

MUNICIPAL SERVICES AGREEMENT

This Municipal Services Agreement ("Agreement") is made this ___ day of June 2004, by and between the City of Barstow ("City") and the Los Coyotes Band of Cahuilla and Cupeño Indians ("Tribe"), and is founded upon the following Recitals:

RECITALS

WHEREAS, by an act of January 4, 1975, Congress enacted the Indian Self-Determination Act, 25 U.S.C. § 450, *et seq.*; and

WHEREAS, Congress has authorized the United States Secretary of the Interior to acquire land in trust for the Tribe in order for the Tribe to achieve economic self-sufficiency; and

WHEREAS, following consultations with state and City officials for the purpose of identifying potential new trust land acquisitions that would meet the community and economic development needs of the Tribe, while being compatible with surrounding land uses and minimizing adverse impacts on City services and residents, the Tribe has selected and will acquire a parcel of land in the City; and

WHEREAS, the Tribe intends to ask the Bureau of Indian Affairs ("BIA") to process an application pursuant to and in accordance with the provisions of Section 5 of the Indian Reorganization Act, 25 U.S.C. § 465, the Indian Gaming Regulatory Act, 25 U.S.C. § 2701, *et seq.* ("IGRA"), and the National Environmental Policy Act, 42 U.S.C. § 4321, *et seq.* ("NEPA"), requesting that the United States accept trust title ("fee-to-trust application") to a parcel in the City ("Trust Lands"); and

WHEREAS, the Tribe has requested that the City support the Tribe's fee-to-trust application, and has offered to enter into this Agreement with the City before any land goes into trust, which Agreement provides for cooperation between the Tribe and the City on matters of public services and land use on the Tribe's Trust Lands, as well as compensation to the City for the impact on City services of the Tribe's use of Trust Lands; and

WHEREAS, the City is capable of providing, and willing to provide, a full range of municipal services for uses of the Tribe's Trust Lands; and

WHEREAS, the City is prepared, subject to satisfactory review of this Agreement pursuant to the California Environmental Quality Act (CEQA), to support the Tribe's fee-to-trust application if the Tribe enters into this Agreement to comprehensively mitigate environmental impacts of this acquisition by taking several steps, including, but not limited to: (a) conforming to the Barstow Municipal Code; (b) mitigating any environmental impacts of its planned use of the Trust Lands that are identified in the environmental assessment to be conducted pursuant to NEPA; (c) compensating the City for public services and utilities to be provided on the Tribe's Trust Lands; and (d) paying development and processing fees.

WHEREAS, the terms and conditions of this Agreement are designed and intended to evidence the goodwill and cooperation of the Tribe and the City in fostering a mutually respectful government-to-government relationship that will serve their mutual interests.

NOW, THEREFORE, the Parties agree as follows:

Section 1. Land to be Taken into Trust.

The Tribe will request that the United States take into trust for its benefit land not to exceed twenty contiguous acres, absent written agreement of the City, from the parcel(s) identified in Exhibit A appended hereto ("Trust Lands"). The Tribe agrees that it will not seek other or additional parcels within the City to be taken into trust unless and until this Agreement is amended as provided herein to authorize additional trust land acquisition(s). The Tribe further agrees to use the Trust Lands exclusively for: (a) the development and operation of a Class II and/or Class III Gaming facility ("Resort" as defined in Exhibit B), in conformity with the requirements of IGRA, with the requirements of this Agreement and with the requirements of all other applicable state or federal laws; and (b) other gaming-related uses as described in Exhibit B, so long as such related uses are intended primarily to facilitate the operation of the Resort.

Section 2. Compliance with City Ordinances.

The Tribe shall enact laws applicable to the Trust Lands and shall require that all tribal development projects occurring on the Trust Lands be used and developed in a manner that is consistent with the Barstow Municipal Code (incorporated herein by reference) in effect at the time of any project development. The Tribe shall adopt building standards and codes consistent with those adopted by the City, and prior to the use of any structure constructed on the Trust Lands, provide the City, at the Tribe's expense, written certification from the project's architect of record that said structures have been constructed in accordance with said standards and code provisions. To ensure compliance with adopted codes, the Tribe agrees to contract with the City to provide planning, building and safety, fire prevention, and public works personnel to review any and all construction plans and inspect construction of all improvements on or off the Trust Lands.

Section 3. Environmental Review.

The Tribe will adopt an ordinance providing for the preparation, circulation, and consideration by the City, of detailed environmental assessment reports concerning environmental impacts of tribal development projects on Trust Lands to be commenced on or after the effective date of this Agreement. In fashioning the environmental protection ordinance, the Tribe's ordinance will be consistent with the policies and purposes of the California Environmental Quality Act ("CEQA"). All such environmental reports shall be provided to the City not less than 120 days prior to the commencement of any development.

The Tribe shall consult with the City to develop site- and project-specific terms and conditions and shall act in a manner consistent with CEQA and NEPA to mitigate impacts stemming from tribal development on Trust Lands.

Section 4. Police and Fire Personnel and Services.

The Parties recognize and agree that the Resort to be developed and operated on Trust Lands by the Tribe will necessitate an increased presence of Police and Fire Personnel.

City agrees to provide 24-hour police and fire suppression personnel and services to the Tribe at the same levels as currently provided to the City and its residents, except as provided herein and in Exhibits G (Police) and H (Fire) appended hereto.

Consistent with federal law, police services shall include the authority to enforce any and all state and local criminal laws and ordinances on Trust Lands, which shall include, but not be limited to, 24-hour patrol services and response to emergency 911 calls, and general investigations for major crimes as the Police Department deems necessary.

When practical, the Police Department will attempt to notify the Tribe's designated public safety or security director and shall coordinate and cooperate with designated casino security force personnel, if any, except when, in the judgment of the law enforcement officers involved, their safety, the safety of the public, or the integrity of an investigation or enforcement action, would be compromised by doing so.

Whenever the Tribe schedules a Special Event on the Trust Lands which is anticipated to require law enforcement personnel above the level of staffing called for in this Agreement, the Parties will negotiate appropriate additional reasonable compensation to the City to cover the additional costs incurred by the City as a result of the Special Event.

All persons employed in the performance of law enforcement and fire service related functions pursuant to this Agreement shall be employees or contractors of the City, other public safety agencies having primary jurisdiction within the City, or agencies which have mutual aid agreements with the City when responding to a request for services under this Agreement.

A. **Barstow Police Personnel.** In order to satisfy its law enforcement duties under this Agreement:

1. The City shall provide prosecution services required for the enforcement of City penal ordinances. The City designates its City Attorney as the prosecutor for the purposes of ordinance prosecution and agrees to pay all charges of the district court for indigent court appointments made by the Court in appointing defense counsel to defend persons charged with City penal ordinance violations.
2. The City and the Police Department shall enforce state penal laws and City penal ordinances within the boundaries of the Trust Lands and the Resort's facilities to the full extent that City is authorized under California law, the Tribe's Class III Gaming Compact with the State of California and this Agreement to exercise its police power.

B. **Barstow Fire District Personnel.** The Tribe recognizes that additional fire protection and emergency response services will be required by the Tribe's Resort (as defined in Exhibit B). The scope of said services will be detailed in the environmental assessment or environmental impact statement materials submitted to the United States Department of the Interior in conjunction with its fee-to-trust application. To accommodate the anticipated added burdens, the Parties agree to the following:

1. The City shall purchase a fully equipped Emergency Medical Services Response Vehicle which shall be housed at Station 363 located at 2600 West Main Street, Barstow, CA for the first two years of Resort operations. At the beginning of year three of Resort operations, the Tribe shall pay to the City a sum equal to the lesser of (a) 50 percent of the cost of the EMS Response vehicle or (b) \$100,000. If and when the City constructs the new fire station discussed at Subsection 4.B.3 below, the EMS Response Vehicle will be moved to that station.
2. The equipment and personnel to be utilized by the Barstow Fire District in responding to emergencies at the Resort will depend on the facilities constructed by the Tribe. To respond more effectively to high-rise emergencies at any structure on the Trust Lands of more than one floor but no more than four floors, the Barstow Fire District will relocate its ladder fire truck from station 361 located at 861 Barstow Road, Barstow, CA to Station 363 located at 2600 West Main Street, Barstow, CA for the first two years of the Resort's operation. If and when the City constructs a new fire station, and there is a structure on the Trust Lands of more than four floors, the Barstow Fire Department will relocate a fire engine at the station nearest the Resort, if necessary.
3. By the beginning of the year three of Resort operations, the Tribe shall dedicate or arrange for the dedication to the City one and one-half acres of non-federal land near the Resort on which the City will construct a new fire station when deemed necessary by the City. The configuration and location of the donated site must be approved by the Fire Chief of the Barstow Fire District or its successor. At the beginning of year eight of operations of such new fire station, the Tribe will reimburse the City a sum equal to the lesser of (a) 50 percent of the cost of the fire station or (b) \$500,000.

4. The Barstow Fire Department and the City have advised that a ladder truck is not typically used to fight a fire on a building more than four stories in height; rather, such a high rise fire requires entry by Fire Department personnel and personal action at the burning site. If a structure exceeding four stories in height is constructed by the Tribe on Trust Lands, the Tribe will pay the actual costs of training Fire Department personnel to fight high rise fires, and the Fire Department estimates the cost of such training would be \$47,000.

Section 5. Payments to City.

The following method shall be used to make payments to the City.

- A. The Tribe agrees to pay the City amounts equal to the service, development, and impact fees which, if the Trust Lands were not in trust status, would be charged by the City and other local agencies at the time of any and all project development(s) on Trust Lands, which fees consist of payments to the City, the Barstow Fire District and the Barstow Unified School District. The amount of payments to the Barstow Fire District and Barstow Unified School District are established by state statute as implemented by the local school and fire districts.
- B. If the City determines that, to expedite inspections and approvals related to development and construction of the Resort, it is necessary to contract out for services, and if the Tribe concurs in that determination, the Tribe shall pay the City, on a monthly basis, for the actual cost of contracted and additional services. Said payments shall not be a condition precedent of commencement of the work contemplated by this subsection B. Said payments shall be made within 30 days of billing.
- C. Where payments are to be made quarterly, the Tribe will pay the City on the thirtieth day of each calendar quarter for the preceding quarter.
- D. Where payments are to be made annually, the Tribe will pay the City on the thirtieth day of each calendar year for which the payment is due.
- E. One-time fees will be due and payable as described in Exhibit C of this Agreement upon the City's approval of the Tribe's construction plans and the City's completion of all building plan checks, as required by Paragraph 2 above.
- F. This Section 5 shall not apply to attorneys fees provided for at Section 17 of this Agreement.
- G. All payments made by the Tribe shall be made payable to the City of Barstow and delivered to the City's Finance Director or authorized designee.

Section 6. Roads and Traffic Circulation.

As part of the environmental process to be conducted pursuant to Section 3 of this Agreement, the Tribe, at its sole expense, will cause to be conducted a Traffic Impact Analysis (TIA) consistent with the San Bernardino Associated Governments Congestion Management Program requirements to determine the traffic impacts of Tribe's proposed development(s) and use(s) on Trust Lands. The Tribe will mitigate traffic and circulation impacts identified in the TIA in conformity to City standards as established by the City Engineer. The Tribe agrees to pay all required traffic mitigation fees consistent with the City's fee programs and ordinances and pay for all road improvements which are reasonable and necessary. The Tribe further agrees that, if an increase in traffic is caused by the Tribe's undertaking of other development projects on Trust Lands and additional road improvements or expansions are required, the Tribe shall grant suitable rights-of-way to the City in order to accommodate the necessary road improvements or expansions and make the necessary improvements.

