

EDA/EDC – Joint Board Meeting
Thursday, Sept. 14, 2023
7:00 A.M. to 9:00 A.M.
Rock31/BSED Building- 201 N Broadway
Zoot Training and Event Space (2nd Floor)

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 AM Call to Order/Pledge of Allegiance/Roll Call – Kim Jakub, EDC Chair**
- 7:02 A.M. Public Comment/Recognitions/Special Announcements and Introductions**
- Intro Marketing Manager, Katelyn Harmon; Senior Director for Recruitment and Community Development, Ashley Kavanagh; Business Development Officer, Tyler Wink
 - Update—Parks Capital Campaign (Melanie) and Parks Bond Issue (Julie and Brian)
 - SD2 Update—Dr. Erwin Garcia
- 7:40 A.M. Changes to Today's Agenda**
- 7:42 A.M. Consent Items for Board Action** (EDA & EDC Board Action)
- Minutes – July 13, 2023 (Attachment A)
 - July EDA and EDC Financials (Attachment B)
- 7:45 A.M. Financial Matters--Tami**
- Amended Final EDA/EDC Budgets FY '24 (Attachment C) (EDA/EDC Action)
 - Reinvestment of SBA 504 Program Net Income FY 24 Budget (Attachment D) (EDC Action)
 - EDA/EDC Audit Engagement Letters – KCOE ISOM, LLP (Attachment E) (EDA/EDC Action)
 - Beartooth RC&D Funding Agreement (Attachment F) (EDA/EDC Action)
- 8:05 A.M. Program Reports and Action Items**
- Big Sky Finance Mid-Year Portfolio Review—Brandon (Attachment G) (Info)
 - Rock31/SBDC/NADC Partnership-Cooperative Agreement—Patrick (Handout) (EDA/EDC Action)
 - Marketing—Annual Meeting Theme—Oct. 11th (Handout) (Info)
 - Member Investor Program Update—Patrick (Info)
 - Air Service Strategy Update—Ashley (Info)
- 8:35 A.M. Executive Director Report- Steve** (Attachment H) (Info)
- Nominating Committee Recommendations (Attachment I) (EDC Action)
 - Re-Org/Staffing Update (Info)
 - Areas of Focus—Update (Info)
 - Salary Administration/Merit Pay Plan
 - Succession Plan Update (job description, core qualities and experience, and compensation study)
 - Board Committee (Judi, George, Jen, Nick, Debbie)
 - October Board Meeting—October 12 or not?
- 8:55 A.M. Public Comment**
- 9:00 A.M. Adjourn**

Next EDA/EDC Board Meeting: TBD - (7:00AM to 9:00AM), Zoot Training Space, Rock31/BSED Building. 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 (BSED) as soon as possible before the meeting day. Please call BSED at 406-256-6871.



BIG SKY
ECONOMIC DEVELOPMENT

EDA • EDC CREATING MONTANA BUSINESS OPPORTUNITIES

ATTACHMENT A

EDA/EDC Joint Board Minutes
Thursday, July 13, 2023
7:00 A.M. – 9:00 A.M.
Rock31/BSED Building
Zoot Training and Event Space (2nd Floor)

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: Bryan Wood, Debbie Desjarlais, George Warmer, Kate Vogel, Judi Powers, Ken Lutton, Lucy Aspinwall, Riley Bennett, Zachary Dunn

EDA Board Members Absent Bryce Terpstra, Paul Neutgens

EDC Board Members Present: Andy Gott, Bob Wilmouth, Dave Ballard, DJ Clark, John Ostlund, Justin Martin, Kim Jakub, Mac Fogelson, Michael Marsh, Mike Nelson, Mike Phillips, Mike Seppala, Nick Pancheau, Spencer Frederick, Stefani Hicswa

EDC Board Members Absent: Ann Kosempa, Craig Bartholomew, Jen Kobza, Jennifer Weaver Kondracki, Nicole Bengé, Tyler Wiltgen

Ex-Officios Present: Mark Morse

Staff and Guests: Deanna Langman, Dianne Lehm, Erwin Garcia, Jack Nichols, Lorene Hinz, Matt Gagalis, Marcell Bruski, Nicole Allen, Rick Brown, Sarah Myhre, Steve Arveschoug, Tami Fleetwood, Tom Morvek, Thom Maclean

Call to Order:

Kim Jakub, EDC Chair, called the meeting to order at 7:03 A.M. with the Pledge of Allegiance.

Agenda Changes:

Steve's Executive Director report will be presented before Program Action items.

Public Comment/Recognitions/Special Announcements and Introductions:

Into VBOC Director. Rick Brown

Kim introduced Dr. Erwin Garcia the new Superintendent of School District No. 2. Dr. Garcia will give an update on the school district to the Board in September. We will ask that Dr. Garcia be appointed as ex-officio to the EDA Board of Directors.

Rick Brown, the new BSED VBOC Director introduced himself to the Board. Rick shared a brief background and his excitement to serve Veterans.

Greater Good Health-Matt Gagalis, CCO

Matt Gagalis introduced himself and Greater Good Health to the Board including the goal and vision of Greater Good Health. Greater Good Health provides personalized, whole-person primary care for seniors in Montana. The Billings location will open in mid-October. Greater Good Health is also located in Great Falls and Missoula.

Consent Items for Board Action

Approval of June 8, 2023 Board Meeting Minutes

Motion: Andy Gott to approve the June 8, 2023 Board Meeting Minutes, as presented to the Board.

Second: John Ostlund

Discussion: None

Motion: Carried

Approval of June 12, 2023 Electronic Board Meeting Minutes

Motion: Andy Gott to approve the June 12, 2023 Electronic Board Meeting Minutes.

Second: John Ostlund

Discussion: None

Motion: Carried

Financial Matters-Tami

EDA/EDC Financials for May 2023

The EDA Profit and Loss reflects an operating net revenue position as of May 31, 2023 at \$575,286.00. The net revenue position is better than budget by \$486,000 due to vacancy savings and employer contributions, contingency, and PTAC subcenter expenses through May 2023. Income generators contributing to the budget surplus include grant administration and intergovernmental revenue. Revenue from VBOC was less than expected due to vacant positions. The EDA balance sheet reflects \$732,000 in Yellowstone County Funds. Tami did a draw down in June from this balance. Receivables are approximately \$426,000. Due to/Due From is \$65,000 for EDA and EDC. Fixed assets were changed due to depreciation expense. The other assets section remained similar to last month. The deferred outflow of resources is adjusted at end of fiscal year each year for the pension plan. Tami will continue to monitor EDA spending on final invoices generated for the fiscal year.

The EDC statement of operations reflects an operating net revenue position as of May 31, 2023 at \$27,000.00 while the EDC was projected to be at net operating expense position of \$10,000.00. Net operating revenue is better than expected by \$27,000.00 through the month of May. Budgeted expenses are slightly over budget. Variances include loan expenses, EDA reimbursement, and marketing. Overall, EDC expenses are managed well. Float income was higher than anticipated. Brandon answered the Executive Committee's questions regarding float income. Twice a year BSED receives a deposit from the Department of Treasury based on interest rates, underlying rate environment, and loan debenture that generates float income. The EDC balance sheet reflects a strong cash position. Accounts receivable is at \$82,250.

Motion: Ken Lutton to approve the EDA/EDC May 2023 financials as presented to the Board.

Second: Dave Ballard

Discussion: None

Motion: Carried

Projected Year-End Budget Performance/Recommendations-Tami/Steve

Tami shared that the projected year end budget performance was built in advance of speaking with the Executive Committee. Big Sky EDA's net revenue for operations is anticipated at approximately \$325,000 -\$328,000 with some additional spending in the last month of the fiscal year. Tami clarified that these projections are a moving target and some variances may still arise. The Board asked to receive the updated projection once the year-end numbers are finalized.

Steve shared recommendations with the Board to utilize the EDA balance. Steve shared that this is a one-time fund that will not be reinvested in the operating funds. Steve's recommendation is that BSED redistribute the surplus of funds to a building repair and replacement reserve (\$125,000), funds set aside for performance based merit award considerations, community development programs-parks, trails (\$60,00 pledge towards Coulson park), Air Service Matching Grant (\$25,000 total), and the remaining excess reinvested in the opportunity fund. Steve answered the Board's question regarding the projected year-end budget performance and recommendations.

Motion: Ken Lutton to approve the allocation of the surplus for the 2023 fiscal year as presented to the Board.

Second: Debbie Desjarlais

Discussion: DJ Clark inquired as to the expenditures for professional fees compared to budget. Tami and Steve explained this line item to the Board.

Motion: Carried

Executive Director Report- Steve

Final Executive Director Focus for FY '24

Steve shared a handout with an updated version of the Executive Director Focus FY '24 that replaces the Executive Director Focus contained in the packet as Attachment H. The edits include Section C-strengthen our key partnerships with two sections for delegation. An edit was made to State Partnerships to delegate after the restructuring is complete. Steve will stay connected to industries on ongoing basis, focusing on what industries we are not touching as well as outreach and connection to key industries. Another edit was made to Section D- - Steve will ask the Senior Leadership Team to take charge of Board Planning and Strategic Priorities. Steve added items to the succession plan. Steve plans to ensure all details are covered and update salary administration guidelines to include clear performance based criteria on merit award administration. Steve will also update the Executive Director evaluation process, creating an SOP for oncoming chairs to define the practice and ensure it is clearly understood by the Board. Steve has reached out to Associated Employers to help complete this work and refine these processes. Steve also edited Item E-build awareness and BSED brand Steve's goal is to have six community conversations. Steve envisions this as talking to the community on a consistent planned basis about the work that BSED does and why it is important to the Community.

Motion: Mike Nelson to approve the Executive Director Focus for FY '24 as presented to the Board.

Second: Debbie Desjarlais

Discussion: None

Motion: Carried

Re-Org/Staffing Update:

BSED extended an offer to a Marketing Manager candidate and the position is now filled. BSED also extended an offer for the Rock31 Director position and are awaiting acceptance. The final stages of the Big Sky Development Officer search process is underway and Steve will be having a coffee with a promising candidate soon. The search for the Senior Director of Recruitment and Community Development is ongoing. It is important that the candidate that fills this role have a strong skillset and strong leadership qualities.

Executive Committee Breakfast-August 2nd

The Executive Committee meeting will be breakfast with the Executive Director. This meeting will include casual conversations and dive into key topics. There is not an August Board meeting. Steve will provide an Executive Director report in August with key updates and the Board will reconvene in September.

Program Reports Action Items

Big Sky Finance-Tami

SMART Audit Response and Loan/Internal Controls Policy

The SMART Audit report and findings were received. The audit was acceptable with corrective actions, which is a very good result. Tami reviewed the findings, responses, and corrective actions taken. Tami also reviewed the Big Sky EDC Loan Policy Manual and Internal Control Policy with proposed amendments as required by the SBA SMART audit findings.

Motion: Mike Phillips to approve the SMART Audit Response and Loan/Internal Controls Policy as presented to the Board.

Second: Mike Marsh

Discussion: None

Motion: Carried

SBA 504 Loan Requests

- I. Big Sky EDC is requesting approval to submit to the US Small Business Administration the following SBA 504 loan requests. The Big Sky EDC Loan Committee has reviewed the requests and recommends approval to the full EDC Board for submission to the SBA for final approval. The requests meet all the underwriting and eligibility requirements of the EDC.

1. **Herron Veterinary Associates PLLC /Ugly Mug Cribs, LLC** – Purpose of this request is for the purchase of land and existing building, renovations and equipment purchases for Caring Hands Veterinary Hospital. The project is located at 985 South 24th Street West in Billings. Caring Hands Veterinary Hospital is an existing practice relocating as they have outgrown their current location. This new location will provide the ability to add additional veterinarians and expand their services. Caring Hands is a full-service practice providing a full suite of preventive and general maintenance care along with emergency services, breeding services, surgery, pharmacy and boarding. It is owned 100% by Dr. Amber Herron, DVM. Although Dr. Herron purchased the practice in 2018, the practice has been operating in Billings for nearly 40 years.

The total SBA debenture is projected to be \$1,633,000 on a 25-year note comprising 40% of the total project. Big Sky EDC and the SBA will be in a 2nd lien position on the real and personal property behind Western Security Bank. There are projected to be 13 new jobs created because of this project. The project meets a Public Policy goal for Woman Owned business.

Motion: Nick Pancheau to approve the SBA 504 Loan Request for Herron Veterinary Associates PLLC/Ugly Mig Cribs, LLC as presented to the Board.

Second: John Ostlund

Discussion: None

Motion: Carried

Abstained: Mike Seppala ,Riley Bennett

2. **GEM, INC / Sadge Investments LLC** – Purpose of this request is for the purchase of land and existing commercial real estate located in Great Falls, MT, for Direct Automotive Distributing. Direct Automotive is a wholesale distributor of Motocraft and AC Delco auto parts. Borrowers are purchasing the building they currently lease in Great Falls. GEM, INC (dba Direct Automotive Distributing) was established in 1992 by Scott Ellis. The company has seven locations including this one across the northwest.

The total SBA debenture will be \$551,000 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 Washington Trust Bank located in Spokane, WA. There is projected to be 1 new jobs created and the 9 existing jobs retained because of this project.

Motion: Mike Seppala to approve the SBA 504 Loan Request for GEM, INC./Sadge Investments, LLC as presented to the Board.

Second: Dave Ballard

Discussion: None

Motion: Carried

Community Development-Parks, Trails, Rec Comprehensive Plan-BSED Commitments-Thom

City Council approved a bond to put on the ballot before voters. The next step will be for voters to make a decision in November. If the vote passes, then construction on these projects will begin. Thom reviewed the BSED commitments – PAC Bond issue Campaign Committee Support, fundraising committee support, and Overall Steering Committee Support. Kim Jacob shared that ParMT will contribute \$1 million. Additionally ,if the community raises \$1 million, ParMT will match those funds. Kim shared how impactful this initiative is to business recruitment and attraction. Mike Nelson shared that the hotel district is in process of taxing itself to help with any

deficit there may be in operations. This is a pledge that the Northern is working on and it is preparing a pledge for the construction and development for the Rec Center. Mike Nelson shared that the Rec Center is a benefit to our youth and the Billings Community.

Motion: Stefani Hicswa to approve parks, trails, rec comprehensive plan-BSED Commitments including the annual (3 year) pledge of \$50,000 to support capital investment in parks to begin in FY' 2024 as presented to the Board.

Second: George Warmer

Discussion: None

Motion: Carried

Apex Accelerator (PTAC) Update-Deanna

Deanna gave an overview of the Apex Accelerator Program and how it is structured. Deanna then shared with the Board an update on the Apex Accelerator program. Deanna thanked Tereza and Lynnette for being assets to the program. Since August 1, 2022, there was \$259,766,005 in contract awards for Montana Companies assisted by the MT Apex Accelerator team. Deanna shared a list of companies that the Apex Accelerator program has worked with. Deanna's team conducted 3000 hours of advising to 1030 companies since August 1, 2022. Tereza and Lynnette both shared success stories for companies they have worked with. Navy week will take place on August 9th. Apex will coordinate a workshop on how to do business with the Navy and Marines.

Public Comment:

None

Adjourn

Motion: Ken Lutton motion to adjourn the meeting.

Second: Riley Bennett

Discussion: None

Motion Passed

Judi Kim Jakub adjourned the meeting at 9:05 am

Next Meeting – September 14, 2023

Respectfully submitted,

Debbie Desjarlais, EDA Secretary/Treasurer

Nick Pancheau, EDC Secretary/Treasurer

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

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 B

Big Sky Economic Development Authority
Financial Report for Board of Directors – September 14, 2023 Board Meeting
For the Month ended July 31, 2023

The following financial statements for Big Sky EDA consist of the Statement of Operations, reporting actual revenues and expenses for the month of July 2023, and the Balance Sheet, reporting the assets, liabilities, and net assets as of July 31, 2023.

Statements of Operations

Big Sky EDA is in a net operating expense position of approximately \$79,000 at July 31, 2023. The expense position is within expectations since the primary revenue source for EDA is County Mill Levy Revenues that are not finalized by the County Commissioner's until September of the fiscal year and then subsequently funded in October. The Statement of Operations also shows negative Change in Net Assets of approximately \$100,000 with the inclusion of non-operating revenue and expense items (primarily depreciation expense).

Other operating revenue sources consisting of revenues related to the APEX Accelerator, SBDC, and VBOC programs and Rock31 are also within expectations.

Operating expenses appear reasonable and within expectations. Salaries/wages and employer contributions make up approximately 66% of the total operating expenses. EDA is still working to fill new and vacant positions, so we will see those expenses increasing in the coming months in line with the budget. The other major expenses in July are PTAC Subcenter costs and Professional Fees. The Professional Fees consist almost entirely of expenses related to EPA-Brownfields. The expenses for both the PTAC Subcenter costs and EPA-Brownfields professional fees will be entirely offset by revenues.

Non-operating income and expenses consist primarily of depreciation expense which amounted to approximately \$22,000.

Balance Sheet

Current assets at the end of July were approximately \$4,134,000, a decrease of about \$150,000 as compared to the previous month. The decrease is primarily attributed to the decrease in cash which relates to the timing of accounts receivable and accounts payable. The July 31, 2023 accounts receivable balance of \$381,692 is deemed fully collectible.

Due To/Due From EDC totaled \$57,861 at the end of July and consists of amounts due from EDC for the current month. The Tax levy receivable decreased by approximately \$10,000 as monies were collected and put into the Yellowstone County Funds cash account. Protested tax levy receivable and its related allowance for doubtful accounts was \$3,122. Note that the organization records an allowance of 100% of protested tax levy receivable to allow for potentially uncollectible protested tax levy.

Total fixed assets decreased approximately \$21,700 due to the recording of depreciation expense and related accumulated depreciation. There were no new fixed asset additions nor fixed asset dispositions in July.

Current liabilities at the end of July were approximately \$425,000, a decrease of approximately \$72,000 as compared to the previous month. Accrued expenses are primarily for salary/benefits accruals which amount to approximately \$65,400. Also included in this line are obligations for Space to Place (\$20,000) and an accrual for a professional videographer contract (\$21,032). Compensated absences total approximately \$167,000 as of July 31, 2023.

Long Term liabilities are approximately \$839,000. This consists primarily of deferred inflow of resources and pension liability, both related to Big Sky EDA's obligation to the Public Employee Retirement System. These amounts are adjusted at the end of each fiscal year in accordance with governmental accounting requirements for recognizing long-term obligations for defined pension benefits, so the amounts will remain unchanged until the end of FY24.

Big Sky EDA
Statement of Operations
For the Month Ended July 31, 2023

	<u>July 2023</u>
Operating Revenue	
County Taxes Mill Levy Revenue	\$ 83
Health Ins Mill Levy Revenue	6,890
Department of Defense	68,000
EDC Reimbursement	58,108
PTAC Advisor Agreement Support	3,000
SBA/MT Dept of Commerce	11,250
VBOC	16,562
Rock31 Membership Revenue	7,690
Zoot/Other Room Rent Revenue	1,015
Rock31 Barista Rent Revenue	775
Total Operating Revenue	<u>173,373</u>
Operating Expense	
Salaries/Wages	128,904
Employer Contributions	38,546
Advertising	1,500
Building Operations/Maintenance	7,258
Conferences	1,925
Dues/Subscriptions/Memberships	2,355
Event Expense	1,065
Hosted Meetings	69
Insurance	4,720
Marketing	11,105
Office Equip & Furn < \$5000	2,230
Office Expense and Supplies	1,495
Professional Development	29
Professional Fees	16,278
PTAC Subcenter	23,578
Rent	877
Staff Expenses	397
Telecommunications	4,249
Travel	5,565
Miscellaneous	816
Total Operating Expense	<u>252,961</u>
Net Operating Revenue (Expense)	<u>(79,588)</u>
Non-Operating Income/Expense	
Non-Operating Income	
Interest Income	932
Total Non-Operating Income	<u>932</u>
Non-Operating Expense	
Amortization Expense	116
Depreciation Expense	21,781
Interest Expense	57
Total Non-Operating Expense	<u>21,954</u>
Net Non-Operating Revenue (Expense)	<u>(21,022)</u>
Change in Net Assets	<u>\$ (100,610)</u>

Big Sky EDA
Balance Sheet - Comparison with Previous Year
As of July 31, 2023

	Jul 31, 2023	Jul 31, 2022	\$ Change	% Change
ASSETS				
Current Assets				
Checking/Savings				
Main Operating - FIB	\$ 804,383	\$ 255,002	\$ 549,381	215%
Recovered Property Taxes - FIB	626	626	-	0%
Operating Reserve - FIB	64,574	251,120	(186,546)	(74%)
Reserve for Replacement and Repair - FIB	141,908	418,458	(276,550)	(66%)
Opportunity Fund - Stockman	86,575	85,508	1,067	1%
Opportunity Fund - Opportunity	288,390	628,390	(340,000)	(54%)
Stockman GE Maintenance	15,128	15,128	-	0%
Rocky Mountain - Money Market	43,289	43,294	(5)	(0%)
Valley Federal - Savings	25	25	-	0%
Valley Federal - Money Market	303,965	300,810	3,155	1%
Opportunity Fund CDs-current	1,104,368	1,734,416	(630,048)	(36%)
Altana - Savings	25	25	-	0%
Yellowstone County Funds	703,842	432,631	271,211	63%
Total Checking/Savings	3,557,098	4,165,433	(608,335)	(15%)
Accounts Receivable				
Accounts Receivable	183,784	379,142	(195,358)	(52%)
Accounts Receivable - APEX	164,378	213,958	(49,580)	(23%)
Accounts Receivable - SBDC	11,250	17,506	(6,256)	(36%)
Accounts Receivable - VBOC	16,562	76,372	(59,810)	(78%)
Accounts Receivable-Brownfields	5,718	-	5,718	100%
Total Accounts Receivable	381,692	686,978	(305,286)	(44%)
Other Current Assets				
Due To/Due From EDC	57,861	62,000	(4,139)	(7%)
Grants Receivable	-	50,000	(50,000)	(100%)
Tax Levy Receivable	13,239	9,694	3,545	37%
Tax Levy Receivable - Protested	3,122	57	3,065	5,377%
Allowance for Doubtful Accts	(3,122)	(57)	(3,065)	(5,377%)
American Revenue Guarantee	6,887	6,887	-	0%
Prepaid Expenses	51,920	17,446	34,474	198%
Undeposited Funds	65,519	-	65,519	100%
Total Other Current Assets	195,426	146,027	49,399	34%
Total Current Assets	4,134,216	4,998,438	(864,222)	(17%)
Fixed Assets				
Construction in Progress	-	4,051,472	(4,051,472)	(100%)
Bank Building - Land	301,750	301,750	-	0%
Bank Building - Building	6,303,890	1,473,250	4,830,640	328%
Furniture	227,169	-	227,169	100%
Equipment	6,700	-	6,700	100%
Barista Equipment	12,000	12,000	-	0%
Accumulated Depreciation	(279,062)	(47,220)	(231,842)	(491%)
Total Fixed Assets	6,572,447	5,791,252	781,195	13%

Big Sky EDA
Balance Sheet - Comparison with Previous Year
As of July 31, 2023

	Jul 31, 2023	Jul 31, 2022	\$ Change	% Change
Other Assets				
Deferred Outflow of Resources	90,930	129,336	(38,406)	(30%)
Opportunity Fund CDs-Noncurrent	642,380	642,380	-	0%
Deposit	173	5,181	(5,008)	(97%)
Cabelas Conduit x0603	4,896	4,984	(88)	(2%)
Right of Use Asset	6,560	7,887	(1,327)	(17%)
Total Other Assets	744,939	789,768	(44,829)	(6%)
TOTAL ASSETS	\$ 11,451,602	\$ 11,579,458	\$ (127,856)	(1%)
LIABILITIES & EQUITY				
Liabilities				
Current Liabilities				
Accounts Payable	\$ 75,972	\$ 422,203	\$ (346,231)	(82%)
Credit Cards	12,528	18,334	(5,806)	(32%)
Other Current Liabilities				
Contributions Payable	25,000	-	25,000	100%
Accrued Expenses	111,476	112,492	(1,016)	(1%)
Compensated Absences	167,779	177,593	(9,814)	(6%)
Payroll Liabilities	(655)	(705)	50	7%
Deferred Revenues	33,000	36,000	(3,000)	(8%)
Total Other Current Liabilities	336,600	325,380	11,220	3%
Total Current Liabilities	425,100	765,917	(340,817)	(44%)
Long Term Liabilities				
Deferred Inflow of Resources	204,425	386,724	(182,299)	(47%)
Pension Liability	628,001	563,223	64,778	12%
Lease Liability	6,560	7,887	(1,327)	(17%)
Total Long Term Liabilities	838,986	957,834	(118,848)	(12%)
Total Liabilities	1,264,086	1,723,751	(459,665)	(27%)
Equity				
Net Assets	7,577,016	7,242,523	334,493	5%
Contributed Capital	3,193,580	3,193,580	-	0%
Prior Period Adjustment	(482,470)	(482,470)	-	0%
Net Income	(100,610)	(97,926)	(2,684)	(3%)
Total Equity	10,187,516	9,855,707	331,809	3%
TOTAL LIABILITIES & EQUITY	\$ 11,451,602	\$ 11,579,458	\$ (127,856)	(1%)

Big Sky Economic Development Corporation
Financial Report for Board of Directors – September 14, 2023 Board Meeting
For the Month ended July 31, 2023

The following financial statements for Big Sky EDC consist of the Statement of Operations, reporting actual revenues and expenses for the month of July 2023, and the Balance Sheet, reporting the assets, liabilities, and net assets as of July 31, 2023.

