

Big Sky EDA/EDC Joint Executive Committee Agenda
Wednesday, July 5, 2017 -7:30 A.M. to 9:00 A.M.
Rosebud Room, 2nd Floor – Granite Tower

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.

Committee Members **EDC –David Trost, Eric Simonsen, Mike Nelson, Steve Loveless, Duncan Peete**
EDA – Sheri Nicholson, Jennifer Smith, Cory Moore, Robin Rude, Kevin Gustainis

Call to Order – David Trost, EDC Chair

Agenda Changes for Today's Meeting:

Public Comments:

AGENDA

- I. Approval of EDA/EDC Exec. Comm. Minutes**
 • June 7th Ex. Committee Meeting (Attachment A) (Action)
- II. Approval of EDA/EDC Financials – Jim**
 • May 2017 EDA and EDC Financials (Attachment B) (Action)
 • EDA/EDC Management Services Agreement (Attachment C) (Action)
 • FY 2018 Budget Update: Mil Levy Recommendation (Info)
- III. Executive Director's Report – Steve** (Attachment D) (Info)
 • MSU Billings Science Building Project-Update: Foundation Request (Info)
 • August 2nd Executive Comm. Meeting—"Breakfast and Dialogue with the Ex. Director"
 • Future Facilities Taskforce Update: EEC Letter (Info)
- VI. Program Directors Updates**
 A. GE to Zoot Project Update—Allison (Info)
 B. Coal Country Coalition Reg. Econ. Dev. MOU—Katy/Dianne (Attachment E) (Action)
 C. Billings Works Update--Karen
 • CTE Director Hire (Info)
 • SWIB Meeting (Info)
 D. Other Program Reports (as needed)
- V. Executive Session (as needed)**

Public Comment

Adjourn

Next Executive Committee Meeting – August 2, 2017

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 Economic Development at 256-6871.



Big Sky EDA/EDC Joint Executive Committee Meeting Minutes

Wednesday, June 7, 2017 – 7:30 A.M. – Rosebud Room – Granite Tower

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.

Committee Members Present: EDA – Sheri Nicholson, Jennifer Smith, Robin Rude,
EDC – David Trost, Eric Simonsen, Mike Nelson, Duncan Peete

Staff and others Present: Steve Arveschoug, Jim Tevlin, Brandon Berger, Allison Corbin, Dianne Lehm,
Becky Rogers, Mary Lou McMillan (recording secretary)

Sheri Nicholson, EDA Chair called the meeting to order at 7:32 a.m.

Public Comments: Steve introduced our first ever Operations Director, Becky Rogers. Each Board Member introduced themselves to Becky.

Changes to the Agenda:

Under Program Directors Updates, item B (Update: Business Finance-SBA Merger – Brandon) was presented before item A (GE-Zoot Project Action Items – Allison).

Approval of EDA/EDC Executive Committee Minutes of May 2017

Motion: Robin Rude, to approve and forward to the Board of Directors the May 2017 Executive Committee Minutes as presented to the Executive Committee.

Second: Mike Nelson

Discussion: None

Motion carried

Approval of EDA/EDC Financials

Jim discussed the EDA balance sheet and the restricted cash of \$25,000 being the revenue guarantee for American Airlines. He also spoke of the deferred revenue of \$131,464 related to GE Capital. The normal monthly payment is about \$84,000. They paid \$201,000. It will be applied to the loans.

Jim discussed items related to SSBCI of the EDC financials. He talked about the principal repayments that were restricted to additional lending under the SSBCI program. Those restrictions were removed April 4, 2017. One of the conditions of the SSBCI program was 2% of the amount that was granted to Big Sky EDA essentially goes back to the Montana Department of Commerce.

Motion: Jennifer Smith, to approve and forward to the full Board the May EDA/EDC Financials as presented to the Executive Committee.

Second: Eric Simonsen

Discussion: None

Motion carried

Executive Session: 7:40 a.m. – 8:19 a.m.

Motion: David Trost, to go into an Executive Session to discuss Steve's performance evaluation.

Second: Duncan Peete

Discussion: None

Motion carried

David Trost announced feedback of Steve's evaluation. It was affirmed Steve's employment is going well. Also recommended, for inclusion in the budget, an adjustment for Steve commensurate to his experience and performance, as well as strong encouragement that Steve take some time this year to do self-development in his leadership engagement of the organization.

Review/Consideration of Proposed Preliminary FY 2018 Budgets

FY 2018 Budget Packet Review – Steve

Steve gave an overview of the Big Sky Economic development Budget Narrative packet for Fiscal Year 2018. He pointed out when the budget is set, it's providing the resources to continue great things as an organization. He mentioned how Big Sky Economic Development is allocating the limited resources. We put significant focus on business growth services, community development and recruitment. Those are what make up the mission of our organization. Steve gave a brief overview of each department's accomplishments.

Proposed Budgets Review – Jim Tevlin

Jim discussed the proposed budget for EDA. The budget represents a full mill levy. The difference between full mill levy and what has been paid to us in the past is about \$94,000. If we don't get the maximum mill levy, we must make some budget cuts. On June 22, Steve and Jim will present this to the commissioners.

