RESOLUTION OF THE
BUDGET AND FINANCE COMMITTEE
OF THE NAVAJO NATION COUNCIL

23RD NAVAJO NATION COUNCIL - Fourth Year, 2018

AN ACTION

RELATING TO THE BUDGET AND FINANCE COMMITTEE; APPROVING A REDEEMABLE PREFERRED STOCK INVESTMENT IN THE NAVAJO NATION OIL AND GAS COMPANY IN AN AMOUNT UP TO $40 MILLION

BE IT ENACTED:

SECTION ONE. AUTHORITY

A. The Navajo Nation established the Budget and Finance Committee as a standing committee of the Navajo Nation Council and empowered the Committee to coordinate, oversee, and regulate the fiscal, financial, investment, contracting and audit policies of the Navajo Nation. 2 N.N.C. §§ 300(A), 301(B)(5).

B. By Resolution No. BFJN-17-15 (June 23, 2015), the Budget and Finance Committee approved the Amended and Restated Master Investment Policy for the Navajo Nation ("Investment Policy") that specifically authorizes the Budget and Finance Committee to approve direct investments in non-public companies, either equity or debt based, provided such investments have a projected annual rate of return equivalent to the ten year average rate of return for the Master Trust. *See* Investment Policy § 8.1(i).

C. By Resolution No. BFN-38-17 (November 21, 2017), the Budget and Finance Committee further approved an amendment to the Investment Policy at §§ 8.1 (i) and (ii) related to direct investment of the Nation funds in any entity or enterprise owned in whole or part by the Nation, provided the direct investment is subject to investment and operational due diligence by the Investment Committee and is evaluated consistent with the Investment Objectives and Priorities in the Investment Policy at § 2.1, along with the following objectives and priorities, including but not limited to, the overall benefit to the Nation of such investment, the promotion of tribal economic development, the promotion of tribal self-sufficiency and self-governance, the creation of jobs for enrolled members of the Nation, and the promotion of health, education, safety and welfare of enrolled members of the Nation. *See* Investment Policy § 8.1(ii).

SECTION TWO. FINDINGS

A. The Navajo Nation Oil and Gas Company ("NNOGC" or "Corporation") is a federal corporation wholly owned by the Navajo Nation ("Nation"), a federally recognized Indian tribe. NNOGC was formed as a federal corporation under Section 17 of the Indian Reorganization Act ("IRA"), 25 U.S.C. § 5124 (formerly 25 U.S.C. § 477), as amended, pursuant to a Restated Federal Charter of Incorporation ("Charter") approved by the Navajo Nation Council and the U.S. Department of the Interior.

B. As authorized and directed by the Navajo Nation Council through the approval and ratification of the Corporation's Charter, NNOGC has acquired substantial assets of the Navajo Nation that it holds in the Navajo public trust, primarily in the Greater Aneth Field, which it grew from an original investment in the Corporation by the Navajo Nation in the amount of $15 million from the NNOGC Oil and Gas Revenue Fund derived from fuel excise taxes. The Corporation is charged pursuant to its Charter with continuing to grow the Nation's assets and returning the Nation's investment through dividends and distributions of profit to be devoted to essential governmental functions.

C. Prior to a precipitous downturn in crude oil prices that began at the end of calendar year 2014, in the Corporation's Fiscal Year 2014 alone, the Corporation made total direct and indirect payments to the Navajo Nation of $51.1 million, including $14,597,000 in royalties, $3,460,000 in lease bonuses, $1,600,000 in lease rentals, $628,000 for rights-of-way, $1,553,000 in taxes and $29,232,000 in indirect payments (jobs, contract payments, scholarships, etc.). The Corporation had made similar payments to the Nation in prior years.

D. NNOGC currently has a senior secured credit facility from a consortium of nine banks, including Wells Fargo (the "Bank Loan"). Wells Fargo is also the

Administrative Agent for the Bank Loan. The Bank Loan matured on July 2, 2017, and NNOGC owes approximately $74.1 million to the bank consortium. NNOGC has been in default on the Bank Loan since December of 2015 because of former management's decision to end the Corporation's crude oil hedging program, the subsequent crude oil price decline, and several borrowing base redeterminations that resulted in a significant borrowing base deficiency, and NNOGC has been unable to hedge its crude oil production since 2014.

E. By resolution the NNOGC Board of Directors and the NNOGC Shareholder Representatives have requested that the Navajo Nation approve an investment in NNOGC that would facilitate the complete replacement of the Bank Loan and permit NNOGC to reestablish its crude oil hedging program to reduce risk and avoid similar credit crises in the future. NNOGC Board of Directors' resolution and NNOGC Shareholder Representatives' resolution, NNICN-12-18, attached hereto as **Exhibits A** and **B**, respectively.

