

**RESOLUTION OF THE
RESOURCES AND DEVELOPMENT COMMITTEE
Of the 23rd Navajo Nation Council---Second Year 2016**

**AN ACTION RELATING TO RESOURCES AND DEVELOPMENT COMMITTEE;
RECOMMENDING TO THE NAVAJO NATION COUNCIL THE PURCHASE OF NAVAJO
NATION OIL AND GAS COMPANY PROPERTY, 2.91 ACRES, MORE OR LESS,
LOCATED IN APACHE COUNTY AT 2 TAYLOR ROAD, SAINT MICHAELS, ARIZONA,
AT THE AGREED PURCHASE PRICE OF \$3,527,369 PLUS CLOSING COSTS**

BE IT ENACTED:

Section One. Authority

A. The Resources and Development Committee of the Navajo Nation Council is authorized and empowered to investigate, negotiate and recommend all purchases and acquisitions of real estate by and for the Navajo Nation. 2 N.N.C. §501 (B) (4) (a), §501 (B)(1), and 16 N.N.C. §7.

B. The Resources and Development Committee oversees the land acquisition proposals and recommends such proposals to the Navajo Nation Council. 2 N.N.C. §501 (B) (4) (a), and the Navajo Nation Land Acquisition Policy, 16 NNC §§ 1-10.

C. The Navajo Nation Council by Resolution CJY-54-94 established a Land Acquisition Trust Fund within the Navajo Land Department for the purchase of lands for the Navajo Nation according to the Land Acquisition Policy and Procedures and the Navajo Land Consolidation Act of 1988.

Section Two. Findings

A. The Navajo Nation Oil and Gas Company (NNOGC), Board of Directors, approved the marketing and sale of the company building #2 pursuant to NNOGC Board Resolution No. 284, approved on September 8, 2015. See Exhibit 5, Supporting Documents, Tab 1.

B. On October 6, 2015 the Navajo Land Department (NLD) and the Division of Natural Resources provided NNOGC with a written letter of intent to purchase NNOGC building #2 located at 2 Taylor Road, Saint Michaels, Arizona. See Exhibit 5, Supporting Documents, Tab 1.

C. On January 13, 2016 the seller and the buyer accepted and agreed to a purchase price of Three Million Two Hundred Fifty-Seven Thousand Three Hundred Sixty-Nine Dollars (\$3,527,369.00). See Exhibit 5, Supporting Documents, Tab 1.

D. The NLD has obtained the owner information and data required to complete a purchase package for the NNOGC Building #2 property as required by the Land Acquisition Policy. The NLD has also conducted a tour and inspection of the property. See Exhibit 4, Evaluation Report and Recommendation; Exhibit 5, Tab 7, Inspection Report; and Exhibit 5, Tab 8, Appraisal Report.

E. Funds are available from the FY 2016 Land Acquisition Trust Fund Budget Business Unit 415000, the Land Acquisition Trust Fund (LATF), and LATF Income. The LATF Income consists of unrestricted funds.

F. The Navajo Land Department prepared an evaluation report and recommendation as required by 16 N.N.C. § 7. These documents conform to land acquisition regulations adopted by the Resources Committee through Resolution RCAG-28-84. The Evaluation Report recommends purchase approval of the NNOGC property. See Exhibit 4, Evaluation Report and Recommendation.

G. The Resources and Development Committee of the Navajo Nation Council finds that the acquisition of this property is in the best interest of the Navajo Nation and the NLD.

Section Three. Recommending Purchase of Land to the Navajo Nation Council

A. The Resources and Development Committee of the Navajo Nation Council hereby recommends approval to the Navajo Nation Council of the purchase of NNOGC building #2, consisting of 2.91 acres more or less located in Apache County at 2 Taylor Road, Saint Michaels, Arizona, plus closing costs and expenses, consistent with the general terms of the Real Estate Purchase and Sale Agreement attached hereto and incorporated herein as Exhibit 3.

B. The Resources and Development Committee of the Navajo Nation Council hereby recommends approval to the Navajo Nation Council the expenditure of the Capital Outland/Land & Improvement Account No. 9012 of FY2016 Land Acquisition Trust Fund Budget, Business Unit 415000, and the amount approved to purchase the NNOGC property to benefit the Navajo Nation.

C. The Resources and Development Committee recommends to the Navajo Nation Council that this property, which includes the building and land, once purchased, be used for the Offices of the Division of Natural Resources and any or all of the departments of the Division.

CERTIFICATION

I, hereby, certify that the foregoing resolution was duly considered by the Resources and Development Committee of the 23rd Navajo Nation Council at a duly called special meeting at Desiderio Building (Chapter House), (Navajo Nation) Tohajiilee, New Mexico, at which quorum was present and that same was passed by a vote of 3 in favor, 0 opposed, 1 abstained this 11th day of August, 2016.

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

**Benjamin Bennett, Vice-Chairperson
Resources and Development Committee
Of the 23rd Navajo Nation Council**

**Motion: Honorable Davis Filfred
Second: Honorable Leonard Pete**

Exhibits:

1

***Executive Official
Reviews/Comments***

returned
to Agent

2

***Proposed Draft RDC
Resolution***

3

***Purchase & Sale
Agreement***

4

Evaluation Report

5

Supporting Documents



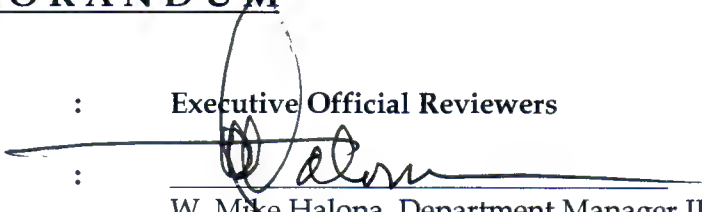
THE NAVAJO NATION

RUSSELL BEGAYE **PRESIDENT**
JONATHAN NEZ **VICE PRESIDENT**



MEMORANDUM

TO : Executive Official Reviewers

FROM : 
W. Mike Halona, Department Manager III
NAVAJO LAND DEPARTMENT
Division of Natural Resources

DATE : May 11, 2016

SUBJECT : Document No. 5939 Proposed Acquisition of the Navajo Nation Oil & Gas Company, LLC property, located at 2 Taylor Road, Apache County, Saint Michaels, Arizona

The Navajo Land Department (NLD) negotiated a real estate deal with the Navajo Nation Oil and Gas Company, LLC (NNOGC) for 2.91 acres with a 12,656 square feet office building. On January 13, 2016, the NLD, on behalf of the Navajo Nation (NN), and NNOGC, agreed to a purchase price of \$3,257,369.00.

Navajo Land Department hired a Real Estate Broker, Maria Cohen, MC Dream Builders Realty, LLC, to represent the NLD/DNR as the Buyer. Maria Cohen has the fiduciary duty to verify, complete, inspect, and/or close out the real estate deal for the Navajo Nation. Upon the completion of the 164 reviews and approval, Ms. Cohen will open escrow with Pioneer Title Agency by depositing the earnest money. At such time, all required due diligence studies will be completed. Preliminary steps and due diligences studies are as follows:

1. Obtain the legislative approvals - Resources & Development Committee, Nabikiyati Committee and the Navajo Nation Council.
2. Complete the Purchase & Sale Agreement with the Seller & NN DOJ.
3. Request and obtained a preliminary title commitment for insurance.
4. Obtained and verify that all property taxes are paid.
5. Order and oversee the building inspection, making sure that all appliances/equipment/electrical, etc. are functional.
6. Order and update an appraisal, if necessary.
7. Order a Phase I Environmental Site Assessment, if recommended.
8. Order and receive the final status of the exiting lease.
9. Work closely with NLD/DNR and the President Office to closing of escrow.



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JONATHAN NEZ VICE PRESIDENT

Funds are available from the Land Acquisition Trust Fund (LATF) Business Unit 415000 FY2016 Budget, Account 9000 Capital Outlay/Land, in the amount of \$1,756,640. The remaining funds needed for the purchase will come from the Fund Income (unrestricted funds) of the Land Acquisition Trust Fund.

Your prompt review and signature is appreciated. Please contact me at extension 6440 or 7047 for questions.

Attachments



THE NAVAJO NATION

RUSSELL BEGAYE PRESIDENT
JONATHAN NEZ VICE PRESIDENT

MEMORANDUM

TO: Executive Official Reviews

DEPARTMENT OF JUSTICE

FROM:


W. Mike Malona, Department Manager III
NAVAJO LAND DEPARTMENT / DNR

DATE: May 26, 2016

SUBJECT: Document No. 5939 Proposed Acquisition of the Navajo Nation Oil & Gas Company, LLC property, located at 2 Taylor Road, Apache County, Saint Michaels, AZ

The Navajo Land Department (NLD), on behalf of the Navajo Nation (NN), is proposing to purchase the Navajo Nation Oil & Gas Company, LLC (NNOGC) property, located at 2 Taylor Road, Karigan Estates, Saint Michaels, AZ. NLD, along with the Division of Natural Resources (DNR) administration, is in dire need of an office space/building; currently both departments were relocated inside the NN Museum and the NN Historic Preservation Department building. The scarcity of office buildings, the need for a permanent location for these departments responsible for the NN's administration of lands and securing the ownership of such a scarce resource by the NN are the fundamental reasons the NN must move forward with the acquisition of the NNOGC property, which consists of 2.91 acres and 12,656 square foot office building.

Upon DOJ's review of the 164 Document No. 5939, NLD was requested to provide a justification on the purchase price of \$3,257,369.00, which was verbally agreed by NLD, Real Estate Broker Maria Cohen, and NNOGC on January 13, 2016. NLD contracted Ajay Madhavani, MAI, AZ Certified General Real Estate Appraiser to perform an appraisal. On April 30, 2015, Ajay estimated the market value "as is" of the NNOGC property to be \$2,500,000. Likewise, NNOGC has an appraisal completed by Bill Beauvais, BDK Appraisal Services. Bill estimated the market value of the subject property to be \$3,115,000, as of August 6, 2015.

Pursuant to the Land Acquisition policy, 16 N.N.C. § 9, no NN monies shall be expended for the purchase in excess of the appraisal value plus an amount equal to ten percent (10%) in excess of such appraised value unless fully justified. With this in consideration, NLD offered \$2,700,000 (\$2.5 million appraised value + 110% = \$2.75 million) on October 12, 2015. NNOGC responded with Beauvais's appraised value of \$3,115,000. However, NNOGC reported that through their Resolution No. 284, NNOGC established the sale price at \$3.6 million. NLD was unable to justify the amount. On December 22, 2015, during the NNOGC Board meeting, NLD successfully negotiated the purchase price to \$3.1 million. During the



THE NAVAJO NATION

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follow up meeting on January 13, 2016, NNOGC informed NLD that they will not go below the amount of monies that was invested into the property. NNOGC wished to recoup the entire original acquisition cost \$2,700,000 plus all improvements, in the amount of \$557,369, made to the building and land. For this reason, NLD verbally agreed with NNOGC on a purchase price \$3,257,369. The agreed purchase price is justified by the appraisal amount of \$3,115,000 plus 10% \$311,500 = \$3,426,500. The Beauvais's appraisal is also the most current. In most real estate transactions, the most recent appraisal is the one taken into consideration as it will normally contain the most recent comparable properties.

Another justification requested by DOJ is regarding the reviews and approvals of the appraisal reports. 16 N.N.C. §10 (2 &3) states that the Resources Committee review the appraisal report(s) and submit the appraisal to the designated Bureau of Indian Affairs (BIA) officials for approval. This procedure is no longer practiced by NLD for over ten years. BIA does not handle any of the fee simple or private land purchases by Navajo. The procedure is outdated and frivolous to the acquisition of private properties. NLD recommends the approval of the NNOGC purchase as a whole package from the Resources & Development Committee.

NLD appreciates your support in purchasing the NNOGC property for the reasons mentioned. If you have any questions, I can be reach at 928-871-6524 or 6440.

Xc: Shirley McCabe, Senior Appraiser, NLD
Bidtah Becker, DNR Executive Director
Maria Cohen, RE Broker/Owner, MCDDBR, LLC
Project File, NLD

Document No. 005939Date Issued: 05/11/2016**EXECUTIVE OFFICIAL REVIEW**Title of Document: Proposed Acquisition - NNOGC LLC Contact Name: MCCABE, SHIRLEY A.Program/Division: DIVISION OF NATURAL RESOURCESEmail: shirley_mccabe@frontiernet.net Phone Number: 9282067372☐ **Business Site Lease** Sufficient Insufficient

- | | | | |
|---------------------------------------------------------------------------------------------------|-------------|---|---|
| 1. Division: _____ | Date: _____ | □ | □ |
| 2. Office of the Controller: _____ | Date: _____ | □ | □ |
| (only if Procurement Clearance is not issued within 30 days of the initiation of the E.O. review) | | | |
| 3. Office of the Attorney General: _____ | Date: _____ | □ | □ |

☐ **Business and Industrial Development Financing, Veteran Loans, (i.e. Loan, Loan Guarantee and Investment) or Delegation of Approving and/or Management Authority of Leasing transactions**

- | | | | |
|------------------------------------------|-------------|---|---|
| 1. Division: _____ | Date: _____ | □ | □ |
| 2. Office of the Attorney General: _____ | Date: _____ | □ | □ |

☐ **Fund Management Plan, Expenditure Plans, Carry Over Requests, Budget Modifications**

- | | | | |
|-------------------------------------------|-------------|---|---|
| 1. Office of Management and Budget: _____ | Date: _____ | □ | □ |
| 2. Office of the Controller: _____ | Date: _____ | □ | □ |
| 3. Office of the Attorney General: _____ | Date: _____ | □ | □ |

☐ **Navajo Housing Authority Request for Release of Funds**

- | | | | |
|------------------------------------------|-------------|---|---|
| 1. NNEPA: _____ | Date: _____ | □ | □ |
| 2. Office of the Attorney General: _____ | Date: _____ | □ | □ |

☐ **Lease Purchase Agreements**

- | | | | |
|------------------------------------------|-------------|---|---|
| 1. Office of the Controller: _____ | Date: _____ | □ | □ |
| (recommendation only) | | | |
| 2. Office of the Attorney General: _____ | Date: _____ | □ | □ |

☐ **Grant Applications**

- | | | | |
|-------------------------------------------|-------------|---|---|
| 1. Office of Management and Budget: _____ | Date: _____ | □ | □ |
| 2. Office of the Controller: _____ | Date: _____ | □ | □ |
| 3. Office of the Attorney General: _____ | Date: _____ | □ | □ |

☐ **Five Management Plan of the Local Governance Act, Delegation of an Approving Authority from a Standing Committee, Local Ordinances (Local Government Units), or Plans of Operation/Division Policies Requiring Committee Approval**

- | | | | |
|------------------------------------------|-------------|---|---|
| 1. Division: _____ | Date: _____ | □ | □ |
| 2. Office of the Attorney General: _____ | Date: _____ | □ | □ |

☐ **Relinquishment of Navajo Membership**

- | | | | |
|------------------------------------------|-------------|---|---|
| 1. Land Department: _____ | Date: _____ | □ | □ |
| 2. Elections: _____ | Date: _____ | □ | □ |
| 3. Office of the Attorney General: _____ | Date: _____ | □ | □ |

☐ **Land Withdrawal or Relinquishment for Commercial Purposes**

Sufficient Insufficient

1. Division: _____ Date: _____ ☐ ☐
2. Office of the Attorney General: _____ Date: _____ ☐ ☐

☐ **Land Withdrawals for Non-Commercial Purposes, General Land Leases and Resource Leases**

1. NLD _____ Date: _____ ☐ ☐
2. F&W _____ Date: _____ ☐ ☐
3. HPD _____ Date: _____ ☐ ☐
4. Minerals _____ Date: _____ ☐ ☐
5. NNEPA _____ Date: _____ ☐ ☐
6. DNR _____ Date: _____ ☐ ☐
7. DOJ _____ Date: _____ ☐ ☐

☐ **Rights of Way**

1. NLD _____ Date: _____ ☐ ☐
2. F&W _____ Date: _____ ☐ ☐
3. HPD _____ Date: _____ ☐ ☐
4. Minerals _____ Date: _____ ☐ ☐
5. NNEPA _____ Date: _____ ☐ ☐
6. Office of the Attorney General: _____ Date: _____ ☐ ☐
7. OPVP _____ Date: _____ ☐ ☐

☐ **Oil and Gas Prospecting Permits, Drilling and Exploration Permits, Mining Permit, Mining Lease**

1. Minerals _____ Date: _____ ☐ ☐
2. OPVP _____ Date: _____ ☐ ☐
3. NLD _____ Date: _____ ☐ ☐

☐ **Assignment of Mineral Lease**

1. Minerals _____ Date: _____ ☐ ☐
2. DNR _____ Date: _____ ☐ ☐
3. DOJ _____ Date: _____ ☐ ☐

☐ **ROW (where there has been no delegation of authority to the Navajo Land Department to grant the Nation's consent to a ROW)**

1. NLD _____ Date: _____ ☐ ☐
2. F&W _____ Date: _____ ☐ ☐
3. HPD _____ Date: _____ ☐ ☐
4. Minerals _____ Date: _____ ☐ ☐
5. NNEPA _____ Date: _____ ☐ ☐
6. DNR _____ Date: _____ ☐ ☐
7. DOJ _____ Date: _____ ☐ ☐
8. OPVP _____ Date: _____ ☐ ☐

☒ **OTHER: LAND ACQUISITION**

1. NLD _____ Date: 11 May 16 ☒ ☐
2. DNR _____ Date: 5/13/16 ☒ ☐
3. ~~X~~ OOC _____ Date: 5/13/16 ☐ ☒
4. ~~88~~ OAG/DOJ _____ Date: 5/27/16 ☒ ☐
5. ~~88~~ OPVP _____ Date: 10-13-10 ☒ ☐

Where is the *Agreement*
Escrow instructions? *7.1 Lda 5/15/16 See memo attached*
Pursuant to 2 N.N.C. § 164 and Executive Order Number 07-2013



NAVAJO NATION DEPARTMENT OF JUSTICE

DOCUMENT REVIEW REQUEST FORM



DOJ	
5/23/16	1040a
DATE / TIME	
<input type="checkbox"/> 7 Day Deadline	
DOC #:	005939
SAS #:	
UNIT:	NRN

☐ RESUBMITTAL

*** FOR NNDJ USE ONLY - DO NOT CHANGE OR REVISE FORM. VARIATIONS OF THIS FORM WILL NOT BE ACCEPTED. ***

CLIENT TO COMPLETE			
DATE OF REQUEST:	5-23-16	ENTITY/DIVISION:	DNR
CONTACT NAME:	Shirley McCabe	DEPARTMENT:	NLD
PHONE NUMBER:	x 7047	E-MAIL:	
TITLE OF DOCUMENT: 164 Review Doc #5939 - Proposed purchase of NND-C property.			
DOJ SECRETARY TO COMPLETE			
DATE/TIME IN UNIT:	05/23/16 11:49am	REVIEWING ATTORNEY/ADVOCATE:	5/23/16 1pm Sage Garland
DATE/TIME OUT OF UNIT:	5/27/16 10:25am		SB
DOJ ATTORNEY / ADVOCATE COMMENTS			
Document is legally sufficient - send copy to BIA after RDC approval			
REVIEWED BY: (PRINT)	DATE / TIME	SURNAMED BY: (PRINT)	DATE / TIME
Sage Garland	5-24-16 1:30pm	Paul SPRUHAN	5/27/16 9:45am
DOJ Secretary Called: Cerevieve Hardy		for Document Pick Up on 5/27/16 at 9:50am By: SB	
PICKED UP BY: (PRINT)		DATE / TIME:	



THE NAVAJO NATION

RUSSELL BEGAYE PRESIDENT
JONATHAN NEZ VICE-PRESIDENT

MEMORANDUM:

TO : 2 NNC § 164 Reviewers
Delegates & 2 NNC '164 Reviewers
Navajo Nation Government

FROM : Robert Willie
Robert Willie, Accounting Manager
Office of the Controller

DATE : May 20, 2016

SUBJECT : 164 Review: 005939 Proposed Acquisition- NNOGC LLC

The Office of the Controller is providing the balances of the Land Acquisition Trust Fund for the proposed purchase of the Navajo Nation Oil and Gas Company, LLC Property.

1. The Balance in the Land Acquisition Fund business unit 415000, capital outlay line item, is \$1,756,640 as of April 30, 2016.
2. The available fund balance is \$151,076,841 as of April 30, 2016. 12 NNC § 204 states that in order to expend fund principal two-thirds vote of the full membership of the Navajo Nation Council is needed.
3. The proposed purchase is for the Navajo Nation Oil and Company, LLC Property for the purchase price of \$3,257,369.

If you should have any questions you can contact me at tribal extension X6125.



THE NAVAJO NATION

RUSSELL BEGAYE PRESIDENT
JONATHAN NEZ VICE PRESIDENT

Memorandum

To: 2 NNC § 164 Reviewers

Delegates & 2 NNC '164 Reviewers
Navajo Nation Government

From:

Lena D. Arviso

Lena D. Arviso, Accounting Manager
Cashiers/Account Receivable/Office Services Sections

Date: May 20, 2016

Subject: 164 Review: 005939 Proposed Acquisition – NNOGC LLC

The Office of the Controller reviewed the section on the establishment of the Escrow but could not determine the feasibility of the Escrow instructions. It is stated that the agreement shall constitute escrow instructions, and a fully executed copy or counterpart copies shall be deposited with the Escrow Agent.

Thus, the Office of the Controller will need a copy of the Escrow instructions to review to further determine what the responsibilities are of the Escrow Agent.

Should you have any question(s), please contact me at the tribal extension X6122.

Pioneer Title Agency, Inc.

Commitment to Service

860 W. Cleveland, Unit 3 P.O. Box 249, St Johns, AZ 85936

Phone: (928) 337-2025 • Fax: (888) 342-7615

WIRING INSTRUCTIONS

WHEN WIRING FUNDS INTO **PIONEER TITLE AGENCY, INC.** ESCROW ACCOUNT, THE FOLLOWING INFORMATION MUST BE INCLUDED:

DATE: **May 25, 2016**

WIRE FUNDS TO: **NATIONAL BANK OF ARIZONA**
ACCOUNT NUMBER 0640001060
ROUTING #122105320
25 S HIGHWAY 92
SIERRA VISTA AZ 85635

ACCOUNT HOLDER: **PIONEER TITLE AGENCY, INC.**

PLEASE REFERENCE: ESCROW NO.: _____
FOR THE BENEFIT OF: NAVAJO LAND DEPARTMENT

PLEASE INCLUDE: SENDING PARTY'S NAME AND ACCOUNT FROM WHICH FUNDS ARE BEING TRANSFERRED.

THANK YOU.

Please contact our office to verbally verify wire instructions prior to sending funds.

FOREIGN WIRES

Wired funds coming from foreign countries which are to be deposited into your escrow account will require additional time and fees to process. Please be informed that settlement funds must include sufficient funds to cover these fees. You should therefore contact the bank sending your foreign wire, which can advise you on the additional amounts you will need to include in your wired funds in order to cover the corresponding U.S. bank's fee and any other information that may be required.

MC Dream Builders Realty, LLC
COMMERCIAL REAL ESTATE
PURCHASE CONTRACT

DRAFT

EXHIBIT

3

Document updated:
February 2016



The pre-printed portion of this form has been drafted by the Arizona Association of REALTORS®. Any change in the pre-printed language of this form must be made in a prominent manner. No representations are made as to the legal validity, adequacy and/or effects of any provision, including tax consequences thereof. If you desire legal, tax or other professional advice, please consult your attorney, tax advisor or professional consultant.



RECEIPT

1. Offer Received From: ("Buyer") Navajo Land Department
2. Agency Confirmation: Broker named on Line 18 is the agent of (check one):
3. ☒ the Buyer exclusively; or ☐ the Seller exclusively; or ☐ both the Buyer and Seller
4. Amount of Earnest Money: One Hundred Thousand \$ 100,000.00
5. All earnest money shall be deposited into a federally insured account acceptable to Buyer and Seller and any interest earned thereon shall also be included as earnest money ("Earnest Money"). Buyer agrees that, if Buyer breaches this Contract, Earnest Money is subject to forfeiture. If any check for Earnest Money is dishonored for any reason, Seller may, at Seller's option, immediately cancel this Contract pursuant to lines 308-312. Unless otherwise provided herein, all Earnest Money is considered to be part of the Purchase Price for the Property described below.
10. Earnest Money shall be: (check one)
11. ☒ Delivered by Buyer to Escrow Company upon mutual execution of this Contract.
12. ☐ Held by Broker until mutual execution. Upon mutual execution, Broker shall promptly deposit the Earnest Money with the Escrow Company to which the check is payable. If the check is payable to Broker, Broker shall deposit the check in Broker's trust account or endorse the check without recourse and deposit it with a duly licensed Escrow Company.
15. Form of Earnest Money: ☐ Personal Check ☒ Other: Wire transfer
16. Deposited with: ☐ Broker's Trust Account ☐ Escrow Company
17. Offer Received By: Maria R. Cohen MC522 05/18/2016
(PRINT SALESPERSON'S NAME AND AGENT CODE) (SALEPERSON'S SIGNATURE) (MO/DA/YR)
18. MC Dream Builders Realty, LLC MAR001 (collectively "Broker")
(PRINT NAME OF FIRM) (OFFICE CODE)

PROPERTY AND PURCHASE PRICE

9. Property Description and Offer: Buyer agrees to purchase and Seller agrees to sell the following real property:
10. Property Address: 2 N. Taylor Rd.
21. City: St. Michael's County: Apache AZ, Zip Code: 86511
22. Assessors Parcel # 209-27-176B
23. Legal description: PARCEL #2, KARIGAN ESTATES, ACCORDING TO BOOK 9 OF MAPS, PAGE 13 AND REP-
24. LATTED IN BOOK 9 OF MAPS, PAGE 14, AMENDED IN FEE NO. 2002-08861 AND AMENDED IN FEE NO.
25. 2004-00157, RECORDS OF APACHE COUNTY, ARIZONA.
26. which includes, at no additional cost to Buyer, all fixtures and improvements thereon, as well as the following items, if any, owned by
27. Seller and presently located on or in the real property: electrical distribution systems (power panels, ducting, conduits, disconnects),
28. lighting fixtures, computer wiring, telephone distribution systems (lines, jacks and connections), heating, ventilation and air conditioning
29. equipment, evaporative coolers, air lines, carpets, window coverings, wall coverings, security and fire detection systems/alarms, and
30. N/A
31. _____
32. (collectively the "Property"). All fixtures and improvements shall be free of liens and encumbrances unless otherwise specified.
33. Leased Equipment NOT Included: N/A
34. Personal Property Included: N/A
35. Personal property shall be transferred in AS-IS CONDITION, FREE AND CLEAR OF ANY LIENS AND ENCUMBRANCES, and SELLER
36. MAKES NO WARRANTY of any kind, expressed or implied (including, without limitation, ANY WARRANTY OF MERCHANTABILITY).
37. Addenda Incorporated: ☐ Schedule of personal property ☐ Lead-Based Paint Disclosure ☐ Other N/A
38. \$ 3,527,369.00 Full Purchase Price, paid as outlined below. Buyer acknowledges that failure to have funds deposited as
39. required to close escrow on the date specified herein shall constitute a material breach of Contract.
40. \$ 100,000.00 Earnest Money FUNDS TO BE DEPOSITED WITH TITLE COMPANY UPON EXECUTED CONTRACT.
41. \$ _____ Additional Earnest Money N/A
42. \$ 3,427,369.00 CASH FUNDS FROM BUYER AT CLOSE OF ESCROW.
43. _____
44. _____

>>

Commercial Real Estate Purchase Contract • Updated: February 2016
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SELLER SELLER

<Initials

Page 1 of 9

Initials>

BUYER

BUYER



45. **Escrow:** This Contract shall be used as escrow instructions. The Escrow Company employed by the parties to carry out the terms of

46. this Contract shall be: Pioneer Title Kay Perkins
 (ESCROW COMPANY) (CONTACT PERSON)
 7. 860 W. Cleveland Ave. #3, St. John's, AZ 85936 (928) 337-2025
 (ADDRESS) (TELEPHONE)
 48. (888) 342-7615 kay.perkins@pioneertitleagency.com
 (FAX) (E-MAIL)

49. **Opening of Escrow:** The term "Opening of Escrow" shall mean the date when a fully executed Contract and the Earnest Money
 50. have been delivered to Escrow Company. Escrow Company shall immediately notify Buyer, Seller and Broker(s) in writing of the
 51. date of the Opening of Escrow.

52. **Close of Escrow:** Seller and Buyer shall comply with all terms and conditions of this Contract and Close Escrow
 53. **ON OR BEFORE FORTY FIVE (45) DAYS FROM EXECUTED CONTRACT.**

54. but in no event later than 07/22/2016. Any other closing date requires the written mutual agreement of Seller and Buyer.
 MO/DAYR

55. Seller and Buyer hereby agree that the Close of Escrow shall be defined as recordation of the deed and any other documents
 56. required to complete the transaction. The parties expressly agree that the failure of any party to comply with the terms and
 57. conditions of this Contract by the scheduled Close of Escrow shall constitute a material breach of this Contract.

58. **Possession and Keys:** Possession and occupancy of the Property shall be delivered to Buyer at **Close of Escrow**,
 59. **or** ☐ **N/A**, subject to the rights of tenants under existing leases. Seller shall provide keys and/or means to operate
 60. all locks, mailboxes, security system/alarms, access to all common area facilities and **ANY OTHER ITEMS PERTINENT TO**

61. **PREVIOUS EXISTING CONTRACTS WITH EXISTING LEASES.**

DUE DILIGENCE AND INSPECTIONS

62. **Due Diligence:** Buyer's due diligence and inspection period shall be thirty (30) days or ☐ **N/A** days after Opening of Escrow
 63. ("Due Diligence Period"). During the Due Diligence Period, Buyer shall satisfy itself with respect to the physical condition of the
 64. Property, the condition of title to the Property and as to the feasibility and suitability of the Property for Buyer's intended purpose.
 65. **REFER TO LINES 66-85 FOR IMPORTANT TERMS.**

66. **Buyer Disapproval:** If prior to the expiration of the Due Diligence Period or as otherwise provided herein, Buyer, in Buyer's sole
 67. discretion, disapproves of the Property, Buyer shall:

68. (a) immediately cancel this Contract pursuant to Lines 308-312 without further written consent of the parties, in which event all
 69. Earnest Money shall be returned to Buyer; or

70. (b) deliver to the Seller written notice of the items disapproved and provide Seller an opportunity to correct the items.
 71. If Buyer elects option (b), Seller shall respond in writing within five (5) days or ☐ **N/A** days after delivery to Seller
 72. of Buyer's notice of items disapproved. If Seller is unwilling or unable to agree to correct any of the terms disapproved by
 73. Buyer, including making any repairs in a workmanlike manner, Buyer may either:

74. (a) cancel this Contract within five (5) days after receipt of Seller's response or after expiration of the time period for
 75. Seller's response, whichever occurs first, in which case all Earnest Money shall be returned to Buyer; or

76. (b) proceed with the transaction, in which case Seller is not obligated to correct those items Seller has not agreed to
 77. correct in writing.

78. If Buyer cancels this Contract, Buyer shall return all documents provided by the Seller and provide Seller with copies of all reports or
 79. studies generated by Buyer, provided, however, that Buyer shall not be required to deliver any such report or study if the written
 80. contract that Buyer entered into with the consultant who prepared such report or study specifically forbids the dissemination of the
 81. report or study to others.

82. **BUYER'S FAILURE TO GIVE WRITTEN NOTICE OF CANCELLATION OF THIS CONTRACT OR DISAPPROVAL OF ITEMS**
 83. **WITHIN THE SPECIFIED TIME PERIODS SHALL CONCLUSIVELY BE DEEMED BUYER'S ELECTION TO PROCEED WITH**
 84. **THE TRANSACTION WITHOUT CORRECTION OF ANY DISAPPROVED ITEMS THAT SELLER HAS NOT AGREED IN**
 85. **WRITING TO CORRECT.**

86. **Inspections:** During the Due Diligence Period, Buyer shall have the right, at Buyer's expense, to select an inspector(s), and to
 87. make economic, environmental and physical "inspections" (including tests, surveys, and other studies) of the Property, including but
 88. not limited to square footage, wood infestation, roof, designated flood hazard areas, structural, plumbing (such as galvanized or
 89. polybutylene pipes), sewer/septic, well, heating, air conditioning, electrical and mechanical systems, built-in appliances, soil,
 90. foundation, pool/spa and related equipment, cost of compliance with swimming pool regulations, possible environmental hazards
 91. (such as asbestos, formaldehyde, radon gas, lead-based paint, fuel or chemical storage tanks, methamphetamine, LSD, ecstasy,
 92. hazardous waste, other substances, materials or products, and/or location in a federal or state Superfund area), water damage,
 93. mold, conditions conducive to mold, geologic conditions, location of property lines, water/utility use restrictions and fees for services
 94. such as garbage, water/utility or fire protection, sign usage, zoning regulations, variances, use permits, and compliance with
 95. Americans with Disabilities Act. If the presence of sex offenders in the vicinity of the Property or the occurrence of a disease, natural
 96. death, suicide, homicide or other crime on or in the vicinity of the Property is a material matter to the Buyer, it must be investigated
 97. by the Buyer during the Due Diligence Period.

98. **Square Footage:** BUYER IS AWARE THAT ANY REFERENCE TO THE SQUARE FOOTAGE (OR NET ACREAGE) OF THE
 99. REAL PROPERTY (LAND) OR IMPROVEMENTS THEREON IS APPROXIMATE. IF SQUARE FOOTAGE (OR NET ACREAGE) IS
 100. A MATERIAL MATTER TO THE BUYER, IT MUST BE VERIFIED BY BUYER DURING THE DUE DILIGENCE PERIOD.

<Initials	
SELLER	SELLER

Initials>	
BUYER	BUYER



101. **Wood Infestation Inspection:** IF CURRENT OR PAST WOOD INFESTATION (SUCH AS TERMITES) IS A MATERIAL MATTER
 102. TO THE BUYER, IT MUST BE INVESTIGATED DURING THE DUE DILIGENCE PERIOD. If the lender requires an updated Wood
 103. Infestation Report, it shall be performed at Buyer's expense. If wood infestation is disclosed in any Wood Infestation Report,
 104. REFER TO LINES 66-85 FOR IMPORTANT TERMS.

105. **Flood Hazard:** If the Property is situated in an area identified as having any special flood hazards by any governmental entity
 106. including, but not limited to, being designated as a special flood hazard area by the Federal Emergency Management Agency
 107. (FEMA), the Buyer's lender may require the purchase of flood hazard insurance at the Close of Escrow or some future date. Special
 108. flood hazards may affect the ability to encumber or improve the Property now or at some future date. Flood hazard designation of
 109. the Property or cost of flood hazard insurance shall be determined by Buyer during the Due Diligence Period.

110. **Survey:** A survey ☒ shall be performed ☐ is waived by the Buyer.

111. If a survey is to be performed, Buyer shall have the survey completed by a licensed surveyor in accordance with the Arizona State
 112. Board of Technical Registration's "Arizona Land Boundary Survey Minimum Standards" and review the receipt of results of survey or
 113. map during the Due Diligence Period.

114. Cost of the survey shall be paid by: ☐ Seller ☒ Buyer ☐ Other: N/A

115. Surveyor's instructions are: ☐ A boundary survey and survey plat showing the corners either verified or monumentation.

116. ☒ A survey certified by a licensed surveyor, acceptable to Buyer and the Title Company, in sufficient
 117. detail for issuance of an American Land Title Association ("ALTA") Owner's Policy of Title Insurance
 118. showing all boundary, encroachment or survey exceptions and all improvements, utility lines and
 119. easements on the Property or within five (5) feet thereof.

120. ☐ Other survey terms: N/A

121.

122. **Buyer's Responsibility Regarding Inspections:** Buyer shall keep the Property free and clear of liens, shall indemnify and hold
 123. Seller harmless from all liability, claims, demands, damages, and costs and shall repair all damages arising from the inspections.

124. **Final Walkthrough:** The Seller grants Buyer and any representative of Buyer reasonable access to conduct a final walkthrough of the
 125. Property for the purpose of satisfying Buyer that any repairs agreed to by the Seller have been completed and, further, that the Property
 126. is in substantially the same condition as on the date of the mutual execution of the Contract. Seller shall make the Property available for
 127. the final walkthrough. If Buyer does not conduct such walkthrough, Buyer specifically releases Seller and Broker(s) of any liability.

128. **Seller's Responsibility Regarding Inspections and Final Walkthrough:** Seller shall make the Property available for all inspec-
 129. tions during the Due Diligence Period and final walkthrough. Seller understands that the inspections and final walkthrough require
 130. that all utilities be on and the Seller is responsible for providing same at Seller's expense.

131. **Sanitation and Waste Disposal Systems:** Buyer is aware and Seller warrants that the Property is on a:

132. ☒ sewer system ☐ septic system ☐ alternative system

133. **Seller's Obligations Regarding On-Site Wastewater Treatment Facility (conventional septic or alternative system)**
 134. ("Facility"): If such a Facility has been installed on the Property, Seller shall deliver to Buyer copies of Facility permits and any
 135. other Facility documents of record within five (5) days after Opening of Escrow. During Due Diligence Period, any Facility on the
 136. Property shall be inspected as required by law at: ☒ Buyer's expense ☐ Seller's expense by an inspector recognized by the
 137. applicable governmental authority. Seller shall deliver to Escrow Company, at Seller's expense, any certification and/or
 138. documentation required. Escrow Company is instructed to file any transfer form(s) with applicable county authority. Buyer shall pay
 139. any Facility transfer fees.

140. **Seller's Obligations Regarding Wells:** If any well is located on the Property, Seller shall deliver to Escrow Company, before Close
 141. of Escrow, a copy of the Arizona Department of Water Resources ("ADWR") "Registration of Existing Wells." Escrow Company is
 142. hereby instructed to send to the ADWR a "Change of Well Information." Seller does not warrant the gallons per minute as reflected on
 143. the ADWR certification of registration. Buyer may verify gallons per minute during Due Diligence Period through a certified flow test.

144. **Changes During Escrow:** Seller shall immediately notify Buyer in writing: (i) of any changes in the disclosures made herein, in the Seller
 145. Property Disclosure Statement, or otherwise; (ii) if Seller modifies any existing lease or other agreement affecting the Property; or (iii) if Seller
 146. enters into any new leases, rental agreements, service contracts or other agreements affecting the Property. Buyer shall be allowed five (5) days
 147. after receipt of such notice to provide written notice to Seller of any items disapproved. REFER TO LINES 66-85 FOR IMPORTANT TERMS.

DISCLOSURES

148. **Seller Property Disclosure Statement ("SPDS"):**

149. (a) ☐ Buyer has received, read, and approved the SPDS.

150. (b) ☐ Buyer waives review and approval of the SPDS. (**BUYER'S INITIALS REQUIRED TO WAIVE SPDS** _____)

151. (c) ☒ Seller shall deliver the SPDS to Buyer within five (5) days after Opening of Escrow.

BUYER

BUYER

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SELLER	SELLER
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BUYER	BUYER
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152. **Additional Seller Disclosures and Information:** Seller shall provide to Buyer the following disclosures and information pertinent to the Property
153. in writing within five (5) days or N/A days after Opening of Escrow: (1) any information known to Seller that may adversely affect the
154. Buyer's use of the Property, (2) any known pending special assessments, association fees, claims, or litigation, (3) copies of covenants, conditions,
155. and restrictions, articles of incorporation, by-laws; other governing documents; and any other documents required by law, (4) financial statements,
156. copies of current rent rolls, lists of current deposits, personal property lists, copies of leases, rental agreements, service contracts, (5) a copy of the
157. most recent survey, if available, and (6) any and all other agreements, documents, studies, or reports relating to the Property in Seller's possession
158. or control provided, however, that Seller shall not be required to deliver any report or study if the written contract that Seller entered into with the
159. consultant who prepared such report or study specifically forbids the dissemination of the report to others. The Buyer shall provide written
160. notice to Seller prior to the expiration of the Due Diligence Period of any items disapproved. REFER TO LINES 66-85 FOR IMPORTANT TERMS.
161. Seller shall deliver all original documents and estoppel certificates executed by all tenants to Buyer at Close of Escrow.
162. **No Seller or Tenant Bankruptcy, Probate or Insolvency Proceedings.** Seller has no notice or knowledge that any tenant on the
163. Property is the subject of a bankruptcy, probate or insolvency proceeding. Further, Seller is not the subject of a bankruptcy,
164. insolvency or probate proceeding.
165. **Seller's Notice of Violations:** Seller represents that Seller has no knowledge of any notice of violations of City, County, State, or
166. Federal building, zoning, fire, or health laws, codes, statutes, ordinances, regulations, or rules filed or issued regarding the Property.
167. If Seller receives notice of violations of any of the aforementioned prior to Close of Escrow, Seller shall immediately notify Buyer
168. in writing. Buyer shall have five (5) days after receipt of such notice to provide written notice to Seller of any items disapproved.
169. REFER TO LINES 66-85 FOR IMPORTANT TERMS.

DISCLOSURES FOR PROPERTY USED FOR RESIDENTIAL PURPOSES

170. (If Property is not used for residential purposes, GO TO LINE 194.)

171. **Notice to Buyer of Swimming Pool Barrier Regulations (Initials Required):** The State of Arizona has swimming pool barrier regulations
172. that are outlined in the Arizona Department of Health Services Private Pool Safety Notice. The county or municipality in which the Property is
173. located may have different swimming pool barrier regulations than the state. During the Due Diligence Period, Buyer agrees to investigate all
174. applicable state, county, and municipal swimming pool barrier regulations and, unless disapproved prior to the expiration of the Due Diligence
175. Period, agrees to comply with and pay all costs of compliance with said regulations. BUYER'S INITIALS ACKNOWLEDGE 1) EXISTENCE OF
176. SWIMMING POOL BARRIER REGULATIONS and 2) If this Property contains a swimming pool, RECEIPT OF THE ARIZONA DEPARTMENT
177. OF HEALTH SERVICES APPROVED PRIVATE POOL SAFETY NOTICE AS REQUIRED BY A.R.S. §36-1681 (E).

178.