Section 7. Sewer Service.

The Tribe shall provide for sewage disposal for projects developed on Trust Lands by connection to the City's existing sewer collection system. The Tribe shall pay sewer connection fees and monthly sewer service charges, obtain required easements for sewer infrastructure if needed, construct to City sewer infrastructure standards, and pay all costs of constructing sewer infrastructure (even if located outside the Trust Lands) necessary to connect the Resort to existing sewer services. No use shall occur on or off of the Trust Lands until sewer service is completed and inspected pursuant to this Section 7 and Sections 2 and 3 of this Agreement. Any approvals by the City required to implement this Section shall not be unreasonably withheld, and the standards referred to in this Section shall be substantially identical to those applied by the City to other similar users.

Section 8. Utilities.

The Tribe shall obtain water and electricity as follows:

- A. Water from the Southern California Water Company.
- B. Electricity from either the Southern California Edison Company or through purchase on the open market. Unless otherwise agreed to by the parties by separate agreement, there shall be no on-site generation of electricity except for emergency power purposes.

Section 9. Solid Waste Disposal.

The Tribe shall utilize the City's contracted solid waste disposal company for all solid waste and recycled materials generated by tribal development projects and pay all fees associated with such use.

Section 10. Employment of City Residents.

Subject to tribal employment preferences, the Tribe shall work in good faith with the City to employ qualified City residents at the Tribe's Resort facilities to the extent permitted by applicable law. The Tribe shall offer training programs to assist City residents in becoming qualified for positions at the Resort to the extent permitted by applicable law.

Section 11. Prohibited Activities.

The Tribe agrees that the following activities shall not be permitted at any time on Trust Lands, and will adopt an ordinance prohibiting them and providing for the enforcement of these prohibitions.

- A. Persons under the age of 21 shall not be allowed to gamble or remain in any room or area in which gaming activities are being conducted. Individuals under the age of 21 may pass through gaming rooms or areas only if they are en route to a non-gaming room or area of the Resort.
- B. Persons under the age of 21 shall not be allowed to purchase, consume, or otherwise possess alcoholic beverages. All alcohol beverage service shall be subject to applicable State Liquor Laws.
- C. Nude entertainment, nude dancing, or venues containing nudity or sexually oriented business activities shall not be permitted on Trust Lands.
- D. Fuel dispensing facilities for motor vehicles shall not be operated on the Trust Lands.

Section 12. Problem Gambling.

The Tribe shall, upon the City's approval of the Tribe's construction plans and the City's completion of all building plan checks, as required by Paragraph 2 above, make a one-time payment to the City of \$40,000 for the establishment of a Problem Gambling Fund. Thereafter, the Tribe will make annual contributions to the City in the

amount of \$40,000 to help fund local problem gaming diversion/assistance/counseling programs of the type identified in Exhibit F appended hereto.

Section 13. Impact on City and Local Revenues.

The Tribe and the City acknowledge that, because of the status of the Trust Lands, the City will lose potential tax revenues from the land and the improvements thereon and from certain commercial activities, that the Tribe may conduct on Trust Lands. To compensate the City for the loss of such revenues, the Tribe agrees to make "Gaming Revenue Payments" to the City as defined herein, and in accordance with, this Section.

The Gaming Revenue Payments are in addition to all other payments provided for in this Agreement. The calculation of Gaming Revenue Payments identified below is based on the Project's description as identified in the Market and Economic Impact Analysis Native American Casino in the City of Barstow provided by Barwest's Michigan Consultants, which is Exhibit I. This analysis estimated the total Gaming Revenues for year One to be \$133,000,000. Revenues for Class III electronic games of chance consist of approximately 85% of the total Gaming Revenues.

Gaming Revenue Payments to the City shall be four and three tenths (4.3) percent of "Net Win on Class III electronic games of chance," provided however, that such payments and the effectiveness of this Agreement are contingent upon the State of California agreeing to credit these payments against payments due to the State under a Tribal-State Gaming Compact during the time that an initial management agreement is in effect. "Net Win on Class III electronic games of chance" is defined as the gross revenues from the operation of all Class III electronic games of chance, less amounts paid out as, or paid for, prizes or winnings paid to players or to pools dedicated to the payments of those prizes and winnings, and prior to the payment of operating or other expenses, including management fees.

Section 14. Dispute Resolution.

The Parties recognize that a mutually binding and judicially enforceable method of resolving potential disputes that may arise under this Agreement is desirable and beneficial and agree to the following:

- A. **Meet and Confer Process.** In the event the City or the Tribe believes that the other has committed a possible violation of this Agreement, it may request in writing that the Parties meet and confer in good faith for the purpose of attempting to reach a mutually satisfactory resolution of the problem within 10 business days of the date of service of said request, provided that if the complaining Party believes that the problem identified creates a threat to public health or safety, the complaining Party may proceed directly to judicial action as provided in Subsection D below.
- B. **Notice of Disagreement.** If a party is unsatisfied with the results of the meet and confer process, within 10 business days of the date on which the Parties first met, such Party may provide written notice to the other identifying and describing any alleged violation of this Agreement ("Notice of Disagreement"), with particularity, if available, and setting forth the action required to remedy the alleged violation.
- C. **Response to Notice of Disagreement.** Within 10 business days of receipt of service of a Notice of Disagreement, the recipient Party shall provide a written response admitting the allegation(s) set forth in the Notice of Disagreement and, if the truth of the allegations are admitted, setting forth in detail the steps it has taken and/or shall take to cure the violations (Offer to Cure), or denying the allegations of violation (Denial of Violations). The failure of the recipient Party to serve a timely response shall entitle the complaining Party to proceed directly to arbitration, as provided in Subsection E below.

D. Response to Offers to Cure/Denial of Violation.

1. Offer to Cure: Within 10 business days of receiving the recipient Party's Offer to Cure, the recipient Party shall in writing inform the unsatisfied Party either that the recipient Party accepts the Offer to Cure or that it has chosen to invoke the Binding Arbitration Procedures identified in Subparagraph E below; or
2. Denial of Violation: Within 10 business days of receiving the recipient Party's Denial of Violations, the unsatisfied Party shall in writing inform the recipient Party as to whether it accepts the Denial of Violations or whether it has chosen to invoke the Binding Arbitration Procedures identified in Subparagraph E below.

E. Binding Arbitration Procedures. Subject to prior compliance with the meet and confer process set out above in Subsection A, and the Notice and Response process in Subsections B and C, and except as provided in Subsection D, either Party may initiate binding arbitration to resolve any dispute arising under this Agreement. The arbitration shall be conducted in accordance with the following procedures:

1. The arbitration shall be administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules.
2. The arbitration shall be held in Barstow, California, unless otherwise mutually agreed to in writing. The arbitrator(s) shall be empowered to grant compensatory, equitable, and declaratory relief.
3. If either Party requests an oral hearing, the arbitrator(s) shall set the matter for hearing. Otherwise, the arbitrator(s) shall decide whether to set the matter for hearing.
4. The arbitrator(s)' decision and award, if any, and the reasons therefore, shall be articulated in writing. The resulting award shall be in writing and give the reasons for the decision. Judgment on any award rendered by the arbitrator(s) may be entered in the Superior Court of California for San Bernardino County. The costs and expenses of the American Arbitration Association and the arbitrator(s) shall be shared equally by and between the Parties unless the arbitrator(s) rule(s) otherwise.

F. Expedited Procedure for Threats to Public Safety. If the City or the Tribe reasonably believes that the other's violation of this Agreement has caused or will cause a significant threat to public health or safety, resolution of which cannot be delayed for the time periods otherwise specified in this Section 14, the complaining Party may proceed with litigation consistent with the provision at Section 15 of this Agreement seeking declaratory and injunctive relief to enjoin any such threat.

Section 15. Judicial Review.

The Parties consent to an action for (a) declaratory and injunctive relief pursuant to the provisions of Section 14.D, or (b) enforcement of any award in arbitration pursuant to the provisions of Section 14.E, which actions shall be in the Superior Court of California for San Bernardino County. Service of process in any such judicial proceeding is waived in favor of delivery of court documents by Certified Mail - Return Receipt Requested to the following:

FOR THE TRIBE:
Tribal Chairperson
25000 Camino San Ignacio
Warner Springs, CA 90262
Los Coyotes Band of Cahuilla and Cupeño Indians
Telephone: (760) 782-0711

FOR THE CITY:
City Manager
City of Barstow
220 E. Mountain View Street, Suite A
Barstow, CA 92311
Telephone: (760) 256-3531

Section 16. Limited Waiver of Tribal Sovereign Immunity.

The Tribe agrees to waive its sovereign immunity in favor of the City as to any dispute that arises out of this Agreement pursuant to the terms set forth herein for enforcement. With respect to the enforcement of an award of money and/or damages, the arbitrator(s) and/or court will have no authority or jurisdiction to order the execution against any assets or revenues of the Tribe except Resort income as defined by Generally Accepted Accounting Principles. The Tribe's governing body shall execute a formal Resolution of Limited Waiver of Sovereign Immunity substantially identical to the attached Exhibit D, and the executed Limited Waiver is a condition for the City's execution of this Agreement and shall be made a part hereof.

Section 17. Attorneys Fees.

In the event either party commences an action against the other party which arises out of a default of, breach of, or failure to perform this Agreement or otherwise related to this Agreement, then the Prevailing Party in the action shall be entitled to recover its Litigation Expenses from the other party in addition to whatever relief to which the Prevailing Party may be entitled.

For the purposes of this Agreement, the term "Action" means any lawsuit, court or administrative proceeding (whether of a legal or equitable nature), arbitration or mediation (whether binding or non-binding), or any other alternative dispute resolution procedure, and the filing, recording, or service of any process, notice, claim, lien, or other instrument which is a prerequisite to commencement of the Action.

For the purposes of this Agreement, the term "Litigation Expenses" means all reasonable costs and expenses incurred by the Prevailing Party directly related to an Action, including, but not limited to, court costs, filing, recording, and service fees, copying costs, exhibit production costs, special media rental costs, attorneys' fees, consultant fees, fees for investigators, witness fees (both lay and expert), travel expenses, deposition and transcript costs. For the purposes of this Section, the term "Prevailing Party," shall have the meaning ascribed in Cal. Civ. Proc. Code § 1032(a)(4).

Section 18. Indemnification.

The Tribe agrees to and shall indemnify, defend, protect, and hold harmless the City from and against any and all claims, losses, proceedings, damages, causes of action, liability, costs and expenses (including reasonable attorneys' fees), arising from or in connection with, or caused by any act, omission or negligence of the Tribe or its contractors, licensees, invitees, agents, lessees, servants or employees, related to or in connection with any obligations on the Tribe's part to be performed under the terms of this Agreement, or arising from any negligence of the Tribe, or any such claim or any action or proceeding brought thereon; and in case any action or proceeding be brought against the City (or the City's Representatives) by reason of any such claim, the Tribe upon notice from the City shall have the option to defend the same at the Tribe's expense by counsel reasonably satisfactory to the City. However, in the event that the Tribe does not elect to defend the action or proceeding, the City shall defend the same, at the Tribe's expense, and shall consult with the tribe during the pendency of the action or proceeding.

Section 19. Support for Trust Application.

Subject to satisfactory CEQA review of the Project by the City, the City shall provide correspondence substantially similar to that attached as Exhibit E to the United States Department of Interior, Bureau of Indian Affairs, in support of the Tribe's petition to the United States Department of the Interior requesting that the United States accept trust title to the lands identified in Exhibit A for the benefit of the Tribe, and the City will respond to inquiries about the Tribe's trust application from the Department of the Interior and its Bureau of Indian Affairs in a manner that is consistent with Exhibit E.