F. Pursuant to Section 4.3 of the Investment Policy, the Investment Committee serves as an advisory group to the Budget and Finance Committee, which has final approval of investments made from the Navajo Nation Master Trust pursuant to the Investment Policy. On February 23, 2018, the Navajo Nation Investment Committee recommended, under Section 8.1(i) and (ii) of the Investment Policy, a redeemable preferred stock investment in NNOGC up to $40 million, as set forth in the draft term sheet attached hereto as **Exhibit C** (the "Preferred Stock Investment"). Due diligence for the Preferred Stock Investment has been completed.

G. With crude oil prices having recovered above $60 per barrel (NYMEX), the Preferred Stock Investment would allow NNOGC to obtain a new senior secured credit facility for the complete replacement of the Bank Loan and to expand its portfolio of oil and gas properties, including in helium and other upstream production. NNOGC would also have the ability to develop downstream facilities (convenience stores, delis, laundromats, etc.) in areas of the Navajo Nation with the greatest social need. The Navajo Nation would directly benefit from the Preferred Stock Investment through increased royalties and taxes, and from dividends paid on the preferred stock, which would be at the Nation's historic rate of return on its investments and returned to the Navajo Nation rather than benefitting large banks or one or more third party investors. The Preferred Stock Investment would fulfill the Navajo Nation Council's mandate when it created NNOGC, by ensuring that the Nation continues to take and retain control of the Nation's oil, gas and helium resources so that they can be developed and managed in an environmentally responsible manner for the benefit of the Navajo Nation and Navajo people.

H. The Budget and Finance Committee is strongly committed to diversifying the Nation's investment portfolio to include direct investments in the Nation's wholly owned corporations, including NNOGC, rather than investing solely in outside prospects, and is interested in realizing actual cash flow from its investments for the provision of governmental services, rather than solely an increase in the paper value of its investments.

I. Pursuant to 12 N.N.C. § 203(I) and Section 4.4 of the Investment Policy, approved by the Budget and Finance Committee, the Navajo Nation Controller carries out investments authorized and approved by the Budget and Finance Committee.

SECTION THREE. APPROVALS, AUTHORIZATIONS AND DIRECTIVES

A. The Budget and Finance Committee of the Navajo Nation Council hereby approves a direct investment by the Navajo Nation in the Navajo Nation Oil and Gas Company in an amount up to $40 million, to be structured as a redeemable preferred stock investment under substantially the same terms and conditions as set forth in the Term Sheet attached hereto as **Exhibit D**.

B. The Controller shall select the trust funds under the Master Trust to be used to fund the Preferred Stock Investment. Each trust fund under the Master Trust that is providing funding for the Preferred Stock Investment shall receive as a return on its investment a *pro rata* share of the dividends paid on the Preferred Stock Investment.

C. The Navajo Nation Controller shall finalize the documents for the Preferred Stock Investment and shall deliver the final Preferred Stock Investment documents for execution by the Navajo Nation Oil and Gas Company and the Navajo Nation.

D. Upon execution of the Preferred Stock Investment documents, the Office of the Controller and the Office of Management and Budget and all other appropriate programs and officials shall immediately take all actions necessary to effectuate the intent of this Resolution including without limitation the requisite transfer of funds for the Preferred Stock Investment.

SECTION FOUR. SAVINGS CLAUSE

Should any provision herein be determined invalid by the Navajo courts or other court of competent jurisdiction, all other provisions of this legislation not determined to be invalid shall remain in full force and effect.

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 3 in favor and 0 opposed, this 6th day of March, 2018.

Seth Damon, Chairperson
Budget and Finance Committee

Motion: Honorable Leonard Tsosie
Second: Honorable Tuchoney Slim, Jr.

EXHIBIT

A

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

No. 332 Requesting a $50 Million Subordinated Credit Facility from NNOGC's Sole Shareholder the Navajo Nation

WHEREAS:

1. The Navajo Nation Oil and Gas Company ("NNOGC" or "Company") is a wholly owned corporation of the Navajo Nation organized under section 17 of the Indian Reorganization Act, 25 U.S.C. § 5124 (formerly 25 U.S.C. § 477), as amended, and charged with operating and managing an integrated oil and gas company for the benefit of the Navajo Nation; and

2. NNOGC management has provided reports and advised the NNOGC Board of Directors ("Board") that there is significant potential, even in the current pricing environment, to grow the Company's assets, including in helium and other upstream production, in the best interest of the Company and its sole shareholder, the Navajo Nation, provided the Company can resolve its current credit situation; and

