

For those of you who have not met some of the "gaming people"-- they are Patrick Minchey, Chief Operating Officer, Russell Pratt (Chief Operating Officer temporarily out of service), Mark Suglian, Chief Financial Officer, Sugie Mayer, Financial officer, Larry Ocheltree, Construction Supervisor. Also you probably have seen and will continue to see many others who are hired as subcontractors for various projects such as the hydrologist, archaeologist, biologist, environmental assessment people, possibly a botanist, and other scientists who are conducting surveys and assessments on the land. These people are requested to come to the Tribal Office, sign in at the beginning of the week just as a courtesy to us to let us know they are "out there".

if see Below - South American Informant?

Hope this helps you.
A little FYI Sugie Mayer's father is the money man. He also lived and is from South America. If you have any questions give me a call.

(FROM COLOMBIA - begs the question of drug money)

JUSTIFICATION FOR SEVEN-YEAR MANAGEMENT AGREEMENT TERM

Submitted by the Picayune Rancheria of the Chukchansi Indians
to the National Indian Gaming Commission
Pursuant to 25 C.F.R. 533.3(h) and 533.3(i)

I. Summary

The Indian Gaming Regulatory Act of 1988, 25 U.S.C. 2711(b)(5) (1994) authorizes the Chairman of the National Indian Gaming Commission ("the Commission") to approve a Gaming Management Contract with a term in excess of five years but not exceeding seven years, "if the Chairman [of the Commission] is satisfied that the capital investment required, and the income projections, for the particular gaming activity require the additional time". This standard is incorporated in the Commission's regulations, at 25 CFR 631.1(h) (1999).

For the reasons outlined below, the Picayune Rancheria of the Chukchansi Indians ("the Tribe") respectfully submits that this standard clearly is met, in the case of the Tribe's Management Agreement with Cascade Entertainment L.L.C. ("Cascade").

The requirements of the Tribe's Tribal-State Gaming Compact ("the Compact") with the State of California has created an unprecedented legal and economic environment, in which - if the Tribe is to ensure its ability to operate an appropriately sized casino - the Tribe must immediately seek, pay for, and prepare to put in play the maximum number of Gaming Device licenses demanded by its market demographics and permitted by the Compact.

The capital investment required for the Tribe's project is estimated to be \$132,500,00. That amount is roughly double the amount which was contemplated by the Tribe and Cascade when the Management Agreement originally was signed; and as we discuss below, securing that magnitude of capital for a start-up casino enterprise will require access to the high-yield bond market. Our efforts to secure bank financing at that level have left no doubt that such an avenue simply is not available for a start-up casino, leaving high-yield bonds as the only realistic financing alternative.

For such bonds, a seven-year term is the practical minimum. The costs to the Tribe, and the difficulties of sale, that would be associated with an issue of with a lesser term of years effectively makes that option unavailable. And successful marketing of the bonds will absolutely require that the Tribe demonstrably have in place stable management and financial sponsorship throughout the bond term. Likewise, the effective return to Cascade, given the level of financing required, justifies a seven-year Management Agreement term. As of the date of this writing, Cascade has put at risk approximately \$1,250,000 in pre-development costs and over \$1,500,000 in land acquisition costs. Additional pre-development costs and land acquisition costs of up to approximately \$1,400,000 in the next few months are anticipated, which also will be provided by Cascade.

Further, we anticipate that, given the artificial and potentially fatal deadlines created by the California compact process, construction of our project must commence prior to the issuance of the bonds; and therefore Cascade will be obliged to provide bridge financing in amounts necessary to accomplish the early commencement of construction. And to successfully complete the bond financing, Cascade will be obliged to place at risk capital of between \$12,000,000 and \$20,000,000.

Without the immediate access to the early-start capital and the magnitude of project funding which can only be produced by access to the high-yield bond market, the Tribe will be at high risk of losing its ability to ever effectively enter the California gaming market.

II. The Legal and Economic Environment in California, Past and Present.

As the National Indian Gaming Commission is aware, the status of Class III gaming in the State of California has been the subject of uncertainty, conflict, litigation, negotiation, and change since the early 1990s.

