actions CDC Matrix. [Governing regulation(s): 13 CFR § 120.536 and 13 CFR § 120.540]	0	0	0.0%
88	SBA was notified upon classification of the loan "in liquidation" status.	1	0	0.0%
89	CDC submitted loan for purchase within 90 days of default to prevent excess interest payments if no SBA approved deferment or catch-up plan is in place. [Governing regulation(s): 13 CFR § 120.535(b), 13 CFR § 120.970(f), SBA SOP 50 55, Chapter 14(B) and Chapter 15(A)]	1	0	0.0%
90	CDC enforced the TPL agreement which requires 30 days prior notice of default and 60 days' notice prior to initiating foreclosure. [Governing regulation(s): 13 CFR § 120.535(b)]	0	0	0.0%
91	SBA was notified of any event that required notification such as any technical default that would result in any harm to the SBA and such notification properly documented.	0	0	0.0%
92	CDC completed and submitted a comprehensive Liquidation Plan within 30 days after the purchase of the debenture. [Governing regulation(s): 13 CFR § 120.830(g), 13 CFR § 120.540 and SBA SOP 50 55, Chapter 14(G)]	1	0	0.0%

93	All ACL and PCLP CDCs must submit SBA's CDC Post Purchase 90 Day Report (Quarterly Liquidation Status Report) with the first due 15 days after purchase of debenture). [Governing regulation(s): 13 CFR § 120.830(g) and SBA SOP 50 55, Chapter 3(I)(2)]	0	0	0.0%
94	CDC forwarded all recoveries on repurchased debentures within 15 days of receipt. [Governing regulation(s): 13 CFR § 120.535(a-b)]	1	0	0.0%
95	The Wrap Up Report has been completed and submitted to SBA within 90 days of completing all reasonable and cost-effective recovery efforts. [Governing regulation(s): 13 CFR § 120.830(g) and SBA SOP 50 55, Chapter 3(I)(5) and Chapter 28(B)]	1	0	0.0%
	Category Error Rate	13	3	23.1%
PCLP CDCs WITH LIQUIDATING AUTHORITY				
96	PCLP's servicing/liquidation actions were documented and followed prudent commercial lending practices.	0	0	0.0%
97	CDC verified TPL balance on all servicing and liquidating actions to ensure that TPL complies with TPL Agreement's limitation on cross-collateralization and default fees.	0	0	0.0%
98	CDC staff proactively managed litigation and liquidation cases to maximized recovery and did not allow cases to drift.	0	0	0.0%
99	CDC submits timely submits 10% loss share on all loans.	0	0	0.0%
	Category Error Rate	0	0	0.0%
	Total Review Exceptions and Error Rate	353	9	2.5%

Appendix 5

ADVISORS' 2020 Loan Review
Loan Sample with Individual Error Rates

Borrower	Issuance Date	Current Balance	Payment Status	Number of Deficiencies	Total Possible	Error Rate
Loan #1	6/27/20	\$828,468	Deferment	1	43	2.3%
Loan #2	6/17/20	\$2,312,562	Deferment	0	41	0.0%
Loan #3	6/17/20	\$2,082,598	Deferment	1	37	2.7%
Loan #4	11/3/19	\$2,115,689	Current	1	42	2.4%
Loan #5	11/14/18	\$2,502,542	Current	0	10	0.0%
Loan #6	8/15/18	\$1,257,605	Current	1	10	10.0%
Loan #7	12/14/16	\$811,296	Current	0	12	0.0%
Loan #8	12/16/15	\$617,095	Current	0	12	0.0%
Loan #9	11/10/15	\$531,536	Catch Up	1	15	6.7%
Loan #10	10/14/15	\$567,100	Catch Up	1	13	7.7%
Loan #11	6/17/15	\$2,082,487	Current	0	12	0.0%
Loan #12	11/12/14	\$1,374,511	Current	0	12	0.0%
Loan #13	9/17/14	\$570,815	Catch Up	1	13	7.7%
Loan #14	12/11/13	\$1,813,439	Current	1	12	8.3%
Loan #15	6/13/12	\$1,078,549	Current	0	12	0.0%
Loan #16	1/11/12	\$1,169,252	Current	0	14	0.0%
Loan #17	9/14/11	\$1,237,189	Current	0	13	0.0%
Loan #18	8/11/10	\$227,422	Purchase	0	7	0.0%

Loan #19	8/11/10	\$828,267	Current	1	12	8.3%
Loan #20	7/14/10	\$735,694	Current	0	11	0.0%



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ATTACHMENT D

SBA 504 Loan Requests

I. Big Sky EDC is requesting approval to submit to the US Small Business Administration the following SBA 504 loan request. The Big Sky EDC Loan Committee has reviewed the request and recommends approval to the full EDC Board for submission to the SBA for final approval. The request meets all the underwriting and eligibility requirements of the EDC. This is being presented to the Board for informational purposes only. No Board action required.

1. **Timberview Properties LLC (Wrap Hive, LLC)** – Request is for the purchase of a commercial real estate property for the operations of Wrap Hive, LLC. Wrap Hive, LLC is an existing business located in Kalispell, MT and is relocating to a larger building as they continue to grow and expand. Wrap Hive was started in 2017 and is a one-stop shop specializing in vehicle wraps and other large format graphic needs. They provide services throughout Montana, Idaho and Washington.

The total SBA debenture will be \$501,000 on a 25-year note comprising 40% of the total project costs. Big Sky EDC and the SBA will be in a 2nd lien position on the real property behind Glacier Bank. There are projected to be four new jobs created because of this project. The project also meets a Public Policy goal for Rural Development.