Section 20. Tribal-City Advisory Committee.

In matters other than issues appropriately arising under the Dispute Resolution provisions of Section 14 of this Agreement, the City and the Tribe agree to establish a permanent committee, to be known as the Tribal-City Advisory Committee consisting of nine (9) members. The jurisdiction of the Committee shall encompass any matter within the scope of this Agreement including questions related to implementation, and proposals for the amendment, of this Agreement.

- A. **Composition of Committee.** The Committee shall be composed as follows: [1-2] two members of the City of Barstow City Council or designees, [3] the City Manager or his representative, [4] one representative of a community organization established to address the local impacts of gambling as designated by the City Council, [5-8] four representatives of the Tribe, and [9] a member who shall be selected by the other eight members of the Committee.
- B. **Open Meetings.** Committee meetings shall be open to the public, and Committee members may invite staff and associates, as they deem appropriate, to participate.
- C. **Meeting Times.** The Committee shall meet on a quarterly basis, or more frequently, according to procedures established by the Committee.
- D. **Authority of Committee.** The Committee may make recommendations to the Tribe and the City, including amendments to this Agreement, which both Parties shall consider before taking any action on a Committee recommendation.

Section 21. Development Projects.

The Parties understand and agree that the Tribe may in the future undertake other development projects on Trust Lands. In order to preserve their good relations and in the best interests of the surrounding community, the Tribe agrees to follow the process and procedures outlined in Sections 2 and 3 of this Agreement before undertaking any construction on Trust Lands which requires a permit under Title 15 of the Barstow Municipal Code. Nothing in this Agreement is intended to subject the Tribe to criminal jurisdiction beyond that otherwise provided for in existing law [or in this Agreement].

Section 22. Amendments.

This Agreement may be amended in writing by the Parties. This Agreement must be amended prior to the Tribe's acquisition of federal trust status for any land within the City not identified in Exhibit A. The Parties will meet annually to review this Agreement and the Parties' performance of their obligations under it. To the extent that either Party believes that the Agreement should be amended, the Parties agree to negotiate on such amendments in good faith in order to further the objectives of this Agreement.

Section 23. No Third Party Beneficiaries.

This Agreement is not intended to, and shall not be construed to, create any right on the part of a third party to bring an action to enforce any of its terms.

Section 24. Term.

This Agreement shall become effective upon its execution by the Parties hereto and shall continue during the period of time that business operations related to the Resort are conducted on the Trust Lands provided that, if the Tribe is informed by the Secretary of the Interior that the United States will not take the land into trust or that the Tribe may not conduct gaming activities thereon, and all appeals related to such a decision have been exhausted, then this Agreement shall terminate 30 days after the Tribe is so informed.

Prior to the termination of Resort operations on the Trust Lands, either Party may request the other Party to enter into good faith negotiations to extend this Agreement or enter into a new Agreement. If the parties have not agreed to extend the date of this Agreement nor entered into a new Agreement by the termination of Resort operations on the Trust Property, this Agreement will automatically be extended for one additional year, provided the Parties agree to submit to binding arbitration for the purposes of securing a new Agreement.

Section 25. General Provisions.

- A. **Condition of Agreement.** A condition of this Agreement is the participation of Barwest, LLC, a Michigan limited liability company, as the developer and manager of the Resort, during the term of the initial development and initial management agreement entered into by the Tribe, provided that Barwest acts in accordance with IGRA and the rules and regulations of the NIGC and obtains all required regulatory approvals, and provided further that if Barwest does not participate as developer or manager any other developer or manager must be approved by the City, which approval shall not be unreasonably withheld.
- B. **Completion Date.** The Tribe shall use its best efforts to complete and open the Resort within 24 months following the obtaining of all necessary permits, licenses and approvals prerequisite to the commencement of construction from all federal, state and local authorities.
- C. **Tribal Requirements.** The Tribe shall be responsible for the following at the Trust Lands:
 - 1. Assurance that its contract partners, including all developers and gaming managers, have the capacity to complete and operate all development projects;
 - 2. Maintenance of property and all development projects;
 - 3. Management of all development projects; and
 - 4. Transfer to the City of such easements and other interests in real property as are necessary for the provision of municipal services to the Trust Lands by the City and other local government service providers.
- D. **Annual Verification of Financial Statements.** The Tribe will provide the City with annual audited financial statements performed in accordance with Generally Accepted Accounting Principles showing the revenues of the Resort operations and calculations through which the Aggregate Net Gaming Revenues were calculated.

Section 26. Approval by the Department of the Interior.

The parties will submit this Agreement to the Department of the Interior for either (a) approval pursuant to 25 U.S.C. § 81, or (b) a written response from the Department of the Interior that this Agreement does not require approval under 25 U.S.C. § 81 to be enforceable.

WHEREFORE, IN WITNESS THEREOF, the Parties hereby execute and enter into this Agreement with the intent to be bound thereby through their authorized representatives, whose signatures are affixed below.

LOS COYOTES BAND OF CAHUILLA AND CUPENO INDIANS

Catherine Siva Saubel

By: Catherine Siva Saubel
Tribal Spokeswoman

Date: 6-7-04

CITY OF BARSTOW

By: Lawrence E. Dale
Mayor

Date: _____

APPROVED AS TO FORM:

By: _____
Michael G. Colantuono
City Attorney

Attest: _____
JoAnne Cousino, City Clerk
Secretary

EXHIBIT A

PARCEL NOS. 0428-171-66, 67, 68, and 69, bearing the following legal description:

Parcel A:

Parcels 2 through 4, inclusive of Parcel Map No. 14373, in the City of BARSTOW, County of SAN BERNARDINO, State of California, as per map recorded in Book 170, page(s) 5 and 6, of Parcel Maps, in the office of the County Recorder of said County.

Parcel B:

The South 50 acres of the North $\frac{1}{2}$ of the Northwest $\frac{1}{4}$ of Section 27, Township 9 North, Range 7 West, San Bernardino Meridian, in the City of BARSTOW, County of SAN BERNARDINO, State of California, according to Government Survey.

EXHIBIT B

The provisions of this Agreement shall require the Tribe to develop a first-class high-quality destination resort including hotel(s), restaurant(s), hospitality services and a minimum 50,000 square foot casino for Class II and Class III Indian gaming, containing a number of slot machines, table games and other gaming devices or games not to exceed the maximum to be allowed under the Tribal-State Gaming Compact between the Tribe and the State of California ("Resort").

In addition, the following uses may be developed in conjunction with the Resort specifically authorized under this Agreement. All uses shall be supportive uses to the gaming facility and shall include but are not limited to:

1. Hotel/Motel
2. Recreational Vehicle Park
3. Shopping Mall
4. Theater (motion picture or live performances)
5. Themes or Amusement Park
6. Water Park
7. Small-scale Amusement Park, including video arcades and miniature golf
8. Bowling Center
9. Restaurants/Coffee Shops/Snack Bars
10. Night Clubs or Bars (includes live entertainment)
11. Entertainment Venues (stadiums or arenas, including rodeo arenas)

Except for the explicit prohibition of fuel dispensing stations for motor vehicles, if a use not listed above is proposed, and the City and Tribe cannot agree that the use is gaming-related under Section 1 of this Agreement, or is similar to the uses listed above, then the parties shall resolve the issue under the dispute resolution provisions in Section 14 of this Agreement.

EXHIBIT C

ONE TIME FEES TO BE PAID BY THE TRIBE:

1. Actual Attorney fees and expenses incurred by the City in the development of the Municipal Services Agreement between the City of Barstow and the Los Coyotes Band of Cahuilla and Cupeño Indians.
2. Actual costs for all development and impact fees charged by the City and other local agencies for project development on or off Trust lands.
3. Up to \$100,000 for a fully equipped Emergency Medical Services Response vehicle, as provided for at Section 4.B.1 of this Agreement.
4. Up to \$500,000 for a new fire station, as provided for at Section 4.B.3 of this Agreement.
5. If a structure exceeding four stories in height is constructed by the Tribe on Trust Lands, the Tribe will pay the actual costs of training Fire Department personnel to fight high rise fires, and the Fire Department estimates the cost of such training would be \$47,000.

EXHIBIT D

LOS COYOTES BAND OF CAHUILLA AND CUPEÑO INDIAN TRIBE

RESOLUTION NO. _____

WHEREAS, The Los Coyotes Band of Indians is a federally recognized Tribe, governed by its custom and traditions, and

WHEREAS, According to the Tribe's custom and traditions, the General Council has all legislative authority, and the Spokeswoman is authorized to carry out the decisions made by the General Council, and

WHEREAS, The General Council has reviewed the Municipal Services Agreement ("Agreement") between the Tribe, and the City of Barstow ("City");

WHEREAS, The General Council, having considered the matter in accordance with the custom and traditions of the Tribe agrees that the approval of the Agreement with the City would be in the best interest of the Tribe in order to move forward to conduct gaming within the City of Barstow; and

WHEREAS, The Tribe recognizes its need to exercise its sovereign right to provide a limited waiver of sovereign immunity with regard to disputes arising under or in connection with the Agreement, to consent to the jurisdiction of Approved Courts and Arbitration, as provided for in the Agreement.

NOW, THEREFORE BE IT RESOLVED, the General Council ratifies the Spokeswoman's execution and delivery of the Municipal Service Agreement to the appropriate City Officials;

BE IT FURTHER RESOLVED, the General Council hereby waives the sovereign immunity of the Tribe in favor of the City as to disputes arising under, or in connection with, the Agreement, and consents to the jurisdiction of courts and arbitration, as provided in the Agreement;

BE IT FURTHER RESOLVED, any material amendments to the Municipal Service Agreement shall be brought back to the General Council for consideration and approval.

CERTIFICATION

On _____, at a duly called General Council meeting held by the Los Coyotes Band of Indians at which a quorum was present, the foregoing resolution was presented and adopted by a vote of _____ in favor, _____ opposed, and _____ abstentions.

Catherine Siva Saubel
Spokeswoman

Witnessed by
Committee Member

EXHIBIT E

The Parties agree that the City will send letters supporting the Tribe's fee-to-trust application as follows (though these may at a later date be modified by mutual agreement of the Parties):

FIRST LETTER – To be provided as soon as is practicable.

The Honorable Gale Norton
Secretary
United States Department of the Interior
1849 C Street, N.W.
Washington, D.C. 20240

Dear Secretary Norton:

It is with great pleasure that I, on behalf of the City Council of the City of Barstow, California, provide this preliminary letter of support for the fee-to-trust application which has or soon will be submitted by the Los Coyotes Band of Cahuilla and Cupeño Indian Tribe's regarding land located here in the City of Barstow.

Based on information currently available to us we believe that development of an Indian casino in the City of Barstow will provide very significant benefits to our local community. **[Insert any appropriate documentation available at the time of writing evidencing City support, and reference to any Special Meeting of the City Council or other forum in which consultation with the public has been conducted.]**

Further, we have worked closely with the Tribe as it has developed its proposal to develop a gaming facility here, and we have reach a mutually agreeable Municipal Services Agreement that we believe will benefit both parties. That Agreement provides a workable framework on which the relationship between the City and the Tribe can continue to be effective and mutually beneficial into the future. A copy of that Agreement is also enclosed.

I note that the City provides here only preliminary support for the Tribe's proposed project. This is because California Environmental Quality Act (CEQA) requires us to conduct an extensive review of the potential environmental impacts of the project and potential mitigation measures before we can make a final determination as to whether to support the Tribe's project. It is our intention to write to you again once we have completed our CEQA review to confirm or modify our position according to the results of that review.