(BUYER'S INITIALS REQUIRED)

BUYER BUYER

179. **Lead-Based Paint Disclosure (Initials Required):** If the Property was built prior to 1978, Seller shall: (1) notify the Buyer of any
180. known lead-based paint or lead-based paint hazards in or on the Property; (2) provide the Buyer with any lead-based paint risk
181. assessments or inspections of the Property in the Seller's possession; (3) provide the Buyer with the Disclosure of Information on
182. Lead-based Paint and Lead-Based Paint Hazards, and any reports, records, pamphlets, and/or other materials referenced therein,
183. including the pamphlet "Protect Your Family from Lead in Your Home" (collectively "Lead-Based Paint Information").
184. ☐ Lead-Based Paint Information was provided prior to Contract acceptance and Buyer acknowledges the opportunity to conduct
185. lead based paint risk assessments or inspections during Due Diligence Period.
186. ☐ Seller shall provide the Lead-Based Paint Information to Buyer within five (5) days after Opening of Escrow. Buyer may within ten
187. (10) days or ☐ days after receipt of the Lead-Based Paint Information conduct or obtain a risk assessment or inspection
188. of the Property for the presence of lead-based paint or lead based-paint hazards ("Assessment Period"). Buyer may within five (5)
189. days after receipt of the Lead-Based Paint Information or five (5) days after expiration of the Assessment Period cancel this Contract
190. in Buyer's sole discretion by delivering written notice of cancellation to Seller Pursuant to Lines 308-312.

191. **Prior to 1978: If Property was constructed prior to 1978, BUYER'S INITIALS REQUIRED**

BUYER BUYER

192. **1978 or Later: If Property was constructed in 1978 or later, BUYER'S INITIALS REQUIRED**

BUYER BUYER

193. IF THIS IS AN ALL CASH SALE, GO TO LINE 208.

FINANCING

194. (If financing is to be other than new financing, see attached addendum.)
195. This sale ☐ is ☒ is not contingent upon Buyer obtaining a satisfactory financing commitment within Financing
196. Commitment Contingency Period. (If sale is not contingent on a financing commitment, go to line 209.)
197. **Financing Commitment Contingency Period:** If the sale is contingent upon Buyer obtaining a satisfactory financing commitment, Buyer
198. shall have thirty (30) days or ☐ N/A days after the Opening of Escrow ("Financing Commitment Contingency Period") to
199. obtain a financing commitment satisfactory to Buyer in Buyer's sole discretion, for a loan to purchase the Property or Buyer may cancel
200. this Contract pursuant to Lines 308-312 and receive a refund of the Earnest Money. **PRIOR TO THE EXPIRATION OF THE FINANCING**
201. **COMMITMENT CONTINGENCY PERIOD, BUYER SHALL DELIVER TO SELLER AND ESCROW COMPANY WRITTEN NOTICE**
202. **THAT BUYER HAS NOT RECEIVED SUCH SATISFACTORY FINANCING COMMITMENT OR BUYER SHALL BE DEEMED TO**
203. **HAVE WAIVED THE FINANCING COMMITMENT CONTINGENCY AND ANY RIGHT TO CANCEL DUE TO FINANCING.**
204. **Financing Application:** Within ten (10) days after the Opening of Escrow, Buyer shall submit a formal loan application to a lender
205. of Buyer's choice. Buyer and Seller shall promptly provide to such lender all materials and documents lender deems appropriate to
206. facilitate such lender's processing of such loan application. Buyer agrees to pay such fees as required by the lender and all other
207. financing costs. Buyer authorizes the lender to provide financing status updates to Broker(s).

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SELLER	SELLER
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BUYER	BUYER
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TITLE AND ESCROW

208. **Title and Vesting:** Taking title may have significant legal, estate planning and tax consequences. Buyer should obtain legal
 209. and tax advice.

210. Buyer will take title as **determined before Close of Escrow** or ☐ Other: N/A

211. **Title Commitment and Title Insurance:** Buyer shall be provided at Seller's expense a Standard Owner's Title Insurance Policy show-
 212. ing the title vested in Buyer as provided in Line 210. Buyer may acquire extended coverage(s) at Buyer's own additional expense.
 213. Escrow Company is hereby instructed to obtain and distribute to Buyer and Broker(s) a Commitment for Title Insurance in sufficient
 214. detail for the issuance of an Extended Owner's Title Insurance Policy together with complete and legible copies of all documents that
 215. will remain as exceptions to Buyer's policy of title insurance ("Title Commitment"), within fifteen (15) days after Opening of Escrow.
 216. Buyer shall have until the expiration of the Due Diligence Period to provide written notice to Seller of any items disapproved. Buyer shall
 217. have five (5) days after receipt of any amendments to Title Commitment or notice of any subsequent exceptions to provide Seller
 218. written notice of any amendment or exceptions disapproved. REFER TO LINES 66-85 FOR IMPORTANT TERMS.

219. Seller shall convey title by special warranty deed or ☐ N/A deed.

220. **Additional Instructions:** (a) If the Escrow Company is also acting as the title agency but is not the title insurer issuing the title
 221. insurance policy, the Buyer and Seller hereby instruct the Escrow Company to deliver to the Buyer and Seller upon Opening of
 222. Escrow a closing protection letter from the title insurer indemnifying the Buyer and Seller for any losses due to fraudulent acts or
 223. breach of escrow instructions by the Escrow Company. (b) All documents necessary to close this transaction shall be executed
 224. promptly by Seller and Buyer in the standard form used by Escrow Company. Escrow Company is hereby instructed to modify such
 225. documents to the extent necessary to be consistent with this Contract. (c) All closing and escrow costs, unless otherwise stated
 226. herein, shall be allocated equally between Seller and Buyer in accordance with local custom and applicable laws and regulations. (d)
 227. Escrow Company is hereby instructed to send to Broker(s) copies of all notices and communications directed to or from Seller or
 228. Buyer. Escrow Company shall provide Broker(s) with access to escrowed materials and information regarding the escrow.

229. Prorations, Expenses and Adjustments:

230. **Taxes:** Real property taxes payable by the Seller shall be prorated through Close of Escrow, based upon the latest tax bill available.
 231. The parties agree that any discrepancy between the latest tax bill available and the actual tax bill when received shall be handled as
 232. a Post Closing Matter and Buyer or Seller may be responsible for additional tax payments to each other.

233. **Insurance:** If Buyer takes an assignment of the existing casualty and/or liability insurance that is maintained by Seller, the current
 234. premium shall be prorated through Close of Escrow.

235. **Rents, Interest and Expenses:** Rents; interest on existing notes, if transferred; utilities; and operating expenses shall be prorated
 236. through Close of Escrow. The Parties agree to adjust any rents received after Close of Escrow as a Post Closing Matter.

237. **Deposits:** All deposits held by Seller pursuant to rent/lease agreement(s) shall be credited against the cash required of Buyer at
 238. Close of Escrow or ☒ paid to Buyer by Seller at Close of Escrow.

239. **Post Closing Matters:** The parties shall promptly adjust any item to be prorated that is not determined or determinable at Close of
 240. Escrow as a Post Closing Matter by appropriate cash payment to the other party outside of the escrow when the amount due is
 241. determined. Seller and Buyer agree that Escrow Company and Broker(s) are relieved of any responsibilities for said adjustments.

242. **Insurance:** Buyer shall insure that any fire, casualty, or other insurance desired by Buyer, or required by any Lender, is in place at
 243. Close of Escrow. Buyer specifically releases Broker(s) from any obligations relating to such insurance.

244. **Assessments:** The amount of any assessment that is a lien as of the Close of Escrow, shall be:

245. ☒ paid in full by Seller ☐ prorated and assumed by Buyer ☐ paid in full by Buyer.

246. Any assessment that becomes a lien after Close of Escrow is the Buyer's responsibility.

247. **IRS and FIRPTA Reporting:** Seller agrees to comply with IRS reporting requirements. If applicable, Seller agrees to complete, sign,
 248. and deliver to Escrow Company a certificate indicating whether Seller is a foreign person or a non-resident alien pursuant to the
 249. Foreign Investment in Real Property Tax Act (FIRPTA). Buyer acknowledges that if the Seller is a foreign person, the Buyer (or
 250. Escrow Company, as directed by Buyer) must withhold a tax of up to 15% of the purchase price, unless an exemption applies.

251. **RESPA:** The Real Estate Settlement Procedures Act (RESPA) requires that no Seller of property that will be purchased with the
 252. assistance of a federally-related mortgage financing shall require, directly or indirectly, as a condition of selling the property, that title
 253. insurance covering the property be purchased by the Buyer from any particular title company.

254. **TAX DEFERRED EXCHANGE:** Seller and Buyer are advised to consult a professional tax advisor regarding the advisability of a
 255. tax-deferred exchange pursuant to I.R.C. §1031 or otherwise. Seller and Buyer agree to cooperate in a tax deferred exchange pro-
 256. vided that Close of Escrow is not delayed. All additional costs in connection with any such tax deferred exchange shall be borne by
 257. the party requesting the exchange. The non-requesting party and Broker(s) shall be indemnified and held harmless from any liability
 258. that may arise from participation in the tax deferred exchange.

WARRANTIES

259. **Seller Warranties:** Seller warrants and shall maintain and/or repair the Property so that, at the earlier of possession of the Property
 260. or Close of Escrow, all heating, cooling, mechanical, plumbing, and electrical systems (including swimming pool and/or spa, motors,
 261. filter systems, cleaning systems, and heater, if any), and built-in appliances will be in working condition or as otherwise agreed in
 262. this Contract. Seller also warrants that, at the earlier of possession of the Property or Close of Escrow, the Property shall be in
 263. substantially the same condition as on the date of the mutual execution of the Contract.

264. **Buyer Warranties:** Buyer warrants that Buyer has disclosed to Seller any information that may materially and adversely affect the Buyer's
 265. ability to close escrow or complete the obligations of this Contract. At the earlier of the removal of all contingencies, possession of the
 266. Property or Close of Escrow, (a) Buyer warrants to Seller that Buyer has conducted all desired independent investigations and accepts the
 267. Property and (b) Buyer acknowledges that there will be no Seller warranty of any kind, except as stated in Lines 259-263. >>

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SELLER	SELLER	

		Initials>
BUYER	BUYER	



268. **Warranties that Survive Closing:** Prior to the Close of Escrow, Seller warrants that payment in full will have been made for all
 269. rental and/or privilege taxes, labor, professional services, materials, machinery, fixtures, or tools furnished within the 150 days
 270. immediately preceding the Close of Escrow in connection with the construction, alteration, or repair of any structure on or
 271. improvement made to the Property. Seller warrants that the information on Lines 131-139 regarding connection to a public sewer
 272. system, septic tank or other sanitation system is correct to Seller's knowledge. Seller warrants that Seller has disclosed to Buyer
 273. and Broker(s) all material latent defects and any information concerning the Property known to Seller, which materially and
 274. adversely affect the consideration to be paid by Buyer.

REMEDIES

275. **Remedies:** The parties agree to the remedies for breach of Contract indicated below.

276. *If Buyer is in breach: (check one)*

277. ☐ All Rights and Remedies: Seller may cancel this Contract pursuant to Lines 308-312 and/or proceed upon any claim or
 278. remedy that the Seller may have in law or equity.
 279. ☒ Liquidated Damages: The parties agree that it would be impracticable or extremely difficult to fix the actual damages that
 280. Seller would suffer if Buyer fails to perform Buyer's obligations pursuant to this Contract. Therefore, if Buyer breaches this
 281. Contract, Seller shall be entitled to the Earnest Money as Seller's sole remedy and Buyer shall be released from any further
 282. liability to Seller. In such event, this Contract shall be cancelled and Seller shall pay any Escrow Company cancellation fees.
 283. (INITIALS REQUIRED)

284. *If Seller is in breach:*

285. All Rights and Remedies: Buyer may cancel this Contract pursuant to Lines 308-312, shall be entitled to the return of the
 286. Earnest Money and/or proceed upon any claim or remedy that the Buyer may have in law or equity.

287. **Mediation:** Buyer and Seller agree to mediate any dispute or claim arising out of or relating to this Contract, any alleged breach of
 288. this Contract, or services provided in relation to this Contract, claims for Earnest Money or representations made by the Buyer or
 289. Seller in connection with the sale, purchase, financing, condition, or other aspect of the Property to which this Contract pertains,
 290. including, without limitation, allegations of concealment, misrepresentation, negligence and/or fraud before resorting to court action.
 291. Mediation is a process in which the parties meet with an impartial person who helps to resolve the dispute informally and
 292. confidentially. Mediators cannot impose binding decisions. The parties must agree and sign an agreement before any settlement
 293. reached at the mediation is binding. Mediation shall take place in the State of Arizona. All mediation costs shall be paid equally by
 294. the parties to the Contract.

295. **Exclusions from Mediation:** The following matters are excluded from mediation hereunder: (a) any action brought in the Small
 296. Claims Division of an Arizona Justice Court (up to \$3,500), so long as the matter is not thereafter transferred or removed from the
 297. Small Claims Division; (b) judicial or nonjudicial foreclosure or other action or proceeding to enforce a deed of trust, mortgage, or
 298. agreement for sale; (c) an unlawful entry or detainer action; (d) the filing or enforcement of a mechanic's lien; or (e) any matter that
 299. is within the jurisdiction of a probate or bankruptcy court. The filing of a judicial action to enable the recording of a notice of pending
 300. action, or order of attachment, receivership, injunction, or other provisional remedies shall not constitute a waiver of the obligation to
 301. mediate under this provision, nor shall it constitute a breach of the duty to mediate.

302. **Attorneys Fees and Costs:** If Buyer or Seller files suit against the other to enforce any provision of this Contract or for damages
 303. sustained by reason of its breach, all parties prevailing in such action, on trial and appeal, shall receive their reasonable attorney's
 304. fees and costs as awarded by the court. In addition, both Seller and Buyer agree to indemnify and hold harmless all Brokers against
 305. all costs and expenses that any Broker may incur or sustain in connection with any lawsuit arising from this Contract and will pay the
 306. same on demand unless the court grants judgment in such action against the party to be indemnified. Costs shall include, without
 307. limitation, reasonable attorney's fees, expert witness fees, fees paid to investigators, and court costs.

308. **Cancellation:** Any party who wishes to cancel this Contract as provided herein or because of any material breach by another party,
 309. and who is not in material breach except as occasioned by a material breach by the other party, may cancel this Contract by
 310. delivering written notice of cancellation to either the breaching party or to the Escrow Company stating the basis for cancellation or
 311. nature of the breach. Cancellation shall become effective immediately upon delivery of the written notice of cancellation to either the
 312. breaching party or Escrow Company.

313. **Release of Earnest Money:** In the event of a dispute between Buyer and Seller regarding Earnest Money deposited with Escrow
 314. Company, Buyer and Seller authorize Escrow Company to release Earnest Money pursuant to the terms and conditions of this
 315. Contract. Buyer and Seller specifically authorize Escrow Company to act in its sole and absolute discretion in the release of Earnest
 316. Money. Buyer and Seller agree to hold harmless and indemnify Escrow Company against any claim, action or lawsuit of any kind,
 317. and from any loss, judgment, or expense, including costs and reasonable attorneys' fees, arising from or relating in any way to the
 318. release of Earnest Money.

319. **Recommendations:** If any Broker recommends a builder, contractor, inspector, vendor or any other person or entity to Seller or Buyer
 320. for any purpose, such recommendation shall be independently investigated and evaluated by Seller or Buyer, who hereby acknowledge
 321. that any decision to enter into any contractual arrangements with any such person or entity recommended by any Broker will be based
 322. solely upon such independent investigation and evaluation. Seller and Buyer understand that said contractual arrangement may result
 323. in a commission or fee to Broker, which shall be disclosed in writing to the Seller and Buyer as required by law.

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<Initials	
SELLER	SELLER

Initials>	
BUYER	BUYER



ADDITIONAL TERMS

324. LINES 295-307 TO BE STRICKEN AND READ: IF MEDIATION AS DESCRIBED IN LINES 295-301 IS UNSUCCESSFUL,
 325. BUYER OR SELLER MAY INVOKE ARBITRATION PURSUANT TO THE NAVAJO NATION SOVEREIGN IMMUNITY ACT, 1
 326. N.N.C. §554(J) AND (K), AND THE NAVAJO NATION ARBITRATION ACT, 7 N.N.C. §§ 1101 ET SEQ.
 327. ARBITRATION SHALL BE CONDUCTED IN ACCORDANCE WITH THE AMERICAN ARBITRATION ASSOCIATION COMMERCIAL
 328. ARBITRATION RULES EXCEPT TO THE EXTENT THAT SUCH RULES ARE MODIFIED BY THE FOLLOWING:
 329. A. UNLESS OTHERWISE AGREED, ARBITRATION SHALL BE HELD IN WINDOW ROCK, ARIZONA;
 330. B. THE ARBITRATION PANEL SHALL CONSIST OF A SINGLE ARBITRATOR UNLESS BUYER OR SELLER'S CLAIMS
 331. EXCEED \$1,000,000.00, EXCLUSIVE OF INTEREST, COSTS, AND FEES, THEN THE ARBITRATION PANEL SHALL
 332. CONSIST OF THREE (3) ARBITRATORS. IN ALL ARBITRATION PANELS, THERE SHALL BE AT LEAST ONE ARBITRATOR
 333. WITH AT LEAST TEN (10) YEARS OF EXPERIENCE IN INDIAN LAW;
 334. C. NOTICE OF INTENT TO INVOKE ARBITRATION AGAINST THE NAVAJO NATION SHALL BE FILE IN COMPLIANCE
 335. WITH THE NOTICE REQUIREMENTS OF THE THE NAVAJO NATION SOVEREIGN IMMUNITY ACT, 1 N.N.C. §555;
 336. D. AN AWARD AGAINST THE NAVAJO NATION SHALL BE IN CONFORMANCE WITH THE PROVISIONS OF 1 N.N.C.
 337. §55(K);
 338. E. THE NAVAJO NATION COURTS SHALL HAVE EXCLUSIVE JURISDICTION TO ENFORCE, MODIFY, AND VACATE AN
 339. ARBITRATION AWARD.
 340. LINE 354 TO BE STRICKEN AND READ: GOVERNING LAW: THE INTERPRETATION OF THE CONTRACT SHALL BE
 341. GOVERNED BY NAVAJO NATION LAW. NOTHING CONTAINED IN THIS REAL ESTATE PURCHASE CONTRACT WAIVES THE
 342. SOVEREIGN IMMUNITY OF THE NAVAJO NATION.
 343. BUYER DOES NOT INDEMNIFY TITLE COMPANY IN LINES 313-318, NOR SELLER IN LINES 356-362, NOR BROKER
 344. ON LINES 395-403.
 345. THIS CONTRACT IS CONTINGENT UPON THE AVAILABILITY OF APPROPRIATIONS BY THE NAVAJO NATION COUNCIL.
 346. THE NAVAJO LAND DEPARTMENT HAS IDENTIFIED SUFFICIENT FUNDS TO PURCHASE THE PROPERTY.
 347. BUYER ACKNOWLEDGES THAT SELLER IS BEING REPRESENTED BY ATTORNEYS AT LEWIS AND ROCCA.
 348.

349. **Risk of Loss:** If there is any loss or damage to the Property between the date of mutual execution of this Contract and the Close of
 350. Escrow or possession of the Property, whichever is earlier, by reason of fire, vandalism, flood, earthquake or act of God, the risk of
 351. loss shall be borne by the Seller, provided, however, that if the cost of repairing such loss or damage would exceed ten percent
 352. (10%) of the purchase price, either Seller or Buyer may elect to cancel the Contract by written notice pursuant to lines 308-312.

353. **Permission:** Buyer and Seller grant Broker(s) permission to advise the public of the existence of this Contract.

354. **Arizona Law:** This Contract shall be governed by Arizona law and jurisdiction is exclusively conferred on the State of Arizona.

355. **Time is of the essence:** The parties acknowledge that time is of the essence in performance of the obligations described herein.

356. **Broker's Fee:** Buyer and Seller each represent and warrant to the other that he/she/it has had no dealings with any person, firm,
 357. broker or finder in connection with the negotiation of this Contract and/or the consummation of the purchase and sale contemplated
 358. herein, other than the Broker(s) named herein, and no Broker or other person, firm or entity, other than said Broker(s) is/are entitled
 359. to any commission or finder's fee in connection with this transaction as the result of any dealings or acts of either Buyer or Seller.
 360. Buyer and Seller do each hereby agree to indemnify, defend, protect and hold the other harmless from and against any costs,
 361. expenses or liability for compensation, commission or charges that may be claimed by any broker, finder or other similar party, other
 362. than said named Broker(s) by reason of any dealings or act of the indemnifying party.

363. **Compensation:** Seller and Buyer acknowledge that Broker(s) shall be compensated for services rendered as previously agreed by
 364. separate written agreement(s). Any separate written agreement(s) shall be delivered to Escrow Company for payment at Close of
 365. Escrow, if not previously paid, and shall constitute an irrevocable assignment of Seller's proceeds at Close of Escrow and/or
 366. payment shall be collected from Buyer as a condition to Close, as applicable. If any Broker hires an attorney to enforce the collection
 367. of the brokerage fee payable pursuant to this Contract and is successful in collecting some or all of such brokerage fee, the
 368. party(ies) responsible for paying such brokerage fee agree(s) to pay such Broker's costs including, but not limited to: reasonable
 369. attorneys' fees, expert witness fees, fees paid to investigators, and court costs. **COMMISSIONS PAYABLE FOR THE SALE,**
 370. **LEASING, OR MANAGEMENT OF PROPERTY ARE NOT SET BY ANY BOARD OR ASSOCIATION OF REALTORS® OR**
 371. **MULTIPLE LISTING SERVICE, OR IN ANY MANNER OTHER THAN BETWEEN THE BROKER AND CLIENT. THE SELLER**
 372. **AND THE BUYER ACKNOWLEDGE THAT THE BROKER(S) REFERENCED HEREIN ARE THIRD-PARTY BENEFICIARIES OF**
 373. **THIS CONTRACT.**

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Commercial Real Estate Purchase Contract • Updated: February 2016
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SELLER	SELLER

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Initials>

BUYER	BUYER



374. **Additional Compensation:** The Real Estate Settlement Procedures Act ("RESPA") prohibits the paying or receiving of any fee,
 375. kickback, or thing of value for the referral of any business related to settlement or closing of a federally regulated mortgage
 376. financing, including, but not limited to, any services related to the origination, processing, or funding of a federally regulated mort-
 377. gage financing, and includes settlement related business. RESPA does not prohibit fees, salaries, compensation, or other payments
 378. for services actually performed. If any Broker performs any such services for a fee, Seller and Buyer consent to the payment of this
 379. additional compensation as follows: BROKER, MC DREAM BUILDERS REALTY, LLC SHALL RECEIVE COMMISSION IN THE
 380. AMOUNT OF ONE AND A HALF PERCENT (1.5%) OF PURCHASE PRICE BY SELLER AND ONE AND A HALF PERCENT
 381. (1.5%) OF PURCHASE PRICE BY BUYER.

382. **Subsequent Offers:** Buyer acknowledges that Seller has the right to accept subsequent offers until Close of Escrow. Seller
 383. understands that any subsequent offer accepted by the Seller must be a backup offer, namely, contingent on the cancellation of
 384. this Contract.

385. **Entire Agreement:** This Contract, and any addenda and attachments, shall constitute the entire agreement between Seller and
 386. Buyer, and shall supersede any other written or oral agreements between Seller and Buyer. This Contract, including any extensions
 387. of any time periods referenced herein, can be modified only by a writing signed by Seller and Buyer. A fully executed facsimile copy
 388. of the entire Contract shall be treated as an original Contract. This Contract and any other documents required by this Contract may
 389. be executed and delivered by facsimile and in any number of counterparts, which shall become effective upon delivery as provided
 390. for herein. All counterparts shall be deemed to constitute one instrument, and each counterpart shall be deemed an original. The
 391. failure to initial any page of this Contract shall not affect the validity or terms of this Contract. All references to days in this Contract
 392. shall be construed as calendar days.

393. **Assignment:** Except in the event of a tax-deferred exchange, Buyer shall not assign this Contract without the prior written consent
 394. of Seller. Any such assignment shall not release Buyer from Buyer's obligations under this Contract.

395. **Release of Brokers:** SELLER AND BUYER HEREBY ACKNOWLEDGE THAT THEY HAVE BEEN AND ARE NOW ADVISED
 396. BY THE BROKER(S) TO CONSULT AND RETAIN THEIR OWN EXPERTS TO ADVISE AND REPRESENT THEM CONCERNING
 397. THE LEGAL AND INCOME TAX EFFECTS OF THIS CONTRACT, AND THE CONDITION OF THE PROPERTY. SELLER AND
 398. BUYER HEREBY EXPRESSLY RELEASE, HOLD HARMLESS AND INDEMNIFY ALL BROKER(S) IN THIS TRANSACTION
 399. FROM ANY AND ALL LIABILITY AND RESPONSIBILITY REGARDING THE CONDITION, SQUARE FOOTAGE/ACREAGE,
 400. LOT LINES OR BOUNDARIES, VALUE, FINANCING, RENT ROLLS, INCOME AND EXPENSE PROJECTIONS OR
 401. PROFORMAS, ENVIRONMENTAL CONDITIONS, SANITATION SYSTEMS, ROOF CONDITION, WOOD INFESTATION AND
 402. WOOD INFESTATION REPORT, COMPLIANCE WITH BUILDING CODES, ZONING OR OTHER GOVERNMENTAL
 403. REGULATIONS, OR ANY OTHER MATERIAL MATTERS RELATING TO THE PROPERTY.

04. (INITIALS REQUIRED) _____ BUYER _____ BUYER _____ SELLER _____ SELLER _____
 405. **Time for Acceptance:** This is an offer to purchase the Property. Unless acceptance is signed by Seller and a signed copy delivered in
 406. person, by private or United States mail, or facsimile, and received by Buyer or by Broker named on Lines 17-18 by:
 407. May 27, 2016 at 4:00 ☐ AM ☒ PM, Mountain Standard Time, or unless this offer to purchase has been
 408. previously withdrawn in writing by Buyer, this offer to purchase shall be deemed withdrawn and the Buyer's Earnest Money
 409. shall be returned.

410. **THIS CONTRACT CONTAINS NINE (9) PAGES EXCLUSIVE OF ANY ADDENDA AND ATTACHMENTS. PLEASE ENSURE THAT**
 411. **YOU HAVE RECEIVED AND READ ALL NINE (9) PAGES OF THIS OFFER AS WELL AS ANY ADDENDA AND ATTACHMENTS.**
 412. **The undersigned agree to purchase the Property on the terms and conditions herein stated and acknowledge receipt of a**
 413. **copy hereof.**

DRAFT

414. _____ MO/DA/YR _____ BUYER'S SIGNATURE _____ MO/DA/YR _____
 ^ BUYER'S SIGNATURE

415. Navajo Land Department BUYER NAME PRINTED _____ BUYER'S NAME PRINTED _____

416. **By:** _____

417. **Its:** _____

418. P.O. Box 2249 ADDRESS _____ ADDRESS _____

419. Window Rock, AZ 86515 CITY, STATE, ZIP CODE _____ CITY, STATE, ZIP CODE _____

420. **Broker:** MC Dream Builders Realty, LLC (COMPANY NAME) _____ Maria R. Cohen (LICENSEE) _____

421. 1540 E. University Dr. Suite 300 _____
Mesa, AZ 85203 (ADDRESS) _____ (928) 970-2057 (TELEPHONE) _____ (888) 316-1610 maria@azmaria.com (E-MAIL) _____

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SELLER	SELLER
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BUYER	BUYER
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ACCEPTANCE

2. **Agency Confirmation:** The following agency relationship(s) is hereby confirmed for this transaction:

423. Listing Broker: _____
(PRINT SALESPERSON'S NAME AND AGENCY CODE) (PRINT FIRM NAME AND OFFICE CODE) (TELEPHONE)

424. Is the agent of (check one): ☐ the Seller exclusively; or ☐ both the Buyer and Seller

425. **Seller Receipt of Copy:** The undersigned acknowledge receipt of a copy hereof and grant permission to Broker named on
 426. Lines 17-18 to deliver a copy to Buyer.

427. ☐ **Counter Offer is attached**, and is incorporated herein by reference. Seller must sign both the Contract and the
 428. ☐ Counter Offer. If there is a conflict between this Contract and the Counter Offer, the provisions of the Counter Offer
 429. shall be controlling.

430. The undersigned agree to sell the Property on the terms and conditions herein stated.

431. ^ SELLER'S SIGNATURE _____ MO/DA/YR ^ SELLER'S SIGNATURE _____ MO/DA/YR

432. **NNOGC Holdings, LLC** _____
 SELLER'S NAME PRINTED SELLER'S NAME PRINTED

433. By: _____

434. Its: _____

435. **P. O. Box 4890** _____
 ADDRESS ADDRESS

436. **Window Rock, AZ 86515** _____
 CITY, STATE, ZIP CODE CITY, STATE, ZIP CODE

437. **Broker:** _____
 (COMPANY NAME) (LICENSEE)

438. _____
 (ADDRESS) (TELEPHONE) (FAX) (E-MAIL)

ACCEPTANCE BY ESCROW COMPANY

439. Date of Opening of Escrow: _____

440. The provisions of this Contract are hereby acknowledged and agreed to.

441. Escrow Company: **Pioneer Title** _____

442. By: _____

443. Its: _____

For Broker Use Only:

Brokerage File/Log No. _____ Manager's Initials _____ Broker's Initials _____ Date _____
MO/DA/YR



COMMERCIAL SELLER ADVISORYDocument updated:
February 2008**WHEN IN DOUBT - DISCLOSE!**

Sellers are obligated by law to disclose all known material (important) facts about the property to the buyer. Arizona law requires that you disclose material facts about the property whether or not you are asked by the buyer or a real estate agent, or when asked to complete a disclosure form. You may also be required to complete and record an affidavit of disclosure if selling property in an unincorporated area of a county.

"...you have a duty to disclose the information, regardless of whether or not you consider the information material."

The SPDS is divided into nine general sections:

- (A) Ownership and Property:**
This section asks for general information about the property such as location and ownership. Any seller should be able to answer most, if not all, of the questions in this section.
- (B) Property Type:**
This section indicates whether this is office, industrial, retail, etc.
- (C) Utilities:**
You are asked whether the property currently receives the listed utilities.
- (D) Access/Use:**
This section asks for any easement or restriction information governing the property.
- (E) Compliance with Law/Legal Matters:**
Zoning issues and any previous property violations are addressed here.
- (F) Contractual Obligations:**
This section asks what, if any, contractual obligations are attached to the property.
- (G) Environmental Factors:**
This section deals with the property and the area around it. What, if any, environmental factors such as noise, hazardous materials, etc. are addressed here.
- (H) Reports/Studies:**
If there have been any studies or reports made on this property, you will be asked to address them here.
- (I) Material Physical Defects and Other Factors:**
Any miscellaneous items not addressed elsewhere are addressed in this section.

If the buyer asks you about an aspect of the property, you have a duty to disclose the information, regardless of whether or not you consider the information material. You also have a legal duty to disclose facts when disclosure is necessary to prevent a previous statement from being misleading or a misrepresentation: for example, if something changes. However, a seller does not generally have a legal obligation to correct defects in the property, as long as the defects are disclosed. Any correction of the defects is a matter of contract negotiation between you and the buyer.

If you do not make the legally required disclosures, you may be subject to civil liability. Under certain circumstances, nondisclosure of a fact is the same as saying that the fact does not exist. Therefore, nondisclosure may be given the same legal effect as fraud.

The Arizona Association of REALTORS® Commercial Seller's Property Disclosure Statement ("SPDS") is designed to assist you in making these legally required disclosures and to avoid inadvertent nondisclosures of material facts.

You should complete the SPDS by answering all questions as truthfully and as fully as possible. Attach copies of any available supporting documentation to insure that you are disclosing accurate information. Also, use the blank lines to explain your answers. If you do not have the personal knowledge to answer a question, it is important not to guess — use the blank lines to explain the situation.

Please note: By law, sellers are not obligated to disclose that the property is or has been: (1) the site of a natural death, suicide, homicide, or any other crime classified as a felony; (2) owned or occupied by a person exposed to HIV, or diagnosed as having AIDS or any other disease not known to be transmitted through common occupancy of real estate; or (3) located in the vicinity of a sex offender. However, the law does not protect a seller who makes an intentional misrepresentation. For example, if you are asked whether there has been a death on the property and you know that there was such a death, you should not answer "no" or "I don't know"; instead you should either answer truthfully or respond that you are not legally required to answer the question.



COMMERCIAL SELLER'S PROPERTY DISCLOSURE STATEMENT (SPDS) (To be completed by Seller)

Document updated:
February 2008

The pre-printed portion of this form has been drafted by the Arizona Association of REALTORS®. Any change in the pre-printed language of this form must be made in a prominent manner. No representations are made as to the legal validity, adequacy and/or effects of any provision, including tax consequences thereof. If you desire legal, tax or other professional advice, please consult your attorney, tax advisor or professional consultant.



MESSAGE TO THE SELLER:

Sellers are obligated by law to disclose all known material (important) facts about the Property to the Buyer. The SPDS is designed to assist you in making these disclosures. If you know something important about the Property that is not addressed on the SPDS, add that information to the form. Prospective Buyers may rely on the information you provide.

INSTRUCTIONS: (1) Complete this form yourself. (2) Answer all questions truthfully and as fully as possible. (3) Attach all available supporting documentation. (4) Use explanation lines as necessary. (5) If you do not have the personal knowledge to answer a question, use the explanation lines to explain. By signing below you acknowledge that the failure to disclose known material information about the Property may result in liability.

MESSAGE TO THE BUYER:

Although Sellers are obligated to disclose all known material (important) facts about the Property, there are likely facts about the Property that the Sellers do not know. Therefore, it is important that you take an active role in obtaining information about the Property.

INSTRUCTIONS: (1) Review this form and any attachments carefully. (2) Verify all important information. (3) Ask about any incomplete or inadequate responses. (4) Inquire about any concerns not addressed on the SPDS. (5) Review all other applicable documents, such as environmental studies, CC&R's, association bylaws, surveys, title report or commitment, etc. (6) Obtain professional inspections of the Property. (7) Investigate the surrounding area. (8) Obtain such other professional advice as you deem necessary.

THE FOLLOWING ARE REPRESENTATIONS OF THE SELLER(S) AND ARE NOT VERIFIED BY THE BROKER(S) OR AGENT(S).

A. OWNERSHIP AND PROPERTY IDENTIFICATION

1. THIS DISCLOSURE CONCERNS THE FOLLOWING REAL PROPERTY:

2. Address 2 N. Taylor Rd.
3. City St. Michael's, County Apache, AZ, Zip 86511
4. Assessors No.(s) _____ Approximate Year Built _____
5. Legal Owner(s) _____ Date Purchased May 4, 2016
6. Owner ☐ Is ☐ Is not occupying property. Owner ☐ Has ☐ Has not occupied the Property in the past.

B. PROPERTY TYPE

7. ☐ Office ☐ Industrial ☐ Retail ☐ Hotel/Motel/Resort ☐ Multi-family ☐ Other _____

C. UTILITIES

8. THE PROPERTY IS SERVED BY THE FOLLOWING UTILITIES:

- | YES | NO | PROVIDER |
|------------------------------------------------------------------------------------|--------------------------|-------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | Septic System. |
| <input type="checkbox"/> | <input type="checkbox"/> | Sewer. |
| <input type="checkbox"/> | <input type="checkbox"/> | Electric. |
| <input type="checkbox"/> | <input type="checkbox"/> | Domestic Water <input type="checkbox"/> Public <input type="checkbox"/> Private |
| <input type="checkbox"/> | <input type="checkbox"/> | Well Registered <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, Registration number: _____ |
| 14. If yes, complete and attach the Domestic Water Well/Water Use Addendum. | | |
| <input type="checkbox"/> | <input type="checkbox"/> | Fuel Supply <input type="checkbox"/> Natural Gas <input type="checkbox"/> Propane <input type="checkbox"/> Other: _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | Garbage/Waste Collection <input type="checkbox"/> Public <input type="checkbox"/> Private |
| <input type="checkbox"/> | <input type="checkbox"/> | Fire Protection <input type="checkbox"/> Public <input type="checkbox"/> Private |
| <input type="checkbox"/> | <input type="checkbox"/> | Telephone. |
| <input type="checkbox"/> | <input type="checkbox"/> | Irrigation. |
| <input type="checkbox"/> | <input type="checkbox"/> | Cable TV. |
| <input type="checkbox"/> | <input type="checkbox"/> | Satellite Dish. |
| <input type="checkbox"/> | <input type="checkbox"/> | High Speed Internet Connection (Cable, T1, Fiber Optics, Etc.) |
| <input type="checkbox"/> | <input type="checkbox"/> | Other _____ |
| 24. Please describe any other items concerning utilities _____ | | |
| 25. _____ | | |

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Commercial Seller's Property Disclosure Statement (SPDS)

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SELLER	SELLER
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BUYER	BUYER
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Page 1 of 4

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2 Taylor Rd.



D. ACCESS/USE**3. ARE YOU AWARE OF ANY OF THE FOLLOWING AFFECTING ACCESS OR USE OF THE PROPERTY?**

- | | YES | NO | |
|-----|--------------------------------------------------------------------------------------------------------------|--------------------------|-------------------------------------------------|
| 27. | <input type="checkbox"/> | <input type="checkbox"/> | Encroachments |
| 28. | <input type="checkbox"/> | <input type="checkbox"/> | Access Easements |
| 29. | <input type="checkbox"/> | <input type="checkbox"/> | Utility Easements |
| 30. | <input type="checkbox"/> | <input type="checkbox"/> | Unrecorded Easements |
| 31. | <input type="checkbox"/> | <input type="checkbox"/> | Reciprocal Easement Agreement |
| 32. | <input type="checkbox"/> | <input type="checkbox"/> | Restrictions on Legal or Physical Access |
| 33. | <input type="checkbox"/> | <input type="checkbox"/> | Shared Use Agreements |
| 34. | <input type="checkbox"/> | <input type="checkbox"/> | Use Permits |
| 35. | <input type="checkbox"/> | <input type="checkbox"/> | Deed Restrictions |
| 36. | <input type="checkbox"/> | <input type="checkbox"/> | Shared Fences/Walls |
| 37. | <input type="checkbox"/> | <input type="checkbox"/> | Shared Driveways |
| 38. | <input type="checkbox"/> | <input type="checkbox"/> | Shared Signage |
| 39. | <input type="checkbox"/> | <input type="checkbox"/> | Leased Parking |
| 40. | <input type="checkbox"/> | <input type="checkbox"/> | Grandfathered Uses |
| 41. | <input type="checkbox"/> | <input type="checkbox"/> | Association Agreements |
| 42. | <input type="checkbox"/> | <input type="checkbox"/> | Covenants, Conditions and Restrictions (CC&R's) |
| 43. | <input type="checkbox"/> | <input type="checkbox"/> | Other (describe) _____ |
| 44. | If the answer to any of the preceding is yes, please explain. (Attach additional sheets if necessary). _____ | | |
| 45. | _____ | | |
| 46. | _____ | | |

E. COMPLIANCE WITH LAW/LEGAL MATTERS**7. ARE YOU AWARE OF:**

- | | YES | NO | |
|-----|----------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------------------------------------------------------------------------------------|
| 48. | <input type="checkbox"/> | <input type="checkbox"/> | Any legal actions such as condemnation, pending or anticipated, that affect the Property? |
| 49. | <input type="checkbox"/> | <input type="checkbox"/> | Any tenant bankruptcy proceedings? |
| 50. | Any violation of laws or regulations of the following: | | |
| 51. | <input type="checkbox"/> | <input type="checkbox"/> | Zoning |
| 52. | <input type="checkbox"/> | <input type="checkbox"/> | Building Code |
| 53. | <input type="checkbox"/> | <input type="checkbox"/> | Occupational Safety and Health Administration (OSHA) |
| 54. | <input type="checkbox"/> | <input type="checkbox"/> | Utility Service |
| 55. | <input type="checkbox"/> | <input type="checkbox"/> | Sanitary Health Regulations |
| 56. | <input type="checkbox"/> | <input type="checkbox"/> | Swimming Pools |
| 57. | <input type="checkbox"/> | <input type="checkbox"/> | Covenants, Conditions and Restrictions (CC&R's) |
| 58. | <input type="checkbox"/> | <input type="checkbox"/> | Americans With Disabilities Act (ADA) |
| 59. | If the answer to any of the preceding is yes, please explain and provide copies of any documentation you have pertaining to such | | |
| 60. | matters. (Attach additional sheets if necessary). _____ | | |
| 61. | _____ | | |
| 62. | _____ | | |

F. CONTRACTUAL OBLIGATIONS**63. ARE YOU AWARE OF ANY OF THE FOLLOWING CONTRACTUAL OBLIGATIONS AFFECTING THE PROPERTY?**

- | | YES | NO | |
|-----|--------------------------|--------------------------|----------------------------------|
| 64. | <input type="checkbox"/> | <input type="checkbox"/> | Tenant Leases or Subleases |
| 65. | <input type="checkbox"/> | <input type="checkbox"/> | Alarm/Security System Agreements |
| 66. | <input type="checkbox"/> | <input type="checkbox"/> | Property Management Agreements |
| 67. | <input type="checkbox"/> | <input type="checkbox"/> | Leased Equipment |

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SELLER	SELLER
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BUYER	BUYER
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Page 2 of 4



YES NO

69. ☐ ☐ Service Agreements such as Landscaping, Garbage/Waste Disposal
69. ☐ ☐ Water Treatment Agreements
70. ☐ ☐ Communications Systems or Cable System Agreements
71. ☐ ☐ Other Equipment or Service Contracts or Agreements (describe) _____
72. If the answer to any of the preceding is yes, please explain. (Attach additional sheets if necessary). _____
73. _____

G. ENVIRONMENTAL FACTORS**74. ARE YOU AWARE OF ANY OF THE FOLLOWING ENVIRONMENTAL FACTORS AFFECTING THE PROPERTY?****YES NO**

75. ☐ ☐ Hazards or hazardous materials on the Property, such as asbestos; chemicals used in the manufacture of
76. ☐ ☐ methamphetamine, LSD or Ecstasy; PCB transformers; dumps; pesticides; radon; oil or chemicals, now or in the past?
77. ☐ ☐ Fuel or insecticide storage tanks (above or underground) on the Property, now or in the past?
78. ☐ ☐ Hazards or hazardous materials in close proximity to the Property, such as asbestos, dumps, pesticides, radon, oil,
79. ☐ ☐ chemicals or underground fuel storage tanks, now or in the past?
80. ☐ ☐ Location within an area currently of environmental concern, e.g., Superfund, Water Quality Assurance Revolving Fund (WQARF)
81. ☐ ☐ or Comprehensive Environmental Response Compensation and Liability Act (CERCLA) sites, etc.? _____
82. ☐ ☐ Current or proposed noises, such as airports, freeways, or rail lines?
83. ☐ ☐ Location within the vicinity of an airport (military, public or private)?
84. ☐ ☐ Area odors, nuisances or pollutants?
85. ☐ ☐ High voltage distribution towers or lines?
86. ☐ ☐ Soil settlement, expansion, fissures or erosion now or in the past?
87. **NOTICE TO BUYER: THE ARIZONA DEPARTMENT OF REAL ESTATE PROVIDES EARTH FISSURE MAPS TO**
88. **ANY MEMBER OF THE PUBLIC IN PRINTED OR ELECTRONIC FORMAT UPON REQUEST AND ON ITS WEB SITE**
89. **AT www.azre.gov.**
90. ☐ ☐ Situated on or near a sanitary landfill?
91. ☐ ☐ Location in a flood plain/way?
92. ☐ ☐ Water-caused damage?
93. ☐ ☐ Mold growth or conditions conducive to mold?
94. ☐ ☐ Drywell (drainage)? If yes, Registration # _____
95. If the answer to any of the preceding is yes, please explain and provide copies of any documentation you have pertaining to such
96. matters. (Attach additional sheets if necessary). _____
97. _____
98. Describe any other known environmental factors that might affect the use or value of the Property _____
99. _____
100. Buyers are advised to obtain an independent environmental assessment of the Property.