Jim reviewed the Revenue and Expenses of Big Sky EDC. He noted SBA has a requirement to show what the investment is in economic development. It is a formalized, board approved process. It is included in the budget packet to show where the additional dollars go. Brandon added that our excess net needs to be invested in economic development activities across the state. We need to show how we're going to invest that capital and have it approved by the board. Jim said the EDC budget reflects the merger with MCFC. Their start date was June 1, 2017. It also reflects the \$3.5 million additional loan volume. EDC budget also has an additional contribution towards BillingsWorks and Recruitment. EDC tends to be more revenue related, with additional revenue to the 504 Program. We also have revenue we get through events and revenue we get through our Member Investor program.

Motion: Jennifer Smith, to move the recommend budget to the full board.

Second: Mike Nelson

Discussion: None

Motion carried

Executive Director's Report – Steve

Consideration of July 5th Executive Committee Meeting (cancel or date change)

July 5, 2017 would be the date for our next Executive Committee meeting. Steve asked if anyone will be here the day after the 4th of July. Not knowing if we'll have a quorum we may cancel the next Executive Committee meeting. We will poll the meeting to find out who will or who will not be in town.

Program Directors Updates

Update: Business Finance – SBA Merger – Brandon

Brandon mentioned at the last Board Meeting the amendment to the contract between EDA and EDC, was approved. He said he had neglected to present the resolution for that agreement. It was sent off to SBA.

Motion: Eric Simonsen, for the board to act to confirm the adoption of the resolution for the amendment and approval of the EDA/EDC management services agreement.

Second: Robin Rude

Discussion: None

Motion carried

Secretary of State Approval – June 1 start!

Brandon spoke of the papers being filed with the Secretary of State regarding the merger. He mentioned getting the final official letter from SBA stating the effective date of the merger is June 5, but the merger was effective on June 1st. SBA has fully approved the merger and began merging the portfolios together. Everything is now official.

Mike Nelson, Jennifer Smith and Eric Simonsen were excused from the meeting. The GE Building Appraisal will go to full board tomorrow.

GE-Zoot Project Items – Allison

Allison discussed the GE Facility and the ongoing transaction with Zoot. She mentioned we are maintaining the lease for the purchase agreement between BSED & GE through the end of December. The purchase date will be in July. Allison mentioned the Incentive Agreement will close before the purchase agreement closes. The reason being that they want those incentives to help with the cost of the building. She reviewed the Board Resolution. Since we haven't reached a final purchase agreement, the Resolution is written to allow for changes to occur.

In absence of a quorum, suggestion is given to send to full board.

Meeting Adjourned at 9:23 a.m.

Next Meeting - August 2, 2017, Rosebud Room, Granite Tower

Respectfully submitted
Sheri Nicholson, EDA Chair

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

Internal Memorandum

Date: June 27, 2017
To: Steve Arveschoug
From: Jim Tevlin
Subject: May 2017 BSEDA Financial Statements

I have attached income statements for the year-to-date periods ended May 31, 2017 and 2016 and balance sheets as of May 31, 2017 and 2016.

Balance Sheet Overview:

Working Capital (Adjusted)

Presented below is a year-over-year working capital analysis. Note that I have included only those accounts that have an impact on our near-term liquidity. Specifically, I have excluded those accounts that are designated (e.g. Opportunity Fund) or have separate restricted funding sources.

	May 31 2017	May 31 2016
Current Assets	\$ 961,499	\$ 1,036,365
Current Liabilities	<u>66,946</u>	<u>277,150</u>
Working Capital	\$ 894,553	\$ 759,215

GE Transition Reserve

In January 2017, GE Capital agreed to waive Big Sky EDA's annual incentive payments (\$25k per year) for 2016 and 2017 with the stipulation that the funds be placed in a separate bank account and that these funds are to be used to assist with re-marketing the GE Center of Excellence facility.

Restricted Cash

The American Airlines Revenue Guarantee represents Big Sky EDA's pledge to American Airlines to support the new Billings to Dallas service. These funds, held in escrow with the Billings Chamber of Commerce, were formerly included as part of the Stockman Reserve Funds.

Deferred Revenues

The Deferred Revenues account is the result of a one-time overpayment of GE's monthly lease payments. These funds will be drawn down to service the debt service on the MBOI infrastructure and Stockman participation loans.

Statements of Operations Overview:

Big Sky EDA's operating results (Cash-Basis BSEDA only) for the eleven months ended May 31 2017 reflects operating income of \$77,191 compared to operating income of \$48,918 for the prior fiscal year.

Note that revenues received via the HUD and the TEDD-CDBG grants offset equal amounts of operating expenses.

