



PRESS RELEASE

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Governor Schwarzenegger Announces Letter of Agreement with San Manuel Band of Mission Indians

Governor Arnold Schwarzenegger today announced a letter of agreement (LOA) has been signed with the San Manuel Band of Mission Indians. The LOA is a government-to-government agreement with enforcement provisions that are separate and apart from the 2006 compact amendment.

“As I have done for months, I continue to urge the Legislature to immediately approve this strong compact which will benefit the state, the tribe and the local community. While each compact has unique features, this agreement provides strong protections for the environment and workers. In addition, this compact will bring in millions of dollars in much-needed revenues to the state’s coffers,” said Gov. Schwarzenegger.

Under the letter of agreement, the tribe will:

Maintain and implement minimum internal control standards for class III gaming that are no less stringent than those contained in the Minimum Internal Control Standards (MICS) of the National Indian Gaming Commission (NIGC) until such time as the State Gaming Agency has regulations in effect that contain standards as stringent as the MICS and the NIGC regains authority to adopt and enforce MICS.

Agree to submit to enforcement and auditing by the state to ensure the tribes are in compliance with the MICS.

Provide copies of financial audits to the state and make available any class III gaming audits submitted to the NIGC.

The tribe’s amendment to its gaming compact with the state is currently pending ratification by the State Assembly. The compact amendment was signed by the Governor and the Tribal Chair in August 2006.

The text of LOA:

LETTER OF AGREEMENT Between San Manuel Band of Mission Indians of California, a federally recognized Indian Tribe, and the STATE OF CALIFORNIA

WHEREAS, this Letter of Agreement (“LOA”) is entered into on a government-to-government basis by and between the San Manuel Band of Mission Indians of California, a federally recognized sovereign Indian Tribe (hereafter “Tribe”), and the State of California, a sovereign State of the United States (hereinafter “State”); and,

WHEREAS, the Tribe is mindful of important public policy goals and principles which the Governor and Members of the California Legislature desire to secure for all Californians; and,

WHEREAS, the Tribe and the State entered into a Tribal-State Gaming Compact in 1999 and have negotiated an Amendment to the Compact that was executed by the Tribe and the State on August 28, 2006 (hereafter collectively the “Amended Compact”); and,

WHEREAS, since the 2006 Amended Compact was executed, certain developments in federal law have created doubt about the authority of the National Indian Gaming Commission (“NIGC”) to enforce its published Minimum Internal Control Standards (“MICS”), 25 C.F.R. 542, with respect to class III gaming; and

WHEREAS, the provisions of this LOA are intended to express the mutual intent of the parties to set further agreements between the parties with respect to the Tribe’s commitment to implement internal control standards that meet or exceed the MICS and the State’s

authority to ensure compliance with such standards.

NOW THEREFORE, the Tribe and the State further agree to the following :

Section 101. Minimum Internal Control Standards (MICS).

Sec. 101.1 So long as the National Indian Gaming Commission does not have the authority to adopt, enforce, and audit minimum internal control standards (MICS) for class III gaming devices and facilities and the State Gaming Agency does not have regulations in effect that contain internal control standards that are no less stringent than those contained in the MICS of the National Indian Gaming Commission, the Tribe agrees to maintain in full force and effect and implement minimum internal control standards for class III gaming that are no less stringent than those contained in the Minimum Internal Control Standards of the National Indian Gaming Commission (25 C.F.R. 542), as they existed on October 19, 2006, and, during that period, to submit to enforcement and auditing by the State Gaming Agency to ensure that the Tribe is in compliance with such MICS. This section is intended to supplement the Amended Compact and is not intended to supersede or negate any provision of the Amended Compact or any regulation that may be adopted by the State Gaming Agency.

Sec. 101.2 Subject to the confidentiality provisions of the Amended Compact, the Tribe agrees to: (1) provide to the State Gaming Agency a copy of the annual financial audit required under Section 8.1.8 of the Amended Compact; and (2) upon request of the State Gaming Agency, make available at its Gaming Facility a copy of any Class III audit provided to the National Indian Gaming Commission.

Section 102. Compliance.

Because the parties desire that the terms of this LOA be enforceable, the parties to this LOA agree to the following enforcement provisions, invocation of which shall be limited to the parties to this LOA, and not by any other person or entity. This LOA is not intended to, and shall not be construed to, create any right on the part of a third party to bring any action to enforce its provisions.

