

12/22/2023



# Campground Chats

## Independence Bank

## CHALLENGE ACCEPTED: EXPLORING WAYS TO INCREASE CAMPER NIGHTS

The Independence Bank Team had a wonderful time at the KOA Convention in Las Vegas. We always appreciate the opportunity to see campground owners in person and to gain insight into what is happening around the system. During convention week, we heard about KOA's world-class NPS score, potential changes to the cancellation policy, new uniforms, and the challenge to drive camper nights in 2024. While the cancellation policy and uniforms received appropriate fanfare, we want to focus our attention on camper nights and analyze some avenues that owners can consider in attaining increased occupancy.

With nearly 500 KOA campgrounds in the system, we appreciate that every campground is unique and the solutions to drive camper nights are not universal. The critical first step in creating the right strategy for your campground is to collect the data and study the research. First-hand experience with customers is going to be invaluable in discerning what campers want for space, amenities, and entertainment. Additionally, K2 is an incredibly powerful tool for analyzing occupancy, pricing, and demand. It never hurts to have a fresh pair of eyes on your operation either, so tapping into resources like KOA's Business Development Consultants and 20 Groups can be beneficial in targeting areas of opportunity. You might even find that attention is needed in an entirely different realm from the statistical data, such as employee relations or infrastructure, which can still affect camper nights.

The natural starting point for your research is going to be sorting through the campground's historical data from 2022 and 2023, avoiding outliers from the COVID impact. The assessment of this information and the required plan of action are likely to be different for your peak periods versus the shoulder season and mid-week intervals. The busy seasons and holidays are probably in high demand already with near maximum occupancy. Your analysis will highlight the site types where you're turning business away and those sectors that are not achieving optimal occupancy levels. This will lead you to take inventory of the site mix and help you decide if you want to change your configuration and upgrade spaces, or even expand an entirely new section of the campground.

The strategy for the shoulder seasons and mid-week activity has an even wider array of possibilities with the obvious focal points on pricing, additional marketing, and special events. Often, a hobby or passion of a campground owner or manager is the birthplace of a highly successful event. We've seen dog shows, corn mazes, family reunions, scout retreats, wine tastings, concerts, food truck nights, art contests, car shows, horseshoe tournaments, game nights, lawn mower races, carnivals, and flea markets, just to name a few. The critical piece to getting these events off the ground is utilizing your marketing tools, especially through social media and your community partners such as the chamber of commerce. There could be an overlap in solutions to gaining camper nights between your high and low periods, but it's likely to include a combination of tactics.

As you explore ideas and formulate a plan for viable improvements, we encourage you to reach out to us at Independence Bank. IB has financing available for site upgrades, park expansions, and any other transformative projects that you may have planned. We want to see you build the best options for your campground to move the needle on your camper nights and maintain that high-quality customer experience that is quintessential to the KOA franchise.

We thank you for a great 2023 year and a fun convention, and we're here for you as you journey into 2024. We are always impressed by the innovation and hard work of KOA owners, and we can't wait to see what you have in mind for the upcoming year!



*Respectfully submitted by,  
The KOA Team at Independence Bank*

09/13/2023



# Campground Chats



**Independence**  
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## ALERT!

### STRATEGIC PLANNING & LOOMING TAX CODE CHANGES

**C**onvention is coming up fast, which means looking at new opportunities, projects, and products to help your park grow. This annual event provides a space for recharging, reflecting and revisiting your park's development. As part of that reflection process, it's a good time to review your future goals. It goes without saying that owning a business is not a linear path. As many of you have wrapped up a busy season, take pause to assess where you're at on the journey and whether some adjustments need to be made.

Often overlooked, an exit strategy is something that is ideally created during a campground acquisition. However, if you haven't made those plans, now is the perfect time to get started. It may feel counterintuitive, but this strategic planning actually starts from forecasting your end goal and working back to the present. Your plans should then influence your short-term decisions, whether those involve capital improvements, major expansions or operational changes, along with the potential timing of each. Furthermore, it should shape your entity structure (Corp, LLC, Partnership, etc.) to ensure that you get the best tax outcome.

