

EXHIBIT I

TRIBAL-STATE COMPACT
BETWEEN
THE STATE OF CALIFORNIA
AND THE
FEDERATED INDIANS OF GRATON RANCHERIA

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**TRIBAL-STATE COMPACT
BETWEEN THE STATE OF CALIFORNIA AND THE
FEDERATED INDIANS OF GRATON RANCHERIA**

The Federated Indians of Graton Rancheria (the "Tribe"), a federally recognized Indian tribe listed in the Federal Register as the Federated Indians of Graton Rancheria, California, and the State of California (the "State") enter into this tribal-state compact pursuant to the Indian Gaming Regulatory Act of 1988 ("IGRA").

PREAMBLE

WHEREAS, the Tribe consists of approximately 1,300 members of Coast Miwok and Southern Pomo descent; and

WHEREAS, in 1966, the federal government terminated its relationship with the Tribe pursuant to the California Rancheria Act of 1958 (Pub. L. 88-453) and transferred title to the lands known as the Graton Rancheria into private ownership; and

WHEREAS, in 2000, Congress restored federal recognition to the Tribe pursuant to the Graton Rancheria Restoration Act (Pub. L. 106-568, 25 U.S.C. § 1300n et seq.); and

WHEREAS, the Restoration Act required the Secretary of the Interior (the "Secretary") to take real property identified by the Tribe and located in Marin or Sonoma counties into trust as the Tribe's reservation; and

WHEREAS, in April 2003, the Tribe identified property located on Highway 37 in southern Sonoma County (the "Highway 37 Property") for its reservation and announced plans to develop a resort hotel and gaming facility on a portion of the Highway 37 Property once in trust and deemed eligible for gaming; and

WHEREAS, at the urging of community representatives and environmentalists, the Tribe reconsidered its plans for the Highway 37 Property and, thereafter, donated its rights to a large portion of the Highway 37 Property to the Sonoma Land Trust for perpetual preservation; and

WHEREAS, the Tribe, after consultation with Sonoma County (the "County") and the City of Rohnert Park (the "City"), acquired rights to purchase alternative

property located on Stony Point Road just outside the City's urban growth boundary (the "Stony Point Road Property") for its reservation and proposed project; and

WHEREAS, in August 2005, the Tribe abandoned its plans for the Stony Point Road Property and, once again, moved its proposed location in order to address local land use and environmental concerns and, thereafter, purchased approximately 254 acres of land for its reservation, a portion of which will be used for its proposed project and which is located within the City's urban growth boundary and outside the 100-year flood plain (the "254 Acre Parcel"); and

WHEREAS, the Tribe agreed to wait until the environmental review of the proposed Gaming Facility was completed before exercising its right under the Graton Rancheria Restoration Act to have the 254 Acre Parcel placed into trust; and

WHEREAS, the National Indian Gaming Commission (the "NIGC") conducted four public hearings and provided over 160 days for public comment in preparing an environmental impact statement with respect to the construction and operation of the Tribe's project on the 254 Acre Parcel pursuant to the National Environmental Policy Act, including an analysis of eight different project alternatives, and a Notice of Availability of a Final Environmental Impact Statement was published in the Federal Register on February 19, 2009; and

WHEREAS, in October 2010, the NIGC issued its Record of Decision for the Tribe's project, concluding that the 254 Acre Parcel is eligible for gaming under IGRA and adopting a reduced intensity casino and hotel project as the preferred action alternative that is significantly smaller than the project initially proposed by the Tribe; and

WHEREAS, in October 2010, the Bureau of Indian Affairs of the United States Department of the Interior accepted the 254 Acre Parcel into trust on behalf of the Tribe; and

WHEREAS, the State and the Tribe have conducted good faith negotiations for the purpose of agreeing upon terms for a tribal-state compact for Class III Gaming (the "Compact"); and

WHEREAS, the State and Tribe agree that the initial construction of a tribal gaming facility is an exceptional event in the history of a tribe's gaming efforts; and

WHEREAS, the State understands that the Tribe has expended considerable resources and incurred unprecedented pre-development costs in connection with efforts to reestablish its reservation and develop a Gaming Facility; and

WHEREAS, the State recognizes the need for the Tribe to develop a Gaming Facility capable of generating sufficient revenue to service the debt associated with the high predevelopment and construction costs of the Gaming Facility, and

WHEREAS, the construction of the Gaming Facility by the Tribe, while benefiting the California economy and the economies of the surrounding communities, will result in significant additional tribal debt that in turn will reduce the income available to the Tribe for a number of years; and

WHEREAS, in October 2003, the Tribe entered into an enforceable and binding agreement with the City to mitigate the potential impacts of the operation of its proposed Gaming Facility on the City and to establish mechanisms for sustained charitable giving designed to benefit the City and the Tribe; and

WHEREAS, in November 2004, the Tribe entered into an enforceable and binding agreement with the County in which the parties agreed to negotiate in good faith to mitigate the potential impacts of the operation of the Tribe's proposed Gaming Facility on the County and to establish mechanisms for sustained charitable giving designed to benefit the County and the Tribe; and

WHEREAS, the Tribe and the County have entered into negotiations concerning such binding agreement; and

WHEREAS, the Tribe is committed to improving the environment, education status, and the health, safety and general welfare of its members and local residents; and

WHEREAS, the State and the Tribe recognize that the exclusive rights that the Tribe will enjoy under this Compact create a unique opportunity for the Tribe to operate a Gaming Facility in an economic environment free of competition from the operation of slot machines and banked card games on non-Indian lands in

California and that this unique economic environment is of great value to the Tribe; and