Statement of Operations

Big Sky EDC is in a net operating revenue position of approximately \$22,000 on July 31, 2023. The revenue position is reasonable since quarterly invoicing for member investor pledges occurred this month and all other revenue sources were within expectations. The Statement of Operations also shows a positive Change in Net Assets of approximately \$22,000 with the inclusion of non-operating revenue items for bank interest income.

Operating expenses appear reasonable and within expectations. The EDA Reimbursement is the primary expense for EDC and amounts to approximately \$58,108. This expense consists of the amounts reimbursed to EDA by EDC for salaries/wages and employer contributions, building operations and maintenance, telecommunications, and liability insurance.

Non-operating income and expense reported in July consists of bank interest income.

Balance Sheet

Current assets at the end of July were approximately \$1,805,000, a decrease of about \$46,000 as compared to the previous month. Cash used in operations decreased approximately \$78,000 and accounts receivable increased approximately \$20,000. Member investor pledges of \$76,691 are deemed collectible but will be evaluated on a quarterly basis for potential write-offs.

Other assets consist of Big Sky Finance loan portfolios. The portfolios are reported in the balance sheet with the current portion included in other current assets and the balance extending beyond the fiscal year reported as other assets. The total Federal EDA RLF portfolio (current and non-current) was \$1,100,888, total RLF portfolio was \$198,939, the total Stabilization Loan portfolio was \$5,289, and the total SBCI portfolio was \$795,604.

Accounts payable totaled approximately \$94,000 at the end of July, a decrease of about \$52,000 from previous month. Due to/Due from EDA totaled \$57,861 and represents the amount owed to EDA from EDC for July reimbursements.

During the FY23 year-end reconciliation procedures, we became aware that the guidance received in February 2023 to restate the Balance Sheet for Big Sky EDC to include a line item in the equity section to report the Federal EDA RLF funds as temporarily restricted net assets rather than non-operating income and create a prior period adjustment for the amounts reported as income in FY22 was not correct. We have, therefore, adjusted the balance sheet to remove the temporarily restricted net assets and prior period adjustment. As such, future receipts of Federal EDA RLF funds will be reported as non-operating income at the time the funds are received and will be reflected in the Statement of Operations.

Big Sky Economic Development Corporation
Statement of Operations
For the Month Ended July 31, 2023

	<u>July 2023</u>
Operating Revenue	
504 Loan Servicing	\$ 34,471
504 Loan Origination	3,380
504 Loan Closing Attorney Fees	2,500
Member Investment	33,000
Federal EDA RLF Loan Interest	4,302
RLF Business Loan Interest	942
Stabilization Loan Interest	9
SSBCI Orig Fees/Loan Interest	1,336
Loan Processing Fee Income	7,975
Total Operating Revenue	<u>87,915</u>
Operating Expense	
Board Expenses	106
Business Recruitment	772
Conferences	105
Dues and Subscriptions	1,486
EDA Reimbursement	58,108
Event Expense	455
Hosted Meeting Expense	205
Insurance	876
Loan Expenses	332
Marketing	1,428
Membership Development	7
Office Expenses and Supplies	93
Postage	3
Rent	416
Staff Expenses	93
Telecommunications	205
Travel	737
Miscellaneous	113
Total Operating Expense	<u>65,540</u>
Net Operating Revenue (Expense)	<u>22,375</u>
Non-Operating Income/Expense	
Non-Operating Income	
Interest Income	172
Total Non-Operating Income	<u>172</u>
Net Non-Operating Revenue (Expense)	<u>172</u>
Change in Net Assets	<u><u>\$ 22,547</u></u>

Big Sky Economic Development Corporation
Balance Sheet - Previous Year Comparison
As of July 31, 2023

	Jul 31, 2023	Jul 31, 2022	\$ Change	% Change
ASSETS				
Current Assets				
Checking/Savings				
FIB - Main Operating	\$ 70,643	\$ 54,248	\$ 16,395	30%
FIB - Coulson Park	76,566	76,528	38	0%
FIB/Stockman - SSBCI Principal	525,649	421,001	104,648	25%
FIB - Long Term Reserve	250,000	250,000	-	0%
FIB - Opportunity Fund	60,925	60,896	29	0%
FIB - Federal EDA RLF	204,038	458,858	(254,820)	(56%)
FIB - RLF	303,966	262,293	41,673	16%
Total Checking/Savings	1,491,787	1,583,824	(92,037)	(6%)
Accounts Receivable				
Pledges Receivable	12,500	78,100	(65,600)	(84%)
Accounts Receivable	96,500	53,000	43,500	82%
Total Accounts Receivable	109,000	131,100	(22,100)	(17%)
Other Current Assets				
Undeposited Funds	11,691	2,000	9,691	485%
Fed EDA RLF Portfolio - Current	115,577	21,043	94,534	449%
RLF Portfolio - Current	30,940	29,427	1,513	5%
SSBCI Portfolio - Current	40,896	39,556	1,340	3%
Stabilization - Current	5,289	40,837	(35,548)	(87%)
Prepaid Expenses	-	2,545	(2,545)	(100%)
Total Other Current Assets	204,393	135,408	68,985	51%
Total Current Assets	1,805,180	1,850,332	(45,152)	(2%)
Other Assets				
Fed EDA RLF - Non-Current	985,311	208,799	776,512	372%
RLF Portfolio - Non-Current	167,999	200,949	(32,950)	(16%)
SSBCI Portfolio - Non-Current	754,708	795,368	(40,660)	(5%)
Stabilization - Non-Current	-	7,506	(7,506)	(100%)
Allowance for Loan Losses	(20,150)	(23,856)	3,706	16%
Total Other Assets	1,887,868	1,188,766	699,102	59%
TOTAL ASSETS	\$ 3,693,048	\$ 3,039,098	\$ 653,950	22%
LIABILITIES & EQUITY				
Liabilities				
Current Liabilities				
Accounts Payable	\$ 93,780	\$ 7,815	\$ 85,965	1,100%
Credit Cards	6,019	11,490	(5,471)	(48%)
Other Current Liabilities				
Due to/Due From EDA	57,861	62,000	(4,139)	(7%)
Accrued Expenses	6,000	30,044	(24,044)	(80%)
Deferred 504 Revenue	-	13,286	(13,286)	(100%)
Total Other Current Liabilities	63,861	105,330	(41,469)	(39%)
Total Current Liabilities	163,660	124,635	39,025	31%
Total Liabilities	163,660	124,635	39,025	31%
Equity				
Retained Earnings	3,506,841	2,939,820	567,021	19%
Net Income	22,547	(25,357)	47,904	189%
Total Equity	3,529,388	2,914,463	614,925	21%
TOTAL LIABILITIES & EQUITY	\$ 3,693,048	\$ 3,039,098	\$ 653,950	22%

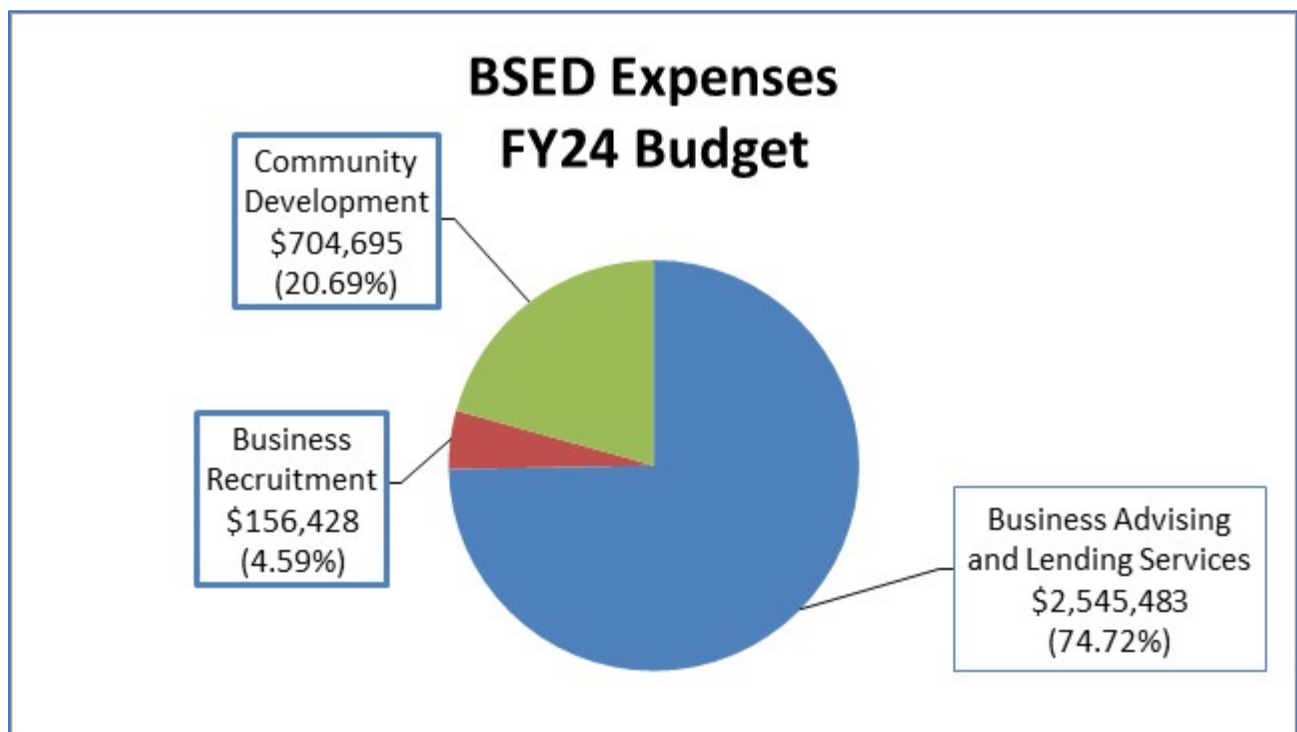
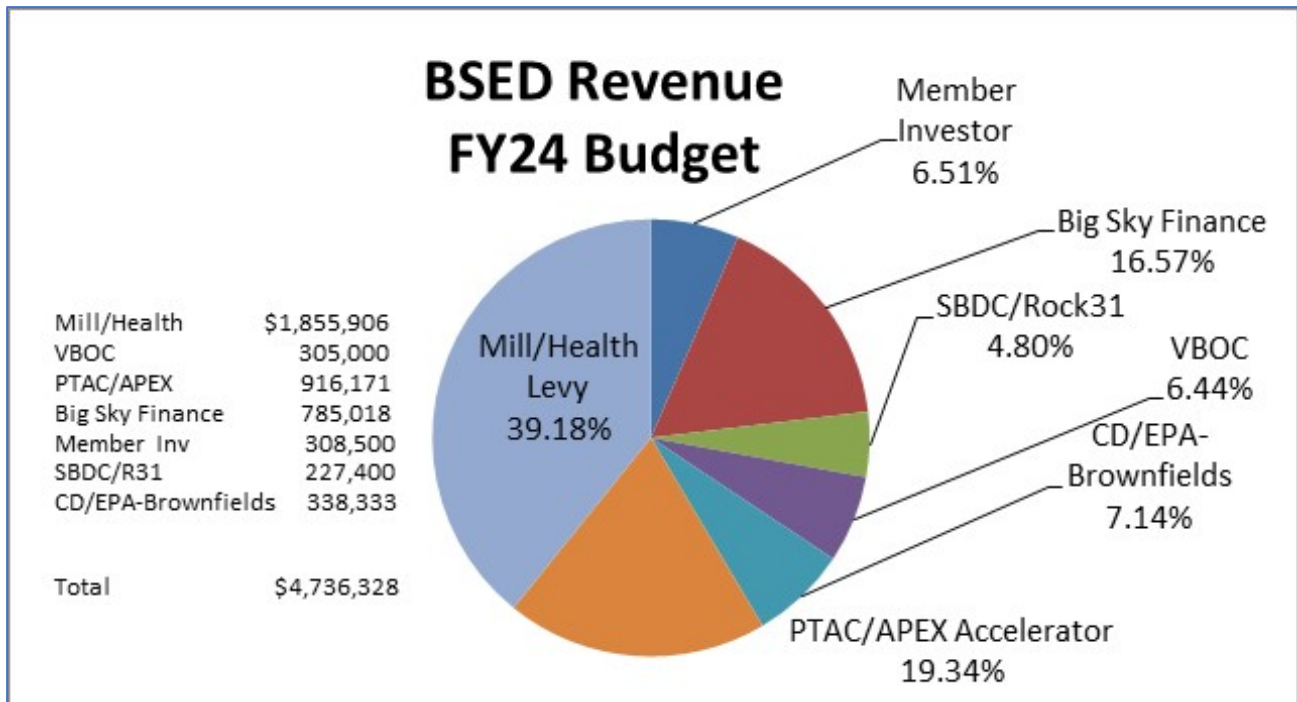


BIG SKY
ECONOMIC DEVELOPMENT

EDA • EDC CREATING MONTANA BUSINESS OPPORTUNITIES

ATTACHMENT C

Allocation of Resources



FY 2024 Organizational Budget - FINAL

Resource Allocation Framework

Values that Guide Budget Priorities

- Retain and develop our team
- Allocate resources where we can have the greatest impact
- Create margin to manage uncertainties
- Retain leadership role in our community to build/rebuild our economic future

Key Assumptions

EDA Revenue Assumptions

- Full Mill Levy with approximately 7% increase adds approximately \$101,000 over FY23 actual (the actual funds received will be reduced by property tax protests budgeted in the expense section)
- State Entitlement projection adds approximately \$13,000 over FY23 actual
- Stable funding from Federal Partners
- Anticipated full occupancy/membership for Rock 31

EDA Expense

- Staff salary adjustments – increase of approximately \$356,000 over FY23 actual (includes placeholder for vacant positions and new positions)
- Included expense contingency of \$50,000 (decrease of \$10,000 from FY23 budget)
- Included strategic priorities budget of \$15,000 (consistent with FY23)
- Property tax protest budget of \$45,000 (3%) of mill levy
- Occupancy costs for new building budget of approximately \$188,000 (maintenance, janitorial, security, utilities, insurance, repairs etc.)

EDC Revenue

- Growth assumption for Member-Investor revenue – \$39,000 new revenue (26 new member investors)
 - \$308,500 Member-Investor revenue (increase from net revenue of \$269,500 in FY23)
- Growth assumption for Big Sky Finance – \$49,000 new revenue across the program
 - \$198,000 SBA 504 Loan origination fee revenue (increase from \$187,000 in FY23)
 - \$425,000 SBA 504 Loan servicing revenue (increase from \$398,000 in FY23)

EDC Expense

- Included expense contingency of \$10,000 (consistent with FY23)
- EDA Reimbursement:

EDA-EDC Cost Sharing

	Salary	Fringe	Rent	Phone & Internet	Liability Insurance
Director- Business Finance	100%	100%	100%	100%	100%
Loan Officers (3 officers)	100%	100%	100%	100%	100%
Loan Specialist	100%	100%	100%	100%	100%
Director of Development and Business Growth Services	50%	50%	50%	50%	50%
Director of Marketing and BillingsWorks	50%	50%	50%	50%	50%
Marketing Specialist	50%	50%	50%	50%	50%
Executive Director	25%	25%	-	-	-
Director of Finance	25%	25%	-	-	-

FY24 Budget Comparison

FY24 Budget - FINAL

	EDA			EDC			Total		
	FY23 Budget	FY23 Actual (unaudited)	FY24 Budget	FY23 Budget	FY23 Actual (unaudited)	FY24 Budget	FY23 Budget	FY23 Actual (unaudited)	FY24 Budget
Operating Revenue									
Admin/Central Services	1,724,781	1,746,615	1,873,506		780		1,724,781	1,747,395	1,873,506
BSTSP		58,874					-	58,874	-
Engagement	98,250	126,271	110,763				98,250	126,271	110,763
Community Development	179,387	30,231	356,618				179,387	30,231	356,618
Big Sky Finance	506,588	507,388	529,451	762,467	781,988	785,018	1,269,055	1,289,376	1,314,469
Member Investor	53,381	38,601	73,062	282,000	280,171	308,500	335,381	318,772	381,562
Recruitment	6,360	5,698	5,565	15,000			21,360	5,698	5,565
APEX Accelerator	664,999	695,484	928,891				664,999	695,484	928,891
Rock31	73,290	78,962	97,940				73,290	78,962	97,940
SBDC	187,870	195,619	151,720				187,870	195,619	151,720
VBOC	300,000	215,625	305,000				300,000	215,625	305,000
Workforce			4,770		1,000		-	1,000	4,770
Total Operating Revenue	3,794,906	3,699,368	4,437,286	1,059,467	1,063,939	1,093,518	4,854,373	4,763,307	5,530,804
Operating Expenses									
Admin/Central Services	982,164	753,858	870,070	131,765	138,536	147,650	1,113,929	892,394	1,017,720
BSTSP		1,541			779		-	2,320	-
Engagement	245,579	231,772	334,049	157,744	155,459	164,983	403,323	387,231	499,032
Community Development	429,986	273,993	704,695				429,986	273,993	704,695
Big Sky Finance	515,248	460,284	528,544	629,658	619,307	634,911	1,144,906	1,079,591	1,163,455
Member Investor	49,700	104,490	160,322	67,289	64,417	80,402	116,989	168,907	240,724
Recruitment	103,718	92,775	113,828	57,656	48,182	42,600	161,374	140,957	156,428
APEX Accelerator	674,402	671,273	908,677				674,402	671,273	908,677
Rock31	240,185	219,792	256,931	10,000	12,905	14,000	250,185	232,697	270,931
SBDC	259,135	248,138	228,954				259,135	248,138	228,954
VBOC	234,176	172,485	226,096				234,176	172,485	226,096
Workforce	55,600	73,170	94,119	2,000	12,614	5,500	57,600	85,784	99,619
Total Operating Expenses	3,789,893	3,303,571	4,426,285	1,056,112	1,052,199	1,090,046	4,846,005	4,355,770	5,516,331
Net Operating Revenue (Expense)	5,013	395,797	11,001	3,355	11,740	3,472	8,368	407,537	14,473

Fiscal Year 2024 Budget Narrative

Opportunities and Challenges

Opportunities

- Accomplishing Important Mission and Strategic Priorities
- Building capacity
 - Retaining our talent
 - Hiring vacant positions and new positions
 - Investing in the professional development of our team
- Building the Senior Leadership Team by filling the remaining open position and investing in their professional leadership growth
- Grow the Big Sky Finance program
- Sustain and grow the Member Investor program

Challenges

- Continued commitment to fund the investment in our expanded capacity and new structure
- Sustaining the Member Investor Program
- Staff retention during a very competitive market for talent



BIG SKY
ECONOMIC DEVELOPMENT

EDA • EDC CREATING MONTANA BUSINESS OPPORTUNITIES

ATTACHMENT D

Big Sky Economic Development Corporation
Reinvestment of SBA 504 Program Net Income
FY24 Budget

	Engagement	Big Sky Finance	G&A	Member Investor	Recruitment	Rock31	Workforce	Total
Operating Revenue								
504 Loan Servicing		425,000						425,000
504 Loan Origination		198,000						198,000
504 Loan Closing Attorney Fees		25,000						25,000
Federal EDA RLF Loan Origination		2,500						2,500
Float Income		20,000						20,000
Member Investment				308,500				308,500
Federal EDA RLF Loan Interest		52,000						52,000
RLF Business Loan Interest		12,000						12,000
Stabilization Loan Interest		18						18
SSBCI Orig Fees/Loan Interest		18,000						18,000
Loan Processing Fee Income		25,000						25,000
Grant Administration		7,500						7,500
Total Revenue	-	785,018	-	308,500	-	-	-	1,093,518
Operating Expenses								
Advertising		200						200
Board Expense - Appreciation & Meetings			500					500
Board Expense - Planning			500					500
Business Accelerator						10,000		10,000
Business Recruitment and Expansion					17,500			17,500
Conferences		4,000						4,000
Contingency			10,000					10,000
Dues and Subscriptions		17,750		700				18,450
EDA Reimbursement	99,103	529,451	102,400	63,522				794,476
Event Expense	26,200	2,800				1,000	5,000	35,000
Hosted Meetings	3,000	200		1,200	5,000		500	9,900
Insurance			12,250					12,250
Loan Processing Expense		18,000						18,000
Marketing - Departmental	15,000	1,000						16,000
Marketing - Organizational	15,000							15,000
Membership Development				8,500				8,500
Office Expense and Supplies		1,500		150				1,650
Postage		1,300		50				1,350
Professional Development		3,000		1,500				4,500
Professional Fees - Accounting			22,000					22,000
Professional Fees - Consulting		6,000		1,000	10,000			17,000
Professional Fees - Legal		25,000			5,000			30,000
Rent		6,000						6,000
Rock31 Outreach						3,000		3,000
Sponsorships		150		2,000				2,150
Staff Expenses	1,000				100			1,100
Telecommunications	1,680	1,560		780				4,020
Travel	4,000	17,000		1,000	5,000			27,000
Total Operating Expenses	164,983	634,911	147,650	80,402	42,600	14,000	5,500	1,090,046
Net Operating Revenue	(164,983)	150,107	(147,650)	228,098	(42,600)	(14,000)	(5,500)	3,472

SBA 504 Program Contribution to Economic Development	
504 Loan Servicing	\$ 425,000
504 Loan Origination	198,000
504 Loan Closing Attorney Fees	25,000
Float Income	20,000
Total 504 Program-related Revenue	<u>\$ 668,000</u>
Total Big Sky Finance Revenue	\$ 785,018
Total 504 Program-related Revenue	\$ 668,000
504-related Percentage of Total	85.09%
Total Big Sky Finance Expense	\$ 634,911
Total 504 Program-related Expense (85.09%)	\$ 540,269
Total 504 Program-related Revenue	\$ 668,000
Total 504 Program-related Expense (85.09%)	(540,269)
Allowable for Economic Reinvestment	<u>\$ 127,731</u>
Business Recruitment	42,600
Workforce Development	5,500
Communications and Outreach	164,983
Rock31 Entrepreneurial Program	14,000
	<u>\$ 227,083</u>



BIG SKY
ECONOMIC DEVELOPMENT

EDA • EDC CREATING MONTANA BUSINESS OPPORTUNITIES

ATTACHMENT E



July 31, 2023

Steve Arveshoug, Executive Director
Big Sky Economic Development Authority
201 N Broadway
Billings, MT 59101

402 N. Broadway
Billings, Montana 59101
406.245.5136

Dear Steve:

You have requested that we audit the financial statements of Big Sky Economic Development Authority (the District), which comprise the statement of net position as of June 30, 2023, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In addition, we will audit the District's compliance over major federal award programs for the period ended June 30, 2023. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audits will be conducted with the objectives of our expressing an opinion on each opinion unit and an opinion on compliance regarding the District's major federal award programs. The objectives of our audit of the financial statements are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

The objectives of our compliance audit are to obtain sufficient appropriate audit evidence to form an opinion and report at the level specified in the governmental audit requirement about whether the District complied in all material respects with the applicable compliance requirements and identify audit and reporting requirements specified in the governmental audit requirement that are supplementary to GAAS and *Government Auditing Standards*, if any, and perform procedures to address those requirements.

Accounting principles generally accepted in the United States of America (U.S. GAAP) require that management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with GAAS. These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by U.S. GAAP. This RSI will be subjected to certain limited procedures but will not be audited:

- Schedule of proportionate share of net pension liability
- Schedule of contributions

Supplementary information other than RSI will accompany the District's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with GAAS. We intend to provide an opinion on the following supplementary information in relation to the financial statements as a whole:

- Management's discussion and analysis

Schedule of Expenditures of Federal Awards

We will subject the schedule of expenditures of federal awards to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the schedule to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with GAAS. We intend to provide an opinion on whether the schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements as a whole.

Data Collection Form

Prior to the completion of our engagement, we will complete the sections of the Data Collection Form that are our responsibility. The form will summarize our audit findings, amounts and conclusions. It is management's responsibility to submit a reporting package including financial statements, schedule of expenditure of federal awards, summary schedule of prior audit findings and corrective action plan along with the Data Collection Form to the federal audit clearinghouse.

The financial reporting package must be text searchable, unencrypted, and unlocked. Otherwise, the reporting package will not be accepted by the federal audit clearinghouse. We will assist you in the electronic submission and certification. You may request from us copies of our report for you to include with the reporting package submitted to pass-through entities.

The Data Collection Form is required to be submitted within the *earlier* of 30 days after receipt of our auditors' reports or nine months after the end of the audit period, unless specifically waived by a federal cognizant or oversight agency for audits. Data Collection Forms submitted untimely are one of the factors in assessing programs at a higher risk.

Audit of the Financial Statements

We will conduct our audits in accordance with GAAS, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). As part of an audit of financial statements in accordance with GAAS and in accordance with *Government Auditing Standards*, and/or any state or regulatory audit requirements, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards* of the Comptroller General of the United States of America. Please note that the determination of abuse is subjective and *Government Auditing Standards* does not require auditors to detect abuse.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any other periods.