Big Sky EDA **Balance Sheets**

	May 31, 2017	May 31, 2016
ASSETS		
Current Assets		
Cash & Cash Equivalents		
Opportunity Fund	\$ 516,139.33	\$ 575,495.74
GE Transition Reserve	50,000.00	-
Stockman Reserve Funds	49,559.62	74,460.34
Operating Reserve	13,130.04	1,070.38
Operating Cash	456,887.79	471,927.14
	<u>1,085,716.78</u>	<u>1,122,953.60</u>
Accounts Receivable		
Trade	17,980.28	23,102.56
Brownfields	6,287.50	49,942.09
VBOC	55,231.56	87,196.53
Department of Defense	94,019.00	175,789.00
Due From EDC	120,760.08	79,615.21
Mill Levy Receivable-Protested Taxes	138,894.60	87,132.70
Mill Levy Receivable	72,212.01	40,876.00
Allowance For Doubtful Accounts	(138,894.60)	(87,132.70)
	<u>366,490.43</u>	<u>456,521.39</u>
Prepaid Expenses	431.10	32,385.60
Total Current Assets	1,452,638.31	1,611,860.59
Fixed Assets (net of depreciation)	8,580,981.28	9,099,838.28
Restricted Cash		
Cabelas Conduit	5,002.91	5,000.47
American Airlines Rev. Guarantee	25,000.00	-
Deferred Outflow of Resources	75,433.38	69,589.38
GE Building Reserve	796,015.43	702,868.28
GE Unapplied lease payments	3,910,888.31	82,449.26
	<u>4,812,340.03</u>	<u>859,907.39</u>
TOTAL ASSETS	<u><u>\$ 14,845,959.62</u></u>	<u><u>\$ 11,571,606.26</u></u>
LIABILITIES & NET ASSETS		
Current Liabilities		
Current Maturities of LTD	\$ 508,070.50	\$ 506,511.65
Deferred GE Maintenance Reimbursement	-	10,000.00
Accounts Payable	64,978.40	251,550.61
Deferred Revenues	3,988,768.29	-
Accrued Expenses		
Interest	-	2,004.78
Other	117,024.79	93,856.40
Total Current Liabilities	<u>4,678,841.98</u>	<u>863,923.44</u>
Long Term Liabilities		
Deferred Inflow of Resources	58,936.97	107,238.97
Pension Liability	443,304.80	414,984.80
Long Term Debt	5,517,017.22	6,091,587.18
Deferred GE Rental Income	75,114.07	75,114.07
	<u>6,094,373.06</u>	<u>6,688,925.02</u>
Total Liabilities	10,773,215.04	7,552,848.46
Net Assets	4,072,744.58	4,018,757.80
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 14,845,959.62</u></u>	<u><u>\$ 11,571,606.26</u></u>

Big Sky EDA-BSEDA Only
Statements of Operations (Cash Basis)
For the Ten Months Ended April 30,

	2017	2016	Annual Budget
Income			
Department of Defense	\$ 517,371.00	\$ 511,709.00	\$ 599,228.00
Private Billings/Works funding	21,250.00	16,000.00	20,000.00
EPA-Brownfields	104,262.27	181,297.90	197,691.00
VBOC Revenue	341,729.30	220,754.34	350,000.00
HUD Grant	19,701.14	106,418.11	19,701.14
EDA Reserve Funds	-	-	25,000.00
TEDD-CDBG	39,360.38	20,000.00	50,000.00
Grant Administration	8,702.65	1,073.75	6,844.00
EDC Reimbursement	336,603.60	325,918.97	380,499.44
Mill Levy Revenue	1,168,912.56	1,119,379.84	1,232,176.00
Recovery of Protested Taxes	-	12,118.65	-
Miscellaneous Revenue	2,785.48	19,832.94	1,057.33
SBA/MT Dept of Commerce	103,175.88	100,219.38	108,277.36
SBDC Program Income	2,301.56	-	8,000.00
Opportunity Fund	-	-	25,000.00
Health Levy Revenue	69,832.50	67,818.00	87,300.00
Total Income	2,735,988.32	2,702,540.88	3,110,774.27
Expense			
Advertising	7,889.96	12,825.13	-
Brownfields Expense	79,743.78	181,298.29	194,891.00
BEAR	3,190.94	1,868.03	5,000.00
Protested Taxes	59,933.53	50,434.02	60,912.96
Intern/Contract Support	21,942.31	23,950.00	20,000.00
Sponsorships	12,233.00	1,500.00	3,100.00
Dues and Subscriptions	28,728.58	29,109.63	23,379.00
Employer Contributions	310,452.50	292,001.86	360,146.12
Insurance	12,596.00	12,476.00	13,606.00
Miscellaneous	27,879.50	34,539.19	22,730.00
Office Supplies	23,177.86	38,115.28	25,500.00
Postage and Delivery	3,280.24	1,699.64	3,300.00
Professional Fees	71,452.01	69,907.60	53,720.00
Professional Fees-HUD	19,701.14	106,013.86	19,701.14
Marketing-Departmental	3,563.89	847.50	3,700.00
Marketing-Organizational	59,229.18	65,342.42	60,000.00
Opportunity Fund Project	60,000.00	-	25,000.00
Program Event Expense	1,936.37	6,959.16	9,950.00
PTAC Subcenter/Satellite	312,324.57	315,266.32	379,612.00
Recruiting	1,451.00	22,007.65	35,000.00
Rent	106,986.36	105,314.54	119,955.00
Repairs	2,747.43	2,273.39	2,400.00
Salaries/Wages	964,139.12	936,395.39	1,120,911.98
Telecommunication	26,665.56	28,014.23	31,892.00
TEDD Expense	41,004.01	34,629.60	50,000.00
Travel/Training	79,812.09	62,662.15	87,116.50
VBOC Expense	275,688.68	178,027.71	282,258.00
Workforce Development	41,048.01	40,144.48	57,000.00
Reserve	-	-	17,500.00
Total Expense	2,658,797.62	2,653,623.07	3,088,281.70
Operating Income	77,190.70	48,917.81	22,492.57
Other Income/(Expense)			
Interest Expense	-	-	(25,000.00)
Interest Income	1,664.69	1,628.81	3,000.00
	1,664.69	1,628.81	(22,000.00)
Net Income	\$ 78,855.39	\$ 50,546.62	\$ 492.57

