

LEGISLATIVE SUMMARY SHEET

Tracking No. 0338-10

DATE: September 27, 2016

TITLE OF RESOLUTION: AN ACTION RELATING TO RESOURCES AND DEVELOPMENT, BUDGET AND FINANCE AND NAABIK'ÍYÁTI' COMMITTEES AND NAVAJO NATION COUNCIL; ADOPTING THE SÍHASIN FUND NAVAJO COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION ECONOMIC DEVELOPMENT EXPENDITURE PLAN PURSUANT TO CD-68-14 AND 12 N.N.C §§ 2501 – 2508

PURPOSE: This resolution, if approved, will approve the Navajo Community Development Enterprise's expenditure plan for direct and loan funding to Navajo Community Development Fund for economic development purposes in the form of loans to businesses or non-profit organizations owned by Navajo individuals, Navajo Tribal enterprises or Navajo local governments from the Síhasin Fund.

This written summary does not address recommended amendments as may be provided by the standing committee. The Office of Legislative Counsel requests each committee member to review the proposed resolution in detail.

5-DAY BILL HOLD PERIOD: Latoya Burt
Website Posting Time/Date: 8:02pm 9/28/14
Posting End Date: 10-3-14
Eligible for Action: 10-4-14

Resources & Development Committee

THENCE

Budget & Finance Committee

THENCE

Naa'bik'iyáti' Committee

THENCE

Navajo Nation Council

PROPOSED NAVAJO NATION COUNCIL RESOLUTION
23rd NAVAJO NATION COUNCIL – Second Year, 2016

INTRODUCED BY



(Prime Sponsor)



OTTO TSE

TRACKING NO.

0338-14

AN ACTION

RELATING TO RESOURCES AND DEVELOPMENT, BUDGET AND FINANCE
AND NAABIK'ÍYÁTI' COMMITTEES AND NAVAJO NATION COUNCIL;
ADOPTING THE SÍHASIN FUND NAVAJO COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTION ECONOMIC DEVELOPMENT EXPENDITURE PLAN
PURSUANT TO CD-68-14 AND 12 N.N.C §§ 2501 – 2508

BE IT ENACTED:

Section One. Authority

- A. The Navajo Nation Council is the governing body of the Navajo Nation. 2 N.N.C. § 102 (A).
- B. The Naabik'iyati' Committee of the Navajo Nation Council is empowered to review all proposed legislation which requires final action by the Navajo Nation Council. 2 N.N.C. §164(A)(9).
- C. The Budget and Finance Committee of the Navajo Nation Council is empowered to review and recommend to the Navajo Nation Council the budgeting, appropriation, investment, and management of all funds and to coordinate and review all fiscal, financial and investment activities of the Navajo Nation and its enterprises, as well as other agencies, federal, state, regional and private , expending or seeking to expend funds within the Navajo Nation or for the benefit of the Navajo People and to require the presentation and submission of financial reports by any enterprise,

1 authority or entity chartered or approved by the Navajo Nation Council or its
2 committees. 2 N.N.C. §§ 301 (B)(2), (5) and (6).

- 3 D. The Resource Development Committee of the Navajo Nation Council is
4 empowered to exercise oversight authority over economic and community
5 development and to establish policies to streamline procedures for approval,
6 management and enforcement to enhance the development of the economy and
7 increased development of the Navajo Nation and to periodically receive reports and
8 review the operations of the Navajo Nation enterprises, authorities and industries.
9 See 2 N.N.C. §§ 500 (C) and (C) (7) and 501 (B) (4) (e).

10 11 **Section Two. Findings**

- 12 A. On May 30, 2014, the 22nd Navajo Nation Council adopted Resolution No. CMY-28-
13 14 accepting a settlement of the Navajo Nation's lawsuit, *Navajo Nation v. United*
14 *States*, No. 06-945L (United States Court of Federal Claims) against the United States
15 for its historical mismanagement of the tribe's trust assets and its failure to ensure that
16 the Navajo Nation received all funds due and owed under the United States' trust
17 obligations and fiduciary duties. Resolution No. CMY-28-14 was signed into law by
18 the President of the Navajo Nation on June 4, 2014.
- 19 B. The 22nd Navajo Nation Council recognized that during the many decades that the
20 United States was in breach of its trust obligations and fiduciary duties to the
21 Nation, the tribal government was without funds to develop the comprehensive
22 nation-wide infrastructures necessary to support and promote community growth
23 and sustainability through the expansion of economic development, as well as to
24 provide the educational opportunities, critical for the prosperity of current and
25 future generations of Diné. See Resolution No. CMY-28-14.
- 26 C. Between October 6, 2014 and November 8, 2014 the Office of the Speaker held
27 seven (7) Public Hearings, as directed by the Navajo Nation Council's Naabik'iyati'
28 Committee on July 10, 2014, to receive input from Navajo Nation members on how
29 the net proceeds from *Navajo Nation v. United States*' should be used. During that
30

1 same time period, the Office of the President & Vice-President also held five (5)
2 town hall meetings for a similar purpose.

3 D. On December 13, 2014, the 22nd Navajo Nation Council adopted Resolution No.
4 CD-68-14 enacting the Navajo Nation Breach of Trust Settlement Act of 2014
5 (hereinafter “2014 Act”) and establishing the Navajo Nation Síhasin Fund at 12
6 N.N.C. § 2501 et seq. The President of the Navajo Nation signed Resolution No.
7 CD-68-14 into law on December 31, 2014.

8 E. The 2014 Act mandated that the net proceeds and earnings thereon received by the
9 Navajo Nation from the settlement of *Navajo Nation v. United States*, No. 06-945L,
10 and that, when duly designated, the net proceeds of settlements or judgement
11 awards of other litigation(s) brought against the United States concerning its failure
12 to ensure that the Navajo Nation received all funds due and owing under the United
13 States’ trust obligations and fiduciary duties, be deposited into the Síhasin Fund and
14 managed and invested to provide financial support and/or financing for (1) the
15 planning and development of regional infrastructure supporting economic and
16 community development, including housing, within the Navajo Nation; and/or (2)
17 education opportunities for members of the Navajo Nation. See 12 N.N.C § 2501
18 and § 2502 (A).

19 F. The 2014 Act also established that “leveraging of the [Síhasin] Fund by way of
20 guaranteeing loans, match funding, direct funding in part and other weighted uses
21 of the Fund shall be favored over direct funding in whole”. 12 N.N.C § 2502 (B).

22 G. The 2014 Act further established that with the exception of outstanding and accrued
23 litigation costs, Síhasin Fund Principal and Income shall only be expended pursuant
24 to a Fund Expenditure Plan consistent with the purposes set forth in the 2014 Act at
25 12 N.N.C. §2502 and adopted by a two-thirds (2/3) vote of all members of the
26 Navajo Nation Council. See 12 N.N.C. § 2505 (A).

27 H. The 2014 Act states that “Fund Principal” shall consist of all deposits made to the
28 Síhasin Fund and that “Fund Income” shall consist of all earnings (interest,
29 dividends, etc.) generated and realized by the Fund Principal and that Fund Income
30

1 shall be deposited in and added to Fund Principal until such time as a Fund
2 Expenditure Plan is duly adopted. See 12 N.N.C. §§ 2504 and 2505 (c).

3 I. The Office of the Controller reported that as of January 1, 2016, the amount of the
4 Síhasin Fund Principal is four hundred eighty-seven million nine hundred ninety
5 thousand eight hundred forty-one dollars and ninety-one cents (\$487,990,841.91)
6 with interest earnings of four hundred fifty-eight thousand four hundred thirty-one
7 dollars and seventy-five cents (\$458,431.75).

8 J. On April 9, 2015, the Naabik'íyáti' Committee adopted NABIAP-20-15
9 establishing the Naabik'íyáti' Síhasin Fund Subcommittee to “review and evaluate
10 the Public Hearing comments and recommendations from the Navajo People” and
11 “recommend to the Naabik'íyáti' Committee and Navajo Nation Council financial
12 support and/or financing plan(s) for the purposes designated in CD-68-14 [Navajo
13 Nation Breach of Trust Settlement Act of 2014, establishing the Síhasin Fund]”.

14 K. Between April 2015 and August 2016, the Síhasin Fund Subcommittee, assisted by
15 the Office of Legislative Services, Office of the Speaker, and Office of Legislative
16 Counsel, met on at least twenty (20) occasions in either work sessions or official
17 meetings to review and evaluate the Public Hearing comments and
18 recommendations from the Navajo People; hear proposals from Navajo Nation
19 entities, chapters, programs and officials; and develop an expenditure plan(s) for the
20 Síhasin Fund Principal and Income consistent with the purposes set forth in the
21 2014 Act.

22 L. The Síhasin Fund Subcommittee determined that for an expenditure plan to fully
23 meet the leveraging criteria of the 2014 Act, the expenditure plan shall not rely on
24 Síhasin Funds for full direct project funding, unless such funds are to be repaid
25 under a loan agreement, and instead must utilize the Síhasin Funds for (1) match
26 funding, joint funding, contribution funding, cost-share funding or similar weighted
27 uses of the funds; (2) reimbursement funding; and/or (3) loan or bond financing or
28 guarantee.

29 M. The Síhasin Fund Subcommittee also determined that the 2014 Act allowed for the
30 adoption of multiple expenditure plans and that it would be prudent for the Navajo

1 Nation to adopt integrated, yet distinct, expenditure plans for regional-level
2 infrastructure planning and development in four broad infrastructure areas or
3 categories consistent with the purposes of the 2014 Act: Water and Natural
4 Resource Infrastructure Development; Economic Development; Community
5 Development; and Housing Development.

6 N. After reviewing the comments submitted during the Public Hearings and town hall
7 meetings, as well as the reports and comments made during Síhasin Fund
8 Subcommittee meetings, the Subcommittee determined that the lack of on-
9 reservation financial organizations, traditional and non-traditional, that understand
10 the unique set of challenges and barriers to economic growth that Navajo
11 businesses, particularly small businesses, and communities must overcome to
12 achieve financial success and sustainability results in significant gaps in Navajo
13 entrepreneurs' and communities' access to affordable financial services and
14 products necessary to support long-term economic opportunity and entrepreneurial
15 growth on the Navajo Nation.

16 O. Navajo Community Development Financial Institution, Inc. ("NCDFI") and its
17 Board of Directors presented the Síhasin Fund Subcommittee with information that
18 it was created by the Navajo Nation to serve Navajo members and communities by
19 providing comprehensive, culturally appropriate, flexible low-cost loan products
20 and business development services within the Navajo Nation to support strong and
21 sustainable Navajo-owned businesses and organizations, including tribally-owned
22 entities, and increase such businesses' and organizations' financial capability to
23 enter the financial mainstream.

24 P. Between 2004 and 2006, the Division of Economic Development conducted
25 research and feasibility studies concerning the establishment of a Community
26 Development Financial Institution on the Navajo Nation and in early January of
27 2010, NCDFI was created by the Navajo Nation pursuant to Navajo Nation Council
28 Resolution No. CJA-02-10, attached as **Exhibit A**, as a for-profit corporation
29 wholly owned by the Navajo Nation.
30

1 Q. NCDFI was incorporated under the Navajo Nation Corporation Code and is
2 organized to assist individuals, business enterprises and communities to access
3 financial resources they can use to build a strong economy based on individual
4 initiative, entrepreneurial creativity and community values; NCDFI's general
5 purpose is to provide financing and financial products on favorable terms to Navajo
6 tribal members who have been underserved by mainstream institutions. **Exhibit A**,
7 Articles of Incorporation, Article II.

8 R. As stated in its Articles of Incorporation, the specific purposes of NCDFI include,
9 but are not limited to:

- 10 1. To perform all of its activities for the general public benefit of Navajo
11 communities, businesses, and persons who seek to improve the financial
12 and economic conditions of the Navajo Nation and its people;
- 13 2. To encourage and build capacity for tribal development through the
14 promotion of a range of financial products and services, including but not
15 limited to loans, loan guarantees, financial services and other services
16 commensurate with the industry standard for Community Development
17 Financial Institutions;
- 18 3. To promote the development of private and public sectors of the Navajo
19 Nation economy by providing a source of financing for:
 - 20 a. qualified Navajo-owned businesses and industries;
 - 21 b. Navajo government entities that are qualified to enter into contracts
22 and agreements on their own behalf; and
 - 23 c. private non-profit organizations established to foster economic
24 development in the Navajo Nation and its communities.
- 25 4. To foster self-reliance, sustainability, community improvement and
26 locally-based economic development in order to maintain Navajo culture
27 and a future for our children; and
- 28 5. To ensure that all financial transactions, loans, loan guarantees and other
29 services provided by NCDFI are in compliance with
 - 30 a. guidelines established by the NCDFI Board of Directors;

- b. requirements for a Navajo Nation Corporation;
- c. generally-accepted bookkeeping practices; and
- d. applicable Navajo Nation laws.

S. NCDFI is certified as a Community Development Entity (“CDE”) by the U.S. Department of the Treasury Community Development Financial Institution (“CDFI”) Fund and is categorized as an emerging CDFI; as a certified CDE, NCDFI is eligible to apply for matching funds from the Treasury’s CDFI Fund.