WHEREAS, in consideration of the exclusive rights enjoyed by the Tribe to engage in the Gaming Activities and to operate the number of Gaming Devices specified herein, and the other meaningful concessions offered by the State in good faith negotiations, and pursuant to IGRA, the Tribe has agreed, inter alia, to provide to the State, on a sovereign-to-sovereign basis, and to local jurisdictions, fair cost reimbursement and mitigation from revenues from the Gaming Devices operated pursuant to this Compact on a payment schedule, which payment schedule takes into consideration the significant cost of the Tribe's initial investment in its Gaming Facility and the concomitant benefit to the State and local communities during the period of construction of the Gaming Facility; and

WHEREAS, in recognition of the Tribe's investment, including the significant accrued interest on predevelopment costs, and in exchange for significant economic benefits to surrounding communities during the construction of the Gaming Facility, and in consideration of the significant number of Tribal Member beneficiaries of the Gaming Facility, the State has agreed to reduce the amount of revenues the Tribe would otherwise pay under this Compact for a time certain immediately following the commencement of Gaming Activities; and

WHEREAS, the parties acknowledge that if the Tribe were required to pay a large share of its revenues from the Gaming Devices following the commencement of Gaming Activities, then the positive impact of the Tribe's investment would not be fully realized under this Compact, the Tribe would not materially benefit from this Compact, and the Gaming Facility itself would not be economically viable; and

WHEREAS, the parties believe that the Tribe's revenue contribution to the State is fair in light of the need for the Tribe to retain sufficient revenues in the initial years of its Gaming Activities in order to promote strong tribal government and self-sufficiency, provide services for its approximately 1,300 Tribal Members, and significantly reduce the debt incurred in the pre-development phase of its Gaming Facility as a result of the Tribe's efforts to address local concerns; and

WHEREAS, the Tribe and the State share an interest in mitigating the off-reservation impacts of the Gaming Facility, affording meaningful consumer and employee protections in connection with the operations of the Gaming Facility, fairly regulating the Gaming Activities conducted at the Gaming Facility, and fostering a good-neighbor relationship; and

WHEREAS, the Tribe and the State share a joint sovereign interest in ensuring that tribal Gaming Activities are free from criminal and other undesirable elements; and

WHEREAS, this Compact will afford the Tribe primary responsibility over the regulation of its Gaming Facility and will enhance the Tribe's economic development and self-sufficiency; and

WHEREAS, the State and the Tribe have therefore concluded that this Compact protects the interests of the Tribe and its members, the surrounding community, and the California public, and will promote and secure long-term stability, mutual respect, and mutual benefits; and

WHEREAS, the State and the Tribe agree that all terms of this Compact are intended to be binding and enforceable;

NOW, THEREFORE, the Tribe and the State agree as set forth herein:

SECTION 1.0. PURPOSES AND OBJECTIVES.

The terms of this Compact are designed to:

- (a) Foster a mutually respectful government-to-government relationship that will serve the mutual interests of the parties.
- (b) Develop and implement a means of regulating the Class III Gaming to ensure its fair and honest operation in a way that protects the interests of the Tribe, the State, its citizens, and local communities in accordance with IGRA, and through that regulated Class III Gaming, enable the Tribe to develop self-sufficiency, promote tribal economic development, and generate jobs and revenues to support the Tribe's government and its governmental services and programs.
- (c) Promote ethical practices in conjunction with the Class III Gaming, through the licensing and control of persons and entities employed in, or providing goods and services to, the Gaming Operation, protect against the presence or participation of persons whose criminal backgrounds, reputations, character, or associations make them unsuitable for participation in gaming, thereby maintaining a high

level of integrity in tribal government gaming, and protect the patrons and employees of the Gaming Operation and the local communities.

- (d) Achieve the objectives set forth in the preamble.

SECTION 2.0. DEFINITIONS.

Sec. 2.1. "Applicable Codes" means the California Building Code and the California Public Safety Code applicable to the County, as set forth in Titles 19 and 24 of the California Code of Regulations, as those regulations may be amended during the term of this Compact, including, but not limited to, codes for building, electrical, energy, mechanical, plumbing, fire and safety.

Sec. 2.2. "Applicant" means an individual or entity that applies for a tribal gaming license or for a State Gaming Agency determination of suitability.

Sec. 2.3. "City" means the City of Rohnert Park, California.

Sec. 2.4. "Class III Gaming" means the forms of class III gaming defined in 25 U.S.C. § 2703(8) and by the regulations of the NIGC.

Sec. 2.5. "Commission" means the California Gambling Control Commission, or any successor agency of the State.

Sec. 2.6. "Compact" means this compact.

Sec. 2.7. "County" means the County of Sonoma, California, a political subdivision of the State.

Sec. 2.8. "Financial Source" means any person or entity who, directly or indirectly, extends financing to the Gaming Facility or Gaming Operation.

Sec. 2.9. "Gaming Activity" or "Gaming Activities" means the Class III Gaming activities authorized under this Compact in section 3.1.

Sec. 2.10. "Gaming Device" means any slot machine within the meaning of article IV, section 19, subdivision (f) of the California Constitution. For purposes of calculating the number of Gaming Devices, each player station or terminal on which a game is played constitutes a separate Gaming Device, irrespective of whether it is part of an interconnected system to such terminals or stations.

"Gaming Device" includes, but is not limited to, video poker, but does not include electronic, computer, or other technological aids that qualify as class II gaming (as defined under IGRA).

Sec. 2.11. "Gaming Employee" means any natural person who (a) conducts, operates, maintains, repairs, accounts for, or assists in any Gaming Activities; or is in any way responsible for supervising such Gaming Activities or persons who conduct, operate, maintain, repair, account for, assist, or supervise any such Gaming Activities, (b) is in a category under federal or tribal gaming law requiring licensing, (c) is an employee of the Tribal Gaming Agency with access to confidential information, or (d) is a person whose employment duties require or authorize access to areas of the Gaming Facility in which Gaming Activities are conducted that are not open to the public.