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ATTACHMENT E

Date: December 10, 2020
To: EDC Board of Directors
From: Brandon Berger, Finance Director
RE: Request for Funding - MT SSBCI Funds
For Missoula Hydroponics and Brew Supplies, LLC

Big Sky Finance requests approval of the use of \$150,000 from Big Sky's SSBCI funds to provide a participation note for Missoula Hydroponics and Brew Supplies, LLC. This note will be in participation with First Security Bank of Missoula. Borrower currently has two loans on the commercial real estate, which will be refinanced. One note is from First Security Bank (\$505,000 remaining balance) and MOFI (\$172,000 remaining balance).

Objective is to refinance the MOFI debt currently at 9% interest.

Total financing is estimated at \$677,000.

Financing will be based on a bifurcated note, structured as follows:

- First Security Bank portion:
\$527,000 (20 years, 5.25%) = \$3,551 monthly est. payment
- Big Sky Finance portion:
\$150,000 (20 years, 2.66%) = \$806.60 monthly est. pmt (2.15% to BSF, 0.5% servicing fee to FSB)

Big Sky Finance will share a first lien position with First Security Bank.

Total monthly savings to borrower: approximately \$1,200/month.

Proposed loan participation with First Security Bank. Our \$150,000 note will pay off most of MOFI's balance. First Security Bank will add the remaining portion to their note. Note will be bifurcated, meaning borrower will have one payment/one note and we will be in a shared 1st lien position with First Security Bank.

Borrower demonstrates positive cash flow coverage in 2017, 2019 and interim 2020 (1.22x, 1.42x, and 2.67x) when considering this new debt structure. 2018 cash flow coverage was just below breakeven (0.95x). Refinance will provide approximately \$1,200/month debt relief. Global cash flow – business and personal combined – is strong at over 1.3x in 2018 and 1.6x in 2019. Business has been in existence in Missoula since 2008. Existing debt to be refinanced was for the acquisition of the real property they currently occupy.

Project approved by both Big Sky Finance Loan Committee and Executive Committee. Project initially approved by Loan Committee for an SBA 504 project. However, due to an eligibility issue, the 504 was no longer viable. This proposal is in place of the 504 request.

Recommend approval of the use of up to \$150,000 of SSBCI funds as proposed.



BIG SKY
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ATTACHMENT F

December 2, 2020

**Recommendation of the Joint-Nominating Committee
For the Big Sky Economic Development 2021 Officers and Executive Committee**

The Joint Nominating Committee of the EDA/EDC met on November 10, 2020 to consider officers and Executive Committee members for 2021. Following discussion and follow-up calls by staff, the Nominating Committee hereby submits the following recommendation for consideration:

2021 EDA Officers/Executive Committee

Paul Neutgens, Chair
Ken Lutton, Vice Chair
Judi Powers, Secretary/Treasurer
Dana Pulis, Member at Large
Riley Bennett, Member at Large

2021 EDC Officers/Executive Committee

Steve Loveless, Chair
Ann Kosempa, Vice Chair
Mac Fogelsong, Secretary/Treasurer
Mike Seppala, Immediate Past Chair
Kim Jakub, Member at Large



BIG SKY
ECONOMIC DEVELOPMENT

EDA • EDC CREATING MONTANA BUSINESS OPPORTUNITIES

ATTACHMENT G



Brian Wishneff & Associates

Brian Wishneff & Associates

Becky Rogers
Big Sky Economic Development Authority
Director of Operations
222 N. 32nd St., Suite 200
Billings, MT 59101

30 W. Franklin Road, Suite 503
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540-982-1317
540-982-1568 FAX

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Washington, DC 20005
202-506-1127
540-982-1568 FAX

www.wishneff.com

December 2, 2020

Dear Becky:

Enclosed is a proposal to provide tax credit consulting services related to the rehabilitation of the building located at 201 N. Broadway in Billings, Montana. Brian Wishneff & Associates (BW&A) is a full-service real estate consulting firm that specializes in the finance and operations of tax credit enhanced development projects. BW&A has served a myriad of clients over the last 25 years ranging from Economic Development Agencies to non-profit organizations, housing agencies, municipalities, IDAs, universities, for-profit developers, business owners, and many other entities in a variety of industry segments. Focusing most of our work on high-impact incentive programs such as Historic, New Market, Low-Income and Renewable Energy Tax Credits, BW&A has been able to secure over \$650 million of equity for our clients since our inception.

With an established national practice, BW&A has worked on projects in over 35 states including many that involve state tax credits and/or other incentive programs as a component of funding. A small sample of our projects includes the Borden Hotel in White Hall, MT; the Arvon Hotel in Great Falls, MT; the Bighorn Valley Health Center in Lewistown, MT (current project); the YWCA of Helena, MT; the Emory & Henry School of Health Sciences in Marion, Virginia; the Robinson Grand Theater in Clarksburg, WV; the Interfaith Partnership for the Homeless in Albany, NY; the Food Bank of the Rio Grande Valley in Pharr, Texas; the Harrison County Courthouse in Marshall, Texas; The Central Union Mission in Washington, DC; the Geva Theatre in Rochester, NY; churches in Virginia and Iowa; historic theaters in [California](#), [Virginia](#), [Florida](#) and Georgia; museums in [Oklahoma](#), [Pennsylvania](#) and [North Carolina](#), and [many more](#).

BW&A is a multi-faceted consulting firm with deep expertise in accessing Historic Tax Credits for tax-exempt entities developers all around the country. As a result, we bring a level of experience and a professional network that can be effectively leveraged in your efforts to renovate the Montana National Bank Building.