We will issue a written report upon completion of our audit of the District's basic financial statements. Our report will be addressed to those charged with governance of the District. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s) to our auditors' report, or if necessary, withdraw from the engagement. If our opinions on the basic financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

In accordance with the requirements of *Government Auditing Standards*, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance over financial reporting will not be an objective of the audit and, therefore, no such opinion will be expressed.

Audit of Major Program Compliance

Our audit of the District's major federal award program(s) compliance will be conducted in accordance with the requirements of the Single Audit Act, as amended; and the Uniform Guidance, and will include tests of accounting records, a determination of major programs in accordance with the Uniform Guidance and other procedures we consider necessary to enable us to express such an opinion on major federal award program compliance and to render the required reports. We cannot provide assurance that an unmodified opinion on compliance will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or withdraw from the engagement.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether material noncompliance with applicable laws and regulations, the provisions of contracts and grant agreements applicable to major federal award programs, and the applicable compliance requirements occurred, whether due to fraud or error, and express an opinion on the District's compliance based on the audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the federal programs as a whole.

As part of a compliance audit in accordance with GAAS and in accordance with *Government Auditing Standards* we exercise professional judgment and maintain professional skepticism throughout the audit. We also identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks.

Our procedures will consist of determining major federal programs and, performing the applicable procedures described in the U.S. Office of Management and Budget *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the District's major programs, and performing such other procedures as we considers necessary in the circumstances. The purpose of those procedures will be to express an opinion on the District's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Also, as required by the Uniform Guidance, we will obtain an understanding of the District's internal control over compliance relevant to the audit in order to design and perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each of the District's major federal award programs. Our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed in our report. However, we will communicate to you, regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we have identified during the audit.

We will issue a report on compliance that will include an opinion or disclaimer of opinion regarding the District's major federal award programs, and a report on internal controls over compliance that will report any significant deficiencies and material weaknesses identified; however, such report will not express an opinion on internal control.

Management's Responsibilities

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the financial statements in accordance with U.S. GAAP;
- b. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- c. For identifying, in its accounts, all federal awards received and expended during the period and the federal programs under which they were received;
- d. For maintaining records that adequately identify the source and application of funds for federally funded activities;
- e. For preparing the schedule of expenditures of federal awards (including notes and noncash assistance received) in accordance with the Uniform Guidance;

- f. For designing, implementing, and maintaining effective internal control over federal awards that provides reasonable assurance that the District is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards;
- g. For identifying and ensuring that the District complies with federal laws, statutes, regulations, rules, provisions of contracts or grant agreements, and the terms and conditions of federal award programs, and implementing systems designed to achieve compliance with applicable federal statutes, regulations, and the terms and conditions of federal award programs;
- h. For disclosing accurately, currently, and completely the financial results of each federal award in accordance with the requirements of the award;
- i. For identifying and providing report copies of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented;
- j. For taking prompt action when instances of noncompliance are identified;
- k. For addressing the findings and recommendations of auditors, for establishing and maintaining a process to track the status of such findings and recommendations and taking corrective action on reported audit findings from prior periods and preparing a summary schedule of prior audit findings;
- l. For following up and taking corrective action on current year audit findings and preparing a corrective action plan for such findings;
- m. For submitting the reporting package and data collection form to the appropriate parties;
- n. For making the auditor aware of any significant contractor relationships where the contractor is responsible for program compliance;
- o. To provide us with:
 - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements including the disclosures, and relevant to federal award programs, such as records, documentation, and other matters;
 - b. Additional information that we may request from management for the purpose of the audit; and
 - c. Unrestricted access to persons within the District from whom we determine it necessary to obtain audit evidence;

- p. For adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period(s) under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole;
- q. For acceptance of nonattest services, including identifying the proper party to oversee nonattest work;
- r. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
- s. For informing us of any known or suspected fraud affecting the District involving management, employees with significant role in internal control and others where fraud could have a material effect on compliance;
- t. For the accuracy and completeness of all information provided;
- u. For taking reasonable measures to safeguard protected personally identifiable and other sensitive information; and
- v. For confirming your understanding of your responsibilities as defined in this letter to us in your management representation letter.

With regard to the schedule of expenditures of federal awards referred to above, you acknowledge and understand your responsibility (a) for the preparation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance, (b) to provide us with the appropriate written representations regarding the schedule of expenditures of federal awards, (c) to include our report on the schedule of expenditures of federal awards in any document that contains the schedule of expenditures of federal awards and that indicates that we have reported on such schedule, and (d) to present the schedule of expenditures of federal awards with the audited financial statements, or if the schedule will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by you of the schedule and our report thereon.

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

Nonattest Services

We will not assume management responsibilities on behalf of the District. However, we will provide advice and recommendations to assist management of the District in performing its responsibilities. Professional standards prohibit us from being the sole host and/or the sole storage for your financial and nonfinancial data. As such, it is your responsibility to maintain your original data and records and we cannot be responsible to maintain such original information. By signing this engagement letter, you affirm that you have all the data and records required to make your books and records complete.

With respect to any nonattest services we perform, the District's management is responsible for: (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

Our responsibilities and limitations with respect to the nonattest services include: (a) performing the services in accordance with the applicable professional standards; (b) performing only nonattest services that we are engaged to perform; and (c) reserving the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account coding and approving journal entries.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

Fees and Timing

We expect to begin our audit on approximately August 7, 2023 and issue our report no later than November 30, 2023.

In accordance with our document retention and destruction policy, the documentation related to this engagement will be retained for eight years.

Stefeni Freese, Principal, is the engagement principal for the services specified in this letter. Responsibilities include supervising KCoe Isom, LLP's (KCoE Isom) services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the auditors' report.

Our fees for the services set forth in this letter are included in the executed Service Agreement dated July 31, 2023.

Other Matters

KCoe Isom practices as an alternative practice structure in accordance with the American Institute of Certified Public Accountants Code of Professional Conduct and applicable law, regulations and professional standards. KCoe Isom is a licensed CPA firm that provides attest services to its clients. KCoe Isom has a contractual arrangement with Pinion, LLC (Pinion) whereby Pinion provides KCoe Isom with professional and support personnel, as well as administrative services, to perform professional services on behalf of KCoe Isom. Pinion is not a licensed CPA firm. KCoe Isom and Pinion have commercially reasonable safeguards for the protection of client confidential information and shall comply with the confidentiality terms herein. KCoe Isom shall at all times remain responsible for the services, and for the Pinion employees that perform the services.

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

Regarding the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

KCoe Isom may transmit or receive information through electronic means, including through the firm's secure portal. You shall at all times comply with the terms of use of KCoe Isom's portal and shall only permit authorized users to access information through the portal. In the event that you create one or more user accounts to access documents transmitted through the portal, you shall notify KCoe Isom to disable any user account for which an individual(s) is no longer authorized to access client information transmitted through the KCoe Isom client portal. You agree to retrieve final work product from the portal within a reasonable period of time after the conclusion of the engagement. The firm's secure portal will be deleted within a reasonable period of time after the final work product has been delivered.

Our firm may transmit confidential information that you provided us to third parties in order to facilitate delivering our services to you. We have obtained confidentiality agreements with all our service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have the appropriate procedures in place to prevent the unauthorized release of confidential information to others. Our firm is committed to protecting the confidential and personal information entrusted to it and to ensure that third parties comply with applicable privacy laws. We will remain responsible for the work provided by any third-party service providers used under this agreement. By your signature below, you consent to having confidential information transmitted to entities outside the firm. Please feel free to inquire if you would like additional information regarding the transmission of confidential information to entities outside the firm.

The audit documentation for this engagement is the property of KCoe Isom and constitutes confidential information. KCoe Isom utilizes appropriate safeguards, policies and procedures to maintain the confidentiality of confidential client information. You hereby consent to KCoe Isom sharing client information with Pinion for the purposes of supporting KCoe Isom in performing the services for which KCoe Isom is engaged. It is expressly understood that disclosure of client information to Pinion will be limited to such information that is required for Pinion and its employees to provide the services covered by this engagement letter. However, we may be requested to make certain audit documentation available to the Regulator and federal agencies and the U.S. Government Accountability Office pursuant to authority given to it by law or regulation, subpoena or other legal process, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of KCoe Isom's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to these agencies and regulators. The regulators and agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

You agree to inform us of facts that may affect the financial statements of which you may become aware during the period from the date of the auditors' report to the date the financial statements are issued.

At the conclusion of our audit engagement, we will communicate to those charged with governance the following significant findings from the audit:

- Our view about the qualitative aspects of the District's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and

Steve Arveshoug, Executive Director
Big Sky Economic Development Authority
July 31, 2023
Page 11

- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

In accordance with the requirements of *Government Auditing Standards*, we have attached a copy of our latest external peer review report of our firm for your consideration and files.

This agreement is binding upon, and inures to the benefit of, the parties and their respective permitted successors and assigns. Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements compliance over major federal award programs including our respective responsibilities.

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.

Very truly yours,

KCoe Isom, LLP

KCoe Isom, LLP

SSF:JEW:ams
Enclosures

Acknowledged:

Big Sky Economic Development Authority

Signature

Title

Date



Report on the Firm's System of Quality Control

To the Partners of K COE Isom, LLP, and the Peer Review Committee of the Colorado Society of Certified Public Accountants:

We have reviewed the system of quality control for the accounting and auditing practice of K COE Isom, LLP in effect for the year ended March 31, 2021. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included an engagement performed under Government Auditing Standards, a compliance audit under the Single Audit Act, an audit performed under FDICIA and audits of employee benefit plans.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of K COE Isom, LLP in effect for the year ended March, 31, 2021 has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. K COE Isom, LLP, has received a peer review rating of pass.

Rea & Associates, Inc.

Rea & Associates, Inc.
Wooster, Ohio
June 30, 2021

CPAs and business consultants
www.reacpa.com



July 31, 2023

Board of Directors
Big Sky Economic Development Authority
201 N Broadway
Billings, MT 59101

402 N. Broadway
Billings, Montana 59101
406.245.5136

Dear Board of Directors:

This letter is provided in connection with our engagement to audit the financial statements and to audit compliance over major federal award programs of Big Sky Economic Development Authority (the Organization) as of and for the year ended June 30, 2023. Professional standards require that we communicate to you certain items relevant to our responsibilities with regard to the financial statement audit and the planned scope and timing of our audit, including significant risks we have identified.

Our Responsibilities

As stated in our engagement letter dated July 31, 2023, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); *Government Auditing Standards* of the Comptroller General of the United States of America; the requirements of the Single Audit Act, as amended; and the provisions of the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance) requirements for the purpose of forming and expressing an opinion on the Organization's financial statements and on major federal award program compliance. Our audits do not relieve you or management of your respective responsibilities.

Our responsibility relating to the schedule of expenditures of federal awards is to evaluate its presentation for the purpose of forming and expressing an opinion as to whether it is presented fairly in all material respects in relation to the financial statements as a whole.

Planned Scope of the Audit

Our audits will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit procedures will also include determining major federal programs and performing the applicable procedures described in the U.S. Office of Management and Budget *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the Organization's major programs.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements or material noncompliance may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS; *Government Auditing Standards* of the Comptroller General of the United States of America; the requirements of the Single Audit Act, as amended; and the provisions of the Uniform Guidance.

Our audit is designed to provide reasonable, but not absolute, assurance about whether the financial statements as a whole are free of material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

Our audit will include obtaining an understanding of the Organization and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements and the risk of material noncompliance with major federal award programs, and as a basis for designing the nature, timing, and extent of further audit procedures. However, at the conclusion of our audit, we will communicate to you significant matters that are relevant to your responsibilities in overseeing the financial reporting process, including any material weaknesses, significant deficiencies, and violation of laws or regulations that come to our attention. We will also communicate to you:

- Our views relating to qualitative aspects of the Organization's significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures;
- Significant difficulties, if any, encountered during the audit;
- Disagreements with management, if any, encountered during the audit;
- Significant unusual transactions, if any;
- The potential effects of uncorrected misstatements on future-period financial statements; and
- Other significant matters that are relevant to your responsibilities in overseeing the financial reporting process.

Although we are currently in the very early stages of our audit, GAAS states that certain risks are significant to all entities. These include management override of internal controls and improper revenue recognition. Additionally, GAAS requires us to identify any other significant risks. Based on our past and current knowledge of the Organization and the materiality of certain accounts, we have also identified the related party transactions between the Organization and Big Sky Economic Development Corporation, Inc. to be a significant risk

We expect to begin our audit on approximately August 7, 2023 and to issue our report no later than November 30, 2023.

Board of Directors
Big Sky Economic Development Authority
July 31, 2023
Page 3

Closing

The information in this letter is intended solely for the use of those charged with governance of the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

KCoe Isom, LLP

KCoe Isom, LLP

SSF:JEW:ams

July 31, 2023

Steve Arveshoug, Executive Director
Big Sky Economic Development Authority
201 N Broadway
Billings, MT 59101

402 N. Broadway
4th Floor
Billings, MT 59101
(406) 245-5136

Dear Mr. Arveshoug:

This Agreement formalizes KCoe Isom, LLP's (hereinafter "KCoe Isom," "us," "we," "our") engagement with Big Sky Economic Development Authority (hereinafter "you," "your") as we focus on delivering service to you. This Agreement confirms that we have agreed up front on the specific services we will provide and their worth to you—we believe that this helps position us both for success and provides the clarity you deserve.

We have discussed your goals, needs, and wants with you to come to this Agreement. We intend to continue to engage in quality discussions with you throughout your service period to stay on track with your changing needs or shifting goals. Any modifications to our services based on these discussions will be confirmed in writing via an amendment to this Agreement. This agreement will cover services provided between July 1, 2023 through December 31, 2023.

Professional Services

KCoe Isom, LLP will perform the following services for the period listed above:

- Financial statement audit for the year ended June 30, 2023
- Single audit for the year ended June 30, 2023

We reserve the right to bill at our hourly rate for work performed by us that is outside the scope of this Agreement.

Payment Terms

This documents our understanding that you agree to pay KCoe Isom the following amounts on the following dates:

Agreed Payments and Timing

August 31, 2023	\$ 17,000
September 30, 2023	8,000
October 31, 2023	8,000
November 30, 2023	3,600
Total	\$ 36,600

Your payment timing and terms are part of the flexibility we offer. This payment schedule has been agreed in advance so that you may budget and we can both plan for the timing of the work. The payment timing above may be roughly correlated to heavier work periods, but payment timing is not shifted if work is delayed at your request.

The outstanding balance of amounts billed as payable within thirty (30) days from the date of each bill. KCoe Isom reserves the right to halt work when balances remain unpaid for sixty (60) days. Any balances remaining unpaid after thirty (30) days will be assessed a 1-1/2% finance charge per month until paid in full. If a bill remains unpaid for a period of more than ninety (90) days, KCoe Isom reserves the right to terminate services and will seek to collect the outstanding amounts as permitted by law. If our work is suspended or terminated, you agree that we will not be responsible for your failure to meet governmental and other deadlines, for any penalties or interest that may be assessed against you resulting from your failure to meet such deadlines, and for any other damages (including but not limited to CONSEQUENTIAL, INDIRECT, LOST PROFITS, OR PUNITIVE DAMAGES) incurred as a result of the suspension or termination of our services.

As described in provision 2 of Attachment A, invoices for attest services will be issued from KCoe Isom, LLP while invoices for non-attest services may be issued from Pinion, however, in no event will you be double charged for the same services.

If you have any questions, comments, or issues with any bill we submit to you for payment, we require that you notify us within ten (10) days. After the 10-day period has lapsed, the billing will be understood as accepted and payment will be required to be made in accordance with the other provisions of this Agreement.

Automatic Payments

For convenience and administrative ease, KCoe Isom can receive payments through the ACH system. We're happy to assist you if you wish to establish automatic payments.

Out-of-Pocket Expenses

Our price does not include third-party costs of any entity formation, appraisal fees, attorney fees, trustee's fees, or any other fees unless expressly agreed to by KCoe Isom.

The price we quoted considers the following:

- Information provided by you is delivered on time and complete to the degree indicated in our Service Options.
- Your key management, finance, or accounting team members don't change during our service period.
- No newly arising or undisclosed complexities or significant transactions are occurring within your business impacting the service period.
- No unspecified revisions to prior work performed by other service providers are discovered to be necessary before we can perform our agreed services.
- No new tax or other reporting requirements are introduced between now and the end of our service period.

KCoe Isom reserves the right to revise our pricing in light of the changing circumstances, above. We will discuss any revisions with you before proceeding with unforeseen work related to changes in the conditions above.

Service and Price Guarantee

As we approach the last 30-60 days of our service period, we will ask you to evaluate our performance against your expectation when we entered into this Agreement. If your experience is different from your original expectation, you have the option to adjust the price at your sole discretion, either by receiving a refund of a portion of the fees if we did not meet your expectations, or paying us a bonus if we exceeded your expectations.

To maintain KCoe Isom's professional independence as an auditing firm, this satisfaction guarantee cannot apply to the results or the opinions expressed by KCoe Isom for an Audit, Compilation, or Review.


Termination

Unless we terminate this Agreement sooner, in accordance with these terms, final payment and the Agreement's expiration date will be considered fulfillment of your expectations and the end of this Agreement. Either party may terminate this Agreement at any time, for any reason, with ten (10) days written notice to the other party, and any unpaid services outstanding at the date of termination are to be paid in full within ten (10) days of termination.

If the above adequately sets forth your understanding of our mutual responsibilities, please authorize this Agreement and return it to our office. An extra copy is attached for you to keep.

Please do not hesitate to contact us if you have any questions. We truly appreciate the opportunity to serve you.

KCoe Isom, LLP

By: 
Stefeni Freese, Principal

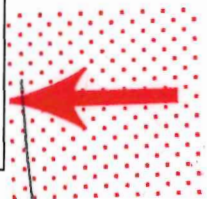
ACCEPTED AND ACKNOWLEDGED:

The undersigned hereby acknowledges and agrees to this Agreement, the referenced Project Summary, and all of the additional provisions on Attachment A and represents that they have the full authority to bind all entities and/or individuals listed below.

THIS AGREEMENT IS A CONTRACT AND CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY THE PARTIES.

Big Sky Economic Development Authority

DateClick here to enter text.



ATTACHMENT A

ADDITIONAL PROVISIONS

This Attachment A along with Project Summary document and this Agreement to which it is attached are, collectively, this "Agreement." KCoe Isom, LLP ("KCoE Isom") and Pinion, LLC ("Pinion") practice as an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable law, regulations, and professional standards. KCoe Isom is a licensed independent CPA firm that provides attest services to its clients, and Pinion and its subsidiary entities provide tax and business consulting services to their clients. Pinion and its subsidiary entities are not licensed CPA firms. The entities falling under the Pinion brand are independently owned and are not liable for the services provided by any other entity providing services under the Pinion brand. Our use of the terms "our firm" and "we", "our" and "us" and terms of similar import denote the alternative practice structure conducted by KCoe Isom and Pinion and their respective subsidiaries and affiliates.

1. Services. You understand and agree that our firm's services frequently include advice and recommendations, but all decisions in connection with the implementation of the advice and recommendations shall be your responsibility. In connection with our services, our firm, and its subsidiaries, affiliates, members, associates, employees, or agents shall be entitled to rely on all representations, decisions, and approvals made by you.
2. Alternative Practice Structure. KCoe Isom has a contractual arrangement with Pinion, whereby Pinion provides KCoe Isom with professional and support personnel, as well as administrative services, to perform professional services on behalf of KCoe Isom. Pinion is not a licensed CPA firm. KCoe Isom and Pinion have reasonable safeguards for the protection of your confidential information and shall comply with the Confidentiality terms herein. KCoe Isom shall at all times remain responsible for any attest services, and for the Pinion employees that perform such attest services. All invoices for attest services shall be issued solely from KCoe Isom.
3. Services not Completed by Our Firm. The Agreement **does not extend to any services not provided by our firm.** In the course of achieving the intended outcomes of the services described in the Agreement, we may refer you to other supplemental service providers; however, such referrals are provided as a courtesy only and you are not obligated in any way to work with the specific providers we refer. You understand that when you separately engage supplemental service providers referred by us or not ("Separately Engaged Providers"), **unless specifically engaged in writing to do so, our firm shall have no obligation to oversee, supervise, or determine the quality of the work performed by Separately Engaged Providers and you expressly agree that our firm will not be held responsible in any way as it relates to their work product; further, our firm shall not be held responsible in any way for any services we perform that fail to meet intended outcomes as a result of relying on work completed by Separately Engaged Providers.**
4. Client Information and Confidentiality. In accordance with the AICPA Code of Professional Conduct and applicable federal, state and local rules, our firm will not disclose your confidential client information without your consent, except that our firm shall be permitted to disclose confidential client information (i) to any government agency or regulatory body to

the extent and in the form or manner necessary or required to comply with any rule, regulation or order of such government agency or regulatory order, or (ii) pursuant to subpoena or other legal process. We use appropriate safeguards, policies and procedures to maintain the confidentiality of confidential client information. You hereby consent to our sharing your information with our firm for the purpose of performing the Services for which we are engaged. It is expressly understood that disclosure of your information among our firm will be limited to such information that is required for us and our employees to provide the Services covered by this Agreement.

In the event our firm uses third-party service providers to assist in providing professional services, we may share confidential client information with those service providers. You hereby consent to disclosure of confidential client information to third-party service providers for the purpose of the third-party service provider assisting with the services provided pursuant to this Agreement.

Our firm may transmit or receive information through electronic means, including through our firm's secure portal. You shall at all times comply with the terms of use of our firm's portal and shall only permit authorized users to access information through the portal. In the event that you create one or more user accounts to access documents transmitted through the portal, you shall notify us to disable any user account for which an individual(s) is no longer authorized to access your information transmitted through our client portal. You are solely responsible for maintaining their books and records and should not rely on us as your record-keeper or repository for any final work product for which our firm has been engaged. You agree to retrieve final work product from the portal within a reasonable period of time after the conclusion of this Agreement.

We are committed to protecting the confidential and personal information entrusted to it and to ensuring that its vendors comply with applicable privacy laws.

5. Third-Party Service Providers or Subcontractors. In the interest of enhancing our availability to meet your professional service needs while maintaining service quality and timeliness, we may use a third-party service provider to assist us. As the paid provider of professional services, our firm remains responsible for exercising reasonable care in providing such services, and our work product will be subjected to our firm's customary quality control procedures. The use of this assistance may require the provision of your confidential information to a third-party service provider located outside the United States. We require our third-party service providers to have established procedures and controls designed to protect client confidentiality and maintain data security. By signing this Agreement, you are consenting to this disclosure and the duration of your consent will last so long as our firm is engaged. You may opt out from this disclosure by informing us of your request in writing. Opting out of the disclosure to third-party service providers or subcontracts may impact price or cost estimates previously provided to you by us.
6. Information and Data. You shall be responsible for all financial information and statements provided with respect to any services performed hereunder. Our firm shall be entitled to assume, without independent verification, that all representations, assumptions, information and data supplied by you and your representatives will be complete and accurate to the best

of your knowledge. Our firm may use information and data furnished by others; however, we shall not be responsible for, and we shall provide no assurance regarding, the accuracy of any such information or data. Our firm shall not assume any responsibility for any financial reporting with respect to the services provided hereunder, except as specifically provided. **This paragraph shall not apply to the following services: Audits of Financial Statements, Reviews of Financial Statements, Compilations of Financial Statements, Services under the U.S. Statements on Standards for Attestation Engagements, including but not limited to, applying Agreed Upon Procedures or Compilations of Prospective Financial Information, or any other service for which professional standards or law require KCoe Isom to be "independent."**

7. Tax Planning and Preparation. If it is included in the scope of services, tax planning and tax preparation will be done under state and federal law existing at the time services are delivered. Both federal and state laws are subject to change and subject to new and different interpretations. Tax planning and/or positions taken related to tax return preparation may be subject to contest by the Internal Revenue Service or other taxing authorities. Consequently, our firm does not guarantee any specific tax result. You should not rely on any advice from our firm that has not been issued in final form in writing or by electronic mail.
8. Legal Matters. Our firm is not licensed to practice law and we shall have no responsibility to address any legal matters or questions of law, subject to KCoe Isom's potential responsibilities in paragraph 6 above.
9. Third Parties and Internal Use. Except as otherwise agreed, all services hereunder shall be solely for your internal purposes and use, and this Agreement does not create privity or any legal relationship or obligation between our firm and any person or party other than you ("Third Party"). **This Agreement is not intended for the express or implied benefit of any unauthorized Third Party.** In order to protect our firm from any unauthorized reliance or claims, **you further agree that the advice, opinions and reports issued by our firm shall not be distributed, made available, circulated or quoted to or used by any Third Party without our prior written consent.** However, nothing in this paragraph shall be construed as limiting or restricting disclosure of a transaction or any significant tax feature thereof for purposes of §6110, §6111, and §6112 of the Internal Revenue Code, as amended from time to time. **This paragraph shall not apply to the following services: Audits of Financial Statements, Reviews of Financial Statements, Compilations of Financial Statements, Services under the U.S. Statements on Standards for Attestation Engagements, including but not limited to, applying Agreed Upon Procedures or Compilations of Prospective Financial Information, or any other service for which professional standards or law require KCoe Isom to be "independent."**
10. Foreign Owners and Accounts. If you have foreign owners, accounts, or activities, you may be required to file supplemental forms that carry substantial failure-to-file penalties if not timely filed. We emphasize the importance of notifying us if you are a party to international transactions. If we determine you must file additional forms with your federal and/or state tax return to report these activities, we may charge additional fees for this service. We will discuss this matter with you before proceeding. The terms of this Agreement shall apply to any current-year foreign asset reporting. If reporting for multiple years is necessary, a

separate engagement letter will be provided. If you have an interest in or signature authority for a foreign financial account, it is your responsibility to provide us with this information so we can determine if separate reporting is required. If we determine separate reporting of foreign financial accounts is required, we may charge additional fees for this service. We will discuss this matter with you before proceeding. The terms of this Agreement shall apply to any current-year foreign financial account reporting. If reporting for multiple years is necessary, a separate engagement letter will be provided.