Class II gaming under the Indian Gaming Regulatory Act has been offered by Indian tribes in California for many years. At the present time there are more than forty tribes offering bingo and other Class II games, with total gross revenues estimated to be over \$70 million annually. On the other hand, until this year, the offering of Class III gaming has been fraught with legal questions. Until the present California administration took office, State officials refused to negotiate full tribal-state Class III gaming compacts under Section 11(d) of the Indian Gaming Regulatory Act of 1988, 25 U.S.C. 2710(d) (1994) ("the IGRA"). After the United States Supreme Court held, in Seminole Tribe of Florida v. State of Florida, 517 U.S. 44 (1996), that the Eleventh Amendment to the United States Constitution prevented Congress from authorizing tribes to sue states without the states' consent, California tribes have had no way to compel the State to negotiate in good faith.

The prior California Governor did negotiate a limited Class III Compact (known as the "Pala" Compact), but this agreement was challenged by other California tribes and became the subject of a statewide ballot measure which defeated the Pala Compact measure in March, 2000. A November, 1998 ballot Proposition (known as "Prop 5") promoted by the tribes which expanded the Pala Compact, but still fell short of full Class III gaming, was passed by an overwhelming majority of California voters, but was challenged by Nevada opposition in the California Supreme Court, and was found to be unconstitutional in August, 1999.

However, over the past five years, a number of California tribes have commenced what often is called "gray-area" gaming - with casino-style gaming operations that have not been the subject of a Tribal-State Compact. This has resulted in about thirty of the one hundred and seven California tribes operating approximately 17,000 video gaming devices. It is estimated that these gaming operations generate up to \$750 million a year in gross gaming revenue. However, the Picayune Rancheria has not elected to pursue "gray-area" gaming. The Tribe instead chose to wait until it

PICAYUNE**TRIBAL INFORMATION AND DIRECTORY****GENERAL**

Tribe: Picayune Rancheria of Chuckchansi Indians
 Tribal Affiliation: Chuckchansi
 Reservation: Picayune Rancheria
 Population: Within the Rancheria - 12; Adjacent - 8
 Gross Acreage: 28.76 * See Remarks
 Location: Madera County, Coarsegold, California
 Agency: Central California Agency
 Gaming: No

TRIBAL GOVERNMENT

Organization: Non-IRA Constitution ratified by the tribe 10/22/88
 Governing Body: Tribal Council
 Elections: Elections in November - Two-year terms
 Meetings: Regular - Fourth Monday of each month
 Special - Shall be called by Chairperson or by written petition of not less than 51% of General Council membership
 Tribal Office: P.O. Box 269, Coarsegold, CA 93614
 Telephone: (559) 683-6633 / Fax: (559) 683-0599

Last Election: 11/00/98***TRIBAL OFFICIAL**

Acting Chairperson: Daisy Little *7 Member Council - Elected at various times.

REMARKS

Restored to Federal recognition under class action suit *TILLIE HARDWICK VS. UNITED STATES OF AMERICA*, C-79-19109W. Judgment filed December 22, 1983. There are no Tribal lands. One parcel, consisting of 28.76 acres was restored to trust for an individual.

