



OCT - 1 2010

Greg Sarris, Tribal Chair  
Federated Indians of Graton Rancheria  
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Rohnert Park, CA 94928  
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Scott M. Nielson, Esq.  
SC Sonoma Management, LLC  
c/o Station Casinos, Inc.  
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Dear Chairman Sarris and Mr. Nielson:

On September 9, 2010, the National Indian Gaming Commission (NIGC) received a Class II gaming management agreement (the "Contract") between the Federated Indians of Graton Rancheria (the "Tribe") and SC Sonoma Management, LLC (the "Manager"), dated September 8, 2010. I am pleased to inform you that I have approved the Contract, a class II gaming management contract.

The Graton Restoration Act of 2000, 25 U.S.C. §1300n-3, requires that the Secretary of the Interior shall accept land into trust for the benefit of the Tribe in Marin or Sonoma Counties, California. On May 7, 2008, the Bureau of Indian Affairs (BIA) published a Notice of Intent to take land into trust for the Tribe. On October 1, 2010, the BIA placed the land in trust for the Tribe.

Because the Tribe does not have an approved compact authorizing class III gaming, the Tribe and the Manager removed the provisions for class III gaming from the Contract. The parties have verbally informed the NIGC that they plan to amend the Contract to include class III gaming once the Tribe has an approved compact with the State of California. It is the parties' intent to submit a modification to the contract adding class III prior to the opening of the gaming operations.

The parties have modified the Contract and collateral agreements to meet the standards of 25 C.F.R. Parts 531, 533, and 537.

In approving this Contract, I have considered the significant debt incurred by the Tribe and that the Tribe has made a fully informed decision in difficult economic circumstances. Further, I am relying on the parties' compliance with their commitments and applicable law. In particular, the following areas are material to my decision:

- Station Casinos, Inc.'s ("STN") 100% membership interest in SC Sonoma Management, LLC was included in the group of assets that was sold under the supervision of the Bankruptcy Court. The Manager has submitted the attached list of individuals and entities with a direct or indirect financial interest in, or management responsibility for, the Contract as of September 21, 2010. The Manager will need to submit: (1) any changes to the list of individuals and entities with a financial interest, or management responsibility for the Contract; and (2) background investigation applications for any individual in the group of ten individuals with the greatest financial interest in the Contract. The parties will then need to submit the changes for approval pursuant to 25 C.F.R § 535.1.
- Compensation to the Manager will not exceed 30% of Net Revenues. STN, as well as any subsequent equity owner of the Manager, will need to keep its financial records available for any future reviews requested by the NIGC. Should the NIGC find that this NIGC regulation has been violated, fines may be levied for IGRA violations and the NIGC may require modifications of, or may void, the Contract pursuant to 25 C.F.R. § 535.3.
- Accounting for the transactions pertinent to the Tribe's Casino will need to comply with GAAP in accordance with 25 C.F.R. § 531.1(c)(2). The Contract contains certain costs that are identified as Excluded Costs and Pre-Opening Expenses. Because NIGC staff had reservations on these matters, the Tribe's independent Certified Public Accountant will need to provide ongoing additional assurances that the accounting for these costs comply with GAAP.
- In the Land Transfer Agreement and Development Agreement, the parties have apparently waived the right in subsequent litigation to raise arguments challenging the validity of certain provision in the agreements as contrary to IGRA and NIGC regulations (LTA Article 4.7 and DA Article 5.39). Neither the Chairwoman's approval of the Contract nor the declination letter express any opinion about the validity of these arguments.
- Loan documents relating to future financing of the development and construction of the Tribe's casino have not been yet provided to the NIGC. The parties have agreed to submit to NIGC all executed loan documents. Material changes to these agreements will require the parties to submit revised financial projections.
- The Manager will need to submit the General Manager's background investigation application, making sure that NIGC has enough time to complete its investigation prior to the General Manager assuming any management responsibilities under the Contract. The parties will then need to submit the changes for approval pursuant to 25 C.F.R § 535.1.
- The Manager has agreed to install accounting controls over complimentary gifts extended to Tribal representatives/members.

Please also note that the NIGC continues to have concerns regarding allegations made during the bankruptcy process and will be monitoring the outcome of these matters. Should a court determine that particular actions taken by STN were fraudulent, I or a future Chairperson may choose to void the Contract pursuant to 25 C.F.R. § 535.3.

This letter and my signature on the Contract constitute approval of the Contract. Again, please note that if I learn of any actions or conditions that violate the standards contained in 25 C.F.R. Parts 531, 533, 535, or 537, or learn that there has been a change in the scope of the project described in the Contract, I may require modifications of, or may void, the Contract in accordance with the process set forth in 25 C.F.R. Part 577. The Manager will need to keep its deposit in place with the NIGC so that the NIGC may continue to monitor, among other things, the aforementioned items.

Should you have any questions concerning this approval, please call us at (202) 632-7003.

Sincerely,

A handwritten signature in cursive script, appearing to read "Tracie Stevens".

Tracie Stevens  
Chairwoman

cc: John A. Maier, Esq.  
Fax Only (510) 835-3040