

SUMMARY OF PROPOSED LEGISLATION

TrackingNo. 0259-22

Date: December 14, 2022

Re: AN ACTION RELATING TO THE RESOURCES AND DEVELOPMENT, BUDGET AND FINANCE, AND NAABIK'ÍYÁTI' COMMITTEES, AND THE NAVAJO NATION COUNCIL; APPROVING \$8,000,000 FROM THE SÍHASIN FUND FOR THE NAVAJO COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION TO PROVIDE LOANS AND SUPPORT FOR SMALL BUSINESSES ACROSS THE NAVAJO NATION; APPROVING THE RELATED EXPENDITURE PLAN

Purpose of this Legislation:

to approve \$8,000,000 in Sihasin funds to NCDFI for it to provide loans and other support for small businesses; approving the related Expenditure Plan.

OLC No. 22-414-1

5-DAY BILL HOLD PERIOD: Johnson
Website Posting Time/Date: 9:46pm; 12-15-22
Posting End Date: 12-20-22
Eligible for Action: 12-21-22

Resources & Development Committee

Thence

Budget & Finance Committee

Thence

Naabik'iyáti' Committee

Thence

Navajo Nation Council

PROPOSED NAVAJO NATION COUNCIL RESOLUTION
24th NAVAJO NATION COUNCIL - Fourth Year, 2022

Introduced by:


(Prime Sponsor)

Tracking No. 0259-22



AN ACTION

RELATING TO THE RESOURCES AND DEVELOPMENT, BUDGET AND
FINANCE, AND NAABIK'ÍYÁTI' COMMITTEES, AND THE NAVAJO NATION
COUNCIL; APPROVING \$8,000,000 FROM THE SÍHASIN FUND FOR THE
NAVAJO COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION TO
PROVIDE LOANS AND SUPPORT FOR SMALL BUSINESSES ACROSS THE
NAVAJO NATION; APPROVING THE RELATED EXPENDITURE PLAN

BE IT ENACTED:

SECTION ONE. AUTHORITY

- A. The Resources and Development Committee ("RDC") is a standing committee of the Navajo Nation Council with authority over economic and community development matters. RDC has the responsibility to review and establish policies to streamline procedures for the development of the Navajo Nation's economy and business activity on the Navajo Nation. RDC also has the power to periodically receive reports and review the operations of Navajo Nation enterprises, authorities, and industries. 2 N.N.C. §500(C) and §500(C)(7) and §501(B)(4)(e).
- B. The Budget and Finance Committee is a standing committee of the Navajo Nation Council with the responsibility to "review and recommend to the Navajo Nation Council the budgeting, appropriation, investment and management of all funds." 2 N.N.C. §301(B)(2).

1 C. The Naabik'iyáti' Committee is a standing committee of the Navajo Nation Council that
2 considers all proposed final actions by the Navajo Nation Council. 2 N.N.C. §164(A)(9).

3 D. The Navajo Nation Council is the governing body of the Navajo Nation. 2 N.N.C. §102(A).

4 As such, the Council may approve appropriations from the Navajo Nation's Síhasin Fund for
5 authorized purposes.

6 E. 12 N.N.C. §2502, as amended by CJA-03-18, states the purpose of the Navajo Nation Síhasin
7 Fund ("Síhasin Fund") as follows:

8 §2502 Purpose

9 A. The purposes of this Fund are to provide financial support and/or financing for:

10 1. The planning and development of economic development and regional
11 infrastructure supporting economic development and community
12 development, including such infrastructure as, but not limited to, housing,
13 commercial and government buildings, waterline, solid waste management
14 development, powerline Projects, and transportation and communication
15 systems, within the Navajo Nation; . . .

16 B. For the Purpose in §2502(A)(1), Fund expenditures for infrastructure shall not
17 be limited by 12 N.N.C. §1310(F) or TCDCJY-77-99.

18 C. Leveraging the Fund by way of guaranteeing loans, match funding, direct
19 funding in part, and other weighted uses of the Fund, including loan financing
20 from the Fund, for the purposes in §2502(A)(1), shall be favored over direct
21 funding in whole.

22 F. The Síhasin Fund provides that "Fund Principal" shall consist of all deposits made to the
23 Síhasin Fund and that "Fund Income" shall consist of all earnings (interest, dividends, etc.)
24 generated and realized by the Fund Principal, and that Síhasin Fund Income shall be
25 deposited in, and added to, the Fund Principal until such time as a Fund Expenditure Plan is
26 duly approved. 12 N.N.C. §2504 and §2505(C).

27 G. The Síhasin Fund provides that "Fund Principal and Income shall not be expended except
28 pursuant to a Fund Expenditure Plan consistent with the purposes set forth in §2502 of this
29 Chapter and adopted by a two-thirds (2/3) vote of all members of the Navajo Nation
30 Council." 12 N.N.C. §2505(A).

1 **SECTION TWO. FINDINGS**

2 A. Between 2004 and 2006 the Division of Economic Development conducted research and
3 feasibility studies regarding the establishment of a financial institution to facilitate economic
4 and community development on the Navajo Nation. In January of 2010 the Navajo Nation
5 established the Navajo Community Development Financial Institution (“NCDFI”), a wholly-
6 owned corporate entity of the Navajo Nation. See Navajo Nation Council Resolution No.
7 CJA-02-10.

8 B. In September of 2006 NCDFI was incorporated under the Navajo Nation Corporation Code.
9 NCDFI was created to assist individuals, businesses, and communities in obtaining financial
10 resources they can use to build a strong economy on the Navajo Nation, based on individual
11 initiatives, entrepreneurial creativity, and community values. NCDFI’s Articles of
12 Incorporation and Bylaws are attached hereto as **EXHIBIT A**.

13 C. NCDFI's mission has been to develop a comprehensive financial infrastructure and a
14 sustainable capital-based economy on the Navajo Nation that utilizes core Navajo values and
15 traditions to further economic development in Diné communities. NCDFI has been an
16 important economic and financial catalyst supporting and strengthening the private sector to
17 create a private business economy on the Navajo Nation.

18 D. NCDFI has the flexibility to partner with Navajo Nation enterprises and governmental
19 entities to create jobs, business opportunities, and to provide services necessary to improve
20 the quality of life for Navajo Nation communities.

21 E. NCDFI is certified by the U.S. Department of the Treasury as a Community Development
22 Financial Institution (“CDFI”) Fund. NCDFI is therefore eligible to apply for matching funds
23 from the Treasury’s CDFI Fund (Certification No. 181CE054359). **EXHIBIT B**.

24 F. NCDFI currently offers loan products to Navajo-owned businesses, as well Navajo Nation
25 enterprises and Chapters, ranging from \$1,000.00 up to \$5,000,000.00. These loans may be
26 secured to develop a community facility or to start a business, or to expand existing business
27 operations with equipment and inventory purchases, facility renovations, leasehold
28 improvements, and other activities. NCDFI may also partner with banks to leverage larger
29 loans or provide deposit services based on its U.S. Treasury certification. **EXHIBIT C**.

30 G. Since 2010 NCDFI has successfully disbursed \$13.6 million in loans to Navajo companies

1 and small businesses, and has developed training materials that educate Navajo entrepreneurs
2 regarding best business practices.

3 H. In September of 2022 NCDFI presented a proposal to the Síhasin Fund Subcommittee
4 requesting \$8,000,000 from the Síhasin Fund to capitalize its “5-Year Strategic Plan.”

5 **EXHIBIT D.** NCDFI expects to leverage the \$8,000,000 into nearly \$16,000,000 in
6 matching federal CDFI/SSBCI funds. A more comprehensive explanation of NCDFI’s
7 proposal is attached as **EXHIBIT E.**

8 I. NCDFI has prepared an Executive Summary of its request for the \$8,000,000 from the
9 Síhasin Fund. **EXHIBIT F.** NCDFI has also prepared a line-item list that specifies all of its
10 proposed expenditures. **EXHIBIT G.**

11 J. Allocation of the Síhasin funds as requested by NCDFI meets the criteria for Síhasin
12 expenditures, because the funds will enable NCDFI to promote economic and community
13 development across the Navajo Nation, as described in 12 N.N.C. §2502(A)(1).

14 K. Allocation of the requested Síhasin funds also meets the criteria for the leveraging of funds,
15 as described in 12 N.N.C. §2502(C), because: (1) NCDFI expects to leverage these funds to
16 obtain matching federal funds; and (2) NCDFI’s expenditures will greatly facilitate new
17 business opportunities, which will in turn generate new tax revenue for the Navajo Nation.

18 L. The Navajo Nation has determined that approving NCDFI’s proposal, and the \$800,000,000
19 from the Síhasin Fund, will greatly facilitate economic and community development, and is
20 therefore in the best interests of the Navajo Nation and the Navajo People.

21
22 **SECTION THREE. APPROVING \$8,000,000 FROM THE SÍHASIN FUND FOR THE**
23 **NAVAJO COMMUNITY DEVELOPMENT FINANCIAL**
24 **INSTITUTION TO PROVIDE LOANS AND SUPPORT FOR**
25 **SMALL BUSINESSES ACROSS THE NAVAJO NATION;**
26 **APPROVING THE RELATED EXPENDITURE PLAN**

27 A. Pursuant to 12 N.N.C. §2505(A), the Navajo Nation hereby approves \$8,000,000 from the
28 Síhasin Fund for the Navajo Community Development Financial Institution to provide loans
29 and other support for small business development across the Navajo Nation, as explained in
30 the attached **EXHIBITS D-G.**

- 1 B. The Navajo Nation hereby approves NCDFI's proposed 5-Year Expenditure Plan, as set forth
2 in the attached **EXHIBITS D-G**.
- 3 C. The Controller shall determine whether the source of the Síhasin funds approved herein will
4 be Síhasin Fund Principal or Síhasin Fund Income, or a combination of both.
- 5 D. The total amount of approved Síhasin funds may be further leveraged by bond or loan
6 financing pursuant to the Navajo Nation Bond Financing Act (12 N.N.C. §1300 *et seq.*, as
7 amended), using Síhasin Fund earnings for repayment and financing costs, upon approval of
8 the Budget and Finance Committee and upon a 2/3 approval vote of the full membership of
9 the Navajo Nation Council.
- 10 E. Within thirty (30) calendar days after the effective date of this Action, the Controller shall
11 transfer the approved Síhasin funds to NCDFI in accordance with an appropriate grant
12 agreement, memorandum of agreement, or other binding legal document executed by the
13 NCDFI and the Navajo Nation.
- 14 F. The approved Síhasin funds shall not be comingled with funds from any other sources, and
15 shall be used by NCDFI strictly for its Expenditure Plan approved. NCDFI shall be
16 responsible for complying with the Expenditure Plan and with all provisions of the legal
17 agreement described in Section Three (E) above.
- 18 G. As a condition of receiving the approved Síhasin funds, NCDFI shall allow the Navajo
19 Nation full access to its financial records related to the Síhasin funds it has received, for the
20 purpose of the Navajo Nation's review and audit of NCDFI's expenditures of such funds.
- 21 H. NCDFI shall submit a written report, and a verbal report if so requested, explaining the status
22 of its Expenditure Plan and its expenditures of the approved Síhasin funds, to the Resources
23 and Development Committee, the Budget and Finance Committee, and the Naabik'íyáti'
24 Committee. Said reports shall be provided by the end of each Fiscal Year Quarter until all
25 Síhasin funds are exhausted.
- 26 I. The approved Síhasin funds shall not lapse at the end of any fiscal year, as might otherwise
27 occur under 12 N.N.C. §820(N), so long as: (1) all Síhasin funds are expended according to
28 the approved Expenditure Plan; (2) all Síhasin funds are accounted for as of September 30
29 of each fiscal year; and (3) all remaining Síhasin funds are budgeted in the next upcoming
30 fiscal year for the same purposes.

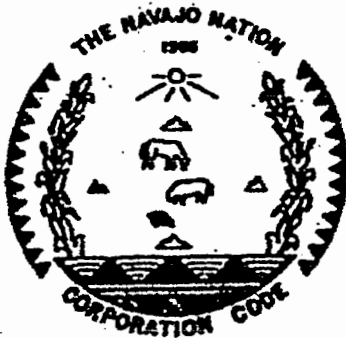
1 J. The Síhasin Fund may be reimbursed the amount of funds approved herein, from funds
2 available to the Navajo Nation from any and all state, federal, or other sources.
3

4 **SECTION FOUR. EFFECTIVE DATE**

5 This Action shall become effective pursuant to 12 N.N.C. §2505(A) and 2 N.N.C. §221(B).
6

7 **SECTION FIVE. SAVING CLAUSE**

8 If any portion of this Action is invalidated by the Supreme Court of the Navajo Nation, or by
9 any Navajo Nation District Court without appeal to the Navajo Nation Supreme Court, the
10 remainder of this Action shall be the law of the Navajo Nation.
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30



NAVAJO NATION CORPORATION CODE

CERTIFICATE OF AMENDMENT

To all to Whom these Presents Shall Come, Greetings

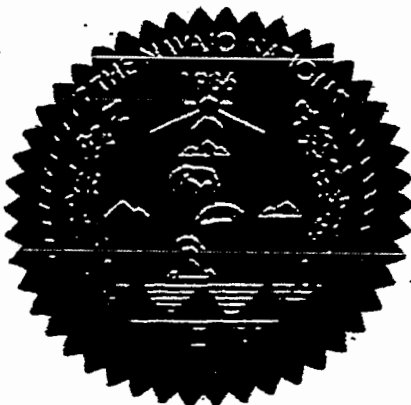
I, Director of the Business Regulatory Department, DO HEREBY CERTIFY that

*****NAVAJO COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION, INC.*****

File Number 101005

a DOMESTIC Corporation organized under the laws of the jurisdiction of the Navajo Nation, was issued a Certificate of Incorporation and was authorized to transact business within the Navajo Nation on the 12th day of September, 2006.

I FURTHER CERTIFY THAT this corporation has filed an AMENDMENT to Amend Article V. Incorporators and Initial Board of Directors in the ARTICLES OF INCORPORATION on this 9th day of May, 2012.



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 9th day of May, 2012.

Delegated Department Manager
Business Regulatory Department
Division of Economic Development

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



Business Regulatory Dept:
(928) 871-7365
871-6714
Fax: (928) 871-7381

NAVAJO NATION CORPORATION CODE

FILED

File Number 101005

MAY 09 2012

[Signature]
Navajo Nation Corporation Act
Department Manager

**APPLICATION FOR AMENDMENT
TO
ARTICLES OF INCORPORATION**

Pursuant to the provisions of Chapter 19, Section 3329, the Navajo Nation Corporation Code, the undersigned Corporation adopts the attached Articles of Amendment to its Articles of Incorporation:

- I. The name of the Corporation is: Navajo Community Development Financial Institute, Inc. (NCDFI)
- II. The amendment(s) so adopted by the Board of Directors or voting members are:
Article V. Incorporators and initial Board of Directors. The number of directors constituting the initial board of directors is five (5) and the names and addresses, including street and number, if any, of the persons who are to serve as directors until the first annual meeting of the shareholders; or until their successors are elected and qualified are named herein.
- III. The date of the adoption of the amendment is:
April 17, 2012
- IV. The amendments were duly adopted by act of the members or the Board of Directors: Attach a resolution.
Adopted by Resolution of the Navajo Community Development Financial Institution, Inc. (NCDFI) Shareholder Representatives.

Dated : April 17, 2012

By: Russell Begaye *[Signature]*
Title: Chairman NCDFI Shareholder Representatives

By: Jonathan Nez *[Signature]*
Title: Vice Chairman NCDFI Shareholder Representatives

NOTE: FOR PROFIT CORPORATIONS, COMPLY WITH ARTICLE VII, SECTIONS 3156 TO 3162, NAVAJO CORPORATION CODE (NO APPLICATION FORM AVAILABLE).

FILED

File Number 101005

MAY 09 2012

[Signature]
Navajo Nation Corporation Act
Department Manager

**RESOLUTION OF THE
NAVAJO COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION, INC.
SHAREHOLDER REPRESENTATIVES & COMMUNITY ADVISORY COUNCIL**

**AMENDING ARTICLE V. INCORPORATORS AND INITIAL BOARD OF DIRECTORS
OF THE NAVAJO COMMUNITY FINANCIAL DEVELOPMENT INSTITUTION, INC.
ARTICLES OF INCORPORATION**

WHEREAS:

1. The Navajo Division of Economic Development filed Articles of Incorporation of the Navajo Community Development Financial Institution, Inc. (NCDFI) with the Navajo Business Regulatory Department and a Certificate of Incorporation was issued on September 12, 1996; and
6006
2. The Navajo Nation Council by Resolution CIA-02-10 ratified the creation of the Navajo Community Development Financial Institution, Inc. on February 08, 2010 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 Council for the Corporation, and authorizing a Waiver of Sovereign Immunity; and
3. The Navajo Nation conditions its approval of the Navajo Community Financial Development Institution, Inc. on amendment of the Navajo Community Financial Development Institution, Inc. Articles of Incorporation and By-Laws to be consistent with the provisions of the ratifying resolution; and
4. The Five Navajo Nation Council Standing Committees in December 2011 have appointed by Resolution a Shareholder Representative and Community Advisory Council Member to the Navajo Community Development Financial Institution, Inc. effective upon adoption of resolution by each Committee which remains in effect until otherwise changed by respective Committee.

NOW THEREFORE BE IT ENACTED:

1. The Shareholder Representatives and Community Advisory Council Member to the Navajo Community Development Financial Institution, Inc. amends Article V. Incorporators and Initial Board of Directors of the Navajo Community Financial Development Institution, Inc. Articles of Incorporation to read "The number of directors constituting the initial board of directors is five (5) and the names and addresses, including street and number if any, of the persons who are to serve as directors until the first annual meeting of the shareholders; or until their successors are elected and qualified are name herein"; and

**RESOLUTION OF THE
NCDFI SHAREHOLDER REPRESENTATIVES
& COMMUNITY ADVISORY COUNCIL**

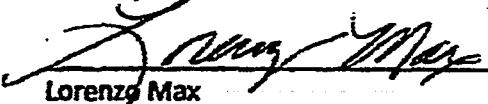
2. The Incorporators names and addresses, including street and number if any, of the persons who are to serve as the Initial Board of Directors are:



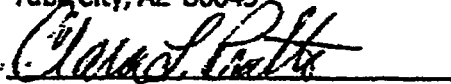
Leonhard Goeller
235 S. Calle de la Azucena
Tucson, AZ 85711



Jessica Stago
821 Winslow Avenue
Winslow, AZ 86047



Lorenz Max
P. O. Box 3160
Tuba City, AZ 86045



Clara Pratte
250 K. Street NE, #113
Washington, DC 20002

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Navajo Community Development Financial Institution, Inc. Shareholder Representatives and Community Advisory 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 2 in favor and 0 opposed, this 17th day of April 2012.



Russell Begaye, Chairman
Shareholder Representatives & Community Advisory Council
Navajo Community Development Financial Institution, Inc.

Motion by: MR. GEORGE APACHITO

Second by: MR. DWIGHT WITHERSPOON

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 five (5) "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 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 five (5) 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 2013, 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 or other person designated by the Board of Directors shall nominate five (5) Directors in accordance with Policies and Procedures established by the Board of Directors. The list of the five nominees shall be presented to the shareholder representatives for their consideration and 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 or other person designated by the Board of Directors, 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 Bylaws 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 Indemnitee and reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification (the "Supporting Documentation"). The determination of the Indemnitee'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 Indemnitee has requested indemnification. The Indemnitee'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.



**DEPARTMENT OF THE TREASURY
COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND
1500 PENNSYLVANIA AVENUE, NW
WASHINGTON, D.C. 20220**

July 17, 2020

Thomas Gordon
Navajo Community Development Financial Institution
Window Rock, AZ 86515

Email: thgordon@navajocdfi.com

Re: Notice of CDFI Certification Certification Number: 181CE054359

Dear Thomas Gordon,

I am pleased to inform you that the U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund) has certified Navajo Community Development Financial Institution as a Community Development Financial Institution (CDFI). This letter officially documents your organization's certification as a CDFI, and it sets forth the terms under which continued and revised certification is granted. Capitalized terms not defined in this letter have the meaning ascribed to them in the CDFI Program regulations at 12 CFR Part 1805.

CDFI certification means that an organization meets the requirements described in the CDFI Program regulations at 12 CFR section 1805.201. These requirements include the following: having a Primary Mission of promoting community development; predominantly serving and maintaining Accountability to eligible Target Markets; being a Financing Entity; providing Development Services; and being neither a government entity nor controlled by a government entity. CDFI certification does not constitute an opinion by the CDFI Fund or the U.S. Department of the Treasury as to the effectiveness or financial viability of an organization, nor does it indicate that the organization will be selected to receive an award from the CDFI Fund.

This CDFI certification is effective as of the date of this letter unless, as a result of a review of the organization by the CDFI Fund, the CDFI Fund, in its sole discretion, provides notification of termination of certification.

CDFI certification does not obligate the CDFI Fund and will not result in an exchange of funds, personnel, property, services, or any kind of financial commitment. Further, the CDFI Fund is not deemed to control the CDFI by reason of CDFI certification, for the purpose of any applicable law, nor does CDFI certification imply that the CDFI is an agent of the Federal government.

Your organization is certified as a CDFI with the Target Market(s) specified in Attachment A to this letter.

Compliance with Certification Requirements

In order for your organization to maintain its CDFI certification, your organization must continuously meet CDFI certification standards.