H. REPORTS/STUDIES**101. DO YOU HAVE ANY OF THE FOLLOWING ITEMS CONCERNING THE PROPERTY?****YES NO**

102. ☐ ☐ Soils Test Report
103. ☐ ☐ Land Survey
104. ☐ ☐ Flood Plain Report
105. ☐ ☐ Septic/Waste Disposal Reports/Certifications
106. ☐ ☐ Registrations of Wells
107. ☐ ☐ Any Environmental Site Assessments or Studies
108. ☐ ☐ Title Reports
109. ☐ ☐ Other _____
110. If the answer to any of the preceding is yes, please explain and provide copies of any reports/studies you have pertaining to such
111. matters. (Attach additional sheets if necessary). _____
112. _____ >>

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Page 3 of 4

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SELLER	SELLER
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BUYER	BUYER
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I. MATERIAL PHYSICAL DEFECTS AND OTHER FACTORS

ARE YOU AWARE OF:

YES NO

114. ☐ ☐ Any structural, electrical, plumbing or other modifications made without necessary permits?
115. ☐ ☐ Any past or present roof leaks or other roof problems?
116. ☐ ☐ Any past or present insect infestation problems?
117. ☐ ☐ Security lighting in parking and/or common areas?
118. ☐ ☐ Any recorded and/or unrecorded liens against the Property?
119. ☐ ☐ An archeological site on the Property?
120. ☐ ☐ The Property being located in a designated historical district?
121. ☐ ☐ Any insurance claim submitted on the Property?
122. ☐ ☐ Any proposed land use changes relating to the adjacent or nearby Property, such as: new developments, zoning changes, or land trades?
123. ☐ ☐ Any other material items on the Property or improvements and structures thereon that might affect the decision of a buyer to purchase/use the Property?
124. ☐ ☐ Any defects/problems with the heating, ventilating, air conditioning, plumbing, electrical, fire safety, security, or lighting systems?
125. If the answer to any of the preceding is yes, please explain and provide copies of any documentation you have pertaining to such matters. (Attach additional sheets if necessary).
126. _____
127. _____
128. What other material (important) information are you aware of concerning the Property that might affect the Buyer's decision-making process, the value of the Property, or its use? Please explain: _____
129. _____
130. _____

131. **SELLER CERTIFICATION:** Seller certifies that the information contained herein is true and complete to Seller's knowledge as of the date signed. Seller agrees that any material changes in the information contained herein will be disclosed by Seller to Buyer prior to Close of Escrow.

132. _____
 ^ SELLER'S SIGNATURE MO/DA/YR ^ SELLER'S SIGNATURE MO/DA/YR

133. **Navajo Holdings, LLC**
 SELLER'S NAME PRINTED SELLER'S NAME PRINTED

134. By: _____

135. Its: _____

136. Reviewed and updated: Initials: _____ / _____
 SELLER SELLER MO/DA/YR

137. **BUYER'S ACKNOWLEDGEMENT OF RECEIPT:** Buyer acknowledges that the information contained herein is based only on the Seller's knowledge and is not a warranty of any kind. Buyer acknowledges that it is Buyer's obligation to investigate all material facts regarding the property to Buyer's satisfaction. Buyer is encouraged to obtain property inspections by an independent third party and to obtain other independent professional counsel as Buyer deems necessary. By signing below, Buyer hereby acknowledges receipt of a copy of this Seller's Property Disclosure Statement.

138. If Buyer disapproves or is concerned about any item in this disclosure, it is the Buyer's responsibility and not the responsibility of the broker(s) or agent(s) to investigate such items and to satisfy Buyer as to the condition of the Property within the Buyer's Due Diligence Period.

139. _____
 ^ BUYER'S SIGNATURE MO/DA/YR ^ BUYER'S SIGNATURE MO/DA/YR

140. **Navajo Land Department**
 BUYER'S NAME PRINTED BUYER'S NAME PRINTED

141. By: _____

142. Its: _____

Commercial Seller's Property Disclosure Statement (SPDS)
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Initials>

BUYER BUYER

Page 4 of 4

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2 Taylor Rd.



EVALUATION REPORT AND RECOMMENDATION



NNOGC Office Building For Sale



Rear or back side of the NNOGC Building

NNOGC Holdings, LLC, Owner/Seller

Offered to sale to the Navajo Nation

2.91 acres, Karigan Estates E2 Commercial Parcel #2

Section 13 T26N R30E

Apache County, Arizona

Prepared by Navajo Land Department

May 11, 2016

EVALUATION REPORT AND RECOMMENDATION TO THE PURCHASE OF NNOGC, LLC PROPERTY LOCATED IN ST. MICHAELS, APACHE COUNTY, ARIZONA



TABLE OF CONTENTS:

- 01. Land Acquisition Title 16 NNC**
- 02. Land Offer to the Navajo Nation**
- 03. Availability of Funds**
- 04. Property Description**
- 05. Proof of Ownership**
- 06. Property Tax & Valuation**
- 07. Present Land Use & Use Rights**
- 08. Inspection Report**
- 09. Appraisal Reports**
- 10. Environmental Site Assessment**
- 11. Investment /Amortization**
- 12. Land Use Plan**
- 13. Recommendation**

01. LAND ACQUISITION TITLE 16 NNC:

The Navajo Land Department (NLD) administers the Navajo Nation administrative requirements and procedures for Land Acquisition. The acquisition of private lands are contained in this policy and conform to the major purposes as stated in Title 16, Navajo Nation Code, Chapter 1, Section 1, as follows:

- (1) Consolidate Indian holdings in "checkerboard" areas wherever this is in the best interest of the Navajos residing in the area and the welfare of the Navajo Nation will be served thereby;
- (2) Provide grazing lands for members of the Navajo Nation who do not have grazing permits;
- (3) Provide additional or substitute lands for members of the Navajo Nation who reside in overcrowded areas of the reservation;
- (4) Relieve reservation land resources from excessive use; and
- (5) Provide land necessary for approved Navajo Nation enterprises.

02. LETTER OF INTENT BY THE NAVAJO NATION

W. Mike Halona, Department Manager, Navajo Land Department (NLD) and Bidtah Becker, Executive

Director, Division of Natural Resources on October 6, 2015 gave a Letter of Intent to purchase the Navajo Oil & Gas office building, formerly known as Nizhoni Smiles. The property is 2.91 acres, more or less, located within the Karigan Estates Subdivision, Saint Michaels, Arizona.



Inside the NNOGC office building

Navajo Land Department hired a Real Estate Broker, Maria R. Cohen, to represent the Navajo Nation in the purchase of the NNOGC property.

On January 13, 2016, NNOGC and the NLD with the Broker negotiated and agreed to a purchase price of \$3,257,369.00 for the 2.91 acres, more or less, and the 12,656 square feet office building. The purchase price is based on the original purchase price by NNOGC plus improvements made to the building

See Exhibit "3" Purchase and Sale Agreement and Escrow Instructions & Exhibit "5" Supporting Documents: Tab 1 Correspondences – Letters

03. AVAILABILITY OF FUNDS

Funds to purchase the NNOCG, LLC property are available from the FY2016 Budget of the Land Acquisition Trust Fund, Business Unit 415000 and the Fund Income (unrestricted funds) of the LATF. The availability of funds from the Office of the Controller has been requested.

See Exhibit "5" Supporting Documents: Tab 3 - Availability of Funds



Inside the NNOGC office building.

04. PROPERTY DESCRIPTION

The subject property is 2.91 acres, with 12,656 square feet office building. The property was formerly occupied and owned by the Nizhoni Smiles, a dental office. Access road is from the State Highway 264 to the

south with a paved entrance with parking lot surrounding the office.

There are no encroachments to the property and subject to the Karigan Estates CCR's.



Karigan Professional Office Complex to the east

The subject property is located north of Highway 264 at 2 Taylor Road in Saint Michaels, Sections 13, T26N, R30E, Apache County.

NNOGC property is located within the Navajo Reservation. The surrounding property owners to the north is NHA townhomes, west is the main NNOGC headquarters, south is the 264 highway and to the east is the DED or the Karigan Professional Office Complex. The topography is moderately slope from the northwest to the southeast with native grasses as vegetation to the excess land.

Additional property description and information can be found in the appraisal report – See Exhibit "5", Tab 8.

05. PROOF OF OWNERSHIP

The FEE SIMPLE land is owned by Navajo Nation Oil & Gas Company, LLC, per the Apache County Assessor parcel information.

The Real Estate Broker, upon signing of the Purchase and Sale Agreement, will open escrow with Pioneer Title Agency. At such time, a preliminary title commitment showing proof of ownership with all encumbrances and leases will be disclosed.

06. PROPERTY TAX & VALUATION

2015 property tax is as follows:

Apache County \$910.92

2015 property valuation is as follows:

Apache County \$64,717

Property taxes are paid in full and current.

See Exhibit "5" Supporting Documents: Tab 5 – Property Tax & Valuation Notice

07. PRESENT LAND USE & USE RIGHTS

Presently, the land is improved with an office building on it. NN Program for Self Reliance is occupying the lower portion of the building.

There is a Lease between the NNOGC and the Navajo Nation Program for Self Reliance. The lease was effective July 1, 2013 with the term ending September 30, 2018. The purpose of the lease is to rent 9,932 square feet of rentable office space, which is the lower portion of the building. The quarterly rent payments varies from \$38,259 to \$44,352.



Excess land to the NNOGC land

08. INSPECTION REPORT

A through building inspection will be performed as part of the Real Estate Broker's due diligences when escrow is open with the title company.

If there are any deficiencies, Buyer will work with Seller in curing these defects or concerns.

09. APPRAISAL REPORTS

Bill Beauvais, President/Certified General Real Estate Appraiser, BDK Appraisal Services, appraised the property for NNOGC. He estimated the market value, as of August 6, 2015 as follows:

Replacement Cost New \$2,303,785

1.61 Acres of Excess Land "as is" = \$190,000.

Market value of the subject property "as is" = \$3,115,000.

Ajay S. Madhvani, MAI, Certified General Real Estate Appraiser, AM Valuation Services appraised the subject property for the Navajo Land Department. He estimated the market value "as is" of the property, as of April 30, 2015, to be \$2,500,000.

See Exhibit "5" Supporting Documents: Tab 8 – Appraisal Reports

10. PHASE I ENVIRONMENTAL SITE ASSESSMENT

At this time, NLD is not recommending a Phase I

Environmental Site Assessment. The property appears that it has not been adversely impaired by the presence of any past or current use, or storage of hazardous chemicals that would pose a potential threat to human health or the environment.

The building was used as a dental office before. All of the dental equipment, tools, and/or fixtures were removed.

Upon RDC or NNC's directive, a Phase I ESA can be obtain as part of the Real Estate Broker's due diligences.

11. INVESTMENT / AMORTIZATION

The definition of an investment is an asset or item that is purchased with the hope that it will generate income or appreciate in the future. Division of Natural Resources and Navajo Land Department will have to decide to continue with the lease with NN Program for Self Reliance once the term is up. By doing so, DNR/NLD will be generating income to perhaps repay the Land Acquisition Trust Fund or return on investment.

According to a projected net income and a cap rate calculations, the return on investment could take anywhere from 13 to 20 years, depending on the market. Per the

certified appraiser, the cap rate for the area is 8%.

The Navajo Nation will not amortize the land purchase. The definition of amortization is the gradual paying off of a debt by periodic installments. This acquisition will be paid off in one lump sum utilizing the Land Acquisition Trust Fund.

The Navajo Land Department and Division of Natural Resources is requesting to the Resources & Development Committee and the Navajo Nation Council to decide if any repayment to the Land Acquisition Trust Fund is to be made by the potential Land-User(s), Navajo Land Department and Division of Natural Resources. However, annual property taxes and any assessment charges/fees are to be paid by the End User or Land User.



NNOGC offices – upper level

12. LAND USE PLAN

The subject property is currently being leased by NN Program for Self Reliance. PSR lease ends September 30, 2018.

The DNR and NLD are in dire need of office space. The division and department are temporarily located at Historic Preservation building and the Navajo Nation Museum. For this reason, the purchase is being pursued; to be use as a permanent office for the DNR administrative staff and NLD staff.

The finding of this evaluation is that the most beneficial use of the deeded property is as follows:

1. Purchase the property to benefit the Navajo Nation Division of Natural Resources and Navajo Land Department.
2. The availability of funds in the Land Acquisition Trust Fund is sufficient to pursue the purchase.
3. Not allowing another non-Navajo entity or department to purchase this property given the scarcity of inventory in the area and the need for office space.



Front of the building – lower level



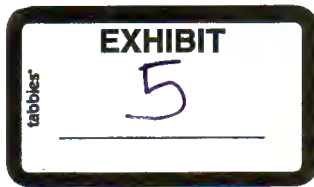
Back area of the NNOGC building

13. RECOMMENDATION

This particular acquisition would give the Navajo Nation a great opportunity to address some of the needs for office space for the employees. On the other hand, NN Oil & Gas will liquidate their asset to decrease their debt obligation.

This is a win-win situation for both the seller and buyer. Division of Natural Resources and Navajo Land Department highly recommends the purchase of Navajo Nation Oil & Gas Company, LLC property, for a purchase price of \$3,257,369 plus closing costs, located at 2 Taylor Road, Saint Michaels, Apache County, Arizona.

**Supporting
Documents**



1 Correspondences - Letters

2 Legal Description / Map / Survey

3 Availability of Funds

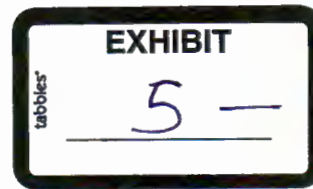
4 Preliminary Commitment for Title Insurance

5 Property Taxes & Valuation Notice

6 Leases, Easements, ROWs, etc.

7 Inspection Report(s)

8 Appraisal Reports



January 13, 2016

Maria R. Cohen
1205 N. Matterhorn Rd.
Payson, AZ 85541

COUNTER OFFER TO LETTER-OF-INTENT to Purchase Real Property

Dear Ms. Cohen:

After discussing the Letter of Intent you presented on October 15, 2015, the meeting with the Navajo Nation Oil & Gas Company and the negotiation meeting held January 13, 2016 with the Navajo Nation Oil & Gas Company Board for the proposed purchase of the property located at 2 Taylor Rd. Saint Michael's, Arizona 86511 in Apache County please review the following terms and conditions discussed.

PROPERTY: 2 Taylor Rd. St. Michael's, AZ 86511
APN: 209-27-176B. An approximate 12,656 square foot building on 2.91 acres.

LEGAL DESCRIPTION: KARIGAN ESTATES E2 COMMERCIAL PARCEL #2 SEC 13 T26N R30E, APACHE COUNTY, AZ

SELLER(S): Full legal name:

Navajo Nation Oil and Gas Company Holdings, LLC

BUYER(S): Full legal name:

Navajo Nation

PURCHASE PRICE: \$ 3,257,369.00 payable in cash at closing.

EARNEST MONEY DEPOSIT: \$100,000.00 to be deposited with Title Company upon an executed Purchase Contract.

FEASIBILITY PERIOD: Buyer at its sole cost and subject to the terms of the purchase agreement shall have 30 day from the Opening of Escrow to perform the necessary inspections for its due diligence. After this period all contingencies shall be waived by Buyer and the Earnest Money Deposit will go hard.

CLOSING DATE: Closing shall occur on or before 45 days from an executed Purchase Contract.

ESCROW: Escrow will be opened with Pioneer Title Agency, Inc. 860 W. Cleveland, Unit 3 St. Johns, AZ 85936.

POSSESSION: Possession will take place after Close of Escrow.

SELLER'S BROKER: Seller's selects not to obtain Broker representation.

BUYER'S BROKER: At Closing, Seller shall pay a commission of 3% (Three Percent) of the Purchase Price to Maria R. Cohen MC Dream Builders Realty, LLC.

CLOSING AND TITLES COSTS: Seller and Buyer will split escrow fees 50-50. All other costs of closing and title will be allocated according to local custom.

CONTRACT: This non-binding letter-of-intent is subject to a fully executed Purchase Contract and delivered by the parties concerning the Potential Transaction, neither party has any obligation whatsoever, including, but not limited to, any obligation to negotiate any agreement in good faith or otherwise. Upon receiving a response or acceptance for this purchase Buyer's Broker will submit the first draft of a Purchase Contract to Seller or Seller's Broker.

In advance thank you for your time and consideration.

Sincerely,

Louis Denetsosie
President/Chief Executive Officer
Navajo Nation Oil & Gas Company
P.O. Box 4439
Window Rock, Arizona 865515

AGREED AND ACCEPTED:

SELLER:

BUYER:

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Date: _____

Date: _____

Xc: Office of President & Vice President, Navajo Nation



October 12, 2015

Navajo Nation Oil & Gas Company Holdings, L.L.C.
P. O. Box 4890
Window Rock, AZ 86515

LETTER-OF-INTENT to Purchase Real Property

Dear Mr. Denetsosie:

After discussing the potential purchase of the property located at 2 Taylor Rd. Saint Michael's, Arizona 86511 in Apache County with my client, Navajo Land Department, on behalf of the Navajo Nation, please review the following terms for Board of Directors of the Navajo Nation Oil and Gas Company consideration.

PROPERTY: 2 Taylor Rd. St. Michael's, AZ 86511
APN: 209-27-176B. An approximate 12,656 square foot building on 2.91 acres.

LEGAL DESCRIPTION: KARIGAN ESTATES E2 COMMERCIAL PARCEL #2 SEC 13 T26N R30E, APACHE COUNTY, AZ

SELLER(S): Full legal name:

Navajo Nation Oil and Gas Company Holdings, LLC

BUYER(S): Full legal name:

Navajo Nation

PURCHASE PRICE: \$2,700,000.00 payable in cash at closing.

EARNEST MONEY DEPOSIT: \$100,000.00 to be deposited with Title Company upon an executed Purchase Contract.

FEASIBILITY PERIOD: Buyer at its sole cost and subject to the terms of the purchase agreement shall have 30 day from the Opening of Escrow to perform the necessary inspections for its due diligence. After this period all contingencies shall be waived by Buyer and the Earnest Money Deposit will go hard.

CLOSING DATE: Closing shall occur on or before 45 days from an executed Purchase Contract.

ESCROW: Escrow will be opened with Pioneer Title Agency, Inc. 860 W. Cleveland, Unit 3 St. Johns, AZ 85936.

POSSESSION: Possession will take place after Close of Escrow.

SELLER'S BROKER: TBD or none if Seller so elects.

BUYER'S BROKER: At Closing, Seller shall pay a commission of 3% (Three Percent) of the Purchase Price to Maria R. Cohen MC Dream Builders Realty, LLC.

CLOSING AND TITLES COSTS: Seller and Buyer will split escrow fees 50-50. All other costs of closing and title will be allocated according to local custom.

CONTRACT: This non-binding letter-of-intent is subject to a fully executed Purchase Contract and delivered by the parties concerning the Potential Transaction, neither party has any obligation whatsoever, including, but not limited to, any obligation to negotiate any agreement in good faith or otherwise. Upon receiving a response or acceptance for this purchase Buyer's Broker will submit the first draft of a Purchase Contract to Seller or Seller's Broker.

In advance thank you for your time and consideration.

Sincerely,

Maria R. Cohen, Broker/Owner
MC Dream Builders Realty, LLC
1205 N Matterhorn Rd.
Payson, AZ 85541

AGREED AND ACCEPTED:

SELLER:

By: _____

Printed Name: _____

Date: _____

BUYER:

By: _____

Printed Name: _____

Date: _____

Xc: Office of President & Vice President, Navajo Nation



THE NAVAJO NATION

RUSSELL BEGAYE **PRESIDENT**
JONATHAN NEZ **VICE PRESIDENT**

October 6, 2015

Mr. Louis Denetsosie, CEO
NNOGC Board of Directors
NAVAJO NATION OIL & GAS COMPANY HOLDINGS, LLC
P. O. Box 4890
Window Rock, AZ 86515

LETTER OF INTENT TO PURCHASE

Dear Mr. Denetsosie and Board of Directors:

This letter will serve as a formal letter of intent to notify you and the Navajo Oil and Gas Company Holdings, L.L.C., that the Navajo Land Department is interested in the purchase of the property at 2 Taylor Road, Saint Michaels, Arizona, which consists of approximately 12,656 square foot office building on 2.91 acres. The property is legally described as "KARIGAN ESTATE E2 COMMERCIAL PARCEL #2 SEC 13 T26N R30E, APACHE COUNTY, ARIZONA".

Navajo Land Department (NLD), on behalf of the Navajo Nation (NN), is interested in purchasing the office building from the Navajo Nation Oil and Gas Company Holdings, LLC.

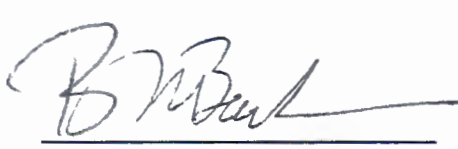
NLD hired a real estate broker, Ms. Maria Cohen, MC Dream Builders Realty, L.L.C., to represent the Navajo Nation on the sale. With NLD's permission, she is authorized to contact you. Ms. Cohen will be assisting the Nation with the negotiation, opening escrow, executing a purchase contract, obtaining the Nation's approval of the purchase, closing of escrow and any post-closing transactions.

We look forward to working with you on this important purchase to benefit the Navajo Land Department/Division of Natural Resources, on behalf of the Navajo Nation.

Sincerely,

NAVAJO NATION


W. Mike Halona, Department Manager
NAVAJO LAND DEPARTMENT


Bidtah Becker, Executive Director
DIVISION OF NATURAL RESOURCES

Xc: Project File
Robert Allan, DNR Principal Attorney, DNR
Maria Cohen, Broker/Owner, MC Dream Builders Realty LLC

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE NAVAJO NATION OIL AND GAS COMPANY**

No. 284 Approving the Marketing and Sale of Company Building #2

WHEREAS:

1. The Navajo Nation Oil and Gas Company (the "Company" or "NNOGC") is a wholly owned corporation of the Navajo Nation organized under section 17 of the Indian Reorganization Act, as amended, and charged with developing and operating a profitable integrated oil company for the benefit of the Navajo Nation; and

2. In 2013, the Company's hedging program was discontinued, resulting in a \$60 million reduction in the Company's borrowing base, a repayment of \$42.75 million to the Company's lenders, comprising nearly all of the Company's easily liquidable assets, and requiring a reduction in force and severe cost control measures. Current management has since reinstated the hedging program and the Board has approved a mandatory risk management policy requiring management to implement hedging as a prudent risk management philosophy for the Company now and in the future; and

3. As a result of a further reduction of \$20 million in the Company's borrowing base by Wells Fargo Bank and participating lenders on June 18, 2015, due to a drop in the price of oil, and the loss of revenues from lower oil prices, the Company must pay its lenders \$12.5 million by November 30, 2015, which is more than the Company is projected to meet with its current cash flow. A further reduction in the borrowing base is possible after the next borrowing base redetermination in October 2015, which may result in the Company having to further pay down debt without adequate cash flow to do so; and

4. The Company owns a second corporate building in St. Michaels ("Company Building #2), such building which is not used or needed by the Company, and which the Company's management has therefore recommended should be sold to help the Company with its cash flow; and

5. On September 4, 2015, the Company obtained an appraisal of Company Building #2, the results of such appraisal which have been shared with the Board of Directors by management; and

6. Upon recommendation by management, the Company's Board of Directors now wishes to market for sale Company Building # 2, with the minimum acceptable offer to be \$300,000.00 above the August 6, 2015 appraisal report prepared for the Company, or to the highest bidder.

NOW THEREFORE BE IT RESOLVED THAT:

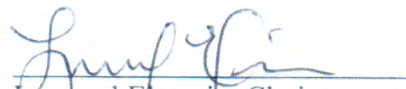
1. The Board of Directors of the Navajo Nation Oil and Gas Company hereby approves the marketing and sale of Company Building # 2, in the best interest of the

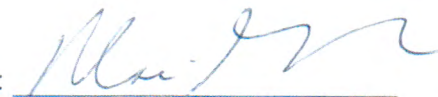
Company, with the minimum acceptable offer to be \$300,000.00 above the August 6, 2015 appraisal report prepared for the Company, or to the highest bidder.

2. The Board of Directors of the Navajo Nation Oil and Gas Company hereby authorizes and directs management to take all reasonable and prudent steps necessary to carry out the intent of this resolution.

CERTIFICATION

I hereby certify that the foregoing resolution was considered at a duly called meeting of the Board of Directors of the Navajo Nation Oil and Gas Company, at which a quorum was present at the Company's headquarters, St. Michaels, Navajo Nation (Arizona), and that the same was passed by vote of 5 in favor, 0 opposed, and 0 abstained, this 8th day of September, 2015.


Lennard Eltsosie, Chairperson

Attest: 
Mae-Gilene Begay, Secretary

2

EXHIBIT
5-

Karigan Estates Subdivision
St. Michaels, AZ

HWY 264

Raylor Road

To W2-

To Lupton 140
Rte 12

Ind. Route 112 To Fort Defiance

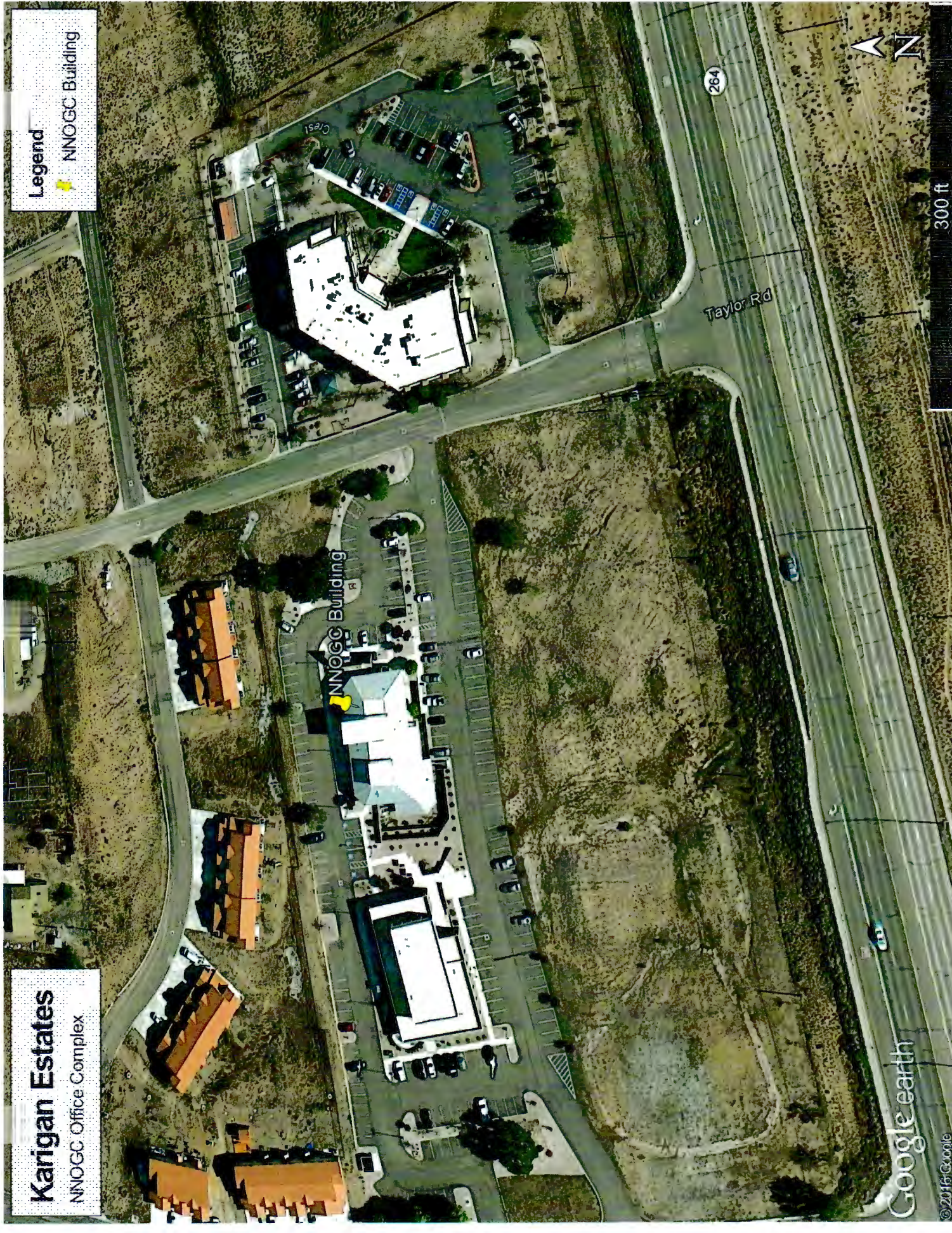


Karigan Estates

NNOGC Office Complex

Legend

NNOGC Building



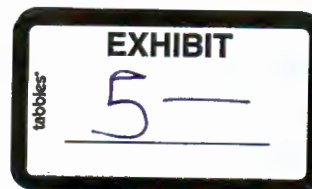
Google earth

©2016 Google



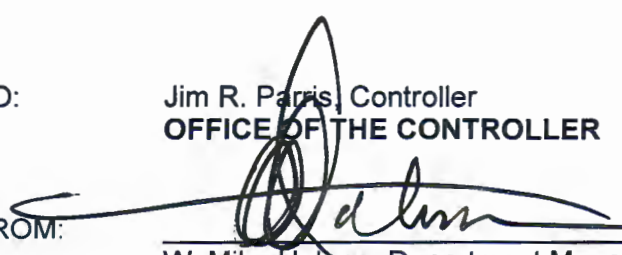
THE NAVAJO NATION

RUSSELL BEGAYE **PRESIDENT**
JONATHAN NEZ **VICE PRESIDENT**



MEMORANDUM

TO: Jim R. Parris, Controller
OFFICE OF THE CONTROLLER

FROM: 
W. Mike Halona, Department Manager III
NAVAJO LAND DEPARTMENT
DIVISION OF NATURAL RESOURCES

DATE: March 15, 2016

SUBJECT: **AVAILABILITY OF FUNDS – Land Acquisition Trust Fund**

The Navajo Land Department (NLD) is in the process of packaging a land acquisition proposal for the 164 administrative review and approval. NLD is requesting from your office the most current Land Acquisition Trust Fund Balance Sheet, Business Unit 415000, showing all funds available for land acquisitions (restricted and unrestricted).

Pursuant to the Navajo Nation Land Acquisition Policy, funds for acquiring real estate must be identified. Land Acquisition Trust Fund will be utilized on this purchase proposal.

Thank you for your understanding to this important matter. If you have any questions, please contact Shirley McCabe at 928-871-7047 or myself at 6440.

Cc: Project File
Shirley McCabe, Land Acquisition Program

Account Range	Original Budget	Revised Budget	Actuals	Encumbrances	Budget Available	% Expensed of Total
00530 LAND ACQUISITION FUND						
415000 LAND ACQUISITION						
1000 Revenues						
1100 Royalties						
1110 Natural Resources						
1120 Oil						
1130 Gas						
1150 Coal Mining						
1160 Other Mining						
1170 Timber						
1180 Recoveries						
1200 Taxes						
1210 Retail						
1220 Sales Taxes						
1230 Fuel Excise Tax						
1240 Hotel Occup. Tax						
1250 Tobacco Products Ta						
1260 Non Retail						
1270 Possessory Interest						
1280 Severance Tax						
1290 Business Activity T						

R55BU500
NN0001
SMCCABE

NAVAJO NATION
Budget Status Report
As of 5/31/2016

5/10/2016

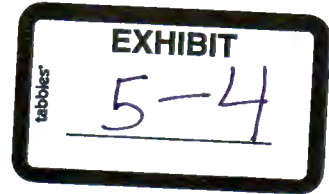
13:39:25

Account Range	Original Budget	Revised Budget	Actuals	Encumbrances	Budget Available	% Expensed of Total
7700 Insurance & Benefits	639.00	639.00	517.45		121.55	80.98
7000 Special Transactions	3,239.00	5,729.00	4,207.45		1,521.55	73.44
8000 Assistance						
8010 Public						
8020 Social						
8300 Participant Trainin						
8500 Infrastructure (non cap						
8700 Grants						
8705 Chapter						
8780 Entities						
8800 Scholarships						
8805 Corporate						
8900 Other						
9000 Capital Outlay						
9001 Real Property	1,919,680.00	1,919,680.00	163,040.00		1,919,680.00	
9010 Land & Improvements					163,040.00-	
9012 Land						
9010 Land & Improvements	1,919,680.00	1,919,680.00	163,040.00		1,756,640.00	8.49
9020 Infrastructure						
9050 Building						
9001 Real Property	1,919,680.00	1,919,680.00	163,040.00		1,756,640.00	8.49

= M E T R O S C A N P R O P E R T Y P R O F I L E =
Apache (AZ)

OWNERSHIP INFORMATION

Parcel Number : 209 27 176B Bldg # : of
Owner : Nnogg Holdings LLC
CoOwner :
Site Address : PO Box 3449 Shiprock
Mail Address : 2800 N Central Ave #180 Phoenix Az 85004
OwnerTelephone :



SALES AND LOAN INFORMATION

Transferred	: 10/02/2012	Loan Amount	:
Document #	: 5297	Lender	:
Sale Price	: \$2,700,000	Loan Type	:
Deed Type	: Trustees	Interest Rate	:
% Owned	: 100	Vesting Type	: Corporation

ASSESSMENT AND TAX INFORMATION

2016	<u>Proposed</u>		
FCV Land	:	LPV Amount	: \$64,777
FCV Structure	: \$64,777	LPV Assessed	: \$9,717
FCV Total	: \$64,777	FCV Assessed	: \$9,717
Tax Rate Area	: 0800	2015 Taxes	: \$910.92

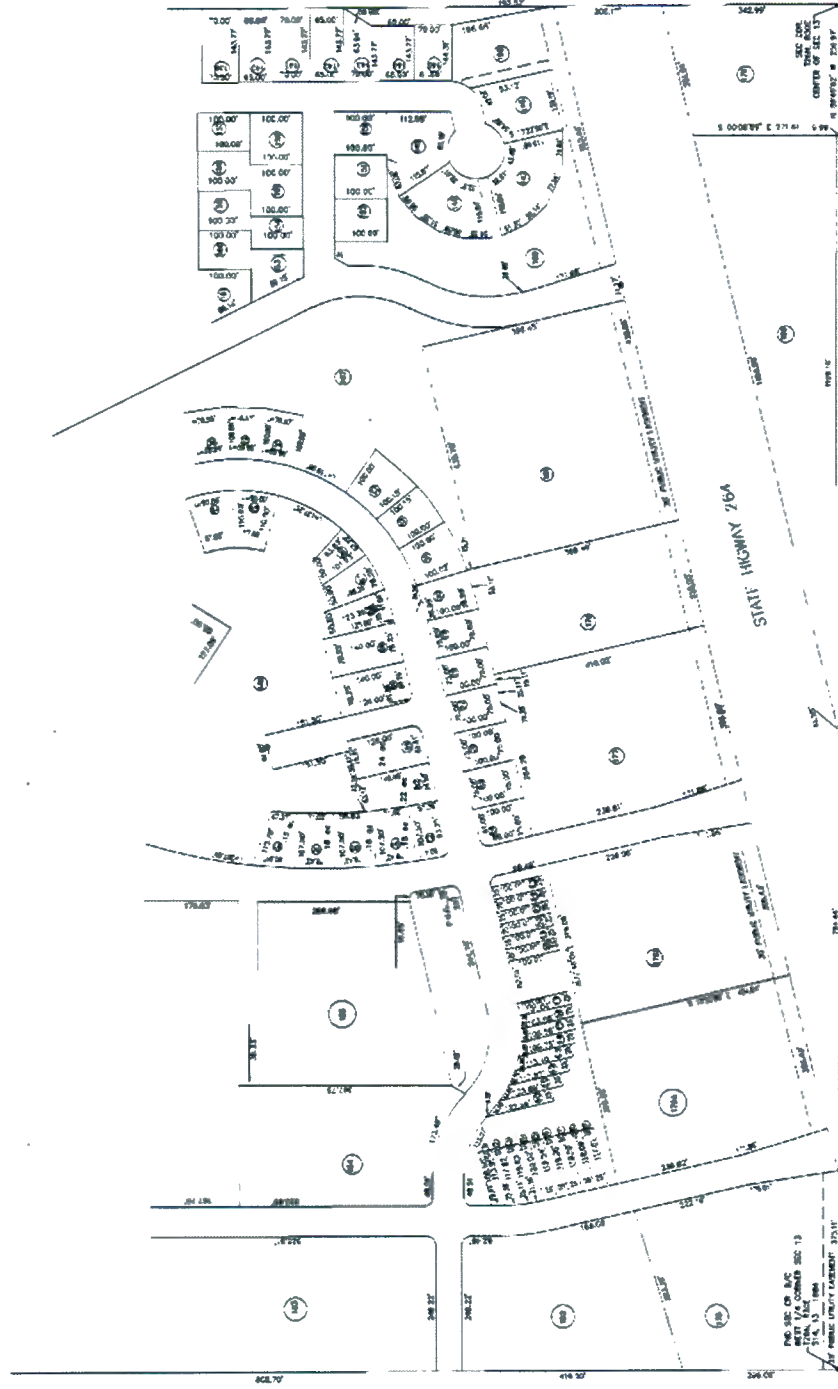
PROPERTY DESCRIPTION

Census : Tract: Block :
Land Use : 0013 Vacant, Residential
Sub/Plat : Karigan Estates
Legal : KARIGAN ESTATES E2 COMMERCIAL
 : PARCEL #2 SEC 13 T26N R30E.
 :
Bldg Use :
Parcel : Block: Lot : 2
Sec : 13 Twp : 26N Rng : 30E

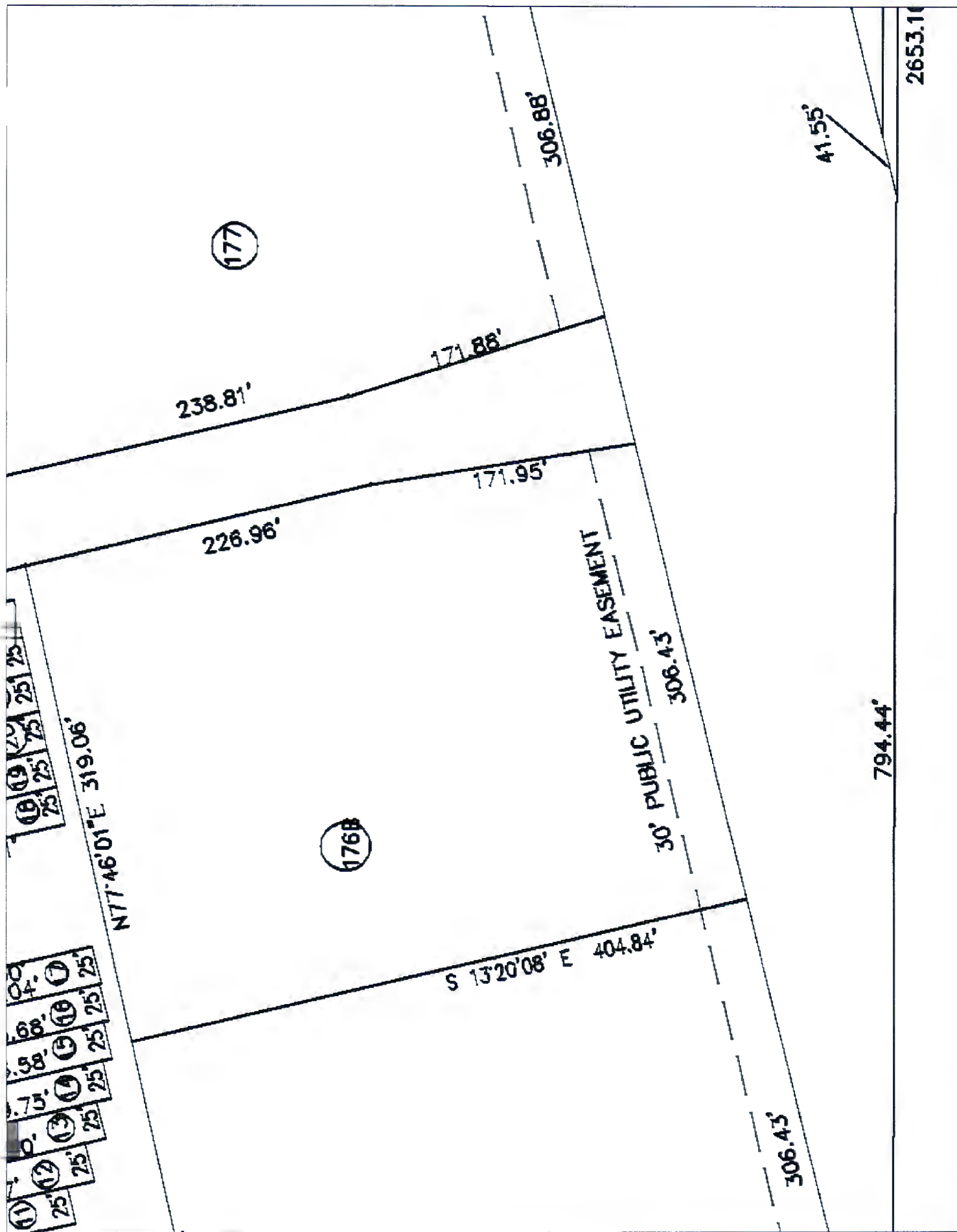
PROPERTY CHARACTERISTICS

Year Built	:	Bldg Sq Ft	:	Lot Acres	: 2.91
Stories	:	Grd Flr SF	:	Lot Sq Ft	: 126,760
Story Height	:	AllBldgSF	:	Perimeter	:
Construction	:			ConditionPct	:

TOWNSHIP 26 N RANGE 30 E 209-27
 SEC 13 2 OF 2
 KARIGAN ESTATES



2002 Melody Capps
 Apache County Assessor



SASE
When recorded return to:

Mark E. Barker, Esq.
Jennings, Haug & Cunningham, LLP
2800 North Central Avenue, Suite 1800
Phoenix, AZ 85004-1049

2012-005297
Page 1 of 24 ac
OFFICIAL RECORDS OF APACHE COUNTY
LENORA Y. FULTON, RECORDER
10-02-2012 12:03 PM Recording Fee \$13.00

TRUSTEE'S DEED AND BILL OF SALE

Mark E. Barker, a member of the State Bar of Arizona, 2800 North Central Avenue, Suite 1800, Phoenix, AZ 85004-1049, as the duly appointed Successor Trustee ("**Trustee**") of the Deed of Trust described below, does hereby grant and convey, without covenant or warranty, express or implied to **NNOGC Holdings, LLC**, a limited liability company under Navajo Nation Law ("**Grantee**"), 50 Narbono Circle West, St. Michaels, Arizona 86511, the real property in Apache County, Arizona, legally described as follows ("**Real Property**"):

LEGAL DESCRIPTION ATTACHED HERETO AS EXHIBIT A.

