Aztec Land Company, LLC and Subsidiaries

Consolidated Financial Statements

December 31, 2021 and 2020

Wallace Plese + Dreher
CERTIFIED PUBLIC ACCOUNTANTS + CONSULTANTS

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Independent Auditor's Report

To the Members
Aztec Land Company, LLC
4647 North 32nd Street, No. 240
Phoenix, AZ 85018

Report on the Audit of the Financial Statements

Opinion
We have audited the consolidated financial statements of Aztec Land Company, LLC and Subsidiaries, which comprise the consolidated statements of assets, liabilities, and members' equity—tax basis as of December 31, 2021 and 2020, and the related consolidated statements of revenue and expenses—tax basis and of changes in members' equity—tax basis for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the assets, liabilities, and members' equity of Aztec Land Company, LLC and Subsidiaries as of December 31, 2021 and 2020, and its revenue and expenses and changes in members' equity accounts for the years then ended in accordance with the basis of accounting Aztec Land Company, LLC and Subsidiaries uses for income tax purposes described in *Note 1*.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Aztec Land Company, LLC and Subsidiaries, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter — Basis of Accounting
We draw attention to *Note 1* of the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared on the basis of accounting Aztec Land Company, LLC and Subsidiaries uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the basis of accounting Aztec Land Company, LLC and Subsidiaries uses for income tax purposes, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

500 N. Juniper Drive, Suite 275, Chandler, AZ 85226
8665 E. Hartford Drive, Suite 115, Scottsdale, AZ 85255
P: 480.345.0500 | F: 480.345.7756
wpdcpa.com

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Aztec Land Company, LLC and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Aztec Land Company, LLC and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Wallace, Plese + Dreher, L.L.P.
Chandler, Arizona
January 31, 2022

Aztec Land Company, LLC and Subsidiaries
Consolidated Statements of Assets, Liabilities, and Members' Equity - Tax Basis
December 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	$ 2,804	$ 893
Investment in The Apache Railroad Company, LLC	782,721	782,721
Land	3,701,196	3,701,196
	$ 4,486,721	$ 4,484,810
Liabilities and Members' Equity		
Liabilities		
Notes payable, related parties (*Note 4*)	$ 2,510,923	$ 2,514,455
Contingencies (*Notes 2 and 6*)		
Members' equity	1,975,798	1,970,355
	$ 4,486,721	$ 4,484,810

See Notes to Consolidated Financial Statements

Aztec Land Company, LLC and Subsidiaries

Consolidated Statements of Revenues, Expenses, and Members' Equity - Tax Basis

Years Ended December 31, 2021 and 2020

	2021	2020
Revenues collected		
Grazing rent and related revenues	$ 28,312	$ 27,411
Renewable energy development leases (*Note 3*)	896,000	490,000
	924,312	517,411
Operating expenses paid		
Interest expense	163,269	53,694
Professional fees	18,840	28,708
District base costs (*Notes 6 and 7*)	670,557	320,837
Real estate taxes	840	837
Management fees	-	111,000
Dry Lake farm expenses (*Note 8*)	62,100	-
Other operating expenses	3,263	2,328
	918,869	517,404
Excess of revenues collected over expenses paid	5,443	7
Members' equity, beginning	1,970,355	1,970,348
Members' equity, ending	$ 1,975,798	$ 1,970,355

See Notes to Consolidated Financial Statements

Note 1 – Nature of Business and Significant Accounting Policies

Nature of operations:
Aztec Land Company, LLC (the "Company") is a Delaware Limited Liability Company formed by Aztec Land and Cattle Company, Limited (the "Corporation").

The Company was initially capitalized by the Corporation with $15,000 plus organization costs, for a total of $44,171, and an option to purchase a portion of the Corporation's land (see *Note 4*). On January 1, 2003, the Corporation distributed to each of its stockholders a non-cash dividend consisting of one unit of the Company for each share of the Corporation. As a result of this dividend, each stockholder of the Corporation acquired an ownership interest in the Company proportionate to the stockholder's interest in the Corporation. The units of the Company are in book entry form only and, are "stapled" to the shares of the Corporation. They can only be transferred or sold with the transfer or sale of a share in the Corporation.

Aztec Despain Ranch, LLC ("Despain, LLC") is wholly owned by the Company. It was formed by the Corporation in November 2009 as a single member LLC to hold 6,443 acres of land (see *Note 4*).

Aztec East Jeffers, LLC ("East Jeffers, LLC") is wholly owned by the Company. It was formed by the Corporation in April 2011 as a single member LLC. In June 2011, the Corporation contributed 14,143 acres of land to East Jeffers, LLC. In October 2011, the Company purchased the Corporation's membership interest in East Jeffers, LLC (see *Note 4*).