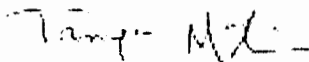
Thus, pursuant to 12 CFR section 1805.201(c), your organization must submit an Annual Certification Report (AnCer Report) at the time and manner proscribed by the CDFI Fund, along with such additional information as may be required to demonstrate its continued compliance with CDFI certification requirements.

Your organization's CDFI certification status will be reviewed annually or as deemed appropriate by the CDFI Fund, to ensure that it meets the certification criteria in effect at the time of review. At the CDFI Fund's sole discretion, the CDFI Fund may provide an opportunity to cure deficiencies prior to issuing a notice of termination of certification to your organization. Please note that from time to time, the CDFI Fund may revise its guidance for CDFI certification. Such changes may have the potential to impact your organization's annual reporting and ongoing certification status. The CDFI Fund will provide notice of changes to guidance via its website and/or direct notices. Your organization is strongly encouraged to monitor your e-mail boxes for such notices, to subscribe for email updates from the CDFI Fund, and to check the CDFI Fund website to monitor any changes to the CDFI Program regulations which may affect certification. Regulatory changes will be published in the Federal Register and on the CDFI Fund website.

If you have questions concerning this letter and your organization's CDFI certification, please contact the CCME Help Desk at (202) 653-0423 or ccme@cdfi.treas.gov.

The CDFI Fund looks forward to continuing to work with and support your organization.

Sincerely,



Tanya L. McInnis
Program Manager
Office of Certification, Compliance Monitoring and Evaluation

Attachment A: Target Market for CDFI Certification

Attachment A

Target Market for CDFI Certification: Navajo Community Development Financial Institution
Certification Number: 18ICE054359

Name of Target Market (per submitted electronic map(s))	Describe Target Market
Navajo Nation	An Other Targeted Population – Native American in Navajo Nation in Arizona

Date of this notice: 05-18-2012

Employer Identification Number:
45-5313523

Form: 55-4

Number of this notice: CP 575 A

NAVAJO COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTION INC
1 AJ ARVISO
PO BOX 3071
TUBA CITY, AZ 86045

For assistance you may call us at:
1-800-829-4933

IF YOU WRITE, ATTACH THE
STUB AT THE END OF THIS NOTICE.

WE ASSIGNED YOU AN EMPLOYER IDENTIFICATION NUMBER

Thank you for applying for an Employer Identification Number (EIN). We assigned you EIN 45-5313523. This EIN will identify you, your business accounts, tax returns, and documents, even if you have no employees. Please keep this notice in your permanent records.

When filing tax documents, payments, and related correspondence, it is very important that you use your EIN and complete name and address exactly as shown above. Any variation may cause a delay in processing, result in incorrect information in your account, or even cause you to be assigned more than one EIN. If the information is not correct as shown above, please make the correction using the attached tear off stub and return it to us.

Based on the information received from you or your representative, you must file the following form(s) by the date(s) shown.

Form 941	10/31/2012
Form 940	01/31/2012
Form 1120	05/18/2012

After our review of your information, we have determined that you have not filed tax returns for the above-mentioned tax period(s) dating as far back as 2007. Please file your return(s) by 06/02/2012. If there is a balance due on the return(s), penalties and interest will continue to accumulate from the due date of the return(s) until it is filed and paid. If you were not in business or did not hire any employees for the tax period(s) in question, please file the return(s) showing you have no liabilities.

If you have questions about the form(s) or the due date(s) shown, you can call us at the phone number or write to us at the address shown at the top of this notice. If you need help in determining your annual accounting period (tax year), see Publication 538, *Accounting Periods and Methods*.

We assigned you a tax classification based on information obtained from you or your representative. It is not a legal determination of your tax classification, and is not binding on the IRS. If you want a legal determination of your tax classification, you may request a private letter ruling from the IRS under the guidelines in Revenue Procedure 2004-1, 2004-1 I.R.B. 1 (or superseding Revenue Procedure for the year at issue). Note: Certain tax classification elections can be requested by filing Form 8832, *Entity Classification Election*. See Form 8832 and its instructions for additional information.

IMPORTANT INFORMATION FOR S CORPORATION ELECTION:

If you intend to elect to file your return as a small business corporation, an election to file a Form 1120-S must be made within certain timeframes and the corporation must meet certain tests. All of this information is included in the instructions for Form 2553, *Election by a Small Business Corporation*.

If you are required to deposit for employment taxes (Forms 941, 943, 940, 944, 945, CT-1, or 1042), excise taxes (Form 720), or income taxes (Form 1120), you will receive a Welcome Package shortly, which includes instructions for making your deposits electronically through the Electronic Federal Tax Payment System (EFTPS). A Personal Identification Number (PIN) for EFTPS will also be sent to you under separate cover. Please activate the PIN once you receive it, even if you have requested the services of a tax professional or representative. For more information about EFTPS, refer to Publication 954, *Electronic Choices to Pay All Your Federal Taxes*. If you need to make a deposit immediately, you will need to make arrangements with your financial institution to complete a wire transfer.

The IRS is committed to helping all taxpayers comply with their tax filing obligations. If you need help completing your returns or meeting your tax obligations, Authorized e-file Providers, such as Reporting Agents (payroll service providers) are available to assist you. Visit the IRS Web site at www.irs.gov for a list of companies that offer IRS e-file for business products and services. The list provides addresses, telephone numbers, and links to their Web sites.

To obtain tax forms and publications, including those referenced in this notice, visit our Web site at www.irs.gov. If you do not have access to the Internet, call 1-800-829-3676 (TTY/TDD 1-800-829-4859) or visit your local IRS office.

IMPORTANT REMINDERS:

- * Keep a copy of this notice in your permanent records. This notice is issued only one time and the IRS will not be able to generate a duplicate copy for you.
- * Use this EIN and your name exactly as they appear at the top of this notice on all your federal tax forms.
- * Refer to this EIN on your tax-related correspondence and documents.

If you have questions about your EIN, you can call us at the phone number or write to us at the address shown at the top of this notice. If you write, please tear off the stub at the bottom of this notice and send it along with your letter. If you do not need to write us, do not complete and return the stub. Thank you for your cooperation.

**NAVAJO COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTION**

LOAN POLICIES

Approved August 25, 2014

NCDFI Board of Directors

NAVAJO COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION

LOAN POLICIES

TABLE OF CONTENTS

SECTION / TITLE

1. AUTHORITY
2. PURPOSE
3. GENERAL POLICIES OF NCDFI
4. SCOPE
5. LOAN REQUIREMENTS
6. EVALUATION OF LOANS
7. LOAN APPROVAL PROCEDURES
8. LOAN DOCUMENTATION
9. LOAN CLOSING
10. SERVICING THE LOAN
11. COLLECTIONS
12. WRITE-OFF OF LOANS
13. MODIFICATION OF GUIDELINES

SECTION 1 - AUTHORITY

A. The Navajo Community Development Financial Institution, Inc. ("NCDFI") is a wholly owned entity of the Navajo Nation. The Articles of Incorporation were filed with the Navajo Business Regulatory Office on September 12, 2006. The 21st Navajo Nation Council Resolution CJA-02-10 (dated January 27, 2010) ratified the NCDFI as a for-profit corporation, wholly owned by the Navajo Nation, authorizing a member of the each of the Standing Committees of the Navajo Nation Council to serve as the Shareholder representatives and Community Advisory Council for the Corporation (enacted into law on February 8, 2010).

B. The NCDFI's mission is to provide financial products, in arm's length transactions, to individuals, businesses, Chapters, Navajo Nation and Chapter enterprises, and communities (collectively, "Eligible Borrowers") to build a strong economy based on individual initiative, entrepreneurial creativity and community and traditional values.

SECTION 2 - PURPOSE

A. The primary purpose of NCDFI's financing is to support the healthy growth of the Navajo Nation's economy by providing loans or loan guarantees to Eligible Borrowers who meet the credit requirements and otherwise satisfy these "Loan Policies" ("Qualified Borrowers" or "Borrowers").

B. NCDFI shall:

1. Promote the development of the Navajo Nation economy by providing a source of financing for Qualified Borrowers;
2. Protect and maintain the value of the entrusted NCDFI funds through the making of quality loans and assisting in the collection of monies due and owing the NCDFI; and
3. Ensure that loans made by NCDFI are made in compliance with these Loan Policies and applicable Navajo Nation laws.

SECTION 3 - GENERAL POLICIES OF NCDFI

A. All loan applications made to NCDFI shall be processed according to these Loan Policies.

B. All loan applicants shall be treated with dignity and fairness.

C. Any exception to these Loan Policies shall be reviewed by the Loan Committee and approved by the NCDFI Board.

D. It is the policy of the NCDFI to operate all loan programs in a business-like manner, to extend credit only upon a thorough review and sound credit analysis taking into

consideration the overall economic situation that exists within the Navajo Nation, to maintain accurate account records, and to service and maintain credit accounts so as to protect the assets of the NCDFI.

E. It is the policy of the NCDFI to consider the special needs of Navajo Eligible Borrowers, to be sensitive to cultural concerns that may arise, and to make a special effort to accommodate qualified Navajo loan applicants on an equal opportunity basis, regardless of age, sex, religion or political affiliation.

F. It is the policy of the NCDFI to hold Borrowers responsible for their debts. The NCDFI expects loan agreements to be honored and for repayments to be made accordingly. Property pledged as collateral may be seized and sold to satisfy delinquent accounts to the fullest extent permitted by Navajo Nation Law.

G. NCDFI may report a borrower's loan status to a Credit Bureau. H. In order to avoid the existence and even the appearance of undue influence and conflict of interest, prior to the completion of a loan application, an employee of the Navajo Nation or its political subdivisions, an elected official, appointed official, judicial official, or other elected or appointed official, shall execute a signed and notarized Ethical Certification form provided by NCDFI attesting that the individual will refrain from requesting any special consideration from the NCDFI and will abide by the Navajo Ethics in Government Law.

SECTION 4 - SCOPE

A. These Loan Policies are of a general nature and are not intended to replace the development and adoption of operating procedures, lending guidelines, application forms, reporting forms and implementation policies and procedures.

SECTION 5 - LOAN REQUIREMENTS

Eligible Borrowers shall make loan requests ("Loan Applicants" or "Applicants") on loan application forms approved by NCDFI for that purpose. The NCDFI shall not process a loan application if the application has not been completed in full and all required information is not provided. NCDFI may require any additional information that it deems necessary in order to help make the credit decision.

A. Knowingly making any false statements on the loan application shall be grounds for disqualification of the Applicant as a Borrower. Any evidence of fraud may be referred to the Office of the Prosecutor for appropriate action.

B. The Loan Application shall be on a form provided by the NCDFI and shall include the following:

1. Signatures by the Applicant and any co-Applicants and guarantors attesting to the completeness and accuracy of the material provided in the loan application and supplemental documents.

2. An executive summary of the business concept, loan proposal, description and current estimated market value of collateral supported by appropriate documentation.

3. A business plan which describes the market to be served, expected or existing competition, location of the business, legal form of business organization, personnel, operating plans and or service plans, financial plans for the next three years, and expected operating results if the loan is approved.

4. For existing businesses that have a proven, successful track record for three or more years, a brief description of the business may be submitted in lieu of a full-fledged business plan. Additionally, the Applicant must submit its last three (3) years Federal tax returns (personal and business), a current loan application and a statement of what the loan proceeds will be spent for.

5. For existing businesses, the following additional information may be requested:

a) Financial Statements for the past three years, including Balance Sheets and Income Statements, projected Cash Flow Statement, and projected capital expenditures during the term of the loan;

b) Projected rates of returns;

c) An accounts receivable aging report; and

d) An accounts payable aging report. 6. Applications for start-up businesses shall provide pro-forma financial projections of the balance sheet, income statement, and cash flow for a period of three years. For purposes of these Loan Policies, applications from businesses that have been in operation for less than one year will be considered as applications from start-up businesses.

7. Personal and business federal and, when applicable, state income tax returns, for the past three tax years and Navajo Nation sales and possessory income tax returns.

8. Site Location - Documents authorizing the use of the land or commercial space in which the business is to be located.

9. A detailed statement regarding the use of the business proceeds, including equity contributions and loans, current purchase quotations and bids as appropriate, for equipment and inventory with a value over \$1,000 or construction costs over \$5,000.

10. Resumes of managers, principal owners, officers, members of the Board of Directors, and others as appropriate, setting forth the qualifications of those individuals as such pertain to the business venture.

11. A report from an established credit bureau, evidencing an acceptable credit history, or if such is not available due to lack of credit experience by the Applicant, then three verified credit references evidencing a history of repayment.

12. Supporting documents such as partnership agreements, Corporation Certificate, corporate resolutions authorizing borrowing, business licenses, permits, insurance policies, agricultural tax schedules, and such other documents as requested.

C. All financial statements shall be prepared according to generally accepted accounting principles. All financial projections shall contain full explanations of all assumptions utilized and a break-even analysis.

D. Loan proceeds shall not be used for the following purposes:

1. The purchase of, or down payment on, any real estate, unless such is to be used exclusively in the conduct of the business and is essential to the success of the business;

2. To pay all or part of any delinquent tax assessment of any type (income, property, etc.) to the Internal Revenue Service, State Department of Revenue, Navajo Tax Commission or other similar tax agency; an

3. To pay an existing personal debt or unrelated business debt whether owed to the Nation or to any other entity, except that working capital loans may be used to pay trade payables, and other debts may be refinanced on a case by case basis as approved by the Loan Committee.

4. The acquisition of or use in one of the following businesses: golf courses, race tracks, gaming facilities, massage parlors, hot tub facilities, suntan facilities, and stores where the principal business is the sale of alcoholic beverages for consumption off the premises.

E. All information submitted by the Applicant, including the loan application and business plan, and required information shall be verified to the greatest extent possible, given available resources and sound business practices.

F. All projections of income and cash flow must be as accurate and reasonable as possible.

G. Loan amounts shall not exceed 100% of the purchase price of assets to be acquired, or more than 100% of the value of any permanent improvements constructed on a business site.

H. The Applicant shall be responsible for the payment of all applicable fees necessary for the loan approval, including but not limited to lien searches, UCC filing fees, appraisals, title and registration fees, and legal fees.

SECTION 6 - EVALUATION OF LOANS

A. A loan committee (the "Loan Committee") shall be established. The initial Loan Committee shall be comprised of the NCDFI Board Chairperson and the CEO.

B. The Loan Committee shall review the completed loan application (including supplemental information, if requested), conduct a financial evaluation, and make recommendations to the NCDFI Board based upon the following criteria.

1. **Cash Flow:** An evaluation of cash flow helps determine whether the Applicant has sufficient cash flow coming into the business to pay existing expenses plus the additional burden of principal and interest payments on the proposed loan. In a start-up company pro-forma statements will be used in calculating the cash flow, after an analysis has been made of the reasonableness of the assumptions in the pro-forma statements.

2. **Liquidity.** The NCDFI will also evaluate the liquidity of the business to assess the ability of the Applicant to convert assets into cash or cash equivalents without significant loss.

3. **Leverage Ratio.** In addition, the NCDFI will evaluate the leverage ratio. Leverage is the debt of the business in relation to equity. The more long-term debt there is, the greater the financial leverage. As the leverage ratio increases, so do the principal and interest payments and therefore the risk of default.

4. **Collateral.** Because the attachment, replevin, foreclosure and repossession of collateral is expensive and time consuming and will not likely allow the NCDFI to be made whole in the event of a default on the loan, collateral is not the most important factor when evaluating a lending decision. However, the NCDFI will take all available collateral in order to help protect the NCDFI's loan investment. It is a goal of the NCDFI that loans will be secured by discounted collateral valued at one hundred percent of the loan proceeds. Valuations of collateral will be conducted by NCDFI or, when appropriate, by independent third-party appraisers.

5. A discount formula will be applied to the appraised value of the asset which will be used as the basis on which to establish the maximum amount of loan

proceeds for which an applicant is eligible assuming that collateral was the sole criterion for determining whether the loan should be funded. The discount formula is based on to the following asset classifications:

- a) Cash will be valued at 100% of the amount of cash.
- b) Accounts receivable will be valued at 80% of all receivables that are less than 60 days' delinquent. In the event that the primary collateral for an approved loan is accounts receivable, the NCDFI may require the borrower to provide periodic schedules of those accounts, detailing the total receivables by categories (current, 30-days delinquent, 60-days delinquent, and 90 or more-days delinquent) during the term of the loan. If the value of the accounts receivable declines, based on the most recent accounts receivable aging report as compared to the report provided at the time of loan approval, the NCDFI may consult with and make recommendations to the borrower intended to improve the value of this collateral.
- c) Inventory will be valued at 80% of non-obsolete inventory, as demonstrated by periodic inventory listings and an analysis of the inventory turns. If the primary collateral support for the loan comes from inventory, the borrower will be required to provide periodic schedules of inventory, which include sufficient detail to identify obsolete inventory. If the value of the inventory declines, based on the most recent inventory list as compared to list provided at the time of loan approval, the NCDFI may consult with and make recommendations to the borrower intended to improve the value of this collateral.
- d) Equipment will be valued, if new at 80%, and if used at 50%. Further adjustments may be made if the equipment has a rapid obsolescence factor or if it is equipment that has limited resale value due its specialized use in a particular business.
- e) Vehicles will be valued at 80% of the Blue Book loan value.
- f) Improved commercial real estate held in fee simple title will be valued at 80% based on a current appraisal or broker evaluation.
- g) Unimproved or undeveloped land held in fee simple title will be valued at 50% based on a current appraisal or broker evaluation.
- h) Personal property, if the property can properly be secured and if a valid appraisal can be made of the property. If personal property is the sole collateral for a loan, then the loan proceeds cannot be more than 80% of the value of all personal property securing the loan.

6. Although the NCDFI prefers to be in a first lien position on all collateral, a subordinate lien position will be accepted if the discounted collateral value adequately covers NCDFI's position in addition to any senior lienholders, and the NCDFI is able to negotiate an inter-creditor agreement detailing an acceptable liquidation plan, in the event of a default on the senior lienholder's notes. If the NCDFI is in subordinate position on all of the collateral or the collateral value isn't sufficient to cover NCDFI in addition to senior lienholders, the NCDFI may condition the loan on additional requirements, including but not limited to the addition of satisfactory guarantors ("Guarantors").

7. Structuring the Loan.

a) The NCDFI will recommend the structure for the loan based on the use of the loan proceeds and financial analysis. The NCDFI will also recommend loan covenants and conditions designed to support the strengths and manage the risks identified by the NCDFI in the recommendations provided to the NCDFI Board.

b) Loans will have the structure, maturity dates and terms recommended by the Loan Committee and approved by a resolution of the Board. Loans may be structured in a variety of ways, including but not limited to short-term (e.g., ninety (90) day) or long-term loans, single or multiple payment loans, term loans or revolving credit lines, drawdown loans or loans fully-funded at closing, interim or permanent loans, fixed rate or variable rate loans.

c) Unless otherwise agreed to by the Board, all loans will be secured.

d) The term of each loan will be limited by the purpose of the loan and the asset life of the collateral securing the loan as set forth in the following guidelines:

(i) Loans secured by working capital or inventory should have no more than a three-year term, with some consideration given to the amount of the loan.

(ii) The term for loans secured by equipment should be for the lesser of ten years or the useful life of the equipment.

(iii) Loans secured by real estate should have no more than 20-year terms, and in no event should the term of the loan exceed any underlying lease.

e) Efforts will be made to match the loan repayment schedule with the actual cash flow of the Borrower, of particular concern are businesses

that have peak-revenue seasons (e.g., agricultural tourism and construction businesses). Generally, the loan repayment schedule will require monthly payments (with the exception of small, short-term loans of less than a year, which may have a single end of term payment). In the case of businesses with peak-revenue seasons, the loan repayment schedule may provide for small, token payments during off-season months with substantial payments during the peak-season months.

f) Unless otherwise agreed to by the Board, all construction loans will be structured as drawdown loans with disbursements from the NCDFI to occur upon the completion of construction stages. The NCDFI will monitor the progress and completion of construction.

SECTION 7 - LOAN APPROVAL PROCEDURES

A. Applications and all required documents must be completed before presentation of the loan request is made to the Loan Committee for consideration. An executive summary of the loan application shall be prepared, along with such other information, as the Loan Committee shall require. The Loan Committee shall make recommendations to the NCDFI Board.

B. Applicants will be notified in writing of the final decision of the Board. Successful Applicants will be advised that disbursement of the loan proceeds is conditioned upon the Applicant meeting various pre and post-closing requirements. Unsuccessful Applicants will receive written notification including the reasons for denial and may receive suggestions of actions that could be taken before submitting a renewed application to the NCDFI.

C. A successful Applicant may be asked to undertake business management/accounting training courses, to improve the Applicant's knowledge or experience.

D. A loan approval shall be documented by a Loan Commitment Letter. The Loan Commitment Letter shall include the terms of the loan and shall advise that the Loan Commitment shall expire at the end of ninety days.

SECTION 8 - LOAN DOCUMENTATION

A. Loans which have been approved by the NCDFI shall be properly documented and prepared for a formal loan closing. The loan documentation (collectively, the "Loan Documents") shall be prepared according to standards and procedures adopted by the NCDFI, which shall include the following:

1. A promissory note and a security agreement signed by the Borrower and, where applicable, a co-signer and/or Guarantor.