T. As a U.S. Treasury certified CDE, NCDFI is also eligible to receive New Market Tax Credits from the federal CDFI Fund; the New Market Tax Credit program incentivizes community development and economic growth through the use of tax credits that attract private investment to distressed communities; NCDFI’s use of New Market Tax Credits will enable loans of tens of millions of dollars from New Market Tax Credits’ commercial sources.

U. The NCDFI Board of Directors presented to the Síhasin Fund Subcommittee that NCDFI’s vision is to develop a financial infrastructure and a sustainable capital based economy on the Navajo Nation that utilizes core Navajo values and traditions to further economic development in Diné communities and that NCDFI will be the economic and financial catalyst that will support and strengthen the private sector to create a private business economy.

V. The NCDFI Board of Directors also represented to the Síhasin Fund Subcommittee that NCDFI has the flexibility to partner with all tribal enterprises and governmental entities to create jobs, opportunity and services necessary to improve the quality of life for Navajo communities.

W. NCDFI currently offers loan products to businesses owned by Navajo-enrolled individuals, as well Navajo tribal enterprises and local governments, ranging from \$1,000.00 up to \$5,000,000.00; such loans may be secured to develop a community facility or start a business, including agriculture businesses, or expand operations through equipment and inventory purchases, building renovations, leasehold improvements, etc., and working capital; NCDFI may also partner with banks as a

1 means of leveraging larger loans or providing deposit services based on its U.S.
2 Treasury certification.

3 X. NCDFI presented the Síhasin Fund Subcommittee with information that, since
4 2010, it has successfully begun to disburse loans to Navajo companies and small
5 businesses and is developing training tools that will educate Navajo entrepreneurs
6 regarding best business practices

7 Y. In July of 2016, the NCDFI presented a proposal to the Síhasin Fund Subcommittee
8 requesting capitalization from Síhasin Funds in the amount of twenty million
9 dollars (\$20,000,000); NCDFI projects that it can leverage the \$20,000,000 Síhasin
10 Fund dollars into almost fifty-five million dollars (\$55,000,000) worth of loans
11 within fifteen years; NCDFI will also be eligible to use the \$20,000,000 of Síhasin
12 Funds to apply for federal CDFI matching funds at a 1:1 ratio.

13 Z. The Síhasin Fund Subcommittee has determined that the NCDFI proposal, dated
14 July 29, 2016 and attached as **Exhibit B**, addresses the lack of a financial
15 infrastructure on the Navajo Nation and therefore meets the 2014 Act requirement
16 for the “planning and development of regional infrastructure supporting economic
17 and community development, including housing, within the Navajo Nation”. See 12
18 N.N.C. §2502 (A) (1).

19 AA. The Síhasin Fund Subcommittee has also determined that NCDFI’s
20 projection that it can leverage the \$20,000,000 Síhasin Fund dollars into almost
21 fifty-five million dollars (\$55,000,000) worth of loans within fifteen years, as well
22 as NCDFI’s eligibility to use the \$20,000,000 of Síhasin Funds to apply for federal
23 CDFI matching funds satisfies the 2014 Act requirement that “leveraging of the
24 [Síhasin] Fund by way of guaranteeing loans, match funding, direct funding in part
25 and other weighted uses of the Fund shall be favored over direct funding in whole”.
26 12 N.N.C § 2502 (B).

27 BB. The Síhasin Fund Subcommittee additionally determined that it was in the
28 best long-term interest of the Navajo Nation and the Navajo people to provide the
29 capitalization of NCDFI and recommends to the Navajo Nation Standing
30 Committees and the Navajo Nation Council that NCDFI be capitalized in the

1 amount of twenty million dollars (\$20,000,000) through the Síhasin Fund as the
2 Síhasin Fund Navajo Community Development Financial Institution, Inc. Economic
3 Development Expenditure Plan, attached as **Exhibit B**, under section 2505 of the
4 2014 Act.

5 CC. After considering the recommendations of the Síhasin Fund Subcommittee,
6 the Navajo Nation Council hereby determines that capitalizing the NCDFI fits
7 within the priorities established under the July 20, 2015 One Nation, One Voice
8 Navajo Nation Three Branch Agreement and that it is in the best interests of Navajo
9 entrepreneurs and Navajo communities, as well as in the best interests of economic
10 and community development within the Navajo Nation, to adopt the Síhasin Fund
11 Navajo Community Development Financial Institution, Inc. Economic
12 Development Expenditure Plan, attached as **Exhibit B**.

13 14 **Section Three. Approval and Adoption of Expenditure Plan**

15 A. The Navajo Nation hereby approves and adopts the Síhasin Fund Navajo
16 Community Development Financial Institution, Inc. Economic Development
17 Expenditure Plan, attached and incorporated herein as **Exhibit B**.

18 B. The Navajo Nation hereby approves and adopts total funding to Navajo Community
19 Development Financial Institution, Inc. for the Síhasin Fund Navajo Community
20 Development Financial Institution, Inc. Economic Development Expenditure Plan
21 in the amount of twenty million dollars (\$20,000,000.00) as follows:

- 22 1. Ten million dollars (\$10,000,000.00) by the end of the first quarter of Navajo
23 Nation Fiscal Year 2017; and
- 24 2. Ten million dollars (\$10,000,000.00) after Navajo Community Development
25 Financial Institution, Inc. has either issued forty (40) loans or four million
26 dollars (\$4,000,000.00) of loans to businesses or non-profit organizations
27 owned by Navajo individuals, Navajo tribal enterprises or Navajo local
28 governments.

29 C. The Síhasin Funds allocated for the Síhasin Fund Navajo Community Development
30 Financial Institution, Inc. Economic Development Expenditure Plan may be further

1 leveraged by the Navajo Nation through bond or loan financing pursuant to the
2 Navajo Nation Bond Financing Act, 12 N.N.C. § 1300 et seq., as amended, using
3 Síhasin Fund Earnings for repayment and financing costs upon the recommendation
4 of the Budget & Finance Committee and approval by a two-thirds (2/3) vote of all
5 members of the Navajo Nation Council.

6
7 **Section Four. Approval and Adoption of Expenditure Plan Administration**

8 A. The Navajo Nation hereby approves administration of the Síhasin Fund Navajo
9 Community Development Financial Institution, Inc. Economic Development
10 Expenditure Plan as follows:

- 11 1. The Navajo Nation Controller shall determine whether the source of the
12 \$20,000,000.00 will be Síhasin Fund Principal or Income or a combination of
13 both;
- 14 2. The funds allocated to the Navajo Community Development Financial
15 Institution, Inc. shall be used solely for the purposes set forth in **Exhibit B** and
16 the use of Síhasin Funds for operating expenses shall not exceed the amounts
17 set forth in **Exhibit B** at pages 4 and 5 unless expressly approved by the
18 Resources & Development Committee and Budget & Finance Committee.
- 19 3. Notwithstanding the FY 2017 Budget Instruction Manual, the Navajo Nation
20 Controller shall release the funds to the Navajo Community Development
21 Financial Institution, Inc. pursuant to a grant agreement agreed to by the
22 Division of Economic Development, Office of Management & Budget and
23 Navajo Community Development Financial Institution, Inc. which shall at least
24 include provisions that:
 - 25 a. Ten million dollars (\$10,000,000.00) shall be released to Navajo
26 Community Development Financial Institution, Inc. by no later than the end
27 of the first quarter of Navajo Nation Fiscal Year 2017; and
 - 28 b. An additional ten million dollars (\$10,000,000.00) shall be released to
29 Navajo Community Development Financial Institution, Inc. when the
30 Navajo Community Development Financial Institution, Inc. Board of

1 Directors have certified and both the Navajo Nation Controller and
2 Executive Director of the Division of Economic Development have agreed,
3 in writing, that Navajo Community Development Financial Institution, Inc.
4 has issued either:

5 1. Forty (40) loans, irrespective of loan category, to businesses or non-
6 profit organizations owned by Navajo individuals, Navajo tribal
7 enterprises or Navajo local governments; or

8 2. Four million dollars (\$4,000,000.00) of loans, irrespective of the size of
9 individual loan(s), to businesses or non-profit organizations owned by
10 Navajo individuals, Navajo tribal enterprises or Navajo local
11 governments.

12 4. The funds allocated for the Síhasin Fund Navajo Community Development
13 Financial Institution, Inc. Economic Development Expenditure Plan shall not
14 lapse on an annual basis pursuant to 12 N.N.C. §820 (N) or otherwise be
15 returned to or deposited in the Síhasin Fund principal or Navajo Nation General
16 Fund until such time as the Síhasin Fund Navajo Community Development
17 Financial Institution, Inc. Economic Development Expenditure Plan, as set forth
18 in **Exhibit B**, is fulfilled.

19 B. The Navajo Community Development Financial Institution, Inc. Board of Directors
20 shall account for and be held accountable for the expenditure of Síhasin Fund funds
21 and shall account for such funds pursuant to a management plan approved by the
22 Navajo Community Development Financial Institution, Inc. Board of Directors
23 which shall at least include provisions that:

24 1. The accounting and financial records for the Síhasin Fund funds shall be kept
25 separate from other Navajo Community Development Financial Institution, Inc.
26 funds and accounts; and

27 2. The use of the Síhasin Fund funds shall be audited on an annual basis by an
28 independent auditor with such audit report submitted to the Naabik'íyáti'
29 Committee, Division of Economic Development, Office of the Controller, and
30 Office of the President and Vice-President.

1 C. The Navajo Community Development Financial Institution, Inc. shall report the use
2 and status of the Síhasin Funds, specifically including the number and dollar
3 amount of loans issued, to the Naabik'íyáti' Committee, Division of Economic
4 Development and Office of the President and Vice-President on a quarterly basis.
5

6 **Section Five. Effective Date**

7 The Síhasin Fund Navajo Community Development Financial Institution, Inc.
8 Economic Development Expenditure Plan, as set forth above, shall become effective
9 pursuant to 12 N.N.C. § 2505.
10

11 **Section Six. Directives**

12 A. All Navajo Nation programs, specifically including, but not limited to, the Office of
13 Controller, Office of Management & Budget, Division of Economic Development
14 and Navajo Community Development Financial Institution, Inc. Board of Directors
15 and staff shall take all steps necessary to expeditiously implement the Síhasin Fund
16 Navajo Community Development Financial Institution, Inc. Economic
17 Development Expenditure Plan consistent with the provisions set forth above.

18 B. Navajo Community Development Financial Institution, Inc. Board of Directors and
19 staff and Navajo Nation programs named in this legislation shall be held
20 accountable for the progress of tasks under their responsibility and control and shall
21 report on a semi-annual basis to the Naabik'íyáti' Committee on the progress of
22 their respective tasks.
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RESOLUTION OF THE
NAVAJO NATION COUNCIL

21st NAVAJO NATION COUNCIL - Fourth Year, 2010

AN ACTION

RELATING TO COMMUNITY DEVELOPMENT, ECONOMIC DEVELOPMENT, AND FINANCE; RATIFYING THE CREATION OF NAVAJO COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION, INC. AS A FOR-PROFIT CORPORATION, WHOLLY OWNED BY THE NAVAJO NATION, AUTHORIZING THE MEMBERS OF THE STANDING COMMITTEES OF THE NAVAJO NATION COUNCIL TO SERVE AS THE SHAREHOLDER REPRESENTATIVES AND COMMUNITY ADVISORY COMMITTEE FOR THE CORPORATION, AND AUTHORIZING A WAIVER OF SOVEREIGN IMMUNITY

BE IT ENACTED:

1. The Navajo Nation hereby ratifies the creation of Navajo Community Development Financial Institution, Inc. as a for-profit corporation, wholly owned by the Navajo Nation, as set forth in the Navajo Community Development Financial Institution, Inc. Articles of Incorporation filed with the Navajo Nation Business Regulatory Department on September 12, 2006 and hereto attached as Exhibit A.
2. The Navajo Nation hereby authorizes the Navajo Community Development Financial Institution, Inc. to waive the sovereign immunity of the Navajo Community Development Institution, Inc., arising from any particular agreement, matter or transaction as may be entered into to further the purposes of the Corporation, and to consent to alternative dispute resolution or to suit in Navajo Nation, federal, or state court, as set forth in the By-Laws of the Navajo Community Development Financial Institution, Inc., hereto attached as Exhibit B.
3. The Navajo Nation further authorizes the appointment, by resolution, one member from each of the standing committees of the 21st Navajo Nation Council, and all successor standing committees, to serve as the Shareholder

RESOLUTION OF THE
NAVAJO NATION COUNCIL

21st NAVAJO NATION COUNCIL - Fourth Year, 2010

AN ACTION

RELATING TO COMMUNITY DEVELOPMENT, ECONOMIC DEVELOPMENT, AND FINANCE; RATIFYING THE CREATION OF NAVAJO COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION, INC. AS A FOR-PROFIT CORPORATION, WHOLLY OWNED BY THE NAVAJO NATION, AUTHORIZING THE MEMBERS OF THE STANDING COMMITTEES OF THE NAVAJO NATION COUNCIL TO SERVE AS THE SHAREHOLDER REPRESENTATIVES AND COMMUNITY ADVISORY COMMITTEE FOR THE CORPORATION, AND AUTHORIZING A WAIVER OF SOVEREIGN IMMUNITY

BE IT ENACTED:

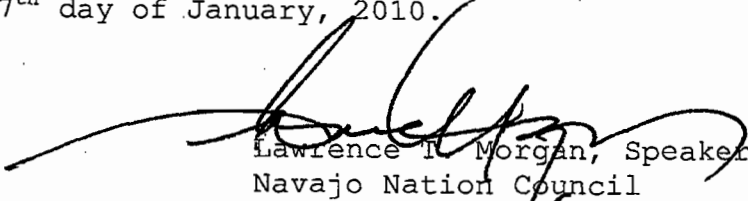
1. The Navajo Nation hereby ratifies the creation of Navajo Community Development Financial Institution, Inc. as a for-profit corporation, wholly owned by the Navajo Nation, as set forth in the Navajo Community Development Financial Institution, Inc. Articles of Incorporation filed with the Navajo Nation Business Regulatory Department on September 12, 2006 and hereto attached as Exhibit A.
2. The Navajo Nation hereby authorizes the Navajo Community Development Financial Institution, Inc. to waive the sovereign immunity of the Navajo Community Development Institution, Inc., arising from any particular agreement, matter or transaction as may be entered into to further the purposes of the Corporation, and to consent to alternative dispute resolution or to suit in Navajo Nation, federal, or state court, as set forth in the By-Laws of the Navajo Community Development Financial Institution, Inc., hereto attached as Exhibit B.
3. The Navajo Nation further authorizes the appointment, by resolution, one member from each of the standing committees of the 21st Navajo Nation Council, and all successor standing committees, to serve as the Shareholder

Representatives and the Community Advisory Council for the Navajo Community Development Financial Institution, Inc., as set forth in the By-Laws of the Navajo Community Development Financial Institution, Inc. hereto attached as Exhibit B.