Sec. 2.12. "Gaming Facility" or "Facility" means any building in which Gaming Activities or any Gaming Operations occur, or in which the business records, receipts, or funds of the Gaming Operation are maintained (excluding offsite facilities dedicated to storage of those records and financial institutions), and all rooms, buildings, and areas, including hotels, parking lots, and walkways, a principal purpose of which is to serve the activities of the Gaming Operation rather than providing that operation with an incidental benefit.

Sec. 2.13. "Gaming Operation" means the business enterprise that offers and operates Gaming Activities, whether exclusively or otherwise.

Sec. 2.14. "Gaming Ordinance" means a tribal ordinance or resolution duly authorizing the conduct of Gaming Activities on the Tribe's Indian lands in California and approved under IGRA.

Sec. 2.15. "Gaming Resources" means any goods or services provided or used in connection with Gaming Activities, whether exclusively or otherwise, including, but not limited to, equipment, furniture, Gaming Devices and ancillary equipment, implements of Gaming Activities such as playing cards, furniture designed primarily for Gaming Activities, maintenance or security equipment and services, and Class III Gaming consulting services. "Gaming Resources" does not include professional accounting or legal services.

Sec. 2.16. "Gaming Resource Supplier" means any person or entity who, directly or indirectly, does, or is deemed likely to, manufacture, distribute, supply, vend, lease, purvey, or otherwise provide, to the Gaming Operation or Facility at

least twenty-five thousand dollars (\$25,000) in Gaming Resources in any twelve (12)-month period, or who, directly or indirectly, receives, or is deemed likely to receive, in connection with the Gaming Operation or Facility, at least twenty-five thousand dollars (\$25,000) in any consecutive twelve (12)-month period, provided that the Tribal Gaming Agency may exclude a purveyor of equipment or furniture that is not specifically designed for, and is distributed generally for use other than in connection with, Gaming Activities, if, but for the purveyance, the purveyor is not otherwise a Gaming Resource Supplier, the compensation received by the purveyor is not grossly disproportionate to the value of the goods or services provided, and the purveyor is not otherwise a person who exercises a significant influence over the Gaming Operation.

Sec. 2.17. "Graton Mitigation Fund" means an account established by the State Gaming Agency for the receipt of revenues paid by the Tribe pursuant to section 4.5 of this Compact and for the distribution of such revenues as described in section 4.5.1 of this Compact.

Sec. 2.18. "IGRA" means the Indian Gaming Regulatory Act of 1988 (P.L. 100-497, 18 U.S.C. § 1166 et seq. and 25 U.S.C. § 2701 et seq.), and any amendments thereto, as interpreted by all regulations promulgated thereunder.

Sec. 2.19. "Interested Persons" means (a) all local, state, and federal agencies, which, if a Project were not taking place on Indian lands, would have responsibility for approving the Project or would exercise authority over the natural resources that may be affected by the Project, (b) any city with a nexus to the Project, and (c) persons, groups, or agencies that request in writing a notice of preparation of a draft tribal environmental impact report described in section 11, or have commented on the Project in writing to the Tribe or the County.

Sec. 2.20. "Management Contractor" means any Gaming Resource Supplier with whom the Tribe has contracted for the management of any Gaming Activity or Gaming Facility, including, but not limited to, any person who would be regarded as a management contractor under IGRA.

Sec. 2.21. "Net Win" is drop, plus the redemption value of expired tickets, less fills, less payouts, less that portion of the Gaming Operation's payments to a third-party wide-area progressive jackpot system provider that is contributed only to the progressive jackpot amount.

Sec. 2.22. "NIGC" means the National Indian Gaming Commission.

Sec. 2.23. "Project" means any activity occurring on Indian lands, a principal purpose of which is to serve the Gaming Activities or Gaming Operation, and which may cause either a direct physical change in the off-reservation environment, or a reasonably foreseeable indirect physical change in the off-reservation environment. This definition shall be understood to include, but not be limited to, the addition of Gaming Devices within an existing Gaming Facility, the impacts of which have not previously been addressed in a tribal environmental impact report described in section 11, and construction or planned expansion of any Gaming Facility and related improvement thereto, a principal purpose of which is to serve the Gaming Facility rather than provide that facility with an incidental benefit, as long as such construction or expansion causes a potentially significant direct or indirect physical change in the off-reservation environment. For purposes of this definition, section 11.0, and Appendix B, "reservation" refers to the Tribe's Indian lands within the meaning of IGRA or lands otherwise held in trust for the Tribe by the United States.

Sec. 2.24. "Significant Effect(s) on the Off-Reservation Environment" is the same as "Significant Effect(s) on the Environment" and occur(s) if any of the following conditions exist:

- (a) A proposed Project has the potential to degrade the quality of the off-reservation environment, curtail the range of the environment, or achieve short-term, to the disadvantage of long-term, environmental goals.
- (b) The possible effects of a Project on the off-reservation environment are individually limited but cumulatively considerable. As used herein, "cumulatively considerable" means that the incremental effects of an individual Project are considerable when viewed in connection with the effects of past projects, the effects of other current projects, and the effects of probable future projects.
- (c) The off-reservation environmental effects of a Project will cause substantial adverse effects on human beings, either directly or indirectly.

For purposes of this definition, "reservation" refers to the Tribe's Indian lands within the meaning of IGRA or lands otherwise held in trust for the Tribe by the United States.

Sec. 2.25. "State" means the State of California or an authorized official or agency thereof designated by this Compact or by the Governor.

Sec. 2.26. "State Gaming Agency" means the entities authorized to investigate, approve, regulate and license gaming pursuant to the Gambling Control Act (Chapter 5 (commencing with section 19800) of Division 8 of the California Business and Professions Code), or any successor statutory scheme, and any entity or entities in which that authority may hereafter be vested.