2. An accounts payable authorization from the Borrower granting to the NCDFI the right to withhold all or a portion of any payment from an employer or payer to the Borrower;
3. UCC Filing Documents pledging collateral and granting to the NCDFI a lien on all property (real and personal) acquired with the proceeds of the loan;
4. If the Borrower is securing financing from other lending institutions and NCDFI agrees, a documents evidencing the subordination of Borrower's debt to such other financial institution.

B. The Borrower must own the property used as collateral. Borrowers who pledge property that can be titled and registered (automobiles, mobile homes, trailers, etc.) must consent to a title document showing the NCDFI as the first lien holder, and must show a current registration. Borrowers who pledge property (i.e., inventory, office furniture, fixtures, equipment, machinery, etc.) must consent to the lien showing the NCDFI as the secured party and submit required fees. Borrowers who pledge property that does not have title documents, must specifically identify such property (brand name, model, serial number, etc.).

C. Property pledged as collateral must be covered by a comprehensive insurance policy covering loss due to damage; with a loss payee clause payable to the NCDFI if such a payee clause is available. Such insurance shall be written for a term coinciding with the term of the loan, or for such other reasonable term as the NCDFI shall require. Borrower shall be responsible for adequate insurance coverage at all times. If insurance coverage is threatened with lapse, NCDFI may pay any and all sums needed to continue coverage, and add such costs to the outstanding principal balance of the loan. A certificate of insurance coverage shall be provided to NCDFI prior to disbursement of the loan funds.

D. All borrowers must, if reasonably obtainable, maintain adequate property and liability insurance, covering their business operations and facilities. Proof that such insurance is in place shall be documented prior to loan closing. NCDFI may require such other business insurance, as it deems advisable. If insurance coverage is threatened with lapse, NCDFI may pay any and all sums needed to continue coverage, and add such costs to the outstanding principal balance of the loan.

E. All borrowers shall file copies of annual financial reports with NCDFI, including a balance sheet and income statement, and such other reports as are provided in the Loan Documents.

SECTION 9 - LOAN CLOSING

A. The Loan Closing shall generally take place in the principal place of business of NCDFI. However, a closing may take place at an alternative location convenient to all the parties.

B. Disbursements of loan proceeds shall be made in accordance with the Loan Documents and may be made in the name of the borrower or jointly in the name of the borrower and a third party. All disbursements shall be made by check, or cashier's check or wire transfer.

C. No loan proceeds shall be disbursed until the loan closing has occurred and all Loan Documents have been executed and, where appropriate, have been properly recorded.

D. A loan shall be closed within ninety days of the NCDFI loan approval. If the loan is not closed within ninety days for any reason, the loan commitment may be canceled and the client must reapply for a loan. If an Applicant presents legitimate extenuating circumstances, a written request for an extension can be made prior to the expiration of the ninety days. The request for extension shall be reviewed and approved or disapproved by the Board.

SECTION 10 - SERVICING THE LOAN

A. The NCDFI respects the confidential information presented to it as part of the loan application and loan servicing obligations. Access to the loan files will be controlled and limited. Original legal documents will be kept in a secure and fireproof vault at all times with dual control access. Copies of the Loan Documents will be marked as such and placed in the loan files. Loan files will not ordinarily leave the NCDFI office. Exceptions to this policy may be made for review by legal counsel, litigation, and other related circumstances. Loan files are confidential and contain both proprietary information on the Borrower and legal documents and, therefore, must be under affirmative control of the NCDFI at all times.

B. The NCDFI intends to develop a close relationship with its Borrowers. The NCDFI intends to provide a pro-active schedule of contact with each Borrower at the closing of each loan, including a regular cycle of NCDFI visits to the Borrower at its place of business. This contact is intended to alert the NCDFI of any inability to meet the terms of the loan, including but not limited to, failure to meet the reporting requirement deadlines of the loan agreement and failure to make payments on time. The NCDFI intends to provide technical assistance to those Borrowers that have developed problems in complying with the terms of the loan.

C. Loan payments are due as provided in the Loan Documents. It is the Borrower's responsibility to ensure that the payments are received timely. Repayment shall generally be on a monthly basis and shall commence thirty days after the Loan Closing. Alternative repayment schedules may be provided in the event that cash flow of the business is cyclical or some other conditions would deem such variance appropriate.

D. All loan payments in the form of a check or money order shall reference the assigned loan number and be made to the following address:

NCDFI P.O. Box 4919 Window Rock, Arizona 86515

E. There shall be no pre-payment penalty. Borrowers are encouraged to prepay their loans.

F. Within 30 days after a loan is paid in full, the liens on collateral pledged as security shall be released to the borrower.

G. The Loan Documents shall provide that interest shall start accruing as of the date of the promissory note.

H. All loan payments shall be credited in the following order of priority to the respective loan number:

1. First, to accrued interest due and owing calculated from the date of the last payment;
2. Second, to late fees;
3. Third, to direct expenses incurred by NCDFI in servicing the loan account, and
4. Fourth, to the principal balance.

I. If payments are not received within ten (10) days following the due date, the loan shall be subject to late charges and penalty interest in accordance with the terms of the Loan Documents. J. If payments are not received within sixty (60) days following the due date, and after NCDFI has sent out written notices to the Borrower and, when applicable, co-signers or Guarantors, NCDFI shall notify the Borrower, co-signers and Guarantors, that the loan is in default and NCDFI shall proceed with loan collection processes ("Collections").

K. A modification of any term and condition of a loan, including a change in the use of proceeds, a reduction in the scheduled repayment amount, restructuring of the loan or an extension of the term of the loan shall be administratively handled by the Chief Executive Officer and subject to Board approval.

L. Release of all or a portion of collateral upon partial repayment of a loan will be considered on a case by case basis by the Chief Executive Officer, subject to Board approval.

SECTION 11 - COLLECTIONS

A. Loan accounts that are in arrears or otherwise not in compliance with the Loan Documents are forwarded for Collections. The goal of the collection effort is to have the Borrowers repay their debt on a timely basis through the process of negotiation and cooperation without having to resort to legal proceedings.

B. Judicial efforts by NCDFI shall be in compliance with all applicable Navajo Nation, Federal and state laws.

C. NCDFI will be responsible for collections and shall keep detailed records of efforts and contacts with Borrowers. Periodic contacts shall be made with the Borrowers and cosigners or Guarantors, either in person, by mail to the last known address, or by telephone to demand payments due and owing on the loan account.

D. It is the responsibility of the Borrowers, co-signers and Guarantors to keep NCDFI informed of their current address and telephone numbers. NCDFI is not responsible for sending correspondence to other than the last address and telephone number provided by the Borrowers.

E. Throughout the Collection process, efforts shall be conducted to contact the Borrowers, co-signers and Guarantors to collect monies owed to NCDFI.

F. The Borrowers, co-signers and Guarantors will be given opportunities to bring loan accounts current in a specified time by entering into a new payment agreement with NCDFI.

G. In the event a new agreement can be reached, voluntary settlements, whereby the Borrower relinquishes the collateral pledged as security for a loan, or such other property as may be available, or takes such other action as is appropriate, are encouraged.

H. In the event of death of a Borrower, NCDFI shall contact the surviving spouse or the administrator of the deceased's estate to file a claim in the probate in compliance with the Navajo Nation Rules of Probate Procedures.

SECTION 12 - WRITE-OFF OF LOANS

A. The write-off of a loan account shall be made by the NCDFI Board upon a recommendation of the CEO and only after all collection efforts have been exhausted and the CEO has determined that the loan is uncollectible. The CEO shall consider factors such as death, bankruptcy and other circumstances on a case-by-case basis before recommending a write-off. Any recommendation to write-off a loan or any portion thereof shall require final approval of the Board of Directors.

SECTION 13 - MODIFICATION OF GUIDELINES

A. These guidelines may be modified from time to time, as the need arises, by action of the NCDFI Board of Directors.

Navajo Community Development Financial Institution, Inc. (NCDFI)



5-Year Strategic Plan 2022-2026

Approved December 2021



Table of Contents

I.	Executive Summary	3
II.	Authorization	4
III.	Organizational Description	5
	Shareholder Representatives & Community Advisory Council	5
	Board of Directors	5
	Officers	5
	Organizational Chart	6
IV.	Mission and Vision Statements	7
	Mission Statement	7
	Vision Statement	7
	Values	7
V.	Goals, Objectives, and Strategies	8
VI.	Appendices	12
	A. Action Planning	12
	B. Description of Strategic Planning Process Used	12
	C. Strategic Analysis Data	13
	D. Monitoring and Evaluation of Plan	13
	E. Communication of Plan	14



I. Executive Summary

Navajo Community Development Financial Institution, Inc. (NCDFI) developed a Strategic Plan to integrate its goals and objectives for focused implementation. The NCDFI Strategic Plan is a plan for development containing Key Priority Areas, Strategic Goals and Objectives, and a Strategic Action Plan through which the organization plans to focus on organizational improvement and accomplish priorities and goals in short-, mid-, and long-term phases.

The NCDFI is incorporated under the Navajo Nation Corporation Act to provide financial products and services promoting community development in the Navajo Nation, serving Navajo tribal members who are traditionally under-served, low income, and living in distressed communities without adequate access to capital.

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.

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 in economic development. Be an economic and financial catalyst that will support/strengthen the private sector to create a small business economy. Have the flexibility to partner with all tribal enterprises and governmental entities to create jobs, opportunity and services to improve the quality of life for the Navajo Communities.

This strategic plan shows NCDFI's reaffirmation of the purpose, mission, vision, and values statements of the leadership. The framework is based on open communication, soliciting questions of clarification and suggestions for improvement and a document that spells out the purpose, mission, vision, and values of the organization. A strategy session of the organization's management board of directors created an action plan to accomplish the agreed-upon goals that are aligned with the organization's vision. The criteria of these plans are:

- Who will do what, when, where, how, with what intent, and how results will be tracked.
- How the plan supports the realization of the organization's vision.
- Communication of plans to the executive team as commitment statements.
- Celebrations of achievements and learning from mistakes

As NCDFI fulfills strategic goals and objectives contained in this plan, it anticipates that many of the capabilities that it develops will be maintained in perpetuity. Annual audits will be used to validate financial capabilities, and quarterly reports to NCDFI's Shareholder Representative will validate organizational and managerial capabilities. Strategically, it is the intent of NCDFI to remain resilient as it serves businesses and entrepreneurs within its target market and provides much-needed access to capital.



II. Authorization

The Navajo Division of Economic Development filed Articles of Incorporation for the Navajo Community Development Financial Institution, Inc. (NCDFI) with the Navajo Business Regulatory Department on September 12, 2006.

The 21st Navajo Nation Council Resolution CJA-02-10 Enacted on January 27, 2010 and Signed into Law February 08, 2010, Ratified the Creation of Navajo Community Development Financial, 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 Council for the Corporation.

Resolution CJA-02-10 of the 21st Navajo Nation Council 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 its By-Laws.

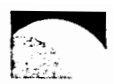
By-Laws Navajo Community Development Financial Institution, Inc. referenced as attached to Exhibit B to Resolution CJA-02-10 is the proposed NCDFI By-Laws considered and adopted by the duly elected NCDFI Board of Directors at its initial meeting on May 16, 2012. The By-Laws have been amended with minor updates on June 08, 2012 and August 26, 2012.

The 22nd Navajo Nation Council is composed of 24 Delegate members instead of the previous 88 members. The restructured Council Five Standing Committees designated as their Shareholder Representative:

- A. Naa'bik'iyati' Committee
- B. Budget and Finance Committee
- C. Health, Education and Human Services Committee
- D. Law and Order Committee
- E. Resource and Development Committee

The Appointed Members of the NCDFI Shareholder Representatives selected Members of the NCDFI Board of Directors who in turn recruit and select the NCDFI Chief Executive Officer. The NCDFI CEO recruits and selects NCDFI Professional Staff including Chief Financial Officer, Loan Officer, and others. An Interim Chief Executive Officer was selected at the initial meeting of the NCDFI Board of Directors who is to serve until a permanent Chief Executive Officer is selected. On January 03, 2013, the initial NCDFI Board of Directors were elected and they in turn elected officers from within their membership.

On July 17, 2020, the U.S. Department of the Treasury, Office of Certification, Compliance Monitoring and Evaluation officially assigned CDFI Certification #181CE054359 to NCDFI, attesting that NCDFI had met the requirements described in the CDFI Program regulations at 12 CFR section 1805.201, and that its Primary Mission is to promote community development.



III. Organizational Description

Shareholder Representatives & Community Advisory Council

NCDFI is an independent, self-sufficient business incorporated in the Navajo Nation. All shares are owned by the Navajo Nation, with the members of the five standing committees of the Navajo Nation Council as the Shareholder's Representatives. Shareholder Representatives are composed of one member of the Standing Committees of the Navajo Nation Council or their successor committees, in accordance with the NCDFI By-Laws and applicable Navajo Nation laws. At all meetings of the shareholders, these Shareholder Representatives subordinate their personal interests to those of NCDFI in acting in their capacity as representatives of the sole shareholder and as members of the Navajo Nation Council.

The Shareholder Representatives also serve specifically 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. The Advisory Council is consulted regarding policies, strategies and implementation activities proposed by the Board and Management of the NCDFI, and they 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.

Board of Directors

The Board of Directors oversee the business and affairs of NCDFI as are not by law or by the Articles of Incorporation or by the By-laws directed or required to be exercised or done by NCDFI Officers or Shareholder Representatives. Directors are responsible for formulating policy decisions affecting NCDFI through strategic direction and broad oversight of corporate officers and not involved in day-to-day operations of the business. Directors owe their trust and confidence to NCDFI and its Shareholders and act within the authority conferred upon them consistent with these By-laws and applicable Navajo or federal law. When acting on behalf of the NCDFI, Directors perform their duties in good faith, in a manner the Director believes to be in the best interest of NCDFI, 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 NCDFI. The Navajo Nation has no authority to direct the business affairs of the NCDFI, except through its status as the sole shareholder of NCDFI and as provided in the By-laws.

Officers

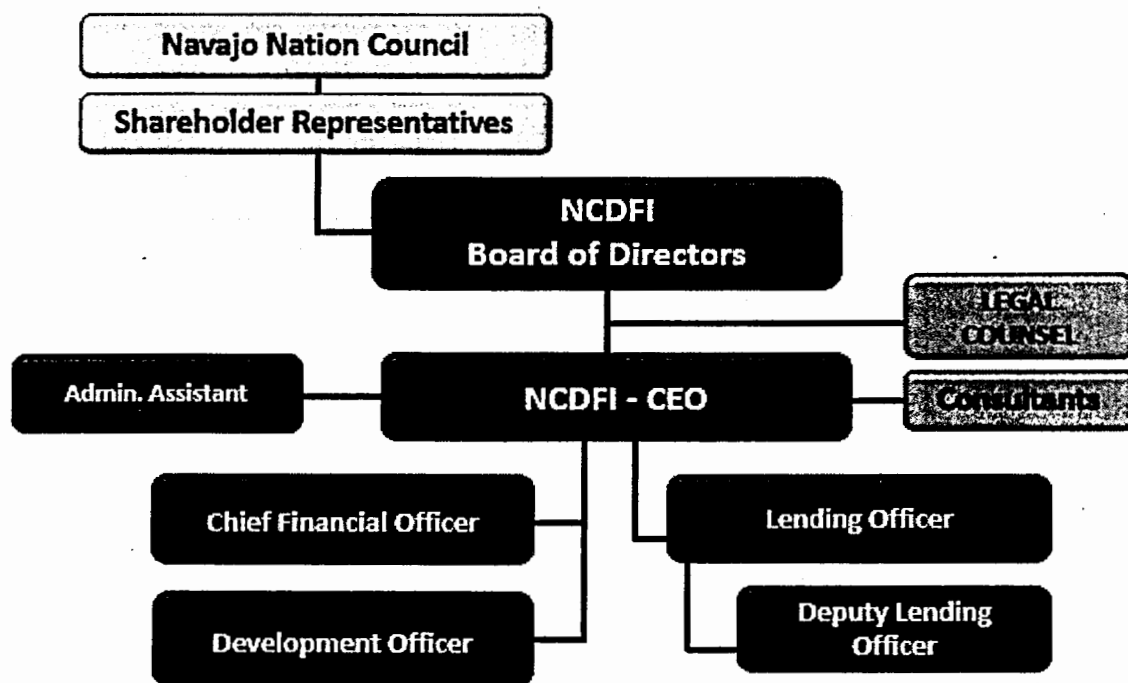
In addition to the powers and duties prescribed by the By-laws or assigned to them by the Board of Directors, the Chief Executive Officer, and other corporate executive officers, shall have such powers and duties as are usually incident to their respective offices, subject to the control of the Board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

Organizational Chart

The current organizational structure reflects the lines of authority and communication as mandated primarily by the NCDFI By-Laws.

Navajo Community Development Financial Institution
Organizational Chart





IV. Mission and Vision Statements

Mission Statement

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 Statement

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 in economic development. Be an economic and financial catalyst that will support/strengthen the private sector to create a small business economy. Have the flexibility to partner with all tribal enterprises and governmental entities to create jobs, opportunity and services to improve the quality of life for the Navajo Communities.

Values

NCDFI's Values are to:

- Promote unity among established entities within the Navajo Nation and to combine resources and eliminate duplicate efforts.
- Ensure resources are available to all Navajo People
- Support self-determination by providing access to capital
- Demonstrate sustainability of resources



V. Goals, Objectives, and Strategies

Goal 1. Short-term: NCDFI will:

- *continue to be fully operational with staff and office;*
- *actively communicate with, and market to, targets within our market;*
- *deploy products and services;*
- *explore potential for financial partners and/or investors; and*
- *maintain CDFI Certification.*

Objectives

- 1.1 Collaborate with and support NCDFI's Chief Executive Officer
- 1.2 Secure Support Team; i.e. Administrative Assistant, Lending Officer
- 1.3 Develop Proposals for NCDFI participation in Navajo Nation Bond Issuance, Business & Industrial Development, and Capital Improvement Program.
- 1.4 Retain Legal Counsel for organizational structure (i.e. UST/IRS needs).
- 1.5 Put Infrastructure in place; virtual office, permanent.
- 1.6 Establish Accounting System and Financial Policies and Procedures
- 1.7 Start Lending
- 1.8 Examine potential financial partners as collaborators and potential investors.
- 1.9 Maintain CDFI Certification

Strategic Activities

- Maintain and monitor organizational dynamics
- Market to stakeholder (Navajo Nation Council Committees), Constituents, and Customers (Navajo Nation Enterprises and Local Government Act Certified Chapters).
- Develop a complete Marketing Plan based on the research of NCDFI Board and Staff.
 - Focusing on Target Market
 - Navajo Nation (as defined in Business Plan)
 - Local Government Act Certified Chapters
 - Tribal Enterprises
 - Individually-owned Businesses
 - Small business
 - Micro business, (seeking less than \$20K)
 - Develop, adopt, and deploy Financial Products:
 - Short-term Loans
 - Asset-based Loans
 - Working Capital
 - Line-of-Credit
 - Guarantees
 - Bridge Loans
 - Subordinate Loans
 - Real Estate Loans



- Loan Sizes:
 - Less than \$20K
 - \$20k to \$500K
 - \$500K to \$1M
 - Over \$1M
- Develop Services; Educational and Financial
 - Credit Services and Underwriting Services
 - Business Planning Assistance
 - Referral Services to existing programs
 - Entrepreneurial Education
 - Collaboration with Navajo Division of Economic Development – Business Incubator
 - Coordinate with United Indian Development Association (UIDA)
 - Finance Packaging – Advice and Services for larger projects
- Write and submit proposals to Council Committees and responsible agencies for
 - Bond credit review
 - CIP project review
 - BIDF proposal review
- Coordinate with Bik'eh Hohzo to support their current clients and market segment
- Complete implementation of current BIDF investment (Phases I, II and III capacity building tasks) and position organization for further funding from BIDF

Goal 2. Mid-term: Secure additional financial resources.

Objectives

- 2.1 Secure additional financial resources: investment capital and operations
- 2.2 Establish and manage lending portfolio through lending or acquisition
- 2.3 Obtain additional capitalization from the Navajo Business and Industrial Development Fund (BIDF) and Navajo Nation Investment Committee, Financial Partners and outside investors.

Strategic Activities

- Seek direct funding from the Navajo Nation Investment Committee
- Solidify financial resources and seek grants from the CDFI Fund, Bank CDCs, and other forms of direct investment
- Conduct Bond Program and CIP activities with Navajo Nation Council as agreed to earlier
- Oversee and Maintain NCDFI organizational resources to support operations (Staff, infrastructure, capital).

Goal 3. Long-term: Sustain service to target market including Microenterprises, Small Businesses, Businesses and Business Entities Supporting Tribal Communities. Have a portfolio of at least 100 loans to small businesses.



Objectives

- 3.1 Create and monitor infrastructure to support these activities
- 3.2 Establish and offer program products and services for each market
- 3.3 Educate and provide development services to potential borrowers in each segment
- 3.4 Actively coordinate and collaborate with agencies serving small business, such as Bik'eh Hohzo, NDED/RBDO

Strategic Activities

- Marketing outreach to foster lines of communication
- Coordinate with all parties, including other agencies, and designate management liaisons between organizations
- Plan for continuing support
- Develop new products and services as needed.

Goal 4. Organizational: Develop a capable and resilient financial lending institution.