Together with the additional property described in the Deed of Trust and on the attached Schedule 1 ("**Assets**"). The Real Property and the Assets are hereinafter collectively referred to as the "**Property**".

This conveyance is made by Trustee pursuant to the powers, including the power of sale, conferred upon Trustee by the Deed of Trust made by Nizhoni Smiles, Inc., a New-Mexico non-profit corporation, as Trustor, to National Bank of Arizona, a national banking association, as Beneficiary, recorded on November 8, 2004 at Document No. 2004-009729, Official Records of the Apache County Recorder ("**Deed of Trust**"). The beneficial interest under the Deed of Trust was assigned to Fort Defiance Indian Hospital Board, Inc., a Navajo Nation non-profit corporation by Assignment of Beneficial Interest Under Deed of Trust recorded on September 19, 2012 at Document No. 2012-005048, Official Records of the Apache County Recorder.

The Property was sold by Trustee at public auction on September 20, 2012, at the place named in the Notice of Trustee's Sale in Apache County, Arizona, in which the Property is situated. Grantee, being the highest bidder at such sale became the purchaser of the Property and made payment to Trustee in the amount of the bid, namely TWO MILLION SEVEN HUNDRED THOUSAND AND 00/100 DOLLARS (\$2,700,000.00).

The conveyance of the Assets is subject to the following additional limitations and disclaimers:

1. The Assets are sold in an "AS-IS", "WHERE-IS" and "AS-SHOWN" CONDITION, "WITH ALL FAULTS". Certain of the assets on the Real Property may be leased or otherwise subject to the interests of other persons. Grantee is responsible for determining the interest, if any, acquired in any given Asset and obtaining physical possession of the Assets, if desired.

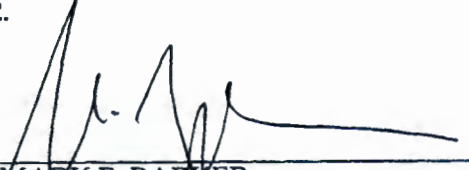
2. TO THE EXTENT THAT THE ASSETS ARE SUBJECT TO THE UNIFORM COMMERCIAL CODE, TRUSTEE HEREBY PROVIDES, PURSUANT TO A.R.S. § 47-9610(E) AND (F), THAT THERE IS NO WARRANTY RELATING TO TITLE,

POSSESSION, QUIET ENJOYMENT, OR THE LIKE IN THIS DISPOSITION. NEITHER BENEFICIARY NOR TRUSTEE MAKES ANY REPRESENTATION OR WARRANTY OF ANY NATURE WHATSOEVER, EXPRESS OR IMPLIED, STATUTORY OR OTHERWISE, WITH REGARD TO: (a) OWNERSHIP OR POSSESSION OF, OR ENCUMBRANCES ON, THE ASSETS; (b) THE VALUE, QUALITY, CONDITION, DESIGN, OPERATION, DURABILITY, PHYSICAL CONDITION OR STATE OF REPAIR OF THE ASSETS; (c) THE MERCHANTABILITY, SUFFICIENCY, SUITABILITY OR FITNESS OF THE ASSETS FOR GRANTEE'S PURPOSES OR FOR ANY PARTICULAR PURPOSE; OR (d) COMPLIANCE OF THE ASSETS WITH ANY LAWS, RULES, REGULATIONS OR SPECIFICATIONS OR REQUIREMENTS OF ANY GOVERNMENTAL BODY, INSURER OR ANY OTHER PERSON. GRANTEE HAS NOT RELIED ON THE SKILL OR JUDGMENT OF TRUSTEE OR BENEFICIARY IN SELECTING OR FURNISHING THE ASSETS FOR ANY PARTICULAR PURPOSE.

3. No express or implied warranty is given with respect to the Assets for the purpose of the Moss-Magnuson Warranty Act, 15 U.S.C. § 2301, *et seq.*

THIS DEED IS EXEMPT FROM AFFIDAVIT AND FEE PURSUANT TO A.R.S. § 11-1134 B(1).

DATED this 28th day of September, 2012.


MARK E. BARKER
Successor Trustee

STATE OF ARIZONA)
) ss.
County of Maricopa)


The foregoing Trustee's Deed dated September 28, 2012 consisting of two pages, not including attachments, was acknowledged before me on September 28, 2012, by Mark E. Barker, Successor Trustee.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.





Notary Public

 First American Title	Trustee's Sale Guarantee
Exhibit A	<small>ISSUED BY</small> First American Title Insurance Company
	<small>GUARANTEE NUMBER</small> 5002504-15813

LEGAL DESCRIPTION

File No.: 08905373-098-

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF APACHE, STATE OF ARIZONA, AND IS DESCRIBED AS FOLLOWS:

That portion of Commercial Parcel #2, KARIGAN ESTATES, according to Book 9 of Maps, page 13 and replatted in Book 9 of Maps, page 14, amended in Fee No. 2002-08861 and amended in Fee No. 2004-00157, records of Apache County, Arizona, described as follows:

Beginning at the Northeast corner of said Commercial Parcel #2;

Thence along the East line thereof, South 13 degrees 20 minutes 12 seconds East, 226.96 feet;

Thence continuing along said East line, South 09 degrees 08 minutes 27 seconds East, 171.95 feet to the Southeast corner thereof;

Thence along the South line of said Commercial Parcel #2, South 76 degrees 37 minutes 40 seconds West, 306.43 feet;

Thence North 13 degrees 20 minutes 18 seconds West, 404.84 feet to a point on the North line of said Commercial Parcel #2;

Thence along said North line, North 77 degrees 46 minutes 01 seconds East (North 76 degrees 39 minutes 48 seconds East, record) 319.06 feet to the Point of Beginning.

APN: 209-27-176B

Trustee's Deed and Bill of Sale

Schedule 1

Assets described in the Deed of Trust include:

All equipment, fixtures, and other articles of personal property now or hereafter owned by Trustor, and now or hereafter attached or affixed to the Real Property; together with all accessions, parts, and additions to, all replacements of, and all substitutions for any of such property; together with all proceeds (including without limitation all insurance proceeds and refunds of premiums) from any sale or other disposition of the Real Property or personal property.

Assets described in the Financing Statement include:

All appurtenances, fixtures, attachments, appliances, equipment, machinery and other personal property present at or used in connection with the Real Property; whether any of the foregoing is owned now or acquired later; all accessions, additions, replacements, and substitutions relating to any of the foregoing; all records of any kind relating to any of the foregoing; all proceeds relating to any of the foregoing (including insurance, general intangibles and accounts proceeds).

For the purpose of this Schedule 1, the term "**Financing Statement**" refers to the UCC-1 Financing Statement filed in the office of the Arizona Secretary of State on November 4, 2004 at File No. 20041339902-9, continued by Continuation Statement filed on September 15, 2009 and amended by UCC-3 Amendment filed on or about September 19, 2012 naming Fort Defiance Indian Hospital Board, Inc. a Navajo Nation non-profit corporation. References to "**Trustor**" or "**Debtor**" in this attached Schedule 1 are to Nizhoni Smiles, Inc., a New Mexico non-profit corporation. All other terms or phrases referred to in this Schedule 1 shall be construed as defined by or with reference to the Deed of Trust and the Financing Statement.

PREPARED FOR:

DATE :3/1/2016
County Name :Apache (AZ)

Owner :Nnogg Holdings LLC
Address :PO Box 3449 Shiprock
:Shiprock
APN :209 27 176B

COMPARABLE PARAMETERS USED

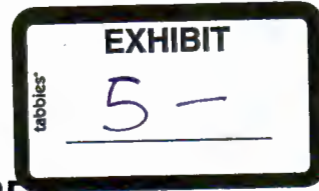
SUBDIVISION
TRANSFERDATE,12

COMPARABLES FOUND USING THE ABOVE PARAMETERS:
ADDITIONAL SALES

Sale #1-----:	MetroScan Comparable Sales	:-----*
Owner :Nelson Katarina M		Parcel:209 27 017
Site :17 W Chi Hoo Tsoo Rd St Michaels 86511		Date :03/17/2015
Mail :PO Box 108 Window Rock Az 86515		Price :\$180,000
Use :9800 Gov,Indian Lands,Vacant		Doc # :1217
Map Pg:		Phone :
Bedrm :	Bth:	TotRm: YB: Pool:
		BldgSF: Ac:.05
Sale #2-----:	MetroScan Comparable Sales	:-----*
Owner :Taliman Valerie A		Parcel:209 27 103
Site :103 Karigan Ests St Michaels 86511		Date :04/02/2015
Mail :6836 La Rocca Rd NW Albuquerque Nm 87114		Price :
Use :9810 Gov,Indian Lands,Residential		Doc # :1509
Map Pg:		Phone :
Bedrm :	Bth:	TotRm: YB:2004 Pool:
		BldgSF:2,278 Ac:.36

Statement of Taxes Due

APACHE COUNTY TREASURER



Account Number R0050636

Parcel 20927176B

Assessed To

NNOGC HOLDINGS LLC
2800 NORTH CENTRAL AVE SUITE 1800
PHOENIX, AZ 85004-1049

Legal Description

Situs Address

KARIGAN ESTATES E2 COMMERCIAL PARCEL #2 SEC 13 T26N R30E.

Year	Tax	Adjustments	Interest	Fees	Payments	Balance
Tax Charge						
2015	\$910.92	(\$910.92)	\$0.00	\$0.00	\$0.00	\$0.00
2014	\$851.38	(\$851.38)	\$68.11	\$5.00	(\$73.11)	\$0.00
2013	\$797.08	(\$797.08)	\$63.76	\$5.00	(\$68.76)	\$0.00
2012	\$773.42	(\$773.42)	\$134.06	\$68.67	(\$202.73)	\$0.00
2011	\$836.84	\$0.00	\$0.00	\$0.00	(\$836.84)	\$0.00
2010	\$843.34	\$0.00	\$0.00	\$0.00	(\$843.34)	\$0.00
2009	\$932.97	\$0.00	\$0.00	\$0.00	(\$932.97)	\$0.00
2008	\$943.36	\$0.00	\$18.71	\$0.00	(\$962.07)	\$0.00
Total Tax Charge						\$0.00
Lien						
2014 Lien: 20927176B_00087885	\$924.49	\$0.00	\$61.63	\$0.00	(\$986.12)	\$0.00
2013 Lien: 20927176B_00087885	\$865.84	\$0.00	\$144.31	\$0.00	(\$1,010.15)	\$0.00
2012 Lien: 20927176B_00087885	\$966.15	\$0.00	\$201.28	\$0.00	(\$1,167.43)	\$0.00
2012	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Lien						\$0.00
GRAND TOTAL						\$0.00
Grand Total Due as of 04/20/2016						\$0.00

Make payment to:

Apache County Treasurer 75 West Cleveland PO Box 699 St. Johns, AZ 85936 928-337-7629

Account: R0050636Location

Parcel Number 209-27-176-B
Tax Area 0800 - District 0800
Situs Address
Legal Summary KARIGAN ESTATES E2 COMMERCIAL PARCEL #2 SEC 13
T26N R30E.

Owner Information

Owner Name NNOGC HOLDINGS LLC
Owner Address 2800 NORTH CENTRAL AVE SUITE 1800
PHOENIX, AZ 85004-1049

Assessment History

Full Cash Value (FCV)	\$64,777
Limited Property Value (LPV)	\$64,777
Primary Assessed	\$9,717
Secondary Assessed	\$9,717

Tax Area: 0800 Primary Rate: 1.0256
Secondary Rate: 7.7636

Legal Class	FCV	LPV	Primary Assessed	Secondary Assessed
02.R	\$64,777	\$64,777	\$9,717	\$9,717

Transfers

Sale Price

Sale Date

Tax History

Images

Tax Year

Taxes

*2017

\$0.00

2016

No Tax Values

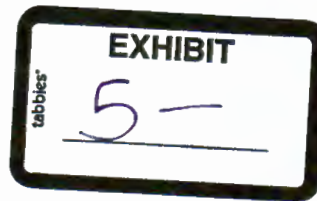
* Estimated



**THE
NAVAJO
NATION**

P.O. BOX 9000

WINDOW ROCK, ARIZONA 86515



Navajo Nation
Oil & Gas Co.

(520) 810-8545

BENNIE SHELLY
President

July 12, 2013

REX LEE JIM
Vice-President

NAVAJO PETROLEUM, LLC

Post Office Box 5070

Window Rock, Arizona 86515

ATTENTION: Louis Denetsosie, Landlord

REFERENCE: SAS 28722/Lease Agreement

Dear Mr. Denetsosie,

Attached, please find your copy of the approved Lease Agreement (**CO10145**) with the Navajo Nation Division of Social Services – Program for Self Reliance. The lease has been obligated into our FMIS for the total amount of One Million One Hundred Seven Thousand Eight Hundred Fifteen Dollars and Ninety Nine Cents (\$1,107,815.99). The term of the lease commences on July 01, 2013 and expires on September 30, 2018.

The above contract number must be referenced on all invoices, documents; and correspondences as it relates to this contract.

Should you have any questions, please contact Ms. Yolanda Gene, Principal Accountant, at (928) 810.8553 Extension 2116.

Sincerely,

THE NAVAJO NATION

Ronalda A. Logg, Senior Accountant
Contract Administration – OOC

xc: Yolanda Gene, Principal Accountant, DSS. PSR
Charlene Johns, Senior Accountant, OOC
Contract File: CO10145

LEASE AGREEMENT
BETWEEN THE
NAVAJO NATION OIL AND
GAS COMPANY HOLDINGS,
LLC
AND THE
NAVAJO NATION
PROGRAM FOR SELF
RELIANCE



**NNOGC HOLDINGS, LLC
TENANT LEASE**

THIS LEASE AGREEMENT ("Lease") is made and entered into effective July 1, 2013 (the "Effective Date"), by and between **NNOGC Holdings, LLC**, a wholly owned subsidiary of the Navajo Nation Oil and Gas Company ("Landlord"), and the **Navajo Nation Program for Self Reliance** ("**Tenant**") (together, the "Parties").

**ARTICLE I
DESCRIPTION OF BUILDING AND PREMISES**

Section 1.01. Building. The building commonly known as "NNOGC Holdings, LLC Office Building" ("Building") and other improvements are located in Karigan Estates, St. Michaels, Arizona 86511 (collectively the "Project") as depicted on **Exhibit A**. Landlord and **Tenant** hereby acknowledge and agree that for purposes of this Lease, the Building shall be deemed to contain 9,932 square feet of rentable area, notwithstanding that the actual square footage of the Building may be a greater or smaller amount. The Project is subject to that certain Declaration of Covenants, Conditions, Restrictions, Assessments, Changes, Servitudes, Liens, Reservations and Easements for Karigan Estates recorded in the Official Records of Apache County, Arizona as Instrument 2002-05630 (the "Master Declaration").

Section 2.02. Premises. Landlord hereby leases to **Tenant**, and **Tenant** hereby leases from Landlord, upon the terms and conditions set forth in this Lease, all of the rentable square feet of the lower level of the Building (the "Premises") as depicted on **Exhibit B** attached hereto. Landlord and **Tenant** hereby acknowledge and agree that for purposes of this Lease, the Premises shall be deemed to contain 5,668 rentable square feet. **Tenant's** right to use the Premises shall include the non-exclusive right to use such common areas within the Building and the Project, including, without limitation, lobbies and hallways as Landlord shall designate from time to time, subject to the terms and conditions hereof.

**ARTICLE II
LEASE TERM AND POSSESSION**

3/11/13
Section 2.01. Lease Term and Initial Payments. The term of this Lease (the "Lease Term") shall commence on July 1, 2013 and shall end on September 30, 2018, unless otherwise extended in Landlord's discretion. **Tenant** identifies the Navajo Nation Program for Self Reliance Program Business Unit Number as _____, and obligates \$38,259.00 for the Lease payment, \$25,506.00 for the Security Deposit, and \$4,279.50 for the Project Operating Costs, for a subtotal of \$68,044.50 plus Navajo Nation Sales Taxes of \$3,402.23, for a grand total of \$71,446.73, for the period of July 1, 2013 to September 30, 2013, which shall be due and payable in full upon execution of this Lease by **Tenant**. In addition, **Tenant** shall pay the costs of all Tenant Improvements plus Navajo Nation Sales Taxes, as specified on Exhibit D, in full upon execution of this Lease by **Tenant**. **Tenant** agrees that all lease payments and any other amounts due under this Agreement are subject to the Navajo Nation Sales Tax pursuant to 26 N.N.C. §601 *et seq.*

Section 2.02. Possession. Landlord shall be deemed to have delivered possession of the Premises ready for occupancy on July 1, 2013 (the "Commencement Date"). **Tenant** shall be responsible for the payment of Rent from Commencement Date regardless of the date upon which **Tenant** actually occupies the Premises. In the event Landlord is, for any reason whatsoever, unable to deliver possession of the Premises to **Tenant** on or before the Commencement Date, this Lease shall not be void or voidable, nor shall Landlord be liable to **Tenant** for any loss or damage arising as a consequence of any such failure; provided, however, that if Landlord fails to deliver possession of the Premises to **Tenant** within ninety (90) days after the Effective Date, **Tenant** shall have the right at any time prior to the delivery of the Premises to terminate the Lease by giving written notice thereof to Landlord.

ARTICLE III RENT

Section 3.01. Rent. **Tenant** shall pay to Landlord, the Rent (as defined below in Section 3.03), without deduction, offset, or prior notice or demand, as provided herein. Quarterly installments of the Rent shall be paid in advance on the Commencement Date and thereafter on or before the first day of each succeeding quarter during the Lease Term. All payments of Rent and other sums due hereunder shall be paid by **Tenant** at Landlord's address set forth in **Article XXVI** hereof or at such other place as Landlord may designate from time to time in writing. In the event the Landlord has not received payment of the quarterly installment of Rent within twenty (20) days after the due date, **Tenant** shall pay a late charge equal to five percent (5%) of the unpaid amount. Any Rent unpaid for sixty (60) days after the due date, in addition to the late charge specified above, shall bear interest until paid at the lesser of (i) the rate equal to the prime rate of interest then being charged by National Bank of Arizona, Arizona, plus five percent (5%) per annum, or (ii) the maximum rate permitted under the laws of the State of Arizona. No payment by **Tenant** of a lesser amount than the Rent nor any endorsement on any check or letter accompanying any check or payment as Rent shall be deemed an accord and satisfaction of full payment of Rent, and Landlord may accept such payment without prejudice to Landlord's right to recover the balance of such Rent or to pursue other remedies.

Section 3.02. Minimum Rent. **Tenant** shall pay to Landlord rent (the "Minimum Rent"), beginning at \$27.00 per square foot, plus a sum equal to its prorata share of the aggregate of all, or hereafter levied or imposed, against or on account of, or determined in relation to, any or all amounts payable hereunder by **Tenant** or the receipt hereof by Landlord. The Minimum Rent shall increase at a rate equal to three percent (3%) of the Minimum Rent paid during the preceeding rent period on October 1st of each year. **Tenant** shall pay the Minimum Rent in advance and in quarterly installments as follows, except that the Minimum Rent for the months of July 1, 2013 through September 30, 2013 shall be due in one lump sum as specified in Section 2.01 above.

<u>Rent Period</u>	<u>Minimum Rent</u>	<u>Quarterly Payment</u>	<u>Due Dates of Payments</u>
0 7/1/13 – 09/30/13	\$ 38,259.00	\$ 38,259.00 ✓	Upon execution of Lease
10/1/13 – 09/30/14	157,627.08	39,406.77	Oct 1, Jan 1, Apr 1, July 1
10/1/14 – 09/30/15	162,331.52	40,582.88	Oct 1, Jan 1, Apr 1, July 1
10/1/15 – 09/30/16	167,206.00	41,801.50	Oct 1, Jan 1, Apr 1, July 1
10/1/16 – 09/30/17	172,250.52	43,062.63	Oct 1, Jan 1, Apr 1, July 1
10/1/17 – 09/30/18	177,408.40	44,352.00	Oct 1, Jan 1, Apr 1, July 1

Section 3.03. Additional Rent. The Project Operating Cost (as defined in Section 7.01) for the Building, estimated to be \$30,000.00 during the first year of the Lease Term, shall be adjusted from time to time, depending on the actual costs of operating the Project. **Tenant** shall pay its prorata share of such Project Operating Cost plus other amounts payable by **Tenant** hereunder as “Additional Rent. The Additional Rent is estimated to be \$ 4,279.50 for the period of July 1, 2013 through September 30, 2013 of the Lease Term, which shall be due and payable in one lump sum upon execution of this Lease. Thereafter, the Additional Rent shall be paid in quarterly installments during the Lease Term, on the same payment schedule as the Minimum Rent. The Minimum Rent, the Additional Rent and all other amounts payable hereunder by **Tenant** are herein referred to as “Rent”.

ARTICLE IV USE OF THE PREMISES

Tenant shall use the Premises only for general office use and all legal uses directly related thereto and no other purpose. No use shall be made of the Premises, and no act shall be done in or about the Premises, which is illegal, unlawful or which will materially increase the existing rate of insurance upon the Premises or which is in violation of the terms of the Master Declaration or any of the documents revered therein. **Tenant** shall not commit or allow any public or private nuisance or other act or thing which unreasonably disturbs the quiet enjoyment of any other tenant in the Project or of any neighboring persons, nor shall **Tenant**, without the **prior written consent of Landlord**, such consent not to be unreasonably withheld, use any apparatus, machinery or device in or about the Premises which shall cause any substantial noise or vibration.

ARTICLE V SECURITY DEPOSIT

Section 5.01. Landlord's Rights. Upon execution of this Lease, **Tenant** shall deposit with Landlord the sum equal to two (2) months' Minimum Rent (\$12,753.00 per month), or a total of \$25,506.00 (the “Security Deposit”), which sum shall be held by Landlord, without obligation for interest, as security for the performance of **Tenant's** covenants and obligations under this Lease. The Security Deposit is not an advance rental deposit or a measure of the Landlord's damages in the event of **Tenant's** default. Upon the occurrence of any default by **Tenant** hereunder beyond any applicable cure period, Landlord may, from time to time, without prejudice to any other remedy provided herein or at law or in equity, use and apply all or any portion of the Security Deposit to the extent necessary to remedy any arrearage of Rent or other expense or liability caused by such default. **Tenant** shall pay to Landlord within ten (10) days after written demand any amount so applied by Landlord in order to restore the Security Deposit

to its original amount. Landlord shall not be required to segregate such deposit from other funds of Landlord, and may use the Security Deposit for such purposes as Landlord may determine.

Section 5.02. Return of Deposit. Any part of the Security Deposit not used by Landlord as permitted hereunder shall be returned to **Tenant** (or, at Landlord's election, to the last approved assignee, if any, of **Tenant's** interest hereunder) within twenty (20) days following the expiration or earlier termination of the Lease Term and delivery of possession of the Premises to Landlord, if, at such time, **Tenant** has performed and complied with all of the terms, covenants and conditions of this Lease. In the event of termination of Landlord's interest in this Lease, Landlord shall transfer said deposit to Landlord's successor in interest, whereupon Landlord shall be released from all liability for the return of such deposit or the accounting thereof. **Tenant** shall not assign or encumber its rights in the Security Deposit.

ARTICLE VI MAINTENANCE AND UTILITIES

Section 6.01. Landlord's Responsibilities. Landlord shall maintain the exterior walls, roof, foundation and all other structural components of the Project including, without limitation, plumbing, HVAC and electrical systems. Except as otherwise provided in this Lease, **Tenant** will maintain at its sole cost, all other aspects of the Premises, such as equipment, fixtures, interior walls, interior surfaces of exterior walls, windows, doors, plate glass located within the Premises. Landlord shall have no obligation to make repairs under this Section until a reasonable time after receipt of written notice of the need for such repairs. **Tenant**, to the fullest extent permitted by law, expressly waives the benefits of any statute now or hereafter in effect which would otherwise afford **Tenant** the right to make repairs at Landlord's expense or allow an offset against rent or allow **Tenant** to terminate this Lease because of Landlord's failure to perform its repair obligations.

Section 6.02. Tenant's Responsibilities. **Tenant** shall be solely responsible for and promptly pay all charges for heat, water, electricity, sewers, or any other utility used or consumed in or for the Premises commencing from the Commencement Date to the extent that such utilities are separately metered. To the extent any utility serving the Premises is not separately metered but, instead is metered for the entire Building, **Tenant** shall promptly reimburse Landlord for its pro rata share of same (for purposes hereof, **Tenant's** pro rata share shall be computed by dividing the rentable square footage of the Premises by the rentable square footage of the Building). In no event shall Landlord be liable for an interruption or failure in the supply of any such utilities to the Premises or for the character of such services, except as a result of Landlord's gross negligence or willful misconduct.

ARTICLE VII PROJECT OPERATING COSTS

Section 7.01. Definitions. For purpose of this Lease:

(a) "Project Operating Costs" shall be defined to mean those costs and expenses (as the same may be adjusted by Landlord's accountant pursuant to **Section 7.02**

hereof) paid or incurred by Landlord or Landlord's agents with respect to the operation and maintenance of the Project, including, without limitation, all appurtenant real property and improvements, machinery, future, fixtures, furnishings and equipment related thereto, including, without limitation:

- (i) All real property taxes and special assessments, and all municipal, county, state or federal excise, sales, use and/or transaction privilege taxes, now or hereafter levied or imposed upon the Project and all appurtenant real property and improvements of Landlord. If because of any change in method of taxation of real estate, any tax or assessment is imposed upon Landlord or the Project, or upon or with respect to the land and/or the Project or the rent or income therefrom, in substitution for or in lieu of any tax or assessment which would otherwise be a real estate tax, such other tax or assessment shall be deemed to be included under this subparagraph;
- (ii) All personal property taxes now or hereafter levied or imposed on equipment, fixtures, and other property of Landlord located in the Project and used in connection with operation thereof;
- (iii) Reasonable wages, salaries and other compensation (including all fringe benefits and all taxes and charges which Landlord is required to pay in connection with such compensation) paid to all persons performing regular and recurring duties in connection with the operation and maintenance of the Project, including, without limitation, any contractual management fees;
- (iv) Costs of utilities used in the operation of the Project, including, without limitation, water, gas, sewer, electricity, telephone service and refuse, garbage and trash collection, removal and disposal;
- (v) Cost and premiums of all insurance maintained by Landlord with respect to the Project and appurtenances and Landlord's personal property used in connection therewith; provided, however, the same shall not apply to any insurance applicable to any business conducted by Landlord at the Project (other than the ownership and operation of the Project);
- (vi) Plumbing, electrical, heating, air conditioning, exterior walls, roof, foundation and other structural upkeep costs, including expenses of operation, repair, replacement and maintenance;
- (vii) Costs of equipment, supplies and materials (new and/or any replacement) used in the Project;

- (viii) Costs of security, janitorial services, window cleaning, and other contracts for services, equipment and supplies;
- (ix) Costs relating to the operation and maintenance of all real property and improvements appurtenant to the Project, including, without limitation, all parking areas, service areas, walkways, landscaping and fencing;
- (x) Costs of compliance with any laws, ordinances, codes, orders, rules or regulations of any governmental authority;
- (xi) Any and all costs incurred by Landlord under the Master Declaration; and
- (xii) All other costs and expenses which may be considered expenses of operating, managing, overhauling, repairing, and maintaining the Project. Project Operating Costs shall not, however, be deemed to include expenses for which Landlord is reimbursed or indemnified (whether by an insurer, condemnor, tenant or otherwise), interest or amortization payments on any encumbrance, ground rental payments, if any, tenant improvements or leasing commissions, or overhead and administrative costs of the Landlord not directly incurred in the operation and maintenance of the Project.

(b) "Tenant's Proportionate Share" means 57.06%, calculated by dividing the rentable square footage of the Premises (numerator) by the total rentable square footage of the Building (denominator), and expressing the fraction as a percentage.

Section 7.02. Payment.

(a) **Tenant** hereby agrees to pay to Landlord, as Additional Rent hereunder, **Tenant's** Proportionate Share of the Project Operating Costs in each fiscal year period or portion thereof during the Lease Term; provided, however, if less than ninety-five percent (95%) of the rentable area of the Project shall have been occupied by tenants and Landlord at any time during such period, Project Operating Costs for such period shall be deemed, for purposes hereof, increased to an amount reasonably determined by Landlord's accountant to be equivalent to the actual operating costs that would have been incurred had such occupancy been ninety-five percent (95%) during the entire period.

(b) Such Additional Rent shall be computed annually on a fiscal year basis, and will be estimated by Landlord and collected and impounded from **Tenant** on quarterly basis together with the Minimum Rent. With respect to any partial fiscal year occurring at the beginning or end of the Lease Term, the Project Operating costs shall be prorated and the amounts payable by **Tenant** hereunder for such period(s) shall be adjusted accordingly.

(c) Unless delayed by causes beyond Landlord's control, Landlord shall endeavor by not later than June 30th of each fiscal year during the Lease Term (and in the year following the year in which this Lease terminates, notwithstanding that **Tenant** has vacated the Premises, unless Landlord, in its sole discretion, elects to cause same to be delivered to **Tenant** within sixty (60) days of the expiration of the Lease Term) to provide **Tenant** with a statement of the total Project Operating Costs for the preceding fiscal year, a determination of the amount of **Tenant**'s proportionate Share of same, and a reconciliation of **Tenant**'s impound account, if any. **Tenant** shall pay to Landlord within thirty (30) days after delivery of such statement any deficiency disclosed by such statement and any overage shall be credited to any other amounts owed or to be owned by **Tenant** under this Lease, or refunded to **Tenant**, at Landlord's election.

(d) The Project Operating Costs shall be computed on consistent manner and Landlord shall use its best efforts to obtain the services for which such costs are incurred at commercially reasonable prices.

Section 7.03. Review of Records. **Tenant**, at its expense, shall have the right, within thirty (30) days of its receipt of the statement of Project Operating Costs, during Landlord's business hours and **upon prior written notice to Landlord**, to audit Landlord's books and records relating solely to the determination of Project Operating Costs following any fiscal year during the Lease Term; provided, however, Landlord, in its sole discretion, may provide **Tenant** with an audit prepared by an independent certified public accountant, which accountant shall be reasonably satisfactory to **Tenant**, which shall be conclusive and binding on the parties. **Tenant** agrees that it shall hold in strictest confidence all information obtained pursuant to this paragraph.

ARTICLE VIII TAXES ON PERSONAL PROPERTY

Tenant shall pay, prior to delinquency, all taxes levied upon fixtures, furnishings, equipment, and all other personal property belonging to **Tenant** and/or placed on the Premises by **Tenant**. In the event any or all of **Tenant**'s fixtures, furnishings, equipment and other personal property shall be assessed and taxed with Landlord's real property, **Tenant** shall pay to Landlord its Proportionate Share of such taxes within ten (10) days after delivery to **Tenant** by Landlord of a statement in writing setting forth the amount of such taxes applicable to **Tenant**'s property. To the extent possible, **Tenant** shall cause said fixtures, furnishings, equipment and other personal property to be assessed and billed separately from the real property of Landlord.

ARTICLE IX CONDITION, REPAIRS, AND ALTERATIONS

Tenant agrees that it will take good care of the Premises, and that neither the outside of the building nor the structural components of the Premises will be altered or changed without the **prior written consent of Landlord**, which consent shall not be unreasonably withheld, delayed or conditioned. **Tenant** hereby waives any right to make repairs at Landlord's expense. Except for the representations and warranties expressly set forth in this Lease, **Tenant** acknowledges that Landlord has not made any representation as to the condition of the premises or its suitability for

Tenant's use. Except as may be expressly prohibited by this Lease, **Tenant** may make any non-structural improvements, alterations, and additions to the interior of the Premises as **Tenant** desires if such improvements, alterations and additions do not affect the safety or preservation of the Premises, the Building and/or the Project and provided same is accomplished in accordance with the provisions of the Master Declaration. All damage or injury done to the Building or the Premises by **Tenant** or by any persons who may be in or upon the Project or the Premises with the consent of **Tenant** shall be paid for by **Tenant**, and **Tenant** shall pay for all damage to the Building, the Project or the Premises caused by **Tenant's** misuse. All alterations, additions, and improvements, except fixtures installed by **Tenant** and which are removable without damage to the structure of the Premises, the Project or the Building, shall become or remain, as applicable, the property of Landlord; however, any alterations, additions, and improvements that are removable by **Tenant** with minimal damage to the Premises, the Project or the Building may be removed by **Tenant** if and only if **Tenant** repairs any damage and leaves the Project and Premises in a clean and safe condition and if and only if **Tenant** is not in default under this Lease.

ARTICLE X ENTRY INTO THE PREMISES

Tenant will permit Landlord and its agents to enter into and upon the Premises at all reasonable times and after reasonable notice for the purpose of inspecting the same or for the purpose of cleaning, repairing, altering, or improving the Premises or Building. When necessary for such purpose, Landlord may reasonably close entrances, doors, corridors or other facilities while Landlord is diligently pursuing such cleaning, repairs, alteration or improvements without liability to **Tenant** by reason of such closure and without such action by Landlord being deemed an eviction of **Tenant** or to relieve **Tenant** from the duty of observing and performing any and all of **Tenant's** obligations of this Lease. Landlord and its agents may enter the Premises at all reasonable times and after reasonable notice for the purpose of showing the Premises to prospective tenants, prospective purchasers, or lenders.

ARTICLE XI DAMAGE OR DESTRUCTION

If any part of the Premises or Building is damaged by fire or other casualty which is fully covered by Landlord's insurance and which is without the fault of **Tenant**, the damage shall be repaired by Landlord, provided such repairs can be made within sixty (60) days after the occurrence of such damage, and until such repairs are completed, the rent shall be abated in proportion to the part of the Premises which unusable by **Tenant** in the conduct of is business. If such repairs cannot be made within sixty (60) days, Landlord may, at Landlord's election, make them within a reasonable time (not exceeding an additional sixty (60) days) using due diligence, and in such event this Lease shall continue in effect and the rents shall be abated in the manner provided above. Landlord's election to make repairs that cannot be made within sixty (60) days after the occurrence of the damage must be evidenced by written notice to **Tenant** within thirty (30) days after the occurrence of the damage. If Landlord does not so elect to make such repairs or does not make all repairs within the time periods described above, then either party may, by written notice to the other, given within thirty (30) days after the end of Landlord's thirty (30) day election period describe above or at the end of the one-hundred twenty (120) day repair

day election period describe above or at the end of the one-hundred twenty (120) day repair period describe above, as applicable, terminate this Lease. In no event shall Landlord be liable to **Tenant** for any damages to **Tenant's** business, and **Tenant's** sole remedy shall be an abatement of rent, as provided above.

ARTICLE XII HOLD HARMLESS AND RELEASE

Subject to the provisions of Article XIII, **Tenant** shall defend and hold Landlord fully free and harmless from, and against any and all liability, damages, costs, and expenses, including attorney's fees, arising from any act or omission of **Tenant**, or the officers, directors, contractors, licensees, agents, servants, employees, guests, invitees, or visitors of **Tenant** in or about the Premises, Building or Project. Except for injuries, losses or damages caused by the gross negligence or intentional misconduct of Landlord or its agents, employees, or invitees or caused by a breach by Landlord of its obligations under this Lease, **Tenant** agrees that Landlord shall not be liable for injury to **Tenant** or **Tenant's** agents, employees, invitees, customers, or any other person in or about the Premises, to **Tenant's** business for any loss of income, or for damage to the goods, wares, merchandise or to other property of **Tenant**, **Tenant's** agents, employees, invitees, customers, or any other person in or about the Premises, resulting from fire, steam, electricity, gas, water, or rain, or from breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixture, or from any other cause.

ARTICLE XIII INSURANCE

Both Landlord and Tenant are covered under the Navajo Nation insurances acknowledge that the policies and procedures of the Navajo Nation Risk Management Department will govern any issue or occurrence subject to such insurances on the Premises.

ARTICLE XIV

LIENS AND BANKRUPTCY

Tenant shall keep the Building and Premises free from any liens or encumbrances arising out of any work performed by or on behalf of **Tenant** or otherwise relating to any act of **Tenant**. **Tenant** shall not perform or obtain any work as Landlord's agent, for any purposes, and any lien which may arise from the **Tenant**'s performance (or obtaining the performance of) such work shall be a lien solely against the **Tenant** and not against the Landlord, the Building or the Premises. In the event **Tenant** is adjudged bankrupt, or insolvent, or makes any assignment for the benefit of creditors, or if the business conducted on the Premises passes into the hands of any receiver, court, trustee, or officer, or if the Lease Term, or any extended term, shall be attached or taken on execution, such shall constitute an event of default under this Lease, and Landlord may, at its option, exercisable in its sole discretion by written notice to **Tenant**, among other things, terminate this Lease and recover possession of the Premises from any and all parties whatsoever.

ARTICLE XV DEFAULT BY TENANT OR LANDLORD

Section 15.01. Upon breach or default on the part of **Tenant** hereunder which has not been cured as provided herein, Landlord may pursue any and all rights, at law or equity, against **Tenant**. **Tenant** shall have thirty (30) days after receipt of **written notice from Landlord** within which to completely cure any non-monetary default; provided, however, if such non-monetary default is not completely cured within (30) days and **Tenant** demonstrates to Landlord that **Tenant** is using (and will continue to use) its best efforts to completely cure the non-monetary default, **Tenant** shall have such additional time to cure as Landlord deems reasonably appropriate under the circumstances. Without limiting the foregoing, at expiration of the term of this Lease, or any renewals thereof, or if default is made in the payment of rent which is not cured within twenty (20) days after the due date (in which case no notice need be given), or in the performance of any agreement herein contained which has not been cured as provided herein, Landlord, or its agent, shall have the right to enter and take possession of the Premises and **Tenant**'s rights to occupy or control the Premises shall immediately thereupon cease and this Lease, at the option of Landlord set forth in writing, shall terminate. Any such entry or taking of the Premises by Landlord shall not constitute a termination of this Lease unless Landlord explicitly so elects in writing. In the event of any such default or breach which has not been cured as provided herein, the obligations of **Tenant** under this Lease, including **Tenant**'s obligation to pay rent, shall not cease, any exercise of Landlord's rights notwithstanding, and, subject to Landlord's duty to mitigate damages, **Tenant** shall be liable for any loss or damage to Landlord for failure to comply therewith. In the event of any retaking of possession of the Premises by Landlord as herein provided or otherwise, Landlord may remove and store all personal property of **Tenant** in any place selected by Landlord, including but not limited to a public warehouse, at the expense and risk of **Tenant**. Landlord may sell any or all of such property at public or private sale as provided by law and shall apply the proceeds of such sale, first, to the cost of such sale, second, to the payment of charges for storage, if any, third, to the payment of other sums which may be due from **Tenant** to Landlord under the terms of this Lease and, fourth, the balance, if any, to **Tenant**. Except for damages caused by the gross negligence or intentional misconduct of Landlord or its agents, employees, guests or invitees, **Tenant** hereby

waives all claims for damages that may be caused by Landlord's re-entering and taking possession of the Premises, removing, storing, and/or selling the property of **Tenant** as herein provided. **Tenant** shall also hold Landlord fully harmless from loss, costs or damages incurred or suffered by Landlord hereunder.

Section 15.02. Upon breach or default on the part of Landlord hereunder which has not been cured as provided herein, **Tenant** may pursue any and all rights, at law or equity, against Landlord. Landlord shall have ten (10) days after receipt of written notice from **Tenant** within which to completely cure any default; provided, however, if such default is not completely cured within ten (10) days and Landlord demonstrates to **Tenant** that Landlord is using (and will continue to use) its best efforts to completely cure the default, Landlord shall have such additional time to cure as **Tenant** deems reasonably appropriate under the circumstances.

Section 15.03. In the event of the early termination this Lease, **Tenant** shall immediately surrender the Premises to Landlord and pay to Landlord the reasonable sum of all Rent accrued hereunder through the date of termination, and, upon Landlord's determination thereof, an amount equal to the total Rent that **Tenant** would have been required to pay for the remainder of the Lease Term discounted to present value at the Prime Rate then in effect plus all anticipated costs of reletting. Landlord's reasonable determination of such amount shall be conclusive and binding on **Tenant**, and shall be deemed to have been made in good faith, subject only to manifest error.

ARTICLE XVI COSTS AND ATTORNEYS' FEES

In the event either party employs legal counsel to enforce any term of this Lease, whether suit be brought or not, each party shall be responsible for its own costs, expense and attorney's fees, and neither party shall have a claim against the other party for such costs, expenses, and attorney's fees.