BW&A employs an aggressive and client-centered approach, utilizing a success-based fee structure that incentivizes our firm to maximize the benefit to our clients from the applicable incentive programs. We have been able to secure project investments at as much as 50% above market rates using this unique strategy. To our knowledge, we are the only firm in the country that offers a comprehensive scope of work that includes management of the tax credit financing process, including tax counsel, through to receipt of equity, all on a success-based fee. This involves not only assimilating financing and securing tax credit investments, but also complex deal structuring tailored to the specific facts of a project that will optimize the economics for our clients.

We are excited about the opportunity to bring this expertise to your revitalization project in Billings and we look forward to growing our relationship with the Big Sky EDA and your team. Thank you for your consideration.

Sincerely,



Adam Markwood

**MONTANA NATIONAL BANK BUILDING IN BILLINGS, MT
TAX CREDIT AGREEMENT**

This agreement, made and entered into this _____ day of _____, 2020, by and between **the Big Sky Economic Development Authority**, or its assignee (the "Developer") and **Brian Wishneff & Associates, LLC**, a Virginia limited liability company located in Roanoke, Virginia (the "Consultant");

WHEREAS, the Developer intends to renovate the building located at 201 N. Broadway in Billings, Montana (the "Property") to provide collaboration and coworking space geared toward entrepreneurs within the Rock31 program, create a large training/conference space, as well as house the associated programs run by Developer (the "Project");

WHEREAS, the Property may be eligible to be or is already listed on the National Register of Historic Places;

WHEREAS, the Developer desires to utilize Federal and Montana Historic Tax Credits (collectively "HTC") to assist in funding a portion of the renovation cost for the Property;

WHEREAS, the Developer desires to attract Certified Development Entities ("CDE") that have existing allocation of Federal New Market Tax Credits ("NMTC") to invest some portion of their NMTC allocation in the Project to assist in funding a portion of the Project costs;

WHEREAS, the Developer may require Bridge Financing and/or Debt Financing (as those terms are defined herein) for the Project;

WHEREAS, the Consultant is experienced in managing HTC and NMTC (collectively, the Tax Credit Programs) projects involving Bridge Financing and Debt Financing; and

NOW, THEREFORE, the Developer and Consultant agree as follows:

SCOPE OF WORK

1. Managing the Tax Credit Process. The Consultant shall manage the facilitation of each of the Tax Credit Programs through to payment by Investors that will utilize the tax credits ("Tax Credit Investor(s)").
2. Review of the Architect's Work to Increase Qualified Rehabilitation Expenses (QRE). The federal HTC for certified historic structures provides a tax credit of 20% of the Project's Qualified Rehabilitation Expenditures ("QRE") and the Montana HTC provides a tax credit of 5% of QRE. Generally, QRE includes the cost of renovation and soft costs such as architect fees, but does not include new construction, site work, furniture, fixtures and equipment. The way in which the Project is designed

and built can have a significant impact on the amount of expenses classified as QRE. For example, the manner in which equipment is affixed to the structure can determine whether the costs associated with such equipment can be considered QRE. The Consultant will work with the Developer's architect to ensure such design elements are integrated into the construction drawings and that the design results in the Developer receiving the greatest possible amount of QRE. The Consultant will review all aspects of the construction plans at every phase of the design and recommend changes if necessary that will cause certain items to be classified as QRE.

3. Review of General Contractor's Work to Increase QRE. The Consultant will have two roles in working with the General Contractor ("GC"):

- a. The Consultant will assist the Developer's architect in making the GC aware of portions of the Project that are historically significant and require additional sensitivity in way they are renovated.
- b. The Consultant will work with the GC to ensure that project expenses are correctly characterized and allocated for QRE purposes. Often assumptions made by the architect and GC incorrectly characterize certain expenses resulting in lost QRE for the Developer.

4. Evaluation of Hard and Soft Costs for QRE. The Consultant will evaluate all potential hard and soft costs over and above the actual renovation of the building that can be classified as QRE and if necessary, work to persuade the Accountant, as that term is defined below, for inclusion of those costs as QRE.

5. Incorporating Existing Project Work and Expenses as QRE. The Consultant will work with the Developer to capture any past Project expenses and make necessary adjustments to existing contracts for services that are necessary to ensure the highest possible amount of QRE. If necessary, the Consultant shall advocate for the inclusion of these previously incurred expenses as QRE with the Accountant and Tax Credit Investor(s).

6. Selecting and Working with an Accounting Firm to complete the Cost Certification. The Consultant will be the Developer's primary contact with the accounting firm ("Accountant") hired by the HTC Investor(s) to complete a Cost Certification Audit ("Audit") at the end of construction. This Audit is

critical as it determines the final QRE amount, which determines the total investment to be made by the Tax Credit Investor(s). The Consultant will assist the Developer throughout the Project to ensure proper bookkeeping and record keeping practices are followed in order to obtain the most accurate Project QRE. The Consultant will also assist in the preparation of information to be presented to the Accountant so the Audit will be completed in the most efficient manner possible. The Consultant will also be present during any site visits to by the Accountants in order to answer any questions that may arise related to the Audit. The Consultant shall review the initial drafts of the Audit to bring to the Accountant's attention any discrepancies or items that may have been overlooked. The Consultant's experience has been that every draft Cost Certification Audit for which it has analyzed and provided comments has resulted in the QRE contained in draft Audit being adjusted upward in the final version, sometimes as much as 50%.

7. New Market Tax Credit (NMTC) Recruitment. The Consultant has relationships with a myriad of CDEs around the country and is knowledgeable of the type and geography of projects that individual CDEs are seeking. The Consultant shall review available information about the Project and prepare a marketing package to use to approach CDEs. The Consultant will tailor the marketing package to each CDE by emphasizing the components of the Project that are attractive to the respective CDE. The Consultant shall work to recruit as much Federal NMTC allocation from a CDE(s) with existing NMTC allocation as is feasible.