Internal Memorandum

Date: June 27, 2017
To: Steve Arveschoug
From: Jim Tevlin
Subject: May 2017 Big Sky EDC Financial Statements

I have attached income statements for the year-to-date periods ended May 31, 2017 and 2016 and balance sheets as of May 31, 2017 and 2016.

Balance Sheet Overview

Working Capital (Adjusted):

Presented below is a year-over-year working capital analysis. Note that I have included only those accounts that have an impact on near-term liquidity. Specifically, I have excluded those cash accounts that are restricted (e.g. SSBCI Cash) or designated (e.g. RLF Cash).

	May 31, 2017	May 31, 2016
Current Assets	\$ 231,000	\$ 90,175
Current Liabilities	<u>137,279</u>	<u>31,449</u>
Working Capital	\$ 93,721	\$ 58,726

Not included in the above calculation are \$1,052,890 of SSBCI principal repayments. See discussion below.

In January 2017, GE Capital agreed to waive Big Sky EDC's annual incentive payments (\$25k per year) for 2016 and 2017 with the stipulation that the funds be placed in a separate bank account and that these funds are to be used to assist with re-marketing and refurbishing the GE Center of Excellence facility.

Statements of Operations Overview:

Big Sky EDC's operating results for the year-to-date period ended May 31, 2017 reflect an operating loss of \$42,621 compared to operating income of \$69,117 for the prior year.

Included in FY17 operating results is \$45,970 related to fees associated with the SSBCI program. From June 2012 through April 2015, Big Sky EDC received (and subsequently

loaned out) \$2,298,513 from the Small Business Administration via the Montana Department of Commerce. Note that principal payments received under the SSBCI program were restricted to funding additional loans until April 2017 at which time all restrictions were removed. Moreover, these funds were subject to a 2% or \$45,970 “claw back” to the Department of Commerce upon the termination of the restrictions.

The year-over-year variance in operating income, excluding the above-mentioned SSBCI fee, is primarily due to the timing of SBA 504 Origination Fees and the receipt of Member-Investor dues.

Big Sky Economic Development Corporation

Balance Sheets

	May 31 2017	May 31 2016
ASSETS		
Current Assets		
First Interstate Bank	\$ 107,228.18	\$ 54,520.48
GE Transition Reserve	50,000.00	-
Operating Reserve	50,000.00	25,000.00
Opportunity Fund	19,200.00	19,200.00
Revolving Loan Funds	212,499.16	336,365.13
Miscellaneous Receivables	23,772.02	10,655.00
SSBCI Portfolio-Current	215,760.44	176,279.38
SSBCI Principal Repayments	1,052,890.10	-
RLF Loan Portfolio-Current	57,986.04	35,603.84
	<u>1,789,335.94</u>	<u>657,623.83</u>
Other Assets		
Restricted Cash-SSBCI	-	835,237.81
SSBCI Portfolio	1,029,836.75	1,288,455.50
RLF Loan Portfolio	240,635.95	161,832.76
	<u></u>	<u></u>
TOTAL ASSETS	<u>\$ 3,059,808.64</u>	<u>\$ 2,943,149.90</u>
LIABILITIES & EQUITY		
Current Liabilities		
Current Maturities of LTD	\$ -	\$ 20,990.48
A/P & Accrued Expenses	16,518.60	9,365.92
Due to/Due From EDA	120,760.08	1,092.29
	<u>137,278.68</u>	<u>31,448.69</u>
Non-Current Liabilities (GE Annuity)	-	45,834.44
Total Liabilities	137,278.68	77,283.13
Net Assets	2,922,529.96	2,865,866.77
	<u>2,922,529.96</u>	<u>2,865,866.77</u>
TOTAL LIABILITIES & EQUITY	<u>\$ 3,059,808.64</u>	<u>\$ 2,943,149.90</u>

Big Sky Economic Development Corporation
Statements of Operations (Unrestricted - Cash Basis)
For the Eleven Months Ended May 31,