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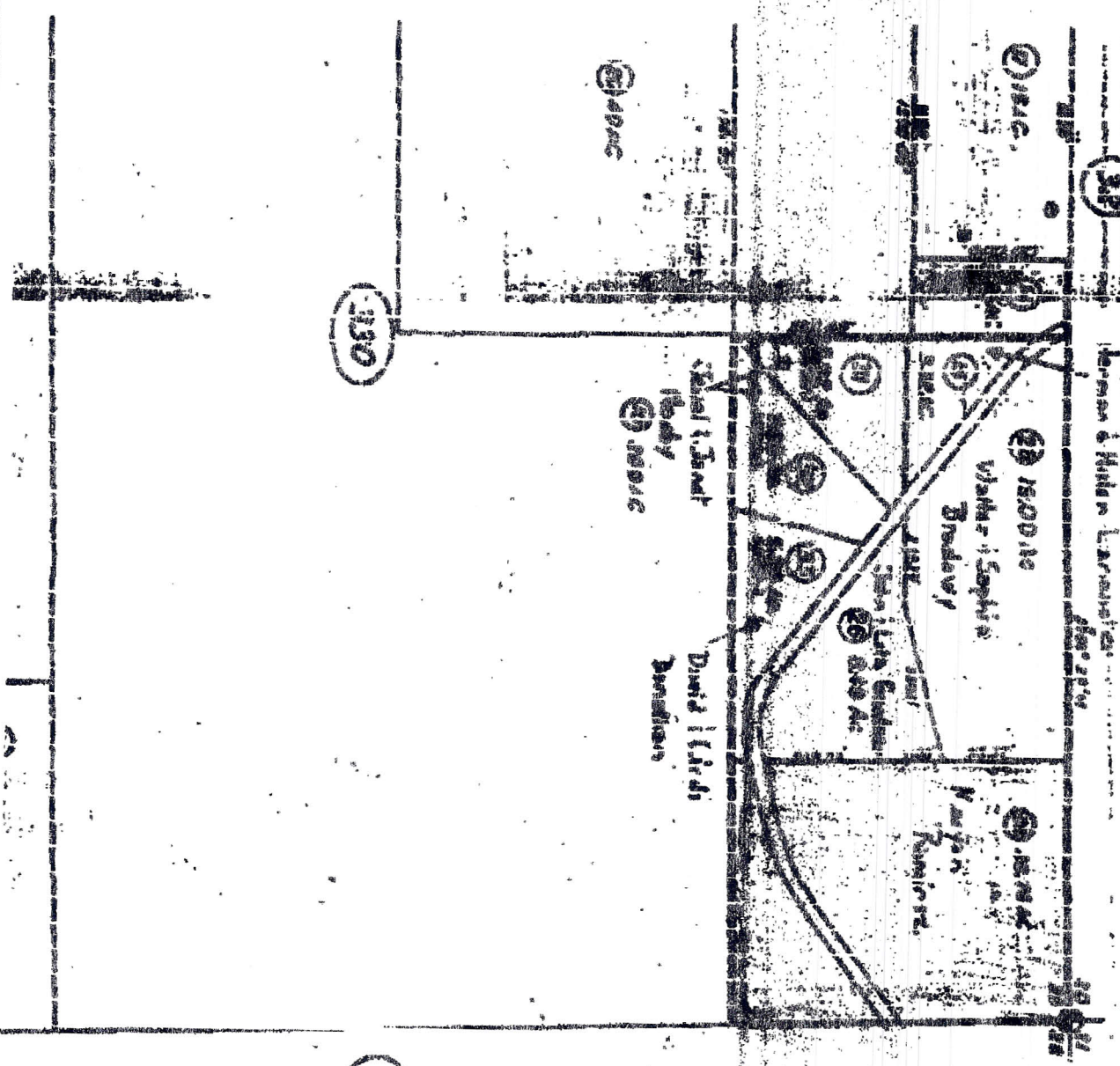
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Tax Area Code 62-001

SCALE 1" = 500'

has shown us that it is necessary to develop a hotel and other related amenities in order to create a full-service destination resort. Cascade has agreed to finance and manage on our behalf these non-gaming components of our project on tribal land adjacent to our gaming land. The additional cost of this non-gaming development is currently estimated to be over \$35,000,000. As a result of Cascade's commitment to finance and develop these essential elements of our overall project, the Tribe wishes to exercise the clause contained in the Development and Management Agreements which provide for a seven-year term of the Management Agreement.

Therefore, during the Compact-mandated allocation process, we clearly must seek authority to operate at least the 1600 gaming devices dictated by the Urban/Innovation Group study, if not the maximum number that the Compact permits (2000). Under the provisions of section 4.3.2.2.(e) of the Compact, this will require us to make a non-refundable licensing payment to the State of California, of \$1,250 per gaming device, or a total of \$1,560,000 to over \$2,000,000. Under the terms of the same section of the Compact, once we have made that payment and received the right to operate the machines, we must place all of those machines in play within twelve months or lose the right to operate them. The building and infrastructure which houses and supports these machines must meet all requirements of building codes, environmental review, and health & safety codes.

In effect, given the short time span in which we must build our facility, this mandates full completion of our facility and site improvements. To house our machines, table games, and the amenities required to compete in our market, and to give our investment in gaming the best possible chance to succeed, our Business Plan and its supporting Market Assessment indicate that we must construct and equip facilities with the total cost of \$132,500,000, as well as the additional \$35,000,000 of non-gaming amenities.