ARTICLE XVII NON-WAIVER

Waiver by either party of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition, or of any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of rent hereunder by Landlord shall not be deemed to be a waiver of any existing breach by **Tenant** of any term, covenant or condition of this Lease, other than the failure of **Tenant** to pay the particular rent so accepted, regardless of Landlord's knowledge of such existing breach at the time of acceptance of such rent.

ARTICLE XVIII TRANSFER, ASSIGNMENT AND SUBLETTING

Section 18.01. Restriction of Transfer. Tenant shall not, either voluntarily or by operation of law, transfer, assign, convey, encumber, pledge, grant a security interest in, mortgage or hypothecate this Lease or any interest therein, nor permit the use of the Premises by any person or persons other than Tenant, nor sublet the Premises or any part thereof, without Landlord's prior written consent, which may be withheld in Landlord's sole and absolute discretion. Any transfer or assignment of this Lease by Tenant pursuant to any merger, consolidation, or liquidation or any change in the ownership, management, effective voting or operating control of Tenant from that existing as of the date of this Lease, shall constitute an assignment for the purposes of this Lease. Tenant shall not be permitted to assign this Lease or to sublet any portion of the Premises to any tenant currently occupying space in the Building or to any prospective tenant with whom Landlord is engaged in discussions or negotiations for space in the Building. The consent by Landlord to any assignment of subletting shall not be construed as releasing Tenant from obtaining the express written consent of Landlord to any further assignment or subletting.

Section 18.02. Tenant's Liability. Notwithstanding any permitted assignment or subletting, Tenant shall at all times remain fully responsible and liable for the payment of the Rent and all other amounts herein specified and for compliance with all of Tenant's other obligations under the terms, provisions and covenants of this Lease.

Section 18.03. Excess Rentals. If Tenant or any assignee or sublessee assigns this Lease or sublets the Premises or any portion thereof for a rental greater than that paid to Landlord hereunder, measured per rentable square foot, fifty percent (50%) of such excess shall be paid to Landlord.

Section 18.04. Void Transfer. Any transfer, sale, assignment, mortgage, encumbrance, pledge, grant of security interest in or hypothecation of this Lease or Tenant's interest therein or subletting of the Premises by Tenant which does not comply with provisions of this Article shall be voidable, at Landlord's option, and shall constitute a default under this Lease without notice.

ARTICLE XIX SUCCESSORS

All of the covenants, agreements, terms and conditions contained in this Lease shall apply to and be binding upon Landlord and Tenant and their respective heirs, executors, administrators, and permitted successors, and assigns.

ARTICLE XX ESTOPPEL CERTIFICATE

Within ten (10) business days after receipt by Tenant of Landlord's written request, Tenant shall execute, acknowledge and deliver to Landlord a written statement on a form provided by Landlord and reasonably acceptable to Tenant (i) certifying that to the best of

Tenant's actual knowledge this Lease is unmodified and in full force and effect (or if modified stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect) and the day to which rent and other charges are paid in advance, if any, (ii) affirmatively representing that to the best of **Tenant's** actual knowledge there are not any uncured defaults on Landlord's or **Tenant's** part hereunder (or specifying such defaults if they are claimed) and (iii) providing any other information reasonably requested by Landlord. **Tenant's** written statement may be relied on by a prospective purchaser or encumbrancer of all or any portion of the Premises or the Building. **Tenant's** failure to deliver such a written statement within such time shall be conclusive against **Tenant** that (i) this Lease is in full force and effect, without modification except as may be represented by Landlord, (ii) there are no uncured defaults in Landlord's performance or **Tenant's** except as may be represented by Landlord, and (iii) not more than one (1) month's rent has been paid in advance.

ARTICLE XXI CONDEMNATION

If the whole of the Premises, or if such portion of the Building as may be required for the use of the Premises, shall be taken by virtue of any condemnation or eminent domain proceeding, this Lease shall automatically terminate as of the date of such final condemnation, or as of the date possession is taken by the condemning authority, whichever is earlier. Current rent shall be apportioned as of the date of such termination. In case of a taking of a part of the Premises, this Lease shall continue in full force and effect, and if the rentable area of the Premises is reduced, the rent shall be reduced in proportion to the reduction in rental area of the Premises, such rent reduction to be effective on the date of such partial taking. No award for any partial or entire taking shall be apportioned, and **Tenant** hereby assigns to Landlord any award which may be made in such taking condemnation together with any and all rights of **Tenant**, now or hereafter arising in or to the same or any part thereof; provided, however, that nothing herein shall be deemed to give Landlord any award made to **Tenant** for the taking personal property belonging to **Tenant**, for the interruption of or damage to **Tenant's** business or for **Tenant's** moving expenses.

ARTICLE XXII HAZARDOUS WASTE

Section 22.01. **Tenant** shall not produce, dispose, transport, treat, or store on the Premises any hazardous waste or toxic substance which is subject to: (i) regulation under the Arizona Hazardous Waste Management Act, A.R.S. Subsection 36-2821 *et seq.*; (ii) the Resource Conservation and Recovery Act, 42 U.S.C. Subsection 6901 *et seq.*; or (iii) regulation under the Toxic Substance Control Act, 15, U.S.C. Subsection 2601 *et seq.* No activity may occur on the Premises that could have toxic results. The Premises may not be used for the production, treatment, collection, storage, or disposal of any refuse, objectionable waste, or any material: (i) in any manner inconsistent with the regulations issued by the Arizona Department of Health Services, ACR R9-8-401 *et seq.*; (ii) so as to require a permit or approval from the Arizona Department of Health Services, pursuant to ACR R9-8-401 *et seq.* **Tenant** hereby agrees to indemnify and hold harmless Landlord for **Tenant's** failure by reason of any breach of

this covenant, including any and all costs, fees, penalties, and any other liabilities incurred by Landlord arising out of violation of this covenant.

Section 22.02. During its term of ownership of the Building, Landlord has not produced, disposed, transported, treated, or stored on the Premises any hazardous waste or toxic substance which is subject to: (i) regulation under the Arizona Hazardous Waste Management Act, A.R.S. Subsection 36-2821 *et seq.*; (ii) the Resource Conservation and Recovery Act 42 U.S.C. Subsection 6901 *et seq.*; or (iii) regulation under the Toxic Substance Control Act, 15 U.S.C. Subsection 2601 *et seq.* Landlord hereby agrees to indemnify and hold harmless **Tenant** for any breach of the foregoing, including any and all cost, fees, penalties, and any other liabilities incurred by **Tenant** arising out of violation of these representations and warranties.

ARTICLE XXIII SUBORDINATION AND ATTORNMENT

Section 23.01. Subordination. This Lease shall automatically be subordinate to any ground lease or other underlying leasehold interest, to the lien of any mortgage, deed of trust or other security made or to be made thereunder, to the interest on the obligations secured thereby, and to all renewals, replacements and extensions thereof, and to any reciprocal easement agreement now or hereafter imposed upon all or any portion of the real property upon which the Building is situated; provided, however, that in the event any proceeding are brought for default under any such ground or underlying lease, or in the event of foreclosure or the trust or other security device, **Tenant** shall attorn to the purchaser of the Premises at such foreclosure or sale and recognize such purchaser as Landlord under this Lease, provided such purchaser expressly agrees in writing to be bound by the terms of this Lease. If any mortgagee, beneficiary or other lienholder elects to have this Lease superior to its mortgage, deed of trust or other security device and gives notice of such election to **Tenant**, then this Lease shall thereupon become superior to the lien of such mortgage or deed of trust.

Section 23.02. Further Documentation. **Tenant** covenants and agrees to execute and deliver within ten (10) days following Landlord's written demand, without charge therefore, such further instruments evidencing such subordination of this Lease to such ground or underlying leases, to the lien of any such mortgages, deeds of trust or other security devices, and/or to any such reciprocal easement agreement as may be reasonably required by Landlord or any ground lessor, encumbrancer or other applicable party. **Tenant** hereby appoints Landlord as **Tenant's** attorney-in-fact, irrevocably, to execute and deliver any such agreements, instruments, releases or other documents, if **Tenant** fails to execute and deliver such instruments within said ten (10) day period.

ARTICLE XXIV SURRENDER AND HOLDING OVER

Section 24.01. Surrender. At the expiration or earlier termination of this Lease or **Tenant's** right of possession hereunder, **Tenant** shall quit and surrender the Premises to Landlord, in clean and in good order, condition and repair, ordinary wear and tear excepted, together with all alterations, additions, and improvements that may have been made. If **Tenant** fails to remove

any of **Tenant's** property from the Premises within fifteen (15) days after the expiration or termination of this Lease or **Tenant's** right of possession hereunder, such **Tenant's** property or any portion thereof designated by Landlord, shall be conclusively presumed to have been abandoned by **Tenant**, and at Landlord's option and without notice to **Tenant**, title to such items shall pass to Landlord, and Landlord shall remove and/or store the such property at the risk, cost and expense of **Tenant**, and Landlord shall in no event be responsible for the value, preservation or safekeeping thereof. **Tenant** shall pay Landlord, upon demand, any and all reasonable expenses caused by such removal and all storage charges against such property so long as the same shall be in the possession of Landlord or under the control of Landlord. If the Premises are not surrendered at the end of the Lease Term, **Tenant** shall indemnify Landlord against any loss or liability resulting from delay by **Tenant** in so surrendering the Premises, including without limitation, any claims made by any succeeding tenant based on such delay.

Section 24.02. Holding Over. If **Tenant** or any successor in interest of **Tenant** should remain in possession of the Premises after the expiration or earlier termination of the Lease Term, the amount of the Rent payable with respect to the holdover period shall be one hundred and fifty percent (150%) of the Minimum Rent in effect for the last month of the Lease Term plus any Additional Rent, and **Tenant's** occupancy shall otherwise be subject to all covenants, terms, provisions and obligations of this Lease. Nothing contained herein shall be construed to give **Tenant** any right to hold over or relieve **Tenant** from liability therefore. If **Tenant** holds over with Landlord's consent, the holdover shall be a tenancy from month-to-month only.

Section 24.03. No Merger. The voluntary or other surrender of this Lease by **Tenant** or the cancellation of this Lease by mutual agreement of **Tenant** and Landlord shall not work a merger, and shall at Landlord's option terminate all or any subleases and subtenancies, or operate as an assignment to Landlord of all or any subleases or subtenancies. Landlord's option hereunder shall be exercised by notice to **Tenant** and all known sublessees and subtenants in the Premises or any part thereof.

ARTICLE XXV RULES AND REGULATIONS

Tenant, its employees, agents, and permitted subtenants shall comply with (and **Tenant** shall use its best efforts to ensure that its clients, customers, invitees, and guests comply with) the Rules and Regulations attached hereto as **Exhibit C** and incorporated herein. Any violation of such Rules and Regulations shall constitute a breach and default of this Lease. Landlord may update such Rules and Regulations from time to time without amending this Lease. Landlord shall provide a copy of any updated Rules and Regulations to **Tenant**.

ARTICLE XXVI NOTICES

Any and all notices required or permitted hereunder shall be given in writing and telecopied, personally delivered, sent by registered or certified mail, return receipt requested, postage prepaid, or sent by Federal Express or other similar reputable overnight courier, addressed as follows:

TO LANDLORD:

NNOGC Holdings, LLC
Attn: Manager
P. O. Box 4890
Window Rock, AZ 86515
(928) 871-4880 (telephone)
(928) 871-4882 (facsimile)

WITH A COPY TO:

Frye Law Firm, PC
10400 Academy Rd NE, Suite 310
Albuquerque, NM 87111
(505) 296-9400 (telephone)
(505) 296-9401 (facsimile)

TO TENANT:

Navajo Nation Program for Self Reliance
Attn: Department Manager
P. O. Box 2279
Window Rock, Navajo Nation (AZ) 76515
(928) 810-8553 (telephone)
(928) 810-8557 (facsimile)

WITH A COPY TO:

Navajo Nation Department of Justice
P. O. Box 2010
Window Rock, Navajo Nation (AZ) 76515
(928) 871-6345 (telephone)
(928) 871-6177 (facsimile)

or at any other address or telecopier number designated by Landlord or **Tenant** in writing, and any such notice or communication shall be deemed to have been given as of the date of receipt, if sent by telecopier, as of the date of delivery, if hand delivered or sent by overnight courier, as of three (3) days after the date of mailing, if mailed within the continental United States, or seven (7) days after mailing, if mailed outside of the continental United States.

ARTICLE XXVII
CAPTIONS

The titles to Sections of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part hereof.

ARTICLE XXVIII
TIME OF ESSENCE AND CHOICE OF LAW

Time is of the strictest essence in the observance and performance of every term and condition of this Lease. This Lease shall be governed by the laws of the Navajo Nation, and any applicable federal laws.

ARTICLE XXIX
WARRANTY OF AUTHORITY

Each party hereby warrants and represents to the other party that it is solvent and fully capable of performing the terms of this Lease, and that it has full and requisite power and authority to execute, deliver and perform this Lease and the documents and instruments identified herein, all in accordance with respective terms, and that the execution of this Lease and other documents and instruments shall not act or to cause a violation or breach of any court order, judgment or agreement to which it is a party. Furthermore, any person executing this Lease in other than an individual capacity hereby warrants and represents that such person has full authority to execute this Lease on behalf of, and legally bind, such party.

ARTICLE XXX
SECURITY MEASURES

Tenant hereby acknowledges that Landlord shall have no obligation whatsoever to provide guard service or other security measures for the benefit of the Premises. **Tenant** assumes all responsibility for the protection of **Tenant**, its agents, and invitees and the property of **Tenant** and of **Tenant's** agents and invitees from acts of third parties.

ARTICLE XXXI
LIMITATION OF LANDLORD'S LIABILITY

The obligations of Landlord under this Lease are not personal obligations of the individual owners, members, directors or officers of Landlord. **Tenant** shall look solely to the Building for satisfaction of any liability and shall not look to other assets of Landlord nor seek recourse against the assets of the individual owners, members, directors or officers of Landlord.

ARTICLE XXXII
TENANT IMPROVEMENTS

Landlord and **Tenant** hereby acknowledge and agree that their respective obligations and covenants regarding any "build-out" of the Premises prior to **Tenant's** occupancy thereof, including, without limitation, the nature and extent of such improvements, and assumption of responsibility for the construction thereof, the obligation and manner of payment for the architectural and construction costs relating thereto, and the procedures to be followed by Landlord and **Tenant** to accomplish the completion of such improvements, shall be set forth on

Exhibit D attached to this Lease and incorporated herein by this reference. The cost of all **Tenant** Improvements, as specified on Exhibit D, shall be paid in full upon execution of this Lease.

ARTICLE XXXIII DISPUTE RESOLUTION

Section 33.01. Mediation. The parties agree that any and all disputes, claims or controversies arising out of or relating to this Lease shall first be submitted to a mutually agreed-upon mediator. Each party shall be responsible for its own mediation expenses and shall share equally in the mediator's fees and expenses.

Section 33.02. Arbitration. To the extent any disputes, claims or controversies are not resolved by mediation, they shall be submitted to binding arbitration in accordance with the Navajo Nation Sovereign Immunity Act, 1 N.N.C. § 554(J) and (K), and the Navajo Nation Arbitration Act, 7 N.N.C. §§ 1101 *et seq.* The Navajo Nation courts shall have exclusive jurisdiction to compel arbitration or to enforce, modify and vacate an arbitration award.

Section 33.03. Governing Rules. The arbitration shall be conducted in accordance with the American Arbitration Association Commercial Arbitration Rules, except to the extent that such rules are modified by the following: (i) the arbitration panel shall consist of a single arbitrator; (ii) notice of intent to invoke arbitration shall be filed in compliance with the notice requirements of the Navajo Nation Sovereign Immunity Act, 1 N.N.C. § 555; (iii) any award shall be in conformity with the provisions of 1 N.N.C. § 554(K); (iv) any damages shall be limited to the amount of funds specified in Articles III, V and VII of this Lease and/or any proceeds of applicable insurance policies; and (v) unless otherwise agreed, the arbitration shall be held in Window Rock, Arizona.

Section 33.04. Waiver of Sovereign Immunity. The Parties expressly provide a limited waiver of their sovereign immunity and consent to arbitration and to court action to compel arbitration and/or to enforce any arbitration award. The Parties expressly submit to and consent to the jurisdiction described in Section 33.02 above in connection with any injunctive relief sought prior to arbitration or to give effect to any relief ordered or award obtained pursuant to the arbitration provisions of this Agreement.

ARTICLE XXXIV ENTIRE AGREEMENT

This Lease and all Exhibits hereto embody the entire agreement between the parties, and any prior oral or written understanding and/or representation not specifically enumerated herein is hereby deemed ineffective and of no force or effect. This Lease may only be amended by written instrument executed by both Landlord and **Tenant**.

IN WITNESS WHEREOF, Landlord and **Tenant** have executed this Lease on the day and year first above written.

LANDLORD:
NNOGC HOLDINGS, LLC

By: Louis Denton

Its: _____

TENANT:
THE NAVAJO NATION

By: Don Shelly

Its: JUL 01 2013

Pursuant to the 1 N.N.C. § 554(K)(2), the arbitration provisions of this Agreement have been approved by the undersigned on behalf of the Navajo Nation Department of Justice.

NAVAJO NATION DEPARTMENT OF JUSTICE:

By: _____

Its: _____

EXHIBIT A

SITE PLAN

Map of the Location of Building and Project

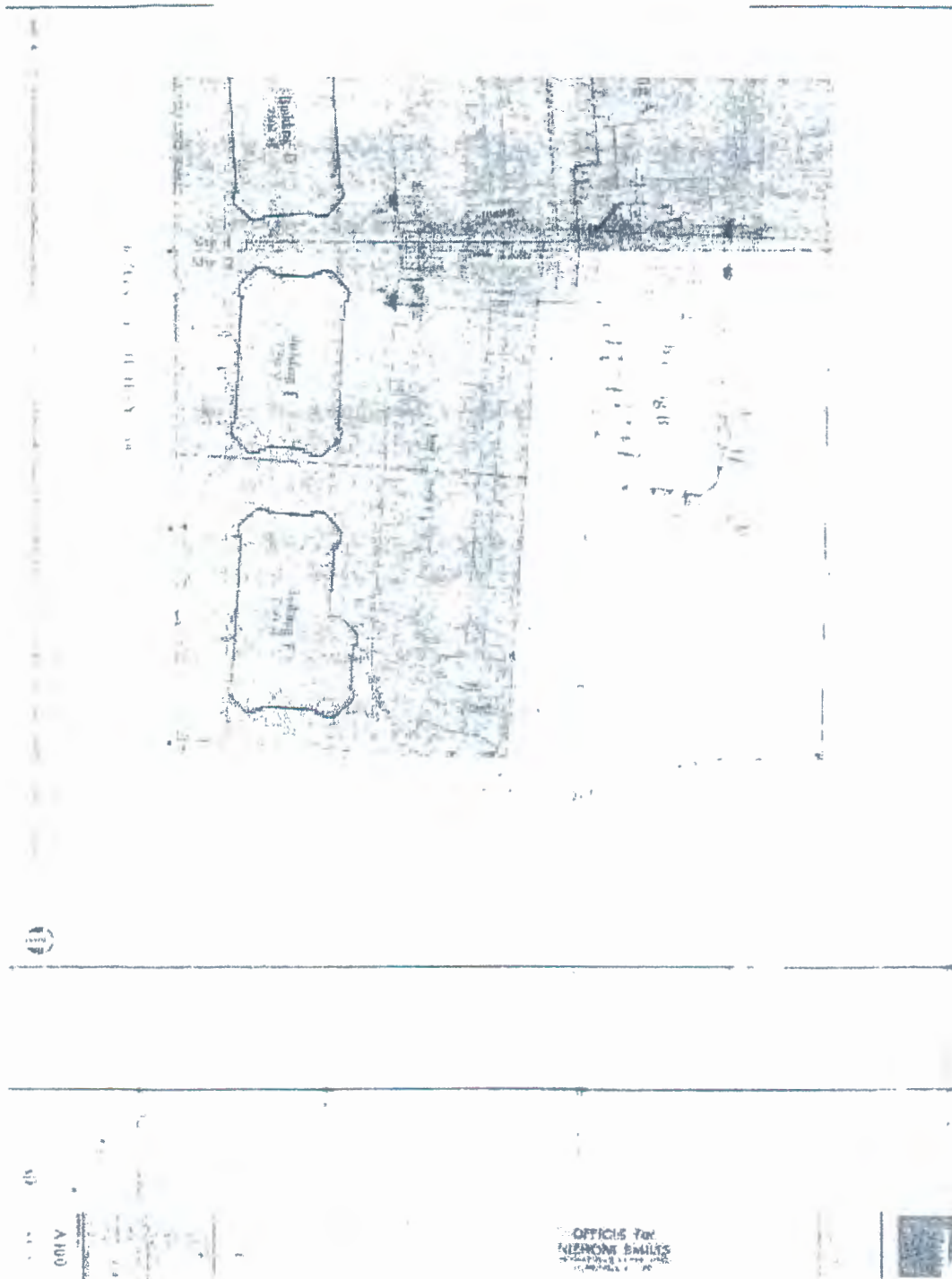


EXHIBIT B

TENANT LAYOUT

Office Layout of Tenant's Premises

EXHIBIT C

TENANT RULES AND REGULATIONS

The following rules and regulations shall apply, where applicable, to the leased premises ("Premises"), the Building, the parking lot associated therewith, and all appurtenances thereto (the "Project"). Landlord reserves the right at any time to update, change or rescind any one or more of these Rules and Regulations, or to make such other and further reasonable Rules and Regulations as in Landlord's judgment may from time to time be necessary for the management, safety, care and cleanliness of the Premises, Building and Project, and for the preservation of good order therein, as well as for the convenience of other occupants and tenants. Landlord shall not be responsible to **Tenant** or to any other person for the non-observance of the Rules and Regulations and **Tenant** shall agree to abide by these rules as a condition of its occupancy of the Premises.

1. Landlord reserves the right to exclude from the Building between the hours of 6 P.M. and 7 A.M., and at all hours on Saturdays, Sundays and legal holidays, all persons who do not present identification acceptable to Landlord. Landlord shall in no case be liable for damages for any error with regard to the admission to, or expulsion from, the Building of any person. In the case of invasion, mob, riot, public excitement or other circumstances rendering such action advisable in Landlord's opinion, Landlord reserves the right to prevent access to the Building to all persons, by such action as Landlord may deem appropriate, including locking the doors. Landlord reserves the right to exclude or expel from the Building any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of these Rules and Regulations.
2. Sidewalks, elevators, doorways, vestibules, halls, stairways and other similar areas shall not be obstructed by **Tenant** or used by **Tenant** for any purpose other than ingress and egress to and from the Premises. No rubbish, litter, trash, or material of any nature shall be placed, emptied, or thrown in such areas.
3. Landlord will furnish **Tenant** a sufficient number of electronic access cards or keys to the Building for use by **Tenant's** employees. Landlord may make a reasonable charge for any electronic access cards and keys. **Tenant** shall not rekey any door or place any additional lock on any door in the Premises or Building without **Landlord's prior written consent**. **Tenant** shall not have any duplicate keys made or loan any keys to third parties not authorized to be in the Building. All electronic access cards and keys shall be returned to Landlord immediately at the expiration or earlier termination of this Lease, and **Tenant** shall be responsible for the cost of replacing any electronic access cards or keys that are not returned or lost.
4. **Tenant** shall ensure that the doors of the Premises and Building are closed and securely locked before leaving the Premises for the day.
5. At no time shall **Tenant** permit its agents, employees, contractors, guests, or invitees to solicit or loiter in common areas or elsewhere in or about the Building or Project, including the parking area. Canvassing, soliciting, and peddling by third parties in or about the Building is prohibited. **Tenant** shall cooperate and use its best efforts to prevent the same.
6. At no time shall **Tenant** or **Tenant's** agents, employees, contractors, guests, or invitees smoke in any area of the Premises or Building, including the common areas.

7. No animals, except seeing-eye dogs, shall be brought into or kept in, on or about the Premises, the Building or the Premises.
8. Plumbing fixtures and appliances shall be used only for the purposes for which designed, and no sweepings, rubbish, rags or other unsuitable material shall be thrown or placed therein. Damage resulting to any such fixtures or appliances from misuse by **Tenant** or its agents, employees or invitees, shall be paid for by **Tenant**, and Landlord shall not in any case be responsible thereof.
9. Landlord shall have the right to prohibit the use of the name of the Building or any other publicity to **Tenant** that in Landlord's opinion may tend to impair the reputation of the Building or its desirability for Landlord or other tenants. Upon written notice from Landlord, **Tenant** will refrain from and/or discontinue such publicity immediately.
10. **Tenant** shall not use or occupy the Premises in any manner or for any purpose which would injure the reputation or impair the present or future value of the Premises or the Building. Without limiting the foregoing, **Tenant** shall not use or permit the Premises or any portion thereof to be used for lodging, sleeping, for the storage of personal effects or property not required for business purposes, or for any illegal purpose or activity.
11. No signs, advertisements or notices shall be painted or affixed on or to any windows, doors or other parts of the Building, except those of such color, size, style and in such places as shall be first approved in writing by Landlord.
12. All deliveries to or from the Premises shall be made only at such times, in such areas and through such entrances and exits designated for such purposes by Landlord. **Tenant** shall not permit the process of receiving deliveries to or from the Premises outside of said areas in a manner that may interfere with the use of any common areas, any pedestrian use of such area, or any use that is inconsistent with good business practice.
13. Movement in or out of the Building of furniture or equipment, or dispatch or receipt by **Tenant** of any merchandise or materials which require the use of elevators, stairways, lobby areas, or loading dock areas, shall be restricted to normal business hours. **Tenant** will assume all risks for damage to articles moved and injury to any person resulting from such activity. If the Building or any equipment, property and/or personnel of Landlord or of any other tenant is damaged or injured as a result of or in connection with such activity, **Tenant** shall be solely liable for any and all damage or loss resulting therefrom.
14. **Tenant** shall not make or permit any improper, objectionable or unpleasant noises or odors in the Building, or otherwise interfere in any way with other tenants or persons having business with them; solicit business or distribute, or cause to be distributed, in any portion of the Building any handbills, promotional materials or other advertising; or conduct or permit any other activities in the Building that might constitute a nuisance.
15. No inflammable, explosive, or dangerous fluids or substances shall be used or kept by **Tenant** in the Premises, the Building or the Project. **Tenant** shall not use, store, install, spill, remove, release or dispose of within or about the Premises, Building or any other portion of the Project, any asbestos-containing materials or any solid, liquid or gaseous material now or hereafter considered toxic or hazardous under the provisions of 42 U.S.C. § 9601 *et seq.* or any other applicable environmental law which may now or hereafter be in effect.

16. **Tenant** shall not install, operate or maintain in the Premises or in any other area of the Building, any electrical equipment which does not bear the Underwriters Laboratories seal of approval, or which would overload the electrical system or any part thereof beyond its capacity for proper, efficient and safe operation as determined by Landlord, taking into consideration the overall electrical system and the present and future requirements therefore in the Building.
17. Unless otherwise explicitly provided in its Lease, **Tenant** shall not install any radio, television or other data transmission antenna, satellite dish, loudspeaker or other device on the roof or exterior walls of the Building. No TV, radio or recorder shall be played in such a manner as to cause a nuisance to any other tenant.
18. Landlord will approve where and how telephone and telegraph wires are to be introduced to the Premises. No boring or cutting for wires shall be allowed without the consent of Landlord. The location of telephone, call boxes and other office equipment affixed to the Premises shall be subject to the approval of Landlord.
19. **Tenant** shall not operate or permit to be operated on the Premises any coin or token operated vending machine or similar device (including, without limitation, lockers, scales, amusement devices and machines dispensing cigarettes, beverages, snacks or other goods). Notwithstanding the foregoing, Underwriters Laboratory approved equipment and microwave ovens may be used in the Premises for cooling or heating food and brewing coffee, tea, hot chocolate and similar beverages, for the exclusive use of **Tenant's** employees and customers, provided that such use is in accordance with all applicable laws, codes, ordinances, rules and regulations, and does not cause odors which are objectionable to Landlord and other tenants.
20. Landlord may from time to time adopt appropriate systems and procedures for the security or safety of the Building, its occupants, entry and use, or its contents. **Tenant** and **Tenant's** agents, employees, guests and invitees shall comply with Landlord's reasonable requirements relative thereto.
21. **Tenant** shall carry out **Tenant's** permitted repair, maintenance, alterations, and improvements in the Premises only during times agreed to in advance by Landlord.
22. **Tenant** shall not employ any service or contractor for services or work to be performed in the Building, except as approved by Landlord.
23. **Tenant** shall not request Landlord's employees to perform any work or do anything outside of such employees' regular duties without **Landlord's prior written consent**. Any special requirements of **Tenant** will be attended to only upon application to Landlord, and any such special requirements shall be billed to **Tenant** in accordance with the schedule of charges maintained by Landlord from time to time or as is agreed upon in writing in advance by Landlord and **Tenant**. **Tenant** shall not employ any of Landlord's employees for any purpose whatsoever without **Landlord's prior written consent**.
24. No awnings or other projection shall be attached to the outside walls of the Building. No curtains, draperies, blinds, shutter, shades, screens or other coverings, hangings, or decorations shall be attached to, hung or placed in, or used in connection with any window of the Building without the proper **written consent of Landlord**. **Tenant** shall observe Landlord's rules with respect to maintaining standard window coverings at all windows in the Premises so that the Building presents a uniform exterior appearance.

25. **Tenant** shall not waste electricity, gas or water and agrees to cooperate fully with Landlord to ensure the most effective operation of the Building's heating and air conditioning system. **Tenant** shall not change or interfere with the settings on automatic thermostats and shall not use space heaters within the Premises, unless Landlord provides permission in advance in writing.
26. **Tenant** shall turn off all lights that are not being used or are not needed and shall close all window coverings in the Premises while they are exposed to direct sun rays, to help conserve on energy.
27. **Tenant** shall place all refuse in proper receptacles provided by **Tenant** at its expense in the Premises or in receptacles (if any) provided by Landlord for the Building.
28. Bicycles, motorcycles and other vehicles are not permitted inside the Premises or Building or on the walkways outside the Building, and must be parked in those areas specifically designated by Landlord for such purposes.
29. Parking areas shall be used only for parking vehicles no longer than full size passenger automobiles. Users of the parking areas will obey all posted signs and park only in the areas designated for vehicle parking. Every person using the parking areas is required to lock his or her own vehicle. Landlord will not be responsible for any damage to vehicles, injury to persons or loss of property, all of which risks are assumed by the party using the parking areas. The maintenance, washing or cleaning of vehicles in the parking areas or common areas is prohibited.
30. **Tenant** shall be solely responsible for complying with all applicable laws, codes and ordinances pursuant to any business or work performed on the Premises.

EXHIBIT D
TENANT WORK LETTER (LOWER LEVEL)
AND
TENANT IMPROVEMENTS – COSTS

CAPSTONE CUSTOM BUILDERS

3431 E. Enrose - Mesa, Arizona 85213

Phone 602-882-3600 Fax 480-218-4099

License # 121180

REMODEL PRICE PROPOSAL

DATE: 4/8/2013

OWNER Navaho Nation Oil and Gas Company

ADDRESS: Highway 264 & Taylor Road in St. Michaels, AZ. Building "B"

REGARDING: Tenant Improvements

ITEM		PRICE OWNER
	Capstone Custom Builders proposes the following work on Building "B" as follows:	
1	Remove door at vestibule and re-install to reverse swing and install electronic release hardware.	\$630.00
2	Install full height wall and door at end of reception desk with buzz-in release hardware. (reception desk to be provided and installed by tenant).	\$3,435.00
3	Reception - pass thru window: Remove existing sliding window and case out with wood trim and pass-thru top.	\$735.00
4	Install wall and door at hallway by bathrooms. Door to have key-code hardware.	\$2,138.00
5	Extend center walls at 4 square pattern of offices to separate rooms. Add two new doors for access to each office from hall way. Add electrical outlets and switches as needed for each.	\$3,945.00
6	Build two 9ft by 10ft offices at open area at end of 4 square offices. Adjust existing lighting and HVAC to suite each new office.	\$7,012.00

7	Remove existing wood door at IT room and install a new flush metal solid core door with window and key coded hardware.	\$1,585.00
8	Remove existing porcelain sinks in the men's and women's bathrooms and install new solid surface sink tops (corian or equal material) with 2 integral bowls in each top. Add four new paddle lever faucets in chrome finish and new trap and waste lines with ADA wraps.	\$3,971.00
9	Grid and ceiling work due to Previously listed items.	\$820.00
10	New electrical work; New 100 amp max sub panel in IT room with 150 ft of 3 phase wiring, additional disconnects and (4) 50 amp outlets and wiring for two A/C units at IT room, breakers, 5 new switches, 11 new outlets, move lights in file room, line voltage, outlet for TV and low voltage.	\$11,400.00
11	HVAC equipment to be installed in IT room and retrofit for existing 4 offices that are to be seperated from each other.	\$9,975.00
12	Paint and miscellaneous finishes and touch ups.	\$1,525.00
13	clean - up and dump fees.	\$1,500.00
14	Protective coverings and dust control.	\$2,400.00
	SUBTOTAL	\$51,071.00
	Overhead of 10%	\$5,107.10
	Fee of 15%	\$8,426.72
	Sales tax of 5%	\$3,230.24
	TOTAL	\$67,835.06

We appreciate the opportunity to work with you.
Bryce and Jay Jenkins of Capstone Custom Builders

Navajo Nation Oil & Gas Company
Holdings, LLC
Lease Summary
COXXXX

Business Unit Number: KXXXXXXXXX
Period: July 01, 2013 to September 30, 2018
Premises: 5,668 square feet
Cost per Square Footage: \$27.00/square foot
Pro rata Share: 57.06% (5,668 sq ft ÷ 9,932 sq ft)

Fiscal Year 2013

\$27.00/sq ft X 5,668 sq ft = \$153,036.00 annually
 $\$27.00 \text{ sq ft} \div 12 \text{ mos} = \$2.25/\text{sq ft}/\text{mo}$ X 5,668/sq ft = \$12,753.00/mo X 3 mos (Jul, Aug, Sept, 2013) = \$38,259.00 for three (3) months

ARTICLE III. RENT ✓

Section 3.02 Minimum Rent

Lease for the period for July, August, September, 2013:

\$38,259.00 ✓

Section 3.03 Additional Rent

For the period from July 01, 2013 to September 30, 2013-Pro rata share of 57.06% X Project Operating Cost of \$30,000.00 = \$17,118.00 ÷ 4 qtrs = Tenant's Proportionate Share

4,279.50 ✓

ARTICLE V. SECURITY DEPOSIT ✓

Section 5.01. Landlord's Right

Two months-Minimum Rent of \$12,753.00 X 2 mos =

25,506.00 ✓

Subtotal

\$68,044.50 ✓

Navajo Nation Business Tax @ 5%

3,402.23 ✓

Subtotal

\$ 71,446.73 ✓

ARTICLE XXXII. TENANT IMPROVEMENTS

Lease Agreement-Exhibit "D" Tenant Improvements

64,604.82 ✓

Navajo Nation Business Tax @ 5%

3,230.24 ✓

Subtotal

\$ 67,835.06 ✓

Total Lease for FY 2013 (Jul, Aug, Sept, 2013)

\$139,281.79 ✓

FISCAL YEAR 2014

\$27.00/sq ft X 3% annual increase = \$.81000/sq ft annual increase

\$27.00/sq ft + \$.81/sq ft = \$27.81/sq ft

Section ARTICLE III. RENT

Section 3.02 Minimum Rent

Lease for FY 2014:

\$27.81/sq ft X 5,668 sq ft =

\$157,627.08 ✓

Section 3.03 Additional Rent

Pro rata share of 57.06% X Project Operating Cost
of \$30,000.00 = \$17,118.00 Tenant's Proportionate
Share for FY 2014

17,118.00

Subtotal

\$174,745.08 ✓

Navajo Nation Business Tax @ 5%

\$ 8,737.25

Total Lease for FY 2014

\$183,482.33

FISCAL YEAR 2015

\$27.81/sq ft X 3% annual increase = \$.8343/sq ft annual increase

\$27.81/sq ft + \$.83/sq ft = \$28.64/sq ft

Section ARTICLE III. RENT

Section 3.02 Minimum Rent

Lease for FY 2015:

\$28.64/sq ft X 5,668 sq ft

\$162,331.52 ✓

Section 3.03 Additional Rent

Pro rata share of 57.06% X Project Operating Cost
of \$30,000.00 = \$17,118.00 Tenant's Proportionate
Share for FY 2015

17,118.00 ✓

Subtotal

\$179,449.52 ✓

Navajo Nation Business Tax @ 5%

\$ 8,972.48

Total Lease for FY 2015

\$188,422.00 ✓

FISCAL YEAR 2016

\$28.64/sq ft X 3% annual increase = \$.8592/sq ft annual increase
\$28.64/sq ft + \$.86/sq ft = \$29.50/sq ft

Section ARTICLE III. RENT

Section 3.02 Minimum Rent

Lease for FY 2016:

\$29.50/sq ft X 5,668 sq ft =

\$167,206.00 ✓

Section 3.03 Additional Rent

Pro rata share of 57.06% X Project Operating Cost
of \$30,000.00 = \$17,118.00 Tenant's Proportionate
Share for FY 2016

17,118.00 ✓

Subtotal

\$184,324.00

Navajo Nation Business Tax @ 5%

\$ 9,216.20 ✓

Total Lease for FY 2016

\$193,540.20 ✓

FISCAL YEAR 2017

\$29.50/sq ft X 3% annual increase = \$.8850/sq ft annual increase
\$29.50/sq ft + \$.89/sq ft = \$30.39/sq ft

Section ARTICLE III. RENT

Section 3.02 Minimum Rent

Lease for FY 2017:

\$30.39/sq ft X 5,668 sq ft =

\$172,250.52 ✓

Section 3.03 Additional Rent

Pro rata share of 57.06% X Project Operating Cost
of \$30,000.00 = \$17,118.00 Tenant's Proportionate
Share for FY 2017

17,118.00

Subtotal

\$189,368.52 ✓

Navajo Nation Business Tax @ 5%

\$ 9,468.43 ✓

Total Lease for FY 2017

\$198,836.95 ✓

FISCAL YEAR 2018

\$30.39/sq ft X 3% annual increase = \$.9117/sq ft annual increase
\$30.39/sq ft + \$.91/sq ft = \$31.30/sq ft

Section ARTICLE III. RENT

Section 3.02 Minimum Rent

Lease for FY 2018:

\$31.30/sq ft X 5,668 sq ft = \$177,408.40 ✓

Section 3.03 Additional Rent

Pro rata share of 57.06% X Project Operating Cost
of \$30,000.00 = \$17,118.00 Tenant's Proportionate
Share for FY 2018

17,118.00 ✓

Subtotal

\$194,526.40

Navajo Nation Business Tax @ 5%

\$ 9,726.32 ✓

Total Lease for FY 2018

\$204,252.72 ✓

**Total amount to be obligated for term of the Lease
Agreement-COXXXX between the NNPSR and NNOGC**

\$1,107,815.99 ✓



APPRAISAL REPORT
OF THE
OFFICE BUILDING
CURRENTLY UNDER THE OWNERSHIP OF
NNOGC HOLDINGS, LLC
LOCATED AT
2 TAYLOR ROAD,
SAINT MICHAEL'S, APACHE COUNTY, ARIZONA 86511



EFFECTIVE DATE OF APPRAISAL: APRIL 30, 2015

PREPARED FOR:
THE NAVAJO NATION

PREPARED BY:
AJAY S. MADHVANI, MAI

AM FILE NO. 2015-0014
NAVAJO NATION CONTRACT NO. CO11089
DATE OF REPORT: MAY 1, 2015

AM File No. 2015-0014
Navajo Nation Contract No. CO11089
May 1, 2015

W. Mike Halona
Department Manager III
Land Department
Navajo Nation Division of Natural Resources
Post Office Box 2249
Window Rock, Arizona 86515

RE: **Appraisal of the office currently under the ownership of NNOGC Holdings, LLC,
located at 2 Taylor Road, Saint Michael's, Apache County, Arizona 86511.**

Dear Mr. Halona:

In accordance with your request, I have performed an appraisal report of the property described above. This document is written in conformance with the *Uniform Standards of Professional Appraisal Practice (USPAP)* as issued by the Appraisal Foundation and the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute of Real Estate Appraisers. All information pertinent to the value conclusions contained herein is presented in a summary format within this report. This appraisal report is considered sufficient such that the client and intended users of the report should understand it, and that they should deem the data, analysis and conclusions contained herein to be credible. Any additional information, if necessary, is contained within the file and is available to the client.

The ***purpose*** of this appraisal report is to develop an opinion of the "as is" market value of the fee simple interest of the subject property. The ***intended use*** of this appraisal report is for decision making purposes. The ***effective date of appraisal*** is April 30, 2015, the formal date of inspection. The subject property's ownership and legal description are set forth in the following report.

The Navajo Nation is the ***client*** and the ***intended user*** of this report. This report is not intended to be used, transferred, or relied upon by any person other than the client and intended users. AM Valuation Services and the appraiser signing this report assume no responsibility to any party, other than the client, who uses or relies on any information in this report.

The *Scope of Work* for this report includes completing an appraisal inspection of the subject, analyzing the Navajo Nation market for trends that impact real estate values, and searching the local market for comparable data. The subject reflects a 12,656 square foot building on a 2.91 acre site. The subject property is being analyzed "as is". The Sales Comparison and Income Approaches have been utilized to develop an opinion of value of the subject in its "as is" condition. Additional details on scope of work are in the body of the report.

This report, or any portion thereof, is for the exclusive use of the client for the above stated purpose and intended use, and is not intended to be used, given, sold, transferred, or relied upon by any persons other than the client without the prior, express written permission of the authors, as set forth within the limiting conditions found within this report.

Any party other than the client, who uses or relies upon any information in this report, without the preparer's written consent, does so at their own risk.