8. NMTC Term-sheet(s). CDE(s) interesting in making an investment in the Project will indicate their desire in the form of a term sheet. Generally, the term sheet describes the amount of NMTC allocation a particular CDE is offering and the pricing, fees and expenses related to the offering. The Consultant shall negotiate draft term sheets from a CDE(s) to provide the greatest net financial benefit to the Project. If any CDE desires to provide a term sheet to the Project and that CDE would not invest in the tax credits generated by its Federal NMTC allocation, the Consultant shall recruit an investor for these tax credits. The terms and conditions of their investment would then either be incorporated into the CDEs term-sheet or the investor would provide a separate term-sheet. Once a term-sheet(s) is signed, all parties will begin working toward a closing where all relevant documents between the parties are executed ("Closing").

9. Evaluate and Determine the Optimum Structure for Implementing the Tax Credit Programs. The Consultant will review and analyze the facts current and future owners and users of the Project as well as proposed funding sources and expenses incurred to date. Based on this review, the Consultant shall propose an ownership and use structure that is both cost effective and efficient for the Project. The

Consultant will work on behalf of the Developer to create an ownership structure that both respects any existing agreements related the Project, while at the same time working to generate the greatest amount of QRE and NMTC eligible expense. This analysis and structuring will affect the amount of financial benefit from the tax credits as well as the ultimate cost of implementing the tax credit process for the Developer.

10. Creating Tax Credit Entities and Agreements. In concert with third-party legal counsel Consultant engages as part of its team to represent the Developer's interests, this counsel, in close consultation with Consultant, shall draft a variety of documents for the Developer that are necessary to access the NMTC program. Examples of these documents include new legal entity organizational documents, initial partnership documents, reimbursement agreements, and loan agreements. Both the timing of the creation of these documents as well as the content of these agreements can make the difference in whether the Project ultimately attracts Tax Credit Investor(s), and if successful, the pricing and size of the investment. The Consultant will work to ensure that it protects and preserves the Project's ability to use NMTCs and will work to obtain the proposal providing the greatest net benefit to the Developer. Notwithstanding the above, the Consultant shall not be responsible for any legal opinions that may be required by potential investors.

11. Working with existing Project Funds. The Consultant will work to make sure that other Project funding sources are spent in a way that optimizes the benefit from the Tax Credit Programs. The way in which certain funds are characterized and/or the funds flow into a project can potentially have a great impact on the ultimate amount of QRE and NMTC eligible expense generated for a given project. For example, it may be possible for improvements made by tenants of the Property to be included in QRE, and the Consultant will work to ensure such expenses are characterized and funded in a manner that optimizes this opportunity.

12. Preparing Information Packages for Potential Tax Credit Investors. The Consultant will collect and prepare informational packets about the Project for potential Tax Credit Investors. The quality of the information and the way in which it is characterized can be critical in determining the Tax Credit Investor's level of interest and potential investment pricing.

13. Tax Investor Recruitment & Evaluation. The Consultant will work to recruit Tax Credit Investors. The recruitment effort will include local, statewide and national investors. The Consultant shall secure

term sheet(s) or offer(s) from Tax Credit Investors. There are numerous variables in a Tax Credit Investor's offer that can affect the amount of money the Developer receives as well as the Closing costs incurred by Developer. Taking these variables into account as well as the specific needs of the Project, the Consultant will recommend to the Developer the Tax Credit Investors that make the best proposal based in part on various pricing terms as well as the anticipated expenses over the life of this investment.

14. Creating and Collecting Information Needed by Tax Credit Investors for Closing. Once Investor(s) are selected and a term sheet is signed with those Investor(s), the parties shall work towards a simultaneous closing on all of the Tax Credit Programs. The Consultant will manage and coordinate this Closing. The Consultant shall collect and package information needed for Closing and provide that information to the Investor(s) on a timely basis. This will allow for gradual approval of necessary documents and other due diligence over the course of several months. The Consultant shall review draft documents provided by the Investors' legal counsel and advocate on behalf of the Developer to ensure that the documents contain the most favorable terms for the Developer. The Consultant shall also coordinate conference calls and/or meetings between the various parties to provide a forum to address issues in advance of Closing and to ensure that any party responsible for providing information and/or documents does so in a timely manner. Generally, at Closing, agreements will be signed that will lock in the pricing and other business terms between the parties and will describe the conditions upon which the Investor(s) makes their equity investment. These agreements will also describe the duties of each party during the period that the Investor(s) remains in the Project and how the Investor(s) might exit any partnerships in which it is a member. The Consultant will work towards this Closing in an attempt to match the Developer's desired construction schedule. During planning and construction, based on the Project circumstances, the Consultant will also evaluate the potential benefit of dividing any portion of the construction of the Project into phases.

15. Payment by Investors. The Consultant will do the work necessary to obtain the investment by the Investor(s). The Consultant's work on this project and this Agreement shall be complete after the final investment is made by the Investor(s). This final equity payment is typically related to certain approvals related to the HTC program and occurs about 90 days after the end of construction.

OPTIONAL SERVICES AT THE DISCRETION OF DEVELOPER

16. Bridge Financing in Support of NMTC and HTC Closings (OPTIONAL). In order to close on both NMTCs and HTCs, it is often necessary to secure up-front financing that bridges and will ultimately be

paid down using sources that are received after closing, including but not limited to HTC equity, donor pledges and reimbursable grants (“Bridge Financing”). Specifically, most NMTC projects utilize what is called a ‘leveraged’ model through which all other project funding sources are leveraged by the NMTC equity. To facilitate this structure, cash in the amount of NMTC allocation(s) must be available at Closing. This requires complex coordination of the mechanics, requirements and schedule of other Project funds. Often short-term financing tools ranging from Bridge Financing to a mechanism called a one-day loan (to capture prior expenses) are used to facilitate this financial structuring. For HTC projects, Bridge Financing is typically required given the majority of HTC equity is not contributed until the project is nearing completion or complete. If Developer elects for Consultant to execute this scope of work #16, with such election memorialized in writing from Developer to Consultant, the Consultant shall assist Developer in securing such Bridge Financing to support the closing on both NMTCs and HTCs. Consultant’s role may include making Developer introductions to and managing the financial closing with lenders that have experience providing NMTC leveraged and/or HTC bridge loans. It may also include helping to educate other prospective lenders on the tax credit programs including timing, risk and process. Consultant shall help Developer provide any due diligence materials that a prospective lender will require to underwrite the Project and manage the closing on Bridge Financing.