Sec. 2.27. "State Designated Agency" means the entity or entities designated or to be designated by the Governor to exercise rights and fulfill responsibilities established by this Compact.

Sec. 2.28. "Tribe" means the Federated Indians of Graton Rancheria, a federally recognized Indian tribe listed in the Federal Register as the Federated Indians of Graton Rancheria, California, or an authorized official or agency thereof.

Sec. 2.29. "Tribal Chair" means the person duly elected under the Tribe's constitution to perform the duties specified therein, including serving as the Tribe's official representative.

Sec. 2.30. "Tribal Gaming Agency" means the person, agency, board, committee, commission, or council designated under tribal law, including, but not limited to, an intertribal gaming regulatory agency approved to fulfill those functions by the NIGC, primarily responsible for carrying out the Tribe's regulatory responsibilities under IGRA and the Tribal Gaming Ordinance. No person employed in, or in connection with, the management, supervision, or conduct of any Gaming Activity may be a member or employee of the Tribal Gaming Agency.

Sec. 2.31. "Tribal Member" means a tribal citizen enrolled in the Tribe and eligible to receive all benefits entitled to other tribal citizens, including, but not limited to, any per capita payments in an amount no less than any other tribal citizen, and to exercise all rights of other tribal citizens, including the right to vote in all tribal elections if eighteen years of age or older, and is a person certified by the Tribe as being enrolled as a member pursuant to criteria and standards specified in the Constitution of the Federated Indians of Graton Rancheria, approved by the Secretary of the Interior on December 23, 2002, and any amendments thereto.

Sec. 2.32. "254 Acre Parcel" means the approximately 254 acres of land in Sonoma County, California, as legally described in, and represented on the map at Appendix A hereto, that has been taken into trust for the benefit of the Tribe pursuant to the Graton Rancheria Restoration Act (P.L. 106-568, 25 U.S.C. § 1300n et seq.) and determined to be eligible for gaming pursuant to IGRA.

SECTION 3.0. SCOPE OF CLASS III GAMING AUTHORIZED.

Sec. 3.1. Authorized Class III Gaming.

- (a) The Tribe is hereby authorized to operate only the following Gaming Activities under the terms and conditions set forth in this Compact:
 - (1) Gaming Devices.
 - (2) Any banking or percentage card games.
 - (3) Any devices or games that are authorized under state law to the California State Lottery, provided that the Tribe will not offer such games through use of the Internet unless others in the State are permitted to do so under state and federal law.
- (b) Nothing herein shall be construed to preclude the Tribe from offering class II gaming or preclude the negotiation of a separate compact governing the conduct of off-track wagering at the Tribe's Gaming Facility.
- (c) Nothing herein shall be construed to authorize the operation of the game known as roulette, whether or not played with or on a mechanical, electro-mechanical, electrical, or video device, or cards, or any combination of such devices, or the operation of any game that incorporates the physical use of die or dice.
- (d) The Tribe shall not engage in Class III Gaming that is not expressly authorized in this section and section 4.1.

SECTION 4.0. AUTHORIZED LOCATION OF GAMING FACILITY, NUMBER OF GAMING DEVICES, COST REIMBURSEMENT, AND MITIGATION.

Sec. 4.1. Authorized Number of Gaming Devices. The Tribe is entitled to operate up to a total of three thousand (3,000) Gaming Devices pursuant to the conditions set forth in section 3.1 and sections 4.2 through and including 5.2.

Sec. 4.2. Authorized Gaming Facility. The Tribe may engage in Class III Gaming only on eligible Indian lands held in trust for the Tribe, at a single Gaming Facility located within the boundaries of the 254 Acre Parcel as those boundaries exist as of the execution date of this Compact.

Sec. 4.3. Cost Reimbursement and Mitigation to the State. The Tribe shall pay quarterly to the State Gaming Agency for deposit into the Special Distribution Fund created by the Legislature, in accordance with the following schedule:

- (a) During the first twenty-eight (28) quarters in which Gaming Activities occur, three hundred fifty thousand dollars (\$350,000) per quarter.
- (b) Beginning with the twenty-ninth (29th) quarter in which Gaming Activities occur, three percent (3%) of the Net Win from all Gaming Devices operated in the Gaming Facility.

The foregoing payments have been negotiated between the parties as a fair contribution, based upon the State's costs of regulating tribal Class III Gaming activities, as well as the Tribe's market conditions, its circumstances, and the rights afforded under this Compact.

Sec. 4.3.1. Use of Special Distribution Funds. Revenue placed in the Special Distribution Fund shall be available for appropriation by the Legislature for the following purposes:

- (a) Grants, including any administrative costs, for programs designed to address gambling addiction;
- (b) Grants, including any administrative costs and environmental review costs, for the support of State and local government agencies impacted

by tribal government gaming;

- (c) Compensation for regulatory costs incurred by the State Gaming Agency and the State Department of Justice in connection with the implementation and administration of this Compact; and
- (d) Any other purposes specified by the Legislature that are consistent with IGRA.

Sec. 4.4. Cost Reimbursement and Mitigation to Local Governments.

Before the commencement of a Project, the Tribe shall follow those procedures, and enter into those agreements, required pursuant to section 11, to mitigate Significant Effects on the Off-Reservation Environment that any tribal environmental impact report described in section 11 identifies may occur as a result of the Gaming Facility. In addition, the Tribe shall enter into agreements with the City and the County for such undertakings and services that mitigate the impacts of the Gaming Facility and thereby benefit the Gaming Facility, the Tribe, the City, the County, other affected jurisdictions, and the California Department of Transportation upon terms satisfactory to the Governor. By executing this Compact, the Governor represents that he has reviewed such agreements and they meet this condition.