4. The Navajo Nation further determines that for purposes of the Navajo Nation Sovereign Immunity Act, the actions of the standing committee members serving as the Shareholder Representatives and the Community Advisory Council for the Navajo Community Development Financial Institution, Inc., shall be deemed to constitute official actions of those standing committee members, taken within their official employment and duties as Navajo Nation Council Delegates.
5. The Navajo Nation conditions its approval of Navajo Community Development Financial Institution, Inc. on amendment of the Navajo Community Development Financial Institution, Inc. Articles of Incorporation and By-Laws to be consistent with the provisions of this resolution, including but not limited to paragraphs 3 and 4, above.

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Navajo Nation Council at a duly called meeting in Window Rock, Navajo Nation (Arizona) at which a quorum was present and that the same was passed by a vote of 63 in favor and 7 opposed, this 27th day of January, 2010.

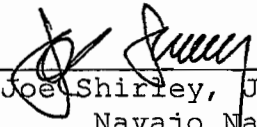

Lawrence T. Morgan, Speaker
Navajo Nation Council

28 Jan 10
Date

Motion: Elmer Milford
Second: Amos Johnson

ACTION BY THE NAVAJO NATION PRESIDENT:

1. I hereby sign into law the foregoing legislation, pursuant to 2 N.N.C. §1005 (C) (10) on this _____ day of **FEB 08 2010** 2010.



Dr. Joe Shirley, Jr., President
Navajo Nation

2. I hereby veto the foregoing legislation, pursuant to 2 N.N.C. §1005 (C) (11), this _____ day of _____ 2010 for the reason(s) expressed in the attached letter to the Speaker.

Dr. Joe Shirley, Jr., President
Navajo Nation

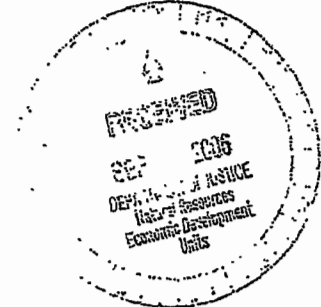


**THE
NAVAJO
NATION**

JOE **SHIRLEY, JR.**
PRESIDENT
FRANK J. **DAYISH, JR.**
VICE PRESIDENT

September 12, 2006

Aaron D. Sam
Navajo Community Development Financial Institution, Inc.
PO Box 663
Window Rock, Arizona 86515



RE: File Number 101005

Dear Incorporator:

Enclosed is your receipt for the filing fee and a Certificate of Incorporation. The Certification should be placed in a conspicuous area within your organization.

In accordance with the Navajo Nation Corporation Code, Article 10, Section 3175, all corporate entities are required to file an Annual Report. This Report is due the first quarter after the closing of your Fiscal Year Ending and every year thereafter. The Annual Report form is enclosed for your reference and convenience. Please consult your legal or fiscal representative to determine how this Annual Report should be properly prepared and submitted.

If you have any questions regarding this matter, do not hesitate to contact us at (928) 871-7365/6714.

Sincerely,

f Frank D. Nez, Jr., Department Manager
Business Regulatory Department

Enclosure

DIVISION OF ECONOMIC DEVELOPMENT

Post Office Box 663 • Window Rock, Navajo Nation (Arizona) 86515 • (928) 871-6544 • Fax: (928) 871-7381



NAVAJO NATION CORPORATION CODE

CERTIFICATE OF INCORPORATION

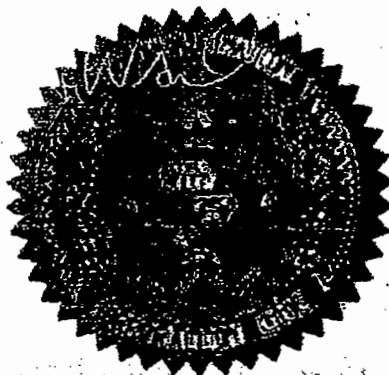
To all to Whom these Presents Shall Come, Greetings:

I, the Director of the Business Regulatory Department, DO HEREBY CERTIFY that

NAVAJO COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION, INC.
File Number 101005

a corporation organized under the laws of the jurisdiction of the Navajo Nation, was
on the 12th day of September, 2006,
authorized to transact business within the Navajo Nation as a Domestic Corporation.

I FURTHER CERTIFY that this corporation has filed all affidavits and
annual reports and paid all annual filing fees required to date and, therefore,
is in good standing within the Navajo Nation.



IN WITNESS WHEREOF, I have hereunto
set my hand and affixed the official seal
of the Navajo Nation Corporation Code at
Window Rock, Arizona, this 12th

day of September, 2006 A.D.

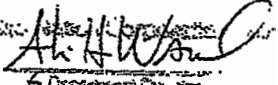
Ali H. W. S. O.
Director, Business Regulatory Department

ARTICLES OF INCORPORATION

OF THE

NAVAJO COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION, INC.

IN THE NAVAJO NATION

By 
F. Department Clerk

The undersigned natural persons, acting as incorporators of a domestic corporation under the Navajo Nation Corporation Act, hereby adopt the following Articles of Incorporation for conducting business as such corporation.

ARTICLE I. Name.

The corporate name is: Navajo Community Development Financial Institution, Inc. (NCDFI).

ARTICLE II. Corporate Purposes.

Sec. 1. The purpose of the Navajo Community Development Financial Institution (NCDFI) is to provide financing and financial products on favorable terms to Navajo tribal members who have been underserved by mainstream institutions. The NCDFI is organized to assist individuals, business enterprises, and communities to access financial resources they can use to build a strong economy based on individual initiative, entrepreneurial creativity, and community values.

Sec. 2. The NCDFI is a self-sufficient business incorporated in the Navajo Nation and operating as a subsidiary, with all shares owned by the Navajo Nation.

Sec. 3. The NCDFI may engage in any lawful business with the powers permitted to a corporation organized pursuant to the Navajo Nation Corporation Code, as amended. This includes, but is not limited to, applying for and accepting grants, loans, tax credits, and financial products; participating in any program for CDFIs and Tribal financial institutions; and accepting and managing investments and other sources of funding on behalf of carrying out the purposes of this corporation.

Sec. 4. The NCDFI purposes include, but are not limited to:

1. to perform all of its activities for the general public benefit of Navajo communities, businesses, and persons who seek to improve the financial and economic conditions of the Navajo Nation and its people;
2. to encourage and build capacity for tribal development through the promotion of a range of financial products and services, including but not limited to loans, loan guarantees, financial services, and other services commensurate with the industry standard for Community Development Financial Institutions;
3. to promote the development of the private and public sectors of the Navajo Nation economy by providing a source of financing for

- a. qualified Navajo-owned businesses and industries;
 - b. Navajo government entities that are qualified to enter into contracts and agreements on their own behalf; and
 - c. private non-profit organizations established to foster economic development in the Navajo Nation and its communities.
4. to foster self-reliance, sustainability, community improvement, and locally-based economic development in order to maintain Navajo culture and a future for our children; and
 5. to ensure that all financial transactions, loans, loan guarantees, and other services provided by the CDFI are in compliance with
 - a. guidelines established by the NCDFI Board of Directors;
 - b. requirements for a Navajo Nation Corporation;
 - c. generally-accepted bookkeeping practices; and
 - d. applicable Navajo Nation laws.

ARTICLE III. Principal Office and Registered Agent.

Sec. 1. The principal office of the NCDFI (herein called the Corporation) shall be located within the Navajo Nation at such a place as may from time to time be established by the Board of Directors. The NCDFI may establish other offices, within or outside of the Navajo Nation, as the Board of Directors (herein called the Board) may designate or as the business of the Corporation may require from time to time.

The name of the Corporation's Registered Agent is Aaron Sam and the Registered Agent's address for service of process is: Small Business Development Office, Second Floor, Karigan Professional Building, Highway 264, 100 Taylor Road, St. Michaels, Arizona, 86511.

ARTICLE IV. Ownership of Corporation.

The Navajo Nation for its benefit shall own all shares in the Corporation. No individual or legal entity other than the Navajo Nation shall acquire any shares in the Corporation and its interest may not be sold, transferred, pledged, or hypothecated, either voluntarily or involuntarily.

ARTICLE V. Incorporators and Initial Board of Directors.

Sec. 1. The number of directors constituting the initial board of directors is five (5) and the names and addresses of the persons who are appointed to act in the capacity of directors would be determined until first annual meeting.

ARTICLE VI. Duration.

The duration of the Corporation is perpetual, or until surrendered by act of the Corporation as outlined in the By-Laws, or revoked pursuant to the Navajo Nation Corporation Code, as amended, or until the corporation is merged with or acquired by a corporation owned by the Navajo Nation and incorporated in the Navajo Nation.

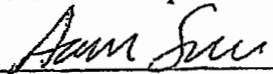
ARTICLE VII. Provision of Law.

The Corporation shall abide by all criminal, civil, and regulatory laws of the Navajo Nation.

ARTICLE VII. Effect of Approval

Upon the approval of these Articles of Incorporation by the Navajo Business Regulatory Department, the NCDFI may commence doing business as a wholly owned Corporation of the Navajo Nation.

Signatures of Incorporators:



Aaron D. Sam

DATED THIS 11th DAY OF September, 2006 CE

ACKNOWLEDGEMENT OF THE REGISTERED AGENT

I, Aaron D. Sam, having been designated to act as Registered Agent, hereby consent to act in that capacity until removed or until a resignation is submitted in accordance with the Navajo Nation Corporation Act.

Aaron D. Sam

Aaron Sam

Name and Signature

Small Business Development Office, Second Floor, Karigan Professional Building, Highway 264
100 Taylor Road, St. Michaels, AZ 86511

Geographical Address

Navajo Nation Division of Economic Development, PO Box 663, Window Rock, AZ, 86515

Mailing Address

This signature must be notarized.



Notary Public State of Arizona
Apache County
Marjorie C Morgan
Expires October 08, 2008

Marjorie C. Morgan
9/11/06

Exhibit

B

PROPOSED BY-LAWS
of the
NAVAJO COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION (NCDFI)
[A Navajo Nation Corporation]

Article I.
Shareholder Representative and Community Advisory Council

Section 1.01 Shareholder Representatives. Pursuant to the Incorporation, the Navajo Nation owns all shares in the Corporation. As the sole shareholder, the Navajo Nation's shares in the corporation shall be exercised by eleven (11) "Shareholder Representatives," composed of the one member (1) of the Standing Committees of the Navajo Nation Council or their successor committees, in accordance with these By-Laws and applicable Navajo Nation laws. At all meetings of the shareholders, these shareholder representatives shall, in all instances, subordinate their personal interests to those of the Corporation in acting in their capacity as representatives of the sole shareholder and not as members of the Navajo Nation Council.

Section 1.02 Compensation of Shareholder Representatives. Subject to applicable law and the fiduciary duties owed by the shareholder representatives to the corporation, the Board of Directors shall have authority to fix the compensation of Shareholder Representatives. The shareholder representatives may be paid their expenses, if any, and a fixed sum for attendance at the annual meeting of the corporation, and special meetings as maybe called from time to time. Expenses allowed will be based on a Company Travel and Reimbursement Policy developed by the Chief Executive Officer and approved by the Board of Directors.

Section 1.03. Community Advisory Council. The shareholder representatives shall also serve specifically as the Community Advisory Council for the NCDFI. As elected delegates to the Navajo Nation Council, the council members have been directly selected by enrolled members of the Navajo Nation to represent their interests. As a designated member of the eleven (11) standing committees of the Navajo Nation Council, the members have been selected by their Legislative colleagues to represent the Navajo Nation Council in matters related to economic and community development.

The Community Advisory Council will advise NCDFI Board of Directors and Management regarding the needs and wants of the community at-large for financial products and services. The Advisory Council will be consulted regarding policies, strategies and implementation activities proposed by the Board and Management of the NCDFI, and will offer advice regarding the impact of these activities on the Community served by the NCDFI. This process constitutes direct consultation with representatives of the Community at-large on matters of policy and implementation.