17. Debt Financing (OPTIONAL). As outlined in #16, NMTC projects are subject to unique mechanics and collateral requirements for debt financing. The Consultant shall assist Developer to secure and close on debt financing that accommodates such requirements (“Debt Financing”). If Developer elects for Consultant to execute this scope of work #17, with such election memorialized in writing from Developer to Consultant at some point after the effective date of the Agreement, Consultant’s role may include making Developer introductions to and managing the financial closing with lenders that have experience providing NMTC leveraged loans. It may also include helping to educate other prospective lenders on the tax credit programs including timing, risk and process. Consultant shall help Developer provide any due diligence materials that a prospective lender will require to underwrite the Project and manage the closing on such Debt Financing.

FEES AND SCHEDULE

The Consultant shall earn a fee of 13% of the total equity payment and/or other form of investment made by any Historic Tax Credit Investor, New Markets Tax Credit Investor and/or Renewable Energy Tax Credit Investor. The Consultant shall be paid its fee on the same schedule as the Developer receives

any equity payments from a Tax Credit Investor. For example, if a Tax Credit Investor(s) pays 50% of its equity at Closing then the Consultant shall also be paid 50% of its fee at this time.

If Developer elects for Consultant to assist in securing Bridge Financing and/or Debt Financing pursuant to Sections 16 and 17, the Consultant shall receive a fee of 2% of any Debt Financing and/or Bridge Financing that the Developer utilizes for the Project. The Consultant's fee for Debt Financing and/or Bridge Financing shall be paid simultaneous with the Project's closing on such Debt Financing and/or Bridge Financing. Notwithstanding the above, Consultant shall engage third-party tax credit counsel specifically to represent the Developer, and Consultant shall be responsible for such counsel's fee on behalf of the Developer.

The Consultant shall also be reimbursed for pre-approved travel expenses whether a tax credit closing occurs or not. However, the Consultant's expenses to be reimbursed shall not exceed \$5,000.

The Consultant will begin work upon the signing of this Agreement.

MISCELLANEOUS

1. Assignment. The Developer will assign this Agreement to the appropriate entity that will carry out the tax credit transaction if necessary. Developer will remain liable under this Agreement should such an assignment occur.
2. Consultant's Authority. The Consultant recognizes they do not have the authority to commit the Developer to financial obligations related to this contract.
3. Disputes. If any lawsuit arises in connection with the performance of this Agreement, the prevailing party therein shall be entitled to receive from the losing party the prevailing party's costs and expenses, including reasonable attorneys' fees actually incurred in connection therewith, in preparation therefor and on appeal therefrom, which amounts shall be included in any judgment entered therein.
4. Notices. All notices given pursuant to this Agreement shall be in writing, delivered in person, mailed by certified mail, return receipt requested, or delivery by a recognized overnight courier, postage or courier fees prepaid, sent to the address given below, and shall be deemed effective upon the date

received, via personal delivery, certified mail, or overnight delivery service. The parties hereto shall be responsible for notifying each other of any change of address. Addresses for notices are as follows:

If to the Developer: Becky Rogers
Big Sky Economic Development Authority
Director of Operations
222 N. 32nd St., Suite 200
Billings, MT 59101

If to the Consultant: Brian Wishneff & Associates
Professional Arts Building
30 W. Franklin Road
Suite 503
Roanoke, Virginia 24011

5. Entire Agreement. This Agreement may not be changed orally, but only by an agreement in writing signed by all of the parties. No waiver of any provision of this Agreement shall be valid unless in writing and signed by the party against whom it is sought to be enforced. If assigned by the Developer, the provisions of this Agreement shall inure to the benefit of and be binding upon such assignee and the Consultant. The provisions of this Agreement shall be subject to and construed and enforced in accordance with the laws of the Commonwealth of Virginia. In the event that any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision has never been contained herein.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed in their respective corporate names by their duly authorized officers as of the date first written above.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY

By: _____

Name:

Title:

Date _____

BRIAN WISHNEFF & ASSOCIATES

By: _____

Brian Wishneff, President

Date _____



BIG SKY
ECONOMIC DEVELOPMENT

EDA • EDC CREATING MONTANA BUSINESS OPPORTUNITIES

ATTACHMENT H

Big Sky Trust Fund Application

The Burger Dive

Job Creation: 10

The Burger Dive is a thriving business located in the heart of Billings. Brad and Andi Halsten started the Burger Dive 10 years ago and have made it a destination stop. The recognition they have received through winning many awards draws people from all over the country and world. Through the COVID pandemic, they have had to pivot the business model to add expanded evening hours to stay profitable. They are now in the process of purchasing a building and relocating to 27th and Minnesota Ave to expand the eating space and hours of operation. The 10 jobs that will be created over the next year will include an evening manager, line order cooks, and servers. The forecasted positions will qualify for at least a partial BSTF grant, with the majority qualifying for the full \$5000 per net new job. (\$14.70 per hour is the minimum and qualifies a company for \$3,500 – the \$5,000 award is reached when the wages plus benefits total \$20.88.