11. E-mail Communication. In connection with this Agreement, we may communicate with you or others via e-mail transmission. As e-mails can be intercepted and read, disclosed, or otherwise used or communicated by a third party, or may not be delivered to each of the parties to whom they are directed and only such parties, we cannot guarantee or warrant that e-mails from us and other personnel will be properly delivered and read only by the addressee. Therefore, the parties to this Agreement specifically disclaim and waive any liability or responsibility whatsoever for intercepted, disclosed or communicated e-mail transmissions, or with respect to the unauthorized use or failed delivery of e-mails transmitted in connection with the performance of this Agreement. All parties to this Agreement also specifically disclaim and waive, and expressly acknowledge and agree, that they shall have no liability or responsibility whatsoever for any loss or damage to any person or entity, resulting in whole or in part, from the use of e-mail transmissions, including, without limitation, any consequential, incidental, direct or indirect or special damages, such as loss of sales or anticipated profits or disclosure or communication of confidential or proprietary information.
12. Independent Contractor. Our firm and you acknowledge that the relationship between the parties to this Agreement is exclusively that of an independent contractor and that our firm's obligations to you are exclusively contractual in nature. This Agreement does not create an agency, employment, partnership, joint venture, trust, or other fiduciary relationship between the parties. Neither party shall have the right to bind the other to any Third Party nor otherwise act in any way as a representative or agent of the other, except as otherwise agreed in writing between the parties.
13. Management Responsibilities. You agree to accept responsibility for the results of services being provided and agree to perform the following functions in connection with this Agreement:
 - a) Make all management decisions and perform all management functions.
 - b) Designate a competent individual to oversee the services.
 - c) Evaluate the adequacy and results of the services performed.
 - d) Establish and maintain internal controls, including monitoring ongoing activities.
14. Assignment. Neither party will assign this Agreement, in whole or in part, without the prior written consent of the other party, which written consent will not be unreasonably withheld. However, we reserve the right to assign all or any of its rights, title, and interests in and to this Agreement to any of its subsidiaries or affiliates, or to any of its Insurers, in accordance with any policies of insurance maintained by our firm, except for agreements to provide attest services entered into by KCoe Isom which shall not be assigned to Pinion or any of Pinion's

subsidiaries or affiliates.

15. Dispute Resolution Procedure. If any dispute, controversy or claim of any kind arises in connection with the performance or breach of this Agreement, either party may, upon written notice to the other party, request mediation. The parties shall employ the mediation rules and procedures of the American Arbitration Association ("AAA") in effect at the time of the mediation and shall conclude the mediation within sixty (60) days from receipt of the written notice unless extended by mutual consent.

If mediation fails, the dispute, controversy, or claim shall be settled by binding arbitration. The proceeding shall be governed by the law and provisions of the state in which the proceeding is to take place and conducted in accordance with the Rules for Professional Accounting and Related Disputes of the American Arbitration Association ("The AAA Rules") in effect at the time of the arbitration.

The parties acknowledge that this Agreement evidences a transaction involving interstate commerce. Notwithstanding the provision in the preceding paragraph with respect to applicable substantive law, any arbitration conducted pursuant to the terms of this Agreement shall be governed by the Federal Arbitration Act (9 U.S.C., Secs. 1-16). The award issued by the arbitration panel may be confirmed in a judgment by any federal or state court of competent jurisdiction.

Unless the arbitration is being conducted pursuant to the AAA's expedited procedures, such arbitration shall be conducted before a panel of three neutral arbitrators, selected pursuant to The AAA Rules, at least one of whom shall be a Certified Public Accountant. **The arbitration panel shall have no authority to award either party non-monetary or equitable relief, and any monetary award shall not include punitive damages.**

Any proceeding under this paragraph 15 shall take place in the city in which our firm's office providing the relevant services exists unless the parties agree to a different location. Each party shall pay their own costs and shall share equally the fees and expenses of the mediator and/or the AAA and the arbitrators. The confidentiality provisions applicable to mediation shall also apply to arbitration.

16. Indemnification. You agree to indemnify, defend, and hold harmless our firm and any of its partners, principals, officers, directors, members, employees, agents or assigns with respect to any and all claims made by third parties arising from this engagement, regardless of the nature of the claim, and including the negligence of any party, excepting claims arising from the gross negligence or intentional acts of our firm.
17. Limitation of Liability. Our firm's liability for all claims, damages, and costs arising from this engagement is limited to the total amount of fees paid by you to our firm for services rendered under this Agreement. Notwithstanding anything to the contrary in this Agreement, our firm shall not be liable for any LOST PROFITS, INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES of any nature.
18. Governing Law and Severability. This Agreement shall be governed by, and construed in accordance with, the laws in the State in which our firm's office providing the relevant services

exists (without giving effect to the choice of law principles thereof). If any provision of this Agreement is found by a court of competent jurisdiction to be unenforceable, such provision shall not affect the other provisions, but such unenforceable provision shall be deemed modified to the extent necessary to render it enforceable, preserving to the fullest extent permissible the intent of the parties set forth in this Agreement. The parties acknowledge and agree that this Agreement allocates risk between them as authorized by any applicable law and that the amount of the fees charged for the services reflects this allocation of risk and other limitations of liability contained in this Agreement. If any remedy hereunder is determined to have failed of its essential purpose, all limitations of liability and exclusion of damages set forth in this Agreement will remain in full force and effect.

19. Entire Agreement. The Agreement and any separate Engagement Letter related to the subject matter herein ("Engagement Letter"), set forth the entire agreement between the parties with respect to the services described in the Agreement, superseding all prior agreements, negotiations or understandings, whether oral or written, with respect to such subject matter. To the extent that any provisions are in conflict, the order of priority shall be as follows: Engagement Letter, Attachment A, this Agreement and the related signed Service Options document, paired. This Agreement may not be changed, modified or waived in whole or part except by an instrument in writing signed by both parties.



July 31, 2023

Steve Arveschoug, Executive Director
Big Sky Economic Development Corporation, Inc.
201 N Broadway
Billings, MT 59101

402 N. Broadway
4th Floor
Billings, MT 59101
(406) 245-5136

Dear Mr. Arveschoug:

You have requested that we audit the basic financial statements of Big Sky Economic Development Corporation, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor Responsibilities

We will conduct our audit in accordance with U.S. GAAS. As part of an audit in accordance with GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.⁴ However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any other periods.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Organization's compliance with certain provisions of laws, regulations, contracts, and grants that could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions is not an objective of our audit, and accordingly, we will not express such an opinion.

Management Responsibilities

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
2. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements; and
3. To provide us with:
 - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, including the disclosures such as records, documentation, and other matters;
 - b. Additional information that we may request from management for the purpose of the audit; and

- c. Unrestricted access to persons within the Organization and others from whom we determine it necessary to obtain audit evidence;
4. For including the auditors' report in any document containing financial statements that indicates that such financial statements have been audited by us;
5. For identifying and ensuring that the Organization complies with the laws and regulations applicable to its activities;
6. For adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current-year period(s) under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole; and
7. For acceptance of nonattest services, including identifying the proper party to oversee nonattest work;
8. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
9. For informing us of any known or suspected fraud affecting the entity involving management, employees with significant role in internal control and others where fraud could have a material effect on the financials; and
10. For the accuracy and completeness of all information provided.

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

Nonattest Services

We will not assume management responsibilities on behalf of the Organization. However, we will provide advice and recommendations to assist management of the Organization in performing its responsibilities. Professional standards prohibit us from being the sole host and/or the sole storage for your financial and nonfinancial data. As such, it is your responsibility to maintain your original data and records and we cannot be responsible to maintain such original information. By signing this engagement letter, you affirm that you have all the data and records required to make your books and records complete.

With respect to any nonattest services we perform, the Organization's management is responsible for: (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

Our responsibilities and limitations with respect to the nonattest services include: (a) performing the services in accordance with the applicable professional standards; (b) performing only nonattest services that we are engaged to perform; and (c) reserving the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account coding and approving journal entries. We will advise the Organization regarding the tax positions taken in the preparation of the tax return, but the Organization must make all decisions with regard to those matters.

Reporting

We will issue a written report upon completion of our audit of the Organization's basic financial statements. Our report will be addressed to those charged with governance of the Organization. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s) to our auditor's report, or if necessary, or withdraw from the engagement.

Other

KCoe Isom, LLP (KCoe Isom) practices as an alternative practice structure in accordance with the American Institute of Certified Public Accountants Code of Professional Conduct and applicable law, regulations and professional standards. KCoe Isom is a licensed CPA firm that provides attest services to its clients. KCoe Isom has a contractual arrangement with Pinion, LLC (Pinion) whereby Pinion provides KCoe Isom with professional and support personnel, as well as administrative services, to perform professional services on behalf of KCoe Isom. Pinion is not a licensed CPA firm. KCoe Isom and Pinion have commercially reasonable safeguards for the protection of client confidential information and shall comply with the confidentiality terms herein. KCoe Isom shall at all times remain responsible for the services, and for the Pinion employees that perform the services.

We understand that your employees will prepare all confirmations we request and will locate any documents or support for any other transactions we select for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

Regarding the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

KCoe Isom may transmit or receive information through electronic means, including through the firm's secure portal. You shall at all times comply with the terms of use of KCoe Isom's portal and shall only permit authorized users to access information through the portal. In the event that you create one or more user accounts to access documents transmitted through the portal, you shall notify KCoe Isom to disable any user account for which an individual(s) is no longer authorized to access client information transmitted through the KCoe Isom client portal. You agree to retrieve final work product from the portal within a reasonable period of time after the conclusion of the engagement. The firm's secure portal will be deleted within a reasonable period of time after the final work product has been delivered.

We expect to begin our audit on approximately August 7, 2023 and issue our report no later than November 30, 2023.

In accordance with our document retention and destruction policy, the documentation related to this engagement will be retained for eight years.

Our firm may transmit confidential information that you provided us to third parties in order to facilitate delivering our services to you. We have obtained confidentiality agreements with all our service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have the appropriate procedures in place to prevent the unauthorized release of confidential information to others. Our firm is committed to protecting the confidential and personal information entrusted to it and to ensure that third parties comply with applicable privacy laws. We will remain responsible for the work provided by any third-party service providers used under this agreement. By your signature below, you consent to having confidential information transmitted to entities outside the firm. Please feel free to inquire if you would like additional information regarding the transmission of confidential information to entities outside the firm.

Stefeni Freese is the engagement principal for the services specified in this letter. Responsibilities include supervising KCoe Isom's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the auditors' report.

Our fees for the services set forth in this letter are included in the executed Service Agreement dated July 31, 2023.

The audit documentation for this engagement is the property of KCoe Isom and constitutes confidential information. KCoe Isom utilizes appropriate safeguards, policies and procedures to maintain the confidentiality of confidential client information. You hereby consent to KCoe Isom sharing client information with Pinion for the purposes of supporting KCoe Isom in performing the services for which KCoe Isom is engaged. It is expressly understood that disclosure of client information to Pinion will be limited to such information that is required for Pinion and its employees to provide the services covered by this engagement letter. However, we may be requested to make certain audit documentation available to Regulator pursuant to authority given to it by law or regulation, subpoena or other legal process, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of KCoe Isom's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to Regulator. The Regulator may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

Steve Arveschoug, Executive Director
Big Sky Economic Development Corporation, Inc.
July 31, 2023
Page 6

The parties to this engagement agree to provide the Small Business Administration (SBA) with access to and copies of any workpapers, policies, and procedures relating to the services performed. We will grant access to our workpapers upon written request by the SBA. We will also send the SBA a copy of the auditors' letter to management on internal control weaknesses.

You agree to inform us of facts that may affect the financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature.

During the course of the audit we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

This agreement is binding upon, and inures to the benefit of, the parties and their respective permitted successors and assigns. Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

We appreciate the opportunity to be your certified public accountants and look forward to working with you and your staff.

Very truly yours,

KCoe Isom, LLP

KCoe Isom, LLP

SSF:JEW:enc
Enclosures

Acknowledged:

Big Sky Economic Development Corporation, Inc.

Signature

Title

Date



July 31, 2023

Board of Directors
Big Sky Economic Development Corporation, Inc.
201 N Broadway
Billings, MT 59101

402 N. Broadway
4th Floor
Billings, MT 59101
(406) 245-5136

Dear Board of Directors:

This letter is provided in connection with our engagement to audit the financial statements of Big Sky Economic Development Corporation, Inc. (the Organization) as of and for the year ended June 30, 2023. Professional standards require that we communicate to you certain items relevant to our responsibilities with regard to the financial statement audit and the planned scope and timing of our audit, including significant risks we have identified.

Our Responsibilities

As stated in our engagement letter dated July 31, 2023, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) for the purpose of forming and expressing an opinion on the Organization's financial statements. Our audit does not relieve you or management of your respective responsibilities.

Planned Scope of the Audit

Our audit will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit is designed to provide reasonable, but not absolute, assurance about whether the financial statements as a whole are free of material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

Our audit will include obtaining an understanding of the Organization and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements and as a basis for designing the nature, timing, and extent of further audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. However, at the conclusion of our audit, we will communicate to you any material weaknesses or significant deficiencies we identified. We will also communicate to you:

- Any violation of laws or regulations that come to our attention;

- Our views relating to qualitative aspects of the Organization's significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures;
- Significant difficulties, if any, encountered during the audit;
- Disagreements with management, if any, encountered during the audit;
- Significant unusual transactions, if any;
- The potential effects of uncorrected misstatements on future-period financial statements; and
- Other significant matters that are relevant to your responsibilities in overseeing the financial reporting process.

Although we are currently in the very early stages of our audit, GAAS states that certain risks are significant to all entities. These include management override of internal controls and improper revenue recognition. Additionally, GAAS requires us to identify any other significant risks. Based on our past and current knowledge of the Organization and the materiality of certain accounts, we have also identified the related-party transactions between the Organization and Big Sky Economic Development Authority to be a significant risk.

We expect to begin our audit on approximately August 7, 2023 and to issue our report no later than November 30, 2023.

Closing

This information is intended solely for the use of those charged with governance of the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "KCoe Isom, LLP". The signature is written in a cursive, flowing style.

KCoe Isom, LLP

SSF:JEW:enc

July 31, 2023

Steve Arveschoug, Executive Director
Big Sky Economic Development Corporation, Inc.
201 N Broadway
Billings, MT 59101

402 N. Broadway
4th Floor
Billings, MT 59101
(406) 245-5136

Dear Mr. Arveschoug:

This Agreement formalizes KCoe Isom, LLP's (hereinafter "KCoe Isom," "us," "we," "our") engagement with Big Sky Economic Development Corporation, Inc. (hereinafter "you," "your") as we focus on delivering service to you. This Agreement confirms that we have agreed up front on the specific services we will provide and their worth to you—we believe that this helps position us both for success and provides the clarity you deserve.

We have discussed your goals, needs, and wants with you to come to this Agreement. We intend to continue to engage in quality discussions with you throughout your service period to stay on track with your changing needs or shifting goals. Any modifications to our services based on these discussions will be confirmed in writing via an amendment to this Agreement. This agreement will cover services provided between July 1, 2023 through December 31, 2023.

Professional Services

KCoe Isom, LLP will perform the following services for the period listed above:

- Financial statement audit for the year ended June 30, 2023.

We reserve the right to bill at our hourly rate for work performed by us that is outside the scope of this Agreement.

Payment Terms

This documents our understanding that you agree to pay KCoe Isom the following amounts on the following dates:

Agreed Payments and Timing

August 31, 2023	\$ 10,000
September 30, 2023	5,000
October 31, 2023	5,000
November 30, 2023	2,000
Total	\$ 22,000

Your payment timing and terms are part of the flexibility we offer. This payment schedule has been agreed in advance so that you may budget and we can both plan for the timing of the work. The payment timing above may be roughly correlated to heavier work periods, but payment timing is not shifted if work is delayed at your request.

The outstanding balance of amounts billed as payable within thirty (30) days from the date of each bill. KCoe Isom reserves the right to halt work when balances remain unpaid for sixty (60) days. Any balances remaining unpaid after thirty (30) days will be assessed a 1-1/2% finance charge per month until paid in full. If a bill remains unpaid for a period of more than ninety (90) days, KCoe Isom reserves the right to terminate services and will seek to collect the outstanding amounts as permitted by law. If our work is suspended or terminated, you agree that we will not be responsible for your failure to meet governmental and other deadlines, for any penalties or interest that may be assessed against you resulting from your failure to meet such deadlines, and for any other damages (including but not limited to CONSEQUENTIAL, INDIRECT, LOST PROFITS, OR PUNITIVE DAMAGES) incurred as a result of the suspension or termination of our services.

As described in provision 2 of Attachment A, invoices for attest services will be issued from KCoe Isom, LLP while invoices for non-attest services may be issued from Pinion, however, in no event will you be double charged for the same services.

If you have any questions, comments, or issues with any bill we submit to you for payment, we require that you notify us within ten (10) days. After the 10-day period has lapsed, the billing will be understood as accepted and payment will be required to be made in accordance with the other provisions of this Agreement.

Automatic Payments

For convenience and administrative ease, KCoe Isom can receive payments through the ACH system. We're happy to assist you if you wish to establish automatic payments.

Out-of-Pocket Expenses

Our price does not include third-party costs of any entity formation, appraisal fees, attorney fees, trustee's fees, or any other fees unless expressly agreed to by KCoe Isom.

The price we quoted considers the following:

- Information provided by you is delivered on time and complete to the degree indicated in our Service Options.
- Your key management, finance, or accounting team members don't change during our service period.
- No newly arising or undisclosed complexities or significant transactions are occurring within your business impacting the service period.
- No unspecified revisions to prior work performed by other service providers are discovered to be necessary before we can perform our agreed services.
- No new tax or other reporting requirements are introduced between now and the end of our service period.

KCoe Isom reserves the right to revise our pricing in light of the changing circumstances, above. We will discuss any revisions with you before proceeding with unforeseen work related to changes in the conditions above.

Steve Arveschoug
Big Sky Economic Development Corporation, Inc.
July 31, 2023
Page 3

Service and Price Guarantee

As we approach the last 30-60 days of our service period, we will ask you to evaluate our performance against your expectation when we entered into this Agreement. If your experience is different from your original expectation, you have the option to adjust the price at your sole discretion, either by receiving a refund of a portion of the fees if we did not meet your expectations, or paying us a bonus if we exceeded your expectations.

To maintain KCoe Isom's professional independence as an auditing firm, this satisfaction guarantee cannot apply to the results or the opinions expressed by KCoe Isom for an Audit, Compilation, or Review. This satisfaction guarantee does not apply to the results of services performed under the U.S. Statements on Standards for Attestation Engagements, including but not limited to, applying agreed upon procedures or Compilations of prospective financial information, or the results of any other service for which professional standards or law require KCoe Isom to be "independent".

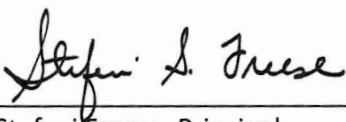
Termination

Unless we terminate this Agreement sooner, in accordance with these terms, final payment and the Agreement's expiration date will be considered fulfillment of your expectations and the end of this Agreement. Either party may terminate this Agreement at any time, for any reason, with ten (10) days written notice to the other party, and any unpaid services outstanding at the date of termination are to be paid in full within ten (10) days of termination.

If the above adequately sets forth your understanding of our mutual responsibilities, please authorize this Agreement and return it to our office. An extra copy is attached for you to keep.

Please do not hesitate to contact us if you have any questions. We truly appreciate the opportunity to serve you.

KCoe Isom, LLP

By: 
Stefeni Freese, Principal

Steve Arveschoug
Big Sky Economic Development Corporation, Inc.
July 31, 2023
Page 4

ACCEPTED AND ACKNOWLEDGED:

The undersigned hereby acknowledges and agrees to this Agreement, the referenced Project Summary, and all of the additional provisions on Attachment A and represents that they have the full authority to bind all entities and/or individuals listed below.

THIS AGREEMENT IS A CONTRACT AND CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY THE PARTIES.

Client

Date

Big Sky Economic Development Corporation, Inc.

ATTACHMENT A

ADDITIONAL PROVISIONS

This Attachment A, along with Project Summary document and this Agreement to which it is attached are, collectively, this "Agreement." KCoe Isom, LLP ("KCoE Isom") and Pinion, LLC ("Pinion") practice as an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable law, regulations, and professional standards. KCoe Isom is a licensed independent CPA firm that provides attest services to its clients, and Pinion and its subsidiary entities provide tax and business consulting services to their clients. Pinion and its subsidiary entities are not licensed CPA firms. The entities falling under the Pinion brand are independently owned and are not liable for the services provided by any other entity providing services under the Pinion brand. Our use of the terms "our firm" and "we", "our" and "us" and terms of similar import denote the alternative practice structure conducted by KCoe Isom and Pinion and their respective subsidiaries and affiliates.

1. Services. You understand and agree that our firm's services frequently include advice and recommendations, but all decisions in connection with the implementation of the advice and recommendations shall be your responsibility. In connection with our services, our firm, and its subsidiaries, affiliates, members, associates, employees, or agents shall be entitled to rely on all representations, decisions, and approvals made by you.
2. Alternative Practice Structure. KCoe Isom has a contractual arrangement with Pinion, whereby Pinion provides KCoe Isom with professional and support personnel, as well as administrative services, to perform professional services on behalf of KCoe Isom. Pinion is not a licensed CPA firm. KCoe Isom and Pinion have reasonable safeguards for the protection of your confidential information and shall comply with the Confidentiality terms herein. KCoe Isom shall at all times remain responsible for any attest services, and for the Pinion employees that perform such attest services. All invoices for attest services shall be issued solely from KCoe Isom.
3. Services not Completed by Our Firm. The Agreement **does not extend to any services not provided by our firm.** In the course of achieving the intended outcomes of the services described in the Agreement, we may refer you to other supplemental service providers; however, such referrals are provided as a courtesy only and you are not obligated in any way to work with the specific providers we refer. You understand that when you separately engage supplemental service providers referred by us or not ("Separately Engaged Providers"), **unless specifically engaged in writing to do so, our firm shall have no obligation to oversee, supervise, or determine the quality of the work performed by Separately Engaged Providers and you expressly agree that our firm will not be held responsible in any way as it relates to their work product; further, our firm shall not be held responsible in any way for any services we perform that fail to meet intended outcomes as a result of relying on work completed by Separately Engaged Providers.**

4. Client Information and Confidentiality. In accordance with the AICPA Code of Professional Conduct and applicable federal, state and local rules, our firm will not disclose your confidential client information without your consent, except that our firm shall be permitted to disclose confidential client information (i) to any government agency or regulatory body to the extent and in the form or manner necessary or required to comply with any rule, regulation or order of such government agency or regulatory order, or (ii) pursuant to subpoena or other legal process. We use appropriate safeguards, policies and procedures to maintain the confidentiality of confidential client information. You hereby consent to our sharing your information with our firm for the purpose of performing the Services for which we are engaged. It is expressly understood that disclosure of your information among our firm will be limited to such information that is required for us and our employees to provide the Services covered by this Agreement.

In the event our firm uses third-party service providers to assist in providing professional services, we may share confidential client information with those service providers. You hereby consent to disclosure of confidential client information to third-party service providers for the purpose of the third-party service provider assisting with the services provided pursuant to this Agreement.

Our firm may transmit or receive information through electronic means, including through our firm's secure portal. You shall at all times comply with the terms of use of our firm's portal and shall only permit authorized users to access information through the portal. In the event that you create one or more user accounts to access documents transmitted through the portal, you shall notify us to disable any user account for which an individual(s) is no longer authorized to access your information transmitted through our client portal. You are solely responsible for maintaining their books and records and should not rely on us as your record-keeper or repository for any final work product for which our firm has been engaged. You agree to retrieve final work product from the portal within a reasonable period of time after the conclusion of this Agreement.

We are committed to protecting the confidential and personal information entrusted to it and to ensuring that its vendors comply with applicable privacy laws.

5. Third-Party Service Providers or Subcontractors. In the interest of enhancing our availability to meet your professional service needs while maintaining service quality and timeliness, we may use a third-party service provider to assist us. As the paid provider of professional services, our firm remains responsible for exercising reasonable care in providing such services, and our work product will be subjected to our firm's customary quality control procedures. The use of this assistance may require the provision of your confidential information to a third-party service provider located outside the United States. We require our third-party service providers to have established procedures and controls designed to protect client confidentiality and maintain data security. By signing this Agreement, you are consenting to this disclosure and the duration of your consent will last so long as our firm is engaged. You may opt out from this disclosure by informing us of your request in writing. Opting out of the disclosure to third-party service providers or subcontracts may impact price or cost estimates previously provided to you by us.