Article II.
Meetings of Shareholder Representatives

Section 2.01 Place. Meetings of the shareholder representatives shall be held at such places, within or outside of the Navajo Nation, as shall be specified in the respective notices thereof.

Section 2.02 Annual Meetings. The annual meeting of the shareholder representatives shall be held on the first Thursday of every January, beginning with the year 2010, at time specified by the Chairman of the Board for the purpose of the transaction of any business that may come before said meeting. The Chairman of the Board or the Vice Chairman of the Board, in his absence, shall preside over the shareholder's meetings. If the day fixed for the annual meeting is a legal holiday, such meeting shall be held on the next succeeding business day.

Section 2.03 Special Meetings. Special meetings of the shareholder representatives, for any purpose or purposes, unless otherwise prescribed by applicable law, may be called by a majority vote of a quorum of the Board or by the Chief Executive Officer of the Corporation, after consultation with the Board. Special meetings shall require a written request stating the purpose or purposes for which the meeting is called.

Section 2.04 Notice. Unless otherwise provided by law, notice of each annual meeting or special meeting of stockholders, stating the place, day, time, and the purpose or purposes thereof, shall be given to each shareholder representative and Chief Executive Officer of the Corporation. Such notice shall be delivered not less than ten (10) business days before the date of the meeting, either personally or by mail.

Section 2.05 Quorum. At all meetings of shareholder representatives, the presence of a simple majority of confirmed shareholder representatives shall be necessary and sufficient to constitute a quorum for the transaction of business.

Section 2.06 Voting. At all meetings of the shareholder representatives, whether an annual meeting or a special meeting, only matters stated in the notice of the meeting shall be discussed and decided by the shareholder representatives present. On any issue or questions presented, a vote shall be taken of those shareholder representatives present and a simple majority shall carry the issue or question.

Article III.

Directors

Section 3.01 Number. The number of directors, which shall constitute the whole Board of Directors, shall consist of five (5).

Section 3.02 Elections Qualification. Directors shall be elected at the annual meeting of the shareholder representatives, and may also be elected as provided in Section 3.07 of this Article. The Board of Directors to succeed the initial Board shall be elected within twelve (12) months following the effective date of these By-laws. The Chief Executive Officer shall nominate five (5) Directors. The list of the five nominees shall be presented to the shareholder representatives for final confirmation at a duly scheduled meeting at which a quorum is present.

If any nominee is rejected by vote, the shareholder representatives shall notify the Chief Executive Officer, who shall make a new nomination for consideration in conformity with the procedures established by this paragraph. The Directors shall consist of professionals within the financial industry and individuals with substantial experience in positions of responsibility in business or related academia. No person convicted of a felony or misdemeanor involving dishonesty or moral turpitude, including but not limited to extortion, embezzlement, bribery, perjury, fraud, and theft, shall qualify for membership on the Board.

Section 3.03 Term of Office. Terms of the "initially elected" Directors will be staggered as follows: One of the Directors shall serve for a term of one (1) year; two for terms of two (2) years; and two for terms of three (3) years each. Thereafter, each successor Director shall serve for a term of three (3) years. Each Director shall serve until a successor is elected and qualified, or until death, resignation, disqualification or removal.

Section 3.04 Power and Duties In General. The Board of Directors shall oversee the business and affairs of the Corporation as are not by law or by the Articles of Incorporation or by these By-laws directed or required to be exercised or done by the Corporation's officers or shareholder representatives. Directors are responsible for formulating policy decisions affecting the Corporation through strategic direction and broad oversight of corporate officers and not to be involved in day-to-day operations of the business. Directors owe their trust and confidence to the Corporation and its shareholder and shall act within the authority conferred upon them consistent with these By-laws and applicable Navajo or federal law. When acting on behalf of the Corporation, Directors shall perform their duties in good faith, in a manner the Director believes to be in the best interest of the Corporation, and with such care as an ordinary prudent person would use under similar circumstances in a like position. Directors shall, in all instances, subordinate their personal interest to those of the Corporation. The Navajo Nation shall have no authority to direct the business affairs of the Corporation, except through its status as the sole shareholder of the Corporation and as provided in these By-laws.

Section 3.05 Compensation of Directors. Subject to applicable law and the fiduciary duties owed by the Directors to the corporation, the Board of Directors shall have authority to fix the compensation of Directors. The Directors may be paid their expenses, if any, and a fixed sum for attendance of each meeting of the Board of Directors. Members of committees may be allowed like compensation and expenses for attending committee meetings. Expenses allowed will be based on a Company Travel and Reimbursement Policy for Employees and Directors developed by the Chief Executive Officer and approved by the Board of Directors.

Section 3.06 Liability of Directors. A Director shall not be personally liable to the Corporation or its shareholder for monetary damages for breach of fiduciary duty as a Director unless: 1) the Director has breached or failed to perform the duties of the Director's office as provided in these By-laws and; 2) The breach or failure to perform constitutes willful misconduct or recklessness that results in substantial harm to the interests of the Corporation.

Section 3.07 Resignations: Filling of Vacancies. Any Director may resign at any time by giving notice of such resignation to the Board of Directors. Unless otherwise specified in the notice, such resignation shall be effective upon receipt of such notice. Vacancies in the Board, whether caused by resignation, removal, death or otherwise, shall be filled without undue delay and the nominee shall be confirmed in conformity with the procedures established by section 3.02 of the Article.

Article IV.
Meetings of the Board of Directors

Section 4.01 Place. Meetings of Directors, both regular and special, may be held either within or outside of the Navajo Nation.

Section 4.02 Annual and Regular Meetings. The annual meeting of the Board of Directors for the transaction of such business as may be deemed desirable by the Directors present shall be held in each year immediately preceding the annual meeting of shareholder representatives at such time and place as the Board of Directors, may have designated. If the annual meeting of the Board of Directors shall not be so held in a year, such meeting shall be held as soon after the annual meeting of the shareholder representatives as practicable. The Board of Directors from time to time may provide for the holding of regular meetings, a minimum of one annually, and fix the times and places of such meetings, and notice shall be given as required for special meetings of the Board of Directors under section 4.04 of this Article.

Section 4.03 Consent in lieu of Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if a majority of members of the Board of Directors consent thereto in writing and the writing or the writings are filed with the minutes of proceedings of the Board of Directors. Except as otherwise restricted by these By-laws, Directors may participate in a meeting of the Board by means of a conference telephone call or similar communications equipment by which all persons participating in the meeting can hear each other at the same time and participation by such means shall constitute presence in person at a meeting. Furthermore, any action required or permitted to be taken at a meeting of the Board may be taken without a meeting by orally polling the Directors or by a consent in writing setting forth the action so taken, signed by all of the Directors, and the polling or consent shall have same effect as a regular vote.

Section 4.04 Special Meetings and Notice Thereof; Waiver of Notice. Special meetings of the Board of Directors may be called at any time upon a written request of or supported in writing by any three or more Directors. The Chief Executive Officer may also call a special meeting after consulting with the Chairperson of the Board. The written request must state the purpose or purposes of the meeting and be delivered to the Chairperson and the Chief Executive Officer. Notice of each special meeting shall be given to each Director in person, or by mailing to last known post office address, at least ten (10) business days before the date therein designated for such meeting, including the day of mailing, of written or printed notice thereof specifying the time and place of such meeting, and the business to be brought before the meeting. No business other than that specified in the notice shall be transacted at any special meeting unless all Directors present approve an appropriate amendment to the agenda.

Section 4.05 Quorum. At each meeting of the Board of Directors (subject to the provision of Section 3.07 regarding the filling of vacancies), the presence of a majority of the five directors shall be necessary and sufficient to constitute a quorum for the transaction of business. Except as otherwise provided in these By-laws, the vote of a majority of the Directors present at any meeting at which a quorum is present shall be the act of the Board of Directors. In the absence of a quorum, a majority of the Directors present at the time and place of any meeting or of any adjournment thereof (or if only one Director be present, then that one) may adjourn the meeting from time to time, without notice other than announcement at the time and place of such meeting or adjournment, until a quorum shall be present.

Section 4.06 Presumption of Assent. A Director who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken, unless such dissent shall be entered in the minutes of the meeting or unless the Director shall file a written dissent to such action with the person acting as the Chair of the Board of the meeting before the adjournment thereof, or shall forward such dissent by registered or certified mail to the Chair of the Board immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

Section 4.07 Voting. At a meeting of the Board, each Director has one vote and a majority of a quorum carries any issue.

Article V. Committees of the Board of Directors

Section 5.01 Creation of Committees. The Board of Directors may, by action of a majority of the whole five members of the Board of Directors, designate one or more other committees, each consisting of one or more Directors, setting forth the authorities and limitations on the authorities of each such committee.

Section 5.02 Powers of Committees. Subject to any limitations imposed by law or by resolution adopted by a majority of the five members of the Board of Directors, a committee shall have and may exercise, when the Board of Directors is not in session, all power and authority conferred by the Board of Directors in the management of the business and affairs of the Corporation, except any power or authority in reference to (a) amending the Articles of Incorporation, (b) approving an agreement of merger or consolidation, (c) recommending to the stockholder the sale, lease or exchange of all or substantially all of the Corporation's property and assets, (d) approving the dissolution of the Corporation or the revocation of a dissolution, (e) altering, amending or repealing these By-laws, (f) declaring a dividend or authorizing any other distribution to the stockholder, (g) authorizing the issuance of capital stock of the Corporation, or any rights, options or warrants to acquire the same, except pursuant to a plan previously approved by the Board of Directors, (h) designating any committee of the Board of Directors or appointing or removing a member of any committee designated by the Board of Directors, (i) filling vacancies on the Board of Directors, or (j) electing or removing the Chairman or an officer of the Corporation. Each committee designated shall have and may exercise, when the Board of Directors is not in session, such powers, not exceeding those which may be granted to the committee, as the Board of Directors shall confer.

Section 5.03 Meetings and Proceedings. Except as otherwise provided in these By-laws or resolutions of the Board of Directors, each committee may adopt its own rules governing the conduct of its proceedings. All action by any committee shall be reported to the Board of Directors at the next meeting thereof and shall be subject to revision and alteration by the Board of Directors, provided that no such revision or alteration shall affect the valid, existing rights of the third parties. At each meeting of any committee, the presence of a majority of the total number of members constituting the committee shall constitute a quorum for the transaction of business. The vote of a majority of the members of the committee present at any meeting at which a quorum is present shall be the action of the committee.

Section 5.04 Term of Office; Resignations; Removals; Filling of Vacancies. The term of office of a member of a committee shall be as provided in the resolution of the Board of Directors designating the committee but shall not exceed the term of office as a Director. If, prior to the end of the term of office as a member of a committee, a member should cease to be a Director, he shall cease to be a member of the committee. Any member of any committee may resign at any time by giving notice of such resignation to the Board of Directors or the Chief Executive Officer. Unless otherwise specified in such notice, such resignation shall be effective upon receipt by the Board of Directors or the Chief Executive Officer. By action of a majority of the whole Board of Directors, any member of any committee may be removed at any time from such committee for just cause. Vacancies in any committee may be filled by the action of a majority of the whole Board of Directors.

Article VI.

Officers of the Board of Directors

Section 6.01 Election; Number; Term. The officers of the Board of Directors shall be elected from its membership, by a majority of the five members of the Board of Directors, and shall include a Chair, a Vice-Chair, a Secretary, and such other officers as may be elected at the discretion of the Board of Directors. Each officer shall hold office until a successor is elected and qualified, or until the officer's death, resignation, disqualification or removal.

Section 6.02 Power and Duties in General. In addition to the powers and duties prescribed by these By-laws or assigned to them by the Board of Directors, the officers of the Board of Directors shall have such powers and duties as are usually incident to their respective offices, subject to the control of the Board of Directors.

Section 6.03 The Chair of the Board. The Chair shall preside at all meetings of the Board of Directors and of the shareholder representatives.

Section 6.04 The Vice Chair of the Board. The Vice Chair shall, during any absence of the Chair, preside at meetings of the Board of Directors and meetings of the shareholder representatives and carry out all of the duties of the Chair. The Vice Chair shall also perform such duties as may be assigned to him or her by the Chair or the Board of Directors. The Board may designate one of the other Board members to perform the duties of the Chair or Vice Chair in their absence.

Section 6.05 The Secretary of the Board. The Secretary shall cause the minutes of all proceedings of the Board of Directors and the shareholder representatives to be recorded in the minutes' book of the Corporation, shall cause all notices to be duly given in accordance with the provisions of these By-laws and as required by law, and shall have charge and custody of the records and the seal of the Corporation.

Section 6.06 Resignations; Removals' Filling of Vacancies. Any officer of the Board of Directors may resign at any time by giving notice of such resignation to the Board of Directors, the Chair, or the Secretary. Unless otherwise specified in such notice, such resignation shall be effective upon receipt of such notice by the Board of Directors or such officer. Any officer may be removed at any time, for just cause, by action of a majority of the five members of the Board of Directors.

Section 6.07 Bonding. No officers of the Board of Directors shall be required to give a bond unless the Board of Directors shall in its discretion require any such bond or bonds. Any bond so required shall be payable to the Corporation in such amount and with such conditions and security as the Board of Directors may require.