The ownership, legal description, and identification of this property are set forth in the following report. This report details those pertinent physical and non-physical factors relevant to the subject. Information about the region in which the property is located, the subject neighborhood, site, improvements, highest and best use, and valuation methods and techniques are discussed in detail in this report. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, unbiased professional analyses, opinions, and conclusions. This appraisal was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

Based upon the data and discussions contained within this report and supported by information contained in the file, my opinion of the market value of the fee simple interest in the subject property is:

**OPINION OF THE "AS IS" MARKET VALUE
OF THE SUBJECT PROPERTY,**

AS OF APRIL 30, 2015\$2,500,000

Taxes have not been paid from 2012-2014 with a total owed of \$3,011.68, as of April 29, 2015. There is a lien filed for tax years 2012 and 2013. Therefore, it is an *extraordinary assumption* of this appraisal that the subject taxes will be brought current with no deduction made herein.

The exposure time, as premised upon the prior value conclusions, is estimated to be one to two years.

Your attention is invited to the data and discussions contained in this document. Please contact me if you have any questions or would like to consult the file.

I hereby certify that Ajay S. Madhvani inspected the subject property on the effective date of value; that my fee was not contingent upon the opinion of market value contained herein; and that I have no interest, present or prospective, in the property appraised. Furthermore, I certify that, to the best of my knowledge and belief, all statements and opinions contained in this letter are correct, subject to the assumptions, conditions, special limiting conditions, and certification that are made a part of this letter.

Respectfully submitted,


AJAY S. MADHVANI, MAI
Certified General Real Estate Appraiser,
Arizona Certificate #31501

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTION.....	2
PURPOSE, INTENDED USE, INTENDED USER.....	2
EFFECTIVE DATE OF APPRAISAL.....	2
INTEREST APPRAISED.....	3
SCOPE OF APPRAISAL.....	3
PROPERTY HISTORY/OWNERSHIP.....	5
 AREA DATA.....	 6
 PROPERTY DESCRIPTION.....	 14
Real Estate Taxes.....	15
Description of Improvements.....	16
Subject Photographs.....	21
 HIGHEST AND BEST USE.....	 27
 <u>VALUATION</u>	
 SALES COMPARISON APPROACH.....	 31
INCOME APPROACH.....	45
RECONCILIATION AND CONCLUSIONS.....	53
 ESTIMATED EXPOSURE PERIOD.....	 54
 APPRAISER'S CERTIFICATION.....	 55
 APPRAISER QUALIFICATIONS.....	 57
 ADDENDA	

INTRODUCTION

This appraisal is written in conformance with the *Uniform Standards of Professional Appraisal Practice (USPAP)* as issued by the Appraisal Foundation, Rule 2-2a specifically pertaining to appraisal reports. This appraisal report is considered sufficient such that the client and intended users of the report should understand it, and that they should deem the data, analysis and conclusions to be credible. Any additional information, if necessary, is contained within the file and is available to the client. This report also conforms to the appraisal policies and procedures of the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute of Real Estate Appraisers and state licensing requirements.

If questions regarding this valuation arise, the client is advised to consult my file for additional data. Here follows a summary of my analysis:

Purpose: To develop an opinion of the "as is" market value of the fee simple interest of the subject property.

Intended Use: Decision making purposes.

Client: The Navajo Nation

Intended User: The Navajo Nation

Effective Date of Appraisal: April 30, 2015

Date of Inspection: April 30, 2015

Date of Report: May 1, 2015

Market Value Definition: Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition¹ is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (1) Buyer and seller are typically motivated;
- (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) A reasonable time is allowed for exposure in the open market;

¹ Uniform Standards of Professional Appraisal Practice (USPAP)

- (4) Payment is made in terms of cash in U.S. Dollars or in terms of financial arrangements comparable thereto; and
- (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Interest Appraised:

Fee simple interest. The interest in the *fee simple* ownership includes the various rights that usually consider the present worth of the future benefits resulting from the ownership of the property. Included are those rights generally associated with ownership of the property but subject to the limitations of eminent domain, escheat, police power, and taxation.

Scope/Methodology:

The scope of the assignment included a physical inspection of the property and area. I examined public records data pertaining to the subject property including information from the Apache County Assessor's and Treasurer's Offices, as well as pertinent zoning information. Property specific information was obtained from the Apache County Assessor's office, from my inspection of the subject, property owner and from the client. Other information was abstracted from discussions with brokers and market participants active in the subject's area.

The subject property is comprised of a 12,656 square foot office building on a 2.91 acre site in Saint Michael's, Apache County, Arizona.

As noted within the Highest and Best Use section of this report, properties like the subject would appeal most to an owner-user. Analysis of the subject market uncovered a sufficient number of sales for use in this analysis and this approach will be given good weight in this report. The Income Approach is also considered applicable and was fully developed within this analysis. The Cost Approach was not developed herein. Market participants do not normally give strong consideration to this valuation method given the difficulty in estimating depreciation for older properties.

The Sales Comparison Approach utilizes sales of similar properties to indicate a probable value for the subject property. Valuation is typically accomplished using physical units of comparison such as price per square foot, price per unit, etc., or economic units of comparison such as gross rent multiplier. Adjustments are applied to the physical units of comparison derived from the comparable sale. The unit of comparison chosen for the subject is then used to

determine a total value. Economic units of comparison are not generally adjusted, but rather analyzed as to relevant differences with the final indication derived based on the general comparisons. The reliability of this approach is dependent upon (a) the availability of comparable sales data; (b) the verification of the sales data; (c) the degree of comparability; and (d) the absence of atypical conditions affecting the sales price.

The Income or Economic Approach to value recognizes what a prudent purchaser could afford to pay for the property based upon its income-producing abilities. This is a primary tool in analyzing an income-producing property. It is developed based upon what an investor would be justified in paying to acquire the right to receive an income stream of a specific amount, with a set duration, stability, and uncertainty of risks. The process of converting an income stream into value is known as the capitalization process. The result of this method is the present worth of the future benefits to be derived from a property, based upon its income-producing ability. In implementing the capitalization process, the Direct Capitalization method was deemed most appropriate. Market participants often place supporting emphasis on the Income Approach for similar single-occupant office properties. The Income Approach is a relevant interpretation of the market. The Income Approach is given supportive weight in this analysis.

The two approaches to value were then reconciled into a single opinion of value. This methodology is considered sufficient to develop credible assignment results.

Property Identification:

The subject reflects an office under the ownership of NNOGC Holdings, LLC. The subject property is located along the northeast side of State Highway 264 and Taylor Road, Apache County, Arizona. The subject can also be identified by the physical address of 2 Taylor Road, Saint Michael's, AZ. The subject can also be identified by tax parcel 209-27-176B. The subject reflects a 12,656 square foot building on a 2.91 acre site.

Legal Description:

KARIGAN ESTATES E2 COMMERCIAL PARCEL #2 SEC 13
T26N R30E, APACHE COUNTY, AZ

AREA DESCRIPTION

This discussion provides an overview of pertinent information regarding the Navajo Nation and the subject area. It details the social, economic, political, and environmental forces that influence property values.

NAVAJO NATION

The Navajo Nation, encompassing over 27,425 square miles, is the largest Native American reservation in the United States. Larger than ten of the 50 states, it is mostly in northeast Arizona and northwest New Mexico but also extends into southeast Utah. The Nation is also home to the largest American Indian tribe.

Geology/Geography

The reservation is situated on the Colorado Plateau, a 140,000-square mile area in the Four Corners area of Utah, Arizona, New Mexico, and Colorado. This area was 'up-lifted' by 4,000 to 6,000 feet about five million years ago. Current elevations range from about 5,500 to over 10,000 feet and the area is sparsely vegetated mesas, deep canyons, and barren badlands. Climate ranges from Sonoran Desert to alpine although semi-arid conditions prevail, averaging about ten inches of precipitation annually. Vegetation includes native grasses and shrubs, and a variety of trees (juniper, pinon, fir, and pine).

The reservation includes over a dozen national monuments, tribal parks, and historic sites. Canyon de Chelly, Monument Valley Tribal Park, Rainbow Bridge, and the Shiprock landmark are within the reservation. The Colorado/Green River system and Lake Powell form a portion of the western boundary of the reservation. The Petrified Forest and Painted Desert are immediately south of the Nation.

This setting results in the Nation drawing over three million tourists annually from all over the world.

Several sites within the Nation are sacred to the Navajo including The Four Sacred Mountains, Canyon de Chelly, Navajo Mountain, and Spider Rock.

Government

The Navajo Nation headquarters is in the community of Window Rock, Arizona, near the border of New Mexico. A three-branch system of government was established in 1989 with an Executive Branch, Judicial Branch, and the Navajo Tribal Council. The Nation's budget is roughly \$500 million. The government of the Nation is divided into eleven agencies, which are further divided into 110 chapter houses.

The Tribal Government supplies a variety of services including police and fire protection. Navajo Transit Systems provide bus service between larger communities and covers routes from Tuba City to Gallup, and Kayenta to Window Rock.

Land Uses

Land uses are largely livestock grazing along with some farming on irrigated cropland. Residential uses are scattered throughout the reservation with concentrations around small villages.

Industrial uses are largely restricted to coal mines and coal-fired power plants, along with several sand and gravel quarries in the area. There are five industrial parks in the Nation, including Fort Defiance Industrial Park (where Duconnun Technologies was located and a possible site for a warehouse for the Navajo Housing Authority), Church Rock Industrial Park (Cabinets Southwest and possibly a latex glove plant), NAPI Industrial Park (Upland Desert Popcorn and Raytheon), Chinle Industrial Park (White Mesa Materials), Shiprock Industrial Park (BCDS Corporation's metal fabrication), and Navajo Forestry Products Industry Industrial Park (possibly Choice Water Systems). The Nation is also considering acquiring a portion of Fort Wingate, New Mexico in a land transfer.

Most major development has occurred along Interstate 40, concentrated around the off-reservation communities of Gallup, Holbrook, Winslow, and Flagstaff. Development within the reservation has occurred in Tuba City, Red Lake, Kayenta, Shiprock, Pinon, Chinle, Ganado, Sanders, Saint Michaels, and Window Rock. Although Page is not on the reservation, there has also been considerable development in this area.

There have been some scattered residential development along with rural commercial projects such as trading posts and stores.

Population

The Navajo Nation had a total of 298,215 tribal members in 2000, although the 2000 census reported the Navajo Nation population (on the reservation) to be 108,462 reflecting an annual growth rate of 1.8 percent between 1990 and 2000, up from the 1.2 percent reported during the 1980s. The median age of the Nation is 24, well below the national average of 35 years.

The Nation's Division of Economic Development has forecast annual growth will be slightly less than two percent over the next 15 years.

Economy

The Nation has several sources of income, both external and internal.

Mining provides the largest source of internal income, providing over \$71.3 million in 2005, this figure was expected to show a decrease to about \$56 million in 2006 due to the closure of two mining operations. Taxes increased to \$75 million in 2005.

External sources of income include funds from Federal and State governments as well as private investment and grants. Grants were expected to contribute \$300 million dollars in 2005.

The 'basic industries' class of employment usually brings money from outside and provides good-paying jobs that spin off additional jobs in the service fields. This class, including manufacturing, mining, and agriculture, account for only six percent of jobs in the Nation.

Navajo Government is the largest employer with over 6,000 jobs. The Nation has 13 enterprises owned and operated by the tribe. Navajo Agricultural Products Industries has developed 70,000 irrigable acres for farming. Navajo Nation Shopping Centers has ten shopping centers, mostly anchored by Basha's grocery stores, and leases suites to users. Navajo Housing Authority manages a stock of 8,000 housing units and is developing a mortgage department. Navajo Tribal Utility Authority provides utilities, including electricity, natural gas, water, and wastewater to the Nation. Navajo Nation Hospitality Enterprise owns three lodging establishments in Window Rock, Tuba City, and Page; all are operated under a Quality Inn flag. Navajo Engineering and Construction Authority is involved in construction of infrastructure as well as reclamation for the uranium and coal industries. Navajo Nation Oil and Gas Company is charged with the development of energy resources. Navajo Broadcast Enterprise operates four radio stations. Navajo Arts and Crafts Enterprise protects craft traditions and the livelihood of the tribal artisans and craftspeople. The Navajo Times is the largest Indian owned newspaper in the world with a paid circulation of 22,000 and readership of over 100,000 each week. Dineh Power Authority participates in energy development projects that provide ownership, design, financing, and operation of the projects.

The State of Arizona (3,800 jobs), Navajo Area Indian Health Services (3,100), Bureau of Indian Affairs (2,800), and the State of New Mexico (1,300) round out the five largest employers.

Private employers include a variety of mining, manufacturing, communications, and energy firms. Employment for these firms are:

<u>Name</u>	<u>Employees</u>	<u>Type</u>
Four Corners Power	586	Electricity plant
Peabody Energy	560	Coal production
Navajo Generating Station	512	Electricity plant
Navajo Mine	357	Coal production
Pittsburg & Midway Coal	301	Coal production
Raytheon Missile Systems	100	Electronic manufacturing
Frontier Company	94	Telephone provider
Tooh Dineh Industries	89	Electronics manufacturing

There is potential from additional development of natural resources, tourism, and gaming.

Tourism

Tourism is a significant potential generator of income for the Nation with an impact of over \$100 million, and Division of Economic Development is considering adding lodging facilities, RV parks, and welcome centers. The Nation, along with the National Park Service, leased a site on Lake Powell for development of a marina, fuel facilities, lodging facility, restaurant, et cetera.

The Navajo Nation Scenic Byway, from Interstate 40 to Chinle, accredited in 2001, has boosted tourism in the area.

The Nation has 13 large lodging facilities, many with restaurants and swimming pools. Chinle has a Best Western and Holiday Inn along with Thunderbird Lodge and Many Farms Inn. Kayenta has Hampton Inn, Wetherill Inn, and Kayenta Monument Valley Inn along with Anasazi Inn. Tuba City has Tuba City Dine Inn, Greyhills Inn and Quality Inn. Window Rock has the Navajoland Days Inn and Quality Inn. Page has a Quality Inn and several other lodging facilities.

There are several tours available, led by tribal members, into Canyon de Chelly, Monument Valley, and Antelope Canyon.

Unemployment

The unemployment rate for the Nation has always been high, increasing from 42 percent in 2001 to 48 percent in 2004. As the labor pool has increased each year, the number of jobs has remained static. Unemployment is continuing to grow. Ducommun Technologies, an electronics manufacturing firm recently closed their facility, laying off 100 employees. However, there is a fairly large 'underground' economy that overstates the unemployment rate of the Nation: many arts and crafts vendors at road-side stalls as well as food and vending stalls are included in the unemployment figures.

Because of the low employment and low wages, the Nation suffers from a very high poverty rate of 43 percent; the four surrounding states have poverty rates of nine to 18 percent.

Fire Rock, a casino/hotel in Church Rock near Gallup, was completed in November 2008. Fire Rock includes 750 slot machines, a 300-seat bingo hall and eight table games. In addition, the facility includes a full-service restaurant with lounge and two fast food outlets. Future expansion is planned to take the property up to 1,200 slot machines and the addition motel.

Flowing Water Navajo Casino near Shiprock is the nation's second casino. The casino opened in October of 2010 and is 11,000 square feet and includes 120 gaming machines. In early 2012, the nation completed its third casino near Farmington, Northern Edge Navajo Casino. The Northern Edge Navajo Casino is 86,000 square feet and includes 750 slot machines, six poker tables, and 10 live game tables. The Navajo Nation has begun construction on a fourth casino near Flagstaff, Arizona. The Twin Arrows Navajo Casino Resort is anticipated to be completed in August of 2013.

Planned Development

The Division of Economic Development is currently striving to induce several firms to locate manufacturing facilities in the Nation including a latex glove plant, expansion of a textile plant, fiberglass injection molding plant, metal fabrication plant, bottled water plant, prefabricated housing panel plant, and digitizing of Department of Defense manuals.

The Nation announced in September 2007 that Fluor Corporation will be the contractor to build the \$3 billion Desert Rock Energy Project south of Farmington. This 1,500-megawatt plant will

be built over the next four years and will provide \$400 million annually to the Nation while providing thousands of construction jobs and over 400 permanent jobs for tribal members. The plant will have the lowest emissions of any coal-fired power plant in the US with a 15- to 20-percent reduction in carbon dioxide emissions and an 80-percent reduction in water requirements.

There was a groundbreaking in October 2008 for Nahata Dziil (New Lands) Shopping Center. The shopping center is at the northwest side of the Interstate 40 and the southbound Highway 191 interchange. The shopping center will be 30,000 square feet and proposed tenants include Bashas' Dine Market, Sandia Oil, and Navajo Arts and Crafts Enterprise. Construction has yet to proceed, as of April 2015.

Construction was recently completed on a 96-unit apartment complex in Shiprock, New Mexico, along Highway 491, just north of the Indian Health Service hospital. The first phase, "Chaco River I," was completed in the first quarter of 2009. The second phase, "Chaco River II," has 72 units and was completed in the fourth quarter of 2009.

The Kayenta Medical Health Center was recently completed at the end of 2014 and is located on the eastern outskirts of town, south of Highway 160. The Tuba City Justice Center was also completed in February of 2013 for a cost of \$74 million. The facility is 144,000 square feet and consists of a detention center with 130 jail beds, district court, police department, and public safety programs.

KTNN Radio Station is building a new 9,000 square foot radio station and office in Saint Michael's, Arizona. Construction is anticipated to break ground in the second quarter of 2015.

Constraints to Development

According to the Division of Economic Development, there are several major constraints to encouraging outside capital to invest in the Nation. First, is 'sovereign immunity', which does not permit a non-Navajo to sue the Nation for contractual agreements. The use of binding arbitration would reduce the perception that tribal courts are biased toward tribal members. The shortage of infrastructure, banking facilities, entrepreneurs, and capital will also have to be overcome.

Additional constraints include development approval period, a timely and in depth process. Other constraints are natural such as having low population centers that are spread out. All of these factors limit development motivations.

On the other hand, the Bennett Freeze was recently lifted. This was a ban enacted in 1966 that severely limited new construction including infrastructure and home renovations. The Bennett Freeze affected both Navajos and Hopis. Currently, there is a "Recovery Plan" that is intended to identify unmet needs for current, past, and future residents, and to plan for regional development.

Education

There are several school boards impacting the Nation, including three state public school systems (Arizona, New Mexico, and Utah), BIA schools, Navajo schools, grant schools, charter schools, and private schools.

Dine College has eight campuses and offers associate degrees. Crownpoint Institute of Technology provides vocational training. Northern Arizona University, based in Flagstaff, has a distant learning center as well as seven satellite campuses on the reservation.

Health

The Indian Health Service is grossly under-funded and spends less than \$2,000 per patient, well less than what the government spends on prisoners (\$3,800) and the average American expense of \$5,000. Other health providers on the reservation include the Nation's Division of Health with a budget of \$78 million.

There are hospitals in Chinle, Crownpoint, Fort Defiance, Kayenta, Shiprock, and Gallup in addition to six health centers, 15 health stations, 45 health locations, and 26 dental clinics.

Hopi Reservation

The Hopi Reservation, with 2,410 square miles, is within the Navajo Reservation. The village of Old Oraibi is believed to have been continuously occupied since about 1150 AD. The population declined from 7,360 in 1990 to 6,946 in 2000; there is no more recent data available. Government (Bureau of Indian Affairs, Indian Health Services, and Hopi Tribal Government) account for about 46 percent of total employment; private employers account for the remaining 54 percent.

The Hopi Reservation is served by 133 motel rooms, hospital, community college, and the 4,200-foot Polacca Airport. Law enforcement is provided by the Hopi Tribal Rangers and fire protection is provided by a staffed city department.

A large proposed project known as Gateway To Hopiland will include fast-food restaurants, a grocery store, art gallery, and a building that may serve as a university branch. The project will be on a 72-acre tract across the highway from Tuba City. Construction was recently completed for the first phase of the project, a \$6 million travel center with a car wash, gas station, McDonald's, and convenience store. The 100-room hotel and conference center and Denny's restaurant was also recently completed for \$13 million. The larger project is expected to cost about \$92.5 million.

WINDOW ROCK/ST. MICHAELS

The subject property is situated within the southeast portion of the St. Michaels/ Window Rock/ Fort Defiance community, Apache County, located in Arizona's northeast corner. The subject area is within the jurisdiction of the Navajo Nation. The subject is greatly influenced by its location within the Navajo Nation, near its tribal headquarters in Window Rock.

The area is provided access by Highway 264, an east-west highway traveling west from Highway 491 and connecting to Highway 160 to the west. North-South access is provided by Navajo Route 12, which travels north from Interstate 40.

Services available in the area include banks (Wells Fargo, Bank of America & First American Credit Union), a couple of grocery stores, fast food restaurants as well as small local merchants. Limited medical service is available. Although emergency service is available 24 hours a day, many routine services are only available in the Gallup area.

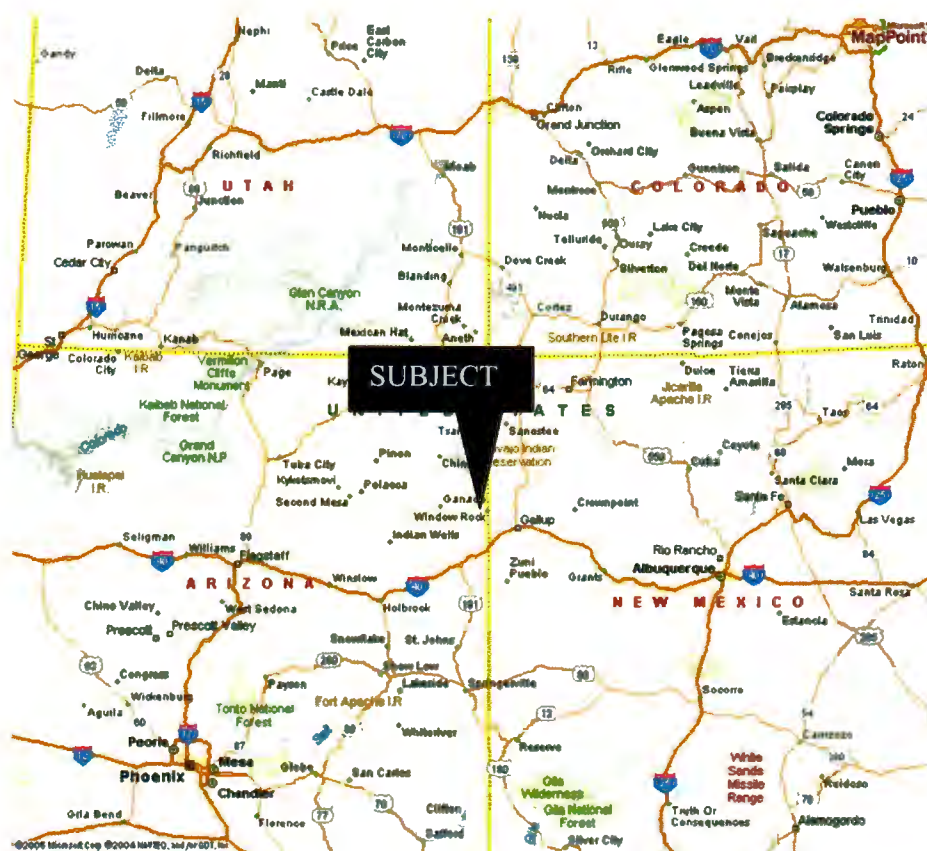
Commercial property development in the area has been relatively stable over the past few years. There has been some commercial development in the immediate subject area including a motel, a McDonald's restaurant, a post office and a rehabilitation of historic Navajo Council Chambers building. Phase I of the rehabilitation was completed in 2007.

Although the immediate subject area has limited tourist attractions itself, except for Window Rock, it is on the way to several of northeastern Arizona's major attractions, including Canyon De Chelly National Monument, the Navajo National Monument, Painted Desert National Monument, Petrified Forest National Park and Monument Valley.

The St. Michaels/Window Rock/Ft. Defiance area is the center of the Navajo Nation. Window Rock reflects the capital of this sovereign nation, with most governmental agencies based out of this area. The estimated population of the area is 7,779 according to the 2010 US Census. This attributes 3,624 persons in Fort Defiance, 2,712 persons in Window Rock, and 1,443 persons in St. Michaels. Overall, the subject area is considered to be at the beginning of a very slow growth cycle.

Overall, the subject neighborhood is considered to have a neutral impact upon the subject property.

AREA MAPS



PROPERTY DESCRIPTION

Location:

The subject property is located at the northeast side of State Highway 264 and Taylor Road in Saint Michael's, Apache County, Arizona. The subject can also be identified by the physical address of 2 Taylor Road, Saint Michael's, AZ.



Shape/Size:

The subject reflects an irregular shaped parcel comprising of 2.91 acres or about 126,770 square feet. The site shape is considered conducive for development.

Topography:

The site slopes from west to east.

Site Condition:

The subject is improved with a 12,656 square foot office building and supportive site improvements.

Soils/Sub-soils:

I was not provided with any soil/subsoil surveys of the site. There appear to be no soil/subsoil conditions that would restrict the development of the site. Should this be an issue of concern, a study by a competent engineering firm is recommended.

Flood Zone:

According to the Federal Emergency Management Agency, Flood Insurance Rate Map, Number 35031C1100E dated

February 17, 2010, the subject is an undetermined flood area. Prior to development, it is recommended that the developer engineers the property for any potential flood issues.

Access: The subject site has good frontage and physical access from Arizona Highway 264. This roadway at the subject is a five-lane arterial that has two travel lanes in each direction and a center-turn lane.

Special Assessments: There are currently no special assessments due on the subject site.

Environmental: A Phase I Environmental Study was not provided to the appraisers. This appraisal assumes that no hazardous environmental conditions impact the subject site. If this is an area of concern for the Client, a Phase I environmental analysis should be conducted by a qualified firm.

Zoning: As part of the Navajo Nation, the subject property is not subject to any formal zoning ordinance. However, the site has been designated by the Navajo Nation for commercial uses. Given the subject's location along Highway 264, in St. Michael's, commercial designation of the site with either office or retail uses appears to be a logical use of the site.

Utilities: The subject has electricity, water, sewer, and phone lines to the property. All utilities are served by the Navajo Tribal Utility Authority.

Adjacent Land Uses: To the south of the subject is State Highway 264 followed by vacant land. To the east is Taylor Road followed by an office complex. To the north are attached residences. To the west is an office.

Tax Information: According to the Apache County Assessor, the subject's 2015 and 2016 full cash value is \$64,777. The subject is currently being assessed as vacant land only. The property taxes for 2014 were \$851.38 and were estimated at \$900 for the Income Approach of this analysis.

It is noted that taxes have not been paid from 2012-2014 with a total owed of \$3,011.68, as of April 29, 2015. There is a lien filed for tax years 2012 and 2013. Therefore, it is an *extraordinary assumption* of this appraisal that the subject taxes will be brought current with no deduction made herein.

Description of the Improvements

The subject reflects a 12,656 square foot office configured for three tenants. The subject was originally constructed in 2005.

Type	Two story class A office building of masonry and metal construction.
Size	According to the floor plans, the subject is 12,656 square feet. The floorplan appears to be correct and will be used in this analysis.
Exterior	<p>The subject building improvements are masonry and pre-engineered metal construction on a reinforced concrete slab. The exterior is a mix of metal pro panels, exposed block and stuccoed block.</p> <p>The roof is built-up of a metal truss system. The main entry doors are glass in aluminum frames. The entrance for the bottom floor tenant is on the east side of the building. The entrance for the second floor suites are on the north side of the building.</p>
Floor Plan	The subject was originally constructed as a three tenant office building in 2005. The subject suites are accessible from the outside but could feasibly be configured to a single tenant or two tenants. The area breakdown for the subject suites is shown in the table below.

Area Breakdown		
Suite	Floor	Area (SF)
A	1st	6,800
B	2nd	943
C	2nd	4,913
Total		12,656

Suite A is on the bottom floor and comprises of 6,800 square feet. The suite is currently leased to Program for Self Reliance. The suite includes a receptionist desk, 16 individual office suites, a break room, server room, file room, classroom, and two restrooms. The entrance and receptionist desk are on the east side of the building. There are two restrooms on the east side of the building with four fixtures each. The offices are on the north side of the building with a file room at the northwest corner of the building. The west side of the suite also includes the IT Room and classroom at the southwest corner of the building. The south side of the suite includes a break room and office suites. The central part of the building includes six office suites. The suite has good functionality for an office use.

Suite B is on the second floor and includes 943 square feet. The office has a single restroom with two fixtures. There is one office suite and a bullpen area. The suite has good functionality for an office use.

Suite C is also on the second floor with the entrance on the north side of the building. This was a former dentist office but has been renovated as a professional office. The suite has 7 offices and a large bullpen area in the center part of the building. There is a large conference room at the southwest corner of the suite. There is a break room at the southeast corner of the suite and more bullpen at the northwest corner of the suite. The suite also includes five restrooms, three with two fixtures each and two with four fixtures each. The suite has good functionality for an office use.

The restrooms throughout the building are ADA compliant.

Interior Finishes

Floor coverings are a combination of tile, wood and commercial grade carpet. Walls are textured drywall and stone in the upstairs conference room. The building is fully insulated, including exterior walls and the ceiling. Interior doors are a combination of solid and hollow wood core set in metal and wooden frames. Ceilings are acoustic grid on the bottom floor and acoustic grid and papered and textured drywall on the second floor. Lighting is provided by fluorescent fixtures recessed in the acoustic ceiling grid and fluorescent fixtures recessed in the acoustic ceiling grid and skylights on the second floor.

The entire building is cooled and heated by HVAC systems. All utility and mechanical systems are assumed to be adequate. The subject floor plan, design and finishes appear functional for a three tenant office building amenable to two tenants or a single tenant.

Fire Protection:

Wet sprinkler system.

Site Improvements

The site improvements on the property include a paved and marked parking lot and asphalt driveways. The subject has more than sufficient parking. Other site improvements include landscaping with trees, gravel, rock, and bushes. The subject site also includes two tier concrete block retaining walls, concrete stairs, fencing, and concrete walkways.

Zoning Conformity:

The use of the building as an office is a legal use of the property.

Age/Condition:

The subject improvements were completed in 2005. The actual age is 10 years but the building has been well kept and maintained. The effective age is estimated at 5 years. Economic life for good quality, Class C office buildings is estimated to be 55 years per data from the *Marshall & Swift Valuation Service*. Therefore, the remaining economic life is estimated to be about 50 years (55 -5).

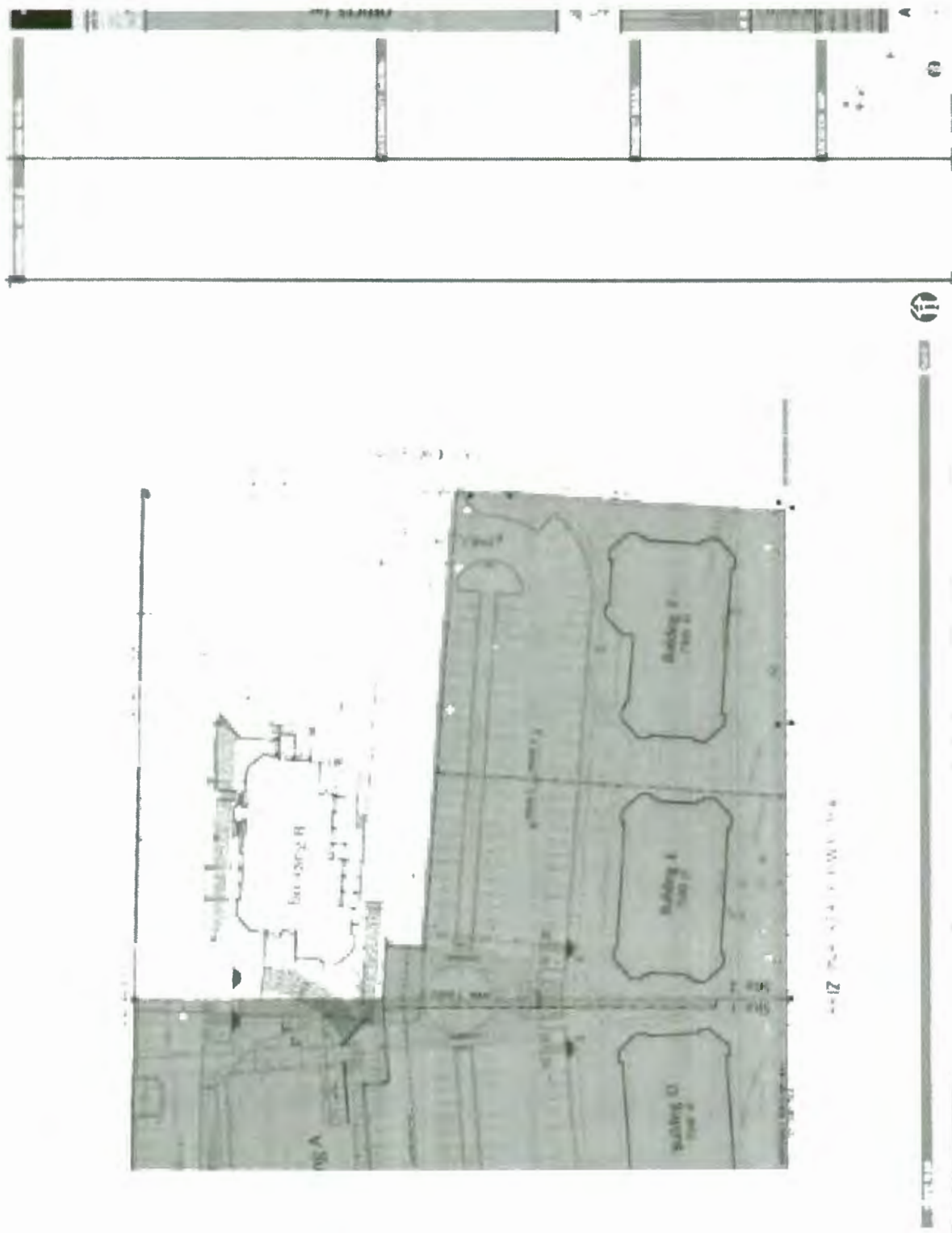
The subject was partially renovated in 2013 and 2014. The second floor was renovated from a dental office to a professional office. The downstairs has new flooring, and modified office configuration. The downstairs restroom has new sink fixtures and partitions. The IT room has a new 100 amp sub panel and HVAC equipment. The HVAC units have been replaced. There is a two tier retaining wall on the site that replaced the former rip rap on the west side of the property. The landscaping was redone to improve drainage and appearance.

**Furniture Fixtures
& Equipment:**

The value conclusion derived herein is of the real estate only and does not include furniture, fixtures, and equipment or the "going concern" value of the business.

Summary:

The improvements reflect a three tenant office building. The building could feasibly be amenable to two tenants or a single tenant. The subject's current use is a legal use of the property and is functional as an office building.



SUBJECT PHOTOGRAPHS

Top Photograph:

View of the subject's southern elevation, looking northeast.

Bottom Photograph:

View of the subject's northern elevation, looking southwest.



SUBJECT PHOTOGRAPHS

Top Photograph:

View of the subject's west elevation, looking east.

Bottom Photograph:

Close-up view of the subject's southern elevation.



SUBJECT PHOTOGRAPHS

Top Photograph:

View of the classroom in the subject's bottom floor office.

Bottom Photograph:

View of the office area in the subject's bottom floor office.



SUBJECT PHOTOGRAPHS

Top Photograph:

View of the receptionist area in the bottom floor office.

Bottom Photograph:

View of one of the restroom's in the subject building.



SUBJECT PHOTOGRAPHS

Top Photograph:

View of the smaller upstairs's office.

Bottom Photograph:

View of the bullpen office in the larger upstairs's office.



SUBJECT PHOTOGRAPHS

Top Photograph:

View of the conference room in the larger upstairs's office.

Bottom Photograph:

View of the ceiling in the larger upstairs's office.



HIGHEST AND BEST USE

Highest and best use is the basic premise of value and, as such, reflects an appraiser's opinion based upon an analysis of prevailing market occurrences. The subject is comprised of both the site and improvements. As the use of land can be limited by the presence of improvements, highest and best use is typically analyzed individually, for the land as though vacant and the property as improved.

According to *The Appraisal of Real Estate*; Thirteenth Edition, published by the Appraisal Institute, highest and best use is defined as:

The reasonably probable and legal use of vacant land or an improved property, that is physically possible, legally permissible, appropriately supported, financially feasible, and that results in the highest value.

The purpose of estimating the highest and best use of the subject site, as though vacant, is to identify the uses that cause the site to have value. The use of the subject site found to be legally permissible, physically possible, appropriately supported, financially feasible, and that results in the highest present land value is considered to be the highest and best use of the site, as if vacant. The purpose of estimating the highest and best use of the property, as improved, is to identify the use of the property that is expected to produce the highest overall return per dollar invested.

Highest and Best Use and Market Analysis, and Highest and Best Use and Feasibility Analysis are interrelated. Market and Feasibility Analyses are tools utilized in determining the highest and best use of a specific property.

In estimating the highest and best use of land, as if vacant, or a property as improved, there are essentially four stages of analysis:

- 1) Legally permissible uses - the uses of the subject that are permitted by zoning, existing leases, and/or deed restrictions;
- 2) Physically possible uses - the uses of the subject that are physically possible;
- 3) Financially feasible uses - the uses of the subject that are possible and permissible and that will produce a net return to the owner of the land; and
- 4) Maximally productive use - the use of the subject site among the feasible uses that produces the highest net return to the subject. This use is essentially the Highest and Best Use of the subject.

The previous stages of highest and best use analysis have been applied to the subject "as is".

As Though Vacant

According to *The Appraisal of Real Estate*; Thirteenth Edition, published by the Appraisal Institute, highest and best use of **land as though vacant** is defined as:

“Among all reasonable, alternative uses, the use that yields the highest present land value after payments are made for labor, capital, and entrepreneurial coordination.”

Legally Permissible

The subject is designated for office uses and is surrounded by similar office uses.

Physically Possible

The subject site contains approximately 126,760 square feet or 2.91 acres of vacant land area. The site is irregular in shape but is conducive for development. The site gently slopes from west to east but the topography is considered suitable for development. The subject's flood zone status is unknown but the surrounding parcels are improved and it is assumed that the owner will take the proper precautions. The subject is served with all utilities.

Most of the legally permissible uses are also considered to be physically possible.

Financially Feasible/Maximally Productive

The subject is in an area with newer office uses. There is demand for parcels in the area given the development of the two adjacent parcels. There is not much privately owned land on the Navajo Nation but the market is currently soft with few land sales noted, especially for near-term development. The subject has good access from State Highway 264 and Taylor Road. Overall, the subject's maximally productive use is for investment for future office uses by an owner/user or a build-to-suit with a lease in-place.

As Improved

According to *The Appraisal of Real Estate*; Thirteenth Edition, published by the Appraisal Institute, highest and best use of **property as improved** is defined as:

“The use of a property, as improved, that will maximize its value.”

As stated within the Description of Improvements section of this report, the subject site is improved with a 12,656 square foot office building, constructed in 2005. The subject improvements are sited on 126,760 square feet or 2.91 acres of land area. The property is provided with all utilities. The site gently slopes west to east and has been engineered.

Legally Permissible & Physically Possible

The subject is designated for office uses by the Navajo Nation.

The subject as a single-tenant 12,656 square foot warehouse discount store on a 126,760 square foot site is physically possible and a legal conforming use of the site. The subject has a floor area ratio of 10% (12,656/126,760) and has room for expansion. The floor area ratio is considered normal on the Navajo Nation. Two of the comparable sales have similar site coverage ratios with 11% and 15% respectively. The subject's floor area ratio will be adjusted for with the comparable sales and leases. The subject's extra land is on the southern portion of the site and measures about 53,620 square feet, as shown by the site sketch on the following page.

The subject's extra land is considered as surplus land and not excess land given the typical land-to-building ratios on the Navajo Nation and supported by the comparables and the lack of demand for land in the subject's area. Furthermore, there have been no known land sales in the subject's area for 5+ years.

Surplus land: Land that is not currently needed to support the existing improvement but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel.²

Financially Feasible & Maximally Productive

My analysis of the subject market indicates there is demand for the subject improvements as evidenced by its historic occupancy. Most office buildings in the area are primarily owner occupied. Most of the tenants in the area are government type or closely associated with the Navajo Nation such as the Navajo Housing Authority, Program for Self Reliance, and Navajo Nation Oil & Gas Company.

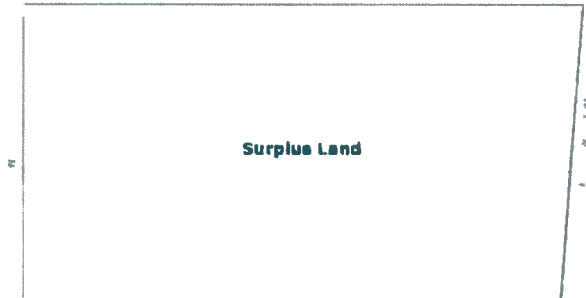
Overall, the use of the subject property, as an office building adds to the value of the underlying land, as can be seen in the valuation section of this appraisal. The highest and best use and maximally productive use of the property is for an office building use by an owner/user.

² The Appraisal of Real Estate, Thirteenth Edition

SKETCH/AREA TABLE ADDENDUM

File No 2015-0014

SUBJECT	Property Address 2 Taylor Road	State Arizona	Zip 85511
	City Saint Michael's		
	Borrower		
	Lender/Client Navajo Nation		
	Appraisal Name: Ajay Madhavan, MAI	Appr Address: 2030 E. Speedway Blvd Ste 114, Tucson, AZ	



IMPROVEMENTS SKETCH

Subject Site
Beginning at a point of the Tract described by Metes and Bounds as follows:
THENCE Due East, a distance of 319.06 Feet;
THENCE South 4° 12' 47" West, a distance of 171.91 Feet;
THENCE Due West, a distance of 306.43 Feet;
THENCE Due North, a distance of 171.45 Feet to point of beginning,
Said tract containing 1.23 acres (53620.13 sf) of land, more or less.
Perimeter = 968.85 Feet
No significant error of closure.

Scale: 1" = 80'

AM Valuation Services

6/7/15 10:28AM

Ajay Madhavan, MAI

SALES COMPARISON APPROACH

The Sales Comparison Approach to value considers market data of similar improved comparable properties. This technique is an application of the principle of substitution, which affirms that when a property can be replaced, its value tends to be set by the cost of acquisition of an equally desirable substitute property that can be acquired without undue or costly delay.

The subject is improved with a 12,656 square foot office building. The subject property is sited within Saint Michael's, Arizona, in an office area. The subject building was originally built in 2005.

My analysis of the subject property uncovered a number of sales that were reasonably similar to the subject in utility, age and condition, from which, four sales were selected as being most relevant to analysis of the subject property via the Sales Comparison Approach.