If you have any questions about the City's support for the Tribe's fee-to-trust application and the proposed gaming facility related thereto, please do not hesitate to contact me at (760) 256-3531.

Sincerely,

Lawrence Dale
Mayor

cc: The Hon. Arnold Schwarzenegger, Governor of the State of California
The Hon. Dave Anderson, Assistant Secretary for Indian Affairs
Clay Gregory, Acting Regional Director, Pacific Region, Bureau of Indian Affairs

SECOND LETTER: If the results of the City's CEQA review allow it to make a final decision to support the Los Coyotes' fee-to-trust petition, this letter is to be provided within a reasonable period of time after completion of CEQA review, and to be expanded with additional supporting information regarding the "not detrimental to the surrounding community" component of the Secretary of the Interior's two-part determination should such information become available.

The Honorable Gale Norton
Secretary
United States Department of the Interior
1849 C Street, N.W.
Washington, D.C. 20240

Dear Secretary Norton:

Speaking on behalf of the City of Barstow I wrote to you on June __, 2004 to express the City's preliminary support for the fee-to-trust application submitted by the Los Coyotes Band of Cahuilla and Cupeño Indians (Tribe) regarding lands located in the City of Barstow. I am providing this letter asking that it be included in the record to supplement my earlier correspondence on this subject.

As you may recall, the City's support for the Tribe's proposed project was conditioned on the City's compliance with the California Environmental Quality Act's requirement that the City evaluate and consider the potential impact development of the Tribe's gaming facility would have on the environment if the Department were to acquire trust title to the property in question. We have now completed that environmental review, the results of which are contained in the enclosed [insert proper title of environmental documentation]. The [environmental documentation] identifies the impacts likely to be associated with the Tribe's proposed development and it articulates mitigation measures which should be implemented to ameliorate those impacts.

Our careful review of the [environmental documentation] (including recommended mitigation measures), coupled with the Tribe's agreement to implement those mitigation measures (as evidenced in the [insert date], 2004 Municipal Services Agreement between the City and the Tribe provided to you in earlier correspondence), allows the City to give its full and unconditional support to the Tribe's fee-to-trust petition.

We understand that federal law requires that you make a determination as to whether the Tribe's proposed trust acquisition is "detrimental to the surrounding community." Not only do we not view the proposed Los Coyotes facility as "not detrimental"—to the contrary, we view its development in Barstow as an important, affirmative step toward the advancement of meaningful economic development in our community. [Insert description of and specific references to any documentation evidencing local support, and highlighting any public meetings providing opportunity for community comment.]

In sum, as the most senior elected official in the City of Barstow, writing on behalf of the people of this City, I respectfully request that the Department of the Interior find that the acquisition of trust title to the Tribe's land in Barstow for gaming purposes is "not detrimental" to our community. Indeed, it is our great hope that the Department will further find that acquisition of trust title is in the best interest of the Tribe, and that it will forward that positive two-part determination to our Governor for his review and concurrence.

If you have any questions or concerns, please do not hesitate to contact me at (760) 256-3531.

Sincerely,

Lawrence Dale
Mayor

cc: The Hon. Arnold Schwarzenegger, Governor of the State of California

The Hon. Dave Anderson, Assistant Secretary for Indian Affairs
Clay Gregory, Acting Regional Director, Pacific Region, Bureau of Indian Affairs

EXHIBIT F

Problem Gaming Program Description, City of Barstow

Provided by: The California Council on Problem Gambling

Service to be Provided: Programs to address the issue of problem gambling through training, education, and awareness of the crisis help line.

PROJECT ELEMENTS	ANNUAL COSTS
Public Awareness	
Radio PSA Campaign (Help Line Promotion)	\$20,000
Free educational materials, posters & brochures distributed to County health care and social service agencies, senior centers, youth centers and other community organizations.	\$2,000
Awareness Seminars for Professionals consisting of five (5) seminars to be held annually at Various locations providing a general overview of problem gambling, behavioral indicators and resources for help. Seminars would be open to professionals from local volunteer organizations such as Parent Teacher Associations, Keep Kids Safe, and other local affiliates of national non-profits, as well as County officials and health and human service agencies, senior centers, youth centers, ministries, etc. Instructors will be leaders in the field of treatment, prevention and education, holding masters' degrees or better.	\$15,000
Prevention Education Consisting of on-campus workshops for students at the two junior high schools, one high school, one continuation school and the Barstow Community College.	\$6,000
Red-Ribbon week	\$2,500
TOTAL (Tribe will contribute \$40,000 annually to the Fund; City will contribute \$3,500 annually to the Fund)	\$43,500

EXHIBIT G

Scope of Law Enforcement Services

This is Exhibit G to the Municipal Services Agreement (“Agreement”) between the City of Barstow (“City”) and the Los Coyotes Band of Cahuilla and Cupeño Indians (“Tribe”), and the Parties to the Agreement agree that the provisions hereof are a part of the Agreement.

Barstow Police Department and City public safety department personnel shall enforce state penal law and City penal ordinances within the boundaries of the tribal land as described in Exhibit A to the Agreement to the full extent that City is authorized under California law, the Tribe’s Class III Gaming Compact with the State of California and this Agreement to exercise its police power.

The City and its public safety department may enforce or assist in the enforcement of federal law on tribal Trust Lands within the City to the extent that City may be permitted to do so under federal law. In order to permit the City to fulfill its responsibilities under this Agreement, all City public safety officers shall be accorded free access to all spaces open to the public within any gaming facility and/or surrounding structures on the tribal land for purposes of maintaining public peace and order and to allow for the enforcement of applicable criminal laws of the federal government, state and City. Personnel employed by the tribal gaming operation, including security personnel of the gaming facility and tribal law enforcement personnel, shall, for such purposes, provide City public safety officers access to those public spaces within the gaming facility as may be necessary to permit the City to fulfill its duties under this Agreement, and may consent to access to non-public space. Nothing in this Agreement is intended to restrict access to non-public space if exigent circumstances require access.

The City shall be permitted entrance to any public place on the tribal land described in Exhibit A pursuant to the City’s general police powers for any lawful purpose. City public safety officers, if deputized by the Tribe for such a purpose, may likewise arrest any Indian for violation of tribal law occurring on Trust Lands in which event said individual shall be held and detained by the public safety officer until a tribal police officer takes custody. The City Public Safety Department shall promptly notify the tribal security office of any effort to arrest or detain an individual on Trust Lands.

The cost for Law Enforcement support found in this Agreement does not include the cost of performing background checks or identification procedure and identification cards that may be required to be issued depending on state legislative action. If this service is required of the Barstow Police Department, additional fees will be assessed in the same manner as for other entities requiring such service.

The City shall provide prosecution services required for the enforcement of City penal ordinances. The City designates its City Attorney as the prosecutor for the purposes of ordinance prosecution and agrees to pay all charges of the district court for indigent court appointments made by the Court in appointing defense counsel to defend persons charged with City penal ordinance violations.

Matters Incidental to the Performance of Any Law Enforcement.

The standards of performance, training, discipline and other matters incidental to the performance of any law enforcement services rendered under this Agreement shall be determined solely by the City or agency involved in accordance with applicable laws and regulations.

If the Tribe creates a tribal police or security force which is assigned to the Resort, the Barstow Police Department will assist the Tribe with the cross training required to provide a smooth and effective working relationship, and will assist the Tribe as needed to review written policies and guidelines for tribal police and security personnel as well as expectations for the tribal personnel to interface effectively and smoothly with the operations of the Barstow Police Department. If cross training of tribal police and security personnel is conducted by the Barstow Police Department, then fees will be assessed for such training on the basis of hourly charges calculated on the basis of the salary of

officers involved in such training. In any event, the level of training and performance standards of the tribal police and security personnel shall be equal to those imposed by the Barstow Police Department on its law enforcement personnel.

“Special Events” are those events which take place at the Resort for which there is a reasonable expectation that there would be a need for an increase in the amount, scope of level of necessary police, traffic control, and crowd control which is above the normal deployment of law enforcement personnel which would normally be required without such event. Should Special Events be held at the Resort, the Tribe and the Barstow Police Department will negotiate separate agreements for each event to provide adequate police staffing necessary to provide coverage for such Special Event and reasonable compensation therefor.

EXHIBIT H

Scope of Barstow Fire Department Services

This is Exhibit H to the Municipal Services Agreement ("Agreement") between the City of Barstow ("City") and the Los Coyotes Band of Cahuilla and Cupeño Indians ("Tribe"), and the Parties to the Agreement agree that the provisions hereof are a part of the Agreement.

Fire Protection Services.

The Barstow Fire Department will be the primary fire protection agency serving the Resort and all facilities located thereon. The tribal property shall receive the same level of fire protection as is provided to any other resident or business within the City.

The Barstow Fire District will relocate fire fighting equipment to station 363 and then to any new fire station, in accordance with the provisions of Section 4.B of the Agreement.

New Fire Station.

By the beginning of the year three of Resort operations, the Tribe shall dedicate to the City one and one-half acres of non-federal land near the Resort on which the City will construct a new fire station when deemed necessary by the City. The configuration and location of the donated site must be approved by the Fire Chief of the Barstow Fire District or its successor.

Standards of performance, training, discipline and other matters incidental to the performance of any fire service related services.

The standards of performance, training, discipline and other matters incidental to the performance of any fire service related services rendered under this Agreement shall be determined solely by the City or agency involved in accordance with applicable laws and regulations.

If the Tribe creates a tribal fire and/or emergency medical services ("EMS") unit which is assigned to the Resort, the Barstow Fire District will assist the Tribe with the cross training required to provide a smooth and effective working relationship, and will assist the Tribe as needed to review written policies and guidelines for tribal fire and EMS personnel as well as expectations for the tribal personnel to interface effectively and smoothly with the operations of the Barstow Fire District. If cross training of tribal fire and EMS personnel is conducted by the Barstow Fire District, then fees will be assessed for such training on the basis of hourly charges calculated on the basis of the salary of Barstow Fire District personnel involved in such training.

Emergency Medical Services.

The Parties recognize that significant fire protection and emergency response services will be required by the Tribe's Resort to be constructed within the City on tribal Trust Lands. The Fire Department customarily is the first responder for Emergency Medical Services ("EMS") although it is understood that the Tribe intends to have tribal EMS personnel on duty at the Resort, in which cased tribal EMS personnel will be the first responder. However, in order to serve the Resort and the anticipated needs for EMS response at that facility, the City will purchase a fully equipped Emergency Medical Services Response Vehicle and house it at Station 363 located at 2600 West Main Street, Barstow, CA for the first two years of Resort operations.

If and when the City constructs a new fire station as discussed at Section 4.B.3 of the Agreement, the EMS Response Vehicle will be moved to that station.

EXHIBIT I

MARKET AND ECONOMIC IMPACT ANALYSIS NATIVE AMERICAN CASINO IN THE CITY OF BARSTOW

CHAPTER ONE INTRODUCTION AND OVERVIEW

SETTING

The Los Coyotes Band is proposing a Native American casino in Barstow. The facility will operate under the existing regulations of the Indian Gaming Regulatory Act, the National Indian Gaming Commission, and under a compact with the State of California. The facility will include non-gaming alternatives, including dining, retail, and a hotel. Other related investments are also under consideration.

A site has been selected near and exit/entrance to I-15.

FORMAT

This report reviews in Chapter Two the market for a casino in Barstow, with particular emphasis placed upon the millions of cars passing through on I-15 each year. The document details how this "moving available population" is unique, yet provides enormous economic development potential. Close attention is given to the characteristics and habits of Las Vegas visitors from Southern California. The demographics of the resident population within various drive time radii to Barstow are also included reviewed. Attention is also given to the California Native American casinos and Nevada casinos closest to Barstow.