As is human nature, we tend to be focused in the moment and push the future to the side. Often, however, decisions we thought were in the distance can creep up unexpectedly due to health issues, a tempting sales offer, or anything else life throws your way. A strong strategic plan can prepare you for that moment and help avoid tax implications, monetary losses, family feuds and various other consequences. Keep in mind that tax planning is typically years in the making and switching entity structures has timing limitations (often 5 years), so give yourself leeway to accomplish those changes.

It's also important to be mindful of the current tax code, which is set to expire at the end of 2025 unless new legislation is adopted. One of the biggest changes could come in the form of the estate and gift tax exemption, which will effectively be reduced by half. Therefore, if your plans were to pass your campground to your family, taking advantage of the current high exemption amount may be worthwhile. Other areas of the tax code may change as well, including income tax brackets and certain other exemptions, so talk to your financial advisers if you feel this might affect your plan.



We've seen KOA owners take several different routes as they move on to new chapters in their lives, such as selling the campground, hiring managers to take over day-to-day operations, and passing the business down to the next generation. Whatever your plan may be, it's important to start talking about it now with your accountant, banker, or financial advocate to help design one that best fits your desired outcome. The KOA Department at Independence Bank is ready to work with you to help accomplish your strategic plan and is prepared to be flexible as you navigate this journey in campground ownership. Don't hesitate to reach out and discuss how we can assist you in reaching your goals.

*Respectfully submitted by,  
The KOA Team*



06/12/2023



## The Best of Both Worlds - Efficient Technology with Personal Customer Service

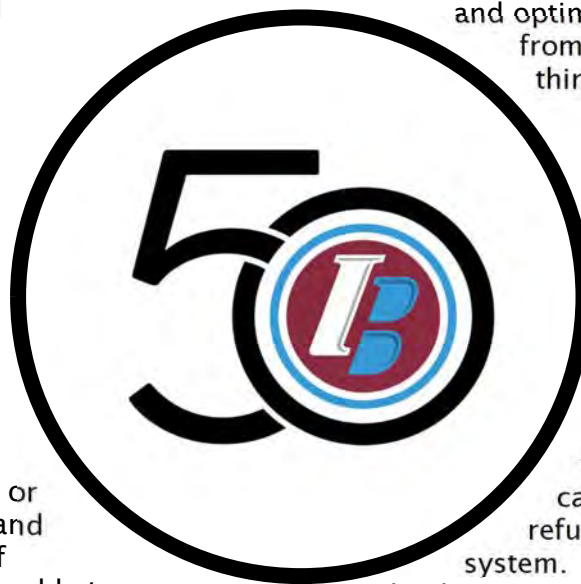
Independence Bank began in 1973 and is proudly celebrating 50 years in business throughout 2023. During that span, many things have changed, specifically the technological advances in the industry. However, there is one thing that has remained constant, which is the personal attention required in customer service.

With most of our KOA customers being geographically distanced from our bank locations, we strive to establish a real connection with our customers while also offering resources for KOA owners to easily manage their accounts from afar. We continue to believe the best customer service experience is in-person or by phone, but we also understand the need to provide a variety of options for our customers to be able to bank remotely. IB offers several digital platforms for customers to utilize, including online banking and Zelle, along with a more robust business banking resource called IB Corp.

IB Corp is an advanced, online cash management tool for our business account holders. It provides a one-stop shop for all business banking needs allowing you to manage your money in real time. Some of the features that customers love most about IB Corp are the ability to move money from bank to bank, initiate wire transfers, run payroll, create recurring payments, and set up direct deposits for employees. All of which can be saved as

templates to make future transactions quick and effortless.