Article VII. Corporate Officers

Section 7.01 Powers and Duties in General. In addition to the powers and duties prescribed by these By-laws or assigned to them by the Board of Directors, the Chief Executive Officer, and other corporate executive officers, shall have such powers and duties as are usually incident to their respective offices, subject to the control of the Board of Directors.

Section 7.02 Chief Executive Officer. The Chief Executive Officer shall perform such duties as may be assigned by the Board and shall prepare and present reports to the Board concerning the state of the corporation's business and affairs.

Section 7.03 Compensation of Corporate Officers. The Corporation officers shall receive expense reimbursement, salary, or other compensation as may be determined by the Board of Directors.

Article VIII. Instruments, Deposits, Checks, Proxies

Section 8.01 Execution of Instruments. The Board of Directors may authorize the Chief Executive Officer to enter into any contract or execute and deliver any such instrument (including, but not limited to, any check, bill of exchange, order for the payment of money, promissory note, acceptance, evidence of indebtedness or proxy to vote with respect to shares of stock or another corporation owned by or standing in the name of the Corporation) in the name and on behalf of the Corporation, and such authorization may be general or confined to specific instances.

Section 8.02 Deposits. Monies and other valuable effects of the Corporation may be deposited from time to time to the credit of the Corporation with such depositories as may be approved by the Board of Directors.

Article IX. Indemnification

Section 9.01 Right to Indemnification. The Corporation shall to the fullest extent permitted by applicable law as then in effect indemnify each person (the "Indemnitee") who was or is involved in any manner (including, without limitation, as a party or a witness) or is threatened to be made so involved in any threatened, pending or completed investigation, claim, action, suit or proceeding, whether civil, criminal, administrative or investigative (including, without limitation, any action, suit or proceeding by, or in the right of, the Corporation to procure a judgment in its favor) (a "Proceeding") by reason of the fact that he or she is or was director or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise (including, without limitation, an employee benefit plan) against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the Indemnitee in connection with such Proceeding. Such indemnification shall be a contract right and shall include the right to receive payment in advance of any expenses incurred by the Indemnitee in connection with such Proceeding, consistent with the provisions of applicable law as then in effect.

Section 9.02 Insurance, Contracts and Funding. The Corporation may purchase and maintain insurance to protect itself and any Indemnitee against any expenses, judgments, fines and amounts paid in settlement as specified in Section 9.01 of this Article or incurred by any Indemnitee in connection with any Proceeding referred to in Section 9.01 of this Article, to the fullest extent permitted by applicable law as then in effect. The Corporation may enter into contracts with any director or officer of the corporation to ensure the payment of such amounts as may be necessary to effect indemnification as provided in the Article.

Section 9.03 Indemnification; Not Exclusive Right. The right of indemnification provided in this Article shall not be exclusive of any other rights to which those seeking indemnification may otherwise be entitled, and the provisions of this Article shall inure to the benefit of the heirs and legal representatives of any person entitled to indemnification under this Article and shall be applicable to proceedings commenced or continuing after the adoption of this Article, whether arising from acts or omissions occurring before or after such adoption.

Section 9.04 Entitlement to Indemnification. To obtain indemnification under this Article an Indemnitee shall submit to the Secretary of the Corporation a written request, including such documentation and information

as is reasonably available to the Indemnatee and reasonably necessary to determine whether and to what extent the Indemnatee is entitled to indemnification (the "Supporting Documentation"). The determination of the Indemnatee's entitlement to indemnification shall be made not later than 60 days after receipt by the Corporation of the written request for indemnification together with the Supporting Documentation. The Secretary of the Corporation shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors in writing that the Indemnatee has requested indemnification. The Indemnatee's entitlement to indemnification under this Article shall be granted if: 1) Such person acted in good faith and in a manner such person reasonable believed to be in, or not opposed to, the best interest of the Corporation; and 2) Such person did not act, fail to act, or refuse to act willfully or with gross negligence or with fraudulent or criminal intent; and 3) Any legal fees paid or any settlements made are reasonable, provided that with respect to any criminal action or proceeding the Corporation shall not be liable to indemnify for any criminal fine for which such person is personally liable; and 4) The person seeking indemnification did not act beyond the scope of his or her employment or office.

Article X. Claims

Section 10.01 Claims Against the Corporation. The Corporation is an instrumentality of the Navajo Nation and is entitled to all of the privileges and immunities of the Navajo Nation, except as provided in this Article. The Corporation and its directors, officers, employees and agents while acting in their official capacities are immune from suit, and the assets and other property of the Corporation are exempt from any levy or execution, provided that, notwithstanding any other provision of law, including but not limited to the Navajo Sovereign Immunity act, 1 N.N.C. Sec 551, et seq., the Board of Directors may waive the defenses identified in this Article, in conformity with the procedures established in the Article, in order to further the purposes of the Corporation. Any waiver of the defenses identified in this Article must be expressed and must be agreed to by the Board of Directors prior to the time any alleged cause of action accrues.

The Corporation is hereby authorized to waive, as provided in this Article, any defense of sovereign immunity from suit the Corporation, its directors, officers, employees, attorneys or agents may otherwise enjoy under applicable Federal, state or Navajo law, arising from any particular agreement, matter or transaction as may be entered into to further the purposes of the Corporation, and to consent to alternative dispute resolution mechanisms such as arbitration or mediation or to suit in Navajo, State and/or Federal court.

The Corporation is hereby authorized to waive, as provided in this Article, any defense the Corporation, its directors, officers, employees, attorneys or agents may otherwise assert that Federal, State or Navajo law requires exhaustion of tribal court remedies prior to suit against the Corporation in a state or Federal court otherwise having jurisdiction over the subject matter and the parties.

Any waiver by the Corporation authorized by the above paragraphs of this Article shall be in the form of a resolution duly adopted by the Board of Directors upon thirty (30) days written notice to the Speaker of the Navajo Nation Council of the Board's intention to adopt the resolution. The resolution shall identify the party or parties for whose benefit the waiver is granted, the agreement of transaction and the claims or classes of claims for which the waiver is granted, the property of the Corporation which may be subject to execution to satisfy any judgment which may be entered in the claim, and shall identify the court or courts in which suit against the Corporation may be brought. Any waiver shall be limited to claims arising from the acts or omission of the Corporation, its directors, officers, employees, or agents, and shall be construed only to affect the property and income of the Corporation.

Nothing in these By-laws and no waiver of the Corporation's sovereign immunity pursuant to the Article shall be construed as a waiver of the sovereign immunity of the Navajo Nation or any other instrumentality of the Navajo Nation, and no such waiver by the Corporation shall create any liability on the part of the Navajo Nation or any other instrumentality of the Navajo Nation for the debts and obligations of the Corporation, or any other instrumentality of the Navajo Nation for the debts and obligations of the Corporation, or shall be construed as a consent to the encumbrance or attachment of any property of the Navajo Nation or any other instrumentality of the Navajo Nation based on any action, adjudication or other determination of liability of any nature incurred by the Corporation. The acts and omissions of the Corporation, its directors, officers, employees and agents shall not create any liability, obligation or indebtedness either of the Navajo Nation or payable out of assets, revenues or income of the Navajo Nation.

Nothing in this Article, and no action taken by the Corporation pursuant to this Article, shall be construed as permitting, recognizing or granting any state any regulatory jurisdiction or taxing jurisdiction over the property or activities of the Corporation or its employees located within the boundaries of Navajo Indian Country.

Article XI. Miscellaneous

Section 11.01 Fiscal Year. The fiscal year of the Corporation shall begin on the 1st day of January in each year, and shall end on the 31st day of December in such year.

Section 11.02 Seal. The corporate seal shall have inscribed thereon the following:

Navajo Community Development Financial Institution
(Reserved)

Article XII. Amendments

Section 12.01 Amendments of By-Laws. The By-laws may be amended from time to time by action of a majority of the five members of the Board of Directors, provided however, that any amendment to sections 1.01 or 10.01 of these By-laws shall require shareholder approval, expressed by resolution adopted by a majority vote of the confirmed shareholder representatives, upon the recommendation of the Board, expressed by resolution adopted by a majority vote of the five members thereof.

**ECONOMIC DEVELOPMENT COMMITTEE REPORT
21st NAVAJO NATION COUNCIL – Third Year, 2009**

Mr. Speaker:

The **ECONOMIC DEVELOPMENT COMMITTEE**, to whom has been assigned:

LEGISLATION NO. 0664-09

Introduced by Hon. Roy B. Dempsey

AN ACTION

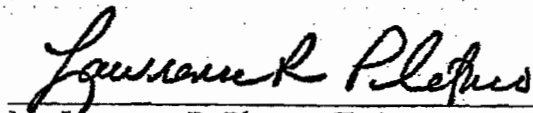
Relating to Community Development; Economic Development and Finance; Ratifying the Creation of Navajo Community Development Financial Institution, Inc., as a For-Profit Corporation, Wholly Owned by the Navajo Nation, Authorizing the Members of the Standing Committees of the Navajo Nation Council to Serve as the Shareholder Representatives and Community Advisory Committee for the Corporation, and Authorizing a Waiver of Sovereign Immunity

has had it under consideration and reports the same with a **DO PASS** recommendation with no amendments.

And thence referred to the **Budget and Finance Committee**.

CERTIFICATION

I, hereby certify that the foregoing legislation was duly considered by the Economic Development Committee of the Navajo Nation Council at a duly called meeting at St. Michaels, Navajo Nation (Arizona), at which a quorum was present and that the same was passed with a vote of **6 in favor and 0 opposed** this 18th day of November 2009.



Mr. Lawrence R. Platero, Chairperson
Economic Development Committee

MOTION: Tommy Tsosie

SECOND: Mel R. Begay

**TRANSPORTATION AND COMMUNITY DEVELOPMENT
COMMITTEE REPORT**

21st NAVAJO NATION COUNCIL

Third Year, 2009

Mr. Speaker,

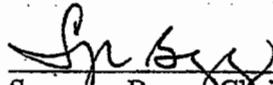
The **TRANSPORTATION AND COMMUNITY DEVELOPMENT COMMITTEE**
to whom has been assigned

LEGISLATION No. 0664-09

Has had it under consideration and reports the same as **DO PASS** without amendments.

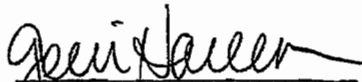
And thence referred to the **ECONOMIC DEVELOPMENT COMMITTEE OF THE
NAVAJO NATION COUNCIL.**

Respectfully Submitted,



Sampson Begay, Chairperson

APPROVED:



Gerri J. Harrison
Legislative Advisor

Date: November 13, 2009

Vote: 4-1

Motion: Lorenzo Bedonie

Second: Willie Begay

BUDGET AND FINANCE COMMITTEE
21ST NAVAJO NATION COUNCIL - Third Year 2009

COMMITTEE REPORT

Honorable Speaker,

The **BUDGET AND FINANCE COMMITTEE OF THE NAVAJO NATION COUNCIL**, to whom has been assigned:

LEGISLATION NO. 0664-09

An Action Relating to Community Development, Economic Development and Finance; Ratifying the Creation of Navajo Community Development Financial Institution, Inc. as a For-Profit Corporation, Wholly owned by the Navajo Nation, Authorizing the Members of the Standing Committees of the Navajo Nation Council to Serve as the Shareholder Representatives and Community Advisory Committee for the Corporation, and Authorizing a Waiver of Sovereign Immunity.

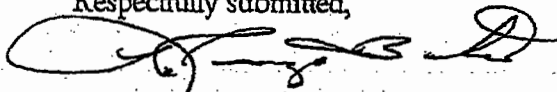
Has had it under consideration and reports a **DO PASS** with **NO AMENDMENTS**.

And, therefore referred to the **ETHIC AND RULES COMMITTEE** of the Navajo Nation Council.

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Budget and Finance Committee of the Navajo Nation Council at a duly called meeting held at Window Rock, Navajo Nation (Arizona), at which a quorum was present and that the same was passed by a vote of 6 in favor, 0 opposed, this 1st day of December, 2009.