Objectives

- 4.1 Set human resources policies and procedures
- 4.2 Establish physical organizational infrastructure; virtual and permanent
- 4.3 Build Financial Management and Fiduciary Capacity
- 4.4 Establish Internal and External Relationships to support NCDFI current needs and develop resources for future growth

Strategic Activities

- Performance evaluation and recognition
 - regularly scheduled evaluations
 - individual and team awareness
- Management and administrative support for worker concerns and needs
 - provide a mechanism for employee feedback and evaluation
 - foster employee initiative, innovation, and problem solving
- Career development for retention
 - continuing education for advanced certificates and degrees
 - training by vendors, corporate consultants
 - maintenance, operations, computer training
 - cross training to ensure resiliency and flexibility
- Build corporate identity, pride, and camaraderie among staff
 - presentations for department on NCDFI operations and accomplishments
 - promote corporate culture of teamwork, personal responsibility, self-improvement, communication between staff and supervisors,
 - train supervisors and staff in methods for appreciative performance analysis
- Assess each position and create a plan for performance evaluation, training, and progression of skills needed for advancement and meeting future technology requirements
- Monitor and review financial operations and identify organizational needs
- Provide continuing professional education for Board and Staff appropriate to their roles



- Conduct outreach to Council and Executive Branch to assess their view of market needs and ways to meet them
- Conduct continuing evaluation of NCDFI relationships to the CDFI industry, Development Finance agencies, and NCDFI's existing and potential financial partners



VI. Appendices

A. Action Planning

Responsibilities:

- NCDFI Shareholder Representatives
 - Advisory Council
- NCDFI Board of Directors
 - Officers
 - Directors
- NCDFI Executive Team
 - Chief Executive Officer
 - Chief Financial Officer

Timelines:

General

- Short-Term within 6 months to 1 year
- Mid-Term 2 to 3 years
- Long Term 4 to 5 years

Regular {Routine on-going annual tasks}

- Shareholder Representatives Annual Meetings
- Board of Directors Monthly or Quarterly Meetings
- Chief Executive Officer Day-to-Day Operational Management

B. Description of Strategic Planning Process Used

Methodology

Of the many approaches to strategic planning a three-step process was used:

1. Situation - evaluate the current situation and how it came about.
 2. Target - define goals and/or objectives (sometimes called ideal state)
 3. Path - map a possible route to the goals/objectives
-
- Development (or reaffirmation) of the purpose, mission, vision, and values statements of the leadership.
 - Communication of documents, soliciting questions of clarification and suggestions for improvement.
 - Development of a document that spells out the purpose, mission, vision, and values of the organization.
 - Strategy sessions within organizational to create action plans to accomplish the agreed-



upon goals that are aligned with the organization's vision. Criteria of these plans:

- Who will do what, when, where, how, with what intent, and how results will be tracked.
- How the plan supports the realization of the organization's vision.
- Communication of plans to the executive team as commitment statements.
- Celebrations of achievements and learning from mistakes

C. Strategic Analysis Data

Information generated during an external analysis which included data research and baseline data; and an internal analysis consisted of group analysis which includes listing of strategic issues identified during these analyses.

The data researched and baseline data consist of the: NCDF Articles of Incorporation (as amended); By-Laws (as amended); and enabling Legislation being the 21st Navajo Nation Council Resolution CJA-02-10 Enacted on January 27, 2010 and Signed into Law February 08, 2010, Ratifying the Creation of Navajo Community Development Financial, 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 Council for the Corporation.

The framework of this strategic plan is based on open communication, soliciting questions of clarification and suggestions for improvement and a document that spells out the purpose, mission, vision, and values of the organization. A strategy session of the organization's management board of directors created an action plan to accomplish the agreed-upon goals that are aligned with the organization's vision. The criteria of these plans are:

- Who will do what, when, where, how, with what intent, and how results will be tracked.
- How the plan supports the realization of the organization's vision.
- Communication of plans to the executive team as commitment statements.
- Celebrations of achievements and learning from mistakes

D. Monitoring and Evaluation of Plan

Evaluating of the framework established in the Strategic Plan will be accomplished through NCDFI Management aligning its organizational resources with NCDFI Leadership and to make continual progress to the goals established in this Strategic Plan

The NCDFI Board of Directors will evaluate the status of the plan during each regularly scheduled board meeting and the CEO will continue to obtain status updates on a monthly/bi-monthly basis. The Strategic Plan is designed to be an organizational road map to achieving the vision and goals of NCDFI. Adjustments may become necessary due to changes in the organization's external environment, availability of resources or a change in strategic goals.

- NCDFI Operations will be guided by:
 - Organizational Budget
 - Action Plan including



- Tasks
- Objectives
- Monitoring (day-to-day) of Operations
 - Interim CEO will prepare and present reports to the Board concerning the state of the corporation's business and affairs
 - Board Chair will be kept apprised of corporation's business and affairs.
- Evaluation
 - Goals, Objectives and Action Plan Activities are benchmarks as grouped in immediate, intermediate and long range time periods
 - Monthly Reports provided to Board will document task achievements and goals and objectives accomplishments.
 - Strategic Plan revisions and Action Plan changes will be determined as necessary to continue evaluating fulfillment of strategy implementation

E. *Communication of Plan*

The NCDFI Strategic Plan serves as the plan of action to achieving its vision and goals. It is an orderly and written means of communicating among NCDFI personnel and management and NCDFI Leadership. It will also include keeping the Navajo Nation Council informed of organizational goals and objectives and provide them an opportunity for recommendations to the strategic plan. NCDFI constituents and customer will have an insight into how the organization is progressing.

- NCDFI Shareholder Representatives/Advisory Council
- Navajo Nation Council Standing Committees

Report prepared for:

**Navajo Nation Tribal Council
Sii Hasin Committee**

Report prepared by:

**Navajo Community Development
Financial Institution**

12/01/22

For more information, please contact:

Navajo CDFI • P.O. Box 4919 • Window Rock, AZ 86515

Message from NCDFI's Chairman of the Board

NCDFI fosters entrepreneurial growth and the financial well-being of Navajo communities by providing a comprehensive set of business lending and credit-building products, technical assistance training, and individualized coaching services. NCDFI has been fully certified Community Development Financial Institution (CDFI) by the U.S. Department of the Treasury (#181CE054359).

Although Arizona, New Mexico and Utah have a substantive number of traditional financial institutions, there are too few non-traditional financial organizations that understand and serve Navajo populations resulting in significant gaps in access to financial services. Our Native CDFI fills this gap by serving the Navajo Nation with comprehensive, culturally appropriate, flexible loan products and development services.

The need for a Navajo Nation Native CDFI exists to create economic opportunity by helping Tribal Members build strong and sustainable small businesses and increase their financial capability to enter the financial mainstream. With the dedication and service rendered by NCDFI's Board of Directors and its Stakeholder Representatives, and with the strong support of our chartering organization, the Navajo Nation Tribal Council, I am confident that NCDFI will continue to secure a brighter future for Navajo businesses and communities.



Andy Nakai

Table of Contents

	<i>Section</i>	<i>Page</i>
	Executive Summary	5
1.0	Introduction to NCDFI	6
1.1	NCDFI Overview	7
1.2	Investment in Navajo Communities	8
1.3	U.S. Department of the Treasury CDFI Fund	10
1.4	Organizational Chart	13
1.5	Key Personnel	13
2.0	Corporate Mission, By-Laws & Policies	14
2.1	Mission, Vision, Values Statement	15
2.2	Corporate By-Laws & Policies	15
3.0	Historical Summaries	17
3.1	NCDFI Investment Summary	18
3.2	Investment Spotlight	19
3.2	NCDFI Growth and Development	19
3.3	COVID-19 Pandemic Impacts	19
4.0	Strategic Planning	21
4.1	NCDFI Strategic Planning Overview	22
4.2	Key Outcomes	23
4.3	Correlation with Navajo Nation Strategic Planning	24
4.4	Impacts to Key Stakeholders	25
5.0	Budget Assumptions & Expenditure Plan	26
5.1	Budget Assumptions	27
5.2	\$8M Expenditure Plan	28
5.3	Project Overview	30
5.4	NCDFI 5-Year Expenditure Plan	30
6.0	Evaluation	31
6.1	Risk Assessment	32
6.2	Evaluation Measures	32
6.3	Capacity to Deliver Results	33
6.4	Long-term Sustainability	33

Executive Summary

Overview

- **Equity capital.** The purpose of this Navajo Community Development Financial Institution (NCDFI) \$8 million Expenditure Plan is two-fold. It will offer an economic relief program for immediate assistance to Navajo small businesses. NCDFI seeks urgent assistance to small businesses in mitigating negative economic impacts resulting from the COVID-19 public health emergency, and to provide a means whereby the cost of business interruption may be offset.
- **Loan products & development services.** NCDFI will use the capital to make loans and provide support services to business activities on the Navajo Nation. They may be large or small enterprises. They may be privately-owned or community-owned.
- **Period of Performance.** Sii Hasin's period of performance is discretionary based on the qualifications of each individual loan applicant; however, based on the severe business impacts resulting from the pandemic, NCDFI anticipates an expedited loan review and award process.

Access to Credit and Capital

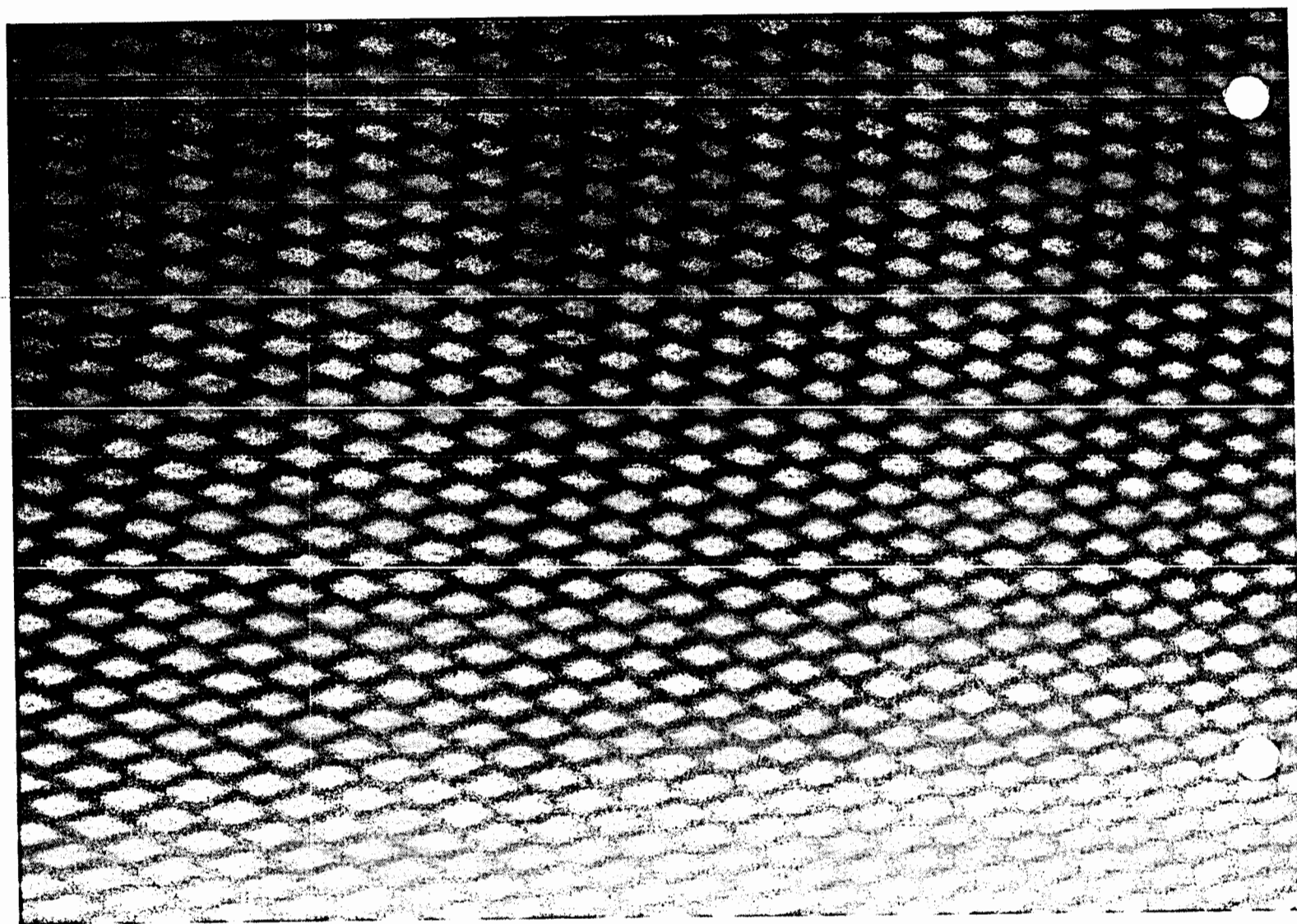
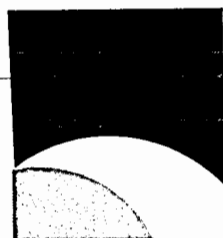
- **Putting capital to work in Navajo communities.** NCDFI is not a Tribal grant agency. Instead, NCDFI functions as Treasury-certified reservoir of investment capital. NCDFI possesses the wherewithal to know how to put fiscal resources to work in the Navajo environment. Through the lending process NCDFI will cycle Navajo Nation capital into the community as investment/recovery/reinvestment/re-recovery/re-reinvestment.
- **Excellent support services.** NCDFI's fundamental strategy rests upon providing support services and assistance to loan applicants, and having a stake in their success. Our mission includes helping applicants plan their businesses, and helping them execute their plans successfully.
- **Promoting community objectives.** NCDFI will use professional resources and criteria to make investment decisions that simultaneously promote community objectives while protecting the scarce resources entrusted to us.

Benefits for Navajo Businesses and Communities

- **Defeat the "status quo".** Private businesses and Community projects will be able to qualify for CDFI funding even if they would not be able to get a bank loan or Federal grant.
- **Enable and facilitate.** NCDFI will provide development support for Navajo entrepreneurs and communities. This is important to help hopes and ideas become solid plans.
- **Permanent capacity.** Entrepreneurs and communities will develop and retain their capacity to plan projects, qualify for loans, and engage in project execution.
- **Economic Development.** Ultimately, capitalizing NCDFI will support the empowerment of Navajo communities and promote job creation that fuels economic development within the Navajo Nation.

Section One

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 has been certified by the U.S. Department of the Treasury as a Community Development Financial Institution (CDFI) (Certification Number: #181CE054359)
- NCDFI is eligible to receive New Markets Tax Credits (NMTC) from the federal CDFI Fund (visit: Community Development Financial Institutions Fund (cdfifund.gov)). The NMTC Program incentivizes community development and economic growth through the use of tax credits that attract private investment to distressed communities.

1.1 NCDFI Overview

Native American Challenges to Economic Growth. Native American communities experience substantially higher rates of poverty and unemployment than mainstream America and face a unique set of challenges to economic growth. In 2019 the median household income of American Indian and Alaska Native (AI/AN) households amounted to \$49,906¹. This is significantly lower than the U.S. median household income (inflation adjusted) of \$65,712². In 2019, 20.3% of AI/AN households lived at or below the poverty level, compared to 9.0% of non-Hispanic whites. In 2019, the unemployment rate in America was approximately 3.7% for non-Hispanic whites compared to the unemployment rate for American Indians and Alaska Natives which amounted to 7.9%.

High Demand for Loan Products and Development Services. Lack of physical, legal, and telecommunications infrastructure, access to affordable financial products and services, and limited workforce development strategies are common challenges that the growing number of Native entrepreneurs face and must overcome in order to be successful within their local economies. Documented challenges³ faced by Navajo Nation tribal members include but are not limited to:

- 26% of respondents do not have a bank account
- 81% have been denied a personal loan due to collateral and credit issues
- 33% had applied for a payday loan in the past 12 months
- 74% of respondents did not know their credit score
- 72% would be under immediate financial strain if they lost their employment, having little assets and savings
- 81% of respondents believe they would not qualify for a business loan due to collateral, lack of equity and/or credit issues

Also identified were the following market demands:

- 61% are interested in obtaining personal financial and business development education

¹Source: US HHS, 2019 AI/AN Economic Profile (<https://minorityhealth.hhs.gov/>)

²Source: 2019 American Community Survey (ACS)

³Source: 2014 Navajo Nation Tribal Member Survey

- 74% are interested in the creation of a Navajo Small Business Development Center
- 94% believe starting a loan fund targeting Tribal Members of the Navajo Nation is a good idea and needed within the community
- 44% of respondents are currently interested in business financing

Emergence of CDFIs serving Native American Communities. Adding to the complexity of economic challenges faced by a majority of Native communities is the scarcity of financial institutions located within Native American borders that provide access to affordable financial loan products and services. Native community development financial institutions (CDFIs) are the key organizations that have been working to create innovative solutions to overcome these barriers. Over the last decade, Native CDFIs have proven themselves as dependable vehicles towards developing healthy, vibrant Native economies and communities.

CDFIs have entered markets normally considered “high-risk” and have been responsible for an astounding transformation – creating businesses, jobs, homeowners, and serving as the catalyst for developing local economies.

Their unique programs and services are designed to build financial assets in the low-income populations they serve and provide access to economic opportunities.

Establishment of NCDFI. The Navajo Nation extends into three States: Arizona, New Mexico, and Utah with a current Tribal Population of over 399,494, the most populous tribal nation in the United States as of May 2021⁴. The total jurisdictional area of the Navajo Nation encompasses more than 27,000 square miles and 6 counties. In 2010, in order to minimize barriers to economic growth, the Navajo Nation Tribal Council established the Navajo Community Development Financial Institution (NCDFI) as a For-Profit Corporation. NCDFI is an independent lender that fosters the entrepreneurial growth and financial well-being of the Navajo Nation by providing comprehensive culturally-appropriate financial education/asset building, business development training services and access to capital. NCDFI provides loans to qualified applicants who are seeking to start a business or expand operations through equipment and inventory purchases, building renovations, leasehold improvements, and working capital. Loans may also be secured for the purpose of developing or enhancing community facilities and infrastructure that will create economic opportunities for people living in these communities. NCDFI can partner with banks who are larger in size and target market reach, to leverage loans or bring financial opportunities to businesses, Navajo communities, and local government bodies.

NCDFI Charter and Authorizations. On September 12, 2006, NCDFI was initially incorporated through the Navajo Nation’s Business Regulatory Department. On January 27, 2010, the 21st Navajo Nation (NN) Tribal Council approved NCDFI as a For-Profit Corporation per NN Council Resolution CJA-02-10. (See Exhibit “A” ‘NCDFI_Certification of Incorporation’, and Exhibit “C” ‘NCDFI_Employer Identification Number’). Resolution CJA-02-10 further authorized the appointment, by resolution, of one member from each of the standing committees of the NN Council, and all successor standing committees, to serve as the Shareholder Representatives and the Community Advisory Council for NCDFI.

1.2 Investment in Navajo Communities

Access to Capital & Credit. According to a 2016 report issued by the University of Arizona’s Native Nations Institute entitled, ‘Access to Capital and Credit in Native Communities’, Native CDFIs have become a vital building component to seventy Native Communities:

“The fivefold increase in Native CDFIs since 2001 represents a remarkable

⁴Source: The New York Times, May 21, 2021 ‘Navajo Nation Becomes Largest Tribe in U.S. After Pandemic Enrollment Surge’ by Simon Romero

achievement. Native CDFIs now provide access to capital and credit for hundreds of Native individuals and families who, prior to the development of a local CDFI, lacked a practical way to transform their dreams of, for example, owning a business or owning a home into reality. Native CDFIs have become vital to building and sustaining Native Communities' local economic momentum and represent a key private sector approach to Native nation self-sufficiency. More than that, Native CDFIs have become a channel for Native nation self-determination, helping ensure that development reflects local understandings of need and appropriateness and occurs according to Native principles and values.⁵

According to the report, there are five primary factors driving the current demand among Native CDFIs for more capital:

- As Native CDFIs have become better known in the communities they serve and their development efforts (financial education, credit repair, homeownership training, entrepreneurship education, etc.) come to fruition, more community members and clients are seeking to become borrowers.
- As Native CDFIs' clients establish stronger credit histories, their demand for longer-term loans (for example, for mortgages) grows.
- As businesses and economies grow, there is a demand for larger loans.
- Native CDFIs that are able to make more loans can recover more in fees, improve their coverage of operating expenses, and strengthen their balance sheets.
- Larger Native CDFIs are better able to attract debt capital (to re-lend) since investors typically do not find it cost-effective to underwrite smaller loans.

Native American Entrepreneurship. The University of Arizona report identifies Native entrepreneurship as an effective means of enhancing the quality of life within Native American Communities:

"Entrepreneurship and private sector development expand the employment opportunities available in Native Communities, making the option to remain at home or return home more viable. Moreover, by developing local retail and service sectors, entrepreneurship and private sector growth reduce the costs to Native Community members of having to shop at distant stores simply to meet basic needs for food, clothing, and durable goods. (These costs, including time, gas money, and vehicle wear and tear, can be significant.) Native entrepreneurship also can reproduce, in a culturally appropriate way, the kinds of opportunities, experiences, and choices that community members once may have thought existed only outside their communities, such as movie theatres, art galleries, and a mix of restaurants. In all of these ways, Native entrepreneurship enhances the quality of life in Native Communities and strengthens the pull of Native lands."

Native CDFIs have become vital to building and sustaining Native Communities' local economic momentum.

Access to credit and capital through NCDFI will provide Navajo entrepreneurs opportunities to launch or enhance their businesses, which will in turn strengthen local Navajo retail and service sectors.