IV. The Available Financing Alternatives.

In the gaming industry generally, there are four methods of financing start-up projects: equity contribution by owners, funding the project from the cash flow of other enterprises, commercial bank financing, and the issuance of debt securities such as high-yield bonds.

The first two of those alternatives obviously are unavailable to Picayune Rancheria. Our Tribe is utterly without the resources to contribute capital to the project (and obviously we are unable to sell stock in the Tribe to raise capital); and we have no other business enterprises from which to channel cash flow.

The third alternative also is unavailable. Whereas a small start-up (\$10-25 million) project might be financed by a single bank or a group of banks experienced in such activities, it is apparent from work that Cascade and the Tribe's investment bank have done on our behalf that a project the size of ours cannot be handled that way. The fact that banks would be unable to foreclose upon the project and to obtain some return on investment by its sale to another operator, coupled with the project's start-up nature and lack of other tribal financial resources, makes bank financing impossible.

Therefore, the only viable alternative for the financing of the proposed facility is through the issuance of debt securities such as bonds in the high-yield bond market, either through public or private placement.

V. The Requirements of the High-Yield Bond Market - Term & Management Stability.

In seeking to accomplish the necessary debt issue in the least expensive and most effective manner, the Tribe and Cascade has selected the firm Wasserstein Perrella & Co. of New York City and Los Angeles as the debt's investment banker/broker. Wasserstein advises us that bond investors, while typically being less adverse to risk than equity investors, at the same time demand a higher level of comfort before making an investment, and are typically motivated by desire to employ their capital and stabilize their earnings over the medium to long term. The most critical requirements that must be met in order to float a successful bond offering are the following:

- A. **Sufficiently Long Term.** In general, bond investors prefer terms of ten years and require a minimum term of seven years. Bond investors strongly believe that seven years is the minimum term necessary to employ their capital, stabilize earnings, and generate sufficient cash to repay the bonds at maturity. It is highly unlikely that any successful bond offering of this size will take place in today's market with a term of less than seven years. Research conducted by Wasserstein discloses that over the past twelve months there have been about four hundred successful bond offerings nationwide, with an average term of nine years.
- B. **Stabilized Management.** Due to the medium to long-term investment strategy of bondholders, a second critical area for them is the ability and stability of management. Bond investors rely heavily on the due diligence of the investment banker brokering the deal to qualify the ability and stability of the management team over the entire term of the offering. Unlike many tribes which already are operators of existing successful large-scale enterprises, the Picayune Rancheria has no Class III gaming experience. Tribes with existing business experience have already gone through the growing pains suffered by start-up organizations. They have the financial, operations, administrative and support infrastructure already in place that could most likely absorb the additional gaming enterprise. Bondholders evaluate this factor in terms of the length of time and effort necessary to advance the Tribe to a level of effective self-management.

The more previous experience, the less perceived time and effort necessary. Tribes with no gaming and little or no prior business experience, such as we are, are perceived as requiring the maximum amount of time allowed for attaining full and effective self management. In these cases we are advised that it will be mandatory that we have stable and consistent management with gaming experience for the entire term of our bond offering.

could enter into the form of compact that Congress contemplated when it passed the IGRA.

Following the statewide expression of the sentiment of California voters in the Prop 5 vote, and with the arrival of a new California administration following the 1998 elections, the possibility of the Rancheria's actually being able to accomplish its ends began to emerge. During the summer of 1999, compact negotiations between tribes and the State ultimately resulted in an agreement which is memorialized in the Tribal-State Gaming Compact between the State of California and the Picayune Rancheria. Prior to this, beginning in mid-1998, the Tribe was working with Cascade, with the aim of having in place development and management arrangements which would enable the Tribe to take advantage of Class III gaming as soon as all legal obstacles had been removed. The negotiations with Cascade produced the Development Agreement and Management Agreement, both dated October 15, 1999, which we have submitted for the National Indian Gaming Commission's review.