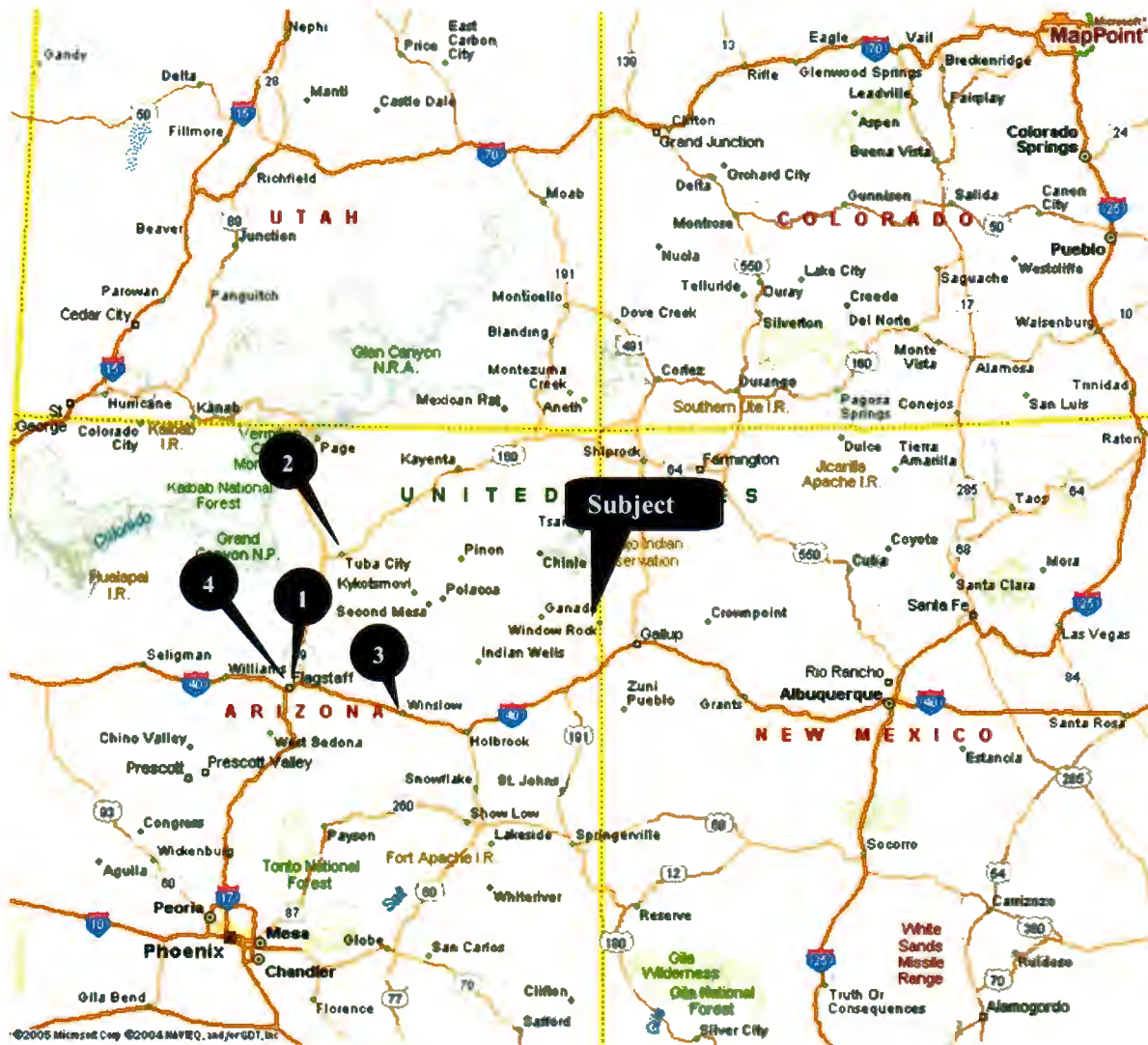
All information has been confirmed with at least one party deemed knowledgeable about the transaction and is believed to be reliable. The sales price per square foot of building area is the unit of comparison used in this analysis. The sales price was adjusted on a percentage basis. A summary tabulation of the sales used in this analysis is show below. Data sheets for each of the comparable sales are available on the following pages:

COMPARABLE IMPROVED OFFICE SALES								
#	Date	Location	Rentable SF	Site Size SF	FAR	Sales Price		Built Year
						Amount	SF	
1	Mar-14	150 N. Verde St Flagstaff, AZ	6,600	25,760	26%	\$1,800,000	\$272.73	1999
2	Sep-14	1010 Main St Tuba City, AZ	2,944	25,615	11%	\$621,590	\$211.14	1996
3	Dec-14	721 Mikes Pike St Winslow, AZ	8,228	55,321	15%	\$3,900,000	\$473.99	2014
4	Feb-15	616 N. Beaver St Flagstaff, AZ	2,792	6,970	40%	\$525,000	\$188.04	1986
Sub	Oct-12	2 Taylor Rd St. Michael's, AZ	12,656	126,760	10%	\$2,700,000	\$213.34	2005

SALES HISTORY OF COMPARABLES

The sales did not previously sell in the prior three years.

SALES COMPARABLE MAP



COMPARABLE SALE NUMBER ONE



TYPE:	Office Building
LOCATION:	150 North Verde Street, Flagstaff, AZ
ASSESSOR NO.:	101-20-004A, 005A
GRANTOR:	Double Docs LLC
GRANTEE:	Cutis LLC
SALE DATE:	March 18, 2014
DOCUMENT NO.:	14-3687747
SALE PRICE:	\$1,800,000 or \$272.73 per square foot
TERMS:	Cash to seller
PROPERTY RIGHTS:	Fee Simple
CONDITION OF SALE:	Arm's Length Transaction
CONFIRMED BY:	Unable to contact buyer or seller
CONFIRMATION DATE:	March 2015
DATA SOURCES:	Sworn Affidavit of Property Value signed by grantor and grantee, and Loopnet
SALES HISTORY:	None in the previous three years.

SITE DATA:

Size:	0.59 acres or 25,760 square feet.
Location:	Corner site along a minor arterial
Shape:	Rectangular
Topography:	Level
Legal Access:	Verde Street
Visibility:	Good
Zoning:	C-5E; Flagstaff
Utilities:	All public utilities available
Off-sites:	All are in
Present Use:	Office Building
Highest and Best Use:	As improved

IMPROVEMENT DATA:

Gross Building Area:	6,600 square feet
Year Built:	1999
Parking Ratio:	7.58/1,000 SF
Condition:	Average
Occupancy at Sale:	0%

COMMENTS:

The seller was an owner user and the buyer will be the same.

COMPARABLE SALE NUMBER TWO



TYPE:	Office Building
LOCATION:	1010 Main Street, Tuba City, AZ
ASSESSOR NO.:	802-04-014
GRANTOR:	BAMMF 9 LLC
GRANTEE:	IIRC GSA Tuba City LLC
SALE DATE:	September 1, 2014
DOCUMENT NO.:	14-3703530
SALE PRICE:	\$621,590 or \$211.14 per square foot
TERMS:	Cash to seller
PROPERTY RIGHTS:	Leased Fee
CONDITION OF SALE:	Arm's Length Transaction
CONFIRMED BY:	Unable to contact buyer or seller
CONFIRMATION DATE:	March 2015
DATA SOURCES:	Sworn Affidavit of Property Value signed by grantor and grantee, and Loopnet
SALES HISTORY:	None in the previous three years.
SITE DATA:	
Size:	0.59 acres or 25,615 square feet.
Location:	Interior site along a major arterial
Shape:	Rectangular
Topography:	Level
Legal Access:	Main Street
Visibility:	Good
Zoning:	Commercial, Tuba City

Utilities:	All public utilities available
Off-sites:	All are in
Present Use:	Office Building
Highest and Best Use:	As improved

IMPROVEMENT DATA:

Gross Building Area:	2,944 square feet
Year Built:	1996
Parking Ratio:	5.77/1,000 SF
Condition:	Average
Occupancy at Sale:	100%

COMMENTS:

It appears that the property is leased to the Social Security Administration, however, no other details could be confirmed.

COMPARABLE SALE NUMBER THREE



TYPE:	Medical Office Building
LOCATION:	721 Mike's Pike Street, Winslow, AZ
ASSESSOR NO.:	103-54-001E
GRANTOR:	Baker-Win LLC
GRANTEE:	KB Win-Man Dialysis DST
SALE DATE:	December 1, 2014
DOCUMENT NO.:	14-16206
SALE PRICE:	\$3,900,000 or \$473.99 per square foot
TERMS:	Cash to seller
PROPERTY RIGHTS:	Leased Fee
CONDITION OF SALE:	Arm's Length Transaction
CONFIRMED BY:	Andrew Fosberg (602) 735 1723
CONFIRMATION DATE:	March 2015
DATA SOURCES:	Sworn Affidavit of Property Value signed by grantor and grantee, and Loopnet
SALES HISTORY:	None in the previous three years.

SITE DATA:

Size:	1.23 acres or 55,321 square feet.
Location:	Interior site along a major arterial
Shape:	Rectangular
Topography:	Level
Legal Access:	Mike's Pike Street
Visibility:	Average
Zoning:	C; Winslow
Utilities:	All public utilities available
Off-sites:	All are in
Present Use:	Medical Office
Highest and Best Use:	As improved

IMPROVEMENT DATA:

Gross Building Area:	8,228 square feet
Year Built:	2013
Parking Ratio:	5.47/1,000 SF
Condition:	Good
Occupancy at Sale:	100%

COMMENTS:

The building is leased to Fresenius Medical Center for a 15-year term. The rental rate is \$30.38/SF on a NNN lease with 10% increases every five years. The CAP Rate was 6.4%.

COMPARABLE SALE NUMBER FOUR



TYPE:	Office Building
LOCATION:	616 North Beaver Street, Flagstaff, AZ
ASSESSOR NO.:	101-08-026
GRANTOR:	Zarske Trust
GRANTEE:	Northern Arizona Regional Behavioral
SALE DATE:	February 5, 2015
DOCUMENT NO.:	15-3712982
SALE PRICE:	\$525,000 or \$188.04 per square foot
TERMS:	Cash to seller
PROPERTY RIGHTS:	Leases Fee
CONDITION OF SALE:	Arm's Length Transaction
CONFIRMED BY:	Logan Talley (928) 600-1667
CONFIRMATION DATE:	March 2015
DATA SOURCES:	Sworn Affidavit of Property Value signed by grantor and grantee, and CoStar Realty Information
SALES HISTORY:	None in the previous three years.

SITE DATA:

Size:	0.16 acres or 6,970 square feet.
Location:	Interior lot along a minor arterial
Shape:	Rectangular
Topography:	Level
Legal Access:	Beaver Street
Visibility:	Good
Zoning:	C2E, Flagstaff
Utilities:	All public utilities available
Off-sites:	All are in
Present Use:	Office Building
Highest and Best Use:	As improved

IMPROVEMENT DATA:

Gross Building Area:	2,792 square feet
Year Built:	1986
Parking Ratio:	3.58/1,000 SF
Condition:	Average
Occupancy at Sale:	100%

COMMENTS:

A portion of the property was leased at the time of the sale.
No other information was disclosed.

VALUATION

Adjustments

Uniform adjustments to the comparable sales were considered for differences in property interests transferred, terms of sale, sales conditions and market conditions. Since the examined structures vary physically, adjustments for location, building size, age/condition, quality, and site utility/lot size on an individual basis. Therefore, two separate portions of the adjustment grid are utilized herein. Here follows a discussion of these factors.

Property Rights

The interest being appraised for the subject property is fee simple. Comparables One and Four reflect fee simple transactions with no adjustment considered for property rights. Comparables Two and Three sold on a leased fee basis but in these cases, leased fee is equal to fee simple with no adjustment necessary.

Terms of Sale

Adjustments for terms of sale have been considered in this analysis. The opinion of market value of the subject property assumes a cash equivalent purchase. One requirement of valuation reports written in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP) is that the sale of the subject and the comparable properties be adjusted for cash equivalency. Cash equivalent sales imply those transactions which are financed by third-party lenders such as savings and loan associations or commercial banks. Transactions which are financed by sellers may provide advantages not available from third-party lenders. Typically, seller carry-back financing includes a lower down payment than what would be available via third-party financing. In addition, the interest rate or length of the financing may be favorable to the purchasers.

All of the comparables sold with cash to seller terms, warranting no adjustment for this factor.

Condition of Sale

Inherent in the definition of market value is that buyer and seller be typically motivated³. I have analyzed the comparables with respect to the motivation of both buyer and seller. Often the conditions of sale impact the final purchase price of the comparable property. For instance, a property owner with a need to expand an existing property through assemblage would typically have a higher degree of motivation to purchase an adjacent property if it were available than would the general public and, therefore, could be inclined to pay more money. Conversely, a seller, who for financial reasons was distressed, might be inclined to sell a property at a level below market.

All of the comparables reflect arm's length transactions, with no adjustment applied for conditions of sale.

³ *Federal Register*, vol. 55, no. 163, August 22, 1990, pages 34229 and 34229; also quoted in the introduction to the *Standards of Professional Appraisal Practice of the Appraisal Institute*.

Market Conditions (Time)

The comparables range in date of sale from March 2014 to February 2015. The effective date of appraisal is April 30, 2015. All of the comparables are recent sales, with similar market conditions, warranting no adjustment for this factor.

Physical Adjustments

Location

The subject property is located along the northeast side of State Highway 264 and Taylor Road in Saint Michael's, Arizona in an area with newer office buildings. The subject is well located for an office use.

Comparable One is located along Verde Street, north of Aspen Avenue in Flagstaff, Arizona. This property is located at the east end of downtown and is well located for an office use. Flagstaff is considered a more viable market for office properties, with a downward adjustment for location.

Comparable Two is located along the east side of Main Street in Tuba City, Arizona. This property is located along one of the primary arterials in Tuba City, just south of an intersection of Edgewater Drive. This is considered inferior to being located along a State Highway in a similar community, warranting an upward adjustment for this factor.

Comparable Three is located on Mike's Pike Street in Winslow, Arizona. This is a commercial area just northwest of an Interstate 40 interchange at Park Drive. This property has superior access, warranting a downward adjustment for location.

Comparable Four is located at the north end of Flagstaff, Arizona. This is an office area but is a backage location. Flagstaff is considered superior to Saint Michael's but the subject's specific location is considered superior. Overall, these two factors are considered offsetting with no adjustment necessary.

Building Size

The subject building area totals 12,656 square feet. The comparables range in improvement size from 2,792 to 8,228 square feet. All of the comparables are considered sufficiently smaller than the subject, warranting a downward adjustment for this factor.

Age/Condition

The subject building was constructed in 2005 but was partially remodeled in 2014. The building is in good condition and has been well maintained. Comparables One and Two are generally similar in age/condition with no adjustment for this factor. Comparable Three reflects a brand new building with a downward adjustment for this factor. Comparable Four is older than the subject but appears to have been well maintained with a slight upward adjustment for age.

Quality

The subject is of masonry and metal construction and is of good quality. Comparables One, Two and Four are generally similar with regards to quality with no adjustment necessary. Comparable Three is improved as a medical office with superior build-out to warrant a downward adjustment.

Site Utility

The subject has a site coverage ratio of 10% and is situated on a 126,760 square foot lot. Lower FAR and larger lots allows for future expansion and storage area. Comparables One and Four have smaller yard areas, with an upward adjustment applied. Comparables Two and Three have similar yard areas with no adjustment applied.

The adjustments made to the comparable sales are summarized in the tabulation below:

IMPROVED SALES ADJUSTMENT GRID				
Comparable #	Comp 1	Comp 2	Comp 3	Comp 4
City/Town	(Flagstaff)	(Tuba City)	(Winslow)	(Flagstaff)
Sales Price	\$1,800,000	\$621,590	\$3,900,000	\$525,000
Transactional Adjustments				
Property Rights	0%	0%	0%	0%
	\$ 1,800,000	\$ 621,590	\$ 3,900,000	\$ 525,000
Terms	0%	0%	0%	0%
	\$ 1,800,000	\$ 621,590	\$ 3,900,000	\$ 525,000
Conditions of Sale	0%	0%	0%	0%
	\$ 1,800,000	\$ 621,590	\$ 3,900,000	\$ 525,000
Market Conditions	0%	0%	0%	0%
Sub-total of Adjustments	\$ 1,800,000	\$ 621,590	\$ 3,900,000	\$ 525,000
Adjusted Sales Price	\$1,800,000	\$621,590	\$3,900,000	\$525,000
Building Size	6,600	2,944	8,228	2,792
Adjusted Price/SF	\$272.73	\$211.14	\$473.99	\$188.04
Physical Adjustments				
Location	-25%	5%	-5%	0%
Building Size	-5%	-10%	-5%	-10%
Age/Condition	0%	0%	-10%	5%
Quality	0%	0%	-20%	0%
Site Utility	5%	0%	0%	5%
Gross Adjustments	35%	15%	40%	20%
Net Adjustments	-25%	-5%	-40%	0%
Final Adjusted Sales Price/SF	\$204.55	\$200.58	\$284.39	\$188.04

Conclusions

The comparable sales, unadjusted, range from \$188.04 to \$473.99 per square foot. After adjustments, the range of sales prices is narrowed from \$188.04 to \$284.39. Comparables One and Two suggest a price per square foot of \$200/SF. Comparables Three and Four bracket a price per square foot of \$200. Overall, a price of \$200 per square foot is indicated by the sales. Multiplying \$200 per square foot by the subject's 12,656 square feet results in a market value indication of \$2,531,200, rounded to \$2,530,000.

Former Sale of the Subject

The subject previously sold for \$2.7 million in October of 2012 to Navajo Nation Oil & Gas Company, LLC. The buyer owns the property adjacent west and appeared to purchase the subject for assemblage, accounting for the price at the higher end of the market. The former sale of the subject generally supports the conclusion of value derived via the Sales Comparison Approach.

Listing

There is a listing of an 8,806 square foot office building at 1106 N. Beeline Highway in Payson, Arizona. The property is listed for \$1,950,000 or \$221/SF. This is a three story building that is 100% occupied by five tenants. This is a mix of medical and professional office space. The cap rate was not disclosed but discussion with the listing agent, Gail Joyce indicated that there is interest in the property at this price. This listing generally supports the conclusion of value derived via the Sales Comparison Approach.

Conclusion

The listing, former sale and the price indicated by the Sales Comparison Approach, supports a price of \$2,530,000.

**OPINION OF MARKET VALUE
OF THE SUBJECT PROPERTY,
VIA THE SALES COMPARISON APPROACH.....\$2,530,000**

INCOME APPROACH

The subject is partially leased and it is not unusual for properties like the subject to be leased. For buildings like the subject, the tenant handles most of the expenses to the real estate, including utilities, janitorial expenses, maintenance and repairs, real estate taxes, and property insurance. The landlord typically handles capital expenditures and property management.

It is noted that the subject's lease for the ground floor was not provided; therefore market rent and expenses will be used in this analysis.

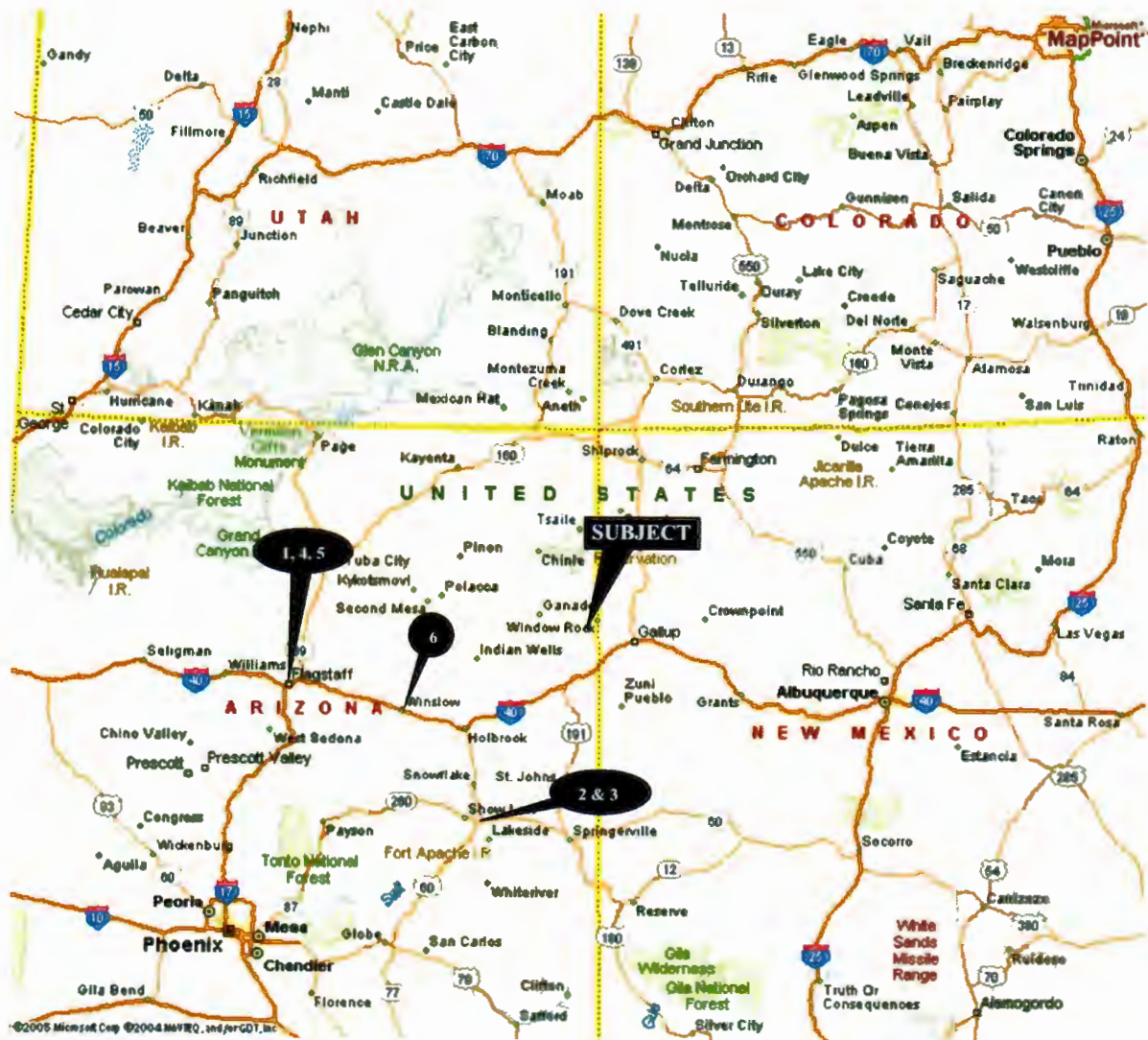
I have searched the market for leases of similar office properties and concluded that the following leases are most representative of the subject.

SUMMARY OF COMPARABLE RENTALS									
Comp	Tenant/Location	Year Built	SF	Start Date	Lease Term	Rent/ SF	Annual Increase	Lease Basis	NNN Equiv.
1	Veteran's Affairs Outpatient 1300 W University Ave, Flagstaff	'97, '11	8,770	2011	10	\$31.00	Flat	FS	\$21.00
2	VA Clinic 5163 Cub Lake Rd, Ste 360-390, Show Low	'05, '12	9,700	Jan-12	10	\$31.85	3%/Yr	FS	\$21.85
3	Summit Healthcare (1) 5163 & 5171 Cub Lake Rd, Show Low	2005	16,820	Nov-12	3	\$18.50	3+%/Yr	MG	\$15.00
4	State of Arizona 3100 N. West St, Flagstaff, AZ	1998	6,000	N/Av	Dec-18	\$13.64	N/Av	NNN	\$13.64
5	DES 2705 N. 4th St, Flagstaff, AZ	1981	7,766	N/Av	N/Av	\$17.52	N/Av	FS	\$13.85
6	Fresenius Medical Center 721 Mike's Pike St, Winslow, AZ	2013	8,228	Dec-14	15	\$30.38	10%/5yrs	NNN	\$30.38
	Subject 2 Taylor Rd, St. Michael's, AZ	2005	12,656						

(1) Reflects master lease of multiple general medical suites.

The comparables above are considered good representations of the subject and range from \$13.64 to \$30.38 per square foot on a NNN basis.

RENT COMPARABLES MAP



COMPARABLE RENTAL PHOTOGRAPHS

Comparable One— 1300 W. University Avenue, Flagstaff, AZ
Comparable Two – 5163 Cub Lake Road, Ste 360-390, Show Low, AZ
Comparable Three – 5163 & 5171 Cub Lake Road, Show Low, AZ



COMPARABLE RENTAL PHOTOGRAPHS

Comparable Four – 3100 N. West Street, Flagstaff, AZ

Comparable Five – 2705 N. 4th Street, Flagstaff, AZ

Comparable Six – 721 Mike's Pike Street, Winslow, AZ



Market Rent

Unadjusted, the rental comparables indicate a range of effective rental rates of \$13.64/SF to \$30.38/SF per year on a NNN basis. Facilities like the subject are leased on several different bases, with two of the six comparables leasing on a NNN basis. Therefore, the subject will be analyzed on a NNN basis with the tenant paying utilities, janitorial, maintenance and repairs, property taxes and insurance and the landlord responsible for management, vacancy expenses, and replacement reserves.

Market Conditions: In general, office lease rates in northern Arizona have declined from 2011 to 2013, warranting a downward adjustment to Comparables One and Two. However, lease rates have leveled off from late 2012 to 2015 with no adjustment to Comparables Three through Six. Lease rates typically do not fluctuate as much as sale prices because they are long-term agreements.

The comparables were also adjusted for lease terms, location, size, and age/quality/condition. The comparables appear to have market lease terms, warranting no adjustment for this factor. Comparables One, Two, Three, and Six have a superior location, warranting a downward adjustment for this factor. Comparables Four and Five have inferior locations, warranting an upward adjustment for this factor. Comparables One, Four, Five, and Six have a smaller building, warranting a downward adjustment for this factor. Comparable Two generally has a similar building size with no adjustment necessary for building size. Comparable Three is considered sufficiently larger than the subject to warrant an upward adjustment. Comparables One, Two, and Three are of similar age/quality/condition, warranting no adjustment for this factor. Comparables Four and Five are older than the subject to warrant an upward adjustment. Comparable Six is a new building with a medical office build-out, warranting a substantial downward adjustment for age/quality/condition.

Here follows an adjustment grid for the comparable rental properties.

RENTAL RATE ADJUSTMENT GRID						
Comparable #	1	2	3	4	5	6
Rental Rate/SF	\$21.00	\$21.85	\$15.00	\$13.64	\$13.85	\$30.38
Adjustments						
Market Conditions	-5%	-5%	0%	0%	0%	0%
Lease Terms	0%	0%	0%	0%	0%	0%
Location	-10%	-10%	-10%	10%	5%	-5%
Size	-5%	0%	5%	-5%	-5%	-5%
Age/Quality/Condition	0%	0%	0%	5%	10%	-30%
Net Adjustments	-20%	-15%	-5%	10%	10%	-40%
Final Adjusted Rate/SF	\$16.80	\$18.58	\$14.25	\$15.00	\$15.24	\$18.23

After adjustments, the comparable leases range from \$14.25 to \$18.23 per square foot on a NNN basis. Three of the six comparables support a lease rate of about \$17.00-\$18.00 per square foot. The other three comparables support a lease rate of about \$15.00 per square foot. The comparables generally support a lease rate for the subject of about \$17.00 per square foot on a NNN basis. The market lease rate of \$17.00 per square foot on a NNN basis will be used in this analysis. Multiplying

\$17.00 per square foot by the subject's building area of 12,656 square feet, results in a gross potential income of \$215,152.

The lease rate supported by the rent comparables of \$17.00 per square foot or \$215,152 will be used in the pro forma statement. The subject's net operating income is summarized on the following pages followed by an overall rate analysis.

Vacancy and Collection Loss

Vacancy Allowance provides for a property being physically vacant. The subject is currently 54% but the second floor was recently leased as a dentist office. The dentist office recently vacated the second floor which has since been remodeled. If the subject was marketed for lease, at the concluded market rent above, a vacancy rate of 5-10% is considered appropriate, say 7%.

Effective Gross Income

When the 7.0% vacancy/collection loss factor is applied to the potential gross income, a deduction of \$15,061 is made. The result is the estimated effective gross income, \$200,091.

Expenses

The next step in the Income Approach is to estimate the operating expenses necessary to maintain the property and continue the production of effective gross income over the projection period. The operating expenses are subtracted from the effective gross income, yielding the net operating income of the property.

The subject would most likely be leased on a NNN basis, whereby the tenant is responsible for the vast majority of operating expenses, including utilities, janitorial, repairs and maintenance, property insurance, and real estate taxes. The landlord would be responsible for property management, structural maintenance, and vacancy expenses. Here follows a discussion of the operating expenses necessary to maintain the subject property.

Management - Management is responsible for monitoring rent levels in the market, overseeing that the project is adequately maintained, and insuring that rent collection is handled efficiently.

According to First Quarter PwC report, typically the cost for management ranges from 1.50% to 6.00% with an average of 3.25% for the national suburban office market. Based on the subject comprising of a three tenant building and that it would be leased on a NNN basis, I have utilized a typical 3.5% factor of the estimated effective gross income to account for management costs. The calculated amount for the first year is \$7,003.

Vacancy Expense – When the subject is vacant, the landlord is responsible for real estate taxes, property insurance and general maintenance. Here follows a discussion of each item.

Taxes – As previously mentioned, the subject's 2015 taxes are projected at \$900, equal to \$0.07 per square foot.

Insurance – Typical insurance costs for similar facilities are approximately \$0.15 to \$0.30 per square foot on an annual basis. A \$0.25/SF allowance is reasonable.

Common Area Maintenance – Common Area Maintenance for office buildings typically run from \$0.75 to \$2.00 per square foot. Given that the subject property has low maintenance landscaping and the parking lot will not get much use during vacancy a figure of \$1.20 per square foot is considered reasonable.

Maintenance and Repairs – Maintenance and repairs for office buildings typically run from \$0.75 to \$1.50 per square foot. Given that the subject building is simple in construction and built for a single-tenant, a maintenance and repair figure of \$1.00 per square foot is considered reasonable.

The total of the vacancy expenses is about \$31,907 or about \$2.52 per square foot. Multiplying the vacancy expenses by the vacancy rate of 7%, results in a vacancy expense of \$2,234 or about \$0.18 per square foot.

Reserves – Per typical lease terms, the landlord is responsible for structural repairs, with some leases calling for major HVAC and plumbing repairs, and roof repairs.

According to 2015 First Quarter PwC report, typically the cost for structural reserves ranges from \$0.10 to \$0.50 per square foot with an average of \$0.29 per square foot for the national suburban office market. As the building is of good quality, the cost for reserves is estimated at \$0.20 per square foot.

Summary of Expenses – The subject's potential income stream has been analyzed on a NNN basis premised upon market lease information. The subject's total projected expenses are in the amount of \$11,768, equal to approximately \$0.93 per square foot.

Net Operating Income

Subtracting the total estimated operating expenses of \$11,768 from the effective gross income, estimated earlier at \$200,091 yields the subject's estimated net operating income of \$188,323.

ESTIMATED NET OPERATING INCOME\$188,323

Following is a tabulation which illustrates the pro forma income and operating expenses for the subject:

PRO FORMA INCOME APPROACH			
2 Taylor Road, Saint Michael's, AZ			
		SF:	12,656
		PRO FORMA	PER SF
REVENUE			
RENTAL INCOME (Triple net)		\$215,152	\$17.00
POTENTIAL GROSS INCOME		\$215,152	
LESS VACANCY & COLLECTION LOSS	7.0%	\$15,061	
EFFECTIVE GROSS INCOME		\$200,091	\$15.81
OPERATING EXPENSES			
MANAGEMENT FEE	3.50%	\$7,003	\$0.55
VACANCY EXPENSE		\$2,234	\$0.18
RESERVES FOR REPLACEMENT		\$2,531	\$0.20
TOTAL OPERATING EXPENSES		\$11,768	\$0.93
NET OPERATING INCOME		\$188,323	\$14.88

Summary of Market Value Opinion

The PwC Real Estate Survey provides overall capitalization rate information specific to the National Suburban Office Market. According to the 1st Quarter 2015 survey, overall capitalization rates for the national suburban office market ranged from 5.00% to 9.00%, with an average of 6.64%. This is down 2 basis points from the previous quarter.

My search uncovered three similar office properties that sold on a leased fee basis, as shown in the table below.

Cap Rate Comparables				
No.	Sale Date	Location	Year Built	Cap Rate
1	Sep-13	901 N. San Francisco St, Flagstaff, AZ	1954/2013	6.30%
2	Jun-14	3191 S White Mountain Rd, Show Low, AZ	1982	8.00%
3	Dec-14	721 Mikes Pike St, Winslow, AZ	2014	6.40%

The northern Arizona sales suggest a range from 6.40% to 8.00% with strong tenants in-place. The comparables suggest a strong cap rate for the subject. Given the subject's more rural location, a cap rate at the higher end of the range is reasonable. Overall, the comparables generally suggest a cap rate of 8.00% for the subject.

Given the comparable overall rate comps, national survey, and the subject's location and physical attributes, an overall rate of 7.5% to 8.5% is indicated. As such, an overall rate of 8.00% is considered appropriate in this analysis. Dividing the subject's net operating income by an overall rate of 8.00% suggests a market value of \$2,354,043, rounded to \$2,350,000 for the subject property, equal to about \$186 per square foot.

OPINION OF MARKET VALUE

OF THE SUBJECT PROPERTY,

VIA THE INCOME APPROACH**\$2,350,000**

RECONCILIATION AND CONCLUSIONS

Two of the three approaches to value have been fully developed in this analysis and are summarized below.

SALES COMPARISON APPROACH	\$2,530,000
INCOME CAPITALIZATION APPROACH	\$2,350,000
COST APPROACH	N/A

The Cost Approach was not developed herein. Market participants do not normally give strong consideration to this valuation method given the difficulty of estimating depreciation for older properties and the limited land sales.

The sales used in the Sales Comparison Approach are recent and similar in physical and location attributes to the subject. There were six recent sales used in this analysis. The comparables sold on a fee simple basis. Overall, the Sales Comparison Approach is given primary weight in this analysis.

The subject is partially leased and it is not uncommon for buildings like the subject, to be leased and purchased by an investor. The comparables were of similarly located office buildings and are generally considered similar to the subject. The overall rate is supported by three sales, and the National PwC survey. Overall, the Income Approach is given supportive weight in this analysis.

Prior Sale

The subject previously sold for \$2.7 million in October of 2012 to Navajo Nation Oil & Gas Company, LLC. The buyer owns the property adjacent west and appeared to purchase the subject for assemblage, accounting for the price at the higher end of the market. The former sale of the subject generally supports the conclusion of value derived via the Sales Comparison Approach.

Conclusion

Both approaches to value are considered well supported with the Sales Comparison Approach suggesting a higher indication of value. Given the highest and best use of the subject, to occupy by an owner/user, the Sales Comparison Approach is given greater weight in this analysis. It is my opinion that the market value of the subject property is equal to about \$2,500,000, equal to \$197.53 per square foot.

OPINION OF MARKET VALUE OF THE SUBJECT PROPERTY,

AS OF APRIL 30, 2015\$2,500,000

ESTIMATED EXPOSURE PERIOD

Exposure time is defined as the period of time required to market a property prior to the date of appraisal (historic). Most office properties, if properly priced, have been selling in one to two years. If the subject were marketed at the appraised value prior to the effective date of appraisal, exposure time should have been less than two years.

APPRAISERS' CERTIFICATION

I HEREBY WARRANT AND CERTIFY THAT, TO THE BEST OF MY KNOWLEDGE AND BELIEF,

The statements of fact contained in this appraisal report, which are used as the basis of my analyses, opinions, and conclusions, are true and correct. I have no responsibility for legal matters, questions of survey, opinion of title, soil or subsoil conditions, engineering, or other technical matters. Any sketches prepared by me and contained in this report are included solely to aid the user of the report in visualizing the property and its location, and are not necessarily to scale.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

I have no present or contemplated future interest in the real estate that is the subject of this appraisal report and, further, I have no personal interest or bias with respect to the subject matter of this appraisal report or the parties involved.

I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment. My engagement in this assignment was not contingent upon developing or reporting predetermined results.

My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

My analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice of the Appraisal Institute.

Ajay S. Madhvani, MAI inspected the subject property on the effective date of value. Mr. Madhvani has not performed any valuation services for the subject property in the past three years. Mr. Madhvani has the appropriate knowledge and experience required to complete the assignment competently. Furthermore, Ajay S. Madhvani, MAI is current on continuing education with the Appraisal Institute.

No one provided significant professional assistance to the signer of this report unless noted. Further, no one other than the undersigned formed the analyses, conclusions, and opinions concerning real estate that are set forth in this appraisal report, unless such participation by another party is indicated by the co-signing of this report by such other party.

APPRAISERS' CERTIFICATION (CONTINUED):

I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

Each finding, prediction, assumption, or conclusion contained in this report is my personal opinion and is not an assurance that an event will or will not occur. I assume that there are no conditions that are not apparent relating to the real estate, subsoil conditions, or structures located on the real estate, which would affect my analyses, opinions, or conclusions with respect to the real estate.

The data gathered in this appraisal process (except data furnished by the client) and the appraisal report itself remain my property. With respect to data provided by the client, I shall not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to me. I am, however, authorized by the client to disclose all or any portion of this appraisal report and the related appraisal data to appropriate representatives of the Appraisal Institute, if such disclosure is required, to enable me to comply with the bylaws and regulations of said Institute now or hereafter in effect.

This appraisal report shall not be quoted or referred to in any report or financial statement of the client or in any documents filed with any governmental agency without my prior written consent. Neither all nor any part of the contents of this report (especially the conclusions as to value, the identity of the appraisers or references to the Appraisal Institute) shall be disseminated to the public through advertising media, public relations media, news media, sales media, or other public means of communication without my prior written consent and approval.

Based upon the data and discussions contained within the attached report, it is my opinion that the market value of the subject property, is as follows:

**OPINION OF THE "AS IS" MARKET VALUE
OF THE SUBJECT PROPERTY,**

AS OF APRIL 30, 2015\$2,500,000

Taxes have not been paid from 2012-2014 with a total owed of \$3,011.68, as of April 29, 2015. There is a lien filed for tax years 2012 and 2013. Therefore, it is an *extraordinary assumption* of this appraisal that the subject taxes will be brought current with no deduction made herein.

The exposure time, as premised upon the prior value conclusions, is estimated to be one to two years.

Respectfully submitted,



AJAY S. MADHVANI, MAI
Certified General Real Estate Appraiser,
Arizona Certificate #31501

QUALIFICATIONS OF AJAY S. MADHVANI, MAI

State of Arizona Certified General Real Estate Appraiser, Certificate #31501
State of New Mexico Certified General Real Estate Appraiser, Certificate #02802-G
State of Utah Certified General Real Estate Appraiser, Certificate #6561803-CG00

PROFESSIONAL EXPERIENCE

2011 - Current AM Valuation Services, Owner

2004 - 2011 AXIA Real Estate Appraisers (formerly KB), as Commercial Staff
Appraiser

PROFESSIONAL AFFILIATIONS AND MEMBERSHIPS

Member of the Appraisal Institute (MAI)

Licensed Real Estate Agent, State of Arizona

Mentor Kids USA, Volunteer

FORMAL EDUCATION

Bachelor of Science in Business Administration with double major in Finance and Business Management, University of Arizona, Tucson, Arizona, 2003

PROFESSIONAL EDUCATION

- 2014 • Introduction to Green Buildings: Principles & Concepts by the Appraisal Institute
- Comparative Analysis by the Appraisal Institute
- 7-hour National USPAP by the Appraisal Institute
- 2013 • Forecasting Revenue by the Appraisal Institute
- 2012 • Appraising the Appraisal: Appraisal Review-General by the Appraisal Institute
- 7-hour National USPAP Update by the Appraisal Institute
- 2011 • Appraisal Curriculum Overview by the Appraisal Institute
- Litigation Appraising: Specialized Topics and Applications by the Appraisal Institute
- Business Practices and Ethics by the Appraisal Institute
- 2010 • 7-hour National USPAP Update by the Appraisal Institute
- 15-hour Federal Agency Update by the International Right of Way Association and Appraisal Institute
- Condemnation Appraising: Principles and Applications by the Appraisal Institute

- 2008 • 7-hour National USPAP Update by the Appraisal Institute
- Advanced Income Capitalization by the Appraisal Institute
- Advanced General Applications by the Appraisal Institute
- Business Practices and Ethics by the Appraisal Institute
- 14-hour National USPAP by the Arizona School of Real Estate
- 2007 • Report Writing and Valuation Analysis by the Appraisal Institute
- Highest and Best Use by the Appraisal Institute
- Advanced Sales Comparison and Cost Approaches by the Appraisal Institute
- 2006 • Uniform Appraisal Standards for Federal Land Acquisitions "Yellow Book Seminar" by the Appraisal Institute

APPRAISAL EXPERIENCE/SCOPE OF PRACTICE

- Clientele includes private individuals, corporate organizations, financial institutions, and governmental agencies.
- Appraisal assignments include business site leases, vacant land, subdivisions, office buildings, retail buildings, service stations, industrial buildings, mobile home parks, as well as numerous special use properties.
- Experience in preparation of reports for conventional lending, SBA, litigation work, eminent domain work, consultations and appraisal reviews.
- Appraisal assignments have been completed in Apache, Cochise, Pima, Coconino, Maricopa, Navajo, Pinal, Santa Cruz, and Yavapai Counties within the state of Arizona, as well as McKinley, Cibola, San Juan, Sandoval and Socorro Counties in the state of New Mexico.