3. NNOGC management has advised that Board that a $50 million subordinated credit facility from the Navajo Nation (the "Proposed Facility") would provide funding for the partial replacement of the existing senior secured bank loan allowing such loan to be amended and extended with a new Borrowing Base in the approximate amount of $55 million, and would provide additional liquidity estimated to be sufficient for NNOGC to fund the 10% Resolute Energy purchase option; and

4. Management has prepared a term sheet for the Proposed Facility, attached as Exhibit "A"; and

5. The Proposed Facility would also benefit the Navajo Nation and the Company by ensuring that some of the interest on NNOGC's debt was returned to the Navajo Nation, as NNOGC's sole shareholder, rather than solely benefiting large banks or one or more third party investors, and would also allow NNOGC to renew its hedging program, and grow its assets; and

6. The Board has duly considered the advice of management and now wishes to request the Proposed Facility from the Navajo Nation, NNOGC's sole shareholder, to address the Company's current credit situation, and to authorize management and members of the Board to negotiate the Proposed Facility with Navajo Nation officials.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The Board of Directors of the Navajo Nation Oil and Gas Company hereby requests a $50 million subordinated credit facility from the Navajo Nation, as set forth in the term sheet attached hereto as Exhibit "A" (the "Proposed Facility").

2. The Board of Directors hereby authorizes management, the A&NV Committee, and other members of the Board to meet with Navajo Nation officials to negotiate the Proposed Facility.

3. The Board of Directors hereby authorizes management to take all such other actions as are reasonable and necessary to accomplish the purposes of this Resolution.

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by an oral polling of all Directors on a conference call held pursuant to Article XI(K) of NNOGC's Federal Restated Charter of Incorporation and that the same was passed by vote of 7 in favor, 0 opposed, and 0 abstained, the 17th day of May, 2017, and that technical corrections to the resolution were approved on a vote of 7 in favor, 0 opposed, and 0 abstained pursuant to Article XI(k) of the NNOGC Charter through a polling of all Directors on or about July 17, 2017.

Lennard Eltsosie, Chairperson

Attest: Janna Blanter, Secretary

EXHIBIT
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B

RESOLUTION OF THE
SHAREHOLDER REPRESENTATIVES OF
NAVAJO NATION OIL AND GAS COMPANY

No. 2017-09 Supporting a Full Non-Discounted Takeout of the Current Senior Credit Facility of NNOGC by the Navajo Nation and a $10 Million Conditional Line of Credit from the Nation

WHEREAS:

1. The Navajo Nation Oil and Gas Company ("NNOGC" or "Company") is a wholly owned corporation of the Navajo Nation organized under section 17 of the Indian Reorganization Act, 25 U.S.C. § 5124 (formerly 25 U.S.C. § 477), as amended, and charged with operating and managing an integrated oil, gas and helium company for the benefit of the Navajo Nation; and

2. Under Article V(D) of the NNOGC Restated Federal Charter of Incorporation, the Navajo Nation's interest as sole shareholder of the Company is exercised by five Shareholder Representatives appointed by their respective standing committees of the Navajo Nation Council; and

3. NNOGC currently has a senior secured credit facility ("Current Credit Facility") from a consortium of nine banks, including Wells Fargo, which is also the Administrative Agent for the Current Credit Facility. The Current Credit Facility matured on July 2, 2017, and NNOGC owes approximately $80 million to the bank consortium; and

4. On October 20, 2017, the Navajo Nation Investment Committee approved partially or fully replacing the Current Credit Facility through a loan from the Navajo Nation, with terms and details to be worked out; and

5. On October 30, 2017, NNOGC management, the Chairman of the Budget and Finance Committee of the Navajo Nation Council, and the Navajo Nation Controller met with representatives of Wells Fargo to discuss various alternatives for a takeout of the banking consortium and Current Credit Facility. At the October 30, 2017 meeting, there was no full discussion with Wells Fargo that the Navajo Nation and NNOGC may seek a discount of the amount due and owing under the Current Credit Facility and not pay NNOGC's debt in full; and

6. The Investment Committee subsequently met on November 7, 2017 in New York City and approved a full takeout of the Current Credit Facility by the Navajo Nation; and

7. The Navajo Nation Attorney General, the Navajo Nation Controller and Alix Partners, an advisor to the Navajo Nation, are now urging that in replacing the Current Credit Facility the Navajo Nation should insist on a discount of the approximate $80 million due and owing on the Current Credit Facility instead of paying the debt in full, and a meeting has been scheduled with Wells Fargo to discuss such a discount on December 20, 2017; and