	2017	2016	Annual Budget
Income			
RLF Business Interest	\$ 18,851.67	\$ 9,165.73	\$ 8,544.00
RLF Loan Fund Interest	511.19	825.84	800.00
Miscellaneous Revenue	16,281.68	7,776.89	5,327.71
Event Revenue-Building Remarkable	55,000.00	-	45,000.00
Event Revenue-Other	27,652.60	40,549.65	21,000.00
Member Investment	142,332.08	152,850.82	182,500.00
Recovery of Bad Debt	3,300.00	3,150.00	3,600.00
SSBCI Interest Income	28,661.69	32,714.13	29,270.00
SBA 504 Origination Fees	43,015.01	102,787.92	116,400.00
SBA 504 Servicing Fees	234,202.10	228,868.20	243,624.00
	<u>569,808.02</u>	<u>578,689.18</u>	<u>656,065.71</u>
Expense			
Business Recruitment	47,452.05	54,242.95	56,000.00
MCFC Merger	4,642.92	-	-
Dues and Subscriptions	6,830.84	4,890.58	5,700.00
EDA Reimbursement	336,603.60	325,918.97	380,499.44
GE Transition	11,304.33	-	-
Insurance	9,990.00	10,895.00	10,772.00
Marketing	22,168.63	7,701.16	7,000.00
Membership Development	3,830.46	1,432.88	4,500.00
Miscellaneous	6,302.80	6,549.70	1,400.00
Office Supplies	2,885.68	2,074.37	1,000.00
Operating Reserve Contribution	-	-	25,000.00
Postage and Delivery	1,246.64	1,389.40	3,500.00
Professional Fees	25,641.48	15,564.00	20,500.00
SSBCI-MBOI Fee	48,800.49	6,551.93	6,600.00
Event Expense	64,907.05	50,391.25	66,000.00
Workforce Development	-	-	5,000.00
Telecommunication	2,810.00	1,860.00	3,667.00
Travel & Training	17,012.52	20,110.04	23,500.00
Contingency	-	-	10,000.00
	<u>612,429.49</u>	<u>509,572.23</u>	<u>630,638.44</u>
Operating Income/(Loss)	(42,621.47)	69,116.95	25,427.27
Other Expense			
Interest Expense	(2,634.54)	(2,004.78)	(25,000.00)
	<u>(2,634.54)</u>	<u>(2,004.78)</u>	<u>(25,000.00)</u>
Net Income/(Loss)	\$ (45,256.01)	\$ 67,112.17	\$ 427.27

**Big Sky Economic Development Authority
Big Sky Economic Development Corporation
Agreement for Professional Services**

Section 1 Parties to the Agreement

This agreement is made and entered into in Billings, Yellowstone County, Montana, this ____ day of _____ by and between Big Sky Economic Development Authority, a local government entity, hereinafter referred to as Big Sky EDA, and Big Sky Economic Development Corporation, a Montana Non-Profit Corporation, hereinafter referred to as Big Sky EDC. This agreement in no way diminishes the responsibility of the Big Sky EDC Board of Directors for the operations of the certified development company that is Big Sky EDC.

Section 2 Purpose of Agreement

The purpose of this agreement is to secure from Big Sky EDA staff and support services for Big Sky EDC necessary for continuous effective operations and to comply with applicable regulations of the Small Business Administration.

Section 3 Services Performed

3.1 Staff Services

- Big Sky EDA will provide to Big Sky EDC the services of an employee (Business Recruitment Program Manager) who will conduct business retention and recruitment activities.
- Big Sky EDA will provide to Big Sky EDC the services of five employees (Director of Business Finance, Two Loan Officers and Two Loan Specialists) who will conduct business finance marketing, packaging and processing activities in support of Big Sky EDC's lending programs.
- Big Sky EDA will provide to Big Sky EDC the services of an employee (Director of Marketing and Member-Investors) that will conduct overall organizational marketing for EDA and EDC as well as Member-Investor recruitment, management, policy coordination and communication activities with the purpose of maintaining and expanding Big Sky EDC's Member-Investor base.
- Big Sky EDA will provide to Big Sky EDC the services of an employee (Executive Director) who will conduct overall executive-level management of Big Sky EDC.

- 3.2 Support Services
- Big Sky EDA will provide other necessary general and administrative support services including accounting, reception and assistant to the Big Sky EDA Executive Director.

Section 4 Other

- 4.1 Big Sky EDA will provide office space including telephone and internet access for employees who will conduct Big Sky EDC's lending and Member-Investor programs.
- 4.2 Big Sky EDA will provide liability insurance allocable to employees who will conduct Big Sky EDC's lending and Member-Investor programs.

Section 5 Reimbursement

5.1 Reimbursement of Staff and Other Services

Big Sky EDC shall reimburse Big Sky EDA, on a monthly basis for the following expenses associated with services in Section 4 above:

	Salary	Fringe	Rent	Phone & Internet	Liability Insurance
Director-Business Finance	100% (\$40.75/hr)	100%	100%	100%	100%
Loan Officer (2)	100% (\$32.63/hr)	100%	100%	100%	100%
Loan Spec (2)	100% (\$28.10/hr) ⁵	100%	100%	100%	100%
Director-Mkt/MI Relations	50% (\$16.92/hr)	50%	50%	50%	50%
Executive Director	25% (\$18.15/hr)	25%	-	-	-
Controller	-	-	-	-	-
Business Recruit Program Mgr	-	-	-	-	-
Exec Assistant	-	-	-	-	-
Receptionist	-	-	-	-	-

- Compensation under this agreement is for services performed, and payment is for services actually performed.
- Sources of compensation for services under this contract include Member-Investor funds, program income, and reserves. All

compensation will be paid to Big Sky EDA directly by Big Sky EDC, and not by any borrower.