Sec. 4.5. Graton Mitigation Fund

- (a) Subject to certain deductions set forth below, the Tribe shall pay quarterly to the State Gaming Agency for deposit into the Graton Mitigation Fund fifteen percent (15%) of the Net Win from all Gaming Devices operated in the Facility for the first twenty-eight (28) quarters in which Gaming Activities occur, and twelve percent (12%) thereafter. The payment to the Graton Mitigation Fund has been negotiated between the parties as a fair contribution for the rights afforded under this Compact, and given the need to ensure that the Tribe is the primary beneficiary of this Compact, taking into account the Tribe's population, the Tribe's economic needs, and the significant and unprecedented pre-development costs the Tribe has and will incur to develop and operate a Gaming Facility.

As part of the negotiations of this Compact, the Tribe represents that it has to date incurred in excess of two hundred million dollars

(\$200,000,000) in predevelopment costs (inclusive of interest) to enable it to commence the Gaming Activities described in this Compact. The Tribe has submitted documentation to the State supporting the Tribe's representation. All documents submitted to the State pursuant to this section 4.5, subdivision (a), shall be subject to the confidentiality protections and assurances set forth in section 8.4, subdivision (h) of this Compact. If upon reviewing the Tribe's documents and other financial information the State discovers that the Tribe has not in fact incurred in excess of two hundred million dollars (\$200,000,000) in predevelopment costs (inclusive of interest) as of the effective date of this Compact, the Tribe shall cease making the deductions of debt incurred by the Tribe set forth in subdivision (b) and shall immediately repay all deductions taken.

- (b) During Years One through Seven, as defined below, the Tribe shall, prior to making the payments required in subdivision (a), deduct (i) payments the Tribe makes to the State Gaming Agency for deposit into the Special Distribution Fund pursuant to section 4.3, subdivision (a), and (ii) the amounts set forth in the following schedule:

- (1) Year One (constituting the first four (4) quarters in which Gaming Activities occur):

(A) Nine thousand dollars (\$9,000) per Tribal Member, up to a maximum of eleven million six hundred fifty thousand dollars (\$11,650,000), for the benefit of the Tribe and Tribal Members; and

(B) Thirteen thousand dollars (\$13,000) per Tribal Member, up to a maximum of seventeen million dollars (\$17,000,000), for payment of debt incurred by the Tribe for the predevelopment costs of the Gaming Facility.

- (2) Year Two (constituting the second four (4) quarters in which Gaming Activities occur):

(A) Ten thousand dollars (\$10,000) per Tribal Member, up to a maximum of twelve million eight hundred fifty

thousand dollars (\$12,850,000), for the benefit of the Tribe and Tribal Members; and

- (B) Twelve thousand seven hundred fifty dollars (\$12,750) per Tribal Member, up to a maximum of sixteen million five hundred thousand dollars (\$16,500,000), for payment of debt incurred by the Tribe for the predevelopment costs of the Gaming Facility.
- (3) Year Three (constituting the third four (4) quarters in which Gaming Activities occur):
- (A) Thirteen thousand dollars (\$13,000) per Tribal Member, up to a maximum of sixteen million seven hundred fifty thousand dollars (\$16,750,000), for the benefit of the Tribe and Tribal Members; and
 - (B) Ten thousand nine hundred dollars (\$10,900) per Tribal Member, up to a maximum of fourteen million two hundred thousand dollars (\$14,200,000), for payment of debt incurred due to the predevelopment costs of the Gaming Facility.
- (4) Year Four (constituting the fourth four (4) quarters in which Gaming Activities occur):
- (A) Thirteen thousand dollars (\$13,000) per Tribal Member, up to a maximum of sixteen million seven hundred fifty thousand (\$16,750,000), for the benefit of the Tribe and Tribal Members; and
 - (B) Nine thousand two hundred sixty-nine dollars (\$9,269) per Tribal Member, up to a maximum of twelve million dollars (\$12,000,000), for payment of debt incurred by the Tribe for the predevelopment costs of the Gaming Facility.

- (5) Year Five (constituting the fifth four (4) quarters in which Gaming Activities occur):
 - (A) Sixteen thousand dollars (\$16,000) per Tribal Member, up to a maximum of twenty-one million dollars (\$21,000,000), for the benefit of the Tribe and Tribal Members; and
 - (B) Six thousand two hundred seventy-five dollars (\$6,275) per Tribal Member, up to a maximum of eight million one hundred fifty dollars (\$8,150,000), for payment of debt incurred by the Tribe for the predevelopment costs of the Gaming Facility.
- (6) Year Six (constituting the sixth four (4) quarters in which Gaming Activities occur):
 - (A) Nineteen thousand six hundred dollars (\$19,600) per Tribal Member, up to a maximum of twenty-five million five hundred thousand dollars (\$25,500,000), for the benefit of the Tribe and Tribal Members; and
 - (B) Three thousand two hundred fifty dollars (\$3,250) per Tribal Member, up to a maximum of four million two hundred twenty-five thousand dollars (\$4,225,000), for payment of debt incurred by the Tribe for the predevelopment costs of the Gaming Facility.
- (7) Year Seven (constituting the seventh four (4) quarters in which Gaming Activities occur):
 - (A) Twenty-one thousand dollars (\$21,000) per Tribal Member, up to a maximum of twenty-seven million five hundred thousand dollars (\$27,500,000), for the benefit of the Tribe and Tribal Members; and

- (B) Two thousand two hundred twenty-five dollars (\$2,225) per Tribal Member, up to a maximum of two million nine hundred thousand dollars (\$2,900,000), for payment of debt incurred by the Tribe for the predevelopment costs of the Gaming Facility.
- (c) The deductions described in subdivision (b) apply only to Years One through Seven as defined in that subdivision. Throughout the term of this Compact, including Years One through Seven, the Tribe shall, prior to making payments to the State Gaming Agency pursuant to subdivision (a) for deposit into the Graton Mitigation Fund, deduct payments the Tribe makes to the State Gaming Agency pursuant to section 5.2, subdivision (a), for deposit into the Revenue Sharing Trust Fund or the Tribal Nation Grant Fund, as defined in section 5.1. Payments made to the State Gaming Agency pursuant to section 4.3, subdivision (b) for deposit into the Special Distribution Fund, which commence with the twenty-ninth (29th) quarter in which Gaming Activities occur, are not deductible from the Graton Mitigation Fund.