IB Corp also offers the ability to assign other users, such as a bookkeeper, with customized access to accounts and functions. This feature allows not only you as the owner to have direct access to money management, but you can also delegate authority to other employees, which comes in handy when taking a much-deserved break from the busy camping season. You can take control of your business and optimize your day-to-day operations from just about anywhere to keep things running smoothly.



Technology is wonderful, but it is also comforting knowing you can talk to a person, not a computer, at Independence Bank to navigate any challenges or troubleshoot any issues. As it is becoming more commonplace to call in to a business and dial your way through a frustrating automated call center, Independence Bank refuses to implement such a system. We use technology to make banking more efficient, but we never want to lose sight of the personal connection with our customers.

We want you to bank with us, and we aim to provide an experience that allows you to choose how you do business. If our customizable banking strategy sounds like a good fit for your campground operation, then we look forward to hearing from you. We'll help you find the right combination of tools for you to conveniently manage your money.

*Respectfully submitted by Debbie, Nate, Caitlin, Max, and the entire team at Independence Bank.*

03/01/2023

# Campground Chats

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## Investigating Net Income Opportunities

As the majority of campgrounds are about to enter their busy summer season, it's a great time to revisit your initial budget and make any necessary changes based on the current K2 data of your campground. With the inflationary pressures over the past few years, it's critical to remain focused on your net income. Most campgrounds have experienced increasing gross incomes for the past ten plus years, but it's entirely plausible that some may have net incomes that were flat, or decreasing, in 2022. While a single year in that scenario shouldn't cause grave concern, multiple years of the same situation could eventually pose a problem.

There is another looming factor that could come into play in the future and that is interest rates on your current debt. For the campground owners that were in business prior to the beginning of rate hikes in May of 2022, you are likely locked in at favorable loan rates. Predicting interest rates far into the future is a difficult proposition. However, it's safe to assume that when it comes time to reset your interest rate in the coming years, it will likely be higher. How do you combat the impact to your cash flow? Grow your net income!

While that seems obvious, there are numerous ways to enhance your cash flow. We would like to highlight the addition of

patio sites as one specific project that seems to be a constant during our history of working with campground owners. The comments we've received are positive: first to rent, little price resistance, and high customer satisfaction. Patio sites have historically been a low-cost enhancement with strong returns on many levels.

To further support that claim, Greg Dunagan, KOA's Sites and Accommodations Manager, shared some statistics when comparing the existing 2,200 patio sites in the KOA system to regular RV sites. Patio sites saw an increase of 16% in occupancy, and the average NPS score is 12 points higher than RV sites (78 versus 66). The biggest contrast, however, comes from the average site revenue, which sits at an astonishing 139% over RV sites. While performance can vary from campground to campground, consider if patio sites would be a good option for your park. Furthermore, KOA continues to provide incentives to assist franchisees in promoting net income growth through their royalty incentive programs, which continues in 2023.

Our go-with-the-flow program is unique to Independence Bank and fits this type of campground improvement perfectly. It requires no cash down helping you protect your cash reserves.

The repayment options are flexible to match your specific cash flow projections. The typical return on investment is strong and allows you to pay off the loan quickly with no prepayment penalties.

As you look at ways to increase net income this year, a decision to add any project should be supported by analysis that justifies the investment. Furthermore, don't let interest rates and inflationary costs be a deterrent to a project that will enhance your net income. We wish you all the success as you navigate the upcoming year, and we're always here to help with any banking or financing questions.

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*For more information, call the Independence Bank KOA Lending Branch at 406-265-1241.*



Photo Courtesy of KOA



# Campground Chats

with  **Independence Bank**

## The Faces of Independence Bank

*Recently we rang in the new year, and we thought it would be a great time to introduce and re-introduce the KOA Lending and Deposits team at Independence Bank. The entire IB KOA Team looks forward to working with you in 2023!*

**Debbie Callahan, Senior Vice President Lending / Branch President KOA Campground Lending** – Debbie grew up on a farm/ranch south of Havre, MT. After graduating from the local university with a Business/Ag degree, she started her banking career. She just celebrated her 25<sup>th</sup> anniversary with IB and 40 years in banking. Debbie took over the reins of the KOA branch in 2010. She notes that her KOA borrowers are quite like her AG borrowers, in that they all work hard and take PRIDE in what they do. When she isn't leading the team or crunching numbers, she is training for her next ½ marathon with a goal of running in all 50 states. She can also be found spending time with her family and grandchildren, golfing and traveling.