APPROVED APPRAISER FOR

Allstate Appraisal, L.P.
 Amphitheater Unified School District
 City of Tucson
 Colliers International
 Commerce Bank of Arizona
 Grand Point Bank
 Great Western Bank
 LookingGlass Appraisal Management Systems
 National Bank of Arizona
 Navajo Nation Shopping Centers, Inc.
 Navajo Nation, Division of Economic Dev.
 PCV/Murcor Real Estate Services
 Property Sciences Group, Inc.
 Rusing Lopex & Lizardi, PLLC
 Salt River Pima-Maricopa Indian Community
 Snell & Wilmer L.L.P.
 US Dept of the Interior Off. of Special Trustee
 Washington Federal Savings
 Wells Fargo Bank
 Zions First National Bank

ADDENDA

- 1) Professional Service Contract
- 2) Excerpts from PwC Investor Survey
- 3) Assumptions and Limitations
- 4) Appraiser's Certificate

PROFESSIONAL CONTRACT



**THE
NAVAJO
NATION**

BEN SHELLY
PRESIDENT

REX LEE JIM
VICE PRESIDENT

April 17, 2015

AM VALUATION SERVICES, PLLC

Ajay S. Madhvani, MAI
2030 East Speedway Blvd.
Tucson, Arizona 85719

Reference: DOC 003564 – CO11089

Dear Mr. Madhvani:

Attached, please find your executed Professional Service Contract, Contract, **CO11089**. The agreement is with the Navajo Land Department, Navajo Nation Division of Natural Resources. This Professional Service Contract has been approved in the amount of Five Thousand Two Hundred Twenty Five Dollars and Zero Cents (\$5,225.00).

The term of commencement will begin on April 03, 2015 and expire on June 03, 2015. Contract, **CO11089** must be referenced on all invoices, documents and correspondences as it relates to this contract.

Should you have any questions, please contact W. Mike Halona, Department Manager III, Navajo Nation Land Department, Division of Natural Resources at (928) 871-6401.

Sincerely,

THE NAVAJO NATION

Valerie Bitsilly, Accountant
Purchasing Section
Navajo Nation Office of the Controller

Kc: W. Mike Halona, Department Manager III, Navajo Nation Land Department, Division of Natural Resources
File / Chrono

FORM A (Standard Contract)

PROFESSIONAL SERVICE CONTRACT

BETWEEN

THE NAVAJO NATION

AND

AM Valuation Services, PLLC
2030 E. Speedway Blvd.
Tucson, AZ 85719

CONTRACT NO: CO11089

FOR THE PERIOD: BEGINNING April 3, 2015 (date of President's signature)
ENDING June 3, 2015 (60 days after execution of contract)

PAYMENTS TO BE MADE FROM: Account: 415000 - 6855 Appraisal Fees \$4,725.00
Account: 415000 - 6865 Technical Serv. \$ 500.00

TOTAL PAYMENTS ON THIS CONTRACT NOT TO EXCEED: \$5,225.00

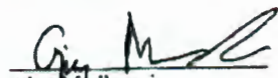
UNDER THE TERMS AND CONDITIONS OUTLINED IN:
ATTACHMENT A - Mutual Promises and Agreements
ATTACHMENT B - Scope of Work

INCLUSIONS:
EXHIBIT A - Budget
EXHIBIT B - Consultant Credential

SIGNATURES OF CONTRACT

For the Contractor/Consultant:

For the Navajo Nation:


Ajay Madhvani
3/9/2015
Date


Ben Shelly, President
APR 03 2015
Date

AM Valuation Services
2030 E. Speedway Blvd.
Tucson, AZ 85719

The Navajo Nation
Post Office Box 9000
Window Rock, Arizona 86515

Employer's Identification No. : 45-2839383
or
Consultant's Social Security No.: N/A

PROFESSIONAL SERVICE CONTRACT

ATTACHMENT A - Mutual Promises and Agreements

This contract is made and entered into by and between the Navajo Nation, hereinafter called "NATION", and AM Valuation Services, PLLC hereinafter call "CONSULTANT". The parties agree as follows:

1. The NATION agrees to utilize the services of the CONSULTANT for a period of N/A (N/A) hours; or Sixty (60) days; for the period, beginning April 3, 2015 and ending on June 3, 2015.
2. The CONSULTANT agrees to perform the services described in ATTACHMENT B - Scope of Work.
3. The NATION agrees to compensate the CONSULTANT for work or services under this contract by paying to the CONSULTANT a sum not to exceed \$5,225.00 as per EXHIBIT A - Budget.
4. The CONSULTANT shall work with the of Division of Natural Resources, under the direction/supervision of W. Mike Halona, Department Manager III, in the performance of work or services under this Contract; and no payment shall be made unless said supervisor approves the work performed or services provided under this Contract; and has approved the invoice(s) submitted by the CONSULTANT. All expenditure(s) invoiced must be supported by receipts.
5. Contract Number C 011089 shall cover this Contract and reference to this number shall be made on all invoices submitted by the CONSULTANT to the NATION for payment.
6. The liability of the Navajo Nation under this contract is contingent upon the availability of funds appropriated by the Navajo Nation Council, pursuant to 2 N.N.C. § 223 A. The Navajo Nation acknowledges that pursuant to 2 N.N.C. § 223 B., all contracts shall have sufficient funds appropriated and available to perform the services under this Contract.
7. The CONSULTANT is authorized to travel under this Contract. The CONSULTANT will provide services on the Navajo Nation, located in Saint Michaels, Apache County, Arizona, and if necessary at NA.
8. The CONSULTANT shall act as an independent contractor and will not receive any benefits to which the NATION's permanent employees are entitled. The NATION shall not be responsible for the payment of any taxes, permit fees, licenses or other expenses required by the CONSULTANT due to conducting required work or services under this Contract.

9. The product(s) and title of the **CONSULTANT's** work and services under this Contract shall be and will remain the property of the **NATION**. Copies of all correspondence, reports and invoices under this contract shall be furnished to the:

Accounting Supervisor
Contract Administration
THE NAVAJO NATION
Post Office Box 3150
Window Rock, Arizona 86515

Note: The final invoice will be due thirty (30) days after the contract ends, and a "Release of Claims" form must be submitted.

10. The **CONSULTANT** agrees to hold harmless and indemnify the **NATION** against any and all losses, costs, damages, claims, expenses, or other liability whatsoever, arising out of or in connection with, the **CONSULTANT's** work or services under this Contract including, but not limited to, any accident or injury to person or property. The Navajo Nation acknowledges that it would be responsible for claims of damages arising from personal injury or damages to persons or property to the extent they result from the negligence of Tribal officials or employees as provided for and in accordance with 1 N.N.C. §§ 551 *et seq.*
11. Any modifications to this Contract shall be made only by written amendment, signed by all parties to this Contract. Any amendment to increase this contract that exceeds 20% of the original accepted bid shall be handled pursuant to 2 N.N.C. § 223 F.
12. All disputes over the performance of services provided in the execution of this Contract will be resolved administratively, under the laws of the **NATION**. Nothing herein shall be construed as a waiver of the **NATION's** sovereign immunity.
13. The **NATION** may terminate this Contract at any time if the **CONSULTANT'S** work or services provided are not satisfactory, if the **CONSULTANT** fails to submit required reports and other documents as requested by the **NATION** within defined time schedules, or if the **CONSULTANT** fails to submit verification of invoices to the **NATION** for payment.
14. The **CONSULTANT** shall comply with the application of the **NATION's** Navajo Business Procurement Act, 12 N.N.C. §§ 1501. *et seq.*, the Navajo Preference in Employment Act, 15 N.N.C. §§ 601 *et seq.*, and the Navajo Business Opportunity Act, 5 N.N.C. §§ 201 *et seq.*; unless there are some provisions from the funding source that prohibits the adherence to the law.
15. **Pre-Professional Service Costs:** Costs incurred before the finalization of this Professional Service Contract which are deemed reasonable, allowable, and allocable to performance of the contract as agreed to by the parties may be paid.

16. All work performed within the territorial jurisdiction of the Navajo Nation is subject to the 5% Navajo Sales Tax. 24 N.N.C. §§ 601 *et seq.* The **CONSULTANT** shall segregate, on each invoice, work performed within and outside the territorial jurisdiction of the Navajo Nation. The Navajo Nation shall withhold from each payment to the **CONSULTANT** 5% of the total invoice amount associated with work performed within the Navajo Nation. This amount reflects the Navajo Sales Tax due on such invoice amount. This 5% shall be transferred to the Office of the Navajo Tax Commission as a payment of the tax on behalf of the **CONSULTANT**. The **CONSULTANT** will then indicate on the quarterly tax return required under the Navajo Sales Tax that this amount has been previously withheld and paid to the Office of the Navajo Tax Commission. It is hereby acknowledged that the Navajo Nation withholding amounts pursuant to this section in no way removes responsibility from the **CONSULTANT** as a taxpayer for timely filing of tax returns and timely payment of any other amounts, which may be owed for taxes.
17. If the **CONSULTANT** in its present form or any other identifiable capacity as an individual, business, corporation, partnership or other entity, has an outstanding money judgment against it in favor of the Navajo Nation or a delinquent accounts receivable debt which is due and owing to the Navajo Nation, upon due notice the Navajo Nation may offset its money claim against any amount it owes to or has an account payable to the individual, business, corporation, partnership or other entity.
18. The **CONSULTANT** shall procure Commercial General Liability insurance coverage (ISO CG 001 form or equivalent) of no less than \$1,000,000 per occurrence and \$2,000,000 aggregate or higher as may be recommended by the Navajo Nation Risk Management Department; auto Liability coverage of no less than \$1,000,000 per accident which covers non-owned autos; Worker's Compensation coverage with statutory benefits and employers liability coverage of no less than \$500,000. The **CONSULTANT** shall provide proof of said insurance to the Navajo Nation which names the Navajo Nation as an additional insured prior to the commencement of any work/services under the contract.

PROFESSIONAL SERVICE CONTRACT

ATTACHMENT B - Scope of Work (include timeframe)

FIRM NAME : AM Valuation Services, PLLC
ADDRESS : 2030 E. Speedway Blvd.
: Tucson, AZ 85719
TELEPHONE NO. : 520-441-9030 Email: ajaym1999@gmail.com

ACTION PLAN

Working closely with the Division of Natural Resources and the Navajo Land Department, Consultant shall produce and deliver a market value Appraisal Report estimating the fair market value of the fee simple interest of the following property:

Property to be appraised:

Location: 2.91 acres located in Karigan Estates Subdivision, Apache County.
Arizona
Owner: NNOGC Holdings LLC
Legal: E2 Commercial Parcel #2, Section 13, T26N, R30E

The valuation shall be based upon Market Value "AS IS" on Appraisal Date:

An estimate of the market value of a property on the condition observed upon inspection and as it physically legally exists without hypothetical conditions, assumptions, or qualifications as of the date the appraisal is prepared. The Appraisal Report shall be written to perform to the Uniform Standard of Professional Appraisal Practices as of "inspection date".

The appraisal report and all documentation will adhere to the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) relating to appraisal standards as enumerated in Title 12, Code of Federal Regulations, Page 34 (12 C.F.R. Part 34), and will be carried out according to the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation. The report shall also provide an unbiased sound economic analyses and conclusions utilizing accepted appraisal techniques.

Timeframe:

AM Valuation Services agrees to complete the assignment within four (4) to five (5) weeks from the date of signed Professional Service Contract by the Navajo Nation President and/or the date the contract is given an assigned number by Contracts & Grants Department, whichever is the earliest.

PROFESSIONAL SERVICE CONTRACT

EXHIBIT A - Budget

FIRM NAME : AM Valuation Services, PLLC
ADDRESS : 2030 E. Speedway Blvd.
: Tucson, AZ 85719
TELEPHONE NO. : 520-441-9030 EMAIL: ajaym1999@gmail.com

CONTRACT BUDGET

<u>Account Number</u>	<u>Account Name</u>	<u>Item Totals</u>
415000 - 6855	Inspection/Appraisal Fees	\$4,725.00
415000 - 6865	Technical Services Expense	\$ 500.00

TOTAL CONSULTANT SERVICE BUDGET: \$5,225.00

BUDGET JUSTIFICATION FORMULAS:

6100 Cost Estimate - Consultant rate per day (or hour) x the number of work day or hours).

6150 Cost Estimate - (Required travel miles x .365 per mile) + (Meals allowance per day x number or required travel days) + (Lodging allowance per day x number of required travel days) + (Estimated commercial fares x number of required air travel trips).

Consultant Compensation Rate

For the purposes of this engagement, AM Valuation Services (CONSULTANT) shall charge the amount \$5,225.00. All billings, invoices, and charges shall not exceed the amount of \$5,225.00 for the production and delivery of a complete market value appraisal of the Navajo Nation Oil & Gas property, situated in Saint Michaels, Apache County, Arizona, as further described in Attachment "B" - Scope of Work declaration of this Agreement.

Payment Schedule

The total amount of \$5,225.00 shall be due and payable upon the completion and delivery of the following work product: a complete market value appraisal of the NN Oil & Gas property.

Budget Breakdown

Funds are available within the Land Acquisition Trust Fund, Business Unit 415000. The following is the breakdown of charges:

Labor.....	\$ 4,500
Travel.....	\$ 300
Data.....	\$ 150
Materials.....	\$ 50
NN 5% Tax.....	\$ 225
TOTAL.....	\$ 5,225

PROFESSIONAL SERVICE CONTRACT

EXHIBIT B - Consultant Credentials

FIRM NAME : AM Valuation Services, PLLC
ADDRESS : 2030 E. Speedway Blvd.
: Tucson, AZ 85719
TELEPHONE NO. : 520-441-9030 EMAIL: ajaym1999@gmail.com

Consultant's credentials are attached hereto and are incorporated herein by this reference.

EXCERPTS FROM PWC INVESTOR SURVEY

Valuation Issues

REPLACEMENT RESERVES

Incorporating an appropriate reserve for the replacement of building components during a holding period plays an important role in accurately forecasting the return potential of an acquisition. The ranges and averages of current and year-ago assumptions for replacement reserves are shown in Exhibit 4. These figures do not include estimates for larger capital costs for items that are replaced only a few times during the life of a property and that are usually accounted for separately as capital improvements.

The Investor Survey Responses in the back of this issue show a sampling of specific replacement reserve assumptions for each market.

MARKET RENT CHANGE RATES

Robust employment trends in sectors that tend to influence the office sector continue to spur leasing demand amid limited additions to supply. As a result,

many property owners have been able to raise rental rates for both new leases and renewals. Table VI-1 traces the first-quarter aggregate average initial-year market rent change rate for the city-specific office markets surveyed during each time period. As shown, the average remains on a year-over-year

growth trend, but remains below the average seen at the peak of the cycle in 2007.

Over the past three years, the Denver office market has posted the largest gain in this key assumption, increasing 380 basis points. Investors cite Denver's diverse economy, rising

Exhibit 4
REPLACEMENT RESERVES PER SQUARE FOOT
First Quarter 2015

MARKET	CURRENT QUARTER		YEAR AGO	
	RANGE	AVERAGE	RANGE	AVERAGE
National				
Regional Mall	\$0.10 - \$0.50	\$0.26	\$0.20 - \$0.50	\$0.33
Power Center	\$0.10 - \$0.35	\$0.22	\$0.10 - \$0.35	\$0.22
Strip Shopping Center	\$0.10 - \$0.50	\$0.25	\$0.10 - \$0.50	\$0.22
Net Lease	\$0.10 - \$0.25	\$0.18	\$0.10 - \$0.25	\$0.20
Medical Office Buildings	\$0.10 - \$0.60	\$0.20	\$0.10 - \$0.60	\$0.30
Industrial				
National Flex/R&D	\$0.10 - \$0.50	\$0.28	\$0.15 - \$1.00	\$0.37
National Warehouse	\$0.05 - \$0.35	\$0.15	\$0.05 - \$0.35	\$0.15
EMC Region Warehouse	\$0.50 - \$1.20	\$0.80	\$0.50 - \$1.20	\$0.20
Pacific Region Warehouse	\$0.05 - \$0.35	\$0.15	\$0.05 - \$0.35	\$0.15
Apartment (per unit)				
National	\$100 - \$2,000	\$425	\$150 - \$2,000	\$400
Mid Atlantic Region	\$100 - \$1,500	\$405	\$75 - \$1,500	\$402
Pacific Region	\$50 - \$400	\$215	\$150 - \$150	\$200
Southeast Region	\$200 - \$1,500	\$490	\$200 - \$1,500	\$485
Office				
National CBD	\$0.10 - \$0.50	\$0.27	\$0.10 - \$0.50	\$0.27
National Suburban	\$0.10 - \$0.50	\$0.29	\$0.10 - \$0.50	\$0.28
Atlanta	\$0.10 - \$0.40	\$0.23	\$0.10 - \$0.40	\$0.23
Boston	\$0.15 - \$0.75	\$0.31	\$0.15 - \$0.50	\$0.25
Charlotte	\$0.10 - \$0.75	\$0.30	\$0.10 - \$0.25	\$0.19
Chicago	\$0.15 - \$1.00	\$0.34	\$0.15 - \$1.00	\$0.34
Dallas	\$0.10 - \$0.50	\$0.28	\$0.10 - \$0.50	\$0.28
Denver	\$0.10 - \$0.30	\$0.30	\$0.10 - \$0.30	\$0.20
Houston	\$0.15 - \$0.30	\$0.22	\$0.10 - \$0.75	\$0.25
Los Angeles	\$0.10 - \$0.25	\$0.19	\$0.15 - \$0.30	\$0.21
Manhattan	\$0.10 - \$1.00	\$0.33	\$0.10 - \$1.00	\$0.32
Northern Virginia	\$0.15 - \$0.75	\$0.33	\$0.15 - \$0.75	\$0.34
Pacific Northwest	\$0.05 - \$2.00	\$0.34	\$0.05 - \$2.00	\$0.33
Philadelphia	\$0.15 - \$0.50	\$0.28	\$0.15 - \$0.50	\$0.27
Phoenix	\$0.10 - \$0.35	\$0.23	\$0.10 - \$0.35	\$0.23
San Diego	\$0.00 - \$0.35	\$0.19	\$0.00 - \$0.35	\$0.19
San Francisco	\$0.10 - \$0.30	\$0.21	\$0.10 - \$0.30	\$0.21
Seattle	\$0.05 - \$2.00	\$0.43	\$0.05 - \$2.00	\$0.43
Southeast Florida	\$0.10 - \$1.00	\$0.34	\$0.10 - \$1.00	\$0.40
Suburban Maryland	\$0.20 - \$0.75	\$0.35	\$0.15 - \$0.75	\$0.33
Washington, DC	\$0.10 - \$0.75	\$0.29	\$0.10 - \$0.50	\$0.21

Source: PwC Real Estate Investor Survey

Table VI-1
INITIAL-YEAR MARKET RENT
CHANGE RATES

City-Specific Office Markets Only

Quarter	Average	Change (Basis Points)
1Q15	2.90%	+ 10
1Q14	2.80%	+ 58
1Q13	2.22%	+ 51
1Q12	1.71%	+ 130
1Q11	0.41%	163
1Q10	(1.22%)	314
1Q09	1.92%	- 200
1Q08	3.92%	+ 45
1Q07	3.47%	+ 104
1Q06	2.43%	+ 88
1Q05	1.55%	65
1Q04	0.90%	

Source: PwC Real Estate Investor Survey

Exhibit 5
MANAGEMENT FEES AND LEASING COMMISSIONS
First Quarter 2015

MARKET	MANAGEMENT FEES (AS A % OF EFFECTIVE GROSS REVENUE)			LEASING COMMISSIONS NEW LEASE			RENEWAL LEASES		
	LOW	HIGH	AVERAGE	LOW	HIGH	AVERAGE	LOW	HIGH	AVERAGE
National									
Regional Mall	1.00%	5.00%	3.03%	(a)	(a)	(a)	(a)	(a)	(a)
Power Center	0.03%	6.00%	2.76%	3.00%	6.00%	5.20%	2.50%	5.00%	3.19%
Strip Shopping Center	2.00%	6.00%	3.47%	2.00%	8.00%	5.41%	0.00%	5.00%	2.76%
CBQ Office	1.00%	5.00%	2.61%	3.00%	8.00%	5.90%	2.00%	6.00%	3.85%
Suburban Office	1.50%	6.00%	3.25%	3.00%	8.00%	5.89%	1.50%	7.00%	3.54%
Net Lease	1.00%	4.00%	2.25%	3.00%	7.00%	4.75%	2.00%	6.00%	3.67%
Medical Office Buildings	1.30%	5.00%	3.61%	3.00%	7.00%	5.00%	1.00%	6.00%	3.50%
Industrial									
National Flex/R&D	1.50%	4.00%	2.71%	4.00%	7.50%	6.29%	2.00%	6.00%	4.13%
National Warehouse	1.00%	4.00%	2.45%	3.00%	8.00%	5.65%	1.50%	8.00%	3.79%
ENC Region Warehouse	1.50%	5.00%	2.58%	3.00%	9.00%	5.96%	1.50%	7.50%	3.50%
Pacific Region Warehouse	1.50%	5.00%	2.67%	3.00%	8.00%	5.71%	2.00%	8.00%	3.83%
Apartment									
National	2.00%	8.00%	3.16%	(a)	(a)	(a)	(a)	(a)	(a)
Mid-Atlantic Region	1.75%	4.00%	2.69%	(a)	(a)	(a)	(a)	(a)	(a)
Pacific Region	1.75%	4.00%	2.71%	(a)	(a)	(a)	(a)	(a)	(a)
Southeast Region	2.00%	3.50%	2.85%	(a)	(a)	(a)	(a)	(a)	(a)
Office									
Atlanta	1.50%	4.00%	2.71%	4.00%	7.50%	6.29%	2.00%	6.00%	4.13%
Boston	1.00%	4.00%	2.79%	1.50%	7.50%	4.75%	1.50%	6.00%	3.19%
Charlotte	1.50%	5.00%	2.79%	6.00%	6.50%	6.04%	2.00%	6.00%	3.75%
Chicago	1.25%	3.50%	2.16%	2.00%	8.00%	5.38%	1.00%	8.00%	4.75%
Dallas	2.00%	4.00%	2.80%	3.00%	7.00%	5.95%	2.00%	6.75%	4.70%
Denver	1.50%	4.00%	2.64%	5.00%	8.00%	6.50%	3.00%	7.00%	4.81%
Houston	1.00%	5.00%	2.95%	3.00%	6.00%	5.30%	2.00%	6.00%	4.10%
Los Angeles	1.50%	3.00%	2.65%	4.00%	7.00%	5.69%	1.50%	6.00%	3.31%
Manhattan	0.50%	4.00%	2.14%	3.00%	7.50%	5.25%	1.50%	5.00%	3.50%
Northern Virginia	2.00%	4.00%	2.80%	3.00%	6.00%	5.00%	2.00%	4.75%	3.70%
Pacific Northwest	1.00%	4.00%	2.60%	5.00%	7.50%	6.50%	0.00%	7.50%	4.25%
Philadelphia	1.50%	5.00%	3.55%	4.00%	6.00%	5.15%	2.00%	4.00%	2.80%
Phoenix	2.00%	4.00%	3.04%	5.00%	9.00%	6.92%	1.50%	8.00%	4.88%
San Diego	2.00%	4.00%	3.13%	3.00%	7.00%	5.63%	2.00%	7.00%	4.00%
San Francisco	1.00%	3.50%	2.29%	3.00%	8.00%	5.56%	2.00%	6.00%	3.31%
Seattle	1.00%	3.50%	2.58%	5.00%	7.50%	6.35%	0.00%	7.50%	3.80%
Southeast Florida	2.50%	5.00%	3.21%	4.00%	7.00%	5.92%	2.00%	6.00%	3.50%
Suburban Maryland	2.00%	3.00%	2.83%	3.50%	6.00%	4.83%	1.00%	4.50%	3.08%
Washington DC	1.00%	3.00%	2.30%	3.00%	6.00%	1.90%	1.50%	5.00%	3.18%

(a) Most markets include leasing commissions in their management fee assumption.
Source: PwC Real Estate Investor Survey

tech-center, and recovering housing market as reasons for its rebounding office market. San Diego ranks second with a 350-basis-point increase.

MANAGEMENT FEES

Management fees used in cash flow projections typically constitute either an in-house related duty expensed to an affiliated company or a third-party

cost paid to an outside management firm. Regardless of how they are contracted, management fees are generally included as an "above-the-line" operating expense and are deducted from revenue in order to derive net operating income (NOI). Management fee assumptions, expressed as a percentage of effective gross revenue (EGR), are detailed in Exhibit 5. The average

for the 34 Survey markets is 2.80%.

LEASING COMMISSIONS

Although leasing commissions may be placed either above or below the NOI line, most investors consider them a "below-the-line" item. Like management fees, leasing commissions are usually expressed as a percentage of EGR. Current leasing commission

National Suburban Office Market

Buoyed by stronger U.S. economic growth, job creation, and limited additions to supply, the national suburban office market showed signs of improvement during 2014, albeit at a more moderate pace than its CBD counterpart. At year-end, the U.S. suburban office market posted an overall vacancy rate of 16.3%, 70 basis points down from where it started the year, as per Cushman & Wakefield (C&W). During that time frame, 25 of the 38 individual suburban office areas tracked by C&W reported declines in overall vacancy.

For investors looking to acquire suburban office properties, one of the biggest challenges is determining the

durability of particular suburban office locations. "It can be quite difficult to find a core suburban area that is growing," remarks an investor. Another challenge is "determining if you have an asset that will remain competitive over the long term."

While many buyers remain drawn to infill suburban office locales, it remains difficult to find available assets in such locations and once found, pricing can be "frothy." "It's a seller's market for infill suburban properties," attests a participant. On the other hand, many agree that "regular" suburban office assets are still priced low relative to replacement cost, favoring buyers. ♦

KEY 1Q15 SURVEY STATS*

Tenant Retention Rate:

Average	65.0% ■
Range	50.0% to 75.0%

Months of Free Rent**:

Average	5.0 ■
Range	0 to 12
% of participants using	88.0% ▼

Market Conditions Favor:

Buyers	12.0% ■
Sellers	0.0% ■
Neither	88.0% ■

* ▼, ▲, change from prior quarter
(1) on a 12-month basis

Table 3

NATIONAL SUBURBAN OFFICE MARKET First Quarter 2015

	CURRENT		LAST QUARTER		1 YEAR AGO		3 YEARS AGO		5 YEARS AGO	
DISCOUNT RATE (IRR)*										
Range	6.00%	10.00%	6.25%	10.50%	6.00%	11.00%	6.00%	12.50%	7.25%	14.00%
Average	7.78%		7.92%		8.02%		8.68%		10.07%	
Change (Basis Points)			- 14		- 21		- 90		- 229	
OVERALL CAP RATE (OAR)*										
Range	5.00% - 9.00%		5.00%	9.00%	5.00% - 9.00%		5.00% - 11.00%		6.75% - 12.00%	
Average	6.64%		6.66%		6.78%		7.58%		8.79%	
Change (Basis Points)			2		11		88		215	
RESIDUAL CAP RATE										
Range	5.75% - 9.50%		6.00% - 9.50%		6.00% - 11.00%		6.00% - 11.00%		7.00% - 11.50%	
Average	7.33%		7.37%		7.64%		7.95%		8.85%	
Change (Basis Points)			6		31		62		152	
MARKET RENT CHANGE*										
Range	0.00%	5.00%	0.00%	5.00%	0.00%	5.00%	(5.00%)	4.00%	(20.00%)	3.00%
Average	2.56%		2.63%		2.06%		1.54%		(2.46%)	
Change (Basis Points)			7		150		102		1502	
EXPENSE CHANGE*										
Range	1.00%	3.50%	1.00%	3.50%	1.00% - 3.50%		2.00% - 4.00%		1.00% - 4.00%	
Average	2.75%		2.75%		2.66%		2.79%		2.71%	
Change (Basis Points)			0		49		1		4	
MARKETING TIME*										
Range	3 - 12		3 - 12		3 - 18		2 - 18		3 - 18	
Average	6.5		7.1		8.3		8.5		9.0	
Change (▼ ▲ -)			▼		▼		▼		▼	
* Rate is sales price, all cash transactions. † Initial rate of change. ‡ In arrears.										

* Rate is annualized, all with 12-month terms. * Initial rate of lease. In month.

ASSUMPTIONS AND LIMITATIONS

GENERAL ASSUMPTIONS AND LIMITATIONS OF THIS APPRAISAL

This appraisal is for no purpose other than property valuation, and the appraisers are neither qualified nor attempting to go beyond that narrow scope. The reader should be aware that there are also inherent limitations to the accuracy of the information and analysis contained in this appraisal. Before making any decision based on the information and analysis contained in this report, it is critically important to read this entire section to understand these limitations.

This appraisal is not a survey.

It is assumed that the utilization of the land and improvements is within the boundaries of the property lines of the property described and that there is no encroachment or trespass unless otherwise noted.

The appraiser has made no survey of the property and no responsibility is assumed in connection with such matters. Any maps plats or drawings reproduced and included in this report are intended only for the purpose of showing spatial relationships. The reliability of the information contained on any such map or drawing is assumed by the appraiser and cannot be guaranteed to be correct. A surveyor should be consulted if there is any concern on boundaries, setbacks, encroachments or other survey matter.

This appraisal is not a legal opinion.

No responsibility is assumed for matters of legal natures that affect title to the property nor is an opinion of title rendered. The title is assumed to be good and marketable. The value opinion is given without regard to any questions of title, boundaries, encumbrances or encroachments. We are not usually provided an abstract of the property being appraised and, in any event, we neither made a detailed examination of it nor do I give any legal opinion concerning it.

It is assumed that there is full compliance with all-applicable federal, state and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report. A comprehensive examination of laws and regulations affecting the subject property was not performed for this appraisal.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined and considered in the appraisal report. Information and analysis shown in this report concerning these items is based only on a rudimentary investigation. Any significant question should be addressed to local zoning or land use officials and/or an attorney.

It is assumed that all required licenses, consents or other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based. Appropriate government officials and/or an attorney should be consulted if an interested party has any questions or concerns on these items since I have not made a comprehensive examination of laws and regulations affecting the subject property.

General Assumptions and Limitations (Continued)

This appraisal is not an engineering or property inspection report.

This appraisal should not be considered a report on the physical items that are a part of this property. Although the appraisal may contain information about the physical items being appraised (including their adequacy and/or condition), it should be clearly understood that this information is only to be used as a general guide for property valuation and not as a complete or detailed physical report. The appraisers are not construction, engineering, environmental or legal experts, and any statement given on these matters in this report should be considered preliminary in nature.

The observed condition of the foundation, roof, exterior walls, interior walls, floors, heating system, plumbing, insulation, electrical service and all mechanical and construction is based on a casual inspection only and no detailed inspection was made. For instance, I am not an expert on heating systems and no attempt was made to inspect the interior of the furnace. The structures were not checked for building code violations, and it is assumed that all buildings meet applicable building codes unless so stated in the report.

Some items such as conditions behind walls, above ceilings, behind locked doors or under the ground are not exposed to casual view and therefore were not inspected. The existence of insulation, if any is mentioned, was found by conversation with others and/or circumstantial evidence. Since it is not exposed to view, the accuracy of any statements about insulation cannot be guaranteed.

It is assumed that there are no hidden or unapparent conditions of the property, sub-soil or structures that would render it more or less valuable. No responsibility is assumed for such conditions or for the engineering that may be required to discover such factors. Since no engineering or percolation tests were made, no liability is assumed for soil conditions. Sub-surface rights (mineral and oil) were not considered in making this appraisal.

Wells and septic systems, if any, are assumed to be in good working condition and of sufficient size and capacity for the stated highest and best use.

I am not an environmental expert, and do not have the expertise necessary to determine the existence of environmental hazards such as the presence of urea-formaldehyde foam insulation, toxic waste, asbestos or hazardous building materials, or any other environmental hazards on the subject or surrounding properties. If I know of any problems of this nature that I believe would create a significant problem, they are disclosed in this report. Nondisclosure should not be taken as an indication that such a problem does not exist, however. An expert in the field should be consulted if any interested party has questions on environmental factors.

General Assumptions and Limitations (Continued)

No chemical or scientific tests were performed by the appraiser on the subject property, and it is assumed that the air, water, ground and general environment associated with the property present no physical or health hazard of any kind unless otherwise noted in the report. It is further assumed that the lot does not contain any type of dumpsite and that there are no underground tanks (or any underground source) leaking toxic or hazardous chemicals into the groundwater or the environment unless otherwise noted in the report.

The age of any improvements to the subject property mentioned in this report should be considered a rough estimate. I am not sufficiently skilled in the construction trades to be able to reliably estimate the age of improvements by observation. I therefore rely on circumstantial evidence which may come into my possession (such as dates on architectural plans) or conversations with those who might be somewhat familiar with the history of the property such as property owners, on-site personnel or others. Parties interested in knowing the exact age of improvements on the land should contact me to ascertain the source of my data and then make a decision as to whether they wish to pursue additional investigation.

Because no detailed inspection was made and because such knowledge goes beyond the scope of this appraisal, any observed condition or other comments given in this appraisal report should not be taken as a guarantee that a problem does not exist. Specifically, no guarantee is made as to the adequacy or condition of the foundation, roof, exterior walls, interior walls, floors, heating system, air conditioning system, plumbing, electrical service, insulation or any other detailed construction matters. If any interested party were concerned about the existence, condition or adequacy of any particular item, I would strongly suggest that a construction expert be hired for a detailed investigation.

This appraisal is made under conditions of uncertainty with limited data.

As can be seen from limitations presented above, the appraisal is based on an analysis of many sources of data. Every attempt has been made to confirm the data as reliable and factual, however, there are a number of limitations with respect to data including: a lack of certain areas of expertise beyond real estate appraisal methodology and techniques; the inability of the appraiser to view certain portions of the property; and the inherent limitations of relying upon information provided by others such as: income and expense data; comparable sales data; and engineering analyses.

This appraisal is an opinion of value based on an analysis of information known to me as the time the appraisal was made. All values shown in the appraisal report are projections based on my analysis as of the date of the appraisal. These values may not be valid in other time periods or as conditions change. I take no responsibility for events, conditions or circumstances affecting the property's market value that take place subsequent to either the date of value contained in this report or the date of field inspection, whichever occurs first.

General Assumptions and Limitations (Continued)

Opinions and estimates expressed herein represent my best judgment but should not be construed as advice or recommendation to act. Before relying on any statement made in this appraisal report, interested parties should contact me for the exact extent of my data collection on any point that they believe to be important to their decision making. This will enable such interested parties to determine whether they believe the extent of my data gathering process was adequate for their needs.

Appraisal report limitations

Appraisal reports are technical documents addressed to the specific technical needs of clients. Casual readers should understand that this report does not contain all of the information I have concerning the subject property or the real estate market. While no factors I believe to be significant but unknown to the client have been knowingly withheld, it is always possible that I have information of significance which may be important to others but which, without limited acquaintance of the property and my limited expertise, does not seem to be important to me.

Appraisal reports made for lenders are technical documents specifically made to lender requirements. Casual readers are cautioned about their limitations and cautioned against possible misinterpretation of the information contained in these reports.

The liability of AM Valuation Services is limited only to the Client and specifically identified intended users. Further, there is no accountability, obligation or liability to any third party. The appraiser(s) should be contacted with any questions before this report is relied on for decision making.

There are no requirements, by reason of this appraisal, to give testimony or appear in court or any pretrial conference or appearance required by subpoena with reference to the property in question, unless sufficient notice is given to allow adequate preparation and additional fees are paid by the client at my regular rates for such appearances and the preparation necessitated thereby.

This report is made for the information and/or guidance of the client and possession of this report, or a copy thereof, does not carry with it a right of publication. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales or other media without the written consent and approval of the appraiser. Nor shall the appraiser, firm or professional organization of which the appraiser is a member be identified without the written consent of the appraiser.

General Assumptions and Limitations (Continued)

This appraisal was prepared at the request of and for the exclusive use of the client to whom the It is suggested that those who possess this appraisal report should not give copies to others. Certainly legal advice should be obtained on potential liability issues before this is done. Anyone who gives out an incomplete or altered copy of the appraisal report (including all attachments) does so at their own risk and assumes complete liability for any harm caused by giving out an incomplete or altered copy. Neither the appraiser nor this company assumes any liability for harm caused by reliance upon an incomplete or altered copy of the appraisal report given out by others. Anyone with a question on whether their copy of an appraisal report is incomplete or altered should contact my office.

Values and conclusions for various components of the subject parcels as contained within this report are valid only when making a summation; they are not to be used independently for any purpose and must be considered invalid if so used. The allocation of the total value in this report between land and improvements applies only under the reported highest and best use of the property. The separate valuations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

In the case of limited partnerships, syndication offerings or stock offerings in real estate, Client agrees that in case of a lawsuit (brought by lender, partner or part owner in any form of ownership, tenant or any other party), any and all awards or settlements of any type in such suit, regardless of the outcome, the Client and all parties will completely hold harmless this firm, its employees and/or agents in any such action.

Americans with Disabilities Act (ADA)

The Americans with Disabilities Act (ADA) became effective January 26, 1992. I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible noncompliance with the requirements of ADA in valuing the property.

EXTRAORDINARY ASSUMPTIONS FOR THIS APPRAISAL

Taxes have not been paid from 2012-2014 with a total owed of \$3,011.68, as of April 29, 2015. There is a lien filed for tax years 2012 and 2013. Therefore, it is an *extraordinary assumption* of this appraisal that the subject taxes will be brought current with no deduction made herein.

APPRAISER'S CERTIFICATE

STATE OF ARIZONA
BOARD OF APPRAISAL

BE IT KNOWN THAT

AJAY S. MADHVANI

HAS MET ALL THE REQUIREMENTS AS A

Certified General Real Estate Appraiser

In accordance with Arizona Revised Statutes and on authority
of the Board of Appraisal, State of Arizona.

This registration shall remain evidence thereof unless or until
the same is suspended, revoked or expires in accordance with
provisions of law.

CERTIFICATE NUMBER

31501

EXPIRATION DATE

January 31, 2017

In witness whereof the Arizona Board of Appraisal caused to
be signed by the Chair of the Board and the Executive Director

 Chair, Board of Appraisal	Date Issued 1 1 1
 Executive Director of the Board of Appraisal	Date Issued 1 1 1

SHALL REMAIN PROPERTY OF ARIZONA BOARD OF APPRAISAL

BDK
Appraisal Services

File No. 2131-115
August 18, 2015

Mr. Louis Denetsosie
Navajo Nation Oil & Gas Company
50 Narbono Circle West
St Michaels, Arizona 86511

RE: The Navajo Nation Oil & Gas Building located in Karigan Estates, St Michaels, Apache County, Arizona.

Mr. Denetsosie:

In accordance with your request, I have performed a Summary appraisal report of the property described above. This document is written in conformance with the Uniform Standards of Professional Appraisal Practice as issued by the Appraisal Foundation (USPAP), Rule 2-2b, specifically pertaining to summary appraisal reports and the Appraisal Guidelines of Navajo Nation Oil & Gas Company. All information pertinent to the value conclusions contained herein is presented in a summary format within this report. This summary report is considered sufficient such that the client and intended users of the report should understand it and that they should deem the data, analysis and conclusions contained herein to be credible. Any additional information, if necessary, is contained within the file and is available to the client.

The purpose of this valuation is to develop an opinion of the "as is" market value of the above referenced property. The *intended use* of this report is for asset management purposes. The *intended user* is Mr. Louis Denetsosie of Navajo Nation Oil & Gas Company. This report is not intended to be used, transferred, or relied upon by any parties other than the Navajo Nation Oil & Gas Company. BDK Appraisal Services and the appraiser signing this report assume no responsibility to any party, other than the clients, who uses or relies on any information in this report. Other intended users include any relevant governmental regulatory agencies and the property owner.

The *scope of work* for this report includes completing an appraisal inspection of the subject, analyzing the St Michaels market for trends that impact real estate values and searching the local market for comparable data. I have been asked by Mr. Louis Denetsosie of the Navajo Nation Oil & Gas Company, to evaluate the leased fee interest of the subject "as is", since approximately 50% of the subject property is currently leased to a single tenant on a long term lease agreement. The subject "as is" is a 12,656 square foot two story office building, constructed in 2005.

The subject's parcel can be identified as 209-27-176B, which has a gross area of 126,760 square feet or 2.91 acres. The subject's improvements "as is" will be evaluated via the Sales Comparison and Income Capitalization Approaches. I have also been asked to evaluate the subject's excess land separately (1.61 acres) and provide a replacement cost new opinion of value. The land will be evaluated via the Sales Comparison Approach and the replacement cost new via Marshall & Swift.

Cost Approach - The Cost Approach - The subject was constructed in 2005 and currently has an actual age of 10 years with an effective age of 4 years. Due to the age of the subject and the difficulty in estimating depreciation and the fact that market participants do not use the Cost Approach in their decision making process, the Cost Approach was not completed in my analysis of the subject property. The replacement cost estimate can be found in the addenda of this report.

This report is not intended to be used, given, sold, transferred, or relied upon by any persons other than the client without the prior, expressed, and written permission of the authors, as set forth within the limiting conditions found within this report. Any party, other than the client, who uses or relies upon any information in this report, without the appraiser's written consent, does so at their own risk.

Based upon the data and discussions contained within this report and supported by information contained in my file, it is my opinion that the market values of the subject property as of August 6, 2015, is as follows:

MY OPINION OF THE REPLACEMENT COST NEW

AS OF AUGUST 6, 2015\$2,303,785

**MY OPINION OF THE MARKET VALUE OF THE
SUBJECT 1.61 ACRES OF EXCESS LAND, "AS IS",**

AS OF AUGUST 6, 2015\$190,000

**MY OPINION OF THE MARKET VALUE
OF THE SUBJECT PROPERTY, "AS IS",**

AS OF AUGUST 6, 2015\$3,115,000

2,493,785

The subject property is *not* considered to reflect a special purpose property. I appraised this property almost exactly three years ago on July 20, 2012.

According to the Apache County Treasurer's Office the subject taxes for 2014 have not been paid. The subject's taxes for 2012 and 2013 are also delinquent. The subject taxes are currently in the amount of \$3,154.79. The taxes for 2011 and prior years have been paid in full with no prior delinquencies. It is an Extraordinary Assumption of this report that the subject's taxes will be brought current.

The above noted value conclusion does not include any allowance for the existing furniture, fixtures and equipment.

Based upon my analysis of the market and the comparables used within the report, it is considered reasonably probable that the subject property "as is" could be marketed within a 12-month period at the indicated opinion of market value.

Your attention is invited to the data and discussions contained in this report and to the exhibits, which are pertinent.

I hereby certify that I have inspected the subject property; that my fee was not contingent upon the opinion of values contained herein; and that I have no interest, present or prospective, in the property appraised. Furthermore, I certify that to the best of my knowledge and belief all statements and opinions contained in this report are correct, subject to the assumptions, limiting conditions and certification which are made a part of this report.

Respectfully submitted,



BILL BEAUVAIS

President – BDK Appraisal Services
Certified General Real Estate Appraiser,
Arizona Certificate #31113