In Chapter Three, the information base is used to create a market capture scenario for a Barstow casino. High, medium, and low range figures are developed based upon various assumptions. Analysis is also devoted to estimating the non-gaming spending that the casino will create, both at the casino site and in the general vicinity.

Chapter Four utilizes the mid-range scenario to derive estimates of on-site employment, off-site spending, and induced employment in the Barstow area.

CHAPTER TWO MARKET BASE AND COMPETITION

CHAPTER INTRODUCTION

This Chapter analyzes the consumer habits and market base that the casino will confront. The material includes demographic information pertaining to the Barstow region. The primary focus, however, is on the characteristics of Southern California visitors to Las Vegas, and traffic levels on I-15. The primary casino competition is also discussed. The material is then used in Chapter Three to develop the market capture scenario for a Barstow facility.

IDENTIFICATION OF CORE MARKETS

The market for the casino in Barstow can be divided into two primary categories.

- Closer radius residents: Individuals who reside in areas where Barstow will either be the closest casino (approximately within 45 minutes drive time from Barstow) or one of the closer (approximately 90 minutes).
- Longer distance travelers: The category focuses on the thousands of vehicles on I-15 now going to Las Vegas, many from Los Angeles. It also includes travelers on I-40 with Arizona origins or destinations. A 100-mile radius of Barstow covers much of the Los Angeles area.

The Barstow market has unique characteristics. For the typical casino, potential customers living within 60 minutes of the site would draw the most attention. Yet, for Barstow, the category of longer distance travelers is the largest and most attractive. Essentially, the Barstow market figuratively and literally is closer to a Las Vegas situation, where customers come from a wide area, rather than the typical site analysis for a new casino that relies on the local population.

Even though residents from outside the area are the market component of paramount importance, Barstow does not need to become the reason these people come into the region. This is not a conflict in terminology. The challenge is to attract into Barstow the millions that drive through each year on their way to and from Las Vegas---these individuals are already "local" in the sense that they are committed to coming into the area. Ideally, they will be attracted not only to stop at the Barstow casino, but to also enjoy the other dining, lodging, entertainment, and recreational options in the area.

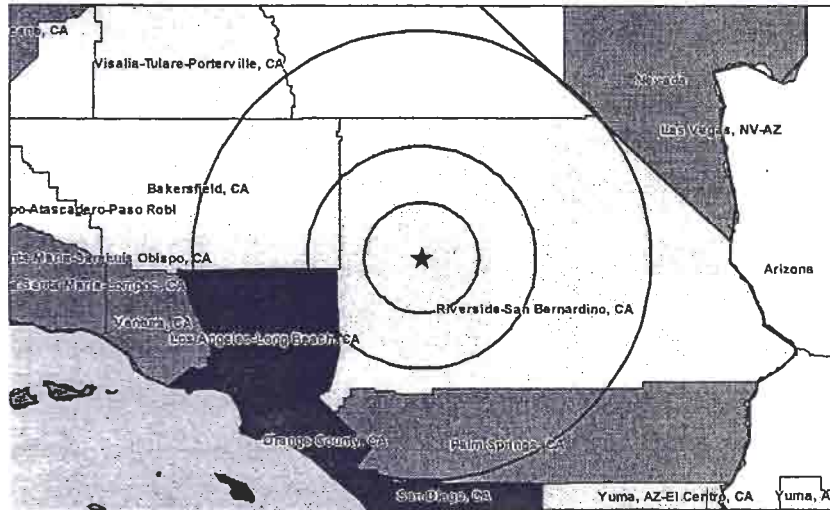
**MARKET AND ECONOMIC IMPACT ANALYSIS
NATIVE AMERICAN CASINO IN THE CITY OF BARSTOW**

The Barstow market also represents a dynamic economic development opportunity, because millions of new dollars that can be drawn into the local economy that presently passes by. The vast majority of dollars captured have the potential to be "new" to the community, rather than shifted from other local spending or retained from spending that was leaving the area.

The importance of the broader population is quickly seen in the table below (based upon distance from Barstow City Hall):

Total population within 25 miles	44,353
Total population within 50 miles	365,956
Total population within 100 miles	13,571,371

Map 2-1 shows 25, 50, and 100 mile radii from the Barstow City Hall.



Various key distances are as follows:

<u>Destination/Origin from Barstow</u>	<u>Approx. Miles</u>
Los Angeles, CA (center)	120
Las Vegas, NV	153
Primm, Nevada	117
Highland, CA (San Manuel Casino)	75
Cabazon (Casino Morongo)	109
Needles, NV (Havasui Casino & Arizona border)	144

The broader distance population is highlighted by the average daily vehicle count on I-15. A recent vehicle count at Barstow-Lenwood Road according to the California Transportation Department was 58,035 per day or 19,345,000 annually. The traffic includes a large number of vehicles traveling to or from Las Vegas. Attracting even a fraction into Barstow for a few hours, or, ideally, to stay one or more nights, presents an enormous market opportunity. As the overall report discusses, the opportunity extends beyond a casino site itself.

The Las Vegas area origin/destination of the travelers is a primary consideration. It is not simply a matter of 70,000 or more people passing through Barstow on an average day. It is also the reality that many are headed towards a casino area to wager---the ideal target group for a new casino project.

OVERVIEW OF COMPETITION

A review of the competition provides initial parameters for the overall market and the potential market capture by a Barstow casino.

Native American casinos in California

The Native American casino system in California is rapidly evolving, with new proposals appearing in the media on a continuing basis. There are not known to be any formally proposed sites within 70 miles of Barstow. There also are none existing or known to be formally proposed sites on I-15, east of Los Angeles. There are several Native American casinos operating or proposed south-southeast of Los Angeles on I-15 towards San Diego, on or near I-10 to the east/southeast, and in communities further south from Los Angeles.

In the interests of brevity and focus, this report does not provide a history of Native American casino development in California, or a review of key laws and referenda. Suffice it to state that the Barstow casino must abide by all pertinent federal and state laws and compacts.

Of most direct competitive relevance to the Barstow casino are the two Native American casinos closest to Barstow to the southwest, and the only casino between Barstow and the Arizona border. There are no Native American casinos between Barstow and the Nevada border.

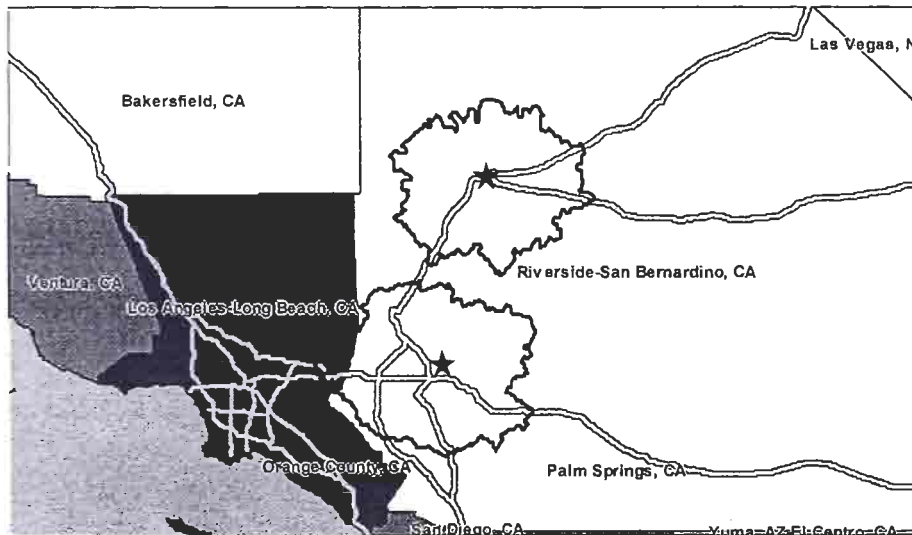
MARKET AND ECONOMIC IMPACT ANALYSIS
NATIVE AMERICAN CASINO IN THE CITY OF BARSTOW

San Manuel Indian Bingo & Casino

The closest casino to Barstow at present is the San Manuel Indian Bingo & Casino in Highland, California, a distance of approximately 75 miles by major highway. The location is south and slightly east of Barstow, and is closer to the Los Angeles market. The casino operates approximately 2,200 slot machines and a limited number of table games. The facility has a restaurant and entertainment hall, with plans to add a hotel. Gaming operations began at the facility in 1986.

Map 2-2 exhibits the relative location of the San Manuel casino. The polygon circle exhibits the estimated 45-minute drive time radius from the San Manuel site and from Barstow.

**MAP 2-2---45 MINUTE DRIVE TIMES FROM BARSTOW
AND FROM THE SAN MANUEL CASINO**



Casino Morongo

This facility is located in Cabazon, south of Barstow, towards Palm Springs. The facility is slightly closer by car to the Los Angeles market, although not to a significant degree. It is located to the east of Highland, thus further from the Los Angeles market than the San Manuel casino.

Casino Morongo has been operating in some form since 1992. It operates approximately 2,100 slot machines and various table games. The facility has recently broke ground on a major expansion, including a large hotel, penthouse restaurant, nightclub, and convention space.

Havasu Lansing Casino

Located near I-40, across from the Arizona border, it is the only California casino closer than Barstow to Arizona on I-40. The facility is small, with approximately 250 slot machines.

Nevada Border--Primm, Nevada (3 MGM owned facilities)

Three separate facilities operated by MGM MIRAGE are located in Primm, Nevada, the closest facilities to the California/Nevada border on I-15. Primm is 35 miles from the Vegas strip. Whiskey Pete's opened in 1977, followed by the Primm Valley Casino Hotel in 1990, and Buffalo Bill's in 1994. Together, the properties have 4,200 slot machines, 100 table games, and 2,643 hotel rooms. According to a Lehman Brothers report, the Primm properties combined realized estimated gross revenues in 2002 of \$209 million.

The use of various assumptions regarding non-gaming spending and slot proportions of gaming spending leads to an approximation that the average revenue per slot per day is near \$93.

The Primm figures reflect the many visitors coming to the Las Vegas area to game, but also the competition the facility faces from the strip, downtown, and many other "local" casinos in the Clark County market.

The Nevada Department of Transportation reports that the Annual Average Daily Traffic on I-15 at the state line was 34,855 in the year 2000. July and August are the peak months, although even January, the lowest month, still had a level of 88% of the annual average. The traffic figures are discussed in more detail in other parts of the report for Barstow and for Las Vegas.

Las Vegas (general competitive considerations)

An entire analysis of the Las Vegas casino supply would require hundreds of pages and is not necessary for this report. The world famous name, over 125,000 hotel rooms, glamour, and million of visitors are well known to the people of Barstow and to anyone in the gaming business.

It is somewhat anomalous, yet important to appreciate, that the **Barstow casino will not be a pure "competitor" for the Las Vegas casinos.** In actuality, the continued success of Las Vegas will be important to the future success of Barstow. It is true that the Barstow facility will be intercepting Southern California travelers on their way to (as well as returning from) Las Vegas and thus fewer dollars may be available for Las Vegas expenditures. It is also true that in some instances the Barstow facility, and other local services, will prove to be a more convenient alternative than Las Vegas, and thus inhibit those travelers from going to Nevada during that overall trip. **Yet, it is will be vital to Barstow for the foreseeable future that millions of individuals from Southern California continue to go to Las Vegas each year.**

A thriving Las Vegas assures the opportunity for Barstow to attract a significant amount of the vacation dollars into Barstow, while not altering the Las Vegas destination of the overall trip. In some future period, the Barstow area may reach sufficient status to be viewed as its own destination, with yearly results independent of Las Vegas, but this may require many years to evolve.