**Nate Molstad, Loan Officer** – Nate started his banking career fresh out of college in 2005. He joined Independence Bank in 2007 and worked in various positions prior to starting in the KOA department in 2010. His analytical mind and great personality make him a joy to work with. He is married to his wife Ashley, and they have two young kids together, Maycee and Kaesen. When he's not busy with work or chasing kids, you'll likely find him somewhere outdoors fishing or hunting.

**Carol Murch, Loan Assistant** – Carol is from Montana and has been in banking since 1986 and with the IB KOA department since 2010. Carol is known for her organizational skills and detail-driven personality. She works tirelessly to ensure that your documentation is correct and complete. Carol is soft spoken, kind, and passionate about her family and her job. Outside of work, Carol is an enthusiastic sports mom and enjoys spending time with her children and grandchildren.

**Sammie Chagnon, Loan Assistant** – Sammie grew up on the east coast, mainly in South Carolina. She earned her bachelor's in Zoology with a minor in business. She moved to Montana in 2012 and worked for Havre non-profits for 9 years. Sammie joined IB in 2021 as a KOA Loan Assistant. She enjoys getting to know the campground industry and the wonderful individuals involved in KOA. In her free time, she loves to camp and hike with her family and friends.

**Caitlin Teske, Lender** – Caitlin is a hi-line girl from the cozy town of Chinook, MT. She joined the IB KOA team in January of 2022 bringing nearly 15 years of banking experience with her. Her attention to detail, logical thinking, and quality customer service skills makes her a perfect fit for KOA lending. When she isn't busy at work, Caitlin can be found camping, floating Montana's rivers and spending time with her family and pets.

**Max Vogel, Loan Officer** – Max is a fourth generation Montana native who joined the IB KOA team in September of 2022 bringing nearly 19 years of commercial lending experience including hospitality and campground financing. He grew up in a camping family which used the KOA directory to plan their trips. Max is a licensed pilot who enjoys flying his airplane. In addition, he is a hunter, a fisherman and loves recreating with family and friends.

**Jacquelyn Hentschel, Credit Assistant** – Jacquelyn was born and raised in Havre, MT. She has been in the lending business since 2016 and recently joined the IB KOA team in December. She is a hard worker with excellent customer service skills and prides herself on making customers happy. In her free time, Jacquelyn can be found spending time with her family and her granddaughter. She also enjoys the time they spend exploring Montana in their motorhome.

**Kristi Peterson, Product Marketing Officer** – Kristi came to Independence Bank in 2017 with two decades of experience in Marketing and Business. She has served the KOA Lending Branch as the primary contact for KOA deposit customers, providing excellent customer service and specialized knowledge of campground owners' banking needs. When she isn't serving customers, she is spending time with her husband Petey, their two grown children and her two adventurous goldendoodles.

*Your success is important to us, so please call us today at (406) 265-1241 to discuss how we can help your campground grow. We look forward to talking with you and hearing about your journey!*



**2023 IB KOA Team:** (L-R) Sammie Chagnon, Kristi Peterson, Debbie Callahan, Nate Molstad, Carol Murch, Max Vogel, and Caitlin Teske  
Pictured: Jacquelyn Hentschel

08/22/2022



# Campground Chats with Independence BANK

## Thank You for Mutually *Beneficial* Relationships

With fall right around the corner, many campgrounds are nearing the end of their season while others in the south are soon to be ramping up. KOA's annual convention is fast approaching, which always seems to provide a time of reflection of past, present and future.