⁵Source: 'Access to Capital and Credit in Native Communities' by University of Arizona's Native Nations Institute, Report issued 2016, (Source: www.nni.arizona.edu.)

Recommendations for Native CDFIs. The 2016 University of Arizona's Native Nations Institute report makes several recommendations aimed at advancing the success and effectiveness of Native CDFIs:

- 1) Tribal governments, the U.S. government, banks, other lenders, foundations, and socially responsible investors should redouble their efforts to capitalize Native CDFIs with grants, equity, and debt instruments. Native CDFIs should strive to improve their attractiveness to investors and to design products and processes that maximize the leverage value of their resources.
- 2) Native CDFIs should work to improve their relationships with tribal governments - and vice versa. (Increasingly, Native CDFI professionals also find that when Native CDFIs and tribal governments are on the same page, they are able to support and leverage each other's work.)
- 3) Public and private funders should continue to support technical assistance and training, especially programing that can help Native CDFIs advance to the next level of effectiveness and success.

1.3 U.S. Department of the Treasury CDFI Fund

General Overview of Federal CDFI Fund. In 1994, the Community Development Financial Institution (CDFI) Fund was established by the Riegle Community Development and Regulatory Improvement Act as a bipartisan initiative. The CDFI Fund was created at the federal level for the purpose of promoting economic revitalization and community development through investment in and assistance to community development financial institutions (CDFIs). The CDFI Fund also supports the work of other community development organizations and insured depository institutions. Housed within the U.S. Department of the Treasury, the CDFI Fund's mission is to increase economic opportunity and promote community development investments for underserved populations and in distressed communities in the United States. The vision of the CDFI Fund is to economically empower America's underserved and distressed communities. Since its creation in 1994, the CDFI Fund has:

- Approved the term sheets and the execution of agreements to guarantee \$549 million in loans and grants awarded in bonds guaranteed to CDFIs through the CDFI Bond Guarantee Program⁶
- Allocated \$3.5 billion in tax credits allocated through the New Markets Tax Credit Program
- Awarded over \$25.2 million to federally insured banks and thrifts through the Bank Enterprise Award Program in the most economically distressed communities and/or in CDFIs.

Certifications Provided by CDFI. The federal CDFI program provides two forms of certification including: (a) community development entities (CDEs), and (b) community development financial institutions (CDFIs).

- a) **CDE Certification.** A CDE is a domestic corporation or partnership that is an intermediary vehicle for the provision of loans, investments, or financial counseling in Low-Income Communities (LICs). Benefits of CDE certification include being able to apply to the CDFI Fund to receive a New Markets Tax Credit (NMTC) allocation to offer its investors in exchange for equity investments in the CDE and/or its subsidiaries; or to receive loans or investments from other CDEs that have received NMTC allocations. CDE certification requires:

⁶Source: 'Audit of the Community Development Financial Institutions Fund's Financial Statements for Fiscal Years 2020 and 2019 by the Office of the Inspector General U.S. Dept. of the Treasury, (www.cdfifund.gov)

- Be a legal entity at the time of application
- Have a primary mission of serving LICs
- Maintain accountability to the residents of targeted LICs

b) CDFI Certification. On July 17, 2020, NCDFI received notice from the U.S. Department of Treasury that it had been fully certified as a "CDFI" (#181CE054359) (See Exhibit "B" 'NCDFI_CDFI Certification'). CDFI Certification opens the door to opportunities for CDFIs to excel - both operationally and financially. Each organization that aspires to the status of CDFI must demonstrate that it meets each of the following requirements:

NCDFI has been fully certified as a "CDFI" by the U.S. Department of the Treasury.

- Be a legal entity at the time of certification application
- Have a primary mission of promoting community development
- Be a financing entity
- Primarily serve one or more target markets
- Provide development services in conjunction with its financing activities
- Maintain accountability to its defined target market
- Be a non-government entity and not be under control of any government entity (Tribal governments excluded)

Local CDFIs may apply to the U.S. Department of the Treasury CDFI Fund for certification anytime. Applications for CDFI certification are accepted year-round; there is no deadline and there is no application fee.

Within the states of Arizona, New Mexico, and Utah (geographically relevant to the Navajo Nation) the following Native American CDFIs⁷ are currently certified by the U.S. Department of the Treasury, including NCDFI:

- Community Development Financial Institution of the Tohono O'odham Nation (Loan Fund, Offices in Sells, AZ)
- Hopi Credit Association (Loan Fund, Offices in Keams Canyon, AZ)
- Native Community Finance (Loan Fund, Offices in Laguna, NM)
- Native Partnership for Housing, Inc. (Office in Gallup, NM)
- **Navajo Community Development Financial Institution (Window Rock, AZ)**
- Salt River Financial Services Institution (Loan Fund, Offices in Scottsdale, AZ)
- San Carlos Apache Tribe Relending Enterprise (Loan Fund, Offices in Peridot, AZ)
- Tiwa Lending Services (Loan Fund, Offices in Isleta Pueblo, NM)

CDFI Fund Programs. The federal CDFI Fund offers a variety of programs to certified entities including:

CDFI Technical Assistance (TA) Program. Recipients may use a Technical Assistance (TA) award to increase their capacity to serve their communities and/or to create, or become certified CDFIs.

⁷Source: CDFI Website, CDFI Certification | Community Development Financial Institutions Fund (cdfifund.gov)

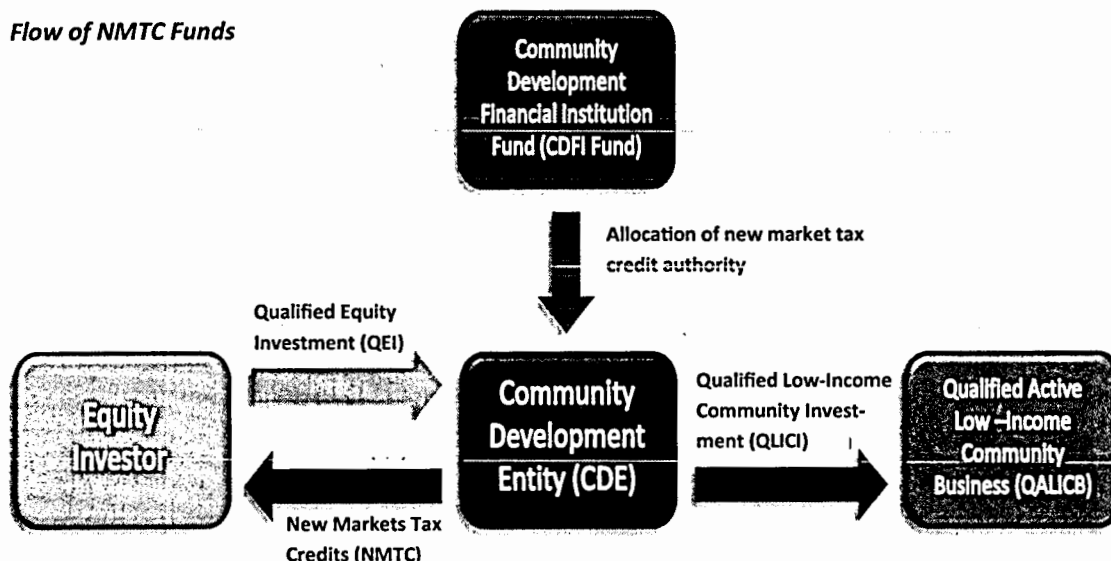
CDFI Financial Assistance (FA) Program. FA awards are made in the form of loans, grants, equity investments, deposits, and credit union shares, which CDFIs are required to match dollar-for-dollar with non-federal funds. This requirement enables CDFIs to multiply the impact of federal investment to meet the demand for affordable financial products in economically distressed communities. To be eligible to apply for a FA award, an organization must be a Certified or Certifiable CDFI. Certified and Certifiable CDFIs are eligible to apply for TA awards. However, Certifiable CDFIs (including emerging CDFIs) must demonstrate the ability to become a Certified CDFI within two years of receiving a TA grant. CDFI's FA program can match the Navajo Nation's investment dollar-for-dollar (within limits) and it can award up to \$5 million in matching funds during any 3-year period.

New Markets Tax Credit Program. The NMTC Program incentivizes community development and economic growth through the use of tax credits that attract private investment to distressed communities. Historically, low-income communities experience a lack of investment, as evidenced by vacant commercial properties, outdated manufacturing facilities, and inadequate access to education and healthcare service providers. The NMTC Program aims to break this cycle of disinvestment by attracting the private investment necessary to reinvigorate struggling local economies.

The NMTC Program attracts private capital into low-income communities by permitting individual and corporate investors to receive a tax credit against their federal income tax in exchange for making equity investments in specialized financial intermediaries (Community Development Entities). The credit totals 39 percent of the original investment amount and is claimed over a period of seven-years. NMTC Program applicants must be certified as CDEs by the CDFI Fund. The diagram⁸ below demonstrates the flow of NMTC funds.

Native Initiatives Benefits. Through the use of monetary awards and training opportunities, the CDFI Fund's Native Initiatives program creates jobs, builds businesses, and fosters economic self-determination in Native Communities nationwide. Through the Native American CDFI Assistance Program (NACA Program), Financial Assistance awards are made to Native CDFIs. These competitive awards are made in the form of loans, grants, equity investments, deposits, and credit union shares.

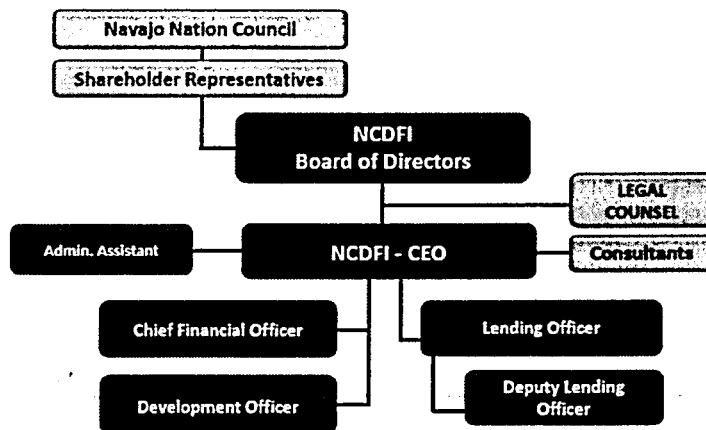
Flow of NMTC Funds



⁸Source: 'Access to Capital and Credit in Native Communities' by University of Arizona's Native Nations Institute, Report issued 2016, (Source: www.nni.arizona.edu.)

1.4 Organizational Chart

Chartering Entity. The Navajo Nation Tribal Council is the chartering entity for NCDFI. The Council has authorized the members of the standing committees of the Navajo Nation Tribal Council to serve as Shareholder Representatives and as the Community Advisory Council for NCDFI. A five-member Board of Directors is responsible for the strategic oversight of NCDFI and is accountable to Shareholder Representatives. The Board supervises NCDFI's CEO who in turn manages the day-to-day affairs of NCDFI. Organizational expansion is dependent on available funding and is anticipated to include a Chief Financial Officer, Development Officer, Lending Officer, and Deputy Lending Officer.



1.5 Key Personnel

Board Credentials. The Board of Directors collectively possesses the knowledge, skills, abilities, and subject matter expertise to strategically supervise NCDFI.

- **Andy Nakai (Current Board Chairman).** Mr. Nakai possesses a rich career facilitating commercial lending between underwriters and clients, tribal business development, construction lending, facilitation of SBA loans, tribal tax analysis, and investment of tribal assets. Mr. Nakai is bilingual in Navajo and English, with skills sets related to banking operations, retail sales, general office sales, and lending. He is certified as a grant underwriter and manager, 184 Lender and OCC Compliant Lender through Zions Bank, BIA Guaranteed Lender through Canyon National Bank, and Bonded Life Insurance Agent and Public Notary through Zions Bank.

CEO Credentials. NCDFI's CEO possesses the knowledge, skills, abilities, and subject matter expertise to manage the day-to-day operations of NCDFI. The current CEO is:

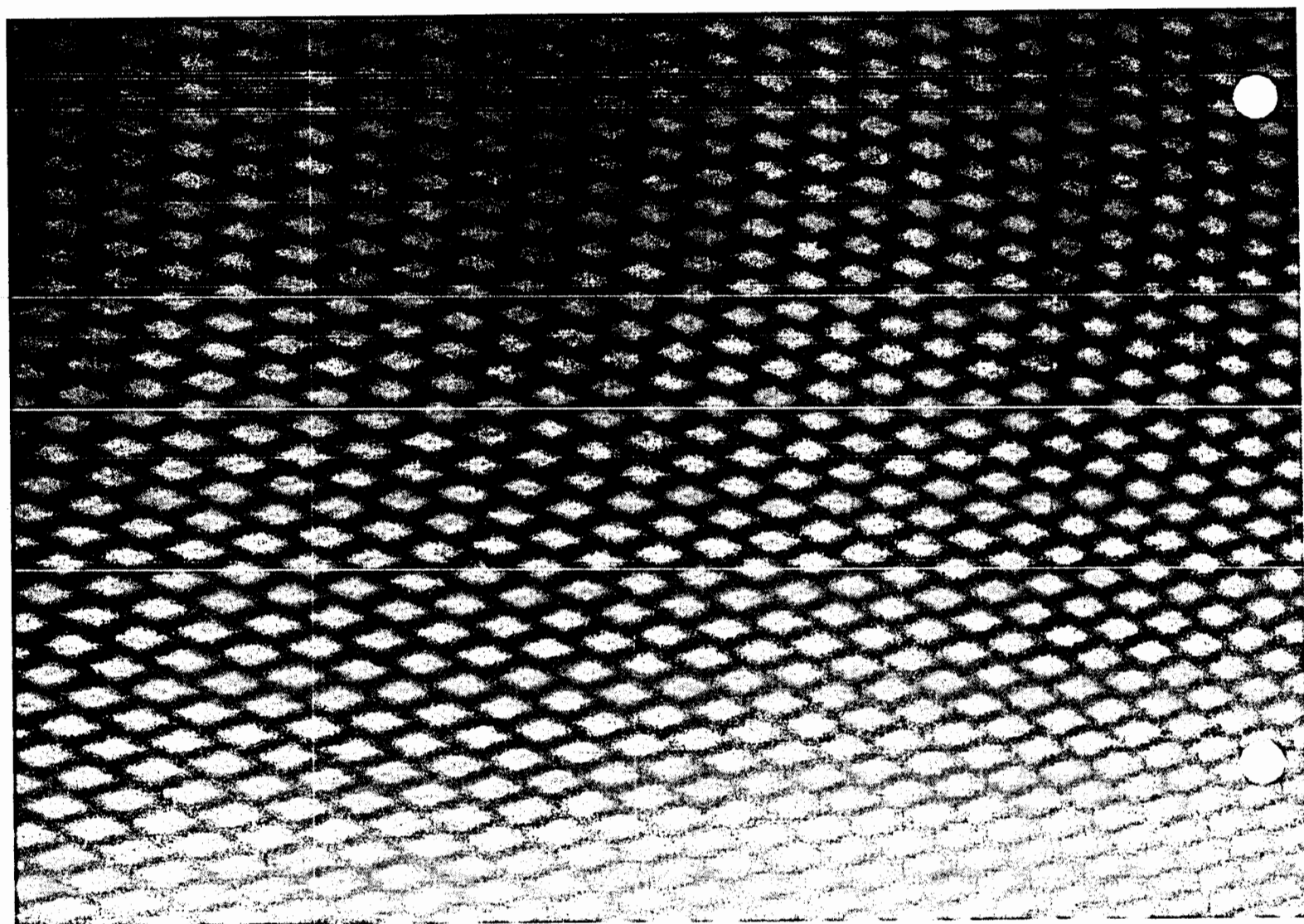
- **Thomas B. Gordon (CEO).** Mr. Gordon is an experienced executive who has served as a Government and Legislative Affairs Associate for the Navajo Nation Washington Office, Senior Officer for the NDI Group which provided financial lending to individual community members, businesses, communities and local governments, Executive Director of the Native American Development Council, Development Director for Dine' College, Senior Staff Member for the U.S. Senate, and Foreign Service Officer for the U.S. Dept. of State. Mr. Gordon's work in with the U.S. Senate included a pivotal role as Legislative Assistant for the Commerce Committee and Indian Affairs Committee in which he managed and negotiated legislation through Congress. His highly effective service to Native American institutions spans over 30 years.

Consulting Support Credentials. NCDFI engages independent contractors as needed to advance NCDFI's mission and promote economic and community development within the Navajo Nation. Contractors possess expertise in community development and financial management and assist with grant applications, budget formulation, and policy review.



Section Two

Corporate 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.

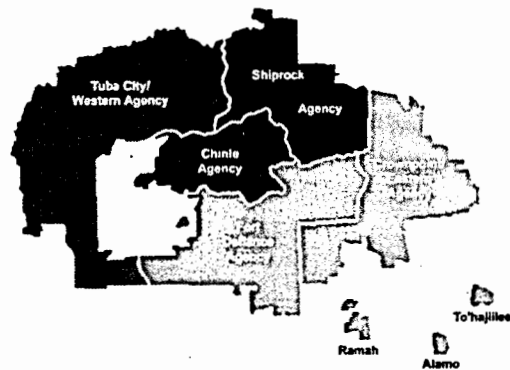
2.1 Mission, Vision, Values Statement

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



2.2 Corporate By-Laws & Policies

Corporate By-Laws. NCDFI adopted its set of corporate By-Laws on May 6, 2012 and approved a subsequent amendment June 8, 2012. NCDFI's By-Laws contain Articles summarizing items such as Shareholder Representatives, Community Advisory Council, meetings of Shareholder Representatives, Directors, meetings of the Board of Directors, Committees and Officers of the Board of Directors, Corporate Officers, Instruments, Deposits, Checks, Proxies, Indemnification, Claims, and Amendments. (See Exhibit "D" 'NCDFI_Corporate By-Laws.')

Highlights include:

- The Navajo Nation owns all shares in the Corporation and all of the Navajo Nation's shares in the corporation are exercised by five "Shareholder Representatives," composed of the one member (1) of the Standing Committees of the Navajo Nation Council or their successor committees.
- The shareholder representatives shall also serve specifically as the Community Advisory Council for the NCDFI. 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 number of directors serving on NCDFI's Board consists of five individuals, which constitutes the whole Board of Directors. Initially elected Directors served staggered terms, and thereafter, successor Directors each serve terms for three years per the conditions of the By-Laws. Directors are responsible for formulating policy decisions affecting the Corporation through strategic direction and broad oversight of corporate officers and are not to be involved in day-to-day operations of the business.

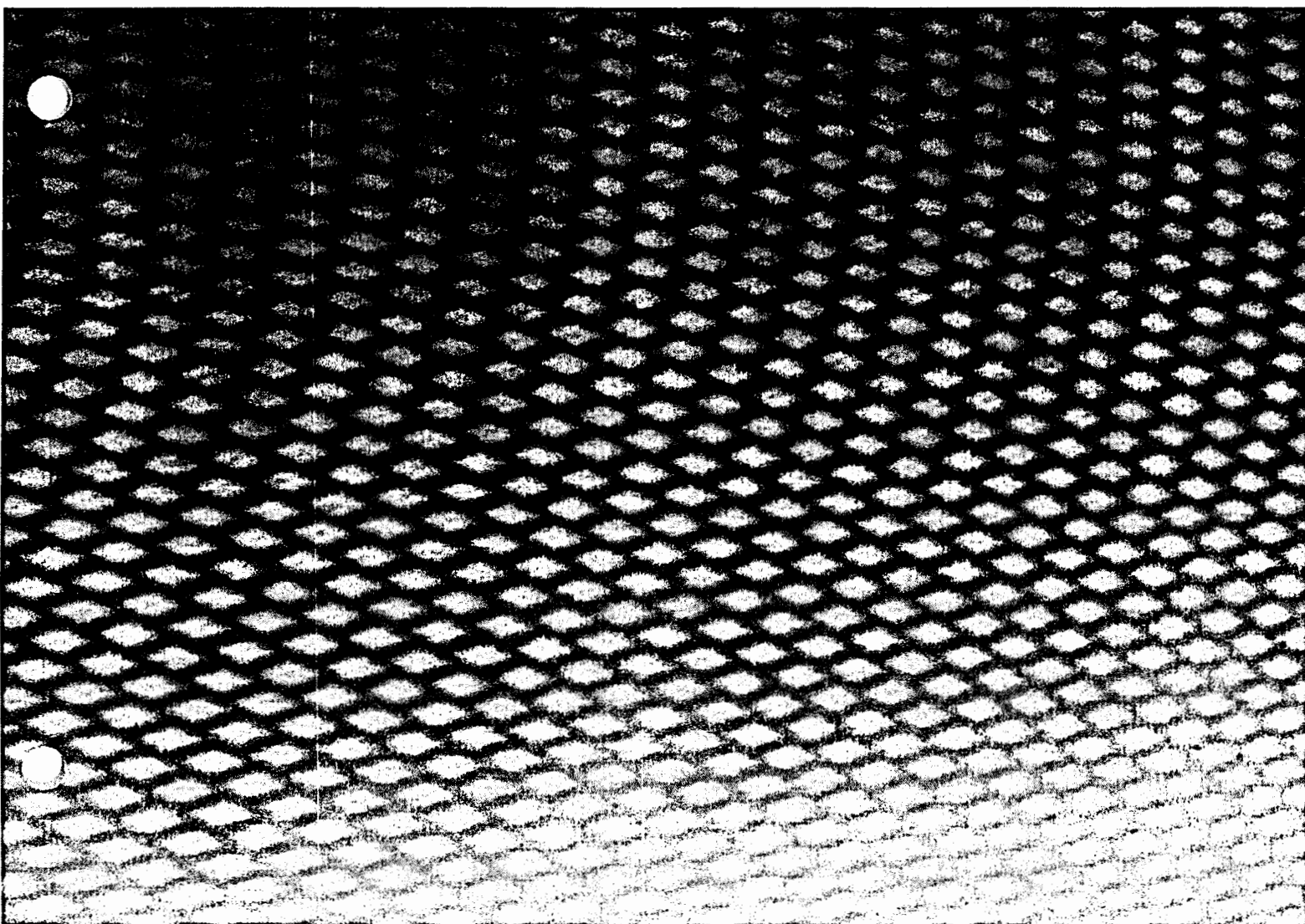
NCDFI Loan Policies. NCDFI's Board of Directors approved Loan Policies on August 25, 2014. NCDFI's Loan Policies address general requirements, loan requirements, evaluation of loans, loan approval procedures, loan documentation, loan closing, servicing loans, collections, loan write-offs, and procedures for modifying guidelines. (See Exhibit "E" 'NCDFI_Loan Policies.') Highlights include:

- The primary purpose of NCDFI's financing is to support the healthy growth of the Navajo Nation's economy by providing loans or loan guarantees to Eligible Borrowers who meet the credit requirements and otherwise satisfy NCDFI's "Loan Policies."
- All financial statements generated by prospective Loan Recipients are to be prepared according to generally accepted accounting principles (GAAP). All financial projections must contain full explanations of all assumptions utilized and a break-even analysis.
- Loan proceeds shall not be used for (a) the purchase of, or down payment on, any real estate, unless such is to be used exclusively in the conduct of the business and is essential to the success of the business; (b) payment for all or part of any delinquent tax assessment of any type (income, property, etc.) to the Internal Revenue Service, State Department of Revenue, Navajo Tax Commission or other similar tax agency; (c) payment of an existing personal debt or unrelated business debt whether owed to the Nation or to any other entity; and (d) the acquisition of or use in one of the following businesses: golf courses, race tracks, gaming facilities, massage parlors, hot tub facilities, suntan facilities, and stores where the principal business is the sale of alcoholic beverages for consumption off the premises.
- The 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.