6. Information and Data. You shall be responsible for all financial information and statements provided with respect to any services performed hereunder. Our firm shall be entitled to assume, without independent verification, that all representations, assumptions, information and data supplied by you and your representatives will be complete and accurate to the best of your knowledge. Our firm may use information and data furnished by others; however, we shall not be responsible for, and we shall provide no assurance regarding, the accuracy of any such information or data. Our firm shall not assume any responsibility for any financial reporting with respect to the services provided hereunder, except as specifically provided. **This paragraph shall not apply to the following services: Audits of Financial Statements, Reviews of Financial Statements, Compilations of Financial Statements, Services under the U.S. Statements on Standards for Attestation Engagements, including but not limited to, applying Agreed Upon Procedures or Compilations of Prospective Financial Information, or any other service for which professional standards or law require KCoe Isom to be "independent."**
7. Tax Planning and Preparation. If it is included in the scope of services, tax planning and tax preparation will be done under state and federal law existing at the time services are delivered. Both federal and state laws are subject to change and subject to new and different interpretations. Tax planning and/or positions taken related to tax return preparation may be subject to contest by the Internal Revenue Service or other taxing authorities. Consequently, our firm does not guarantee any specific tax result. You should not rely on any advice from our firm that has not been issued in final form in writing or by electronic mail.
8. Legal Matters. Our firm is not licensed to practice law and we shall have no responsibility to address any legal matters or questions of law, subject to KCoe Isom's potential responsibilities in paragraph 6 above.
9. Third Parties and Internal Use. Except as otherwise agreed, all services hereunder shall be solely for your internal purposes and use, and this Agreement does not create privity or any legal relationship or obligation between our firm and any person or party other than you ("Third Party"). **This Agreement is not intended for the express or implied benefit of any unauthorized Third Party.** In order to protect our firm from any unauthorized reliance or claims, **you further agree that the advice, opinions and reports issued by our firm shall not be distributed, made available, circulated or quoted to or used by any Third Party without our prior written consent.** However, nothing in this paragraph shall be construed as limiting or restricting disclosure of a transaction or any significant tax feature thereof for purposes of §6110, §6111, and §6112 of the Internal Revenue Code, as amended from time to time. **This paragraph shall not apply to the following services: Audits of Financial Statements, Reviews of Financial Statements, Compilations of Financial Statements, Services under the U.S. Statements on Standards for Attestation Engagements, including but not limited to, applying Agreed Upon Procedures or Compilations of Prospective Financial Information, or any other service for which professional standards or law require KCoe Isom to be "independent."**

10. Foreign Owners and Accounts. If you have foreign owners, accounts, or activities, you may be required to file supplemental forms that carry substantial failure-to-file penalties if not timely filed. We emphasize the importance of notifying us if you are a party to international transactions. If we determine you must file additional forms with your federal and/or state tax return to report these activities, we may charge additional fees for this service. We will discuss this matter with you before proceeding. The terms of this Agreement shall apply to any current-year foreign asset reporting. If reporting for multiple years is necessary, a separate engagement letter will be provided. If you have an interest in or signature authority for a foreign financial account, it is your responsibility to provide us with this information so we can determine if separate reporting is required. If we determine separate reporting of foreign financial accounts is required, we may charge additional fees for this service. We will discuss this matter with you before proceeding. The terms of this Agreement shall apply to any current-year foreign financial account reporting. If reporting for multiple years is necessary, a separate engagement letter will be provided.
11. E-mail Communication. In connection with this Agreement, we may communicate with you or others via e-mail transmission. As e-mails can be intercepted and read, disclosed, or otherwise used or communicated by a third party, or may not be delivered to each of the parties to whom they are directed and only such parties, we cannot guarantee or warrant that e-mails from us and other personnel will be properly delivered and read only by the addressee. Therefore, the parties to this Agreement specifically disclaim and waive any liability or responsibility whatsoever for intercepted, disclosed or communicated e-mail transmissions, or with respect to the unauthorized use or failed delivery of e-mails transmitted in connection with the performance of this Agreement. All parties to this Agreement also specifically disclaim and waive, and expressly acknowledge and agree, that they shall have no liability or responsibility whatsoever for any loss or damage to any person or entity, resulting in whole or in part, from the use of e-mail transmissions, including, without limitation, any consequential, incidental, direct or indirect or special damages, such as loss of sales or anticipated profits or disclosure or communication of confidential or proprietary information.
12. Independent Contractor. Our firm and you acknowledge that the relationship between the parties to this Agreement is exclusively that of an independent contractor and that our firm's obligations to you are exclusively contractual in nature. This Agreement does not create an agency, employment, partnership, joint venture, trust, or other fiduciary relationship between the parties. Neither party shall have the right to bind the other to any Third Party nor otherwise act in any way as a representative or agent of the other, except as otherwise agreed in writing between the parties.
13. Management Responsibilities. You agree to accept responsibility for the results of services being provided and agree to perform the following functions in connection with this Agreement:
- a) Make all management decisions and perform all management functions.
 - b) Designate a competent individual to oversee the services.
 - c) Evaluate the adequacy and results of the services performed.
 - d) Establish and maintain internal controls, including monitoring ongoing activities.

14. Assignment. Neither party will assign this Agreement, in whole or in part, without the prior written consent of the other party, which written consent will not be unreasonably withheld. However, we reserve the right to assign all or any of its rights, title, and interests in and to this Agreement to any of its subsidiaries or affiliates, or to any of its Insurers, in accordance with any policies of insurance maintained by our firm, except for agreements to provide attest services entered into by KCoe Isom which shall not be assigned to Pinion or any of Pinion's subsidiaries or affiliates.
15. Dispute Resolution Procedure. If any dispute, controversy or claim of any kind arises in connection with the performance or breach of this Agreement, either party may, upon written notice to the other party, request mediation. The parties shall employ the mediation rules and procedures of the American Arbitration Association ("AAA") in effect at the time of the mediation and shall conclude the mediation within sixty (60) days from receipt of the written notice unless extended by mutual consent.

If mediation fails, the dispute, controversy, or claim shall be settled by binding arbitration. The proceeding shall be governed by the law and provisions of the state in which the proceeding is to take place and conducted in accordance with the Rules for Professional Accounting and Related Disputes of the American Arbitration Association ("The AAA Rules") in effect at the time of the arbitration.

The parties acknowledge that this Agreement evidences a transaction involving interstate commerce. Notwithstanding the provision in the preceding paragraph with respect to applicable substantive law, any arbitration conducted pursuant to the terms of this Agreement shall be governed by the Federal Arbitration Act (9 U.S.C., Secs. 1-16). The award issued by the arbitration panel may be confirmed in a judgment by any federal or state court of competent jurisdiction.

Unless the arbitration is being conducted pursuant to the AAA's expedited procedures, such arbitration shall be conducted before a panel of three neutral arbitrators, selected pursuant to The AAA Rules, at least one of whom shall be a Certified Public Accountant. **The arbitration panel shall have no authority to award either party non-monetary or equitable relief, and any monetary award shall not include punitive damages.**

Any proceeding under this paragraph 15 shall take place in the city in which our firm's office providing the relevant services exists unless the parties agree to a different location. Each party shall pay their own costs and shall share equally the fees and expenses of the mediator and/or the AAA and the arbitrators. The confidentiality provisions applicable to mediation shall also apply to arbitration.

16. Indemnification. You agree to indemnify, defend, and hold harmless our firm and any of its partners, principals, officers, directors, members, employees, agents or assigns with respect to any and all claims made by third parties arising from this engagement, regardless of the nature of the claim, and including the negligence of any party, excepting claims arising from the gross negligence or intentional acts of our firm.

17. Limitation of Liability. Our firm's liability for all claims, damages, and costs arising from this engagement is limited to the total amount of fees paid by you to our firm for services rendered under this Agreement. Notwithstanding anything to the contrary in this Agreement, our firm shall not be liable for any LOST PROFITS, INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES of any nature.
18. Governing Law and Severability. This Agreement shall be governed by, and construed in accordance with, the laws in the State in which our firm's office providing the relevant services exists (without giving effect to the choice of law principles thereof). If any provision of this Agreement is found by a court of competent jurisdiction to be unenforceable, such provision shall not affect the other provisions, but such unenforceable provision shall be deemed modified to the extent necessary to render it enforceable, preserving to the fullest extent permissible the intent of the parties set forth in this Agreement. The parties acknowledge and agree that this Agreement allocates risk between them as authorized by any applicable law and that the amount of the fees charged for the services reflects this allocation of risk and other limitations of liability contained in this Agreement. If any remedy hereunder is determined to have failed of its essential purpose, all limitations of liability and exclusion of damages set forth in this Agreement will remain in full force and effect.
19. Entire Agreement. The Agreement and any separate Engagement Letter related to the subject matter herein ("Engagement Letter"), set forth the entire agreement between the parties with respect to the services described in the Agreement, superseding all prior agreements, negotiations or understandings, whether oral or written, with respect to such subject matter. To the extent that a any provisions are in conflict, the order of priority shall be as follows: Engagement Letter, Attachment A, this Agreement and the related signed Service Options document, paired. This Agreement may not be changed, modified or waived in whole or part except by an instrument in writing signed by both parties.



BIG SKY
ECONOMIC DEVELOPMENT

EDA • EDC CREATING MONTANA BUSINESS OPPORTUNITIES

ATTACHMENT F

MEMORANDUM OF UNDERSTANDING
between
Yellowstone County Commissioners, Big Sky Economic Development Authority,
City of Billings, City of Laurel,
and
Beartooth Resource Conservation & Development Area, Inc.

THIS MEMORANDUM OF UNDERSTANDING is made and entered into this ____ day of _____, 202_, by and between **Beartooth Resource Conservation & Development Area, Inc.**, whose principal business address is P.O. Box 180, Joliet, Montana 59041, hereinafter referred to as “Beartooth RC&D” and **Yellowstone County Commissioners (in cooperation with the City of Billings, City of Laurel, and Big Sky EDA)**, and hereinafter referred to as “**the Entity.**”

WHEREAS, The Beartooth RC&D has been formally recognized by the U.S. Department of Commerce, Economic Development Administration (EDA) as a designated Economic Development District (EDD), and as a District, the Beartooth RC&D has been awarded funding to carry out its Comprehensive Economic Development Strategy (CEDS). This funding will provide a staff person, administrative support, and operating costs. This is a continual grant, renewable based on successful program operation and availability of federal funds. Local match is required.

WHEREAS, Each entity participating in the District will designate a representative and an alternate to the regional Beartooth RC&D Board. This individual will convey the needs and economic development goals of the community to the Beartooth RC&D board meetings. Regular board meetings will be held every two months to assess project status and evaluate regional economic development needs.

NOW THEREFORE IT IS UNDERSTOOD AS FOLLOWS:

ARTICLE 1: SCOPE OF WORK:

Beartooth RC&D employs an Economic Development Director to assist in the completion of the Comprehensive Economic Development Strategy for the five-county region. The Director’s time will be allocated consistent with the goals in the CEDS by the Beartooth RC&D board of directors. The board is composed of one representative and an alternate from business partners, county and local elected officials, and local economic development partners from our five-county region. Input from this board is essential for meeting the needs of the communities in our region.

Priority will be assigned projects of regional scope or projects with strong local leadership. Grant funding for this position is from EDA; therefore, emphasis will be on regional economic development planning and projects which have a correlation to job creation, economic diversification, and increased tax base. Matching funds are from participating entities, and emphasis will be placed on their specified projects.

Annual Evaluation:

The performance of the Economic Development District will be evaluated annually by local entities participating on the regional Beartooth RC&D Board. Progress and/or accomplishments on each program/project will be reported and evaluated to ensure resources are being utilized in the most effective and efficient manner possible. Annual Comprehensive Economic Development Strategy updates and an annual plan of work will be developed with input from the Beartooth RC&D staff and board. Annual reports on projects and economic development activities will be provided to the board and participating entities along with the renewal of the Memorandum of Understanding.

ARTICLE 2: PERIOD OF PERFORMANCE

The term of this Memorandum of Understanding shall be from the date it is signed through **June 30, 2024**, unless extended by mutual agreement by both parties. Such extension must be in writing, signed by authorized representatives of both parties, and made a part of the original Memorandum of Understanding by modification reference. This Memorandum of Understanding supersedes the prior Memorandum for participation in the Economic Development District.

ARTICLE 3: PAYMENT

The Entity's annual contribution will be **\$4,500.00** as a "Membership" fee plus a per capita assessment of **.19** cents per person. These funds will provide the necessary match to obtain the \$70,000.00 in federal funds. Entities who do not participate financially in the match requirement will not receive services from the Economic Development Director. The calculated fee for **Yellowstone County** is **\$36,257.74**. This figure is a total of the **\$4,500.00** county fee plus **\$31,757.74** per capita formula using a population of **167,146 x (.19)** as per the 2021 Census data. Yellowstone County's full payment will be separated into a four-way payment system. Each entity within the county will pay a percentage (%) similar to the previous year. Big Sky EDA- 34% or **\$12,327.63**, City of Billings- 36% or **\$13,052.79**, City of Laurel- 6% or **\$2,175.46** and Yellowstone County- 24% or **\$8,701.86**.

Annually, the Beartooth RC&D/EDD staff will provide a comprehensive report of the past year's activity. A new Memorandum of Understanding will be prepared and a request for the following year's match submitted. Entities will be billed for match funds after January 1, 2023, for the current year's assessment.

Payment as provided in this section shall be full compensation for work performed, services rendered, and for all materials, supplies, equipment, and incidentals necessary to complete the work.

ARTICLE 4: EXAMINATION OF BEARTOOTH RC&D RECORDS

The County or its representatives shall have the right to examine any books, records, or other documents of the Beartooth RC&D directly relating to costs when such costs are the basis of compensation hereunder.

ARTICLE 5: OWNERSHIP AND USE OF DOCUMENTS

Reproducible copies of all documents and other materials produced by the Beartooth RC&D in connection with the services rendered under this memorandum of understanding shall be provided to the County for the County's use whether the project for which they are made is executed or not. Beartooth RC&D shall be permitted to retain originals, including reproducible originals, of drawings and specifications for information, reference and use in connection with Beartooth RC&D's endeavors.

ARTICLE 6: WARRANTY

Beartooth RC&D warrants that all services performed herein shall be performed using that degree of skill and care ordinarily exercised in and consistent with generally accepted practices for the nature of the services and shall conform to all requirements of this Memorandum of Understanding.

ARTICLE 7: SAFETY

Beartooth RC&D agrees to fully comply with the Occupational Safety and Health Act of 1970, all regulations issued thereunder, and all state laws and regulations enacted and adopted pursuant thereto. The Beartooth RC&D shall take all necessary precautions in performing the services hereunder to prevent injury to persons or damage to property.

ARTICLE 8: CONFIDENTIALITY AND CONFLICTS OF INTEREST

Beartooth RC&D agrees to hold in strict confidence any proprietary or other data, findings, results, or recommendations deemed to be confidential by the County and obtained or developed by Beartooth RC&D in connection with the work under this memorandum of understanding. Beartooth RC&D warrants and agrees they do not and will not have any conflicts of interest regarding the performance of services hereunder.

ARTICLE 9: APPLICABLE LAW

This Memorandum of Understanding shall be governed in all respects by the laws of the State of Montana. No changes, amendments or modifications of any of the terms and conditions hereof shall be valid unless agreed to in writing. Venue of any proceeding arising hereunder shall be the Twenty-second Judicial District.

ARTICLE 10: COMPLIANCE WITH LAWS

Beartooth RC&D shall in performing the services contemplated by this Memorandum of Understanding, faithfully observe and comply with all federal, state, and local laws, ordinances and regulations, applicable to the services to be rendered under this Memorandum of Understanding.

ARTICLE 11: CHANGES

The parties, by mutual agreement, may at any time during the term of this Memorandum of Understanding and without invalidating the Memorandum of Understanding, make changes within the general scope of the Memorandum of Understanding. The Beartooth RC&D agrees to perform such changed services.

ARTICLE 12: TERMINATION

This Memorandum of Understanding may be terminated in whole or in part, in writing, by either party in the event of substantial failure by the other party to fulfill its obligations under this Memorandum of Understanding through no fault of the terminating party, provided that no termination may be effected unless the other party is given: (1) not less than ten (10) days written notice (delivered by certified mail, return receipt requested) of intent to terminate; and (2) an opportunity for consultation with the terminating party prior to termination.

Upon such termination the County shall pay the Beartooth RC&D amounts due and unpaid for services rendered as of the effective date of termination, and the Beartooth RC&D shall provide to the County all materials, surveys, reports, data, and other information performed or prepared as of such date.

ARTICLE 13: INDEMNIFICATION

Beartooth RC&D agrees to and does hereby indemnify and save the Entity, its officers, officials and employees, harmless against and from:

1. Any and all claims and liabilities, including but not limited to costs, expenses, and attorney fees arising from injury to, or death of, persons (including claims and liabilities for care or loss of services in connection with any bodily injury or death) and including injuries, sickness, disease, or death to Beartooth RC&D employees occasioned by a negligent act, omission, or failure of the Beartooth RC&D;
2. Any and all claims and liabilities, including costs and expenses, for loss or destruction of or damage to any property belonging to the Beartooth RC&D or the County caused by a negligent act, omission, or failure of the Beartooth RC&D; and
3. Any fines, penalties, or other amounts assessed against the County by reason of the Beartooth RC&D's failure to comply with all health, safety, and environmental laws and regulations applicable to the services, resulting directly or indirectly from, or occurring in the course of, the Beartooth RC&D's performance of the services. However, this indemnity shall not extend to claims and liabilities for (i) injury or death to persons or (ii) loss of or damage to property to the extent that these claims and liabilities result directly from the County's negligence or willful misconduct.

ARTICLE 14: INSURANCE

Beartooth RC&D shall maintain and demonstrate the following types of insurance:

1. Beartooth RC&D agrees that its employees and particularly the employees designated to work on this memorandum of understanding are covered by applicable Worker's Compensation provisions. The Beartooth RC&D further agrees that if the County should legally incur any costs whatsoever under the Worker's Compensation laws by reason of the Beartooth RC&D employees' injury or death while engaged in the contract work, the Beartooth RC&D will indemnify and hold harmless the County for such costs which the County may be legally be required to pay to employees of the Beartooth RC&D.

2. Comprehensive general liability insurance for bodily injury, death, or loss of or damage to property of third persons or other liability due to the negligent acts of the Beartooth RC&D in the minimum amounts of \$500,000 per occurrence and \$1,000,000 aggregate for personal injury; and \$500,000 per occurrence/aggregate for property damage. Proof of coverage as required by this section shall be delivered to the Entity within fifteen (15) days of execution of this Agreement.

3. Professional liability errors and omissions insurance in a minimum amount of \$500,000.00.

ARTICLE 15: NONDISCRIMINATION

Beartooth RC&D will not discriminate against any employee or applicant for employment relating to this project on the basis of race, color, religion, creed, political ideas, sex, age, marital status, physical or mental handicap or national origin. All hiring associated with any project shall be on the basis of merit and qualifications related to the requirements of the particular position being filled.

ARTICLE 16: INDEPENDENT CONTRACTOR

Beartooth RC&D and the County agree that the Beartooth RC&D is an independent contractor with respect to the services provided pursuant to this Memorandum of Understanding. Nothing in this Memorandum of Understanding shall be considered to create the relationship of employer and employee between the parties hereto. Neither the Beartooth RC&D nor any employee of the Beartooth RC&D shall be entitled to any benefits accorded County employees by virtue of the services provided under this Memorandum of Understanding. The County shall not be responsible for withholding or otherwise deducting federal income tax or social security or for contributing to the state Worker's Compensation program, nor shall the County be deemed in any way to assume the duties of an employer with respect to the Beartooth RC&D or any employee of the Beartooth RC&D.

ARTICLE 17: ASSIGNMENT

Beartooth RC&D shall not sublet or assign any of the services covered by this Memorandum of Understanding without the express written consent of the County.

ARTICLE 18: NON-WAIVER

Waiver by the County of any provision of this memorandum of understanding or any time limitation provided for in this memorandum of understanding shall not constitute a waiver of any other provision.

ARTICLE 19: NOTICES

Any Notice to be served hereunder may be served upon the parties personally or served by certified mail, return receipt. Notice served by mail shall be deemed complete upon deposit of said notice in any United States Post Office, postage prepaid, directed to the party to be served, at the following addresses:

COUNTY: **Big Sky EDA**
 201 N. Broadway
 Billings, MT 59101

RC&D: **Beartooth RC&D**
 P.O. Box 180
 Joliet, MT 59041

ARTICLE 20: INTEGRATED AGREEMENT

This Memorandum of Understanding together with attachments or addenda represents the entire and integrated Agreement between the Entity and the Beartooth RC&D and supersedes all prior negotiations, representations, or agreements, written or oral. This Memorandum of Understanding may be amended only by written instrument signed by both the Entity and the Beartooth RC&D.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals to this Memorandum of Understanding the day and year in this instrument first above written.

Big Sky EDA

BEARTOOTH RC&D/EDD

Steve Arveschoug, Executive Director

Ryan VanBallegooyen, Chairman

ATTEST: _____

Date: _____



BIG SKY
ECONOMIC DEVELOPMENT

EDA • EDC CREATING MONTANA BUSINESS OPPORTUNITIES

ATTACHMENT G

504 LOAN PORTFOLIO OVERVIEW

September 14, 2023

SBA 504 Loan Portfolio – Status as of 09/01/2023:

- Total Loans = 139
- Outstanding Balance = \$68,483,472
- All Current

Calendar Year Activity: 2020 – 2022 and YTD 2023

	2020	2021	2022	2023 YTD
Loan Approvals	9 (\$4,279,000)	11 (\$6,435,000)	13 (\$13,574,000)	7 (\$4,222,000)
Loan Funding	11 (\$9,931,000)	3 (\$1,807,000)	17 (\$11,888,000)	6 (\$8,044,000)
Jobs Created/Retained	101	15	135	70
Prepaid Loans	16 (\$4,711,144)	33 (\$17,388,723)	17 (\$7,589,870)	5 (\$704,228)

Portfolio Concentration (as of September 1, 2023)

- Accommodation – 13.60% (\$9,314,454)
- Restaurants – 9.04% (\$6,191,335)

504 LOAN PORTFOLIO OVERVIEW

September 14, 2023

Stressed Loans:

- Loans in Catch-Up
 - Camelot Ranch (newly funded – COVID deferment)
 - Gautam Lodging (newly funded – COVID deferment)
 - Montana Linen Supply – RE (newly funded – COVID deferment)
 - Montana Linen Supply – Equip (newly funded – COVID deferment)
 - Pangea Restaurant Group (newly funded – COVID deferment)
- Liquidated Loans – Debentures Repurchased
 - None as of 9/1/2.
 - All previously repurchased loans have been paid in full.

504 LOAN PORTFOLIO OVERVIEW

September 14, 2023

Watch List Loans:

- All loans on Deferment or Catch-up (not newly funded)
- Continue to analyze annual financials and risk rate.
- Completed all Annual Risk Ratings due within the year. Loans where current financials have not been received at time of review (prior to 2022 tax returns) are put on the Watch List as Special Mention.

