



Annual Report

2014



*"The best way to predict the future is to create it".
Peter Drucker*

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Letter from Chairman of the Board

To our Shareholders and Tribal Members:

The Osage Nation started the Osage LLC (LLC) in 2008 in an attempt to develop a strong economic development base for the future of the Nation. Now, over six years later, we are developing a new management team and new business strategies in order to solidify a business model which will diversify revenues for stakeholders and ensure a solid financial base for future growth of the LLC. We are establishing new business relationships in order to create opportunities for growth, while at the same time working to expand the capabilities of companies with whom we have existing relationships.

We have hired a new CEO and we filled a marketing position with an Osage Tribal member. We are confident both will help promote the LLC's business and investment interests. In addition, three new members have been added to our Board of Directors. These new Board members bring a wealth of experience that will help us as we endeavor to build the LLC and its subsidiaries into a strong group of profitable companies. Of the five members on our Board, three are Osage Tribal members, which is a first for the LLC's Board. I can assure you that the entire Board is committed to the success of the LLC and that we are jointly and individually grateful for the opportunity to serve the Osage Nation.

Another major change that is underway is the transition of the Osage LLC to a new holding company, Tallgrass Economic Development, LLC, which will allow us to rebrand our companies and the services they offer. Combined with the changes previously mentioned, these steps lay a firm foundation for the future growth and success of the economic development program for the Osage Nation.

On behalf of the Osage LLC Board of Directors, I want to invite you to share in our vision for a brighter future for the LLC in 2015 and beyond. We are excited about the potential of the LLC, and with your support, we are certain to make 2015 a successful year. We encourage you to provide your comments and recommendations as we continue to grow.

Sincerely,

Jim Parris
Osage LLC Board of Directors

2015 VISION

"Laser focus on revenue generation, positive cash flow and business development in government and tribal contracts."

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Board Profiles

Jim Parris, Chairman

Mr. Parris has over 30 years of accounting, audit and management experience serving Tribal and Federal governments, as well as corporations in the private sector. He is an Osage Tribal member and served as the first Controller for the Osage Nation in 1978. He practices public accounting as a sole-practitioner based in New Mexico and provides financial management consulting services to Tribal governments regarding accounting staff, cash management, accounting systems, policies & procedures, and internal control improvements. Jim served 4 years in the U.S. Navy (1973-1976), holds a Bachelor of Science degree in Accounting from Oklahoma State University (1977), and obtained his certificate as a Certified Public Accountant in Oklahoma in 1980.

David Stewart

Mr. Stewart is currently Chief Administrative Officer and Trustee of the Oklahoma Ordnance Works Authority located in Pryor, Oklahoma. The Authority is a public trust that owns and operates the Mid America Industrial Park. Mr. Stewart was appointed to this position by the Governor of Oklahoma, Mary Fallin, in January, 2013. Mr. Stewart is the former President and Chief Executive Officer of Cherokee Nation Businesses, LLC, the wholly owned parent/holding company of the Cherokee Nation, charged with economic development, business diversification and with providing shared services across the Cherokee Nation's business entities. Revenue derived from non-gaming sources at Cherokee Nation Businesses reached \$200 million by 2012. Mr. Stewart earned his Master of Science and Bachelor of Arts business degrees from Oklahoma State University in 1978 and 1977 respectively. He was certified in Oklahoma as a Certified Public Accountant in 1978.

Tim Tallchief

Tim Tallchief is currently the Director of Health Services at the Citizen Potawatomi Nation. He has also served as the Deputy Commissioner and Tribal Liaison for the Oklahoma State Department of Health and State Director for Indian Education at the Oklahoma State Department of Education. He continues to teach as a professor at the University of Oklahoma. He is an Osage Tribal member and has served on several committees and positions in support of the Nation. He is actively involved in many cultural events to preserve the history and culture of the Osage people. He holds a M. ED. Degree from Central State University.

Ray Hankins

Mr. Hankins is a Certified Public Accountant with over 29 years of experience with the State of Oklahoma in a senior accounting/managerial positions including having served for over 10 years as the Chief Financial Officer of the State Department of Health and more recently as the Deputy State Comptroller with the Office of Management and Enterprise Services (formerly the Office of State Finance). He holds a Master's degree in Public Health from the University of Oklahoma and a Bachelor of Science's degree in Business Administration and Accounting from Oklahoma State University. He has extensive experience in governmental accounting, financial operations management, procurement, budgeting, cash management, federal grant accounting, governmental audits, information technology and shared services.