The opportunity is not dissimilar to the market strategy of the casinos in Primm, or Mesquite near the northern Arizona-southern Utah border. Essentially, a continued high level of travelers from Southern California by car or bus to Las Vegas means a greater market opportunity for Barstow.

LAS VEGAS VISITOR STATISTICS AND CONSIDERATIONS

A review of key tourism data points from Las Vegas merits this separate segment because the figures will be used in developing a scenario for the size and characteristics of the Barstow market capture. **Throughout the discussion, it is appreciated that Las Vegas is unique in the world--Barstow is definitely not destined to replicate Las Vegas.** Yet, the tourism figures from Las Vegas provide important insight into what might be achieved in Barstow.

Table 2-2 provides a series of data points from Las Vegas Convention and Visitors Authority (LVCVA). The data was published in either the "Las Vegas Visitor Profile", the annual report for fiscal year 2000 ending June, 2000, or in the "Historical Las Vegas Visitors Statistics" available from the LVCVA website.

**MARKET AND ECONOMIC IMPACT ANALYSIS
NATIVE AMERICAN CASINO IN THE CITY OF BARSTOW**

**TABLE 2-1
SELECTED LAS VEGAS VISITOR CHARACTERISTICS
2002 Unless Otherwise noted
Source: LVCVA and McCarran International Airport**

CATEGORY	# or %
Total visitors (2002)	35,071,504
Origin	
Southern California	29%
Northern California	5%
Method of transportation to City	
Air	48%
Automobile	40%
Bus	8%
Recreational vehicle	4%
Room Occupants	
One	14%
Two	68%
Three or more	17%
Trip characteristics	
Nights stayed	3.6
Adults in party	2.4
Visitors with children	12%
Number of visits per year	1.9
Expenditure per visitor (per trip, except lodging)	
Food and drink	\$ 213.17
Transportation	\$ 61.62
Shopping	\$106.75
Shows	\$ 45.54
Sightseeing	\$ 17.40
Hotel/motel room (per night)	\$ 85.34
Gambling behavior	
% Of visitors who gamble in LV	86%
Daily hours gambled per day	3.8
Gambling budget (trip)	\$607.27
# Of properties where gambled (mean)	4.4
Area of origin	
Southern California	29%
Northern California	5%
Southern California auto traffic (2001)	5,967,112

The 35.07 million visitors is an impressive figure, with the Southern California residents proportion a very prominent consideration for Barstow. Southern California was the residence of 29% of the visitors, representing approximately 10.17 million Las Vegas visitors. Additional Las Vegas visitors who reside outside Southern California, but first came into the Los Angeles area for other reasons, then flew, drove or bused to Las Vegas, would not be included in the 29%.

The total Las Vegas visitor count was down less than .2% for 2002 versus 2001. Considering the problems with economy, maintaining an almost even level must be considered impressive. The visitor volume in 2002 was approximately 40% greater than the decade previous 1993 figures.

The proportion of visitors that arrive by automobile (40%) and bus (8%) speaks directly to the drive-by market potential for Barstow. A substantial proportion (most likely a solid majority) of these land travelers likely came through I-15, through Barstow. The automobile proportion represents 14 million visitors, and the bus proportion represents 2.8 million.

A 2001 study of Southern California visitors to Las Vegas was prepared for the LVCVA by GLS Research:

- Average of 12.1 visits to Las Vegas during past five years.
- 74% drove to Las Vegas.
- 66% decided where to gamble after leaving home.
- Average gambling budget of \$633 per trip, or \$146.78 per day.
- Average food and beverage of \$46 per day, similar to the average for all domestic visitors.
- 91% had been to Las Vegas before.
- 52% booked hotel rooms two weeks or less in advance.

At a minimum, the 74% "drive" percentage represents 7.53 million Las Vegas visitors who reside in Southern California and drive to Las Vegas. The vast majority would use I-15. **The cohort represents approximately 4.77 billion in gaming budget, and food and beverage spending of \$346 million.** Bus travelers would add to the figure.

**MARKET AND ECONOMIC IMPACT ANALYSIS
NATIVE AMERICAN CASINO IN THE CITY OF BARSTOW**

Given the events of September 11, 2001, the problems with the economy, and the introduction of full-scale Native American casino in Southern California, it is worth considering if total vehicle trips from the area to Las Vegas have trended lower. **Table 2-2** provides the trend in "Southern California Auto Traffic" for the years 1996 through 2001 (year 2002 data, using the same source and definition, was not yet available). The figures are a raw count of vehicles, not casino visitors, or even Las Vegas visitors. Some of the vehicles may be passing through without stopping, going to casinos in Primm, Jeanne, or elsewhere, or contain travelers using I-15 who do not reside in Southern California.

TABLE 2-2 SOUTHERN CALIFORNIA AUTO TRAFFIC Source: Las Vegas Conv. and Visitors Authority	
Year	Vehicle Count
1996	4,552,183
1997	4,948,355
1998	5,072,233
1999	5,705,929
2000	5,951,009
2001	5,967,112
2002	not available from LVCVA

Each vehicle represents approximately 2.4 individuals.

The expansion of California Native American casinos was just beginning in 2001, thus it is too early to make any definitive statements, other than to note that total auto traffic clearly had not declined through 2001. The LVCVA has not published 2002 figures; there will be difficulty in doing due to equipment failure problems at Primm. Monthly figures from western California on I-15 suggest that 2002 turned out to be a record year, with auto traffic up over 6%. As Native American casinos expand in California, the upward trend may cease or even slightly retract, but all evidence thus far strongly suggests that Las Vegas will be a popular automobile travel destination for Southern California residents for many years into the future.

**MARKET AND ECONOMIC IMPACT ANALYSIS
NATIVE AMERICAN CASINO IN THE CITY OF BARSTOW**

FURTHER ANALYSIS OF TRAFFIC DATA

Given the importance of automobiles and busses passing through Barstow to the potential market, additional examination is given to the traffic data.

The California Department of Transportation published Annual Average Daily Traffic (ADT) for many junctions, exits, and other key segments of the highway system. The figures typically represent volume in both directions. The data points are identified by mileposts on various "Legislative Route Numbers", typically starting at each county line, and typically either south to north or west to east. Peak Month ADT is the average daily traffic for the month with the highest traffic flow. Back AADT represents traffic South or West of the count location, with Ahead AADT representing the traffic North or East. Figures for the route through San Bernardino County listed as "District 8, Route 15" include key Barstow traffic points. The information is provided in **Table 2-3**.

TABLE 2-3 BARSTOW COUNT LOCATIONS ON "DISTRICT 8, ROUTE 15" Source: CA Dept. of Transportation					
Location Description	PostMile	Back		Ahead	
		Peak Month	AAADT	Peak Month	AAADT
Outlet Center Drive/Sidewinder Road	65.84	50,000	43,500	50,000	43,500
Barstow & Lenwood Road	68.77	50,000	43,500	53,000	46,000
Barstow, West Main Street; West Barstow	71.65	53,000	46,000	56,000	48,500
Jct. RTE. 247 South, Barstow Road	73.54	56,000	48,500	53,000	46,000
Barstow Jct. RTE. 40 East; East Barstow	74.42	53,000	46,000	34,000	28,500
Barstow, East Main Street	74.95	34,000	28,500	39,500	32,000
Jct. Rte. 58, West	76.88	39,500	32,000	44,500	36,000

A daily average vehicle count of 53,000 represents 26,500 vehicles going in one direction. This represents 9.67 million vehicles annually. If, simply for elucidation, it is assumed that at least 90% are not local trips by local residents, a figure of 8.7 million vehicles for longer-distance travelers is derived. A factor of 2.4 adults per car (for a trip to the Las Vegas area) yields a total of 20.9 million individuals. Recent monthly reports suggest that the totals have actually increased beyond those listed in the Table, but the more conservative yearly totals provide a prudent base.

Additional information from Barstow intercept survey

Further insight can be gained from a review of an intercept study of southbound travelers through Barstow and Lenwood California undertaken by Lawrence Research for KHWY, Inc. The survey took place between February and May, 2002, and took place at fast-food restaurants near Interstate off-ramps.

The median age of respondents was between the ages of 35-44, with approximately two-thirds male. Approximately 38% of the vehicles with participating respondents had one passenger, with the average number of passengers being 2.03. The median gambling budget was between \$300 and \$399, with the median income between \$40,000 and \$50,000. It is not known if the site, fast-food restaurants, served to skew the figures. Of the respondents who stayed in an area with casinos, 84.5% had stayed in Las Vegas, 7.8% in Laughlin, 7.0% in Stateline/Primm, and less than 1% in Mesquite.

The respondents reported their home county as Los Angeles, Orange, Riverside/San Bernardino, Ventura, or San Diego in 62% of the cases. 19% reported a different California county, and 19% reported an out of state county. This last figure is particularly important, because it shows that I-15 provides the opportunity to not only attract Southern California residents, but also many others who use the Interstate as a means to travel to or from Las Vegas.

FURTHER DEMOGRAPHIC DATA OF BARSTOW REGION

As introduced, the population in the Barstow region is not the paramount concern to the market potential of a Barstow casino. Yet, it is still valuable to review the core demographics. This also sets a foundation for understanding the employment and economic impacts of the casino as delineated in Chapter Four.

Barstow

The 2000 Census reports that the Barstow had a population of 21,119, and the Census Bureau projects an increase to 26,619. This represents a reversal in trend, in that the City experienced a negative growth rate of -4.34% between 1990 and 2000. Approximately one in five residents are age 65 or older.

According to the 2000 Census, Barstow had 7,647 occupied housing units, 54% being owner-occupied. Over half of the housing units are 40 years old or older. Of the 1,506 units classified as "vacant," 900 were for rent, 236 for sale, 75 "for seasonal, recreational, or occasional use," and the remainder in other categories.

The State of California, Employment Development Department, placed the annual average unemployment rate for Barstow in 2002 at 7.3%. This was based on a total work force of 12,280 (11,380 employed, and 900 unemployed).

San Bernardino County

Due to the very large land size (over 20,000 square miles), the demographic characteristics of the host county are not quite as relevant as they would in a smaller county, particularly if the casino was dependent on the local market. For thoroughness, it remains useful to provide basic data.

The County had a population of 1,709,434 in the year 2000, with 1,076,977 ages 21 and over. There were 528,594 households, and 601,369 total housing units. 34,822 were classified as for "seasonal, recreational, or occasional use." Two thirds of the occupied units were defined as owner-occupied. The median household income was determined to be \$42,066, with 15.9% of the households receiving some form of retirement income.

In 2002, the annual average unemployment rate for the county was 5.7%, based upon a total workforce of 852,000, with 48,500 unemployed.

Drive time radii demographics

Of interest are the demographics of residents within various drive times to Barstow. These categories span across governmental boundaries, and provide insight into the employment market and the casino market. **Table 2-4** provides key data points for nominal 30, 60, and 90 minutes drive times to Barstow (based upon the Barstow City Hall).

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TABLE 2-4 2002 DEMOGRAPHIC CHARACTERISTICS WITHIN VARIOUS NOMINAL DRIVE TIME RADII			
	30 minute	60 minute	90 minute
Population	35,953	262,353	510,412
Median Age	34	33	32
Population Density	45.1	79.2	73.9
Age 21 and over	23,369	163,332	322,580
Total Households	12,914	86,430	165,665
Average Household Size	2.74	2.98	3.03
Total Housing units	14,950	95,508	212,756
Median Household Income	\$35,175	\$35,878	\$38,280
Number of Employees	11,358	63,896	120,296

The "30, 60, 90 minute" categories are standard for a market analysis. As Barstow officials fully understand, however, extending the radius into Los Angeles increases the adult population dramatically---to over eight million. These potential customers are represented in the "I-15 Travelers" component of the market analysis. This consideration simply serves to emphasize the unique aspects of the Barstow market.