- Based on prevailing area wage rates and on professional knowledge and expertise of board members, Big Sky EDC has determined that the compensation rates charged by Big Sky EDA are customary and reasonable for similar services in the area.
- Contract payments for professional services will not exceed 65 to 75 percent of Big Sky EDC's income.

5.2 Big Sky EDA is prohibited from imposing any requirement on any applicant or borrower to purchase any other services from Big Sky EDA as a condition of Big Sky EDA performance of any staff or management functions of Big Sky EDC.

5.3 Additional compensation from CDC fee income such as multipliers or bonuses are not permitted.

5.4 All compensation paid to Big Sky EDA will be paid by Big Sky EDC and Big Sky EDA cannot charge the borrower for the same services.

Section 6 Term of Agreement, Termination

5.1 6.1 Term: This agreement shall remain in effect for the period July 1, 2017 to June 30, 2019 unless modified by mutual agreement between the parties, or terminated by either party in accordance with provisions of this section. This agreement shall also provide for one 2-year option for renewal at the expiration of the initial term of this agreement on the same terms and conditions set forth herein.

6.2 Termination: Either party, without penalty, may terminate this agreement by delivery to the other party a written notice of termination within 30 days of the effective termination date. In the event of notice of termination, Big Sky EDC shall be entitled to receive services and Big Sky EDA shall be eligible to receive reimbursement for costs incurred pursuant to this agreement until the effective termination date.

Section 7 Miscellaneous Provision

7.1 Conflict of Interest: No member of the governing body of Big Sky EDC and no member of the governing body of Big Sky EDA shall have any personal financial interest in this agreement.

7.2 Breach: It is expressly understood that the only remedy in the event of breach of terms of this agreement shall be termination of the agreement in

accordance with Section 6.2

- 7.3 Entire Agreement: This agreement constitutes the entire agreement between parties relating to the rights herein granted and the obligations herein assumed. The parties hereto agree that the laws of the State of Montana shall govern this agreement.
- 7.4 Independent Contractors: It is expressly understood and agreed by the parties hereto that they are independent contractors and that nothing contained herein should be construed as giving rise to a partnership or joint venture.
- 7.5 The CDC's Board of Directors specifically acknowledges and retains the ultimate responsibility for all loan approvals and loan servicing actions, 13 CFR paragraph 120.823, and that such responsibility must be carried out independently of any control by a contractor.
- 7.6 No contractor or associate of a contractor may be a voting or non-voting member of the CDC's Board of Directors.

Execution

Executed this ____ day of _____, 2017

Big Sky Economic Development Authority

Sheri Nicholson, Board Chair Big Sky EDA

Big Sky Economic Development Corporation

David Trost, Board Chair Big Sky EDC

July 2017

Executive Director's Report to the Ex. Comm. & Board of Directors

Strategic Priorities Implementation

1. Strengthen Opportunities for Business Expansion and Economic Diversity

Foster Development of Planned, Ready-to-Go Industrial Space—Our Infrastructure Master Plan team (KLJ/Morrison Merle) have begun work on the master plan for the immediate and near-term infrastructure plans in the Lockwood Targeted Economic Development District (TEDD). They've met with the Department of Transportation to understand the timing and needs related to the Bypass project. They will meet with the TEDD Steering Committee this week (June 28th). Our goal is to have the report in hand by September. Then the key will be to move forward on funding options. I can tell you that we have received a handful of new inquiries on land/facilities in the TEDD, but until we have the infrastructure in place, we will be behind the "shovel-ready" position we are working toward as a strategic priority.

"GE to Zoot Project"—With the Board's approval of the purchase agreement and incentive agreement for the Zoot project, we are now working toward a July 12th closing. We have a handful of maintenance issues to address at the building, but, other than the drainage project, they all appear to be workable. We are still waiting on final approval from the EDA on the easement, but that should be coming in later this week. We're also working out a few issues with GE on the transition plan.

I'm hopeful we get it all wrapped up for the July 12th closing. We plan to conduct that closing as a part of the Innovate Conference event, with a bit of "pomp and circumstance." More details to follow.

Opportunities for Building Economic Diversity—

a) Business Startup and Incubation— We continue our work with key stakeholders regarding the concept of expanding the infrastructure/programs/resources for business incubation. We are now discussing a potential partnership concept with Zoot. We'll see where that concept goes. More info to follow.

b) Coal Country Coalition—We will review with the Executive Committee and then the full Board a draft MOU that would formalize our cooperation with our economic development partners in 15-county region that we call Coal Country. This MOU is one of the key recommendations that came out of our economic analysis/transition strategies for the area impacted by changes in the coal industry. The Community Development team will discuss this MOU in detail at our Board meeting.

