

LCB BARWEST, L.L.C.

A MICHIGAN LIMITED LIABILITY COMPANY

2211 WOODWARD AVENUE, 10TH FLOOR

DETROIT, MI 48201

Tel: (313) 983-6602

Fax: (313) 983-6604

October 11, 2007

Via Email and Overnight Delivery

The Honorable Katherine Siva Saubel, Spokesperson, and
Members of the Tribal Executive Council
Los Coyotes Band of Cahuilla Indians
P.O. Box 189
Warner Springs, CA 92086

Re: Correspondence Received October 1, 2007

Dear Spokesperson Saubel and Members of the Tribal Executive Council:

I am writing in response to a letter from Ms. Katherine Siva Saubel received on October 1, 2007, a copy of which is attached. By its terms, this correspondence purports to terminate the business relationship and any contractual relationships between the Los Coyotes Band of Cahuilla Indians (the "Tribe") and LCB BarWest, L.L.C., a Michigan limited liability company ("LCB BarWest"). The correspondence also states that the Tribe desires to negotiate the purchase of land in Barstow owned by BarWest (the subject of the Tribe's pending fee-to-trust application), if and when the Tribe obtains a new gaming compact with the State of California.

We are puzzled by this letter. We understood that decisions concerning the Tribe's gaming project were in the hands of the Tribe's Executive Council, with whom we had positive conversations about moving forward just the day before this letter was written, and are therefore unclear if the letter accurately reflects the Tribe's position. (Incidentally, one of our consultants was told by the Tribe's legal counsel, Mr. Joel Bernstein, that he was unaware of the letter. That same day, however, Mr. Bernstein called the City of Barstow's Development Director to inform him that he had sent the letter on behalf of the Tribe ending its relationship with BarWest, and that Mr. Bernstein had arranged for a November meeting between the Tribe and the Governor's Legal Affairs Secretary.) Nevertheless, we have no choice but to treat the letter as a severance of our relationship and our obligation to make payments to the Tribe and on the Tribe's behalf, including payments to the consultants working on the fee-to-trust process.

It is our hope that, notwithstanding the letter, we can come to an agreement to move forward together to develop and operate a Los Coyotes gaming facility in Barstow. As we expressed in our most recent conversation with members of the Executive Council, and in our joint appearance before the Barstow City Council last month, it is our intent to continue with this project. We have continued conversations with union leadership, most recently meeting with UNITE-HERE International President John Wilhelm last week, and with others regarding

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strategies for the ongoing and future legislative sessions. We have left no stone unturned, with spending on this project now up to over \$19 million.

We understand that the Tribe is unsatisfied with the results in Sacramento, and we share this frustration. Despite how some members of the Tribe may feel, however, we have never shied away from adding individuals who can bring value to the team. Several months ago, on behalf of the Spokesperson and Mr. Kevin Siva, Mr. Bernstein suggested we consider adding a new lobbying group and public relations firm. We told him at that time that we were more than willing to consider doing so, provided that the lobbying firm made a proposal to work on behalf of the entire project and that he identify the public relations firm so that we could assess their abilities. We never heard anything further about those groups.

In the meantime, we know full well that Ms. Gretchen Belli and Mr. Barron Maisel continue to be involved in the project with the Spokesperson and Mr. Siva, continue to disrupt our relationship, and are trying to "sell" the project to other developers. This has continued despite the fact that the Tribe agreed in our contract, under which LCB BarWest paid millions of dollars to and on behalf of the Tribe, that Ms. Belli will have absolutely no involvement whatsoever in the Tribe's gaming efforts. Similarly, the City of Barstow has relied on the Spokesperson's letter to them promising that Ms. Belli will have nothing to do with the gaming project. All of this is necessary because of Ms. Belli's criminal record. (She is now on probation that restricts her right to travel out-of-state or even spend the night somewhere other than her home.) Despite these facts, Ms. Belli continues to appear at meetings and to communicate with third parties as a representative of the Tribe and specifically of its gaming development efforts. And Mr. Maisel has spoken to federal officials as the Tribe's "representative" regarding matters he knows little about. Nearly two weeks before the September 28 letter was sent, he called the Mayor of Barstow, while traveling to the City with the Spokesperson, and explained that the Tribe wished to switch developers. And just today, he called Big Lagoon Chairman Moorehead to attempt to induce him to breach his Tribe's relationship with BarWest. This is at least the second time he has done so—he previously asserted to be working with Full House Resorts and Mr. Lee Iacocca, claims that were totally false. (See attached correspondence.)

We would hope that the Tribe thinks long and hard about the experience of its partners. As the Tribe prepares to enter into new compact negotiations with the Governor's office, it is important that the Tribe have qualified consultants at the table. While we bring significant experience in such matters, the Tribe's past efforts with a team selected by Mr. Siva were a near disaster. Although the Governor's office has said many times that the door is open to any tribe that wants to negotiate, the Siva team thought it necessary to begin negotiations by offering the Governor what he had seen as the "Holy Grail" of compacts—a 25% share of all gaming revenues, paid before expenses. Unfortunately, with the investment and expenses required, such a revenue share would not have provided the Tribe with enough income to even finance a facility. After the Tribe decided that those consultants and Mr. Argovitz, Mr. Siva's preferred developer, could not get the job done, the Tribe re-engaged with us. We then spent months having to get the

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Governor's office to back off the amount offered by the Tribe's other consultants. Those consultants, however, have been continually touted by Mr. Siva, Ms. Belli, and Mr. Maisel as possessing some secret recipe to success.

Today, we appear to be at a crossroads in terms of who, if anyone, will work with the Tribe for a casino in Barstow. As noted above, we are the group that has spent \$19 million on this project and was able to bring in the Big Lagoon Rancheria and a team dedicated to the Tribe's success, rather than their own enrichment. And last year, when a legislative committee chairman and others suggested that he would approve a Barstow compact if only we dropped Los Coyotes as a partner, we refused to consider this proposal and stuck by the Tribe's side. It is a bitter irony that today some leaders of the Tribe see fit to reciprocate in this fashion.

It is also astonishing to us that leaders of the Tribe would seem to assume that the Barstow land is for sale. Our willingness to transfer that property to the Tribe to place in trust is part and parcel of having a relationship as the Tribe's Developer and Manager. The use of that property is also contingent on agreements with the Big Lagoon Rancheria, which still holds the key to Barstow. While a few years ago we may have been willing to consider a transaction in which the tribes did not have a common developer, we believe there is too much history that has transpired since then and we simply don't know how independently managed facilities could work at this late date. At this time, therefore, we do not have any intention of putting the property up for sale.

In conclusion, we understand that the Tribe has a tribal meeting on this Sunday, October 14. We hope that the Tribe can emerge from that meeting able to give us clear, unified direction on whether the Tribe wishes to continue to work with us or to change course. If the Tribe does desire to continue to work together, we will need a clear, unambiguous statement of who makes decisions, who communicates with us, and what outside parties will or will not be involved with the Tribe's gaming development. Upon receiving that statement, we will determine whether or how to move forward. In the meantime, we will consider our relationship severed and will pursue legal action against those third parties who have unduly caused this turn of events and who continue to interfere with our business relationships. We look forward to hearing from the Tribe next week, and do sincerely hope the best for your future.

Sincerely,


Michael J. Matik, Sr.
President
LCB BARWEST MANAGER, INC.

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Enclosures

cc: The Honorable Virgil Moorhead, Chairman,
Big Lagoon Rancheria
Joel Bernstein, Esq.
R. Lance Boldrey, Esq.
William D. Serwer, Esq.
Peter J. Engstrom, Esq.