Phillip Morrow

Mr. Morrow joined the Board in May of 2015. Mr. Morrow is a residential mortgage banker with 7 years' experience. He has worked in Dallas and currently works for Bank of Oklahoma in Tulsa where he oversees a team of mortgage bankers. Mr. Morrow is an Osage Indian that was born and raised in Tulsa, he graduated from the University of Arkansas with a Bachelor's Degree in Marketing Management. His expertise lies in the areas of marketing, sales, and communication.

Project Portfolio

Tinker Air Force Base Breathing Air Project

OPDG removed and replaced the breathing air equipment in building 1082 at Tinker for a contract amount of \$95,500 and an estimated profit of \$12,000.



Prairie Band Tribe Modular Project

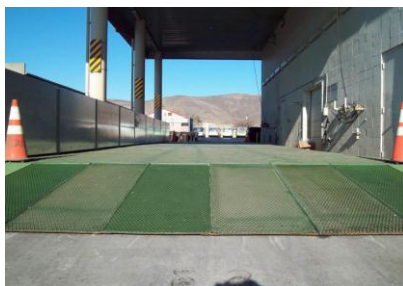
Relocation of 20 modular buildings from Dallas to Mayetta, Kansas for a contract amount of \$244,000 and an estimated profit of \$10,000

Completed Successfully



Camp Bowie – Fort Worth Wash Rack Project

OPDG was awarded a \$720,000 project to retrofit and replace the wash rack system with a water recycling system. Profit on this project is estimated at over \$70,000.



Eldorado Lake Fencing Project

Osage Innovative Solutions (OIS) was engaged to complete a fencing project at Eldorado Lake for the Corps of Engineers. This contract amount is over \$70,000 with a profit of approximately \$6,000.

In Progress



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2015 Subsidiary Vision

Osage Pinnacle Design Group (OPDG)

OPDG received SBA 8(a) certification in January 2013. OPDG provides a disciplined management system that promotes the successful execution of projects for its clients by assisting with pre-planning, architectural design, construction, engineering and project management expertise. OPDG is committed to providing its valued clients an integrated approach to project management and a full-service architectural, engineering and small project construction services. OPDG has teamed with an experienced architecture, design and construction firm in Norman, Oklahoma who has strong relationships at Tinker Air Force Base and the Tulsa Corps of Engineers. OPDG was awarded a multiyear Performance Oriented Construction Activity contract (POCA) for approximately \$20M over 5 years in late 2013. In 2014, OPDG performed successfully on one POCA related contract and in the first quarter of 2015 received two additional set aside contracts totaling \$330,000. Based on performance they expect to receive two additional contracts in 2015 totaling \$4,500,000. In addition to traditional government contracts, OPDG will continue to seek opportunities on Osage Nation tribal projects.

Project Size: \$100,000 to \$5,000,000

Targets: Tulsa, Ft. Worth and Kansas Corps of Engineering; Tinker and Ft. Sill; and State/Local Projects

Osage Innovative Solutions (OIS)

OIS received SBA 8(a) certification in April 2012 and was created to pursue contracts related to technology-related services; however OIS had no revenue in 2013 or 2014. In late 2014, OIS was awarded a small contract with the Army Corps of Engineers –Tulsa District that was completed in the first quarter of 2015. As a result, the LLC Board is refocusing OIS into mid-size, civil and environmental engineering and specialized construction projects. To jump start business development efforts, OIS has developed a relationship with Arrowhead Contracting located in Lenexa, Kansas and founded by an Osage tribal member. Arrowhead Contracting has over 25 years' experience in civil and environmental engineering and construction projects with a history in successful joint ventures and mentor protégé arrangements with other 8(a) companies. They have built strong relationships with the Department of Defense and Corps of Engineer offices throughout the Midwest. Marketing initiatives have begun and we are excited with the initial results. OIS expects to receive their first contract award by the end of the 2nd quarter.