Sec. 4.5.1. Use of Funds Deposited in the Graton Mitigation Fund.

- (a) Funds deposited with the State Gaming Agency into the Graton Mitigation Fund pursuant to section 4.5 shall be paid by the State Gaming Agency in the following descending order, until exhausted:
 - (1) To the City pursuant to the agreement referenced in section 4.4.
 - (2) To the County pursuant to the agreement referenced in section 4.4.
 - (3) To the Revenue Sharing Trust Fund or the Tribal Nation Grant Fund. The funds paid pursuant to this subdivision shall be in addition to the Tribe's payments required to be made pursuant to section 5.2, subdivisions (a) and (b).
- (b) The State Gaming Agency's obligation to make the payments from the Graton Mitigation Fund pursuant to this section shall be limited to

the amount actually deposited by the Tribe into the Graton Mitigation Fund and the State has no additional obligations beyond those of the State Gaming Agency as stated in this subdivision.

Sec. 4.6 Quarterly Payments.

- (a) (1) The Tribe shall remit quarterly to the State Gaming Agency (i) the payments described in section 4.3, for deposit into the Special Distribution Fund, and (ii) the payments described in section 4.5, for deposit into the Graton Mitigation Fund. The quarterly payments shall be based on the Net Win generated during that quarter from the Gaming Devices (less the deductions set forth in section 4.5, subdivisions (b) and (c), in equal quarterly amounts), which payments shall be due on the thirtieth day following the end of each calendar quarter (i.e., by April 30 for the first quarter, July 30 for the second quarter, October 30 for the third quarter, and January 30 for the fourth quarter).
 - (2) If the Gaming Activities authorized by this Compact commence during a calendar quarter, the first payment shall be due on the thirtieth day following the end of the first full quarter of the Gaming Activities and shall cover the period from the commencement of the Gaming Activities to the end of the first full calendar quarter.
 - (3) All quarterly payments shall be accompanied by the certification specified in subdivision (b).
- (b) At the time each quarterly payment is due, regardless of whether any monies are owed, the Tribe shall submit to the State Gaming Agency a certification (the "Quarterly Net Win Contribution Report") that specifies the following:
- (1) calculation of the Quarterly Device Base pursuant to subdivision (c) of section 5.2;
 - (2) the Net Win calculation reflecting the quarterly Net Win from the operation of all Gaming Devices in the Facility;

- (3) the amount due pursuant to section 4.3;
- (4) the amount due pursuant to subdivision (a) of section 4.5 after deducting the amounts set forth in subdivisions (b) and (c) of section 4.5;
- (5) calculation of the amount due, if any, pursuant to subdivisions (a) and (b) of section 5.2; and
- (6) the total amount of the quarterly payment paid to the State.

The Quarterly Net Win Contribution Report shall be prepared by the chief financial officer of the Gaming Operation.

- (c)
 - (1) At any time after the fourth quarter, but in no event later than April 30 of the following calendar year, the Tribe shall provide to the State Gaming Agency an audited annual certification of its Net Win calculation from the operation of Gaming Devices. The audit shall be conducted in accordance with generally accepted auditing standards, as applied to audits for the gaming industry, by an independent certified public accountant who is not employed by the Tribe, the Tribal Gaming Agency, the Management Contractor, or the Gaming Operation, is only otherwise retained by any of these entities to conduct regulatory audits or independent audits of the Gaming Operation, and has no financial interest in any of these entities. The auditor used by the Tribe for this purpose shall be approved by the State Gaming Agency, or other State Designated Agency, but the State shall not unreasonably withhold its consent.
 - (2) If the audit shows that the Tribe made an overpayment from its Net Win to the State during the year covered by the audit, the Tribe's next quarterly payment may be reduced by the amount of the overage. Conversely, if the audit shows that the Tribe made an underpayment to the State during the year covered by the audit, the Tribe's next quarterly payment shall be increased by the amount of the underpayment.
 - (3) The State Gaming Agency shall be authorized to confer with the auditor at the conclusion of the audit process and to review

all of the independent certified public accountant's work papers and documentation relating to the audit. The Tribal Gaming Agency shall be notified of and provided the opportunity to participate in and attend any such conference or document review.

- (d) The State Gaming Agency may audit the Quarterly Device Base and Net Win calculations specified in the audit provided pursuant to subdivision (c). The State Gaming Agency shall have access to all records deemed necessary by the State Gaming Agency to verify the Quarterly Device Base and Net Win calculations, including access to the Gaming Device accounting systems and server-based systems and software, and to the data contained therein on a read only basis. If the State Gaming Agency determines that the Net Win is understated or the deductions overstated, it will promptly notify the Tribe and provide a copy of the audit. The Tribe within twenty (20) days will either accept the difference or provide a reconciliation satisfactory to the State Gaming Agency. If the Tribe accepts the difference or does not provide a reconciliation satisfactory to the State Gaming Agency, the Tribe must immediately pay the amount of the resulting deficiency, plus accrued interest thereon at the rate of one percent (1%) per month or the maximum rate permitted by state law for delinquent payments owed to the State, whichever is less. If the Tribe does not accept the difference but does not provide a reconciliation satisfactory to the State Gaming Agency, the Tribe, once payment is made, may commence dispute resolution under section 13.0. The parties expressly acknowledge that the certifications provided for in subdivision (b) are subject to section 8.4, subdivision (h).
- (e) Notwithstanding anything to the contrary in section 13.0, any failure of the Tribe to remit the payments referenced in sections 4.3 and 4.5, pursuant to this section 4.6, will entitle the State to immediately seek injunctive relief in federal or state court, at the State's election, to compel the payments, plus accrued interest thereon at the rate of one percent (1%) per month, or the maximum rate permitted by State law for delinquent payments owed to the State, whichever is less; and further, the Tribe expressly consents to be sued in either court and waives its right to assert sovereign immunity against the State in any such proceeding. Failure to make timely payment shall be deemed a material breach of this Compact.