2. Workforce Development and Talent Attraction—Advocate for and help define strategic programs and capital investment at our college/university and career center:

Advocacy for MSU Billings—The MSU Billings Foundation has asked Big Sky Economic Development to consider at contribution to the development of the Science and Allied Health building at MSU Billings. I met with our Board Chairs and Secretary/Treasurers from the EDA and EDC Boards together to discuss this request. We would like to consider this request following our tour of the building on June 29th, and an update presentation that is planned with our Board on July 13th. Following the Board meeting I will re-engage with the Chairs and Secretary/Treasurers to develop a proposal for the full Boards' consideration. So, stay tuned for more info to follow. Oh, the City of Billings last night (June 26th) approved a \$50,000 contribution to the project.

Career and Technical Education/Career Center—The first director of CTE for SD2 and the CTE Partnership has now been hired—Lew Anderson. Lew will begin July 1st and will work closely with Karen Baumgart (BillingsWorks Director) to move forward with the development of a vision and strategic plan for career and technical education in our community. Lew will do a great job championing change in the district that is so critical to meeting the current and future needs of workforce in in community.

3. Key Building-Remarkable Community Investments

Lead/partner/support key redevelopment and enhancement projects:

The former Battin Building—The Stillwater Building (former Battin) is new asbestos free! Great work EEC and team. ECC sent BSED a follow-up letter (see attached) regarding our inquiry in to potential office/incubator space in that building. I have responded by saying that our Future Facilities Taskforce will evaluate the Stillwater as one of the options for BSED's future facility. I will kick off that taskforce in July and begin our evaluation process.

One Big Sky Center— City Council did grant the developers an additional 30 days to finalize their partnership and present Council with a game plan for moving forward. They will now have until July 30th. The revised development partnership will come back to Council on July 10th to share their plans.

Coulson Park Redevelopment and Entryways Now—We receive the endorsement of the Parks Board for the Coulson Master Plan project. We still need \$20,000 to \$30,000 in local matching dollars to move forward with the BSED grant application. That application is due July 9th. With the Commissioner's tentative plan to provide the full mill levy to BSED, we should be able to add \$5,000 to \$10,000 to this effort, but those dollars will not be confirmed until August. So, more work to do. We will ask if we can submit the application and defer action until we have all the matching dollars in place. We'll see what direction they provide.

EBURD Redevelopment—Nothing new to report. We are working on the contract with the EPA for the \$300k grant that was awarded two weeks ago. As soon as that contract is set, we will begin to reach out to the landowners in the EBURD. Patrick is doing a great job with this project.

Trailhead Hospitality Vision Steering Committee—The next meeting of the Committee is set for July 7, 11:45 A.M. to 1:00 P.M. at the City/County Planning Office, First Floor Conference Room.

Air Service—Flights to Dallas are running 75% to 80% full, which is fantastic. This may mean that we will not have to provide guarantee dollars in the first quarter of operations. We'll see how the balance and summer goes, but so far so good.

BillingsNow Community Development Vision—Elation is hard at work analyzing all the existing plans and strategies for community development. When that work is done they will begin a series of open discussions to being the process of developing a common plan/vision for the community development. Our contribution to that effort will be \$2,500 and my time.

Organizational Development Opportunities

Growth of our Business Finance Program—the Big Sky Finance team are hard at work underwriting and closing 504 loans. The entire team with meet tomorrow (June 28th) in Bozeman to begin defining a uniform process for loan processing and business development. We will keep the Board informed as these plans come together.

Organizational/Program/Policy Matters

1. Future Facilities Taskforce—I'm still working to finalize the line-up for our Future Facilities Taskforce. I should have group pulled tougher later this week. The goal would be to begin our meetings in late July or sooner. More details to follow.
2. Management Structure Succession Planning— This work to restart in July.

**Respectfully submitted,
July 5 and 13, 2017**

A handwritten signature in black ink, appearing to read 'SA', with a long horizontal line extending to the right.

**Steve Arveschoug
Executive Director**



Hello Steve Arveschoug, Leadership Teams and Boards from Big Sky Economic Development,

We wanted to reach out and give you and your team a status update and progress report on the Stillwater Building Renovations. We are pleased to announce that all 6 Floors of Stillwater have been cleared of Asbestos. The Abatement Team has left the premises and now the team of Architects, Engineers & Construction Crew from EEC has begun the process of Renovating & Revitalizing the Stillwater Building to become a Modern Office Building with all the Amenities, Finishes and Beyond that Tenants will desire in a Class "A" Office Building. We could expect to have the first tenant in place as early as the Fall of 17'.

We would like the Big Sky Economic Development Boards and Leadership Teams to have all the most current information available to you for decision making purposes. As we had mentioned we are open to Leasing or Selling a floor to BSED, so that you can consolidate and streamline your operations. We also wish to be able to provide a street level space that fits your needs, as well as, having a potential space for a Business Incubator.

If the Big Sky EDA is interested in Stillwater we would like to hear feedback from the you as we update such things as Landscape and Exterior Finishes. We also know that your group has questions about the Parking Situation, as well as the Costs to Build out the Interior of the Building. We can determine that cost for you but we would prefer to provide that once we know BSED's desire on Construction Finishes and proper layout of the first floor.