**NCDFI will ensure that
all Diné people have
access to available
resources to promote
economic opportunity.**

Section Three

Historical Summaries



3.0 HISTORICAL SUMMARIES

Section Three Highlights

- Between 2015 and 2022, NCDFI has loaned approximately \$13.6 million in small business, business, microenterprise, and community development 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.

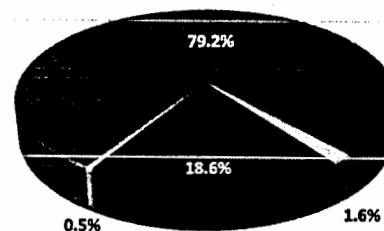
3.1 NCDFI Investment Summary

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:

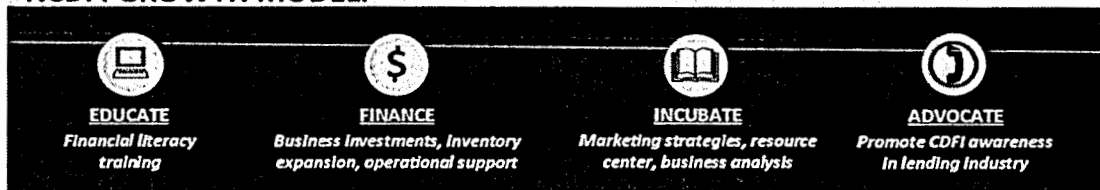
NCDFI Product	Description	Loan Amount		Maturity
		Minimum	Maximum	Months
Microenterprise Loans	Loans to Tribal enterprises and large businesses.	\$ 500	\$ 5,000	12
Small Business Loans	Loans to private businesses larger than microenterprises.	\$ 5,000	\$ 50,000	60
Business Loans	Rural Navajo business start up and expanding enterprise loans.	\$ 50,000	\$ 200,000	84
Business Loans that Support Community Development	Loans that support Navajo Chapter-based projects requiring capital	\$ 50,000	\$ 5,000,000	84

NCDFI Growth Model and Investments to Date. Between 2015 and 2022, NCDFI has loaned approximately \$13.6 million in small business, business, microenterprise, and community development loans⁹. Note: NCDFI's loan review process is on-going, with loans pending approval throughout any given year.

NCDFI LOAN HISTORY 2015-2022			
Loan Type		Amount	%
Small Business	■	224,500.00	1.6%
Business	■	2,541,585.00	18.6%
Microenterprise	■	70,910.00	0.5%
Business Loans Supporting Community Development	■	10,800,000.00	79.2%
Total		13,636,995.00	100.0%



NCDFI GROWTH MODEL:

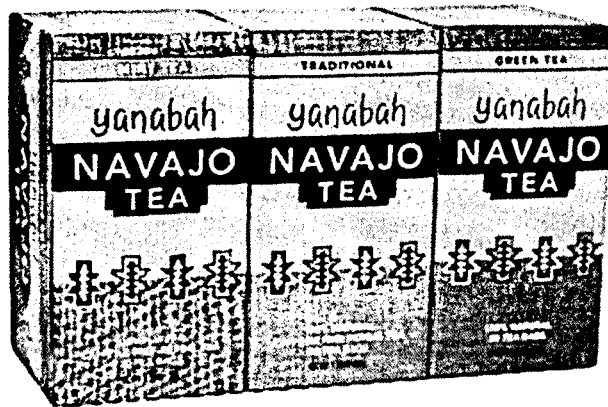


⁹Source: NCDFI Update to Navajo Nation Tribal Council dated 12/31/21

3.2 Investment Spotlight

NCDFI Business Spotlight – Yanabah Tea, LLC. Yanabah Tea, LLC was incorporated in 2007 for the purpose of growing, harvesting, and selling Navajo Tea. The company takes its name from the owner's Grandmother, Ms. Yanabah Begay, who lived a full life of 100 years. Yanabah Tea, currently produces three different tea flavors and sells them over the Internet and wholesale to stores for resale. The tea market in the U.S., for both Herbal and Chinese Black and Green tea is over 8 billion dollars in annual retail sales.

In 2015, Yanabah Tea received a loan from NCDFI in the amount of \$100,000 with a 60-month pay-back schedule. This enabled the company to increase its inventory, expand its customer base to increase sales of larger quantities, and increase efficiency in responding to orders.



Yanabah Tea, LLC was founded by Verna Lyons, who was born Verna Curley and grew up in the Chinle area. Yanabah's Traditional Navajo Tea is 100% all natural, without any flavoring, and is comprised solely of the herb Greenthread. It is packaged 20 tea bags to a box, with every bag having enough herbs in it to make two cups of tea.

3.3 NCDFI Growth and Development

Historically, NCDFI has chosen to minimize overhead and annual operating costs in order to maximize loan products and development services available to its target market. While austerity may result in gained efficiencies, an increase of risk may be associated with minimal human resource infrastructure. NCDFI's internal risk mitigation strategy involves a number of measures including increased capitalization of NCDFI, the attraction and retention of additional NCDFI talent, and the engagement of NCDFI employees with a positive work environment and professional development opportunities.

NCDFI's organizational chart provides a blueprint for developing the internal human resource capacity of NCDFI. The recommendation for further growth and development of Native CDFIs is echoed by the University of Arizona's Native Nations Institute as stated in their 2016 report 'Access to Capital and Credit in Native Communities':

Current and new funders from the public and private sectors must continue to resource the development of Native CDFIs' human capital so that individual organizations and the field have the capacity they need to thrive.

3.4 COVID-19 Pandemic Impacts

As NCDFI considers its capacity to serve qualified entrepreneurs, businesses, and communities through its community development fund, the societal and economic impacts of the Coronavirus (COVID-19) pandemic must be taken into consideration. COVID-19 has created enormous hardship throughout the world. The Navajo Nation has been severely impacted, both in terms of health and safety, as well as economically. Consider the following:

- **Impacts of COVID upon Small Businesses.** According to the U.S. Census Bureau, between February and April 2020, the U.S. lost over 3.3 million active business owners, an overall drop of 22%. Of the business owners lost:
 - African Americans eliminated a staggering 41% of active business owners.
 - Latinx also experienced major losses with 32% of business owners halting activity between February and April 2020.
 - Immigrant business owners suffered a large drop of 36% in business activity, and female business owners suffered a disproportionate drop of 25%.¹⁰
 - Across the Navajo Nation, 68% percent of businesses surveyed experienced at least a 20% drop in revenues, while 16% reported zero revenues since the pandemic hit. 41% of respondents said they had to lay off or furlough employees.¹¹
 - "COVID-19 has affected some Indian Country businesses more than others. Fully four months after the pandemic and associated public health measures forced many businesses to suspend operations, 1 in 6 businesses reports having lost all of its revenue (as of mid-July) because of COVID-19. Many surveyed businesses (18 percent) reported working in industries such as arts, entertainment, and recreation that were especially affected by the pandemic."¹²
- **Business Exits result in Permanent Job Destruction.** Layoffs and business failures during pandemics run a high risk of permanent job destruction. Business exit implies permanent job destruction, potentially detaching workers from the labor market and limiting the speed of the employment recovery. While the costs of exit-induced layoffs may be manageable during periods of strong labor markets, releasing workers onto labor markets at a time of high unemployment—such as the pandemic period—is more concerning. Relatedly, business exit destroys the match-specific capital formed by a firm's relationship with its workers. Business exit eliminates this recall option and, potentially, implies longer unemployment spells for workers that must form new employment relationships. From the perspective of business owners, the exit of a firm means not only the loss of a job and career disruption but also potentially the destruction of household wealth. And from the perspective of local economies, widespread business deaths may permanently alter the economic geography of neighborhoods and communities."¹³
- **NNDED recommends the Creation of Financing Solutions.** In September 2021, the Navajo Nation Division of Economic Development (NNDED) issued its study on "The Economic Impact of COVID-19 on Navajo Small Businesses" and recommended the creation of "**financing solutions** for sectors with supply chain disruption Sectors that rely on the regular purchase of supplies and goods, such as food service, hospitality, retail, and artisan and craftwork are likely to be significantly impacted by costs related to limitations in supply chains and inflation." Additionally, the study concluded that "NNDED should work closely with other levels of government to explore option for providing additional grant or loan support where needed."¹⁴

¹⁰Source: Fairlie, R. (2020). The impact of COVID-19 on small business owners: Evidence from the first 3 months after widespread social-distancing restrictions. *Journal of economics & management strategy*, 10.1111/jems.12400. Advance online publication. <https://doi.org/10.1111/jems.12400>

¹¹Source: Krisst, R. (2020). Almost in Ruins: Limited Access to COVID-19 Relief, PPE Leaves Businesses Struggling. *Navajo Times*. <https://navajotimes.com/biz/almost-in-ruins-limited-access-to-covid-19-relief-ppe-leaves-businesses-struggling/>

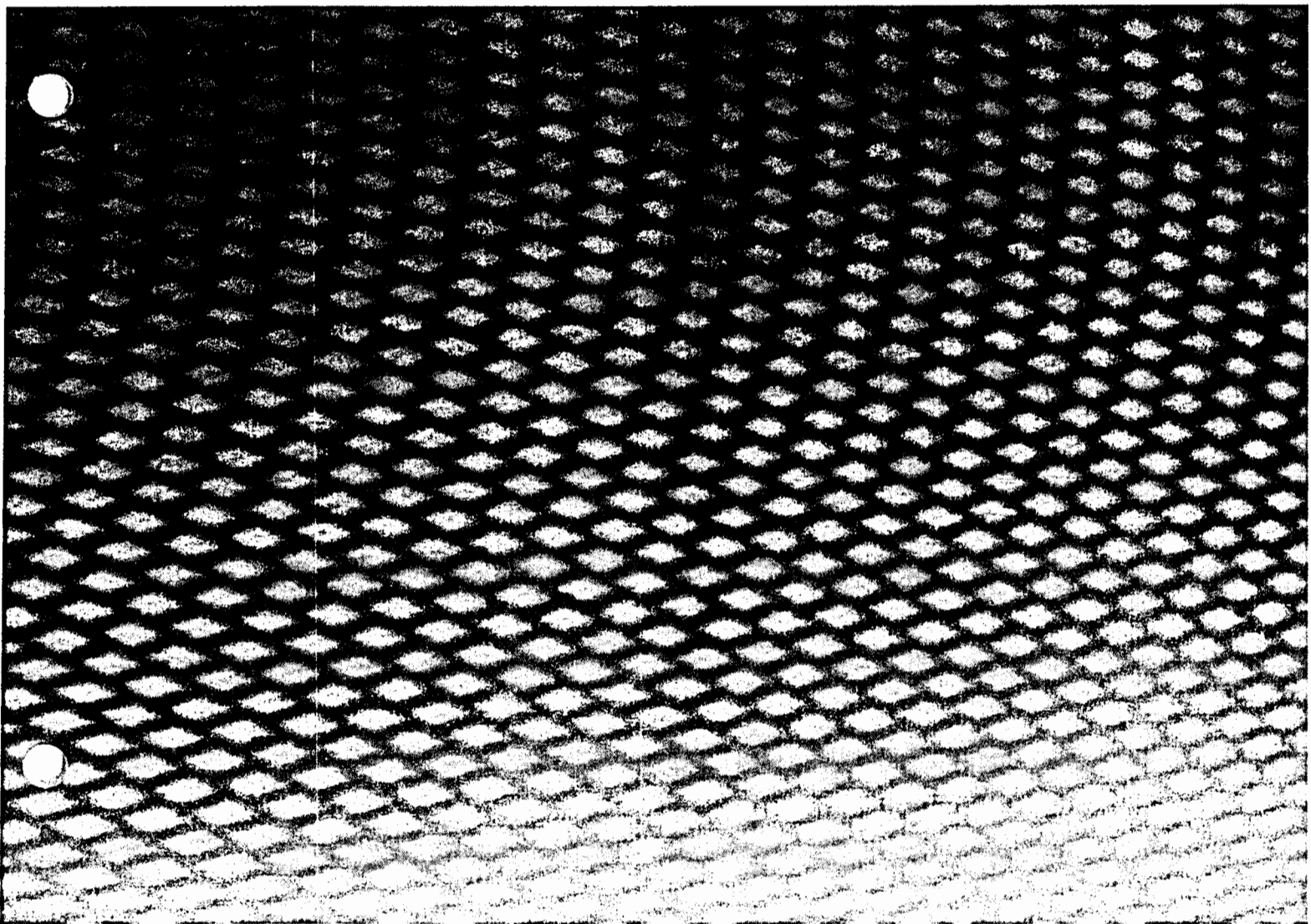
¹²Source: FRBM. (2020). Indian Country Small Businesses Face Strong Headwinds in COVID-19 Recovery. Federal Reserve Bank of Minneapolis. <https://www.minneapolisfed.org/article/2020/indian-country-small-businesses-face-strong-headwinds-in-covid-19-recovery>

¹³Source: Federal Reserve Board. (2021). Business Exit During COVID-19 Pandemic. Finance and Economic Discussion Series. <https://www.federalreserve.gov/econres/feds/files/2020089r1pap.pdf>

¹⁴Source: NNDED. (2021). The Economic Impact of COVID-19 on Navajo Small Businesses. Navajo Nation Division of Economic Development. navajoeconomy@navajo-nsn.com

Section Four

Strategic Planning



4.0 STRATEGIC PLANNING

Section Four Highlights

- In December 2021, NCDFI updated its 2013 Strategic Plan which includes 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 2015-2022 in support of these target investment areas among others.

4.1 NCDFI Strategic Planning Overview

Plan Development and Approval. NCDFI's Strategic Plan was developed with the assistance of a third-party consulting firm, ABC, Inc. The plan summarizes the mission, vision, and values of NCDFI, and provides short-, mid-, and long-term goals, objectives and activities for NCDFI as an emerging community development financial institution. The Strategic Plan was adopted in August 2013. (See Exhibit "F" "NCDFI_Strategic Plan") and was updated at the close of 2021.

Planning Segments. The plan outlines strategic goals within three timeframes including (a) Immediate (Short-term) 1-2 years, (b) Mid-term 2-3 years, and (c) Long-term 3-5 years. A fourth planning segment (Organizational) cuts across all timeframes and may be considered "all years". The following tables summarize the Strategic Plan and provide a status update regarding implementation.

1.0 IMMEDIATE (SHORT-TERM)					
#	Goals (1-2 Year Timeframe)	#	Objectives	Timeframe	Status
1.1	Establish fully operational staff and office	1.1.a	Hire Chief Executive Officer	End of 2013	Completed. CEO hired in 2014
		1.1.b	Secure Support Team	2014	Pending further capitalization
		1.1.c	Retain Legal Counsel for organizational structure (i.e. UST/IRS needs)	2013	Secured Legal Counsel: Judy Dworkin from Sacks Tierney P.A.
		1.1.d	Put Infrastructure in place; virtual office in 2013, permanent within one year	2013	Virtual office and temporary office established in 2014; data management initiated by CEO
		1.1.e	Establish Accounting System and Financial Policies and Procedures	2013	Accounting System software procured in 2015. Loan Policies approved on Aug. 25, 2014
1.2	Engage target market	1.2.a	Develop Proposals for NCDFI participation in Navajo Nation Bond Issuance, Business & Industrial Development, and Capital Improvement Program.	2013	Target market engaged through networking efforts; Face-to-Face Contact with Peers, Constituents, Prospective Partners and Customers.
1.3	Deploy products and services	1.3.a	Start lending	2014	Lending was initiated in early 2015
1.4	Secure support from three financial partners	1.4.a	Contact at least 3 potential financial partners as collaborators and potential investors	2013	Networking initiated; formal Memorandum of Understandings defining partnerships discussed

2.0 MID-TERM PLANNING					
#	Goals (3-5 Years)	#	Objectives	Timeframe	Status
2.1	Become financially self-sustaining with revenue greater than expenses.	2.1.a	Secure sufficient financial resources: investment capital and operations	On-going	NN Council budgeted operational funding
		2.1.b	Establish and manage lending portfolio through lending or acquisition	On-going	Developing Lending Portfolio since 2015
		2.1.c	Obtain additional capitalization from Navajo Nation Investment Committee, Financial Partners and outside investors.	On-going	Request for capitalization on-going
2.2	Achieve CDFI Certification	2.2.a	Apply for and receive CDFI Certification	2020	Completed. Certification #181CE054359 issued on July 17, 2020 by U.S. Treasury

3.0 LONG-TERM PLANNING					
#	Goals (5 Years - 2018)	#	Objectives	Timeframe	Status
3.1	Serve three markets fully including (a) Tribal Enterprises, (b) Chapters and Communities, and (c) Small Businesses	3.1.a	Create and monitor infrastructure	2018	Initiated in 2015. On-going.
		3.1.b	Establish and offer program products and services for each market	2018	Initiated in 2015. On-going.
		3.1.c	Educate and provide development services to potential borrowers in each segment	2018	Development of Financial Literacy training resources (self-guided instruction) being explored for viable solutions. On-going support provided to all loan recipients
3.2	Strategically build NCDFI's portfolio of loans	3.2.a	Actively coordinate and collaborate with agencies serving small business, such as Bik'eh Hohzo, NDED/RBDO	2018	Between 2015 and 2022, NCDFI has loaned approximately \$13.6 million in small business, business, microenterprise, and community development loans.

4.0 ORGANIZATIONAL PLANNING (ALL YEARS)					
#	Goals (Cross-cutting, All Years)	#	Objectives	Timeframe	Status
4.1	Develop a capable and competent financial lending institution	4.1.a	Set human resources policies and procedures	On-going	On-going
		4.1.b	Establish physical organizational infrastructure; virtual and permanent	On-going	On-going
		4.1.c	Build financial management and fiduciary capacity	On-going	On-going through loan products and development services offered by NCDFI
		4.1.d	Establish internal and external relationships to support NCDFI current needs and develop resources for future growth	On-going	On-going; the NCDFI CEO meets consistently with NN delegates acting as Shareholders Representative for NCDFI

4.2 Key Outcomes

Definitions. NCDFI seeks to assist its target market, the Navajo Nation by continuing to provide access to capital and development services. The following definitions apply to Key Outcomes which are associated with NCDFI's \$20M expenditure plan:

- **Key Outcomes.** The broader organizational capability developed by NCDFI or mission critical achievement that capitalization will contribute to. (e.g. Respond to requests by forward-thinking entities to develop an economic base, either directly or indirectly, within local communities.)
- **Goals.** A purpose statement that spells out a broad, general direction to be implemented over one or several years. (e.g. Support economic initiatives of community entities including local chapter governments, small business owners, community development institutions, educational entities, nonprofit organizations, etc.)

Key Outcome (A)	Become the Navajo Nation's premier lending institution and assist in alleviating economic challenges facing Navajo people, communities, and businesses.
Relevant Goals	Strategic Plan (SP) - Goal 1.2. Engage target market. SP Goal 1.3. Deploy products and services. SP Goal 3.1. Serve three markets fully including (a) Tribal Enterprises, (b) Chapters and Communities, and (c) Navajo Businesses. SP Goal 3.2. Strategically build NCDFI's portfolio of loans.
Objectives	<ul style="list-style-type: none"> • Anticipate NCDFI participation in Navajo Nation Bond Issuance, Business & Industrial Development, and Capital Improvement, and promote participation in NCDFI's loan fund from these respective entities. • Support the development of infrastructure that leads to economic opportunity. • Establish and offer program products and services for each market. • Educate and provide development services to potential borrowers in each segment.