As noted throughout, the key to the market economics for the Barstow casino will be the ability to attract customers from the millions of individuals driving past Barstow each year on I-15. Yet, the regional population base is not irrelevant. The 90-minute base of over 320,000 adults provides a market component of significance. The demographics information also is of use in considering the economic impacts of the casino.

CHAPTER THREE MARKET CAPTURE SCENARIO

OVERVIEW

Using the market foundation established in Chapter Two, this Section provides a scenario for the most likely market capture by a Barstow facility. The Chapter divides the markets between the I-15, longer distance customers, and potential customers residing within 90 miles. There is a wealth of casino customer data from around the nation, but the Native American casino supply within California is still evolving, as are the gaming habits of California residents when facilities are in closer proximity. This additional degree of uncertainty is addressed through the development of "high, medium, and low" range scenarios for the market capture.

Regardless of estimates, what will be critical to the success of the casino is the commitment of operators to provide a convenient and enjoyable casino gaming experience to customers. There is no need to try to duplicate the glitz of Las Vegas, but the facility must offer the games and value available in Nevada casinos and other Native American casinos in California.

It will also be important for the casino to establish a successful cross-marketing program with area recreational sites as well as area dining and lodging enterprises.

This Chapter also uses the visitor estimates to arrive at projections for possible non-gaming spending on and off site. The methodology follows the following steps:

1. Categorize market pools between I-15 auto, bus, and area residents.
2. Sub-divide pools into differing lengths of casino visitation duration and average gaming expenditures.
3. Develop estimates of non-gaming spending, both on and off site.
4. Consider higher and lower ranges for each market pool.
5. For validation, compare estimates to other casinos and to market capture from a purely population based approach.

FACILITY ASSUMPTIONS

The specific design and sizing of the permanent facility is now being refined. Further discussions are necessary with community officials before there can be a final site plan. The facility will certainly offer all the standard electronic games of chance and table games available at Nevada casinos and other major Native American casinos in California. The facility is assumed to house at least 1,500 slot machines (perhaps over 2,000), and at least 25 table games. Bingo and poker rooms are not included in the analysis, but may be incorporated into the actual operation and design. The site will include a new hotel to serve a portion of the overnight demand that will be induced, in conjunction with presently existing lodging.

The analysis is based upon a permanent facility that is fully operating (perhaps the second year after the grand opening). This does not preclude the option of opening a temporary facility to build a customer base and establish a cash flow while the permanent facility is being constructed.

The analysis assumes that the San Manuel casino remains the closest in distance to the City of Barstow. It also assumes that while the compact agreement with the State of California will evolve and may differ somewhat from the present agreement, the overall payment levels to the State and general number of slot machines allowed is not changed substantially.

MID RANGE SCENARIO

A few key considerations are prominent in the information base provided in Chapter Two:

- Automobiles and buses on I-15 through Barstow.
- Proportion of traffic not generated by local residents.
- Primm and Las Vegas traffic data.
- Adults per car.
- Proportion who never are casino patrons.
- Average gaming per day by So. Cal. residents in Las Vegas.
- Gambling budgets in LV and Barstow fast food stop survey.
- Revenues at other casinos--such as Primm.

Mid-range scenario for hold from I-15 automobiles

The traffic-based scenario itself is based upon a series of steps:

- Consider AADT at primary Barstow traffic count points.
- Reduce figures by proportion of count that is created by local residents, and further reduce by those going toward Las Vegas or Arizona with no intention of wagering.
- Develop estimate of total adults the cars open to a casino option.
- Prepare percentage capture percentages to develop total visits.
- Prepare "hold" per visit amounts for primary categories of patrons.
- Calculate total hold.

The AADT for the three key Barstow stops in **Table 2-3** ranged from 46,000 to 48,500. Traffic is known to have increased in recent years, thus the 47,000 average figure is inflated by 10% to represent a base figure for the casino operational period. The resulting 51,700 figure represents two-way traffic, or 25,850 in one direction. For a full year, the total traffic based on these averages is 9,435,250 automobiles.

Considering the number of households in the Barstow area, employment, and the various travel options of those in the area, it is reasonable to believe that 90% of the traffic is generated by non-locals. The total is further reduced by 25% to reflect travelers without any interest or desire to patronize a casino (driving on I-15 for other business or pleasure reasons). This results in an estimate of over 7 million vehicles with adults at least amenable to casino wagering (many specifically traveling on I-15 to go to a Nevada casino). Using an "adult per vehicle" figure of 2.5 calculates to 15,921,984 potential casino visitor days for the automobiles on I-15.

There are no self-evident milestones to estimate how many in the customer pool will be patronizing the Barstow casino. A few aspects provide some indications:

1. Casino customers enjoy options, and typically patronize more than one casino during a single gaming trip.
2. The single day gaming budget for the Southern California customer in the Las Vegas survey was \$146.78 per day. A somewhat lower total trip budget was found in the Barstow fast food site survey.
3. Southern California visitors to Las Vegas show a tendency not to arrange the trip rigidly; typically open to impulse and variety.
4. The majority will stop either for a short visit or for perhaps 3-4 hours.

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Based upon the above, to complete the mid-range estimate for this component, visits were divided into "limited duration", "longer, single day", and "overnight." Market capture proportions were assigned to each, as were average "hold" for the casino. The resultant calculations are detailed in **Table 3-1**.

TABLE 3-1 MID-RANGE SCENARIO FOR I-15 DISTANCE TRAVELLERS PATRONIZING BARSTOW CASINO (does not include bus or area resident market components)				
Customer Category	% visiting Barstow casino	Total visits	\$Hold per visit	\$ Total hold
Limited stay	6.0%	955,319	40	38,212,763
Longer visit, one day, customers	2.5%	398,049	80	31,843,969
Overnight customers	1.5%	238,830	135	32,242,018
Totals	10.0%	1,592,198	--	\$102,298,750

The 10% figure is viewed as reasonable given that the pool is comprised of individuals open to casino wagering, indeed, many would be on a casino trip to or from Las Vegas. The percentage also incorporate visits made during either the "to" or "from" leg of the individual trips.

The total, when coupled with the bus and area customers calculations in following segments, represents less than the total in Primm. Given that Barstow is arguably a more advantageous location, the visitation and revenues estimates can be viewed as prudent.

It is emphasized that much will depend on marketing and the quality of service provided. A significant market potential clearly exists, but the amount that will be tapped depends more on operational factors than demographics or past consumer habits.

A side note; the term "visit" for an overnight patron considers the individual as making one total visit, even though the person may come in and out of the casino more than once, including consecutive days. This is the common language used with Las Vegas data. In some other venues an overnight visitor may be defined as representing two "visitor days." This distinction is simply noted if comparisons are made to customer habits reported in other studies.

Mid-range scenario hold from bus patrons

The Las Vegas Convention and Visitors Authority reports that 8% of visitors arrive by bus. This represents 2.81 million visitors. It is reasonable to believe that bus visitors stay a somewhat lesser duration than air or automobile visitors, and thus represent a somewhat lower amount of total visitors days in Las Vegas.

Of the 2.81 million visitors, it is reasonable to suggest that at least 80% came from Southern California (either residents or part of a longer journey that includes California). This results in a broad estimate of 2.24 million travelers passing by/through Barstow by bus on trips to and from Las Vegas.

Due to its location, Barstow is a natural location for a long-distance bus to stop. Indeed, there is much anecdotal information that buses frequently stop in Barstow now to provide riders a period to eat or relax. It is reasonable to establish a target of 15% as the proportion of present Las Vegas bus riders that would be attracted into the Barstow casino. A relatively low hold of \$25 per visit is utilized, reflecting the likely lower level gaming habits of the members of bus excursions, and the time limits the bus company may place on the riders. This equates to an annual hold of \$8.42 million from the bus component.

In the longer-run, it is definitely possible for Barstow to become the destination of many bus excursions, or at least a place where an extended stop occurs. This possibility is not included in the figures.

Mid-range scenario hold from residents within a 90-minute drive

Chapter Two provided data for the resident population within nominal 30, 60, and 90-minute drive times. In Table 3-2, the adult population within each of the band is used, along with estimates of casino gaming tendencies, and Barstow market capture, to derive a figure for the total hold from residents within the 90-minute drive time. As noted previously, while the number of adults within an actual drive time of 90 minutes to Barstow may be somewhat higher than the figures used, this does not materially affect the results, plus serves to assure prudent totals.

The incidence of adults, who will wager at a casino at least once a year, and the average number of casino visits for those who wager, are based upon experience in other states. Californians have only had Native American casinos for a relatively short time, and gaming habits have yet to be proven (except for visits to Las Vegas). The factors are simply viewed as reasonable considering the annual income levels in the region, and distances to other casinos.

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It is an accepted standard in the casino industry that the further a person travels to a casino the more he or she is likely to wager. The average hold per visit is common for casinos in other venues. They also represent a fraction of the gambling budget reported by Southern Californians for their trips to Las Vegas.

TABLE 3-2 MID-RANGE SCENARIO FOR RESIDENTS WITHIN 90 MINUTE DRIVE OF BARSTOW			
	Within 30 minutes	Within 60 minutes	Within 90 minutes
Total Population--2002	35,971	253,319	510,412
Population 21 and over	23,369	163,332	322,580
Adult population within band	23,369	139,963	159,248
% casino gamers (will visit a casino at least once a year)	38%	40%	40%
Average visits per year	8	9	10
Total visits to all casinos	71,042	503,867	668,842
Barstow % capture	65%	33%	20%
Barstow visits	46,177	166,276	133,768
\$ hold per visit	\$ 45	\$ 60	\$ 75
Barstow casino hold	\$ 2,077,971	\$ 9,976,563	\$ 10,032,524
TOTAL BARSTOW VISITS ALL RADII		346,222	
TOTAL BARSTOW HOLD ALL RADII		\$22,087,158	

Care was taken not to include any of these visits in the estimates in the prior components

Total Mid-range scenario (gaming only)

The visitor and hold figures for the three primary components are summed in **Table 3-3:**

TABLE 3-3 MID-RANGE SCENARIO VISIT AND HOLD TOTALS		
Component	Barstow Casino Visits	Barstow Hold
I-15 travelers	1,592,198	\$102,298,750
Bus travelers	336,682	8,417,040
Residents within 90 minutes	346,222	22,087,158
Totals	2,275,102	\$132,802,948

CONTEXT AND COMPARISONS TO CHECK SCENARIO

Given the series of data points, selection of factors, assumptions, and calculations, it is valuable to place the mid-range estimate into an overall context to consider the logic of the results.

Lower range and higher range scenario for gaming and comparisons with other

It is not necessary to provide all the factors and calculations for the lower range and higher-range scenarios. As one example, for the I-15 component higher, and lower, factors for the capture percentage and average hold were injected into the calculations. The results established a higher range scenario of \$161 million and a lower range of \$58 million. These ranges also rely on similar assumptions regarding the level of California competition and the quality of Barstow facility. Actual experience could prove to yield even higher results.

Purely population-based scenario

The narrative explained why a purely population based methodology would be insufficient because it could not take into account the millions of travelers on I-15 that pass through Barstow each year. Even though their place of residence may be a substantial distance, these individuals will be in the area regardless of the Barstow casino, and thus they become a distinct market pool that is as much "local" as "distant".