The consolidated entities, herein referred to as the Company, were formed to create and implement a business strategy to develop and market certain land, mineral, and water resources. The Company's manager is the Corporation and at present, the Company has no employees.

A summary of the Company's significant accounting policies follows:

Principles of consolidation:
All material intercompany balances have been eliminated in consolidation. The Corporation is the manager for the Company, Despain, LLC, and East Jeffers, LLC. Despain, LLC and East Jeffers, LLC are treated as disregarded entities for income tax purposes.

Basis of accounting:
The Company prepares its financial statements on the cash basis of accounting used by the Company for federal income tax purposes. The income tax basis of accounting is a special purpose financial reporting framework that differs from accounting principles generally accepted in the United States of America (GAAP). Consequently, certain revenues and expenses are recognized in the determination of excess (deficient) revenues over expenses collected in different reporting periods than they would be if the financial statements were prepared in conformity with GAAP. The income tax basis of accounting differs from GAAP for the Company due to recognition of revenues when collected and recognition of expenses when paid.

Although income tax rules are used to determine timing of the reporting of revenues and expenses, nontaxable revenues and nondeductible expenses, if any, are included in the determination of excess (deficient) revenues collected over expenses paid. The Company did not have any nontaxable revenue during the years ended December 31, 2021 and 2020.

Cash and cash equivalents:
The Company considers all cash investments with original or purchased maturities of three months or less to be cash equivalents.

Note 1 – Nature of Business and Significant Accounting Policies (Continued)

Investment in The Apache Railroad Company, LLC:
The Company has a membership interest in The Apache Railroad Company, LLC ("ARC"), the sole shareholder of The Apache Railway Company (the "Railway"). As a limited liability company, ARC's excess (deficient) revenues over expenses are taxable proportionately to its unit holders for federal and state income tax reporting purposes. The Company's share of ARC's net income (loss) is recognized as a gain (loss) in the Company's Consolidated Statement of Revenues and Expenses and is added to (deducted from) the investment account. Capital contributions to ARC are treated as additions to the investment account and distributions received from ARC are treated as reductions. ARC had zero net income for each of the years ended December 31, 2021 and 2020 (see *Note 2*).

Recognition of revenue:
The Company recognizes revenue when received.

Income taxes:
As a limited liability company, the excess (deficient) revenues over expenses is taxable proportionately to the Company's unit holders for federal and state income tax reporting purposes. Therefore, each unit holder will receive an IRS Schedule K-1 from the Company reflecting their pro-rata share of the Company's excess (deficient) revenues over expenses and tax credits each year. If assessed, the Company would classify any interest and penalties associated with a tax position as other expenses in the Consolidated Statement of Revenues, Expenses, and Members' Equity—Tax Basis.

Use of estimates:
The preparation of financial statements in conformity with the cash basis of accounting used for federal income tax reporting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Many types of transactions are susceptible to varying interpretations under federal and state income tax laws and regulations. As such, the amounts reported in the accompanying financial statements may be subject to change upon final determination by the taxing authorities.

Subsequent events:
Management has evaluated subsequent events through January 31, 2022, which is the date the consolidated financial statements were available to be issued.

Note 2 – Investment in The Apache Railroad Company, LLC

In February 2017, the Company made a $283,750 capital contribution to ARC, along with a contribution from the Corporation in the amount of $966,250, for a total of $1,250,000. ARC, in turn, contributed the proceeds to the Railway to reduce the principal balance of the Railway's $2,500,000 in third-party loans by a like amount. The maturity date of its third-party loans is January 1, 2024. On December 31, 2021 and 2020, the balance of the Railway's third-party loans was approximately $498,000 and $588,500, respectively. These loans are guaranteed by ARC, the Corporation, the Company, and personally by the Corporation's president.

Note 3 – Operating Leases (as Lessor)

Renewable energy development leases:
The Corporation and the Company have entered into six solar and three wind renewable energy development leases. The leases have development term lengths of five to eight years and operations term lengths of 25 to 35 years. During the development term for all leases, the lessee may cancel at any time but without refund of prior payments. All leases are currently in their development terms. The Company received rental income from renewable energy development leases totaling $896,000 and $490,000 in the years ended December 31, 2021 and 2020, respectively.