Before the State of California would submit our Compact and the other compacts it had negotiated with California tribes, it required that the State's voters consider Class III gaming one final time -- this time, in a referendum to amend the Constitution of the State of California to expressly permit the sorts of gaming which the Compact contemplate. That referendum was held on March 7, 2000, and passed easily. Thereafter, the Governor of California submitted all of the compacts which were signed in 1999 to the Secretary of the Interior for approval, as is required under section 11(d)(3)(B) of the IGRA, 25 U.S.C. 2710(d)(3)(B) (1994).

III. The Need for a Large-Scale Gaming & Resort Project.

The consequences to the Picayune Rancheria of the legal and economic developments discussed above, and particularly the difficult time constraints contained within our Compact, and by the sheer number of new and expanded Class III gaming facilities in the State in direct competition with our facility, have great significance to the size of the facilities which we now believe that we must build.

The financing structure which is necessary to build them is now the critical element which will determine our success or failure in the market and in our objectives of economic self-sufficiency for our Tribe. In turn, the facilities' size and financing constraints mandate that the term of our Management Agreement with Cascade be seven years.

Our Compact, and all of the compacts which were approved on March 7, 2000, permit tribes to offer an unlimited number of house-banked card games, and up to 2,000 Las Vegas-style gaming devices. Our Business Plan which accompanies this Justification, together with the Market Assessment, prepared for us in March, 2000 by Urban System, Inc./Innovation Group, that supports and accompanies the Business Plan, make it clear that if we are to obtain the optimum share of our target market we must build and open our gaming facility at the earliest possible date; and to hold that market share our facility, when it opens, must be complete and of first class quality and proper size.

Additionally, because of our location on the main route to Yosemite National Park, the market study

VI. Implications of Cash Flow Assumptions on Term of Debt Issue and the Management Contract.

The Tribe's Business Plan was prepared with the best information available to date. It represents the Tribe's and Cascade's prediction of the mostly likely outcome of the results of operations and cash flow for our project based on a set of defined assumptions, criteria, events and circumstances. It will be used as a measure of performance after opening and, hopefully, will prove to be conservative in its preparation. But bond investors certainly will discount its projections when contemplating the purchase of our debt issue. The risk factors associated with the project are many and significant.

When the Tribe and Cascade established the size and capacity of the project, total gaming revenue for the base year was determined based on the market studies. The first full year was determined to be the base year, as the two other competitors currently existing in our market are in the midst of major expansion and improvement programs expected to be complete prior to our opening.

Revenue was then allocated to the primary revenue sources based on established percentages. The numbers of units for each primary revenue source was determined by applying an assumed win per unit that would maximize utilization based on established trends. Win per units of \$190 - \$210 for slots, and \$1,350 - \$1,650 for table games, were used. Any higher win per unit and the facility would be underbuilt, and any lower win per unit and the facility would be overbuilt. Standard square footages were then applied to gaming, non-gaming and support areas, and development costs were estimated based on those square footages. This determined the level of capital investment for the facility used in the Business Plan.

The results of operations and cash flows were determined based on expected wage and cost assumptions, staffing guides, operating trends and debt payment assumptions. For the purposes of the Business Plan, a seven-year period was assumed for the Management Agreement and debt repayment. The cash effect on the Tribe, the manager and the bondholders is reflected in the Cash Flow Summary of the Business Plan, and is included in this Justification for reference.

Additionally, in applying a discount to the Business Plan projections, it is assumed that the discount will be the result of conservative performance. For this purpose, shortfalls in the win per unit for

0%	49.3	18.3	25.6
10%	37.3	10.1	17.5
20%	25.3	2.0	9.3
30%	13.3	(6.1)	1.2
40%	1.2		
50%	(10.8)		

It can be seen that it will take a slippage of over 40% from projections for the Facility to be in a net loss condition. So, as with the investor, we think it is unlikely that our projections are off by almost half, so the Net Revenue amount by itself is not a concern to us. But it is quite a different story for the actual cash flow available to us. Since part of our available cash flow is from the write-off of the facility through the D&A allowance, a cash flow equal to or less than the D&A allowance would mean the facility is not generating any real cash flow for us. And under the 5-year debt term a revenue shortfall of less than 10-12% will result in 100% of the Tribe's cash flow coming from the D&A allowance. For the 7-year term, on the other hand, the slippage can be almost 20% before 100% of our cash flow is from the D&A allowance.

Therefore, for us as well as for our bond buyers, a 5-year debt term instead of a 7-year debt term could have an adverse impact.