Other:

- All Loans Paid as Agreed
- Concentrations decreasing
- No loans in Liquidation
- 12-month 1st Pass Rate – 45% (Industry 60%)
 - Continue to work to improve to meet industry standard
- Completion of SBA SMART Audit – Acceptable with Corrective Action Required

504 LOAN PORTFOLIO OVERVIEW

September 14, 2023

Attached Reports:

- Lender Portal Report – 06/30/23
- Industry Concentration Report – as of 09/01/23
- Current Portfolio – as of 09/01/23
- Loan Approvals – 07/01/22 – 06/30/23
- Funded Loans – 07/01/22 – 06/30/23
- Prepaid Loan Report – 07/01/22 – 06/30/23

504 LOAN PORTFOLIO OVERVIEW

Lender Portal Information

June 30, 2023

Lender Purchase Rating (LPR) = 1

- Scale of 1 – 5, with 1 being the best

SMART Score = 18

- As of 12/31/2022 = 26 (Prior Year / prior report)
- Scale of 12-60. Score of 12 is best
 - 12 categories scored on with rating of 1, 3, or 5
- Moderate Risk Items
 - 5-year default rate = 0.50% (Peer 0.50%)
 - Active Default Liquidation Rate = 0.80% (Peer 0.20%)
 - 0% as of 9/1/23
 - Top Industry Concentration Rate = 16.20% (Peer 18.50%)
- Higher Risk Items
 - None

Report Attached

Billings, MT

SMART 18

LRR/LPR 1

Solvency 5

Management 5

Asset Quality 3

Regulatory Compliance 1

Technical Issues 4

OVERVIEW

SMART BENCHMARKS

	Lender Results	Lender Benchmark	Score	Peer Group	Portfolio
Solvency					
5-Year Cumulative Net Yield	1.00%	Lower Risk	1	1.30%	1.20%
12-Month Default Rate	0.00%	Lower Risk	1	0.20%	0.20%
5-Year Default Rate	0.50%	Moderate Risk	3	0.50%	0.40%
Management					
Forecasted Purchase Rate	0.34%	Lower Risk	1	0.62%	0.60%
High Risk Origination Rate	0.00%	Lower Risk	1	4.90%	4.40%
Active Default Liquidation Rate	0.80%	Moderate Risk	3	0.20%	0.30%
Asset Quality					
Stressed Rate	0.00%	Lower Risk	1	1.30%	1.10%
5-Year Charge Off Rate	0.80%	Lower Risk	1	1.70%	1.10%
Early Problem Loan Rate	0.00%	Lower Risk	1	5.30%	4.70%

Regulatory Compliance					
Minimum Level of 504 Activity	22	Lower Risk	1	30	80
Technical Issues					
Average Portfolio SBPS (\$ Weighted)	215	Lower Risk	1	209	209
Top Industry Concentration Rate	16.20%	Moderate Risk	3	18.50%	13.40%

SITE INFORMATION

LOANS
OUTSTANDING
145

GROSS
OUTSTANDING
\$72,428,689.31

SBA SHARE \$
OUTSTANDING
\$72,428,689.31

LENDER PEER GROUP \$30MM to < \$100MM

FORECASTED PURCHASE RATE (FPR)

LENDER
0.34%

PEER GROUP
0.62%

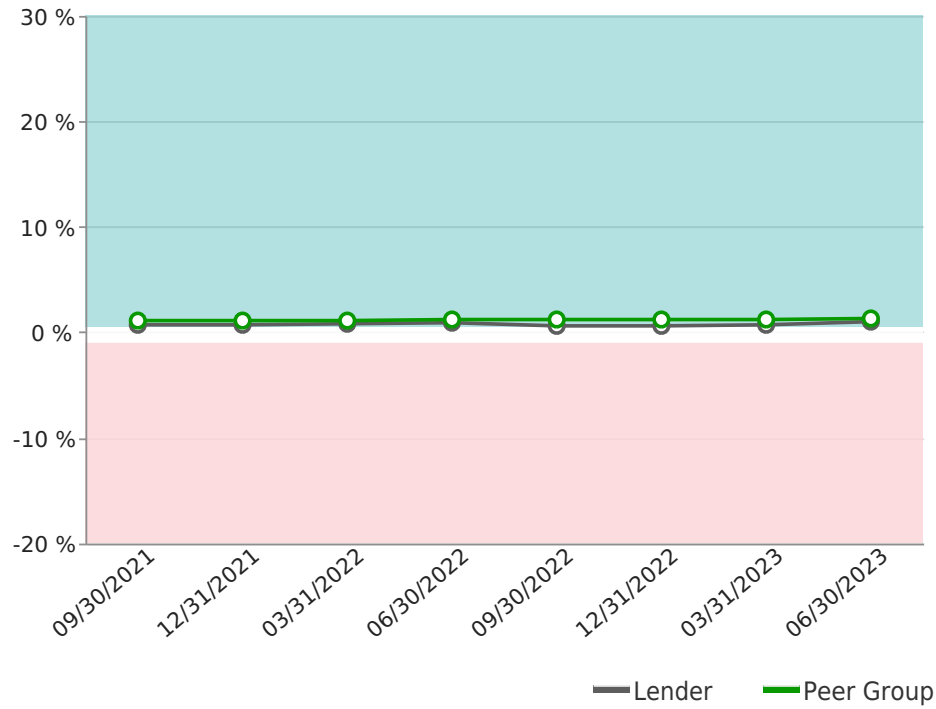
SBA PORTFOLIO
0.60%

FPR RATING FACTORS

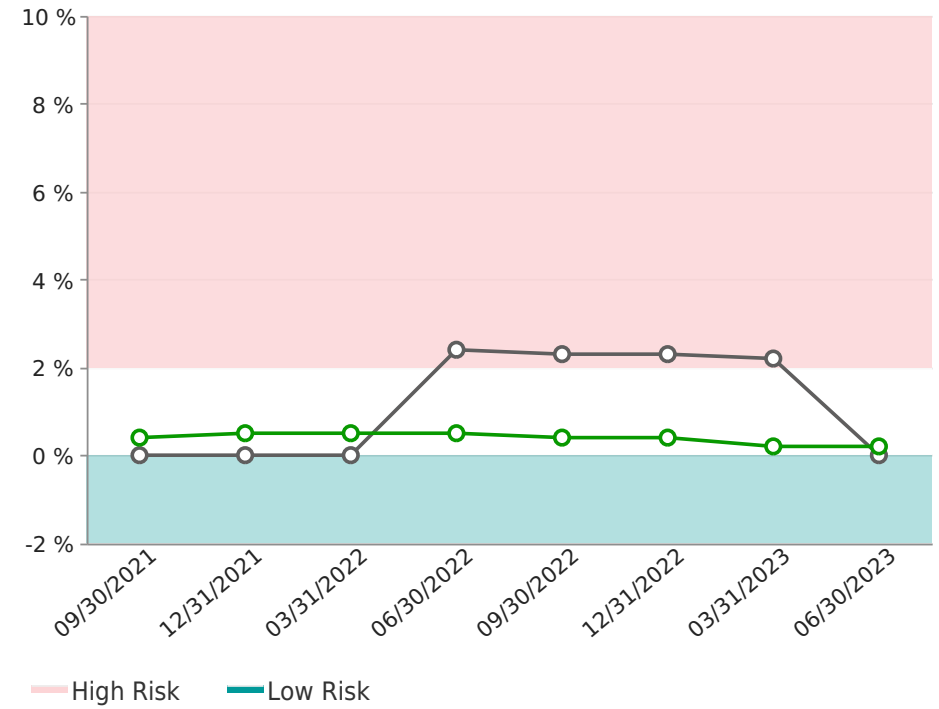
	Lender Results	Peer Results	SBA Portfolio Results
SBA Stats			
Avg MOB	58	52	45
Avg Loan Term	267	262	271
Avg 12-Month Lender Purchase Rate	0.01%	0.17%	0.17%
Business Bureau Stats			
Avg SBPS Score	215	209	209
Avg Viability Score	4	4	4
Avg Commercial Credit Score	549	513	508
Avg Number of UCC Filings	5	7	8
Economic Statistic			
Avg State-level Unemployment Rate	2.30%	3.20%	3.50%

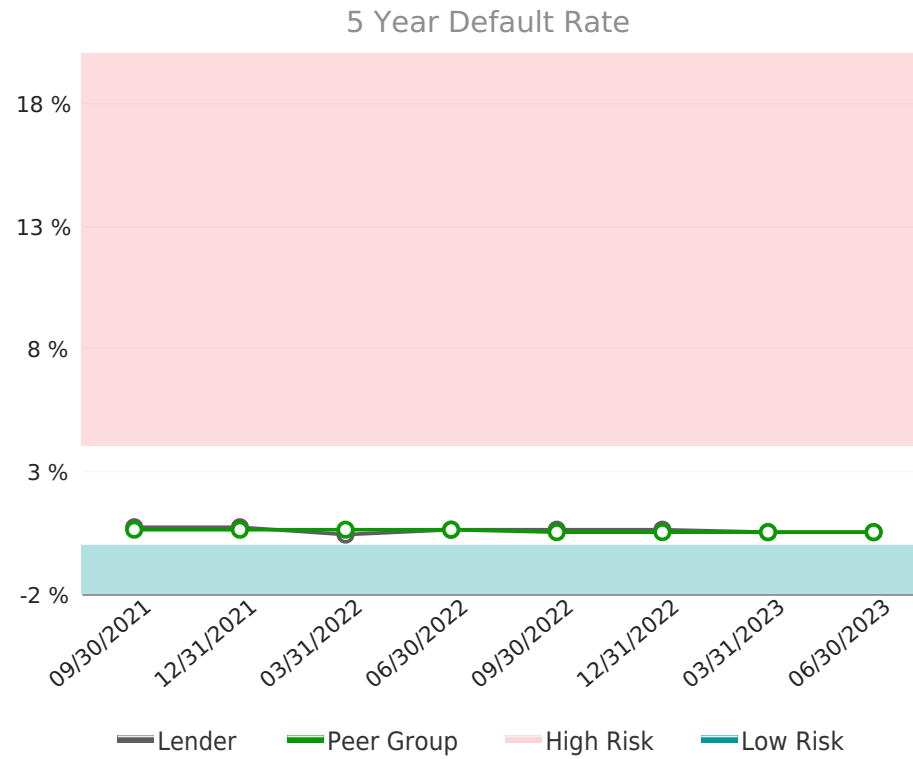
SOLVENCY

Five Year Cumulative Net Yield



12 Month Default Rate





CUMULATIVE CASH FLOW LAST 5 YEARS		CDC
Upfront Fees		\$443,542.26
Annual Fees		\$3,728,722.15
Purchases		(\$2,149,496.01)
Recoveries		\$1,841,912.10
Net		\$3,864,680.50
5 Year Cumulative Net Yield	Lower Risk	1.00%
	Peer	1.30%

KEY RATES	# of Loans	Lender \$	Lender %	Peer %	Risk
12 Month Default Rate	0	\$0.00	0.00%	0.20%	Lower Risk
5 Year Default Rate	4	\$2,117,971.00	0.50%	0.50%	Moderate Risk
Last 12 Month Charge Off Rate	0	\$0.00	0.00%	0.31%	

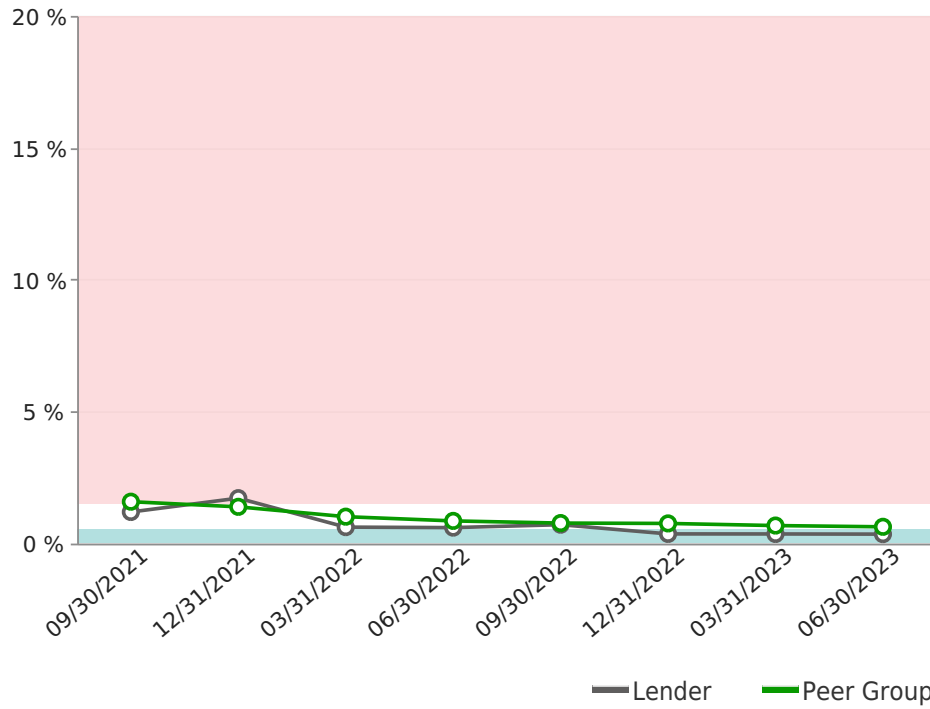
BALANCE SHEET	#	\$	%
Gross Committed Loans	11	\$8,308,000.00	
Gross Outstanding Loans	145	\$72,428,689.31	
Active Regular Servicing Loans	141	\$69,872,375.31	
Current	136	\$63,882,482.50	91.43%
Stressed	-	-	0.00%
Past Due	-	-	-
Delinquent	-	-	-
In Catch-Up	5	\$5,989,892.81	8.57%
Deferred	-	-	-

ACTIVE PURCHASES	#	\$	%
Active Purchases - returned to Regular Servicing	3	\$1,993,206.00	2.75%
Active Purchases - in Liquidation	1	\$563,108.00	0.78%
All Active Purchases	4	\$2,556,314.00	3.53%

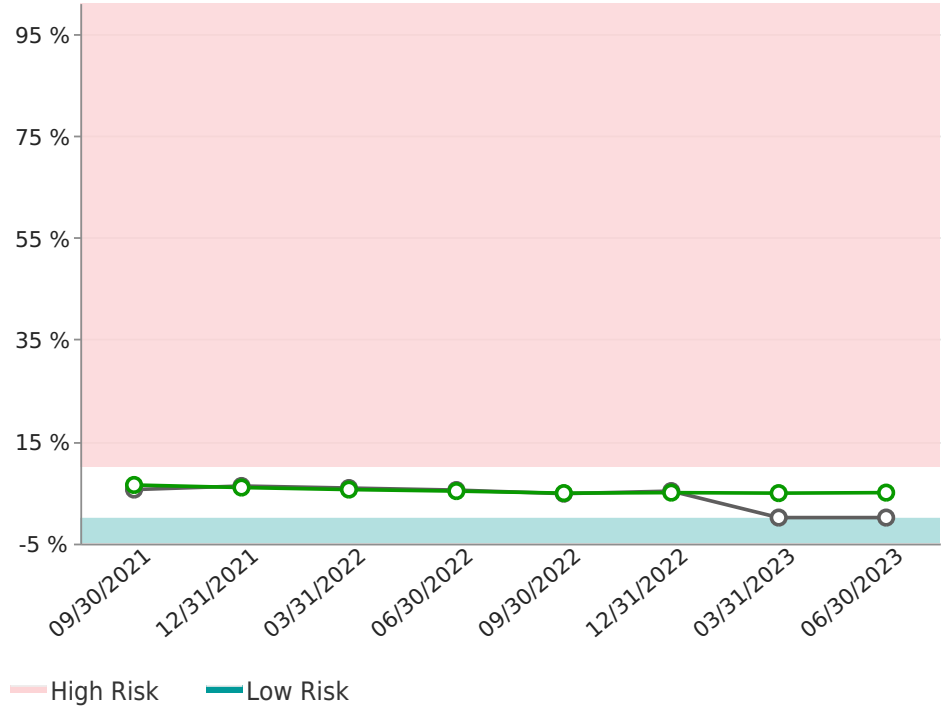
ANY ACTIVE PCLP LOANS?	-
Total Original Debenture Amount of Active PCLP Loans	-

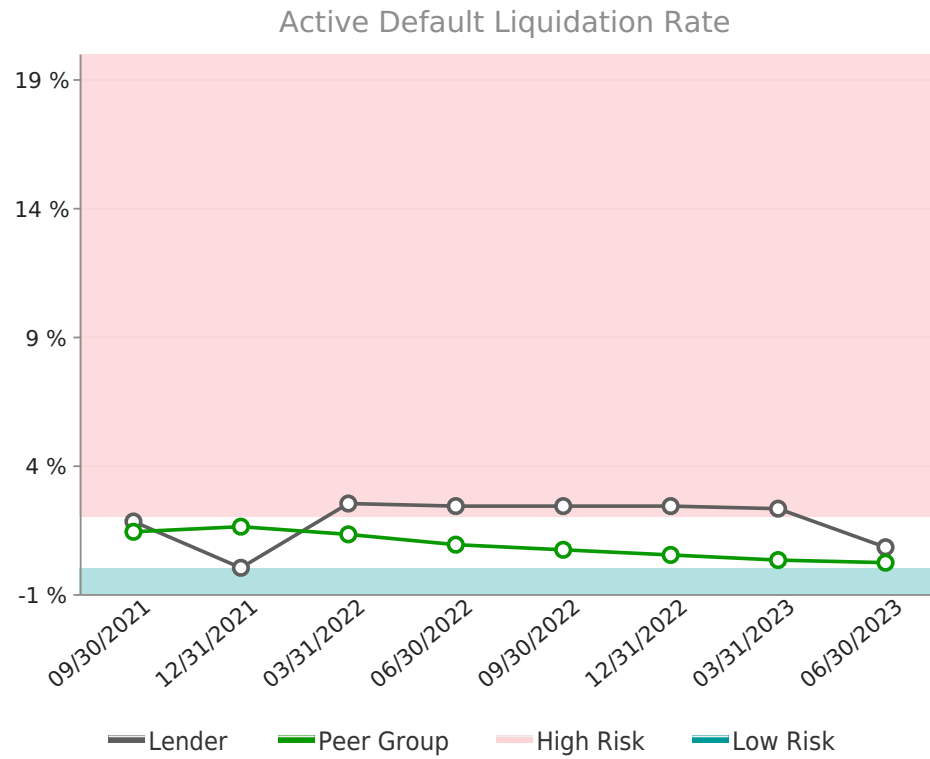
MANAGEMENT

Forecasted Purchase Rate



High Risk Origination Rate





AVG CURRENT SBPS SCORE (DOLLAR WEIGHTED) INTO VARIOUS PORTFOLIO SEGMENTS

	Average	Risk Rating	Active #	Active \$	% Active Loans
Legacy (greater than 36 months on book)	215	Lower Risk	109	\$42,351,145.72	60.60%
Emerging (36 months on book or less)	215	Lower Risk	32	\$27,521,229.59	39.40%
Over \$750K Loans	217	Lower Risk	47	\$48,570,038.38	69.50%
Under \$750K Loans	210	Moderate Risk	94	\$21,302,336.93	30.50%

ORIGINATION RISK (LAST 36 MONTHS)

	\$	CDC %	Peer	Risk
High Risk Origination	-	0.00%	4.90%	Lower Risk

ACTIVE DEFAULT LIQUIDATION RATE

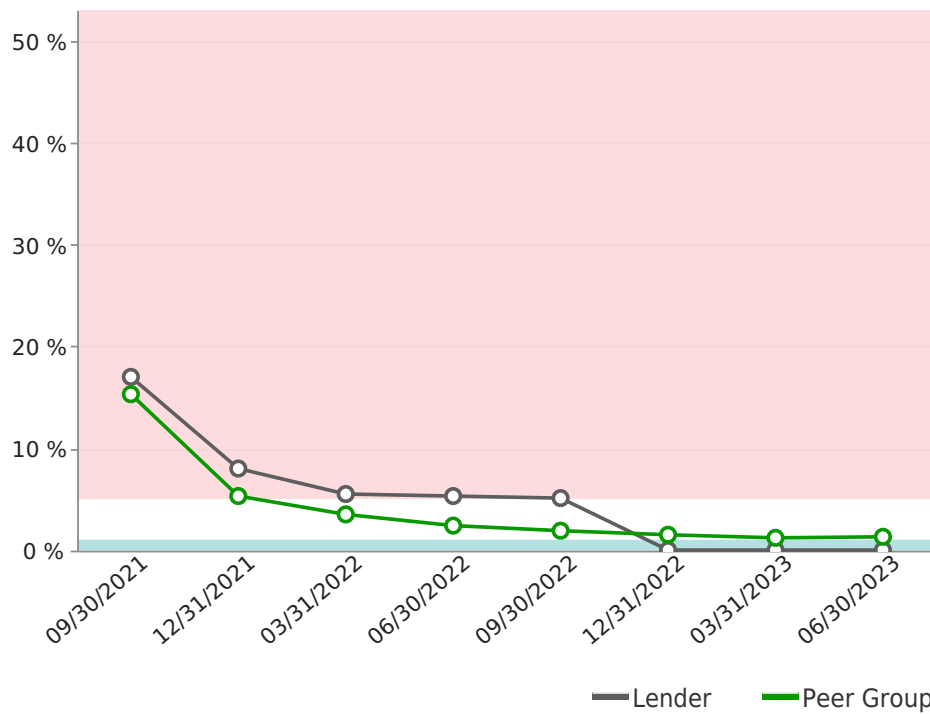
	#	\$	% of Purchase Balance	Risk
Active Default Liquidation	1	\$563,108.00	0.80%	Moderate Risk

FORECASTED PURCHASE RATE

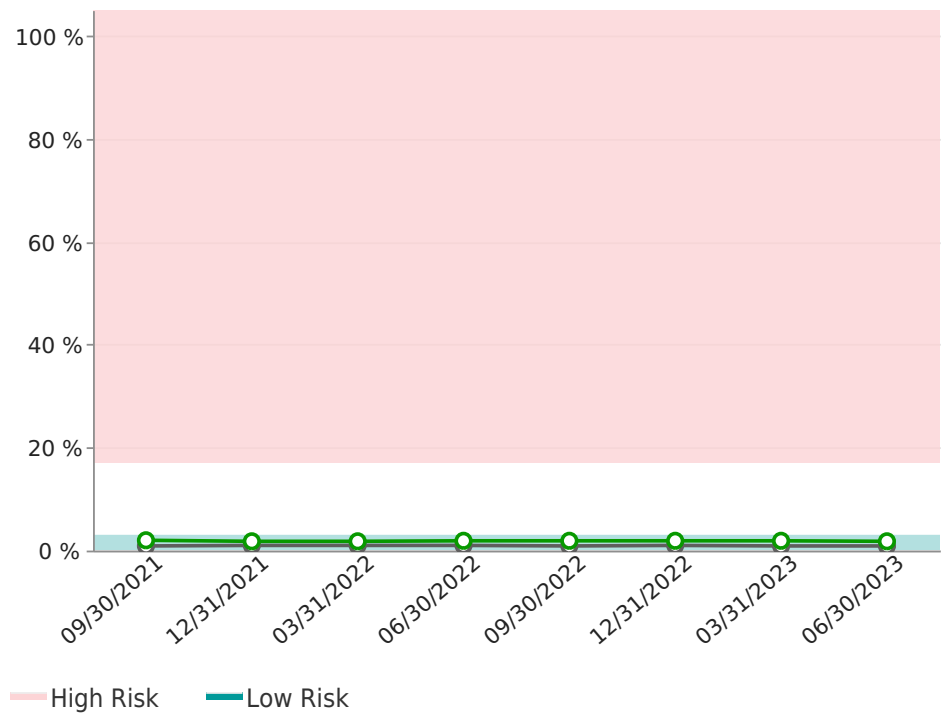
Forecasted Purchase Rate (FPR)	Peer FPR	Risk
0.34%	0.62%	Lower Risk

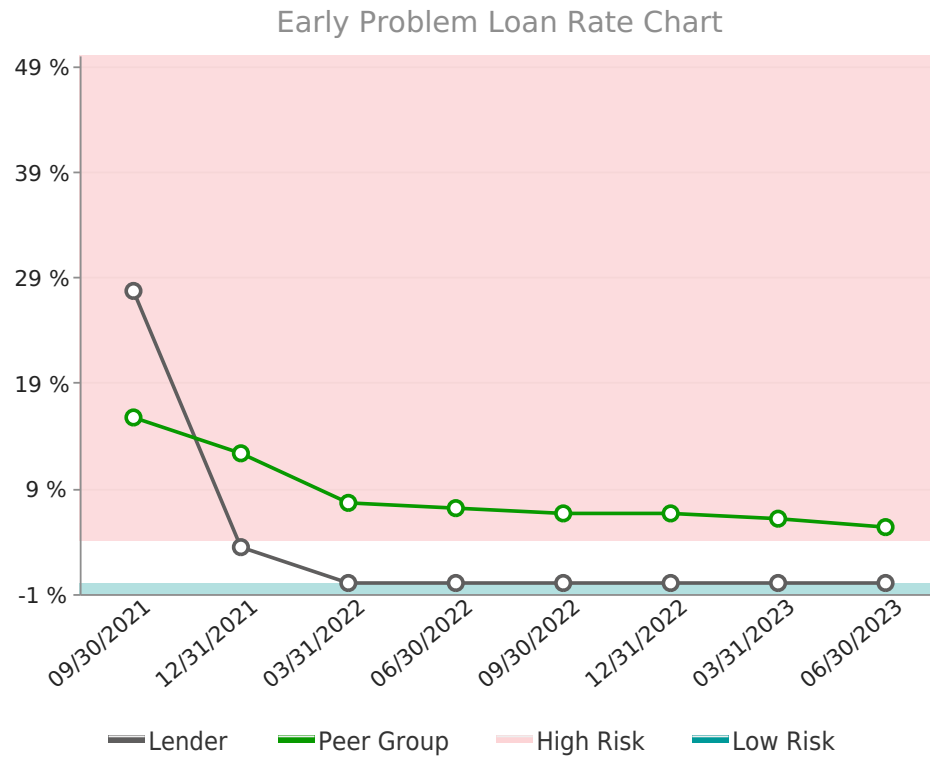
ASSET QUALITY

Stressed Rate



5 Year Charge Off Rate





UNDISBURSED APPROVALS	Approved #	Approved \$
Approvals not Disbursed in the past 4 years	9	\$5,415,000.00

EARLY PROBLEM AND DEFAULT (LAST 36 MONTHS)					
	#	\$	CDC %	Peer %	Risk
Early Problem	-	-	0.00%	5.30%	Lower Risk
Early Default	-	-	0.00%	0.00%	

SERVICING RISK

	\$	CDC %	Peer %	Risk
Past Due	-	-	0.62%	
Delinquent	-	-	0.69%	
Deferred	-	-	0.10%	
In Catch-Up	\$5,989,892.81	8.57%	9.70%	
Projected Purchase	\$236,488.98	0.34%	0.62%	
Stressed	-	0.00%	1.30%	Lower Risk

RESOLUTION RISK

	#	\$	CDC %	Peer %
Active Purchases	4	\$2,556,314.00	3.53%	2.04%
12 Month Purchase	0	\$0.00	0.00%	0.16%
Average # months of loans in Active Purchase Status				90.75
			CDC %	Peer %
5-Year Charge Off Rate			0.80% Lower Risk	1.70%