KOA's first campground opened on the banks of the Yellowstone River in Montana in 1962. The company now has over 520 locations across the U.S. and Canada. Throughout 2022, KOA has been celebrating its 60th anniversary, which will be capped off by the convention in Orlando, FL on November 14th through November 17th. Independence Bank would like to congratulate KOA on this outstanding milestone.

Independence Bank has a shared history with KOA having financed its first KOA campground in 2002. IB has now been the premier lender for KOA campground owners for 20 years. Looking back, IB had a loan portfolio of \$4.3 million at the end of 2002. By the end of 2022, the portfolio is likely to exceed \$150 million. The growth that IB has experienced has been made possible by the strong relationship with KOA and its campground owners.

Like many things in life, longevity brings about changes and challenges. The campground industry has seen a tremendous amount of turnover as the sales of campgrounds have been near all-time highs in terms of volume and value. This fluctuation has created fierce competition in the banking industry and increased

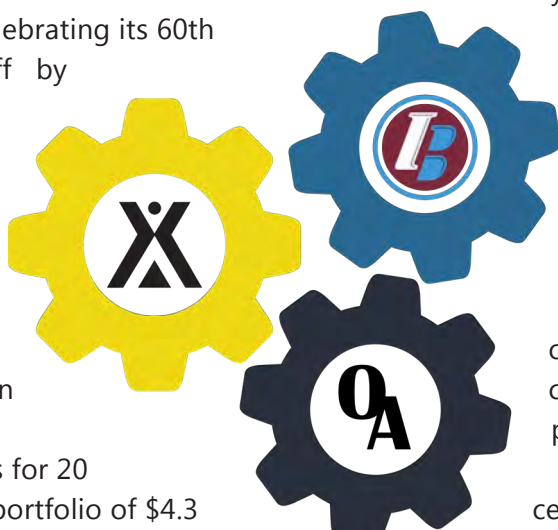
pressure on the KOA system as well. These changes see all of us celebrating relationships that have moved onto the next phase of their endeavors, while at the same time adding the challenge of starting fresh relationships with the new owners.

As Independence Bank has been a long-time speaker at KOA-University, we have the privilege of talking to incoming franchisees. One constant over the years is the message from existing campground owners converting into the system that wish they would have joined KOA sooner. That certainly speaks volumes. 60 years of experience is a powerful tool. Similarly, Independence Bank's long history of assisting campground owners, whether it be enhancing their campground or navigating hurdles, provides a great resource.

As you take the time to reflect, certainly be thinking about your relationships. The present status of our economy is murky, with signs that indicate potentially challenging times ahead. Relationships with a sturdy foundation can help you navigate whatever the future might bring.

Your success is important to us, and IB looks forward to strengthening past, present, and future relationships. Call us today. We look forward to talking to you and hearing about your journey!

*Respectfully submitted by Debbie, Nate, Max, Caitlin, and the entire team from Independence Bank.*





05/31/2022



# Campground Chats



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## Have you heard about our Go-with-the-Flow financing?

**B**y the time you are seeing this article, you should be nearing the end of your 2022 summer season and have fresh ideas in mind on how to improve your campground to better fit the needs of all your customers. We have seen great demand for new accommodations and park upgrades to fit the new and upcoming generation of campers. Whether your plan includes adding additional glamping accommodations, adding KOA Patio Sites, solar panels, splash pads or upgrading your WiFi, we have a lending option perfect for you that offers 100% financing of the project!

Our "Go-With-The-Flow" financing is a program unique to Independence Bank for the purpose of funding improvements for KOA franchisees. We require NO CASH DOWN and will set up your repayment based on the revenue of the new rental accommodation you purchase or by the total number of camper nights of your own campground. Let's walk through an example to show you just how easy it is!