VII. The Tribe's Desire for Stability and Consistency in Management.

It is not only considerations relating to the expectations of purchasers of our debt issue, but also our own considerations, that move us to seek stability and consistency in management. In choosing to build and finance as we are doing, we are committing our Tribe and our resources to a venture which must have staying power and consistency. It is our strongly held view that ensuring Cascade's presence as our manager for the maximum period permitted by law will guarantee that stability for that period. Therefore, we seek a seven-year term for ourselves, not merely for those who will finance our project.

VIII. Cascade's Capital Contributions; Risks; Projected Income Stream.

When Cascade accepted its exclusive role to design, construct, operate and finance the Facility for and on behalf of the Tribe, Cascade made a commitment and accepted a responsibility to the Tribe to ensure the success of the project, and to obtain the maximum benefit for the Tribe that this opportunity allows.

The parties originally contemplated that Cascade would fund the Pre-Construction Phase of the project out-of-pocket and later, once permanent financing was obtained, would be reimbursed from the permanent financing. The Pre-Construction Phase included the funding necessary to obtain a

valid Tribal-State Compact as well as the funding to advance the Tribe's efforts in establishing its gaming administration, develop its Tribal Gaming Authority and other governmental infrastructure necessary to oversee the gaming facility, and to pay for all consultants and expenses necessary.

This funding commitment, made in advance of the approval of any compacted gaming in California and prior to obtaining any regulatory approval of the Management Agreement, was entirely "at-risk". The original total amount was limited to \$4,000,000 as evidenced by an interim promissory note. Because of the expansion in approved Class III gaming under our Compact, the level of investment now required to maximize the Tribe's benefit under IGRA has increased dramatically.

The restrictions on completion dates in order to ensure the use of the Tribe's full complement of gaming devices now requires that construction of the Facility commence immediately upon environmental approval and possibly before final regulatory approval of the Management Agreement (with knowledge and consent of NIGC). Further, in order to meet the completion deadlines in the Compact, the construction of the project must be "fast-tracked", which significantly advances the timing and amounts of construction funding that must be available.

Lastly, Cascade has agreed to and is going forward on funding and development of our non-gaming amenities for an additional risk of approximately \$35,000,000. The success of this investment is wholly dependent upon the proper sizing and success in the market of the gaming facility.

Therefore, all of these factors have expanded significantly Cascade's at-risk position in fulfilling its commitment to the Tribe in developing the Facility in two primary areas:

- A. **Bridge Loan Financing.** Because construction must commence immediately upon environmental approval and be fast-tracked in order to meet the deadlines of the Compact, significant funding will be required in advance of the obtainment of permanent financing for the facility. Cascade is prepared to provide construction financing in advance of obtaining the permanent financing and obtaining regulatory approvals of the Management Agreement in order to bridge the funding gap and ensure the timely start and completion of the project. The commitment for the bridge loan financing is estimated at \$12-\$20 million for the project. This funding commitment by Cascade is entirely at risk until regulatory approval is obtained and the permanent financing is in place.
- B. **Ongoing Performance Guarantees.** Due to the significantly expanded level of investment now required to maximize the benefit to the Tribe and the requirement that the construction be fast tracked in order to meet the Compact deadlines, the level of risk is greatly increased. Risk to the project due to construction-related issues such as completion timetables and cost overruns is increased dramatically, as is the exposure of failing to meet the operational projections for the Facility. In order to satisfy investor concerns in these areas, Cascade will be required to put up performance guarantees in the form of cash or letters of credit amounting to \$20 million or more to ensure

adequate funding of the project in case of unanticipated cost overruns and to ensure that the project will support its debt service in case of operational shortfalls in meeting the projections. Whatever the form of financial guarantee required of Cascade, this will be *captive and fully at-risk during the term of the bond debt.*

However, if Cascade's Management Agreement is not approved, Cascade will have no management rights in the project, and will be limited to the terms of its Development Agreement, for purposes of any recoupment of its investment. The Tribe recognizes Cascade's commitment to the successful completion of the project and understands Cascade's significant increase in its at-risk position in the project. Accordingly, the Tribe believes that the extension of the Management Agreement to the seven years allowed under IGRA is warranted in these circumstances.