- (f) If any portion of the payments under subdivision (a) herein is overdue after the State Gaming Agency has provided written notice to the Tribe of the overdue amount with an opportunity to cure of at least fifteen (15) business days, and if more than sixty (60) calendar days have passed from the due date, then the Tribe shall cease operating all of its Gaming Devices until full payment is made.

Sec. 4.7. Exclusivity.

In recognition of the Tribe's agreement to make the payments specified in sections 4.3 and 4.5, the Tribe shall have the following rights:

- (a) In the event the exclusive right of Indian tribes to operate Gaming Devices in California is abrogated by the enactment, amendment, or repeal of a State statute or constitutional provision, or the conclusive and dispositive judicial construction of a statute or the State Constitution by a California appellate court after the effective date of this Compact that Gaming Devices may lawfully be operated by another person, organization, or entity (other than an Indian tribe) within California, the Tribe shall have the right to exercise one of the following options:
 - (1) Terminate this Compact, in which case the Tribe will lose the right to operate Gaming Devices and other Class III Gaming authorized by this Compact; or
 - (2) Continue under this Compact with an entitlement to a reduction of the rates specified in sections 4.3 and 4.5 following conclusion of negotiations, to provide for: (A) compensation to the State for the actual and reasonable costs of regulation, as determined by the State Director of Finance; (B) reasonable payments to local governments impacted by tribal government gaming, the amount to be determined based upon any intergovernmental agreement entered into pursuant to sections 4.4 or 11.8.7; (C) grants for programs designed to address gambling addiction; and (D) such assessments as may be permissible at such time under federal law. Such negotiations shall commence within fifteen (15) days after receipt of a written request by a party to enter into the negotiations, unless

both parties agree in writing to an extension of time. If the Tribe and State fail to reach agreement on the amount of reduction of such payments within sixty (60) days following commencement of the negotiations specified in this section, the amount shall be determined by arbitration pursuant to section 13.2.

- (b) Nothing in this section is intended to preclude the California State Lottery from offering any lottery games or devices that are currently or may hereafter be authorized by state law.

SECTION 5.0. REVENUE SHARING WITH NON-GAMING AND LIMITED-GAMING TRIBES.

Sec. 5.1. Definitions.

For purposes of this section 5.0, the following definitions apply:

- (a) The "Revenue Sharing Trust Fund" is a fund created by the Legislature and administered by the State Gaming Agency, as limited trustee, with no duties or obligations hereunder except for the receipt, deposit, and distribution of monies paid by gaming tribes for the benefit of Non-Gaming Tribes and Limited-Gaming Tribes. The State Gaming Agency shall allocate and disburse the Revenue Sharing Trust Fund monies on a quarterly basis as specified by the Legislature. Each eligible Non-Gaming Tribe and Limited-Gaming Tribe in the State shall receive the sum of one million one hundred thousand dollars (\$1,100,000) per year from the Revenue Sharing Trust Fund. In the event there are insufficient monies in the Revenue Sharing Trust Fund to pay one million one hundred thousand dollars (\$1,100,000) per year to each eligible Non-Gaming Tribe and Limited-Gaming Tribe, any available monies in that fund shall be distributed to eligible Non-Gaming Tribes and Limited-Gaming Tribes in equal shares. Monies in excess of the amount necessary to distribute one million one hundred thousand dollars (\$1,100,000) to each eligible Non-Gaming Tribe and Limited-Gaming Tribe shall remain in the Revenue Sharing Trust Fund available for disbursement in future years. In no event shall the State's general fund be obligated to make up any shortfall in the Revenue Sharing Trust Fund or to pay any unpaid claims connected therewith, and, notwithstanding any

provision of law, including any existing provision of law implementing the State Gaming Agency's obligations related to the Revenue Sharing Trust Fund under any Class III Gaming compact, Non-Gaming Tribes and Limited-Gaming Tribes are not third party beneficiaries of this Compact and shall have no right to seek any judicial order compelling disbursement of any Revenue Sharing Trust Fund monies to them.

- (b) The "Tribal Nation Grant Fund" is a fund created by the Legislature to make discretionary distribution of funds to Non-Gaming Tribes and Limited-Gaming Tribes upon application of such tribes for purposes related to effective self-governance, self-determined community, and economic development. The fiscal operations of the Tribal Nation Grant Fund are administered by the State Gaming Agency, which acts as limited trustee, with no duties or obligations hereunder except for the receipt, deposit, and distribution of monies paid by gaming tribes for the benefit of Non-Gaming Tribes and Limited-Gaming Tribes, as those payments are directed by a State Designated Agency. The State Gaming Agency shall allocate and disburse the Tribal Nation Grant Fund monies as specified by a State Designated Agency to one or more eligible Non-Gaming and Limited-Gaming Tribes upon a competitive application basis. The State Gaming Agency shall exercise no discretion or control over, nor bear any responsibility arising from, the recipient tribes' use or disbursement of Tribal Nation Grant Fund monies. The State Designated Agency shall perform any necessary audits to ensure that monies awarded to any tribe are being used in accordance with their disbursement in relation to the purpose of the Tribal Nation Grant Fund. In no event shall the State's general fund be obligated to pay any monies into the Tribal Nation Grant Fund or to pay any unpaid claims connected therewith, and, notwithstanding any provision of law, including any existing provision of law implementing the State's obligations related to the Tribal Nation Grant Fund or the Revenue Sharing Trust Fund under any Class III Gaming compact, Non-Gaming Tribes and Limited-Gaming Tribes are not third party beneficiaries of this Compact and shall have no right to seek any judicial order compelling disbursement of any Tribal Nation Grant Fund monies to them.
- (c) A "Non-Gaming Tribe" is a federally recognized tribe in California, with or without a tribal-state Class III Gaming compact, that has not

engaged in, or offered, class II gaming or Class III Gaming in any location whether within or without California, as of the date of distribution to such tribe from the Revenue Sharing Trust Fund or the Tribal Nation Grant Fund, or during the immediately preceding three hundred sixty-five (365) days.