Respectfully submitted,



LoRenzo C. Bates, Chairman
Budget and Finance Committee

Motioned : Leonard Chee
Seconded : Ralph Bennett, Jr.
Vote : 6-0

21st Navajo Nation Council

Third Year 2009

Mr. Speaker,

The **ETHIC AND RULES COMMITTEE**, to whom has been assigned

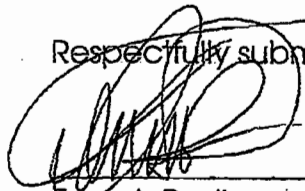
NAVAJO LEGISLATIVE BILL 0664-09

Has had it under consideration and reports the same with a **DO PASS with NO AMENDMENTS:**

And therefore referred to the **21ST NAVAJO NATION COUNCIL.**

Mr. To

Respectfully submitted,

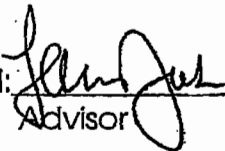


Francis Redhouse, Chairperson

Adopted: _____

Hcs

Advisor



Not Adopted: _____

Advisor

And it

Date: **December 23, 2009**

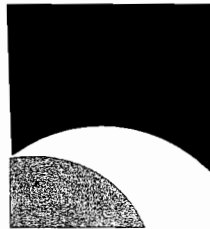
The vote was 6 in favor and 0 opposed

Excused:

Absent: Preston McCabe

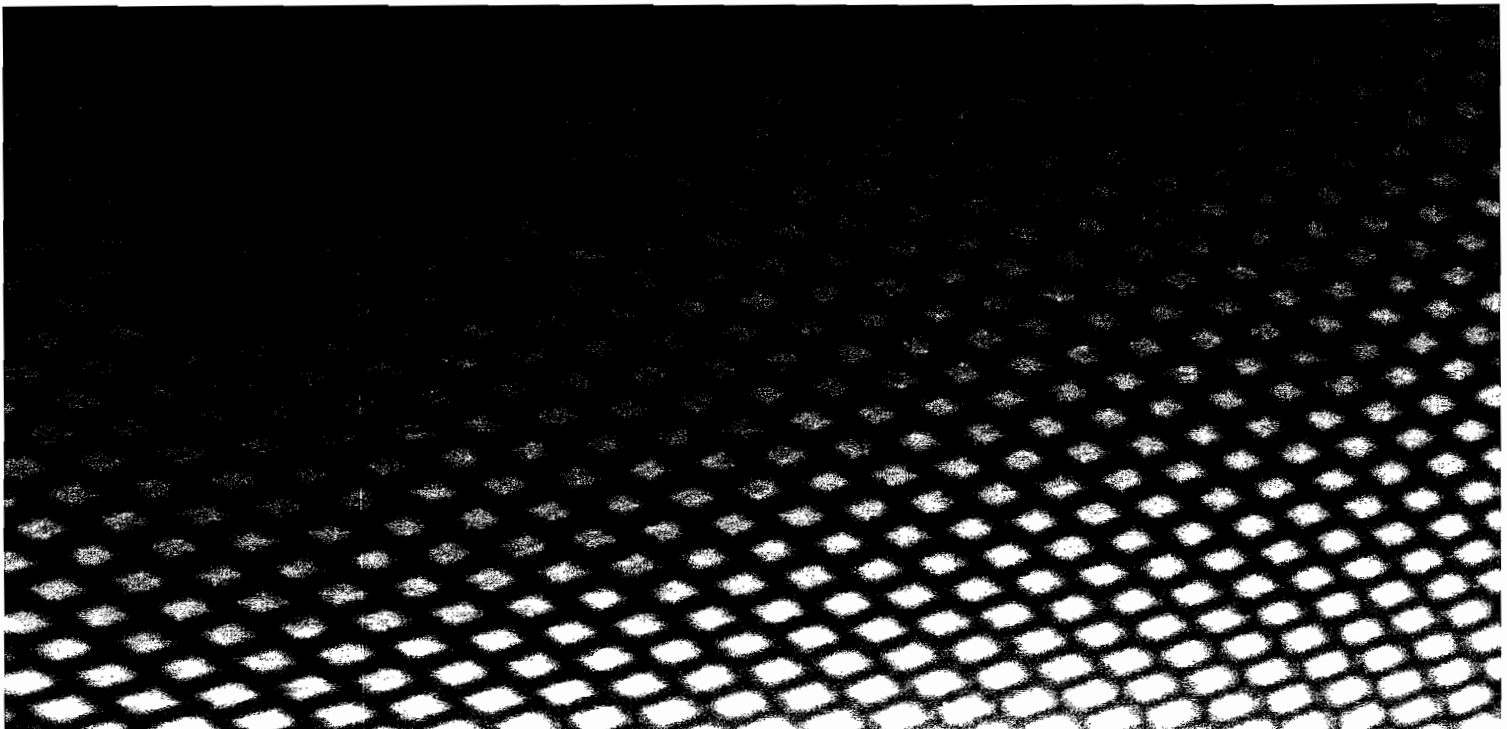
NCDFI

2016 Request for Capitalization



Meeting with
SIIHASIN SUB-COMMITTEE
Of the Naabikiyati Committee
OF THE NAVAJO NATION COUNCIL

July 29, 2016



Capitalization at \$10M

PRO FORMA OPERATING BUDGET - \$10M CAPITALIZATION REQUEST

	Year 1*	Year 2	Year 3	Year 4	Year 5	Year 15
Beginning Cash Balance	10,000,000	10,276,699	10,692,362	10,414,006	10,097,360	21,650,458
REVENUE						
Loan Repayments (Principal & Interest)**						
2015-2016 Existing Loans	70,598	62,954	62,954	52,387	16,758	-
Microeconomic Loans	15,543	16,723	18,596	23,064	27,142	20,546
Small Business	13,705	29,372	45,770	63,565	82,262	90,582
Business	17,131	35,564	56,060	78,304	102,236	113,227
Community Development	26,364	139,120	384,139	776,238	1,146,582	2,776,617
U.S. Federal Match of Non-Fed Funding						
CDFI FA Program***	-	500,000	500,000	1,000,000	-	1,000,000
New Market Tax Credits	-	-	-	-	-	-
Interest from Unexpended Capital						
Est'd 7.5% Interest	750,000	750,000	770,752	801,927	781,050	1,476,520
NCDFI Operations						
Financial Literacy Training Fees	-	1,500	2,240	6,000	11,520	11,520
TOTAL REVENUE	10,893,341	11,811,932	12,532,875	13,215,491	12,264,910	27,139,470
EXPENSES						
NCDFI Operations						
NCDFI Annual Operating Budget	(197,401)	(186,049)	(189,770)	(193,565)	(197,437)	(667,463)
Variable Operating Expenses (Audit)	(65,000)	(65,650)	(66,307)	(66,970)	(67,639)	(74,716)
Investments****						
Microeconomic Loans	(15,130)	(16,279)	(18,102)	(22,451)	(26,421)	(20,000)
Small Business	(60,520)	(69,186)	(72,409)	(78,580)	(82,564)	(80,000)
Business	(75,650)	(81,395)	(90,511)	(98,225)	(105,682)	(100,000)
Community Development	(151,300)	(647,091)	(1,629,207)	(2,607,178)	(3,087,897)	(1,600,000)
NCDFI Operations						
Less Cost of Goods Sold/Cost of Services	-	(190)	(230)	(421)	(673)	(673)
TOTAL EXPENSES	(565,000)	(1,065,840)	(2,066,537)	(3,067,391)	(3,568,312)	(2,542,852)
Net Profit Before Taxes	10,328,341	10,746,092	10,466,338	10,148,101	8,696,597	24,596,618
TAXES - Est'd Tax Liability @ 0.5%	(51,642)	(53,730)	(52,332)	(50,741)	(43,483)	(122,983)
Net Profit After Taxes	10,276,699	10,692,362	10,414,006	10,097,360	8,653,114	24,473,635
Ending Cash Balance	10,276,699	10,692,362	10,414,006	10,097,360	8,653,114	24,473,635

* NOTE: Assumes Capitalization of Year 1 beginning Sept. 1, 2016

**Loan Maturity will vary on a case-by-case basis; anticipated range to include 5-, 8-, 10-, and 15-year terms.

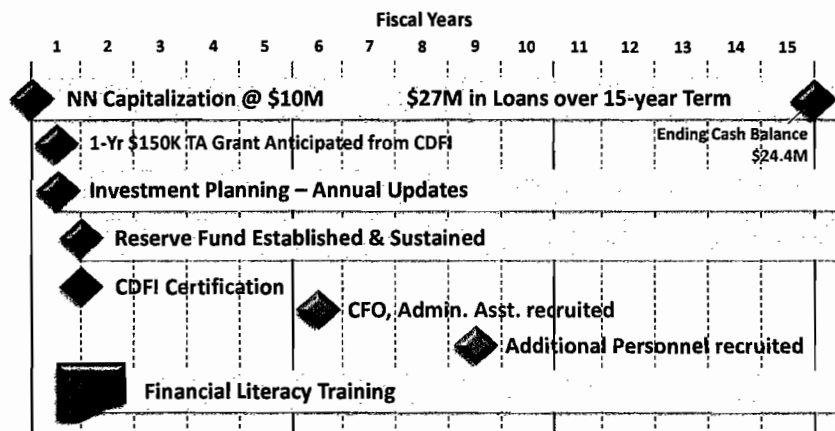
***CDFI Matching Funds up to \$2M within a three-year timeframe

****Years 6-15 incorporate an average loan amount for NCDFI Products applied during 10-year term

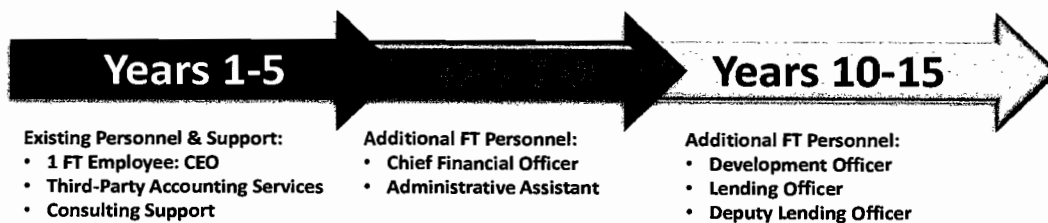
NCDFI - 5 YEAR CAPITALIZATION PROJECTED @ \$10M						
Cost Center	Year 1	Year 2	Year 3	Year 4	Year 5	Combined
NCDFI Operations	\$ 197,401	\$ 186,049	\$ 189,770	\$ 193,565	\$ 197,437	\$ 964,222
Microenterprise	\$ 15,130	\$ 16,279	\$ 18,102	\$ 22,451	\$ 26,421	\$ 98,383
Small Business	\$ 60,520	\$ 69,186	\$ 72,409	\$ 78,580	\$ 82,564	\$ 363,259
Business	\$ 75,650	\$ 81,395	\$ 90,511	\$ 98,225	\$ 105,682	\$ 451,464
Community Development	\$ 151,300	\$ 647,091	\$ 1,629,207	\$ 2,607,178	\$ 3,087,897	\$ 8,122,672
Total	\$ 500,000	\$ 1,000,000	\$ 2,000,000	\$ 3,000,000	\$ 3,500,000	\$ 10,000,000

Estimated # Loans by Product Type Years 1-5								
Loan Type	Loan Amount		Estimated # of Loans					
	Minimum	Maximum	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Microenterprise	\$ 500	\$ 5,000	9	10	11	13	17	60
Small Business	\$ 5,000	\$ 50,000	5	6	7	4	2	24
Business	\$ 50,000	\$ 200,000	1	1	1	2	1	6
Community Development	\$ 50,000	\$ 5,000,000	1	3	2	3	5	14
			16	20	21	22	25	104

Capitalization at \$10M - cont'd



Description	Projected Budget - \$10M Capitalization Request					
	Year 1	Year 2	Year 3	Year 4	Year 5	Combined
PERSONNEL & BENEFITS	106,760.00	108,895.20	111,073.10	113,294.57	115,560.46	555,583.33
NON-PERSONNEL	90,641.00	77,153.82	78,696.90	80,270.83	81,876.25	408,638.80
TOTAL	197,401.00	186,049.02	189,770.00	193,565.40	197,436.71	964,222.12
NCDFI Legal Services	1,005.00	1,025.10	1,045.60	1,066.51	1,087.84	5,230.06
NCDFI Wages: Exempt	85,000.00	86,700.00	88,434.00	90,202.68	92,006.73	442,343.41
NCDFI Fringe: Exempt	21,760.00	22,195.20	22,639.10	23,091.89	23,553.72	113,239.91
NCDFI Wages: Non-Exempt	-	-	-	-	-	-
NCDFI Fringe: Non-Exempt	-	-	-	-	-	-
NCDFI Payroll Fees	900.00	918.00	936.36	955.09	974.19	4,683.64
NCDFI Board/Shareholder Expenses	15,000.00	15,300.00	15,606.00	15,918.12	16,236.48	78,060.60
NCDFI Initial Lending	-	-	-	-	-	-
NCDFI Travel: Vehicle	785.00	800.70	816.71	833.05	849.71	4,085.17
NCDFI - Travel	12,500.00	12,750.00	13,005.00	13,265.10	13,530.40	65,050.50
NCDFI Supplies: Office	3,600.00	3,672.00	3,745.44	3,820.35	3,896.76	18,734.54
NCDFI Supplies: Board Operational	-	-	-	-	-	-
NCDFI Supplies: Postage & Delivery	300.00	306.00	312.12	318.36	324.73	1,561.21
NCDFI Supplies: Print	2,500.00	2,550.00	2,601.00	2,653.02	2,706.08	13,010.10
NCDFI Supplies: Dues/Licenses	1,000.00	1,020.00	1,040.40	1,061.21	1,082.43	5,204.04
NCDFI Supplies: Photography	-	-	-	-	-	-
Rental: Equipment	-	-	-	-	-	-
Utilities: Cell Phone	1,800.00	1,836.00	1,872.72	1,910.17	1,948.38	9,367.27
NCDFI Office Rental	7,800.00	7,956.00	8,115.12	8,277.42	8,442.97	40,591.51
NCDFI Office Utilities	3,600.00	3,672.00	3,745.44	3,820.35	3,896.76	18,734.54
Contract: Consultants	5,000.00	5,100.00	5,202.00	5,306.04	5,412.16	26,020.20
Contract: Consultant Expenses	250.00	255.00	260.10	265.30	270.61	1,301.01
Honorarium	-	-	-	-	-	-
Contract: Miscellaneous	1,350.00	1,377.00	1,404.54	1,432.63	1,461.28	7,025.45
Bank Fees	180.00	183.60	187.27	191.02	194.84	936.73
Accounting	10,000.00	10,200.00	10,404.00	10,612.08	10,824.32	52,040.40
Insurance	360.00	367.20	374.54	382.03	389.68	1,873.45
Training: Seminar and Training Fees	-	-	-	-	-	-
Advertising/Promotion/Marketing	7,500.00	7,650.00	7,803.00	7,959.06	8,118.24	39,030.30
Development Systems	-	-	-	-	-	-
NCDFI Cap Exp: Furniture & Appliances	5,500.00	-	-	-	-	5,500.00
NCDFI Cap Exp: Othr Equipment	211.00	215.22	219.52	223.91	228.39	1,098.05
NCDFI Cap Exp: Computer Equipment	9,500.00	-	-	-	-	9,500.00
	197,401.00	186,049.02	189,770.00	193,565.40	197,436.71	964,222.12