Speaking of Parking, we are working diligently to secure some adjacent land to build a Parking Garage to serve Stillwater and for overflow parking needed in the Downtown Area.

We hope that you find this status update and progress report as exciting as we do. We are thrilled to be able to take what was once an eyesore in Downtown Billings and transform the former Battin Courthouse into the Newly Remodeled and Renovated Stillwater Building that will be an integral part of Downtown for generations to come.

Thank You for Your Time,

Leif Welhaven

EEC

Business Development

leif@eecmt.com

EEC, Inc.

406.839.9151

www.eecmt.com

720 Lohwest Lane

Billings, MT 59106

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Page 1 of 1

Memorandum of Understanding

Under this Memorandum of Understanding (MOU), the four (4) undersigned economic development organizations (hereby known as the Coal Country Coalition) agree to explore and evaluate the opportunity to build a regional partnership with relation to Coal Industry Impacts, including opportunities to diversify the economies in the 15 County region of Montana.

The four (4) undersigned **Coal County Coalition Members**, serving 15 Counties are as follows:

Beartooth Resource Conservation & Development Area, Inc.

Authorized Official: William Foisy, Board Chairman

Contact: Sue Taylor, Director of Economic Development

PO Box 180

Joliet, MT 59041

(406) 962-3914

Active Service Region: **Big Horn, Carbon, Stillwater, Sweet Grass, and Yellowstone Counties;**

Big Sky Economic Development

Authorized Official: Sheri Nicholson, Board Chair

Contact: Steve Arveschoug, Executive Director

222 N. 32nd Street, Suite 200

Billings, MT 59101

(406) 256-6871

Active Service Region: **Yellowstone County**

Snowy Mountain Development Corporation

Authorized Official: Ross Butcher, Board Chairman

Contact: Kathie Bailey, Executive Director

613 NE Main Street

Lewistown, MT 59457

(406) 535-2591

Active Service Region: **Fergus, Golden Valley, Judith Basin, Musselshell, Petroleum, and Wheatland Counties;**

Southeastern Montana Development Corporation

Authorized Official: John Williams, Board President

Contact: Jim Atchison, Executive Director

PO Box 1935

6200 Main Street

Colstrip, MT 59323

(406) 748-2990

Active Service Region: **Custer, Powder River, Rosebud, and Treasure Counties.**

Background

Coal production has long been a cornerstone of the Montana economy and the industry is facing new challenges that will have an impact on the coal producing counties in the 15 County region and beyond. Nearly three years ago, economic development professionals working in Montana's coal producing counties (a 15-county region) began to collaborate specifically to leverage limited resources while developing strategies to address the changing coal economy. A Coal Country Coalition (CCC) was created to secure professional assistance in analyzing the impact of coal production and generation on the economy of Montana, assessing workforce skills through an in-depth analysis and developing strategies to combat negative outcomes of a potential downturn in the coal economy.

Objectives of the in-depth analysis were to: assess the regional impact of the closure of Colstrip Units 1 and 2; highlight the loss of severance and gross proceeds tax revenue; investigate regional economic impacts related to the downturn in the coal industry; discuss how to continue to provide reliable and affordable power for Montana; address workforce challenges; and outline the need for enhanced regional competitiveness.

Through an extensive community planning process and economic analysis, utilizing consultants with vast experience in communities impacted by an evolving energy industry, a list of transition strategies was identified and this MOU is a means to formalize the goal of the four organizations to continue working collaboratively to execute the next steps and recommendations put forth in *The Changing Coal Industry* planning document.

Purpose

This MOU is intended to formalize the purpose of the Coalition and to serve as a starting point for actions that would be beneficial to the constituents located within the 15 County region and beyond.

Proposed actions are to include, at a minimum:

- Advocate as a coalition for actions designed to minimize impacts and leverage the available human and natural resource assets available in the region.
- Each organization will consider the needs of the larger region as they develop and implement strategic planning documents, including annual work plans and CEDS documents, where applicable.
- Participate in a quarterly conference call or face-to-face meeting in order to report progress and prioritize next action(s), including the identification of lead agencies believed to be critical in moving forward with specific goals.
- Co-host an annual Power Summit.
- Consider and assess the benefit of future joint grant applications to implement regional goals and strategies.
- Educate and inform leaders and key stakeholders via written updates as applicable.
- Consider coal industry opportunities as well as opportunities for diversification of all other power sources, including alternative energy, in the development of future goals and strategies.

Funding

This MOU is not a commitment of funds.

Duration

This MOU is at-will and may be modified in writing by mutual consent of participating entities. This MOU shall become effective upon signature by the authorized officials of participating entities and will remain in effect until modified or terminated by any one of the partners by mutual consent.

Beartooth Resource Conservation & Development Area, Inc.

Authorized Official: William Foisy, Board Chairman

Signed _____

Date: _____

Big Sky Economic Development

Authorized Official: Sheri Nicholson, Board Chair

Signed _____

Date: _____

Snowy Mountain Development Corporation

Authorized Official: Ross Butcher, Board Chairman

Signed _____

Date: _____

Southeastern Montana Development Corporation

Authorized Official: John Williams, Board President

Signed _____

Date: _____