Project Size: \$1,000,000 to \$25,000,000

Targets: Memphis, St. Louis. and Little Rock Corps of Engineering; and Department of Defense Projects

Osage Manhattan Builders (OMB)

OMB provides construction management, general contracting, owner representation and design-build services for tribal, public, government and privately funded new construction, renovations and remodels. During 2013, OMB generated revenues in excess of \$62,000,000; however, 2014 revenues decreased to approximately \$7,000,000. The decrease was mainly associated with a decrease in projects performed for the Nation. Our partner Manhattan Construction is a highly experienced construction firm located in Tulsa, OK that provides pre-construction, construction management, general construction and design/build services. Their resume includes successfully completing projects such as AT&T Stadium in Dallas, Reliant Stadium in Houston and BOK Center in Tulsa. The LLC Board believes there are great opportunities in continuing a partnership with Manhattan and are actively working to restructure the arrangement with a focus on Native American projects, hospitality industries and government contracting across the country during 2015. We have identified several Native American projects totaling in excess of \$58,000,000 as targets.

Project Size: \$10,000,000 to \$50,000,000

Targets: Nationwide Native American construction projects

Financial Statements



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Independent Auditor's Report

Board of Directors
Osage, LLC
Tulsa, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Osage, LLC, a wholly owned investment of the Osage Nation, which is comprised of the statements of net position as of December 31, 2014 and 2013, and the statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Osage, LLC as of December 31, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2015, on our consideration of Osage, LLC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Osage, LLC's internal control over financial reporting and compliance.

BKD, LLP

Tulsa, Oklahoma
April 16, 2015

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Osage, LLC Statements of Net Position December 31, 2014 and 2013

Assets

	2014	2013
Current Assets		
Cash and cash equivalents (<i>Note 1</i>)	\$ 419,418	\$ 1,281,239
Investments (<i>Note 3</i>)	1,125,547	1,301,359
Accounts receivable, net of allowance (2014 – \$4,988, 2013 – \$23,219)	111,728	2,439,297
Note receivable, net of allowance (2014 – \$30,000, 2013 – \$60,000) (<i>Note 5</i>)	254,930	540,000
Prepaid expenses and other	34,291	78,181
Total current assets	1,945,914	5,640,076
Capital Assets, Net (<i>Note 4</i>)	50,171	80,658
Other Assets		
Restricted cash and cash equivalents (<i>Note 1</i>)	1,500,000	1,500,000
Investments (<i>Note 3</i>)	189,598	297,535
Investment in joint venture (<i>Note 9</i>)	143,718	422,298
Other assets	-	1,659
Intangible assets, net	21,000	34,997
Total other assets	1,854,316	2,256,489
Total assets	\$ 3,850,401	\$ 7,977,223

Liabilities and Net Position

Current Liabilities		
Accounts payable	\$ 167,334	\$ 2,658,607
Payroll liabilities	-	66,221
Other liabilities	52,601	37,408
Total current liabilities	219,935	2,762,236
Net Position (<i>Note 1</i>)		
Net investment in capital assets	50,171	80,658
Restricted	1,500,000	1,500,000
Unrestricted	2,080,295	3,634,329
Total net position	3,630,466	5,214,987
Total liabilities and net position	\$ 3,850,401	\$ 7,977,223

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Osage, LLC Statements of Revenues, Expenses and Changes in Net Position Years Ended December 31, 2014 and 2013

	2014	2013
Operating Revenues		
Contract income	\$ 927,367	\$ 6,892,367
Consulting income	686,746	1,180,014
Interest and dividends	113,926	249,753
Gain from sale of investments	-	402,122
Income (loss) from investment in joint venture	(278,580)	803,586
Other income	42,899	-
Total operating revenues	1,492,358	9,527,842
Operating Expenses		
Cost of goods sold	1,130,926	6,792,802
Salaries and benefits	995,246	1,353,778
Office services and supplies	155,046	282,327
Professional fees	342,720	274,958
Travel expense	93,779	196,232
Occupancy and rental	86,645	118,449
Provisions for uncollectible receivables	-	83,219
Insurance	122,792	82,773
Depreciation and amortization	33,268	76,576
Director's fees	82,075	76,500
Fees, taxes and service charges	12,316	54,245
Advertising and promotion	220	12,316
Total operating expenses	3,055,033	9,404,175
Operating Income (Loss)	(1,562,675)	123,667
Nonoperating Revenues (Expenses)		
Loss on disposal of assets	(21,846)	(80,767)
Impairment of goodwill and intangible assets	-	(1,227,888)
Reversal of contingent acquisition liabilities	-	174,256
Total nonoperating revenues (expenses)	(21,846)	(1,134,399)
Loss Before Contributions	(1,584,521)	(1,010,732)
Contributions from the Nation	-	1,500,000
Change in Net Position	(1,584,521)	489,268
Net Position, Beginning of Year	5,214,987	4,725,719
Net Position, End of Year	\$ 3,630,466	\$ 5,214,987