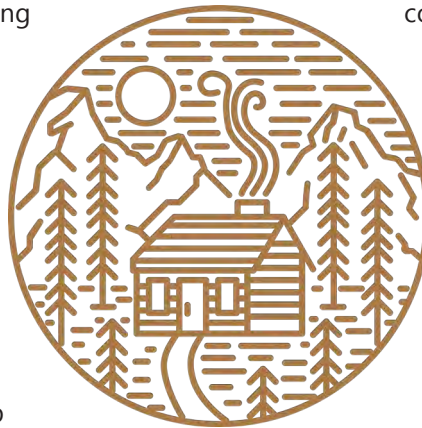
Let's say you are wanting to purchase a new deluxe cabin for your campground. At the time of application, we will ask you to provide us with your annualized projections on the number of nights you think the cabin will rent and the average price per camper night. Your loan will be based on a seven-year term and the repayment will be a percentage of the purchased cabin's revenue. Therefore, the monthly payment

is variable based on the seasonality of your campground.

You might think, "what happens if I don't meet my projections one year and I come up short on my payment obligations? Easy! Your payment will automatically revert to a ten-year term to reduce your payment. You might also think, "what happens if the cabin is being rented out well over the number of nights I projected?" Each month you continue to pay the agreed upon percentage of the cabin's monthly revenue, and with no prepayment penalties with this program, you will be on track to pay your loan off early!

This loan option has an alternative repayment format based on annualized camper nights, which is great for improvements that do not provide a direct income stream. For example, if you are ready to upgrade the WiFi on your campground to meet the demand of campers working from their RV, this program will work for you! The repayment will be structured in a similar fashion as described earlier but based on a specific dollar amount per camper nights.

Call us today and discuss your project with one of our experienced KOA campground lenders to see if "Go-With-The-Flow" financing would be a fit for your upcoming campground enhancements. We look forward to talking to you!



*Respectfully submitted by Debbie, Nate, Kelsey & Caitlin  
from Independence Bank.*



## HOW THE PAST CAN PREPARE YOU FOR THE FUTURE...

As we are writing this article in late February, consumer prices have soared beyond 7.5% so far in 2022, the highest it's been in four decades. The average rate on a 30-year mortgage has steadily increased and remains the highest it's been in more than two years. Commercial interest rates are already trending up with the Federal Reserve's talks of multiple rate hikes in 2022. The national average for a gallon of gas is currently \$3.61, roughly \$1.00 more than a year ago with many predicting it may reach \$5.00 or more. Russia just invaded Ukraine and the stock market has been experiencing volatility. These are just a few indicators of a possible economic downturn which could be looming. With this in mind, campground owners should take the time to review their financial position and consider their plan of action. While campgrounds have historically performed well during economic challenges and reservations for 2022 are at record levels, it's better to be prepared and wrong, than the alternative.

With the backdrop of these indicators, we thought it would be beneficial to share our experience with The Great Recession of 2008. In the 20-year history of Independence Bank financing campgrounds, the years following the recession were our most challenging. We have experienced very few campground foreclosures, but all that have occurred originated from this period in history. It's important campground owners pay close attention to early warning signs, such as cancelled reservations and price resistance, to be proactive in reacting to market conditions. With that, let's cover a few things we recollect which might be pertinent to navigating future events:

- We remember campground owners celebrating status quo cash flows when compared to previous years. The saying "flat is the new up" became the positive spin discussing campground performance. Remember, through good times you manage your gross income and during the challenging times expense management becomes critical.
- Campgrounds that were not considered destination areas or did not reside next to large populations were impacted the most. Owners may have to look at their campground with a different perspective than they have traditionally done. This could mean a shift in your business model, for example, a greater amount of long-term campers.
- Issues which were put on the backburner became magnified. This includes deferred maintenance but could be management of your balance sheet as well. In past articles, we have talked in length about the importance of cash reserves and having a rainy-day fund. Those cash reserves were critical during the last economic downturn.