To the extent that a remedy to ensure compliance with this LOA does not exist within the Amended Compact, applicable law, federal and state policy, and any other agreements between the Tribe and pertinent governmental entities or parties, the Tribe agrees to the following provisions:

In recognition of the government-to-government relationship of the Tribe and the State (the "LOA Parties"), the LOA Parties shall make their best efforts to resolve disputes that occur under this LOA by good faith negotiations whenever possible. Therefore, the LOA Parties hereby establish a threshold requirement that disputes between the LOA Parties concerning this LOA first be subjected to a process of meeting and conferring in good faith in order to foster a spirit of cooperation and efficiency in the administration and monitoring of performance and compliance by each other with the terms and provisions of this LOA, as follows:

- (a) Either LOA Party shall give the other, as soon as possible after an event giving rise to a dispute under this LOA ("Dispute"), a written notice setting forth, with specificity, the issues to be resolved.
- (b) The LOA Parties shall meet and confer in a good faith attempt to resolve the Dispute through negotiation not later than 10 days after receipt of the notice, unless both LOA Parties agree in writing to an extension of time.
- (c) If the Dispute is not resolved to the satisfaction of the LOA Parties within 30 calendar days after the first meeting, then either LOA Party may seek to have the dispute resolved by an arbitrator in accordance with this section as follows:
 - (i) For disputes concerning this LOA, the Tribe and the State consent to binding arbitration before a single arbitrator, who shall be a retired judge, in accordance with the streamlined arbitration rules and procedures of JAMS (or if those rules no longer exist, the closest equivalent). The sole issue shall be whether or not there has been material compliance with the provision or provisions of this LOA that are the subject of the Dispute, and the sole award shall be either a determination that no material non-compliance has occurred, or a determination that a material non-compliance has occurred and the setting of a reasonable time in which the violating party shall correct the non-compliance. Any corrections awarded shall be reasonable, taking all circumstances into account.
 - (ii) Any arbitration shall be held on the Tribe's reservation or, if unreasonably inconvenient under the circumstances, at such other location in San Bernardino County as the LOA Parties may agree. If the parties are unable to agree on a location, the arbitrator shall determine the location.
 - (iii) Each LOA Party shall bear its own costs, attorney's fees and one-half of the costs and expenses of the arbitration, unless the arbitrator rules otherwise. The provisions of Section 1283.05 of the California Code of Civil Procedure shall apply; provided that no discovery authorized by that section may be conducted without leave of the arbitrator.

The award of the arbitrator shall be a reasoned decision with findings of fact and conclusions of law in writing and shall be binding.

To effectuate their respective consents to arbitration, the Tribe and the State each shall, in the exercise of its respective sovereignty, waive its right to assert sovereign immunity in connection with the arbitrator's jurisdiction and in any action brought in federal court or, if the federal court declines to hear the action, in any action brought in the courts of the State of California that are located in San Bernardino County, including courts of appeal (collectively and in said order, the "Court of Competent Jurisdiction"), to (1) enforce the LOA Parties' obligation to arbitrate, (2) confirm, correct, modify, or vacate the arbitral award rendered in the arbitration, or (3) enforce or execute a judgment based upon the award. Both the Tribe and the State agree not to assert, and will waive any defense, alleging improper venue or forum non conveniens as to any Court of Competent Jurisdiction. Either LOA Party may bring an action in the Court of Competent Jurisdiction to compel arbitration under this LOA, to enforce an arbitration award, and to correct, modify or vacate an arbitration award. However, in actions seeking to correct, modify or vacate an award, the standard of review to be applied by said court to the arbitrator's findings of fact and conclusions of law will be the same as that applied by an appellate court reviewing a decision of a trial court hearing the Dispute and sitting without a jury.

Section 103. Effective Date

Sec. 103.1 This LOA shall be effective upon the effective date of the Amended Compact between the San Manuel Band of Mission Indians of California and the State of California, entered into August 28, 2006, and shall remain in full force and effect through December 31, 2030.

The undersigned sign this LOA on behalf of the State of California and the San Manuel Band of Mission Indians of California.

STATE OF CALIFORNIA SAN MANUEL BAND OF MISSION INDIANS OF CALIFORNIA

By: Arnold Schwarzenegger
Governor of the State of California

By: Vincent Duro
Vice Chairman of the San Manuel Band of Mission
Indians of California

Executed this 5th day of September, Executed this 5th day of September,

2007, at Sacramento, California 2007, at Sacramento, California