Osage, LLC Statements of Cash Flows Years Ended December 31, 2014 and 2013

	2014	2013
Operating Activities		
Cash receipts for goods and services	\$ 3,945,646	\$ 6,237,498
Proceeds from the sale of investments	-	702,122
Investment income and return of capital received	220,328	283,798
Cash payments to related parties	-	(607,000)
Cash payments to employees and contract labor	(1,524,711)	(2,009,417)
Cash payments for goods and services	(4,002,313)	(5,602,363)
Other operating receipts (payments)	18,974	(77,071)
Net cash used in operating activities	(1,342,076)	(1,072,433)
Noncapital Financing Activities		
Contributions from the Nation	-	1,500,000
Net cash provided by noncapital financing activities	-	1,500,000
Capital and Related Financing Activities		
Proceeds from sales of capital assets	-	9,795
Purchases of property and equipment	(10,627)	(11,616)
Net cash used in capital and related financing activities	(10,627)	(1,821)
Investing Activities		
Purchase of investments	-	(1,301,359)
Proceeds from sales and maturities of investments	175,812	-
Principal payments from note receivable	315,070	-
Note receivable principal payments	-	1,500,000
Net cash provided by investing activities	490,882	198,641
Increase (Decrease) in Cash and Cash Equivalents	(861,821)	624,387
Cash and Cash Equivalents, Beginning of Year	2,781,239	2,156,852
Cash and Cash Equivalents, End of Year	\$ 1,919,418	\$ 2,781,239
Cash and Cash Equivalents Consist of		
Unrestricted cash and cash equivalents	\$ 419,418	\$ 1,281,239
Restricted cash and cash equivalents	1,500,000	1,500,000
	\$ 1,919,418	\$ 2,781,239

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	<u>2014</u>	<u>2013</u>
Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities		
Operating income (loss)	\$ (1,562,675)	\$ 123,667
Adjustments to reconcile operating income (loss) to net cash used in operating activities		
Depreciation and amortization	33,268	76,576
Noncash (income) loss from investment in joint venture	278,580	(803,586)
Net changes in		
Accounts receivable	2,297,569	(1,137,190)
Prepaid expenses and other current assets	45,546	35,500
Accounts payable	(2,542,301)	877,264
Related-party payable	-	(607,000)
Investments	107,937	362,336
Net cash used in operating activities	<u>\$ (1,342,076)</u>	<u>\$ (1,072,433)</u>
Schedule of Noncash Investing and Capital and Related Financing Activities		
Impairment of goodwill and intangible assets	\$ -	\$ 1,227,888
Reversal of acquisition liabilities	\$ -	\$ (174,256)

The above represents the audit opinion and financial statements as of December 31, 2014. Additional information is provided in the management discussion and analysis and footnotes to the financials. A complete audited financial report may be requested from the Osage LLC offices at 4500 South 129th East Ave., Suite 105, Tulsa, OK 74134 during business hours.

About Osage LLC

Osage LLC (the LLC) is a tribal limited liability company organized on April 8, 2008, under resolution number ONCR 08-09 of the Osage Nation Limited Liability Companies Act, for the purpose of managing the business activities of the Osage Nation (the Nation) separate from the affairs of tribal government. In an effort to enhance and grow the economic development of the Nation, this resolution provided the ability for the LLC to enter into legally binding contracts and commercial relationships without the need for formal tribal government action. Following the establishment of the LLC, a Board of Directors was formed to oversee management of the LLC.

In 2014, the LLC had four operating blended component units – three are 100% owned: Osage Pinnacle Design Group, LLC (OPDG), Echota Technologies Corporation (Echota) and Osage Innovative Solutions, LLC (OIS); and one is majority owned, American Video & Security (AVS) (70% ownership). Effective January 1, 2015, we are no longer pursuing business opportunities for Echota and AVS.

On April 27, 2015, Osage Nation organized Tallgrass Economic Development, LLC (ONCR 15-08 and 15-09) to establish a new entity to manage the business activities of the Osage Nation. During 2015, Osage LLC will be transferring certain businesses and activities to Tallgrass and rebranding.