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It is a useful benchmark to consider what a population based scenario would yield. There are over 13 million residents within 100 miles of Barstow, yet outside of the 90-minute drive time. This represents approximately 8,000,000 adults. If the gaming habits of this population in the future mirror that in other gaming states, it can be expected that approximately 40% will visit a casino at least once a year, with an average of 10 visits. If Barstow was to capture 3% of this market, it would attract 960,000 visits. At \$90 per visit average, the total would be approximately \$86.4 million. Travelers from even further distances would add, perhaps, 20%. The total from this rough calculation is in the vicinity of \$103 million, very similar to the "I-15" methodology used to derive the mid-range scenario.

Results at other casinos

Unfortunately, due to the unique characteristics of Barstow, and that the Native American casino structure in California is still in the birthing process, there are no obvious existing casinos to compare publicly reported results with. It is useful to note that the Primm, Nevada casinos, all operated by MGM Mirage, achieved total revenues of approximately \$210 million in fiscal 2002. Barstow will be only one facility, and has not built the loyalty and familiarity of the Primm properties. Barstow is, however, a more natural stopping point for I-15 travelers than Primm, does not face the immediate lure of Las Vegas that is presented to the potential Primm customer, and is two hours closer to the lucrative Southern California market. Given these factors, the mid-range scenario for Barstow appears reasonable, but the Primm figures do affirm how Barstow will operate in a competitive environment and must assure a quality gaming and entertainment/recreation experience if goals are to be reached.

NON-GAMING SPENDING

The casino site, and the general vicinity, will also attract non-gaming spending from the Barstow casino customers. These expenditures will range from relatively small purchases of snacks and beverages, to more substantial outlays on lodging, dining, entertainment and recreation. The more than 2.2 million visits in the mid-range scenario exhibit the market potential; the extent to which this potential will be tapped will depend on the non-gaming operations of the casino and the services and marketing of enterprises in the Barstow area.

Food, beverage, entertainment, and retail

The categories and sub-categories in the methodology lend themselves to providing a scenario for the non-gaming spending. Limited-time and bus visitors are viewed as most likely to average a low expenditure amount, while longer duration and overnight visitors will spend more. Estimates are provided in Table 3-4 (the totals in the table not include lodging).

TABLE 3-4 MID-RANGE SCENARIO FOR NON-GAMING SPENDING Food, beverage, retail, and entertainment			
	Visits	\$/visit	Non-gaming total
I-15 Visitors			
Limited time	955,319	9	8,597,872
Longer duration	398,050	20	7,960,992
Overnight	238,830	50*	11,941,488
Bus visitors	336,682	5	2,020,090
Area visitors			
Within 30	46,177	5	230,886
Within 30-60 minutes	166,276	7	1,163,932
Within 60-90 minutes	133,768	20	2,675,366
TOTAL	2,275,102		\$34,590,626

* Does not include lodging.

Expenditures by residents "within 30 minutes" are included here for consistency, but are deliberately excluded in the calculations of job creation in Chapter Four.

It is reasonable to project that more than half of the non-gaming spending will occur on-site, but casino patrons will also be interested in off-site options. The report uses a distribution of 65% on-site and 35% off-site.

The analysis does not include overnight stays by visitors arriving by bus, although this may evolve into a substantial figure in future years. The "area visitors" category also does not include any overnight stays, although during a typical year some casino patrons residing less than 90 minutes away will decide to spend the night in Barstow. The calculations also do not include individuals staying the night with friends or relatives, or in a recreational vehicle.

Lodging

This scenario provided a figure of 238,830 for visitors spending the night from the I-15 category. It is assumed that the average room rental will have 2.0 casino patrons, representing 119,415 room nights. Specifics have not been announced regarding an on-site hotel. For elaboration purposes here, a generic size of 180 rooms is utilized, representing 65,700 room nights a year. It is projected that the paid occupancy rate will be 85% or 55,845 room nights. The remaining demand of 63,570 room nights will be met by other lodging in the Barstow area.

If the average price at the on-site hotel is \$70, this represents \$3,909,150 in visitor spending. A slightly lower average of \$65 is used for off-site rooms, creating an additional \$4,132,042 in off-site spending generated because of the casino. Total lodging expenditures are thus estimated to be \$8,041,192.

The actual number of room nights to be realized will be heavily influenced by the efforts of the casino project operators, other area lodging operators, and the tourism attraction efforts of the Barstow area. Even in Las Vegas the average visitor spends "only" four hours a day wagering. The remainder is open to other pursuits. The Barstow casino will provide a core attraction, but the length of stay in the area, and the use of other community recreational features, depends on successful cross marketing.

Enumerated non-gaming total

The non-gaming expenditure totals, for those items enumerated, are as follows:

<u>Non-gaming total</u>	
Food, beverage, retail, and entertainment	\$ 34,590,626
Lodging	\$ 8,041,192
Total	\$ 42,631,818

Other expenditures not enumerated

This report does not attempt to enumerate the many other possible local expenditure that may occur in the Barstow area by casino patrons. Such items include gasoline purchase, expenditures at tourism sites, outdoor recreation, as well as others. The items are viewed as not possible to properly estimate at this time or may occur in too wide region either to attribute to the Barstow area. These categories, however, possess enormous potential. Much will depend on the efforts and initiatives of the City and the area business community.

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Milestone percentage for non-gaming

The on-site non-gaming revenues represent approximately 16% of total revenues, a reasonable target for a non-Las Vegas casino.

TOTAL EXPENDITURES CAPTURED

In **Table 3-5** the various individual estimates are consolidated, and off-site and on-site subtotals provided.

TABLE 3-5 CONSOLIDATED CUSTOMER SPENDING TOTALS ON-SITE AND OFF-SITE (for items enumerated)		
	\$ Components	\$ Totals
<u>On-site</u>		
Gaming	\$ 132,802,948	
Food, bev. retail, entertainment	\$ 22,483,907	
Lodging	\$ 3,909,150	
		\$ 159,196,005
<u>Off-site</u>		
Food, bev. retail, entertainment	\$ 12,106,719	
Lodging	\$ 4,132,042	
		\$ 16,238,762
GRAND TOTAL		\$ 175,434,766

The figure of over \$175 million in dollars captured in community is certainly very substantial, particularly considering the modest population size of Barstow. Yet, as noted throughout, the estimates are viewed as prudent, with the potential being much higher.

NOTES ON OTHER AREA SPENDING

Vendor/subcontractor spending

The previous segment focused on non-gaming spending by customers. The casino itself spends money in the community through vendors/subcontractors during operation and during construction. These "casino spending" figures are elaborated upon in the employment section, but merit note here.

Casino projects typically desire to subcontract for goods and services at every opportunity. Simply put, the human resources challenges of hiring, training, and managing the hundreds of individuals directly working for the casino in the gaming operations (including money handling) are sufficiently daunting. This provides an opportunity for other businesses in the community to provide services that do not directly involve gaming operations. This includes a multitude of needs, such as advertising, landscaping, food and beverage wholesalers, insurance, office supplies, and utilities. A casino typically wants to use local suppliers as much as possible in order to build community good will and for better quality control. Obviously, for goods and services not available locally, contracts will be let to more distant providers.

For the Barstow project, a generic industry factor of 18% of revenues is used to estimate total vendor spending by the casino. Solely for estimation purposes, it is assumed that 35% of this spending will be captured by enterprises in Barstow or the surrounding area. The actual percentage will depend on many factors.

Use of the on-site revenue figures and the percentages above yields a total expenditure on goods and services of over \$10 million annually in the community.

Construction spending

The final investment plans of the Bands and the development partners are now being refined. For a project of this nature, with over 1,500 slot machines, table games, restaurant, and hotel, the total investment is very likely to be at least \$150,000,000. This would create over 1,200 work years of construction employment. The individuals involved would also be spending money in the community, further increasing revenues for local restaurants, retail, lodging, etc.

CHAPTER FOUR EMPLOYMENT AND PUBLIC REVENUE IMPACTS

OVERVIEW

One of the most tangible benefits of the casino project for the community come from the creation of jobs. The Chapter provides estimates based upon the mid-range market scenario. The Chapter notes that casinos can generate significant public revenues, although these aspects await formal negotiation between the Band and the City.

EMPLOYMENT CREATED

The new dollars brought into the community create employment. Casinos have proven to be highly successful job generators throughout the country. This is particularly true when a region does not have a casino.

In calculating the jobs, care is taken to avoid inclusion of spending that is possibly locally shifted. Therefore, **any gaming and non-gaming dollars generated by residents within a 30-minute drive are not included in the computations.** In actuality, those dollars may now be leaving the area through casino visits to other regions. The Barstow casino may serve to retain the spending from leaving, and thus the dollars are not a local shift. Nevertheless, it is clearer for the analysis, however, to simply not include any spending by this group in the job generation figures.

All jobs in the employment scenario are based upon "full-time equated" positions. In some instances the positions will be divided between part time employees.

On-site--direct

The on-site jobs are based upon the gaming and non-gaming spending. For gaming operations and management, a gross revenue-per-job factor of \$125,000 is used, based on industry figures. A gross revenue-per-job factor of \$85,000 is utilized for on-site, non-gaming spending. Revenues from residents within 30-minute drive time are not included in the job creation calculations. The job creation derive, therefore, is as follows

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<u>On-site Employment</u>	
Gaming related	1,046
<u>Non-gaming related</u>	<u>309</u>
Total on-site	1,355

Off-site---indirect

The off-site expenditures by casino customers and with local suppliers/contractors also create employment. For convenience, the report classifies these as "indirect" jobs, although they stem directly from the casino.

A gross-revenue per job factor of \$80,000 is used for the off-site spending on food & beverage, retail, and lodging. Any spending by residents within 30 minutes is excluded from the calculations. The resulting job estimate is **192** positions.

Reference is made again that the off-site expenditure base was limited to specific categories. The future success the Barstow area business community realizes in influencing casino visitors to stay longer in the area, and utilize the other entertainment, recreation, and shopping venues, will further enhance the job creation.

For the jobs created by local expenditures by the casino with off-site suppliers/contractors, a gross revenue per job factor of \$90,000 is used. This results in a job creation figure of **104**.

Summed together, the indirect job total is **296**.

Direct and indirect total

The direct and indirect job estimates together sum to **1,651** full-time equivalent positions.

Induced employment

The people in the direct and indirect positions make the normal expenditures of every day life, which in turn creates employment. These sequential rounds of spending are often called the multiplier or ripple effect. Multipliers of 2.0 (which serves to double the total jobs created) or higher are often used to estimate induced employment.

PUBLIC REVENUES

At this juncture, adjustments in the level of payments under the state compact are a frequent discussion item in the media. A related factor is the distribution of casino revenues between the state and local governments. In order to operate, the Band will abide by the formula for total payments. In addition to the state compact, the Band and the City will negotiate local considerations. There is little doubt that final agreements will assure significant payments to the City.

Solely for elaboration purposes, a payment figure from the past compact of 7.5% of slot revenues to be paid annually to the state can be considered. This would yield over \$8 million in payments annually. More specific figures for Barstow will be provided as the final state and local agreements materialize.

The direct payment from revenues is but one way in which the community and the state receive public revenues. Hotel visitors will pay the transient occupancy tax. All off-site expenditures by casino patrons will also be taxed in the normal manner.

All employees will be paying income taxes, and their expenditures will be taxed accordingly. New employees moving to the area will be paying property taxes on their own homes or through rents paid. Recreational sites are in the position to receive increased admission/use fees. These income, sales, excise, and other taxes will generate millions in additional revenue.