Genityte Incorporated
Big Sky Trust Fund Planning Grant
Feasibility Study Description

Genityte Incorporated, located in Billings, MT, is requesting approval from the Big Sky Economic Development (BSEDA) Corporation Board of Directors to apply for a Big Sky Trust Fund Planning Grant. Dr. Julie Reil is the founder and director of Shiloh Medical Clinic, and Genityte Incorporated. Dr. Reil is a University of Washington trained MD with 20 plus years of experience in Family Medicine, Obstetrics, and Laser Medicine. She is also an internationally recognized physician and women's health advocate.

Dr. Reil developed the Genityte® treatment for reducing female Stress Urinary Incontinence (SUI). This noninvasive and safe treatment utilizing infrared light is patented in the U.S., Canada, and Europe. Her goal is to obtain approval for Medicare and private insurance reimbursement for the Genityte® treatment. This approval would make the treatment more widely available and accessible to all women, thereby improving their quality of life.

The planning grant will pay for an external and independent feasibility study focusing on the implementation and validation of Patient Reported Outcomes (PROs) of Stress Urinary Incontinence (SUI) in women. Urinary incontinence impacts millions of women all over the world. In the United States alone, the age-standardized prevalence of urinary incontinence among women is 51.1%. The total budget for the study is approximately \$27,000.

This grant supports innovations in healthcare and will have a positive economic impact. According to BSEDA, healthcare is Billings largest industry with 30% of total employee compensation in Billings is healthcare and related business.

Dr. Reil has been gathering data on the efficacy of the Genityte SUI treatment for over ten years, across nearly 600 patients and thousands of clinical encounters. Her work has led her to conclude that the treatment is a safe and effective treatment for SUI, and which has improved the lives of the women she treats. In addition, an independent analyses of a large data set of 450 patients measured at three time points shows statistically significant improvement. The next steps in her path to Medicare reimbursement is to demonstrate the efficacy of the treatment in rigorous clinic trails.

This feasibility study will be The work will be conducted independently by a Piedmont Research Strategies Inc. (PRS) in Greensboro, NC and is the first of several steps to meet qualification standards. The study will:

- focus on the implementation and validation of Patient Reported Outcomes (PROs) of SUI and the psychological impact of SUI
- examine the feasibility of collecting data on these instrument(s) within the clinical visit
- test the correlation between these instruments and the clinical assessed changes in SUI over several clinic visits

- publish the results of this work in open source reports to the State and in peer reviewed journals

William Dudley, PhD, founder of PRS is a senior quantitative researcher with over 30 years' experience in experimental design and data analysis. He is a retired professor of Public Health Education from the University of North Carolina at Greensboro and has operated a statical consulting company Piedmont Research Strategies, Inc (PRS) for the past nine years. His work with Dr. Riel has focused on data management and analysis of a large sample of 450 patients seen at the Shiloh clinic over the past 10 years. He was asked by Dr Riel to support her path to gaining Medicare approval for reimbursement of her patented Genityte® treatment for Urinary Incontinence in women. Dr. Dudley will serve as the Principal Investigator for Piedmont Research Strategies.

Dr. Angela Kabbe, PhD is a nurse scientist with expertise in quantitative research methods and 14 years' experience as a family nurse practitioner. With a specific interest in women's health, Dr. Kabbe has worked with many women suffering with stress urinary incontinence (SUI) and has an active interest in studying this novel treatment for SUI. Dr. Kabbe is a Clinical Assistant Professor at the University of North Carolina at Greensboro in the School of Nursing and will serve as Co-Investigator for the study.



BIG SKY
ECONOMIC DEVELOPMENT

EDA • EDC CREATING MONTANA BUSINESS OPPORTUNITIES

ATTACHMENT I

BSED 2021 Legislative Priorities
Submitted October 7 & 8, 2020
Ad Hoc Legislative Committee

Running up to Montana's 67th biennial legislative session, BSED's Ad Hoc Legislative Committee has considered and crafted a list of priorities that emphasize economic development and recovery in our region and State as a whole. As the COVID-19 pandemic continues to evolve, we understand that there will be uncertainty moving forward. Notwithstanding those challenges, BSED believes we must advocate for tools to rebuild our local economies, sustain funding for Healthcare and Medicaid expansion, encourage support for MSU Billings, and protect Tax Increment Financing.

Top Priorities for Immediate Consideration

- A. Support Local/Regional Economic Recovery
- Push for State support for a Broadband/5G network infrastructure needs assessment for Yellowstone county (may be able to make this ask to the Coronavirus Relief Fund; and it is consistent with MEDA Next Generation Project recommendations)
 - Encourage public/private partnerships to drive new investment—support the County's effort to gain legislative flexibility to consider long term leases of county properties to partner with possible new private investment
 - Advocate for resources that support the reengagement and retraining of our workforce as an underpinning to our economic recovery; including, workforce housing public-private partnership incentives, and incentives for talent retention and recruitment
 - Support the economic and community development needs of our rural, regional partners, and Tribal Governments with a focus on infrastructure development and share interests in workforce development

Our response and encouragement of our economic recovery is one of BSED's strategic priorities. Consistent with that, elements related to our recovery need to be considered top priorities for our legislative work. There remains continued uncertainty with the timing and depth of our economic recovery, so focus in this area is absolutely essential. In addition to the items listed below, our economic recovery plan details items that may become legislative initiatives.

- B. Sustain Healthcare/Medicaid Funding—work in partnership with MHA and local providers to keep Medicaid funding intact for local and regional healthcare providers

Our healthcare sector remains one of our largest and fastest growing economic sectors. There is tremendous pressure on our healthcare delivery system at this time and a great opportunity for innovation and growth in the future. It is essential that we support both the challenges and opportunity that face this important part of our economy.