VINTAGE ANALYSIS

Disbursement Fiscal Year	# of Disbursed Loans	Disbursed \$	Approval \$ for Disbursed Loans	Surrogate Origination Average SBPS	Gross Purchase Amt of Disbursed Loans for Given FYTD
2010	22	\$10,824,000.00	\$10,941,000.00	209	\$960,315.00
2011	35	\$15,308,000.00	\$15,542,000.00	199	\$787,659.00
2012	21	\$10,754,000.00	\$10,797,000.00	196	\$0.00
2013	39	\$27,665,000.00	\$27,918,000.00	201	\$1,428,776.00
2014	20	\$13,047,000.00	\$13,255,000.00	202	\$533,831.00
2015	16	\$12,706,000.00	\$12,782,000.00	196	\$0.00
2016	17	\$11,315,000.00	\$11,674,000.00	181	\$1,025,670.00
2017	13	\$6,285,000.00	\$6,395,000.00	188	\$0.00
2018	10	\$7,775,000.00	\$8,155,000.00	181	\$0.00
2019	10	\$8,232,000.00	\$8,599,000.00	206	\$0.00
2020	16	\$14,040,000.00	\$14,063,000.00	197	\$0.00
2021	2	\$1,306,000.00	\$1,470,000.00	204	\$0.00
2022	17	\$11,217,000.00	\$11,301,000.00	219	\$0.00
2023	6	\$8,983,000.00	\$8,998,000.00	221	\$0.00

REGULAR SERVICING AND RESOLUTIONS

Sum of Dollars ▼

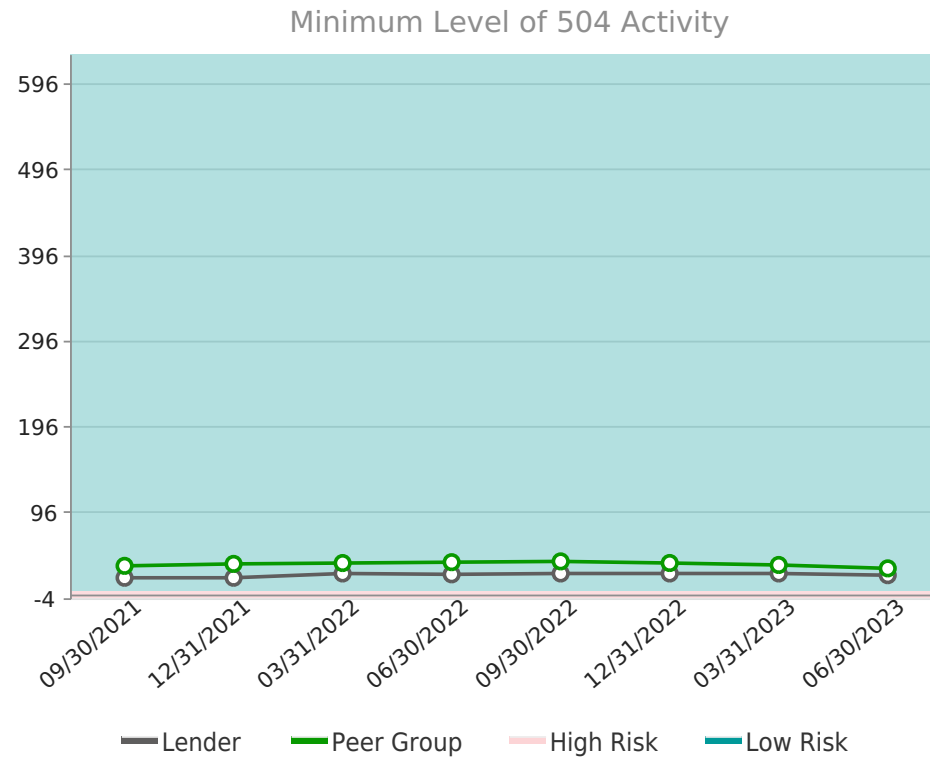
Delivery Method	Gross #	Gross Outstanding	Current	Past Due	Delinquent	Deferred	In-Catch Up	Active Purch
ALP	115	\$57,290,136.77	\$50,106,368.75	-	-	-	\$5,331,311.02	\$1,852,457.00
504REG	24	\$11,341,344.91	\$10,637,487.91	-	-	-	-	\$703,857.00
PCLP	-	-	-	-	-	-	-	-
504RFI	5	\$3,647,207.63	\$2,988,625.84	-	-	-	\$658,581.79	-
504D	-	-	-	-	-	-	-	-
Total	144	\$72,278,689.31	\$63,732,482.50	-	-	-	\$5,989,892.81	\$2,556,314.00

REGULAR SERVICING AND RESOLUTIONS

% of Total Balance ▼

Delivery Method	Gross Outstanding	Current	Past Due	Delinquent	Deferred	In-Catch Up	Active Purch
ALP	79.10%	69.18%	-	-	-	7.36%	2.56%
504REG	15.66%	14.69%	-	-	-	-	0.97%
PCLP	-	-	-	-	-	-	-
504RFI	5.04%	4.13%	-	-	-	0.91%	-
504D	-	-	-	-	-	-	-
Total	99.79%	87.99%	-	-	-	8.27%	3.53%

REGULATORY COMPLIANCE



STATE OF INCORPORATION

In what state is the CDC incorporated?

MT

MINIMUM LEVEL OF 504 EXPERIENCE

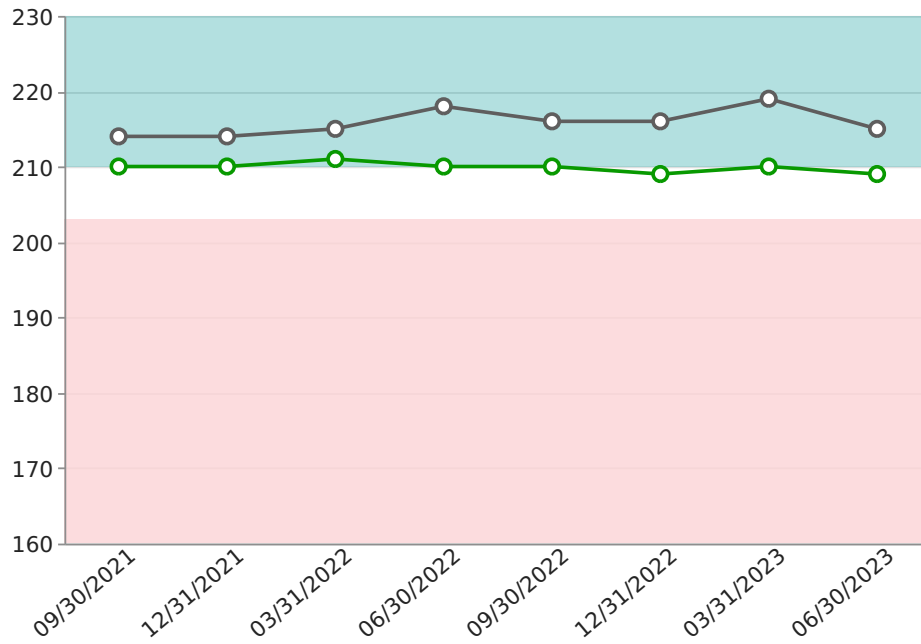
of Loans Approved the Past 2 Years

22

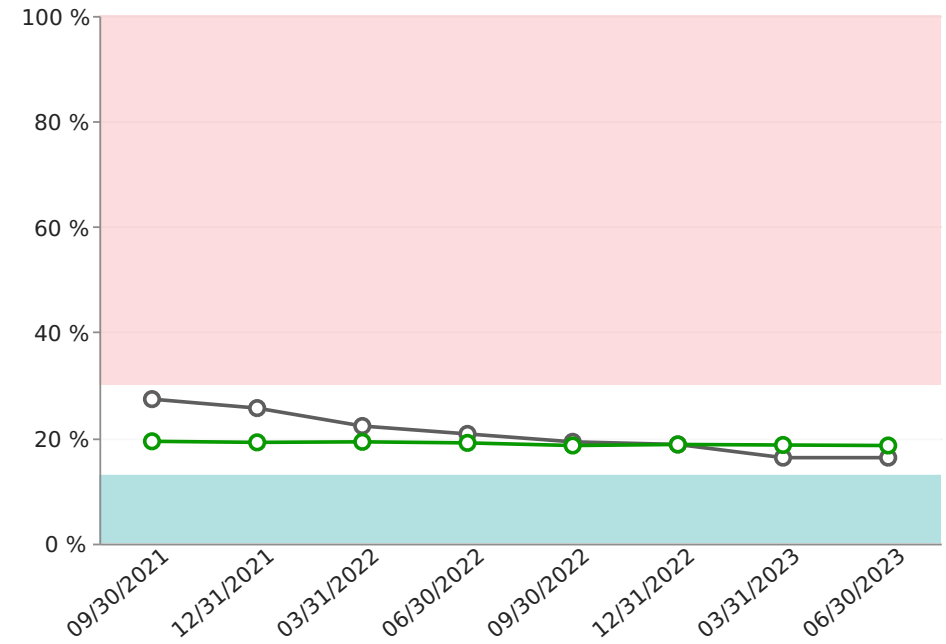
Lower Risk

TECHNICAL ISSUES

Average Portfolio SBPS Score Chart



Top Industry Concentration Rate Chart



— Lender — Peer Group — High Risk — Low Risk

AVERAGE PORTFOLIO CURRENT SBPS (\$ WEIGHTED)

Lender	Peer	Risk
215	209	Lower Risk

% BREAKDOWN OF CURRENT LOAN SBPS SCORES

	SBPS Range 200-300	SBPS Range 180-199	SBPS Range 160-179	SBPS Range 140-159	SBPS Range 0-139	Not Yet Scored
By Loan Count	73.05%	14.18%	7.80%	2.84%	1.42%	0.71%
By Dollars	77.29%	8.98%	9.86%	2.46%	0.62%	0.80%

LOAN APPROVALS

Approval FY	Approved #	Approved \$
2018	10	\$9,989,000.00
2019	16	\$14,813,000.00
2020	6	\$2,905,000.00
2021	12	\$6,683,000.00
2022	13	\$13,808,000.00
2023	7	\$4,588,000.00
Total	64	\$52,786,000.00

TOP INDUSTRY CONCENTRATION RATE

NAICS Subsector Code	721
NAICS Subsector	Accommodation
# of Loans	14
\$	\$11,762,583.92
%	16.24% Moderate Risk

TOP 10 NAICS

NAICS Subsector Code	NAICS Subsector	Gross #	Gross \$	%
721	Accommodation	14	\$11,762,583.92	16.24%
722	Food Services and Drinking Places	11	\$6,804,683.65	9.40%
811	Repair and Maintenance	5	\$4,902,025.32	6.77%
444	Building Material and Garden Equipment and Supplies Dealers	8	\$4,750,819.75	6.56%
621	Ambulatory Health Care Services	20	\$4,694,627.30	6.48%
812	Personal and Laundry Services	4	\$4,244,764.49	5.86%
453	Miscellaneous Store Retailers	3	\$3,174,344.82	4.38%
531	Real Estate	7	\$2,975,739.31	4.11%
441	Motor Vehicle and Parts Dealers	5	\$2,834,997.82	3.91%
541	Professional, Scientific, and Technical Services	9	\$2,628,837.30	3.63%

TOP 5 FRANCHISES

Franchise Rank	Franchise Name	# of Loans	\$	%
1	SPRINGHILL SUITES	1	\$2,221,350.81	3.07%
2	Ace Hardware	2	\$1,757,540.93	2.43%
3	HOLIDAY INN EXPRESS	1	\$1,494,259.64	2.06%
4	MICROTEL	1	\$1,489,302.00	2.06%
5	BEST WESTERN INN	1	\$1,406,196.46	1.94%
Total Franchise Portfolio:		23	\$17,482,003.67	24.14%

TOP 5 STATES

State	# of Loans	\$	%
MT	144	\$71,793,662.15	99.12%
WY	1	\$635,027.16	0.88%
-	-	-	-
-	-	-	-
-	-	-	-

Report Name: Management Report - Top 3 Industry Concentration
Organization Name: Big Sky Economic Development Corporation
Report Date: 9/1/2023

SBA Loan #	NAICS Description	NAICS Code	Project Total Costs Amount	Primary Loan Balance	Loan Sub Status		
71156250-02	Limited-Service Restaurants	722513	600750	171190.35	Current		
32862560-01	Limited-Service Restaurants	722513	1801279.41	286901.36	Current		
53717150-05	Full-Service Restaurants	722511	579000	148295.88	Current		
80484750-09	Full-Service Restaurants	722511	1507940	424723.81	Current		
53255350-09	Full-Service Restaurants	722511	2507361.75	552698.97	Current		
93201550-01	Full-Service Restaurants	722511	3691287.08	1066363	Current		
35375770-05	Full-Service Restaurants	722511	1851891.36	664937.81	Current		
40887891-08	Full-Service Restaurants	722511	3799826.22	1349812.18	Current		
72657687-00	Full-Service Restaurants	722511	2011213	776334.35	Current	10	
38052770-06	Full-Service Restaurants	722511	2317500	750077.12	Catch-Up	6,191,334.83	9.04%
42699470-06	Rooming and Boarding Houses, Dormitories, and Workers' Camps	721310	1800000	653875.26	Catch-Up		
60189771-07	Hotels (except Casino Hotels) and Motels	721110	2265778	630489.02	Catch-Up		
96132150-10	Hotels (except Casino Hotels) and Motels	721110	1800000	427718.15	Current		
17747170-04	Hotels (except Casino Hotels) and Motels	721110	7445500	2203816.12	Current		
77001650-07	Hotels (except Casino Hotels) and Motels	721110	735446.86	155744.13	Current		
79556750-09	Hotels (except Casino Hotels) and Motels	721110	1341905.45	333653.93	Current		
68606750-01	Hotels (except Casino Hotels) and Motels	721110	5805250	1129532.72	Current		
45051250-07	Hotels (except Casino Hotels) and Motels	721110	7999875	1474500.72	Current		
45523550-09	Hotels (except Casino Hotels) and Motels	721110	932118.65	154626.93	Current		
60215850-08	Hotels (except Casino Hotels) and Motels	721110	6612478	1390567.4	Current		
59638850-03	Hotels (except Casino Hotels) and Motels	721110	2806978.93	622720.58	Current	12	
90593040-08	Hotels (except Casino Hotels) and Motels	721110	2480000	137209.51	Current	9,314,454.47	13.60%
52819050-10	Offices of Physical, Occupational and Speech Therapists, and Audiologists	621340	806115	178888.6	Current		
47289150-05	Offices of Physical, Occupational and Speech Therapists, and Audiologists	621340	914264.87	166699.72	Current		
41324350-02	Offices of Physical, Occupational and Speech Therapists, and Audiologists	621340	705250	124007.17	Current		
37393470-04	Offices of Physical, Occupational and Speech Therapists, and Audiologists	621340	969005	357271.16	Current		
96489282-06	Offices of Mental Health Practitioners (except Physicians)	621330	836700	325166.54	Current		
35855470-01	Offices of Mental Health Practitioners (except Physicians)	621330	338613.77	126778.16	Current		
46798550-03	Offices of Mental Health Practitioners (except Physicians)	621330	300434.42	60470.77	Current		
51465850-07	Offices of Optometrists	621320	1698594.96	371965.87	Current		
88319750-08	Offices of Chiropractors	621310	277975	85944.8	Current		
57708950-10	Offices of Chiropractors	621310	284444	66390.36	Current		
90965884-08	Offices of Chiropractors	621310	254975	98921.43	Current		
71838289-08	Offices of Dentists	621210	2641472.34	1018433.69	Current		
27048670-02	Offices of Dentists	621210	1783994	642130.14	Current		
49462650-09	Offices of Dentists	621210	371000	78961.93	Current		
28989760-01	Offices of Dentists	621210	632506.57	92849.41	Current		
72065350-05	Offices of Dentists	621210	465404.04	139580.31	Current		
96240950-06	Offices of Dentists	621210	1283445	403052.17	Current		
37853050-01	Offices of Physicians, Mental Health Specialists	621112	449203.77	78636.76	Current	19	
46513350-09	Offices of Physicians, Mental Health Specialists	621112	883133.46	171579.62	Current	4,587,728.61	6.70%
Sum (Total Portfolio)			253,850,265.36	68,483,471.96			

Report Name: Funded 504 Loans in Portfolio
Organization Name: Big Sky Economic Development Corporation
Report Date: 9/1/2023

SBA Loan #	Loan Balance	Funded Date	Maturity	Loan Status
38397970-07	1,821,490.46	06/17/2020	06/01/2040	Catch-Up
38052770-06	750,077.12	06/17/2020	06/01/2045	Catch-Up
38397370-00	2,087,517.90	06/17/2020	06/01/2045	Catch-Up
60189771-07	630,489.02	08/12/2020	08/01/2045	Catch-Up
42699470-06	653,875.26	08/12/2020	08/01/2045	Catch-Up
59677240-02	1,731.14	11/12/2003	11/01/2023	Current
73046340-08	6,669.58	08/11/2004	08/01/2024	Current
75155140-07	23,707.04	11/17/2004	11/01/2024	Current
61645840-09	26,459.56	03/16/2005	03/01/2025	Current
90593040-08	137,209.51	12/14/2005	12/01/2025	Current
81132840-01	131,418.98	06/14/2006	06/01/2026	Current
28989760-01	92,849.41	06/11/2008	02/01/2028	Current
30594160-01	60,954.60	06/11/2008	06/01/2028	Current
29451860-04	75,566.85	10/15/2008	05/01/2028	Current
27123460-03	123,079.14	10/15/2008	10/01/2028	Current
32268160-01	349,244.69	06/17/2009	06/01/2029	Current
28719560-06	98,167.72	10/14/2009	10/01/2029	Current
33705050-00	279,840.67	02/17/2010	02/01/2030	Current
38355550-05	25,097.15	03/17/2010	03/01/2030	Current
37853050-01	78,636.76	06/16/2010	06/01/2030	Current
35842350-08	545,750.70	07/14/2010	07/01/2030	Current
37387150-03	490,064.83	08/11/2010	08/01/2030	Current
38167250-02	614,313.27	08/11/2010	08/01/2030	Current
41324350-02	124,007.17	10/13/2010	10/01/2030	Current
32862560-01	286,901.36	10/13/2010	10/01/2030	Current
37207750-01	37,812.32	12/15/2010	12/01/2030	Current
42727750-01	112,569.25	06/15/2011	06/01/2031	Current
46798550-03	60,470.77	12/14/2011	12/01/2031	Current
40944150-05	579,348.30	12/14/2011	12/01/2031	Current
47289150-05	166,699.72	02/15/2012	02/01/2032	Current
46513350-09	171,579.62	03/14/2012	05/01/2032	Current
50519250-10	63,100.57	05/16/2012	05/01/2032	Current
49208250-02	136,597.31	06/13/2012	06/01/2032	Current
49462650-09	78,961.93	09/12/2012	09/01/2032	Current
47252250-04	83,103.21	10/17/2012	10/01/2032	Current
51465850-07	371,965.87	02/13/2013	02/01/2033	Current
53478450-09	241,433.09	02/13/2013	02/01/2033	Current
49985850-02	187,264.93	03/13/2013	03/01/2033	Current

SBA Loan #	Loan Balance	Funded Date	Maturity	Loan Status
45523550-09	154,626.93	03/13/2013	03/01/2033	Current
53255350-09	552,698.97	03/13/2013	03/01/2033	Current
52819050-10	178,888.60	04/17/2013	04/01/2033	Current
54303650-08	266,726.84	04/17/2013	04/01/2033	Current
55536350-06	351,254.66	05/15/2013	05/01/2033	Current
55089650-01	481,333.58	06/12/2013	06/01/2033	Current
51902550-10	64,177.16	06/12/2013	06/01/2033	Current
57708950-10	66,390.36	06/12/2013	06/01/2033	Current
54601950-06	371,049.49	08/14/2013	08/01/2033	Current
55719750-07	96,669.70	08/14/2013	08/01/2033	Current
59566650-09	490,266.45	09/11/2013	09/01/2033	Current
53091250-04	940,683.28	10/16/2013	10/01/2033	Current
59436550-07	237,391.00	11/13/2013	11/01/2033	Current
45051250-07	1,474,500.72	12/11/2013	12/01/2033	Current
53717150-05	148,295.88	06/11/2014	06/01/2034	Current
59638850-03	622,720.58	06/11/2014	06/01/2034	Current
63238050-08	186,097.29	07/16/2014	07/01/2034	Current
67395350-03	64,086.28	07/16/2014	07/01/2034	Current
61868350-09	74,471.24	08/13/2014	08/01/2034	Current
61065750-04	579,046.85	09/17/2014	09/01/2034	Current
62849650-06	225,049.73	10/15/2014	10/01/2034	Current
68606750-01	1,129,532.72	11/12/2014	11/01/2034	Current
64189550-10	284,417.17	12/17/2014	12/01/2034	Current
63329650-01	194,339.59	04/15/2015	04/01/2035	Current
65103950-00	445,721.87	05/13/2015	05/01/2035	Current
68327150-03	194,758.25	05/13/2015	05/01/2035	Current
70227950-08	550,243.65	07/15/2015	07/01/2035	Current
65258350-04	1,023,282.82	08/12/2015	08/01/2035	Current
69471150-00	2,039,626.53	10/14/2015	10/01/2035	Current
71087250-10	315,080.28	10/14/2015	10/01/2035	Current
60215850-08	1,390,567.40	12/16/2015	12/01/2035	Current
71156250-02	171,190.35	01/13/2016	01/01/2036	Current
77001650-07	155,744.13	02/17/2016	02/01/2036	Current
80484750-09	424,723.81	03/16/2016	03/01/2036	Current
74475750-07	149,302.48	04/13/2016	04/01/2036	Current
75929250-01	507,734.84	06/15/2016	06/01/2036	Current
79556750-09	333,653.93	06/15/2016	06/01/2036	Current
82687950-02	82,204.27	06/15/2016	06/01/2036	Current
83015650-06	256,628.49	07/13/2016	07/01/2036	Current
80296850-07	357,042.16	10/12/2016	10/01/2036	Current
83552250-04	689,179.14	12/14/2016	12/01/2036	Current
72065350-05	139,580.31	12/14/2016	12/01/2036	Current
86931650-02	130,856.31	12/14/2016	12/01/2036	Current

SBA Loan #	Loan Balance	Funded Date	Maturity	Loan Status
88319750-08	85,944.80	02/15/2017	02/01/2037	Current
69417850-01	672,134.19	02/15/2017	02/01/2037	Current
86566550-08	312,133.16	05/17/2017	05/01/2037	Current
84316050-03	227,015.26	06/14/2017	06/01/2037	Current
82890950-03	266,723.97	06/14/2017	06/01/2037	Current
90434750-04	91,392.41	08/16/2017	08/01/2037	Current
96240950-06	403,052.17	10/11/2017	10/01/2037	Current
88673250-03	268,961.23	12/13/2017	12/01/2037	Current
96132150-10	427,718.15	12/13/2017	12/01/2037	Current
21009970-05	656,194.07	04/11/2018	04/01/2038	Current
14069970-03	309,825.09	04/11/2018	04/01/2038	Current
93513050-01	409,160.60	05/16/2018	05/01/2038	Current
93201550-01	1,066,363.00	06/13/2018	06/01/2038	Current
17747170-04	2,203,816.12	11/14/2018	11/01/2038	Current
25990570-03	204,463.30	11/14/2018	11/01/2043	Current
30706070-07	422,987.54	01/16/2019	01/01/2044	Current
24926170-05	284,027.71	03/13/2019	03/01/2039	Current
31250470-03	161,100.08	04/17/2019	04/01/2039	Current
35377470-08	635,112.12	06/12/2019	06/01/2044	Current
35375770-05	664,937.81	06/12/2019	06/01/2044	Current
27048670-02	642,130.14	06/12/2019	06/01/2044	Current
26875570-00	680,596.07	09/11/2019	09/01/2039	Current
27997870-04	1,089,141.42	11/13/2019	11/01/2044	Current
25803070-06	1,923,057.12	11/13/2019	11/01/2044	Current
28727470-00	187,580.36	12/11/2019	12/01/2039	Current
36810070-03	162,116.67	12/11/2019	12/01/2039	Current
38704970-09	264,518.16	12/11/2019	12/01/2044	Current
37393470-04	357,271.16	01/15/2020	01/01/2045	Current
37931770-02	786,710.10	01/15/2020	01/01/2045	Current
33422370-08	551,037.19	03/11/2020	03/01/2045	Current
42523170-09	395,290.96	08/12/2020	08/01/2040	Current
35855470-01	126,778.16	08/12/2020	08/01/2045	Current
85332782-07	495,531.35	05/12/2021	05/01/2046	Current
42956270-08	720,690.74	09/15/2021	09/01/2046	Current
92139282-07	474,059.37	12/15/2021	12/01/2046	Current
90965884-08	98,921.43	01/12/2022	01/01/2042	Current
72657687-00	776,334.35	01/12/2022	01/01/2047	Current
87986490-06	197,628.67	02/16/2022	02/01/2047	Current
98597890-01	343,702.15	02/16/2022	02/01/2047	Current
12831291-00	812,173.25	03/16/2022	03/01/2047	Current
39704370-10	1,193,808.31	03/16/2022	03/01/2047	Current
96489282-06	325,166.54	04/13/2022	04/01/2047	Current
19023691-02	1,037,804.69	05/11/2022	05/01/2047	Current