It's always good to be prepared, and your banking partners should be ready to assist you if challenges arise. Please call Debbie, Nate, Kelsey, Caitlin and the team at (406) 265-1241 to talk about your operation and how we can help you financially equip for the future.



07/22/2021



### Leveraging Your Cash Flow

In our last article, we spoke about the importance of developing your campground with new sites and improvements by taking advantage of the KOA Royalty Program. This line of thought was directed at increasing revenues to combat rising expenses and protect your net income. Investing in your business is always alluring to entrepreneurs, but with a backdrop of tremendous demand, what is the best way to quickly capture more market share? Depending on your specific situation, it may be that leveraging the equity in your current campground to fund the purchase of a second could be the answer to this challenge.

The last five years have exceeded pretty much all expectations in the steady growth of revenues and net incomes. This growth has been one factor in increasing the value of many campgrounds, and it might now be possible to leverage your existing *cash flows* by borrowing against the *equity* of your current property. Different bankers and different situations will mean that each transaction is structured uniquely, but you can conceptualize the idea as two loans: one secured and serviced by your current campground, and a second that is secured and serviced by the new campground. The total of these two will purchase the new park.

You might be worried that a second purchase in a good market might be geographically distant from your current campground and require you to manage operations hundreds of miles apart. One solution could be to look at a property within your existing territory as a purchase and conversion into the KOA system. A second campground in your area might seem counter-intuitive from the standpoint that you could be competing with yourself. On the other hand, it could provide opportunities greater than the risks: a market you understand, improved pricing power, more sites in less time than expansion, economy of scale in management/purchasing/etc., and increased selling power when you pursue your exit strategy. Expanding on these benefits could be a full-length article so we won't get into the weeds, but you will be able to see the potential advantages and challenges most clearly in your own area.

Let's talk about the purchase and the loan. Often people want the loan that offers the best available rate and terms, regardless of where or who it's from. The problem with this approach to banking is that every lender is different and may not truly understand your business in helping you reach your goals. Eventually, that can limit your options. A healthy banking relationship, that includes well-structured debt with most or all of it held with one bank, will give you needed support as you seek to develop your business.

Have a great rest of the 2021 season, and we'll look forward to seeing you at convention in Baton Rouge!

If you would like to further this conversation or if we can be of any assistance, call Nate, Debbie, Kelsey or Shea at (406) 265-1241.



## IS A RESTRUCTURE RIGHT FOR YOU?

After the 2020 year, I think most of us are feeling that we escaped what could have been a serious issue for anyone with a high level of debt. As a campground owner, there are many challenges that are out of your control. Overall, you should feel great about the resilience of your business. Not only did the majority of you have a pretty prosperous year, but the future of the business from a reservation perspective looks even brighter. However, this might be the time to sit down and review the things that are in your control for the upcoming season and even further into the future.

First and foremost, let's take a look at ways to maximize your cash flow and minimize your risk. The three primary ways to maximize cash flow are:

- 1) Increase sales (gross income)
- 2) Decrease expenses
- 3) Restructure debt

In focusing on the topic of restructuring debt, start by taking a look at the equity in your campground to see if moving some debt into a longer structure is a bankable solution. With prevailing interest rates being low, a refinance could be a good option to enhance your cash flow. To maximize your amount of monthly debt service savings, a restructure could include credit card debt, equipment debt or other short-term debt. This scenario allows you to be in control of your capital allocation. With the savings, you can build your cash reserves, self-fund cash-flow-enhancing projects or pay more than the required new monthly payment. Just be careful to avoid adding any additional debt unless it can further improve your cash flow.

Along with considering a restructure of debt, it is very important to continue to explore options for increasing gross income and reducing expenses. With these strategies, you can maximize your campground cash flow and be better prepared to withstand any future financial stressors.

Ponder these thoughts and call Debbie, Nate, and Kelsey at (406) 265-1241 to discuss your financial strategy for the upcoming year. We wish you well as you prepare for the 2021 season and hope to hear from you!