Key Outcome (B)	Develop NCDFI's internal organizational capacity that results in long-term sustainable operations.
Relevant Goals	SP Goal 1.1. Establish fully operational staff and office. SP Goal 2.1. Become financially self-sustaining with revenue greater than expenses. SP Goal 4.1. Develop a capable and competent financial lending institution.
Objectives	<ul style="list-style-type: none"> • Secure Support Team. • Establish Accounting System and Financial Policies and Procedures. • Establish and manage lending portfolio through lending or acquisition. • Set human resources policies and procedures. • Establish physical organizational infrastructure; virtual and permanent. • Build financial management and fiduciary capacity. • Establish internal and external relationships to support NCDFI current needs and develop resources for future growth.

Key Outcome (C)	Develop networking and engagement capacity through professional external partnerships.
Relevant Goals	SP Goal 1.4. Secure support from three financial partners. SP Goal 1.5. Achieve CDFI Certification.
Objectives	<ul style="list-style-type: none"> • Actively coordinate and collaborate with agencies serving small business, such as NDED/RBDO. • Maintain CDFI Certification through U.S. Dept. of Treasury. • Obtain additional capitalization from the Navajo Business and Industrial Development Fund (BIDF) and Navajo Nation Investment Committee, Financial Partners and outside investors.

- **Objectives.** What the capitalization is expected to deliver. How success will be measured over a specific timeframe. A statement that contains SMART characteristics (e.g. specific, measurable, attainable, realistic/relevant, time-bound).

4.3 Correlation with Navajo Nation Strategic Planning

Navajo Nation Comprehensive Economic Development (NNCED) Strategy. The Navajo Nation has developed comprehensive plans with a strategic emphasis on: (a) industrial development, and (b) tourist development. Per the NN Division of Economic Development's Comprehensive Economic Development Strategy:

"Taking into consideration this paramount importance of a base industry to the economy, the administration is actively working towards recruiting base industries, and particularly the Manufacturing industries onto the Navajo Nation. DED's current priorities are industrial and tourism development (both of which fall under the base industry category), throughout the Navajo Nation."¹⁵

¹⁵Navajo Nation Comprehensive Economic Development Strategy 2005-2006, Chapter IV, Section C, Economic Development Strategy

NCDFI is cognizant of the need to develop businesses that support industrial development and tourism along with other sectors of the economy. In addition to Travel- and Manufacturing-related loans, NCDFI has issued loans to qualified applicants that cover a diverse range of economic sectors including agriculture, forestry, retail & trade, construction, transportation, accommodation and food services, technical services, health care and social assistance, and energy development. Total loans, to date, amount to \$13.6 million.

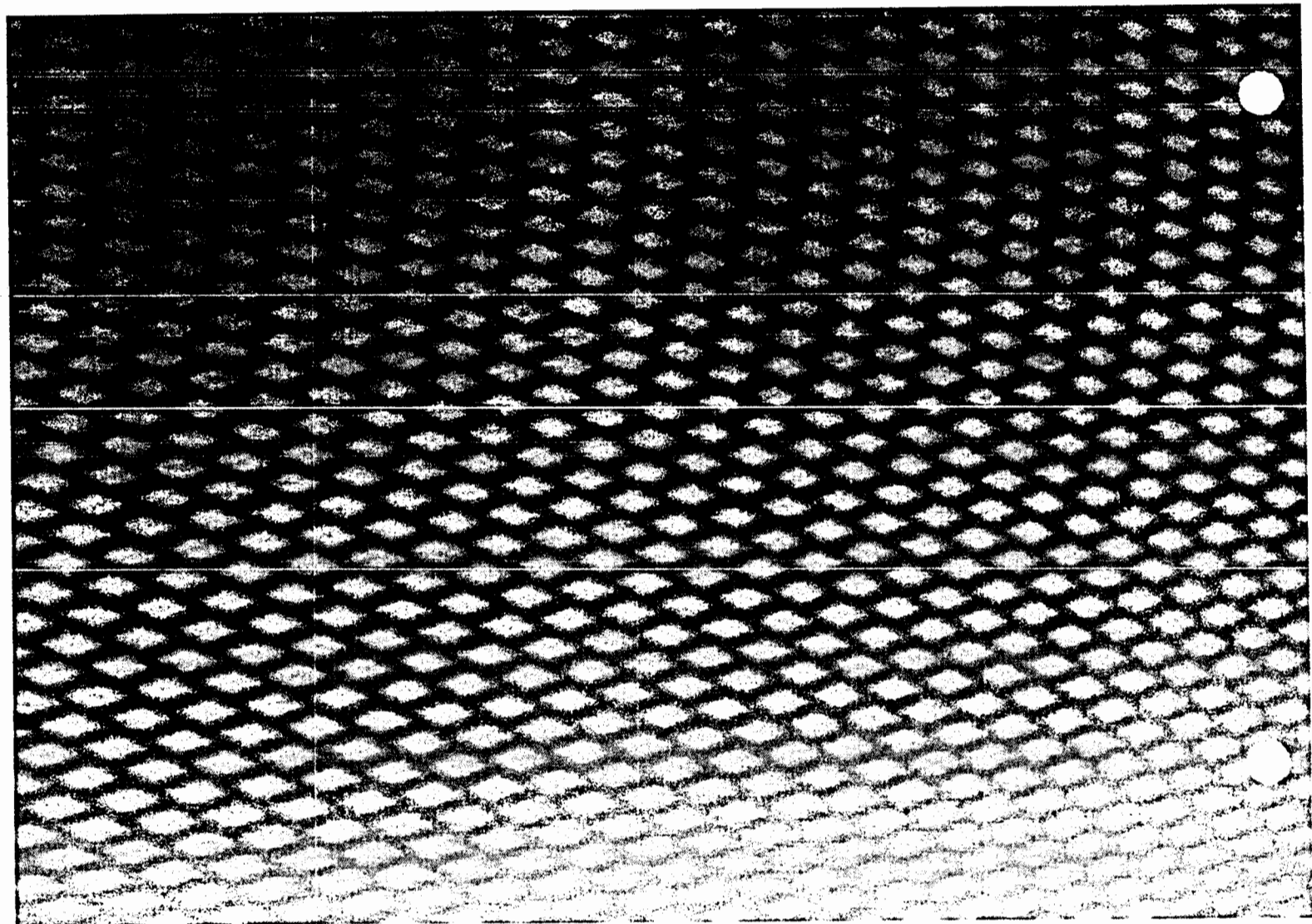
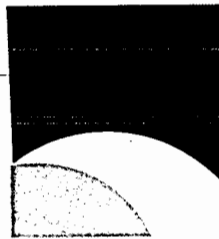
4.4 Impacts to Stakeholders

Anticipated Benefits. Navajo Nation tribal members deserve to benefit from a robust economic and business environment within the Navajo Nation. On-reservation business development has the potential of building a revenue base for the creation of jobs and support services within local communities. NCDFI's Strategic Plan is the blueprint for the creation of a sustainable lending institution that services the Navajo Nation. Capitalization of NCDFI (SP Goal 2.1) will result in many positive impacts for stakeholders, including but not limited to:

- Job creation;
- Improvement of the knowledge-base of Navajo consumers and business owners regarding sound financial management practices;
- Increased access to credit; and
- Support of Navajo Nation strategic "Nation-building" goals

Section Five

Budget Assumptions & Expenditure Plan



Section Five Highlights

- The purpose of this Navajo Community Development Financial Institution (NCDFI) Expenditure Plan is two-fold. It will offer an economic relief program for immediate assistance to Navajo small businesses.
- NCDFI will use these funds in accordance with the purposes of the Sii Hasin fund, per Navajo Nation oversight.
- It is assumed that 85% of the total capital available to qualified applicants will be obligated within the first year of the five year term, 10% of total funding by year two, and the remaining 5% of total funding by the end of the third year. This assumes an aggressive step to support Navajo businesses and entrepreneurs as society continues to rebuild its economic capacity in a post-COVID-19 timeframe, when access to credit and business capital is crucial.

5.1 Budget Assumptions

Assumptions. NCDFI's Investment Portfolio and associated \$8M Expenditure Plan take into consideration the following assumptions:

Investment Portfolio:

- **Investment in Navajo Communities.** It is estimated that over 90% of planned NCDFI investments will support capital improvements within Navajo communities. Because the unmet needs of Navajo communities are significant, NCDFI should focus its lending capacity on a small range of target recipients with the greatest potential for a strong return on investment (ROI). Attempting to support a high number of recipients with inadequate loan amounts will negatively impact ROI.

Capital Improvement and Investment – Preferable Low Risk Categories

- **Economic Development Projects.** Low risk is associated with NCDFI investment in revenue-generating economic development projects capable of supporting loan repayment. Navajo chapters/communities have alternative sources of revenue (e.g. tax sharing) that may be pledged to repayment. This is a low-risk characteristic of the borrower, and NCDFI may accept various alternative revenue sources as collateral.
- **Revenue-Generating Projects.** Low risk is associated with NCDFI investment in projects which will generate entrance fees, services fees, lease payments and rental payments capable of supporting loan repayment (e.g. for-profit businesses, medical services, airports, training centers, housing establishments, transit systems, fitness centers, daycare services, etc.)
- **New Development.** Lower risk is associated with new construction that is code compliant and which minimizes life-safety risks/liabilities and promotes greater cost control.

Capital Improvement and Investment – Avoiding Medium to High Risk Factors

- **Utilities and Infrastructure.** Municipal bond issuance and utility rate adjustments will better suit utility and infrastructure improvements than NCDFI investment.
- **Enhancement/Development of Public Space.** Park development, exterior museum extensions, skateboard parks, walking paths, etc., have limited potential for fee collection and constitute poor investments for NCDFI. Parking lots often function as shared

space and the cost of development/rehabilitation is not always passed onto users - for this reason there is marginal increase of risk for NCDFI to fund parking facilities.

- **Aging Facilities and Infrastructure.** Risk increases significantly with renovations of older facilities that contain asbestos and non-code compliant construction. Each project should be reviewed on a case-by-case basis, to determine if cost control may be effectively achieved.
- **Development Tracts.** While new business development constitutes a low-risk investment, land acquisition alone does not guarantee revenue generation and project completion. Risk is reduced if NCDFI invests in the full project spectrum, including land acquisition, A&E, and construction.
- **Land Use Planning & Economic Planning Initiatives.** While planning is vital to the success of any business venture or community development project, planning alone does not guarantee revenue generation. There is an increase of risk if NCDFI does not fund planning directly tied to specific projects, which projects are also to be funded by NCDFI.
- **Educational Facilities.** Bond issuance and tuition adjustments will better suit academic facility development than NCDFI investment.
- **Demolition.** Demolition is a high-risk, high-cost item that is not suited to NCDFI investment as a stand-alone. Demolition projects need to be coupled with capital project through to completion.

5.2 \$8M Expenditure Plan

- **Purpose.** The purpose of this Navajo Community Development Financial Institution (NCDFI) Expenditure Plan is to offer an economic relief program for immediate assistance to Navajo small businesses. This Expenditure Plan is to allow for the use and expenditure of eight million dollars (\$8,000,000.00). The expenditures set forth are necessary to offer immediate relief to Navajo small businesses facing financial loss due to the Coronavirus (COVID-19) pandemic. COVID-19 has created enormous hardship throughout the world. The Navajo Nation has been severely impacted, both in terms of health and safety, as well as economically. In particular, Navajo small businesses and entrepreneurs have struggled to flourish with impacts to business operations well above the national average. Small business and entrepreneurial operations constitute an important part of the Navajo Nation, economically and culturally. Moreover, NCDFI operates a loan/loss reserve in order to offset cases where a borrower is unable to make timely payments, misses payments or defaults on repayment of the NCDFI loan altogether. With the on-going economic impacts from COVID-19, and the possibility that the pandemic may yet continue to thrive with unforeseen delta variants, NCDFI considers it prudent business practice to fortify and maintain its loan/loss reserve so that NCDFI might have the necessary financial wherewithal to support NCDFI loan recipients that continue to struggle from the pandemic. A plan to fortify the NCDFI Loan/Loss Reserve is currently being developed by the NCDFI Board.

The NCDFI Expenditure Plan will be divided into (a) NCDFI operating costs for approximately \$1.7M across five-years (\$1,702,076.00), and (b) the Navajo Small Business Support Fund for six million two hundred ninety-seven thousand, nine hundred and twenty-four dollars (\$6,297,924.00). The total amounts to eight million dollars (\$8,000,000.00).

These funds to be used for specific purposes including responding to the COVID-19 public health emergency or its negative economic impacts, including assistance to households, small businesses, and non-profits; or aid to impacted industries such as tourism, travel, and hospitality. The receipt of this funding will provide a means whereby

the cost of business interruption, business exits, and permanent job destruction may be offset.

- **Affirmation of Fund Use.** The Navajo Community Development Financial Institution, and any other entity receiving funds herein affirms it will use these funds in accordance with the purposes set forth in the Sii Hasin Fund.
- **Allocation Assignment.** Funds amounting to \$8,000,000.00 are allocated to the Navajo Community Development Financial Institution to be used consistent with the attached NCDFI Expenditure Plan.
- **Implementation and Monitoring.** The Navajo Community Development Financial Institution (NCDFI) is responsible for implementing NCDFI projects and funding. NCDFI is likewise responsible for monitoring the expenditure of all funds allocated to NCDFI. As a means of monitoring NNFRF funding, NCDFI will continue to implement independent annual audits of NCDFI to promote financial management best practices.
- **Administrator of Funds.** The Navajo Community Development Financial Institution (NCDFI) is responsible for administering funds allocated to NCDFI. The Navajo Nation can lawfully transfer Sii Hasin funding to NCDFI for NCDFI to administer and use those funds. The Nation—as a “recipient” of federal financial assistance—can lawfully transfer funding to NCDFI—as a “subrecipient” or “passthrough entity”—for NCDFI to administer such funds on behalf of the Nation. There is no legal prohibition in federal laws or regulations that prohibits the Nation from using NCDFI to administer and use Sii Hasin funds.
- **Means of Funding.** The funds allocated to NCDFI shall be a direct disbursement.
- **Accounting and Reporting Requirements.** Funding received by the Nation is subject to GASB, Uniform Guidance/Super Circular guidelines and the Single Audit Act and any other applicable rules, regulations and guidance.
- **Oversight Committee.** The Navajo Nation Budget and Finance Committee (BFC) has oversight over the Navajo Community Development Financial Institution. Moreover, Council Delegates serve as the Navajo Nation’s representative in oversight and management of NCDFI. Delegates also serve on the Community Advisory Council for NCDFI. The roles and responsibilities associated with each will continue to promote peak performance from NCDFI.
- **Affirmation of Administration and Management.** The Navajo Community Development Financial Institution affirms it will administer, manage, and implement the funds allocated to it in this Expenditure Plan consistent with the Sii Hasin fund, as well as other applicable laws and regulations of the Navajo Nation. Moreover, as a certified Community Development Financial Institution (NCDFI Certification Number: 181CE054359), NCDFI will adhere to standards established by the U.S. Department of the Treasury, in relation to specialized financial institutions serving low-income communities (www.cdfifund.gov).

5.3 Project Overview

- **Affordable Capital.** It is the mission of NCDFI to provide access to affordable capital for the purposes of small-business loans and individual financial and community development through collaborative and education-oriented lending services, and to practice responsible lending in order to protect loan capital for future generations of the Navajo Nation. The implementation and management of Sii Hasin funding will enable NCDFI to serve Navajo small businesses, a critical cornerstone of the Navajo Nation. Receipt of this funding will help small businesses mitigate the negative economic impacts resulting from the COVID-19 public health emergency, and provide a means whereby the cost of business interruption may be offset.

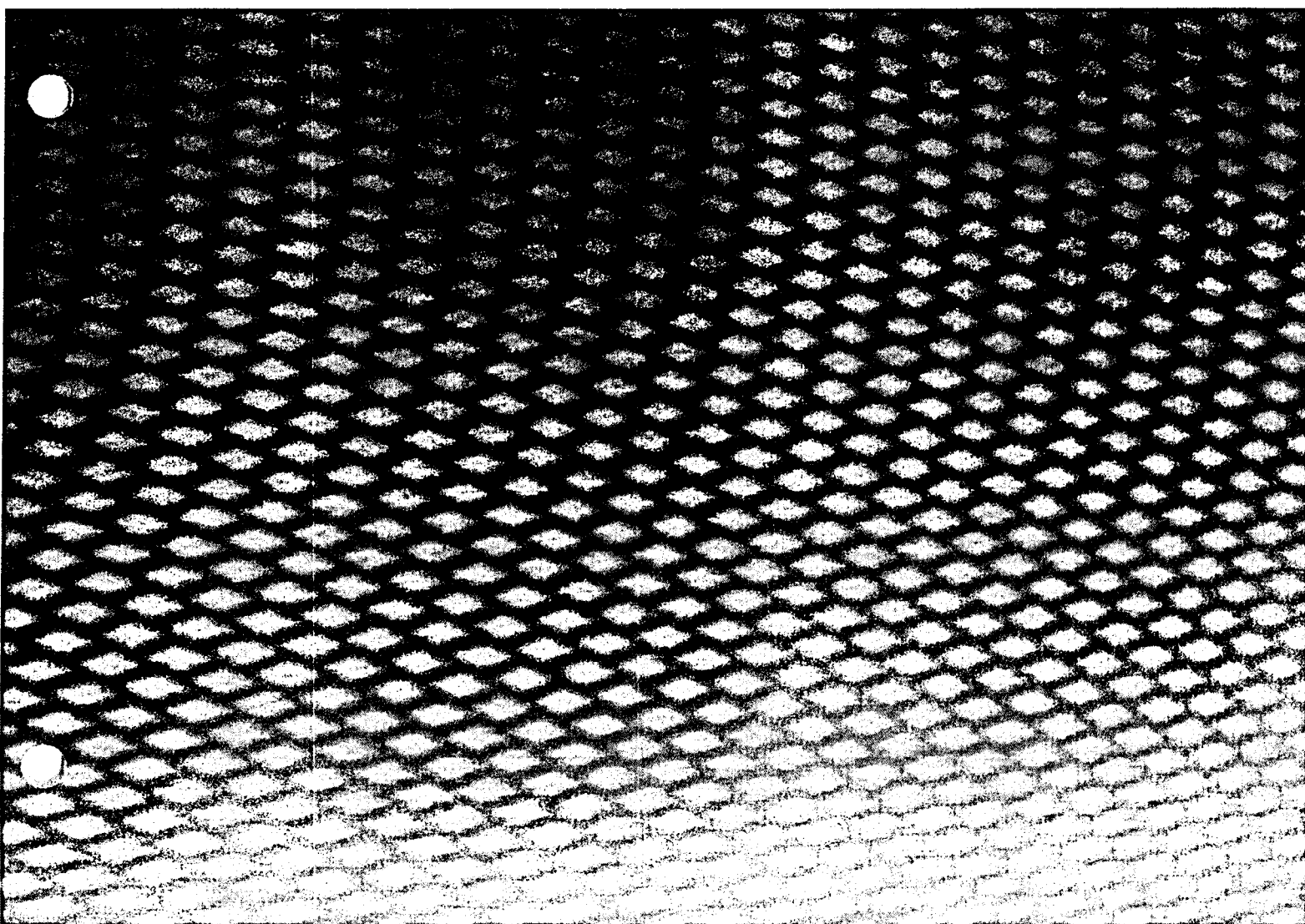
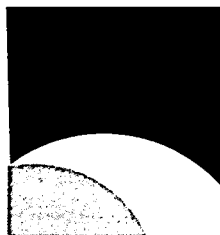
5.4 NCDFI 5-Year Expenditure Plan

- **Budget Category 2001 - Personnel Expenses.** Includes Wages and Fringe Benefits for Exempt and Non-Exempt employees, as well as an allowance for a 2% cost of living increase year over year.
- **Budget Category 3000 - Travel Expenses.** Supports employee travel to and from required NCDFI monthly and quarterly meetings. Expenses also are included to and from Navajo Nation Chapters to accommodate business and site visits associated with NCDFI loan recipients.
- **Budget Category 3500 - Meeting Expenses.** Accommodates Board/Shareholder-related expenses.
- **Budget Category 4000 - Supplies.** Consolidates expenses for day-to-day office related supplies, postage and delivery, printing, and dues and licenses related to professional associations.
- **Budget Category 5000 - Lease and Rental.** Includes costs for NCDFI office space.
- **Budget Category 5500 - Communications and Utilities.** Accommodates utilities associated with NCDFI office space, as well as NCDFI cell phone communication-related expenses.
- **Budget Category 6500 - Contractual Services.** Includes legal fees, as well as contractual fees for planning and accounting support.
- **Budget Category 7000 - Special Transactions.** Includes expenses for seminars, advertising, and promotion.