Note 4 – Notes Payable, Related Parties

In December 2009, the Company purchased 6,443 acres of land from the Corporation for $1,288,500, through its subsidiary, Despain, LLC. The Company paid $130,000 at closing and executed a promissory note due December 11, 2024 with annual payments of $50,000 with the balance due at maturity and an annual interest rate of 4.25%. On December 1, 2020, the note was amended to remove the minimum payment. The note had a balance of $1,121,198 and 1,121,217 at December 31, 2021 and 2020, respectively. In 2021 and 2020, the Company paid $87,081 and $35,900 of interest expense, respectively. The Company may prepay the note without penalty.

In October 2011, the Company purchased the entire membership interest in East Jeffers, LLC from the Corporation for $1,939,000. The Company paid $193,900 at closing and executed a promissory note due October 1, 2031 with annual payments of $90,000 with the balance due at maturity and an annual interest rate of 4.5%. The promissory note was amended on January 1, 2016, revising the annual payments to $40,000 and decreasing the interest rate to 3%. The note was amended again on December 1, 2020 to remove the minimum payment. The note is secured by 100% of the membership interest in East Jeffers, LLC. The note had a balance of $1,389,725 and 1,389,737 on December 31, 2021 and 2020, respectively. In 2021 and 2020, the Company paid $76,188 and $17,794 of interest expense, respectively. The Company may prepay the note without penalty.

On December 1, 2020, the Company obtained an unsecured revolving line of credit from an entity related to ownership and management. The line allows for borrowings up to $50,000, bears interest at 6%, and is payable in full at the earlier of a qualifying event or the line's December 31, 2022 maturity. The Company may prepay the note without penalty. The company borrowed $3,500 in 2020 and repaid the entire amount in 2021. The balance on the line of credit was $0 and $3,500 on December 31, 2021 and 2020, respectively. No interest was paid on the line during 2021 and 2020.

Note 5 – Concentrations of Risk

The Company maintains its cash in bank deposit accounts which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Approximately 97% and 95% of the Company's revenue in the years ended December 31, 2021 and 2020, respectively, was provided by the renewable energy development leases described in *Note 3*. In 2021, payments received from three lessees represented 60%, 24%, and 13% of total revenues. In 2020, payments received from two lessees represented 43% and 42% of total revenues.

Note 6 – Contingencies

The Company's groundwater rights have been subject to pending litigation for almost 40 years. The case is *In Re the General Adjudication of All Rights to Use Water in the Little Colorado River System and Source*, Case No. CV-6417. The litigation involves a determination of the relative rights of water users in the Little Colorado River basin. The more significant issues in the litigation involve the Native American claims of water rights, primarily those of the Hopi and Navajo Indian Tribes and the United States on behalf of the Tribes. All water rights claims in the Little Colorado River basin are subject to this adjudication. The adjudication is an extremely complex matter and involves thousands of parties. Management expects this adjudication to continue for a substantial period of time. No monetary damages are being claimed by any party at this time. The Company is responding to this litigation through active participation in the adjudication's numerous legal proceedings and longstanding settlement negotiations and through its financial support of the Little Colorado Water Conservation District ("LCWCD"), which itself is involved in the litigation for the same reasons. In managing the litigation and attempting to control cost, the Company and LCWCD entered into a joint defense agreement with several northern Arizona municipalities, irrigation districts, and water companies with similar, if not identical, legal interests. Because the Company and the Corporation own the majority of land within LCWCD's service area, they together pay 85% of the expenses allocated to LCWCD via the joint defense agreement. The 15% balance is borne by an unrelated third party and the Railway, both of which receive water deliveries from LCWCD. For 2022 and 2023, litigation costs borne by LCWCD (and thus, on a pass-thru basis, by the Corporation and the Company) are expected to be lower than in the past two years due to a temporary revision in the cost sharing provisions of the joint defense agreement for this period. In the years beyond 2023, and assuming the continued absence of a settlement, litigation costs are expected to remain significant. Assessments in 2021 and 2020 by LCWCD to the Corporation for LCWCD's base costs (meaning those which do not vary with water usage), which principally arose from the litigation, appear on the Consolidated Statements of Revenues, Expenses, and Members' Equity—Tax Basis as District base costs.

Note 7 – Related Party Transactions Not Disclosed Elsewhere

The Company paid to the Corporation $825 and $2,750 in 2021 and 2020, respectively, as reimbursement for legal services paid on the Company's behalf by the Corporation.

The Company paid a law firm $827 for legal services in 2020. Some of these legal services were performed by a relative of the president of the Corporation.

Note 8 – Water and Related Development

Dry Lake Farm:
The operating costs assessed to the Company arose for services undertaken by the Corporation to develop a sustainable use for its 3,000-acre farm ("Dry Lake Farm").