Preferred Capitalization at \$20M

PRO FORMA OPERATING BUDGET - \$20M CAPITALIZATION REQUEST

	Year 1*	Year 2	Year 3	Year 4	Year 5	Year 15
Beginning Cash Balance	20,000,000	20,563,523	20,920,049	19,068,098	18,445,856	37,601,336
REVENUE						
Loan Repayments (Principal & Interest)**						
2015-2016 Existing Loans	70,598	62,954	62,954	52,387	16,758	-
Microeconomic Loans	34,456	34,507	48,006	38,351	54,733	41,092
Small Business	30,382	62,711	105,041	134,630	172,334	181,164
Business	37,977	76,011	128,924	165,911	214,172	226,455
Community Development	58,445	291,108	923,628	1,575,617	2,322,447	5,634,574
U.S. Federal Match of Non-Fed Funding						
CDFI FA Program***	-	500,000	500,000	1,000,000	-	1,000,000
New Market Tax Credits	-	-	-	-	-	-
Interest from Unexpended Capital						
Est'd 7.5% Interest	1,500,000	1,500,000	1,542,264	1,569,004	1,430,107	2,538,323
NCDFI Operations						
Financial Literacy Training Fees	-	1,500	2,240	6,000	11,520	11,520
TOTAL REVENUE	21,731,857	23,092,314	24,233,106	23,609,997	22,667,928	47,234,463
EXPENSES						
NCDFI Operations						
NCDFI Annual Operating Budget	(329,186)	(320,470)	(326,879)	(333,417)	(340,085)	(692,253)
Variable Operating Expenses (Audit)	(65,000)	(66,950)	(68,959)	(71,027)	(73,158)	(98,318)
Investments****						
Microeconomic Loans	(33,541)	(33,591)	(46,731)	(37,333)	(53,279)	(40,000)
Small Business	(134,163)	(142,760)	(186,925)	(130,664)	(166,498)	(160,000)
Business	(167,704)	(167,953)	(233,656)	(163,330)	(213,117)	(200,000)
Community Development	(335,407)	(1,335,227)	(4,205,809)	(4,335,256)	(6,227,020)	(3,250,000)
NCDFI Operations						
Less Cost of Goods Sold/Cost of Services	-	(190)	(230)	(421)	(673)	(673)
TOTAL EXPENSES	(1,065,000)	(2,067,140)	(5,069,189)	(5,071,448)	(7,073,831)	(4,441,245)
Net Profit Before Taxes	20,666,857	21,025,174	19,163,918	18,538,549	15,594,097	42,793,218
TAXES - Est'd Tax Liability @ 0.5%	(103,334)	(105,126)	(95,820)	(92,693)	(77,970)	(213,966)
Net Profit After Taxes	20,563,523	20,920,049	19,068,098	18,445,856	15,516,126	42,579,252
Ending Cash Balance	20,563,523	20,920,049	19,068,098	18,445,856	15,516,126	42,579,252

* NOTE: Assumes Capitalization of Year 1 beginning Sept. 1, 2016

**Loan Maturity will vary on a case-by-case basis; anticipated range to include 5-, 8-, 10-, and 15-year terms.

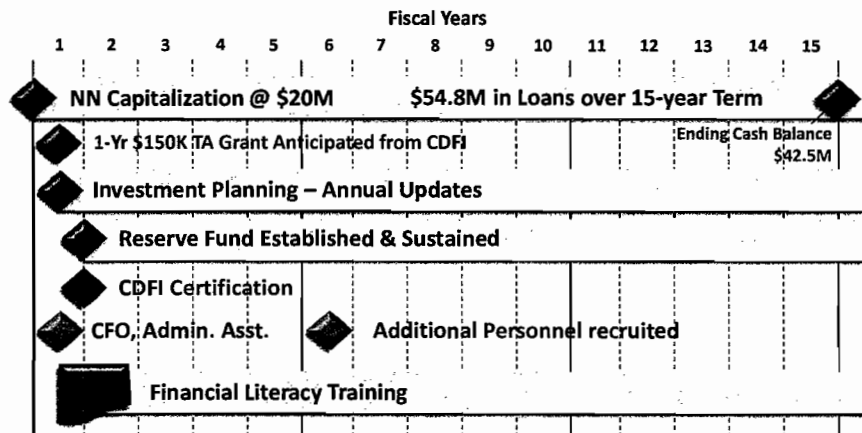
***CDFI Matching Funds up to \$2M within a three-year timeframe

****Years 6-15 incorporates an average loan amount for NCDI Products applied during 10-year term

NCDFI - 5 YEAR CAPITALIZATION PROJECTED @ \$20M						
Cost Center	Year 1	Year 2	Year 3	Year 4	Year 5	Combined
NCDFI Operations	\$ 329,186	\$ 320,470	\$ 326,879	\$ 333,417	\$ 340,085	\$ 1,650,037
Microenterprise	\$ 33,541	\$ 33,591	\$ 46,731	\$ 37,333	\$ 53,279	\$ 204,475
Small Business	\$ 134,163	\$ 142,760	\$ 186,925	\$ 130,664	\$ 166,498	\$ 761,010
Business	\$ 167,704	\$ 167,953	\$ 233,656	\$ 163,330	\$ 213,117	\$ 945,760
Community Development	\$ 335,407	\$ 1,335,227	\$ 4,205,809	\$ 4,335,256	\$ 6,227,020	\$ 16,438,719
Total	\$ 1,000,000	\$ 2,000,000	\$ 5,000,000	\$ 5,000,000	\$ 7,000,000	\$ 20,000,000

Estimated # Loans by Product Type Years 1-5								
Loan Type	Loan Amount		Estimated # of Loans					
	Minimum	Maximum	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Microenterprise	\$ 500	\$ 5,000	16	16	20	17	25	94
Small Business	\$ 5,000	\$ 50,000	8	7	11	6	5	37
Business	\$ 50,000	\$ 200,000	2	2	2	2	2	10
Community Development	\$ 50,000	\$ 5,000,000	1	2	3	5	10	21
			27	27	36	30	42	162

Preferred Capitalization at \$20M - cont'd



Projected Budget - \$20M Capitalization - Preferred Alternative						
Description	Year 1	Year 2	Year 3	Year 4	Year 5	Combined
PERSONNEL & BENEFITS	244,920.00	249,818.40	254,814.77	259,911.06	265,109.28	1,274,573.52
NON-PERSONNEL	84,266.00	70,651.32	72,064.35	73,505.63	74,975.75	375,463.04
TOTAL	329,186.00	320,469.72	326,879.11	333,416.70	340,085.03	1,650,036.56
NCDFI Legal Services	1,005.00	1,025.10	1,045.60	1,066.51	1,087.84	5,230.06
NCDFI Wages: Exempt	160,000.00	163,200.00	166,464.00	169,793.28	173,189.15	832,646.43
NCDFI Fringe: Exempt	40,960.00	41,779.20	42,614.78	43,467.08	44,336.42	213,167.48
NCDFI Wages: Non-Exempt	35,000.00	35,700.00	36,414.00	37,142.28	37,885.13	182,141.41
NCDFI Fringe: Non-Exempt	8,960.00	9,139.20	9,321.98	9,508.42	9,698.59	46,628.20
NCDFI Payroll Fees	900.00	918.00	936.36	955.09	974.19	4,683.64
NCDFI Board/Shareholder Expenses	15,000.00	15,300.00	15,606.00	15,918.12	16,236.48	78,060.60
NCDFI Initial Lending	-	-	-	-	-	-
NCDFI Travel: Vehicle	785.00	800.70	816.71	833.05	849.71	4,085.17
NCDFI - Travel	12,500.00	12,750.00	13,005.00	13,265.10	13,530.40	66,060.50
NCDFI Supplies: Office	3,600.00	3,672.00	3,745.44	3,820.35	3,896.76	18,734.64
NCDFI Supplies: Board Operational	-	-	-	-	-	-
NCDFI Supplies: Postage & Delivery	300.00	306.00	312.12	318.36	324.73	1,561.21
NCDFI Supplies: Print	2,500.00	2,550.00	2,601.00	2,653.02	2,706.08	13,010.10
NCDFI Supplies: Dues/Licenses	1,000.00	1,020.00	1,040.40	1,061.21	1,082.43	5,204.04
NCDFI Supplies: Photography	-	-	-	-	-	-
Rental: Equipment	-	-	-	-	-	-
Utilities: Cell Phone	1,800.00	1,836.00	1,872.72	1,910.17	1,948.38	9,367.27
NCDFI Office Rental	7,800.00	7,956.00	8,115.12	8,277.42	8,442.97	40,691.61
NCDFI Office Utilities	3,600.00	3,672.00	3,745.44	3,820.35	3,896.76	18,734.64
Contract: Consultants	7,500.00	7,650.00	7,803.00	7,959.06	8,118.24	39,030.30
Contract: Consultant Expenses	375.00	382.50	390.15	397.95	405.91	1,951.62
Honorarium	-	-	-	-	-	-
Contract: Miscellaneous	1,350.00	1,377.00	1,404.54	1,432.63	1,461.28	7,025.46
Bank Fees	180.00	183.60	187.27	191.02	194.84	936.73
Accounting	-	-	-	-	-	-
Insurance	360.00	367.20	374.54	382.03	389.68	1,873.46
Training: Seminar and Training Fees	1,000.00	1,020.00	1,040.40	1,061.21	1,082.43	5,204.04
Advertising/Promotion/Marketing	7,500.00	7,650.00	7,803.00	7,959.06	8,118.24	39,030.30
Development Systems	-	-	-	-	-	-
NCDFI Cap Exp: Furniture & Appliances	5,500.00	-	-	-	-	5,500.00
NCDFI Cap Exp: Othr Equipment	211.00	215.22	219.52	223.91	228.39	1,098.06
NCDFI Cap Exp: Computer Equipment	9,500.00	-	-	-	-	9,500.00
	329,186.00	320,469.72	326,879.11	333,416.70	340,085.03	1,650,036.56

Years 1-5

Existing Personnel & Support:

- 1 FT Employee: CEO
- Additional FT Personnel:
- Chief Financial Officer
- Administrative Assistant

Additional FT Personnel:

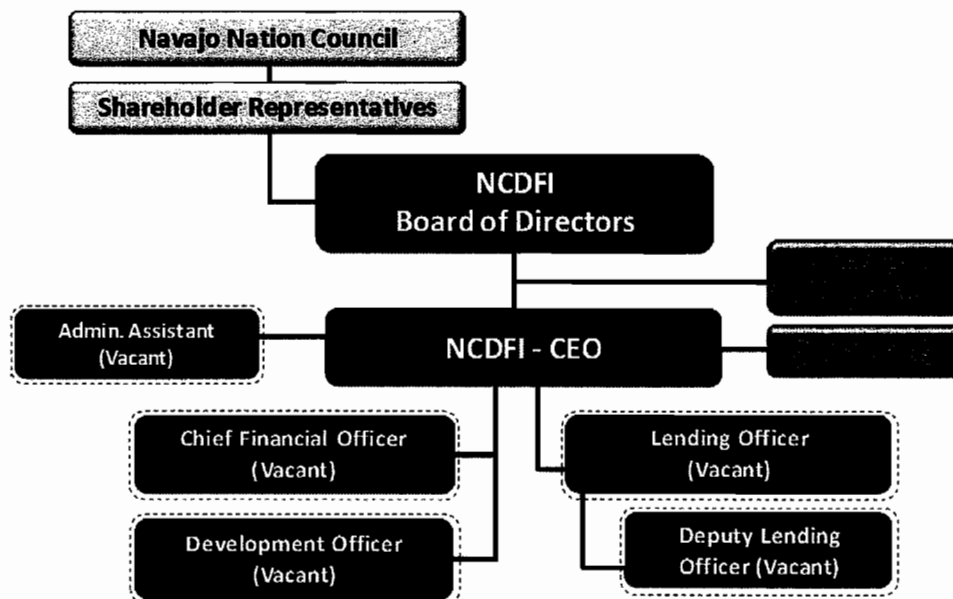
- Development Officer
- Lending Officer
- Deputy Lending Officer

Section 1: Introduction to NCDFI

Section One Highlights

- The Navajo Community Development Financial Institution (NCDFI) is an independent lender that provides loans to qualified applicants who are starting a business or expanding operations through equipment and inventory purchases, building renovations, leasehold improvements, and working capital.
- NCDFI also provides loans for community development purposes within the Navajo Nation.
- NCDFI is certified as a Community Development Entity (CDE) by the U.S. Department of the Treasury CDFI Fund and is eligible to receive New Market Tax Credits (NMTC) from the federal CDFI Fund. The NMTC Program incentivizes community development and economic growth through the use of tax credits that attract private investment to distressed communities. The use of NMTC will enable loans of tens of millions of dollars from NMTC/commercial sources.
- NCDFI is categorized as an emerging CDFI and has applied for a 2016 Native American CDFI Assistance Program (NACA Program) Technical Assistance grant in the amount of \$150,000.
- CDFI's Financial Assistance program may match the Navajo Nation's entire investment dollar-for-dollar over time. In essence, an investment of \$20M in NCDFI may result in \$20M in federal matching funds over a projected 15-year planning horizon.