8. Insisting on a discount rather than paying NNOGC's debt in full would adversely

impact the credit rating and reputation of NNOGC as well as the Navajo Nation, would likely prevent NNOGC, the Navajo Nation, and other Navajo Nation entities from being able to raise bank capital in the future, could lead Wells Fargo and the rest of the banking consortium to pursue legal remedies against NNOGC, including foreclosure, and to seize NNOGC's cash, threatening NNOGC's liquidity, and otherwise would not be in the best interest of NNOGC, the Navajo Nation, or the Nation's other wholly owned entities; and

9. The NNOGC Shareholder Representatives now wish to express their support for a full non-discounted take out of the Current Credit Facility by the Navajo Nation and for a $10 million conditional line of credit for NNOGC.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The Shareholder Representatives of the Navajo Nation Oil and Gas Company hereby support a full non-discounted take out of the Current Credit Facility of approximately $80 million by the Navajo Nation and the Nation providing a $10 million conditional line of credit for NNOGC, in the best interest of NNOGC and the Navajo Nation, its sole owner.

2. In the best interest of NNOGC and the Navajo Nation, the Shareholder Representatives also hereby urge the Investment Committee, the Budget and Finance Committee, and the Navajo Nation President to not insist on obtaining a discount on NNOGC's debt from the banking consortium and support the request of NNOGC for a full takeout of the banks with a conditional line of credit.

CERTIFICATION

I hereby certify that the foregoing resolution was considered at a duly called meeting of the Shareholder Representatives of the Navajo Nation Oil and Gas Company in Las Vegas, Nevada, at which a quorum was present, and that the resolution was approved by a vote of 4 in favor, 0 opposed, and 0 abstained, this 9th day of December, 2017.

Lennard Eltsosie, Chairperson

Attest: Louis Denetsosie

Louis Denetsosie, President and CEO

Exhibit C

NNICF-12-18

RESOLUTION OF
THE NAVAJO NATION INVESTMENT COMMITTEE

Authorizing the Controller and the Attorney General to Negotiate with the Navajo Nation Oil and Gas Company and Third Parties, and to Finalize Terms for the Navajo Nation's Direct Investment in the Navajo Nation Oil and Gas Company

WHEREAS:

1. The Navajo Nation created the Navajo Nation Investment Committee pursuant to Resolution No. CAU-39-73 and the Budget and Finance Committee adopted investment policies for all Navajo Nation financial resources (the "Master Investment Policy") pursuant to Budget and Finance Committee Resolution No. BFO-61-90, as amended by BFJY-114-03, BFJA-01-08, BFJN-17-15, BFD-38-17, and BFD-41-17; and

2. The Navajo Nation Investment Committee is responsible for approving and making recommendations to the Budget and Finance Committee for the adoption of modifications to the Master Investment Policy, Sub-Policies, and Asset Class Guidelines pursuant to the Master Investment Policy, Section 4.3(a), and for the approval of investment manager and custodial contracts as recommended by the investment consultant pursuant to the Master Investment Policy, Section 4.3(d); and

3. The Navajo Nation Master Investment Policy at Section 8.1 (ii) allows for the direct investment of Navajo Nation funds in any entity or enterprise owned in whole or part by the Nation, subject to investment and operational due diligence by the Investment Committee or its designee; and

4. The Investment Committee on October 20, 2017 and November 15, 2017 received reports and considered a direct investment by the Navajo Nation in the Navajo Nation Oil and Gas Company (NNOGC); and

5. The Investment Committee now considers and accepts the report of the Controller and NNOGC representatives on the status of ongoing negotiations with NNOGC and third party lenders; and

6. The Investment Committee now considers and approves the Proposed Summary of Terms dated January 31, 2018 (the "Proposed Summary of Terms"), attached hereto as Exhibit A, presented by the Controller and NNOGC representatives; and

7. The Investment Committee continues to support the Navajo Nation's direct investment in the NNOGC on terms satisfactory to the Investment Committee and in compliance with Section 8.1(ii) of the Master Investment Policy.

NOW THEREFORE BE IT RESOLVED THAT:

1. The Investment Committee hereby authorizes the Controller and the Attorney General to negotiate terms with NNOGC and third party lenders for the Navajo Nation's direct investment in the NNOGC, along the lines of the Proposed Summary of Terms.

2. The Investment Committee further grants full authority to the Controller and the Attorney General, on behalf of the Investment Committee, to approve a final term sheet for the Navajo Nation's direct investment in NNOGC, which final approved term sheet will be submitted to the Budget and Finance Committee for approval.

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Navajo Nation Investment Committee, at a duly called meeting held at the Quality Inn in Window Rock, Arizona, and that same was passed by a vote of 3 in favor, 0 opposed, and 0 abstained this 23rd day of February, 2018.

Pearline Kirk
Presiding Chairwoman
Navajo Nation Investment Committee

Motion: Tom Chee
Second: Elizabeth Begay
Vote: 3-0-0