SBA Loan #	Loan Balance	Funded Date	Maturity	Loan Status
12830491-00	210,676.93	06/15/2022	06/01/2047	Current
33688391-10	764,067.99	06/15/2022	06/01/2047	Current
71838289-08	1,018,433.69	06/15/2022	06/01/2047	Current
30119191-07	173,177.20	07/15/2022	07/01/2042	Current
13108491-00	1,262,881.14	08/17/2022	08/01/2042	Current
31429991-09	1,177,620.86	08/17/2022	08/01/2047	Current
31429091-04	741,248.48	08/17/2022	08/01/2047	Current
31429291-10	207,471.58	08/17/2022	08/01/2047	Current
41684591-03	1,151,984.46	11/16/2022	11/01/2047	Current
42861291-10	1,235,380.29	02/15/2023	02/01/2048	Current
40202791-01	4,095,947.75	03/15/2023	03/01/2048	Current
40887891-08	1,349,812.18	03/15/2023	03/01/2048	Current
46592491-04	900,317.60	05/17/2023	05/01/2048	Current
48478691-10	149,225.99	06/14/2023	06/01/2048	Current
44305291-07	232,251.81	07/14/2023	07/01/2048	Current
Sum	68,483,471.96			
Average	492,686.85			
# Loans	139			

Report Name: Approved 504 Loans (07/01/2022 - 06/30/2023)
Organization Name: Big Sky Economic Development Corporation
Report Date: 9/1/2023

SBA Loan #	Total Project Costs	SBA Gross Debenture	Processing Fee	SBA Approval Date	Jobs Created	Jobs Retained
41684591-03	2,845,746.00	1,172,000.00	17,074.47	07/08/2022	4.00	0.00
41702691-04	2,176,448.00	897,000.00	13,058.69	07/11/2022	27.00	0.00
42833891-01	1,274,776.00	461,000.00	6,692.57	09/06/2022	10.00	0.00
42861291-10	5,235,652.82	1,251,000.00	18,230.76	09/07/2022	11.00	0.00
44305291-07	563,290.00	233,000.00	3,379.74	10/25/2022	14.00	0.00
46592491-04	2,211,730.16	907,000.00	13,270.38	12/12/2022	3.00	0.00
48478691-10	360,490.00	150,000.00	2,162.94	02/15/2023	0.00	3.00
50056691-07	657,668.00	272,000.00	3,946.01	04/24/2023	8.00	0.00
51016891-02	2,016,888.00	827,000.00	12,101.33	06/02/2023	25.00	0.00
51246991-08	3,987,660.00	1,633,000.00	23,925.96	06/13/2023	13.00	0.00
51391591-02	1,340,000.00	551,000.00	8,040.00	06/21/2023	1.00	9.00
Sum	22,670,348.98	8,354,000.00	121,882.85		116.00	12.00
Average	2,060,940.82	759,454.55	11,080.26		10.55	1.09

Report Name: Funded Loans (07/01/2022 - 06/30/2023)
Organization Name: Big Sky Economic Development Corporation
Report Date: 9/1/2023

SBA Loan #	Total Project Costs	SBA Gross Debenture	Processing Fee	Funded Date	Jobs Created	Jobs Retained
30119191-07	431,363.00	180,000.00	2,588.16	07/15/2022	0.00	0.00
13108491-00	3,229,875.31	1,310,000.00	0.00	08/17/2022	3.00	0.00
31429991-09	5,527,500.00	1,209,000.00	17,625.20	08/17/2022	2.00	30.00
31429091-04	3,710,000.00	761,000.00	11,077.25	08/17/2022	3.00	14.00
31429291-10	1,750,000.00	213,000.00	3,068.19	08/17/2022	3.00	14.00
41684591-03	2,845,746.00	1,172,000.00	17,074.47	11/16/2022	4.00	0.00
42861291-10	5,235,652.82	1,251,000.00	18,230.76	02/15/2023	11.00	0.00
40202791-01	11,511,006.00	4,139,000.00	60,432.78	03/15/2023	9.00	0.00
40887891-08	3,799,826.22	1,364,000.00	19,888.67	03/15/2023	30.00	0.00
46592491-04	2,211,730.16	907,000.00	13,270.38	05/17/2023	3.00	0.00
48478691-10	360,490.00	150,000.00	2,162.94	06/14/2023	0.00	3.00
Sum	40,613,189.51	12,656,000.00	165,418.80		68.00	61.00
Average	3,692,108.14	1,150,545.45	15,038.07		6.18	5.55

Report Name: Prepaid Report (07/01/2022 - 06/30/2023)
Organization Name: Big Sky Economic Development Corporation
Report Date: 9/1/2023

Borrower	Funded Date	Payoff Date	Original Balance	Payoff Balance
LouLa's Cafe	10/15/2014	07/05/2022	172,000.00	118,269.18
Super 8 Great Falls MT	09/11/2013	07/13/2022	990,000.00	651,047.40
Creative Horizons Learning Center, LLC	09/14/2005	09/15/2022	263,000.00	58,612.58
Super 8 Miles City	07/11/2018	10/14/2022	528,000.00	446,458.60
Cayton Excavation, Inc.	01/16/2013	10/22/2022	147,000.00	83,776.65
Excel Physical Therapy	04/17/2019	11/08/2022	1,285,000.00	1,110,887.11
ANGRY HANK'S MICROBREWERY LLC	09/12/2012	12/15/2022	411,000.00	226,539.25
La Quinta Inn & Suites	02/11/2015	01/19/2023	1,057,000.00	704,227.81
Mother Moose Enterprises, Inc.	10/13/2010	04/20/2023	259,000.00	109,583.13
N W CONSTRUCTION, INC.	02/17/2016	05/18/2023	184,000.00	124,595.44
Sum			5,296,000.00	3,633,997.15
Average			529,600.00	363,399.72
Count				10



BIG SKY
ECONOMIC DEVELOPMENT

EDA • EDC CREATING MONTANA BUSINESS OPPORTUNITIES

ATTACHMENT H

**September 2023
Executive Director's Report
and Program Updates
to the
Board of Directors**

Strategic Priorities (FY 2023-24)

Strategic Objectives (updates in *blue/italic*)

1. Build out the Billings entrepreneurship ecosystem to support new, innovative, diverse business startups (Leads: Business Advising & Lending Programs)

Strategies

- a. Complete the Rock31/BSED facility development project to its full vision—*We have completed our one-year warranty walkthrough and only found a few items to address. We also found a handful of items to upgrade (i.e., keypad entry for both doors in the lower level, and a window in the SBDC door). We had \$16,000 remaining in our building fund to cover these up-grade items. Per the Board's direction we have created a Building Repair and Replacement Fund, transferring \$125,000 from our net operating income to this new account. Important to have these dollars as we move out of our initial warranty period. In all, the building is meeting and exceeding expectations in so many ways.*
- b. Execute the Rock31 program plan, build Rock31 membership and roll out acceleration programming—*Our search process for our Rock31 Director of Entrepreneurship continues. We have struggled a bit finding just the right fit. To keep things moving we are now going to launch the Rock31 Community Coordinator search as well. In the meantime, Nik continues to fill in at the front desk, serving the needs of the Rock31 members. He is doing a great job. Kayla will continue as the interim director of Rock31, likely for the next 6 to 8 weeks. Great team effort.*
- c. Build awareness of all business advising and lending programs and tools—*Our partnership with the Native American Development Corporation to serve their client base through our existing Rock31 and Small Business Development Center programs has been awarded the grant from the Federal Economic Development Administration (EDA). We are now working on a cooperative agreement with NADC. These funds will support an expanded role for the Rock31 Community Coordinator position, now onboarding new members referred to us by the NADC. The grant provides \$110,000 to \$150,000 per year for this work. More details to follow.*

2. Act Now to redevelop downtown, building essential workforce housing and connection/complementing medical corridor investment (Leads: Executive Director, Community Development, and Recruitment)

Strategies

- a. Partner to create a Development Action Fund (pool of tools and resources) to attract and incent downtown housing/mix-use development— *The Downtown Housing Working Group work continues. Efforts now are focused on encouraging the right development opportunities for the Gazette and Ryan properties. We want to be able cooperate with both property owners, and if needed use TIF and Opportunity Fund dollars to make key projects a reality—with a focus on housing and mix-use development. We will be meeting with Lee Enterprises (owner of the Gazette) in September to encourage partnership toward a significant development at their site. As a part of this work, we are developing conceptual site plans to stimulate some creative/reality thinking about these sites. I will update the Board following this key meeting.*
- b. Develop a marketing/outreach strategy and solicit developer proposals—*no new info to share.*
- c. Update the 2017 downtown housing study to guide decision making for City/BSED and private developers—**COMPLETED.**
- d. Seek a more development-friendly approach from the City—*No progress in this area, yet.*

3. Invest in the quality of our community through a comprehensive parks and trails development and funding plan (Leads: Community Development)

Strategies

- a. Facilitate working groups that feed the policy-making process—*The parks/trails/rec bond issue campaign kicked off today. There is a need for \$112,000 more to fully fund the campaign. The capital/construction fund raising is nearing the \$3.0 million mark. Leadership for both the bond issue campaign and the construction project fundraising will attend our September Board meeting.*
- b. Provide research and data that articulates the value in parks and trails development—*The community development/recruitment team will be working with the City to push out educational information regarding the value of investment in parks/trails/recreation. That effort will start asap.*
- c. Build public awareness regarding parks and trails investment—*Significant work ahead.*
- d. Complete \$1.0 million in phase-one Coulson Park development— *To date we have raised, including BSED contributions, about \$800,000 toward initial Coulson Park development.*

4. Grow, retain and attract a qualified workforce (Leads: BillingsWorks)

Strategies (see BillingsWorks section for updates)—*an exciting announcement will come soon regarding a grant award to add even more tools to support career pathways and talent attraction. Marcell will have the details soon.*

- a. Curate & share quarterly job market/industry data reports and solutions for employers to help them make data informed decisions related to talent attraction and retention
- b. Collaborate with Think Billings to advance talent attraction and retention resource with targeted marketing campaigns that align business recruitment efforts and talent attraction efforts

- c. Sustain partnerships and focus on education and industry alignment and collaboration through participation in STEM Yellowstone, internships, Yellowstone County Summer Jobs Program, the Summer Intern Leadership Institute, and continued convening (quarterly) of the BillingsWorks Steering Committee

Program Updates

Community Development Program Report

Tax Abatements:

We met with the City Administrator on the tax abatement programs to consider adjustments to the program. We are currently preparing a summary document containing types of abatements, MCA code and city/county resolutions, requirements, goals, and draft evaluation matrix. The City Administrator will provide a presentation on the tax abatement program at the October 16th City Council work session.

Brownfields Program:

Our Environmental Consultants continue to work on approval for our preliminary documents and plans through the EPA, including our Quality Assurance Project Plan and our Community Outreach Plan. We have completed two Phase I Environmental Site Assessments (ESA) and two additional Phase I ESAs in the works. We also have two Phase II ESAs pending approval by the EPA.

We have completed and submitted our workplan for our new Brownfield Revolving Loan Fund grant and are awaiting approval. We will work on all the preliminary procedures and documents for that grant once we receive approval for our workplan. Full start-up of that program may take several months.

On August 29th, BSED hosted Janet McCabe, Deputy Administrator of the Environmental Protection Agency, and KC Becker EPA Region 8 Administrator, including a downtown walking tour and a roundtable discussion of development issues in Billings and how Brownfield and other federal resources can help.

Coulson Park:

We have requested additional information on progress at Coulson Park from Billings Parks and Recreation. We rescheduled a meeting with Scheels and the Parks Department to provide an update on the status of construction to comply with the Scheels grant award.

Downtown Housing:

We continue to work with local housing projects and housing organizations with a focus on downtown housing.

Lockwood Industrial Park Targeted Economic Development District (TEDD):

The TEDD Advisory Board continues to work with the County, Lockwood Water and Sewer District, KLJ, and Morrison Maierle to fund and install water and sewer infrastructure at the Johnson Lane Interchange. KLJ has applied to the Montana Coal Board for funds for this project and will soon also apply to the US Economic Development Agency. KLJ and Morrison Maierle continue to coordinate engineering of the system with the Montana Dept of Transportation. Construction is scheduled for 2024.

Space2Place:

Three Space2Place projects have been completed – the large mural in the alley behind Edward Jones and Inkcredible downtown, Canvas Creek Team Building's Collaborative Art Project in the same alley, and Tyson Middle's large mural on the north wall of the YMCA. The DBA's Illuminate 29th St project is nearing completion. The other projects are in various stages of progress with completion required by the end of September.

Parks and Trails:

BSED will continue to assist the City of Billings and our community partners in their educational efforts surrounding the Parks and Trails bond ballot measure. City voters will decide this November whether to fund approximately \$142 million in parks, recreation, and trails projects, including the South Billings Recreation center, Castlerock Park, South Park pool, and several other parks and trails projects.

Department of Transportation Thriving Communities Grant:

BSED, NADC, 7th Gen met to look at the community needs assessment with the consultants. The grant's technical advisors will be working to complete the needs assessment and set up a guide to move forward on activities.

MT APEX Accelerator

MT APEX Accelerator kicked off its new performance period with a GovMatch 2023/Doing Business with the Navy event on August 9th. Ninety-eight companies from across the state attended the event and had the opportunity to meet with acquisition staff from the U.S. Navy, National Park Service, Bureau of Land Management, Bureau of Indian Affairs, U.S. Army Corps of Engineers-Seattle District, General Services Administration, Small Business Administration, Montana Army National Guard, U.S. Department of Veterans Affairs, MT Department of Transportation DBE, State of Montana, City of Billings and the Billings Logan International Airport. Staff from the offices of Senator Jon Tester, Senator Steve Daines, Representative Matt Rosendale and the Native American Development Corporation APEX Accelerator were also on site to meet with companies. **Photos from the event can be viewed at this link:** [GovMatch 2023](#)

Since August 1st, Billings APEX and BSED's SW Montana location have provided 191 counseling sessions totaling 94 hours to 92 unique companies. Statewide (all locations combined) have provided 421 counseling sessions totaling 276 hours to 196 unique companies.

Upcoming September events include:

1. September 9th: U.S. Army Corps of Engineers (Seattle District) information session for the Sentinel Project (Minute Man III) replacement/upgrade. There will be construction/A&E/Environmental infrastructure contracts (multibillion) over the next ten plus years. USACE wants to hear from Montana companies that can support the project. So far, 80 companies from across the state are registered.
2. September 18th: Move Beyond SAM – A monthly series designed to orient companies to developing a focused strategy for the government marketplace.
3. September 26th: Billings APEX will be participating in the USDA/FDIC/SBA “Path to Prosperity” event to provide government contracting information to the businesses in attendance.

VBOC

Highlights:

Training: 14 attendees at 2 events in the month of August.

- In Person Boots to Business at FE Warren AFB, Wyoming—4 attendees. Delivered in partnership with the Montana SBA and Great Falls SBDC.
- Reboot class held online—7 attendees. Delivered in partnership with Utah SBA District Office

Outreach: 5 outreach meetings in August with 102 Total attendees.

Counseling – 19 counseling sessions with 19 veteran or military spouse clients in the month of August.

1 new business start.

100% of new veteran e-center sign ups each month have at least 1 counseling session.

Administration: The VBOC is preparing a job description for a program manager. This position will be filled as soon as possible to increase all areas of the program metrics. The Center is on track in the area of Boots-to-Business and Reboot training. Outreach has increased significantly as the VBOC ramps up from an unplanned hiatus due to the resignation of the prior Director and Trainer.

Member Investor Program

Rick and I continue to work together through the onboarding process. Rick attended and led the Boots2Business training at Salt Lake City Hill Airforce Base and FE Warren Airforce Bases respectfully. He is an excellent asset to the Team. Monthly reimbursements were submitted to SBA within compliance requirements including the closing documents for the project period of May 1, 2022 to April 30, 2023 regarding the past grant. First quarter documents and monthly reimbursements were submitted for review regarding new VBOC grant and will be uploaded to Grant Solutions after approval. Steve, Brandon, and I hosted a Member Investor Lunch at 406 Window Tuesday, August 29th. A great lunch attended by Sundown Security, Opportunity Bank, Fischer Flooring, 406 Window, and TKI CNC! Member Investor conversations were had with Mars of Billings, Bob Smith Motors, Mountain West Commercial Real Estate, Greater Good Health, TrueNorth Steel, Turley Dental, and Layton Construction. In addition, Marcell and I finalized the new “benefits” 1-pager to be announced to existing and provided to prospect MIs. We have begun conversation and organizing efforts towards the Member Investor Bus Tour, we anticipate the tour to be latter part of October after the Annual Meeting.

As always, please connect with me regarding new perspective Member Investor referrals or communications with current Member Investors at patrick@bigskyeda.org, 869-8419.

Marketing/BillingsWorks

Engagement/Marketing/Workforce Development:

- Continued partnership with BSED programs with marketing needs
- Hosted Neon Cloud for production shoot (2 days/ 30 hours) for Economic Development video of Billings to showcase the lifestyle and business expansion/recruitment options
- Vault Podcast Branding Shoot
- Katelyn Harmon, Marketing Manager started at BSED August 1st
- Assisted APEX with marketing, event logistics, and event hosting duties for Navy Week GovMatch event (including newsletters, social media, day-off coordination, radio/media interviews)
- Planned and hosted surprise 15 year BSED celebration for Steve
- Assisted Community Development with hosting and media needs for EPA Deputy Director Visit
- Hosted End of Summer Celebration for YCSJP
- Hosted final session/certification celebration for SILI
- BOIB Presentation to Billings Chamber Board of Directors
- BillingsWorks Meeting with Moore Lane Vet Clinic
- Attended MEDA Award Committee Meeting

Outreach meeting with Cushing Terrell, JP Chase

SBDC/Rock31

Noteworthy:

- ★ GRAND OPENING Barista Space – Sweetwater Coffeehouse
- ★ SBDC Marketing Sticker Campaign continues
- ★ Rock31 Member Social – August 24

Team Activity:

- The Vault Podcast – recording episodes on Wednesdays
 - 18 episodes have been released
 - 5345 downloads in North America
 - 281 Internationally – we are on ALL the continents
 - 1613 Billings
- Sent out monthly newsletter to all SBDC clients
 - Started the Sticker Campaign to market the SBDC services
- Rock 31 - 70 paying Members
 - All dedicated desks and offices are filled
 - Met with the Founders on Thursdays in the lower level
 - Sent out a weekly email update to Rock31 members
 - Sent out a monthly newsletter to Rock31 members
- Team members attended or participated in:
 - Dare to Lead 2-day workshop in Helena – July 18 & 19
 - Outreach to Joliet – Beartooth Board meeting - July 20
 - Navy Week – August 9
 - Advisory meeting – August 22
 - Homestake VC Presentation – August 24
 - Outreach to Harlowton – DBE partnership – August 25
- Monthly training:
 - Start-up Roadmap, monthly recurring training
 - Managing Cash Flow – August 22
 - Understanding Sourcing and supply Chain – August 29
 - Planning Expert Week for September 25 - 29
- Advisory Meeting:
 - 9 attending members
 - 3 action items were checked off
 - 6 action items added

Big Sky Finance

Following is our loan activity for the month:

SBA 504 Loans Approved	1 - \$620,000
EDA-RLF Loans Approved	1 - \$250,000

One SBA 504 loan was approved at SBA for a business located in Billings looking to expand and relocate. The EDA-RLF loan approved is to assist a new restaurant with tenant improvements in Billings. More information is to come on these projects once they have closed and funded. We closed on the SBA 504 loan for Sidney ACE Hardware in August for a September funding.

We continue to meet with prospective borrowers and have multiple loans in the underwriting stage. Our push over the next couple months is to market the EDA-RLF loan program to get the last of the approximate \$600k lent to businesses in Yellowstone County. Ideally, we will partner with a lender on

this financing to fill a borrower's financing gap, however, we are able to provide the financing ourselves if needed. Loans can be made up to \$250k.

The Big Sky Finance team attended and assisted with the Billings Navy Week hosted by our APEX team. Brandon attended the Member Investor lunch at 406 Windows sharing information on the SBA 504 loan program with those in attendance. 406 Windows is one of our SBA 504 clients.

The SBA 504 effective interest rates for the month of July remained constant from the prior month. These are competitive, below market rates that are fixed for the life of the SBA 504 loan.

- 25-year debenture = 6.55%
- 20-year debenture = 6.61%
- 10-year debenture = 7.08%

Organizational/Policy Matters

1. Staffing Plans— We have now filled our Business Development Officer positions for Big Sky Finance—Tyler Wink. We have also filled our Marketing Manager position, Katleyn Harmon. And, we have filled our Senior Director for Recruitment and Community Development, Ashley Kavanagh. All great additions to the BSED team.

We still have work to do to fill the Director of Rock31 and Rock31 Community Coordinator positions. Those searches will relaunch/launch soon. We have a second VBOC position to fill—VBOC project manager, and a BillingsWorks manager role to fill.

We have made progress, but plenty of work ahead.

2. Air Service Strategies – Important air service expansion work ahead—1) meeting with Sun Country Airlines (Minneapolis) September 25th; 2) meeting with Southwest Airlines (Dallas) November 16th; and 3) an Air Service Strategy Session with Community Leaders November 8th. We will want both the EDA and EDC Board to be represented at the Strategy Session. More details to follow.
3. FY 2024 Budget—Our mill levy has been set. Thank you, Commissioners. We have updated the budgets for presentation to the Board at our September meeting. We will ask the Board to consider and vote on the final FY '24 EDA and EDC Budgets. The details are provided in the Board packet.
4. Executive Director Focus— Work is underway on a few critical items on the Areas of Focus—1) updating the Succession Plan; 2) updating the Executive Director job description and compensation study; 3) developing a merit pay plan for future Merit Award compensation for BSED team members; and 4) updating the Salary Administration Guidelines. I will provide some details at the September Board meeting.
5. Annual Meeting- October 11th will be our Annual Meeting for 2023. Please mark you calendars. We would like to have 100% participation from our Board members. Our theme—**Be remarkable Billings**—highlighting our diverse economy and the industries that drive our economic future.

We will begin with a Member Investor Only Briefing Session at 10:30 AM (a chance to provide our members with insider info on our strategic priorities and other key projects. The Annual meeting kicks off at 11:30 AM and runs to 1:15 PM. The meeting will feature a panel of industry leaders discussing the trends that influence their industries.

6. October Board Meeting- I will be recommending to the Board that the October 12th Board meeting be cancelled as it would immediately follow our October 11th Annual meeting.

Respectfully submitted, September 14, 2023

A handwritten signature in black ink, appearing to read 'SA', with a stylized flourish extending to the right.

Steve Arveschoug
Executive Director



BIG SKY
ECONOMIC DEVELOPMENT

EDA • EDC CREATING MONTANA BUSINESS OPPORTUNITIES

ATTACHMENT I

August 16, 2023

TO: EDA/EDC Executive Committee

FROM: Nominating Committee; Steve Arveschoug, Executive Director

RE: Recommendations for EDC Board Nominations/Elections

The joint EDA/EDC Nominating Committee met July 18 and again on August 16 to consider its recommendation to fill EDC Board positions, both vacant and expiring positions.

Here are the Recommendations of the Nominating Committee:

A. Vacant Board Positions

The EDC Board currently has two vacant Board seats, one previously held by NorthWestern Energy and one by the Billings Clinic. The Committee felt strongly that representation on the BSED Board by both NWE and Billings Clinic was important to the economic development work of our organization. Both companies were asked to submit names for consideration by the EDA/EDC Nominating Committee. With that input, the Committee hereby recommends the following:

- Molly Schwend (confirmed) to serve the unexpired term and a full (5-year term) on the EDC Board of Directors representing **NorthWestern Energy**.
- Nichole Mehling (confirmed) to serve the unexpired term and a full (5-year term) on the EDC Board of Directors representing **Billings Clinic**

B. Eligible for a Second Term

The following EDC Board members are eligible to serve a second term (3 years) on the EDC Board. With their consent, the Nominating Committee hereby recommends the following:

- Ann Kosempa nominated to serve a second term
- Dave Ballard nominated to serve a second term
- Spencer Fredrick nominated to serve a second term

C. Expiring Terms

Two EDC Board members' (Mike Nelson and Craig Bartholomew) second term on the Board expires December 31, 2023. EDC Board members are limited to serving two consecutive terms. These seats on the board will be open seats, the Nominating Committee hereby recommends the following:

- Judi Powers, whose term on the EDA Board expires December 31, 2023 (not allowing her to serve in the Immediate Past Chair role), is nominated to serve one three-year term on the EDC Board. EDA Board members are eligible to serve on the EDC Board, consecutive to their EDA Board serve, but only for one 3-year term. Having Judi serve on the EDC Board allows us to retain Judi's experience following her EDA Board Chairmanship.
- George Warmer, whose term on the EDA Board expires December 31, 2023, is hereby nominated to serve one 3-year term on the EDC Board. George's contributions and expertise on development/housing is critical to BSED strategic priorities related to downtown redevelopment.

D. Call for a Member Investors' EDC Board Election

The Nominating Committee respectfully asks the Executive Committee and the EDC Board refer these nominations to a vote of the EDC Members Investors, on or before September 21, 2023, with the results of this election to be announced at the October 11th Annual Meeting.

- E. **EDA Board Openings**—There will be two open EDA Board seats that will be filled by application, interview, recommendation, and finally County Commissioner decision. This process will begin mid-October when the County issues a public notice.

Respectfully submitted,

EDA/EDC Nominating Committee