- (d) A "Limited-Gaming Tribe" is a federally recognized tribe in California that has a Class III Gaming compact with the State but is operating fewer than a combined total of three hundred fifty (350) Gaming Devices in all of its gaming operations wherever located, or does not have a Class III Gaming compact but is engaged in class II gaming, whether within or without California, during the immediately preceding three hundred sixty-five (365) days.

Sec. 5.2. Payments to the Revenue Sharing Trust Fund or the Tribal Nation Grant Fund.

- (a) The Tribe agrees that it will pay to the State Gaming Agency, for deposit into the Revenue Sharing Trust Fund or the Tribal Nation Grant Fund, for distribution to Non-Gaming and Limited-Gaming Tribes the annual payment due pursuant to the following schedule:

<u>Number of Gaming Devices Operated</u>	<u>Annual Payment</u>
0-350 Gaming Devices	\$0 per Gaming Device
351-750 Gaming Devices	\$900 per Gaming Device
751-1250 Gaming Devices	\$1950 per Gaming Device
1251- 2000 Gaming Devices	\$4350 per Gaming Device
2001-3000 Gaming Devices (Years One through Seven, as defined in section 4.5, subdivision (b))	\$4350 per Gaming Device
2001-3000 Gaming Devices (Years Eight through the expiration of this Compact, commencing with the conclusion of Year Seven, as defined in	

section 4.5, subdivision (b)(7))

\$7500 per Gaming Device

- (b) In addition to the payments referenced in subdivision (a), in Years One through Seven (as defined in section 4.5, subdivision (b)), if the Net Win from all Gaming Devices in operation in the Gaming Facility for the year exceeds the amount set forth in the following schedule, the Tribe shall pay the State Gaming Agency, for deposit into the Revenue Sharing Trust Fund or the Tribal Nation Grant Fund for distribution to Non-Gaming Tribes and Limited-Gaming Tribes, twenty-five percent (25%) of the difference between the Net Win and the corresponding amount for that year as follows:

<u>Year of Gaming Activities</u>	<u>Amount Net Win</u>
Year One	\$350,000,000
Year Two	\$360,000,000
Year Three	\$371,000,000
Year Four	\$382,000,000
Year Five	\$394,000,000
Year Six	\$406,000,000
Year Seven	\$418,000,000

Thus, for instance, if the annual Net Win in Year One was three hundred seventy million dollars (\$370,000,000), then the Tribe would pay the State Gaming Agency twenty-five percent (25%) of the twenty million dollar (\$20,000,000) difference between three hundred seventy million dollars (\$370,000,000) and three hundred fifty million dollars (\$350,000,000), or five million dollars (\$5,000,000).

- (c) The Tribe shall remit the payments referenced in subdivision (a) and (b) to the State Gaming Agency in quarterly payments, which payments shall be due thirty (30) days following the end of each calendar quarter (i.e., by April 30 for the first quarter, July 30 for the second quarter, October 30 for the third quarter, and January 30 for the fourth quarter).
- (d) The quarterly payments referenced in subdivision (c) required by subdivision (a) shall be determined by first determining the total number of all Gaming Devices operated by the Tribe during a given quarter ("Quarterly Device Base"). The Quarterly Device Base is equal to the sum total of the number of Gaming Devices in operation

for each day of the calendar quarter divided by the number of days in the calendar quarter that the Gaming Operation operates any Gaming Devices during the given calendar quarter.

- (e) If any portion of the payments under subdivisions (a) or (b) herein is overdue after the State Gaming Agency has provided written notice to the Tribe of the overdue amount with an opportunity to cure of at least fifteen (15) business days, and if more than sixty (60) calendar days have passed from the due date, then the Tribe shall cease operating all of its Gaming Devices until full payment is made.
- (f) All payments made by the Tribe to the State Gaming Agency pursuant to sections 5.1 and 5.2 shall be deposited into the Revenue Sharing Trust Fund and the Tribal Nation Grant Fund in a proportion to be determined by the Legislature.

SECTION 6.0. LICENSING.

Sec. 6.1. Gaming Ordinance and Regulations.

- (a) All Gaming Activities conducted under this Compact shall, at a minimum, comply (i) with a Gaming Ordinance duly adopted by the Tribe and approved in accordance with IGRA, (ii) with all rules, regulations, procedures, specifications, and standards duly adopted by the NIGC, the Tribal Gaming Agency, and the State Gaming Agency, and (iii) with the provisions of this Compact.
- (b) The Tribal Gaming Agency shall transmit a copy of the Gaming Ordinance, and all of its rules, regulations, procedures, specifications, ordinances, or standards applicable to the Gaming Activities and Gaming Operation, to the State Gaming Agency within twenty (20) days following execution of this Compact, or within twenty (20) days following their adoption or amendment.
- (c) The Tribe and the Tribal Gaming Agency shall make available an electronic or hard copy of the following documents to any member of the public upon request and in the manner requested: NIGC minimum internal control standards, the Gaming Ordinance, this Compact, including appendices hereto, the rules of each Class III game operated by the Tribe, the Tribe's constitution or other governing document(s),