- C. **MSUB Leadership and Infrastructure**—encourage and support the Billings-area delegation to rally behind new investment at MSUB (additional investment is needed in the health professions and science areas)

The strength of our higher education, including both RMC and MSUB, are vital to our economic recovery and growth. MSUB is again in a state of transition that requires our continued support and encouragement.

- D. **Protect Tax Increment Financing**—urban renewal and target economic development districts need to be supported as one of the few economic development tools available to support the redevelopment of our downtown core and to build infrastructure that supports the growth of value-added industry

Tax Increment Financing is one of the few economic development tools at our disposal that encourages public/private partnerships and new private investment. TIF has been challenged significantly at the legislative level while at the same time producing great results across the state of Montana, including both Billings and Laurel. TIF laws also include targeted economic development districts which is the foundation of our Lockwood TEDD project. It is vitally important that we encourage legislative support for this important community and economic development tool.

Priorities for Current and Future Consideration

- A. **New Community and Economic Development Strategies and Tools**—consistent with the MEDA/State Chamber Next Generation of Community and Economic Development Tools Analysis encourage a focused strategy, modern tools, investment in entrepreneurship, and community development. Initial focus will be in the following areas:
- Support reorganization of State economic development strategies with sector-specific focus on key industries; adjust existing job creation incentives for target industries, including tax credits for new, high-paying job creation in these target sectors
 - Encourage the realignment of roles and responsibilities of the Department of Commerce and the Governor’s Office of Economic Development as a part of an updated economic development strategy (consider Wyoming Business Council model); consider centralizing workforce development and economic development strategies under a single vision and brand
 - Encourage statewide talent recruitment and retention programs, including incentives for the attraction of remote workers, and the retention of Montana’s college graduates in key sectors (consider Build Dakota Scholarships model)
 - Support legislation that encourages venture capital investments into Montana-based start-ups
 - Identify potential, unique dedicated revenue sources for economic development tools for consideration in future legislative sessions; including, a tool for investment in infrastructure and community development assets that directly support private investment and new job creation;

Most of Montana’s current suite of community and economic development tools date back to the year 2000. Understanding the limited scope of our existing tools, MEDA and MCF initiated the Next Generation of Community and economic Development Tools Analysis. This nine-month process developed a strong set of recommendations to modernize our tools and strengthen Montana’s ability to be regionally competitive. It will likely take multiple legislative sessions to see some of the important

changes to be borne out. The goal for the 2021 session is to start the dialogue around modernizing Montana's community and economic development strategies and tools.

B. Other Items to Watch

- 1. Create a tax exemption for military pensions in support of our efforts through VBOC to attract veterans and their spouses to entrepreneurship in Montana**

MT is one of only seven states to tax 100% of military retirement income. Attracting veteran and military spouses to MT as they look to begin their second career coincides with our talent attraction efforts.



BIG SKY
ECONOMIC DEVELOPMENT

EDA • EDC CREATING MONTANA BUSINESS OPPORTUNITIES

ATTACHMENT J

GOVERNANCE COMMITTEES

EDA/EDC Joint Executive Committee

<u>EDA</u>	<u>EDC</u>
Paul Neutgens	Steve Loveless
Ken Lutton	Ann Kosempa
Judi Powers	Mac Fogelsong
Dana Pulis	Kim Jakub
Riley Bennett	Mike Seppala

The Executive Committee provides the initial governance and guidance for EDA/EDC policies, strategic priorities and budget. It also functions as the Planning Committee for purposes of setting expectations for the Boards' Strategic Planning processes

MEETING SCHEDULE: First Wednesday of each Month.

Ad Hoc Legislative Committee

<u>EDA</u>	<u>EDC</u>
Jennifer Owen	Steve Loveless
Paul Neutgens	Mike Phillips
Riley Bennett	Ann Kosempa

Member Investors

Luke Kobold, Billings Clinic
Duncan Peete, Moulton Bellingham
Daniel Brooks, Chamber of Commerce

Staff

Steve Arveschoug

The Ad Hoc Legislative Committee develops the legislative agenda for Board consideration and then provides guidance during the state legislative session.

MEETING SCHEDULE: As needed

Big Sky Opportunity Fund Committee

<u>EDA</u>	<u>EDC</u>
Ken Lutton— Comm. Chair	Mike Nelson
Jennifer Smith	OPEN
George Warmer	Scott Chesarek
OPEN	Craig Bartholomew

Staff

Steve Arveschoug Melanie Schwarz
Shanna Zier

The Opportunity Fund Committee Serves to make strategy and funding recommendations on the development of the

Revised: 12.03.20

MEETING SCHEDULE: As needed

Opportunity Fund. They also serve as the Committee that evaluates and recommends projects that are intended to benefit from the Opportunity Fund.

EDA/EDC Joint Nominating Committee

EDA

Chair— Paul Neutgens
Vice Chair— Ken Lutton
Member at Large – Dana or Riley

EDC

Chair— Steve Loveless
Vice Chair— Ann Kosempa – Committee Chair
Past Chair— Mike Seppala

Community Representatives*

Commissioner—Denis Pitman
City of Laurel— Nick Altonaga
City of Billings—Shaun Brown

Staff

Becky Rogers
Steve Arveschoug
Brandon Berger
Melanie Schwarz

*The Joint Nominating Committee provides recommendations for the appointment or election of the EDA and EDC Board Members and recommendations for the nomination and election of officers. During the EDA board member selection process, this Committee will screen applicants and make recommendations concerning the appointment of EDA Board members. That process includes Community Representatives as prescribed by Yellowstone County resolution. EDA and EDC Boards must annually confirm the Nominating Committee Membership. *Community Representatives are only needed for the EDA process.*

MEETING SCHEDULE: As needed

PROGRAM COMMITTEES

Loan Committee

Anne DeBoo—Western Security Bank
Mary Dyre—Karrell Dyre Haney LLP
Ron Cole—MT Peterbilt
Dennen Gamradt—Eide Bailly LLP
Randy Swenson—Tendernest, LLC
Darrin Maas—Stockman Bank
Dustin Barber – Opportunity Bank
Mac Fogelson—EDC Board
Paul Neutgens –EDA Board

Staff

Brandon Berger

The Loan Committee reviews and approves or disapproves SBA 504 and Revolving Loan requests.