NCDFI - \$8M Expenditure Plan						
Budget Category	Year 1	Year 2	Year 3	Year 4	Year 5	Total
2001 Personnel Expenses	244,920.00	249,818.40	254,814.77	259,911.06	265,109.28	1,274,573.51
3000 Travel Expenses	13,285.00	13,550.70	13,821.71	14,098.15	14,380.11	69,135.67
3500 Meeting Expenses	15,000.00	15,300.00	15,606.00	15,918.12	16,236.48	78,060.60
4000 Supplies	9,500.00	11,040.97	11,196.23	11,354.60	11,516.14	54,607.94
5000 Lease and Rental	7,800.00	7,956.00	8,115.12	8,277.42	8,442.97	40,591.51
5500 Communications and Utilities	5,400.00	5,508.00	5,618.16	5,730.52	5,845.13	28,101.81
6000 Repairs and Maintenance	-	-	-	-	-	-
6500 Contractual Services	21,718.06	21,944.26	22,174.98	22,410.32	22,650.37	110,898.00
7000 Special Transactions	8,860.00	9,037.20	9,217.11	9,402.30	9,590.35	46,106.96
Subtotal 2001-7000	326,483.06	334,155.53	340,564.08	347,102.49	353,770.83	1,702,076.00
8000 Public Assistance	-	-	-	-	-	-
9000 Capital Outlay	5,353,235.40	629,792.40	314,896.20	-	-	6,297,924.00
Subtotal 8000-9000	5,353,235.40	629,792.40	314,896.20	-	-	6,297,924.00
Total Expenditure Plan	5,679,718.46	963,947.93	655,460.28	347,102.49	353,770.83	8,000,000.00

- **Budget Category 8000 - Public Assistance.** A plan to fortify the NCDFI Loan/Loss Reserve is currently being developed by the NCDFI Board.
- **Budget Category 9000 - Capital Outlay.** It is assumed that 85% of the total capital available to qualified applicants will be obligated within the first year of the five year term, 10% of total funding by year two, and the remaining 5% of total funding by the end of the third year. This assumes an aggressive step to support Navajo businesses and entrepreneurs as society enters a post-COVID-19 timeframe, when access to credit and business capital is crucial.

Section Six Evaluation



6.0 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.

6.1 Risk Assessment

Internal Risks & Mitigation Strategies. NCDFI recognizes that investment involves varying degrees of risk. Internal risks that may be associated with NCDFI include inadequate capital to fund NCDFI operations, failure to expend capital, NCDFI employee turnover, and lack of adherence to financial management best practices. Mitigation of internal risk may include the following strategies:

- Secure capital from the Navajo Nation that will provide the necessary start-up funding for NCDFI to generate interest-bearing revenue and achieve sustainable operations.
- Develop a robust lending pipeline. Establish quarterly benchmarks for loan applications received, loans approved, and financial literacy trainings delivered.
- Generate a Marketing Plan that will successfully disseminate information across the Navajo Nation regarding NCDFI services.
- Initiate independent annual audits of NCDFI to promote financial management best practices and continued adherence to GAAP standards.

External Risks & Mitigation Strategies. External risks that may be associated with NCDFI include defaults on debt, aggressive marketing practices by competitive lending institutions, inadequate market saturation, and policy changes that effect tax liabilities. Mitigation of external risk may include the following strategies:

- Establish a Reserve Account that will protect NCDFI from the impacts of debt defaults.
- Diversify lending to support multiple industries and business types.
- On a regular basis, examine regional lending institutions surrounding the Navajo Nation in order to assess loan packages and rates offered by competitors.
- Ensure competitive rates offered by NCDFI for Navajo businesses, chapters, and community development entities.
- Conduct budget formulation excursions based on alternative tax liabilities and other variables and proactively engage Representatives to shape policy.
- Keep communication channels open between NCDFI and loan recipients so that developing challenges may potentially be resolved before debts are defaulted.

6.2 Evaluation Measures

Quarterly Progress Reports (QPRs) Internal to NCDFI. On a quarterly basis, the CEO will summarize for NCDFI's Board of Directors actual performance in relation to target perfor-

mance. Part of the quarterly review will include a required budget analysis to verify that best practices are adhered to. QPRs will serve as a basis for the preparation of Annual Report to the Shareholder Representatives. Narrative explanations will be required if target performance is not achieved. Challenges and unmet needs will be recorded so that solutions may be formulated. Emergent industry trends may also be addressed as needed and as they relate to the lending industry.

Oversight by Shareholder Representatives . Council Delegates serve as the Navajo Nation's representative in oversight and management of NCDFI. Delegates also serve on the Community Advisory Council for NCDFI. The roles and responsibilities associated with each will promote peak performance from NCDFI.

QPR Review. As the lead facilitator of NCDFI performance, the CEO will review QPRs and prepare an Annual Gap Analysis that may be shared with NCDFI's Board of Directors at the close of each year.

Corrective Measures as Needed. Should gap analysis warrant corrective measures, the Board may employ a number of administrative solutions including focus group input, the formation of a disappearing taskforce to assist with performance improvement, or an allocation of additional financial resources to resolve unmet needs.

6.3 Capacity to Deliver Results

Human Resource Capacity. NCDFI's Board of Directors and CEO possess outstanding qualifications, experience, and dedication to the forward advancement of the Navajo Nation. These characteristics ensure NCDFI's capacity to deliver and to sustain long-term success.

Target Market Viability. The viability of the target market is an additional factor that contributes to NCDFI's capacity to deliver. No other lending institution is positioned to serve the community development and economic development needs of the Navajo Nation in the same manner that NCDFI is. NCDFI will deliver results that make a difference in the lives of Navajo business owners and chapter members.

6.4 Long-term Sustainability

Sustainability through Fairness. The loan policies and lending structure of NCDFI support a fair vetting process whereby eligible and qualified applicants may secure the capital needed for their business or for their chapter. NCDFI seeks to support the strategic goals of the Navajo Nation, in developing industrial capabilities, enhancing Navajo tourism, and promoting strong economic development throughout the Navajo Nation.

Executive Summary

Overview

- **Equity capital.** The purpose of this Navajo Community Development Financial Institution (NCDFI) \$8 million Expenditure Plan is two-fold. It will offer an economic relief program for immediate assistance to Navajo small businesses. NCDFI seeks urgent assistance to small businesses in mitigating negative economic impacts resulting from the COVID-19 public health emergency, and to provide a means whereby the cost of business interruption may be offset.
- **Loan products & development services.** NCDFI will use the capital to make loans and provide support services to business activities on the Navajo Nation. They may be large or small enterprises. They may be privately-owned or community-owned.
- **Period of Performance.** Sii Hasin's period of performance is discretionary based on the qualifications of each individual loan applicant; however, based on the severe business impacts resulting from the pandemic, NCDFI anticipates an expedited loan review and award process.

Access to Credit and Capital

- **Putting capital to work in Navajo communities.** NCDFI is not a Tribal grant agency. Instead, NCDFI functions as Treasury-certified reservoir of investment capital. NCDFI possesses the wherewithal to know how to put fiscal resources to work in the Navajo environment. Through the lending process NCDFI will cycle Navajo Nation capital into the community as investment/recovery/reinvestment/re-recovery/re-reinvestment.
- **Excellent support services.** NCDFI's fundamental strategy rests upon providing support services and assistance to loan applicants, and having a stake in their success. Our mission includes helping applicants plan their businesses, and helping them execute their plans successfully.
- **Promoting community objectives.** NCDFI will use professional resources and criteria to make investment decisions that simultaneously promote community objectives while protecting the scarce resources entrusted to us.

Benefits for Navajo Businesses and Communities

- **Defeat the "status quo".** Private businesses and Community projects will be able to qualify for CDFI funding even if they would not be able to get a bank loan or Federal grant.
- **Enable and facilitate.** NCDFI will provide development support for Navajo entrepreneurs and communities. This is important to help hopes and ideas become solid plans.
- **Permanent capacity.** Entrepreneurs and communities will develop and retain their capacity to plan projects, qualify for loans, and engage in project execution.
- **Economic Development.** Ultimately, capitalizing NCDFI will support the empowerment of Navajo communities and promote job creation that fuels economic development within the Navajo Nation.

Navajo CDFI 5-Year Projected Expenditure Plan

NCDFI - \$8M Expenditure Plan						
Budget Category	Year 1	Year 2	Year 3	Year 4	Year 5	Total
2001 Personnel Expenses	244,920.00	249,818.40	254,814.77	259,911.06	265,109.28	1,274,573.51
3000 Travel Expenses	13,285.00	13,550.70	13,821.71	14,098.15	14,380.11	69,135.67
3500 Meeting Expenses	15,000.00	15,300.00	15,606.00	15,918.12	16,236.48	78,060.60
4000 Supplies	9,500.00	11,040.97	11,196.23	11,354.60	11,516.14	54,607.94
5000 Lease and Rental	7,800.00	7,956.00	8,115.12	8,277.42	8,442.97	40,591.51
5500 Communications and Utilities	5,400.00	5,508.00	5,618.16	5,730.52	5,845.13	28,101.81
6000 Repairs and Maintenance	-	-	-	-	-	-
6500 Contractual Services	21,718.06	21,944.26	22,174.98	22,410.32	22,650.37	110,898.00
7000 Special Transactions	8,860.00	9,037.20	9,217.11	9,402.30	9,590.35	46,106.96
Subtotal 2001-7000	326,483.06	334,155.53	340,564.08	347,102.49	353,770.83	1,702,076.00
8000 Public Assistance	-	-	-	-	-	-
9000 Capital Outlay	5,353,235.40	629,792.40	314,896.20	-	-	6,297,924.00
Subtotal 8000-9000	5,353,235.40	629,792.40	314,896.20	-	-	6,297,924.00
Total Expenditure Plan	5,679,718.46	963,947.93	655,460.28	347,102.49	353,770.83	8,000,000.00

6,297,924.00

Delta w/ \$8M

50% Year 1 5,353,235.40
25% Year 2 629,792.40
25% Year 3 314,896.20

Description
\$1,702,076 is the total amount across five years that NCDFI has used in its submissions for NACA Grant Assistance, as well as submissions to the CARE Act. The amounts were calculated with cost of living allowance increases.
A plan to fortify the NCDFI Loan/Loss Reserve is currently being developed by the NCDFI Board. \$0 has been allocated for Budget Category 8000 at the present time.
Anticipated loans @ 85% Year 1, 10% Year 2, 5% Year 3

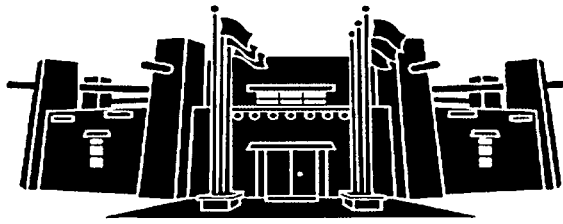
Profile	\$8M NCDFI Capitalization	Amount	Admin & Support	Total Amount
39%	Microenterprise	2,456,190.36	663,809.64	3,120,000.00
26%	Small Business	1,637,460.24	442,539.76	2,080,000.00
28%	Business	1,763,418.72	476,581.28	2,240,000.00
7%	Community Development	440,854.68	119,145.32	560,000.00
	Total	6,297,924.00	1,702,076.00	8,000,000.00

Loan Type	Existing Loans	# per Max. \$	Approx. #
Microenterprise	18	312	330
Small Business	12	110	122
Business	13	35	48
Community Development	6	9	15
NCDFI Loan/Loss Reserve Fund		25	25
Total	49	491	540

Line Item Acct.	Administration and Support	Approved 5-Year Budget
2001	Personnel Expenses	1,274,573.00
3000	Travel Expenses	69,135.00
3500	Meeting Expenses	78,061.00
4000	Supplies & Materials	54,608.00
5000	Lease & Rental	40,592.00
5500	Communication & Utilities	28,102.00
6000	Repairs & Maintenance	-
6500	Contractual Services	110,898.00
7000	Special Transactions	46,107.00
	Subtotal	1,702,076.00
8000		
	Subtotal	1,702,076.00
9000	Capital Outlay	6,297,924.00
	Total	8,000,000.00

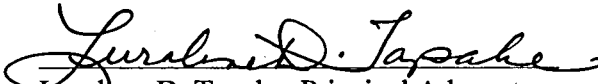
8,000,000.00

PART I.	Business Unit No.: 407003	Program Title: Navajo Community Development Financial Institution	Division/Branch: N/A					
Prepared By: Tom Gordon		Phone No.: (928) 551-3291	Email Address: thgordon@navajocdfi.com					
PART II. FUNDING SOURCE(S)	Fiscal Year	Amount	% of	PART III. BUDGET SUMMARY	Fund Type	(A) NNC Approved	(B)	(C) Difference or
NN Sii Hasin Funds	2023	8,000,000.00	100%	2001 Personnel Expenses		1,274,573.00	1,274,573.00	0.00
				3000 Travel Expenses		69,135.00	69,135.00	0.00
				3500 Meeting Expenses		78,061.00	78,061.00	0.00
				4000 Supplies		54,608.00	54,608.00	0.00
				5000 Lease and Rental		40,592.00	40,592.00	0.00
				5500 Communications and Utilities		28,102.00	28,102.00	0.00
				6000 Repairs and Maintenance		0.00	0.00	0.00
				6500 Contractual Services		110,898.00	110,898.00	0.00
				7000 Special Transactions		46,107.00	46,107.00	0.00
				8000 Public Assistance				0.00
				9000 Capital Outlay		6,297,924.00	6,297,924.00	0.00
				TOTAL		\$8,000,000.00	8,000,000.00	0.00
				PART IV. POSITIONS AND VEHICLES	(D)	(E)		
				Total # of Positions Budgeted:				
				Total # of Vehicles Budgeted:				
TOTAL:		\$8,000,000.00	100%					
PART V. I HEREBY ACKNOWLEDGE THAT THE INFORMATION CONTAINED IN THIS BUDGET PACKAGE IS COMPLETE AND ACCURATE.								
SUBMITTED BY:			T. Gordon, NCDFI CEO	APPROVED BY:				
Program Manager's Printed Name Th Gordon				Division Director / Branch Chief's Printed Name				
Program Manager's Signature and Date 1-1-22				Division Director / Branch Chief's Signature and Date				



MEMORANDUM

To: Hon. Jimmy Yellowhair, Member
Budget & Finance Committee
24th Navajo Nation Council

From: 
Luralene D. Tapahe, Principal Advocate
Office of Legislative Counsel

Date: December 14, 2022

Subject: **AN ACTION RELATING TO THE RESOURCES AND DEVELOPMENT, BUDGET AND FINANCE, AND NAABIK'ÍYÁTI' COMMITTEES, AND THE NAVAJO NATION COUNCIL; APPROVING \$8,000,000 FROM THE SÍHASIN FUND FOR THE NAVAJO COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION TO PROVIDE LOANS AND SUPPORT FOR SMALL BUSINESSES ACROSS THE NAVAJO NATION; APPROVING THE RELATED EXPENDITURE PLAN**

The Office of Legislative Counsel has prepared the above-referenced proposed legislation and related summary sheet. Based on existing Navajo Nation law and other applicable laws, and upon review of all supporting documents regarding your request that were submitted to OLC, this legislation as drafted is legally sufficient. However, as with any action of government, this legislation may be subject to judicial review in the event of a legal challenge.

Please review this legislation to make sure it is drafted to your satisfaction, and that all necessary and appropriate supporting documents have been provided and all attached Exhibits are correct.

OLC has reviewed the appropriate standing committees' authorities to consider this legislation, based on the standing committees' powers and responsibilities set forth in Title 2 of the Navajo Nation Code. Based on its review, OLC has listed those committees in the title of this legislation. However, the Speaker may assign this legislation to any committee(s) other than those shown in the title, pursuant to his authority under 2 N.N.C. §164(A)(5).

If you find anything unacceptable, please let me know immediately and advise me of your desired changes. I can be reached at phone no. (928)871-7166 or by email at: LuraleneTapahe@navajo-nsn.gov

Thank you for your cooperation.

THE NAVAJO NATION
LEGISLATIVE BRANCH
INTERNET PUBLIC REVIEW PUBLICATION



LEGISLATION NO: _0259-22_

SPONSOR: Jimmy Yellowhair

TITLE An Action Relating to the Resources and Development, Budget and Finance, and Naabik'iyáti' Committees and the Navajo Nation Council; Approving \$8,000,000 from the Sihasin Fund for the Navajo Community Development Financial Institution to Provide Loans and Support for Small Businesses Across the Navajo Nation; Approving the Related Expenditure Plan

Date posted: December 15, 2022 at 9:46 PM

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) 871-7586

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 Navajo 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.: 0259-22

SPONSOR: Honorable Jimmy Yellowhair

TITLE: An Action Relating to the Resources and Development, Budget and Finance, and Naabik'iyáti' Committees and the Navajo Nation Council; Approving \$8,000,000 from the Síhasin Fund for the Navajo Community Development Financial Institution to Provide Loans and Support for Small Businesses Across the Navajo Nation; Approving the Related Expenditure Plan

Posted: December 15, 2022 at 9:46 PM

5 DAY Comment Period Ended: December 20, 2022

Digital Comments received:

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



**Legislative Tracking Secretary
Office of Legislative Services**

December 21, 2022; 8:20 AM
Date/Time

**RESOURCES AND DEVELOPMENT COMMITTEE
24th NAVAJO NATION COUNCIL**

FOURTH YEAR 2022

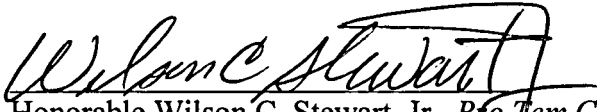
**ROLL CALL
VOTE TALLY SHEET**


LEGISLATION #0259-22: AN ACTION RELATING TO THE RESOURCES AND DEVELOPMENT, BUDGET AND FINANCE, AND NAABIK'ÍYÁTI' COMMITTEES AND THE NAVAJO NATION COUNCIL; APPROVING \$8,000,000 FROM THE SÍHASIN FUND FOR THE NAVAJO COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION TO PROVIDE LOANS AND SUPPORT FOR SMALL BUSINESSES ACROSS THE NAVAJO NATION; APPROVING THE RELATED EXPENDITURE PLAN. *Sponsor: Honorable Jimmy Yellowhair Co-Sponsor: Honorable Thomas Walker, Jr.*

Date: December 21, 2022 – Regular Meeting (Teleconference)
Location: Resources and Development Committee called in via teleconference from their location within the boundary of the Navajo Nation.

Main Motion:

M: Rickie Nez **S:** Thomas Walker, Jr. **V:** 5-0-1 (PTCNV)
In Favor: Rickie Nez; Thomas Walker, Jr.; Kee Allen Begay, Jr.; Herman M. Daniels; Mark A. Freeland
Opposition: None
Excused: None
Not Voting: Wilson C. Stewart, Jr., *Pro Tem Chairperson*


Honorable Wilson C. Stewart, Jr., *Pro Tem Chairperson*
Resources and Development Committee


Rodney L. Tahe, *Legislative Advisor*
Office of Legislative Services

24th NAVAJO NATION COUNCIL

Fourth Year 2022

Mr. Speaker:

The **BUDGET & FINANCE COMMITTEE** to whom has been assigned

NAVAJO LEGISLATIVE BILL # 0259-22

An Action Relating to the Resources and Development, Budget and Finance, and Naabikiyati Committees, and the Navajo Nation Council; Approving \$8,000,000 from the Sihasin Fund for the Navajo Community Development Financial Institution to Provide loans and Support for Small businesses across the Navajo Nation; Approving the Related Expenditure Plan *Sponsored by Jimmy Yellowhair and Thomas Walker, Jr. Council Delegates*

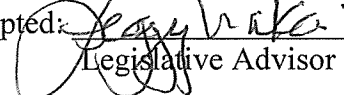
has had it under consideration and reports the same with the recommendation that It **Do Pass** without amendment.

And, therefore referred to the **NAABIKIYATI** Committee

Respectfully submitted,



Jamie Henio, Chairman

Adopted: 
Legislative Advisor

Not Adopted: _____
Legislative Advisor

21 December 2022

The vote was **4** in favor **0** opposed yeas: *Raymond Smith, Jimmy Yellowhair, Elmer P. Begay, Nathaniel Brown*
Main Motion: *Raymond Smith, Jr.*
Second: *Jimmy Yellowhair*

BUDGET AND FINANCE COMMITTEE

21 December 2022

Special Meeting

VOTE TALLY SHEET:

Legislation No. 0259-22 An Action Relating to the Resources and Development, Budget and Finance, and Naabikiyati Committees, and the Navajo Nation Council; Approving \$8,000,000 from the Sihasin Fund for the Navajo Community Development Financial Institution to Provide loans and Support for Small businesses across the Navajo Nation; Approving the Related Expenditure Plan Sponsored by Jimmy Yellowhair and Thomas Walker, Jr. Council Delegates

Motion: Raymond Smith, Jr.

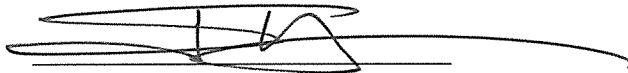
Second: Jimmy Yellowhair

Vote: 4-0, Chairman not voting

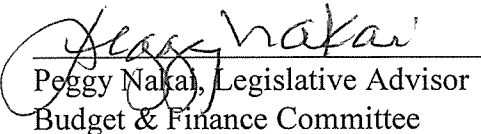
Final Vote Tally:

Jamie Henio		
Raymond Smith Jr.	yea	
Elmer P. Begay	yea	
Nathaniel Brown	yea	
Amber K. Crotty		
Jimmy Yellowhair	yea	

Absent: Amber K. Crotty



Jamie Henio, Chairman
Budget & Finance Committee



Peggy Nakai, Legislative Advisor
Budget & Finance Committee