Navajo Community Development Financial Institution
Organizational Chart



Section 2: Mission, By-laws & Policies

Section Two Highlights

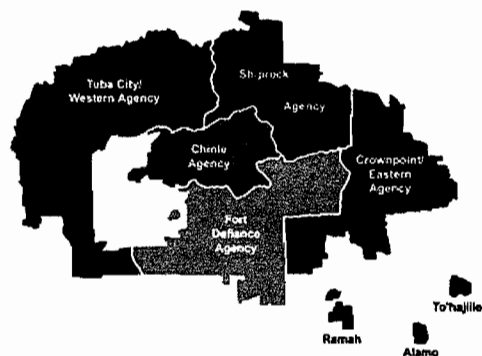
- NCDFI has established By-Laws and Loan Policies in order to ensure sound financial management of resources and promote economic opportunity.
- NCDFI's loan committee consists of the NCDFI CEO and Board President. Loan recommendations to the Board of Directors are made by the loan committee. Final decisions pertaining to each loan recommendation are made by the full Board of Directors.
- The shareholder representatives also serve as the Community Advisory Council for the NCDFI. The Community Advisory Council advises NCDFI Board of Directors and Management regarding the needs and wants of the community at-large for financial products and services.

Mission. NCDFI's Mission is to provide financial products to individuals, businesses, and communities to build a strong economy based on individual initiative, entrepreneurial creativity and community and traditional values.

Vision. NCDFI's Vision is to develop a financial infrastructure and a sustainable capital based economy on the Navajo Nation that utilizes our core values and traditions to further economic development in Dine' communities. NCDFI will be the economic and financial catalyst that will support and strengthen the private sector to create a private business economy. NCDFI will have the flexibility to partner with all tribal enterprises and governmental entities to create jobs, opportunity and services in order to improve the quality of life for the Navajo Communities.

Values Statement. NCDFI's Values are to:

- To promote unity and re-enforce coordinated efforts with all Navajo Nation entities
- To ensure all Dine' people have access to available resources to promote economic opportunity
- Support self-determination by providing access to capital
- Ensure sustainability of resources through sound financial management of resources



Section 3: Historical Summaries

Section Three Highlights

- Between 2015 and 2016, NCDFI has loaned approximately \$283,000 in small business, business, and microenterprise loans.
- NCDFI offers a range of products that serve various target market segments including rural Navajo businesses, tribal enterprises, private businesses, microenterprises, and Navajo Chapters.
- Both capitalization alternatives (\$10M) and (\$20M - the preferred alternative) contained in this report provide a strategic blueprint for developing the long-term internal capacity of NCDFI.

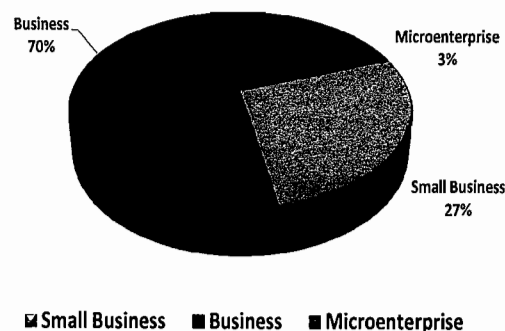
NCDFI Product	Description	Loan Amount		Maturity
		Minimum	Maximum	Months
MICROENTERPRISE	Loans to Tribal enterprises and large businesses.	\$ 500	\$ 5,000	12
SMALL BUSINESS	Loans to private businesses larger than microenterprises.	\$ 5,000	\$ 50,000	60
BUSINESS	Rural Navajo business start up and expanding enterprise loans.	\$ 50,000	\$ 200,000	84
COMMUNITY DEVELOPMENT	Loans to local Navajo Chapter-based projects requiring capital.	\$ 50,000	\$5,000,000	84

NCDFI Products. As a certified community development entity (CDE) by the U.S. Department of the Treasury CDFI Fund, NCDFI offers a range of products aimed to serve its target market, the Navajo Nation. Interest applied to loans equates to prime plus 2%, and debt service varies based on the loan amount and product type. NCDFI products currently include:

Investments to Date. Between 2015 and 2016, NCDFI has loaned approximately \$283,000 in small business, business, and microenterprise loans, the majority being allocated to business development. Note: NCDFI's loan review process is on-going, with loans pending approval throughout any given year.

The table (right) summarizes NCDFI's current emphasis on business investment. With anticipated capitalization of NCDFI, at either the level of \$10M or the preferred level of \$20M, it is anticipated that community development projects will constitute the highest percentage of NCDFI loans.

NCDFI LOAN HISTORY 2015-2016		
Loan Type	Amount	%
Small Business	78,000.00	27.6%
Business	197,000.00	69.6%
Microenterprise	8,000.00	2.8%
Total	283,000.00	100.0%



Section 4: Strategic Planning

Section Four Highlights

- In August 2013, NCDFI developed and adopted an effective Strategic Plan with short-, mid-, and long-range goals, and is faithfully implementing the plan.
- NCDFI aims to (a) become the Navajo Nation's premier lending institution and assist in alleviating economic challenges facing Navajo communities and businesses; (b) develop NCDFI's internal organizational capacity that results in long-term sustainable operations; and (c) develop networking capacity (e.g. form financial partnerships, collaborations with agencies serving small businesses), as well as engagement capacity (e.g. interact with Navajo businesses, communities, and individuals to promote NCDFI's loan products and development services.)
- NCDFI supports the Navajo Nation's emphasis on industrial development and Navajo tourism and has issued loans in 2015-2016 in support of these target investment areas among others.
- Unfunded and partially-funded Navajo community and economic development projects are located throughout AZ, NM and UT. Capitalization of NCDFI will provide Navajo communities an important access to capital and credit and help address significant unmet capital needs.
 - As an example, a staggering unmet capital need of \$1.2B has been documented throughout Navajo Chapters in the State of New Mexico related to infrastructure and capital improvements.

C-Store/Gas Station - Potential Market Niche for Investment. Of the total unmet needs related to Navajo economic development within NM, Convenience Store & Gas Station development amounts to \$5.6M (\$1.1M per project average.) Considering the number of Navajo chapters that are located in Arizona, it would be a conservative estimate to double that figure to approximately \$11-12M to represent all chapters across the Navajo Nation. Under this scenario, NCDFI might opt to focus 100% of its community development investment capital on a single economic development category with the highest ROI potential – such as C-Stores & Gas Stations. Or NCDFI might choose to diversify its investment pool and select a range of Navajo chapter-based community development projects located in AZ, NM and UT.



A Convenience Store (C-Store) combined with Gas Station facilities is a documented community development need within Navajo communities.

Section 5: Budget Assumptions & Alternatives

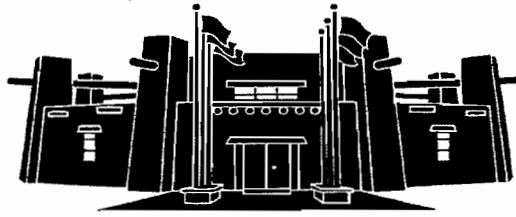
Section Five Highlights

- Over a 15-year period, with \$10M capitalization, over \$27M in loans to qualified applicants is forecasted.
- Over a 15-year period, with the preferred alternative of \$20M capitalization, over \$54.8M in loans to qualified applicants is forecasted.
- NCDFI prefers capitalization at \$20M.
- Neither pro forma for either alternative (contained in this report) includes potential contributions from outside sources, such as Federal Funds or private grants. For example, there is the potential for a 1:1 match from Financial Assistance from the Treasury's CDFI Fund.
- An investment of \$20M in NCDFI may result in \$20M in federal matching funds over the projected 15-year planning horizon.

Section 6: Evaluation

Section Six Highlights

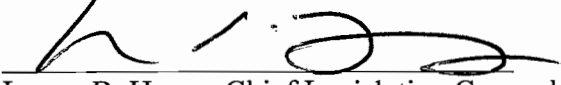
- NCDFI employs risk mitigation strategies aimed at decreasing risk and safeguarding NCDFI's lending services to the Navajo Nation.
- Quarterly Progress Reports and Annual Gap Analysis will provide a foundation for internal NCDFI assessment and the implementation of corrective measures as needed.
- Oversight by Shareholder Representatives – Council Delegates serve as the Nation's representative in oversight and management of NCDFI.
- Human resource capacity is one of NCDFI's strongest assets, combined with target market viability. Quality performance is guaranteed.
- NCDFI is sustainable in the short-, mid-, and long-term. Capitalization at \$10M and at \$20M are both realistic solutions, although an investment of \$20M remains the preferred alternative.



MEMORANDUM

TO: Hon. Leonard Tsosie
23rd Navajo Nation Council

Hon. Otto Tso
23rd Navajo Nation Council

FROM: 
Levon B. Henry, Chief Legislative Counsel
Office of Legislative Counsel

DATE: September 27, 2016

SUBJECT: AN ACTION RELATING TO RESOURCES AND DEVELOPMENT,
BUDGET AND FINANCE AND NAABIK'ÍYÁTI' COMMITTEES AND
NAVAJO NATION COUNCIL; ADOPTING THE SÍHASIN FUND
NAVAJO COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION
ECONOMIC DEVELOPMENT EXPENDITURE PLAN PURSUANT TO
CD-68-14 AND 12 N.N.C §§ 2501 – 2508

Pursuant to your request, attached is the above-referenced proposed resolution and associated legislative summary sheet. Based on existing law, the resolution as drafted is legally sufficient. However, as with all legislation, it is subject to review by the courts in the event of a challenge.

The Office of Legislative Council confirms the appropriate standing committee(s) reviews based on the standing committees powers outlined in 2 N.N.C. §§ 301, 401, 501, 601 and 701. Nevertheless, "the Speaker of the Navajo Nation Council shall introduce [the proposed resolution] into the legislative process by assigning it to the respective oversight committee(s) of the Navajo Nation Council having authority over the matters for proper consideration." 2 N.N.C. § 164(A)(5).

Please review the proposed resolution to ensure it is drafted to your satisfaction. If this proposed resolution is acceptable to you, please sign it where it indicates "Prime Sponsor", and submit it to the Office of Legislative Services for the assignment of a tracking number and referral to the Speaker.

If the proposed resolution is unacceptable to you, or if you have further questions, please contact me at the Office of Legislative Counsel and advise me of changes you would like made to the proposed resolution. You may contact me at (928) 871-7166. Thank you.

THE NAVAJO NATION
LEGISLATIVE BRANCH
INTERNET PUBLIC REVIEW PUBLICATION



LEGISLATION NO: _0338-16_____ SPONSOR: Otto Tso

TITLE: An Action Relating to Resources and Development; Budget and Finance; and Naa'bik'iyati' Committees and Navajo Nation Council: Adopting the Sihasin Fund Navajo Community Development Financial Institution Economic Development Expenditure Plan Pursuant to CD-68-14 and 12 N.N.C. §§ 2501-2508

Date posted: September 28, 2016 at 8:02pm

Digital comments may be e-mailed to comments@navajo-nsn.gov

Written comments may be mailed to:

**Executive Director
Office of Legislative Services
P.O. Box 3390
Window Rock, AZ 86515
(928) 871-7590**

Comments may be made in the form of chapter resolutions, letters, position papers, etc. Please include your name, position title, address for written comments; a valid e-mail address is required. Anonymous comments will not be included in the Legislation packet.

Please note: This digital copy is being provided for the benefit of the Nav, ajo Nation chapters and public use. Any political use is prohibited. All written comments received become the property of the Navajo Nation and will be forwarded to the assigned Navajo Nation Council standing committee(s) and/or the Navajo Nation Council for review. Any tampering with public records are punishable by Navajo Nation law pursuant to 17 N.N.C. §374 *et. seq.*

**THE NAVAJO NATION
LEGISLATIVE BRANCH
INTERNET PUBLIC REVIEW SUMMARY**

LEGISLATION NO.: 0338-16

SPONSOR: Honorable Otto Tso

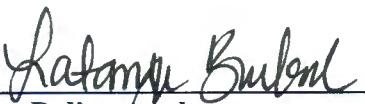
TITLE: An Action Relating To Resources and Development, Budget and Finance and Naabik'iyati' Committees and Navajo Nation Council; Adopting the Sihasin Fund Navajo Community Development Financial Institution Economic Development Expenditure Plan Pursuant to CD-68-14 and 12 N.N.C. §§ 2507-2508

Posted: September 28, 2016 at 8:02 pm

5 DAY Comment Period Ended: October 3, 2016

Digital Comments received:

Comments Supporting	<i>None</i>
Comments Opposing	<i>None</i>
Inclusive Comments	<i>None</i>



**Policy Analyst
Office of Legislative Services**



Date/Time