MEETING SCHEDULE: As needed

Membership Committee

EDC

Bob Wilmouth	OPEN
Scott Chesarek	OPEN
Aaron Ramage	OPEN

Staff

Melanie Schwarz
Steve Arveschoug

The Membership Committee works with the Member Investor Program Director to retain and build the number of EDC Member Investors.

MEETING SCHEDULE: Quarterly meetings

SBDC Advisory Council

EDA

Paul Neutgens
Greg McDonald

Community

Allyn Hulteng
Ann Clancy
Jennifer Webber
Jennifer Mercer
Jeremy Vannatta
Joel Bertolino
Skip King

Staff

Lorene Hintz
Steve Arveschoug

EDC

Dave Ballard
Ann Kosempa

Kris Carpenter
Michael Morrison
Rene Beyl
Gary Slane
Scott Severance
Katy Easton
James Smith

Kevin Scharfe

The mission of the SBDC Advisory Council is to collaboratively offer guidance, market insight, and support for the enhancement of services that help small businesses start, grow, or expand their business. The vision is for our regional service center (supporting a 9-county area) to be a strong and dynamic community for the growth and success of small business.

MEETING SCHEDULE: Two times a year in January and July

Recruitment Committee

EDA

Dana Pulis
Greg McDonald
George Warmer

Community

Casey McGowan
Katy Easton
Liz Ching

Staff

Allison Corbyn

EDC

Mike Seppala
Nicole Bengé

Open

John Roberts
Wyeth Friday
Debbie Singer

The Recruitment Committee serves as a resource for the Director of Business Recruitment & Outreach. Board members and key community partners serve on this committee. MEETING SCHEDULE: Quarterly meetings

REPRESENTATIVE COMMUNITY SERVICE

BillingsWorks Workforce Council

<u>EDA</u>	<u>EDC</u>
Ken Lutton	Open
Jennifer Owen	Open
Open	Andy Gott
Open	Open

* Indicates Steering Committee Member

Staff

Melanie or BW Staff Member

The BillingsWorks Workforce Council is a partnership of stakeholders working to set and execute strategies for the development of the Billings area workforce/talent pool. The Board members listed on the BillingsWorks Workforce Council are the EDA and EDC representatives on the greater Workforce Council.

MEETING SCHEDULE: As needed, approximately 6 times per year

Trailhead Hospitality Corridor Vision Steering Committee

<u>EDA</u>	<u>EDC</u>
John Brewer	Mike Phillips
Don Jones	Jon Stepanek

Staff

Steve Arveschoug

The Trailhead Hospitality Corridor Vision Steering Committee is a boarder group of stakeholders in the redevelopment of the Gateway Concept and of the East Billings Urban Renewal District. The Board members listed are EDA and EDC representatives on that Committee.

MEETING SCHEDULE: First Friday of every-other-month from 11:45am—1:00pm

Rock31 Advisory Council

<u>EDA</u>	<u>EDC</u>
Judi Powers	Bob Wilmouth
Dana Pulis	Open

Staff

Kevin Scharfe	Dustin Frost
Lorene Hintz	
Steve Arveschoug	

The Rock31 Advisory Council provides insight, industry knowledge, and guidance as we work to create a more robust and comprehensive entrepreneurial ecosystem in our community.

MEETING SCHEDULE: TBD

VBOC Advisory Council

<u>EDA</u>	<u>EDC</u>
Open	Open
Open	Open

Staff

Dustin Frost

The VBOC Advisory Council works to provide guidance, experience, and insight to enhance the Program as it works to best serve transitioning service members, activity duty service members and spouses who are interested in business ownership.

MEETING SCHEDULE: TBD

REPRESENTATIVE COMMUNITY SERVICE

Brownfields Advisory Council

EDA

Open

EDC

Mac Fogelsong

Open

Community Partners

Wyeth Friday

Zack Terakedis

John Armstrong

Ken Kunkel

Katy Easton

Staff

Dianne Lehm, Patrick Klugman, Thom MacLean

The Brownfields Advisory Committee reviews potential Brownfield projects regarding expansion, reuse, and development in our community.

MEETING SCHEDULE: As needed, approximately 6 times per year, generally via email.

Space2Place Micro Grants Committee

EDA

Riley Bennett

Open

EDC

Mac Fogelsong

Open

Staff

Dianne Lehm, Patrick Klugman, Thom MacLean, Melanie Schwartz, Steve Arveschoug

The Space2Place Micro Grants Committee serves as the selection committee who reviews Space2Place grant applications made available by the Community Development Team.

MEETING SCHEDULE: Generally the first quarter of the year, approximately four, 2-hour meetings.

PTAC Advisory Council

EDA

Riley Bennett

EDC

Eric Simonsen

Scott Chesarek

Aaron Ramage

Community Partners

Velvett Cummins

Gary Stephens

Kevin Gustainis

Meghan Holmlund

Staff

Deanna Langman, Rosalind Dix, Steve Arveschoug

The PTAC Advisory Council works to provide guidance, experience, and industry insight to enhance the MT PTAC Program. Committee members also support outreach and education efforts to stakeholders across Montana.

MEETING SCHEDULE: TBD