INTERGOVERNMENTAL AGREEMENT

This Intergovernmental Agreement ("Agreement") is dated and effective as of, _____by and between the Pechanga Band of Luiseno Indians, a federally recognized Indian tribe (the "Tribe"), and the City of Temecula, California (the "City"), which are referred to herein collectively as "the Parties" and as to each as a "Party". The terms "City" and "Tribe" as used herein shall include the Parties' governmental entities, departments and officials unless otherwise stated.

RECITALS

WHEREAS, the Tribe is a federally-recognized Indian Tribe located on federal Trust Lands which are located within the geographic boundaries of Riverside County (the "County") and abut or are near City boundaries; and

WHEREAS, the Tribe has inhabited the Temecula Valley for more than 10,000 years (or according to Tribal history and culture, since time immemorial); and

WHEREAS, the Pechanga Indian Reservation was established by Executive Order of the President of the United States on June 27, 1882, affirming the Tribe's sovereignty and land-base; and

WHEREAS, under the Indian Gaming Regulatory Act, 25 U.S.C. § 2701, *et seq*. ("IGRA"), the Tribe may engage in gaming as a means of promoting Tribal economic development, self-sufficiency and strong Tribal government; and

WHEREAS, IGRA generally requires that Class III gaming be conducted pursuant to a Tribal-State Class III gaming compact; and

WHEREAS, on or about September 10, 1999, and effective in May, 2000, the Tribe entered into a gaming compact with the State of California, as contemplated under IGRA, which compact was amended effective March, 2008, and which compact and amendment is referred to herein as the "Compact;" and

WHEREAS, the Tribe desires to operate Tribal economic development projects in a manner that benefits the Tribe, its members, and the community as a whole, and the City recognizes the mutual benefit that can be derived if those goals are achieved; and

WHEREAS, the Tribe determined that a casino featuring Class II and Class III gaming activities, as authorized under IGRA and, with respect to Class III activities, the Compact, and a hotel and related parking, common areas and amenities (the "Gaming Center" as more specifically defined in Section 2.8) would be a way in which to generate independent Tribal resources to provide for the health, education, employment, government, general welfare, safety, and cultural needs of the Tribe and, accordingly, the Tribe has successfully developed and now operates and maintains the Gaming Center, which consists of an approximately 200,000 square foot casino, which includes seven restaurants and related amenities; a thirteen story 522-room hotel; three parking structures plus surface parking that in total can accommodate at least 8,567 cars, recreation vehicles (RVs), buses; administrative, regulatory, maintenance and service

structures; and common areas related thereto. The Gaming Center has provided over 10,000 jobs with an overall economic impact of $500 million to Temecula alone and has enabled the Tribe to assist the City in obtaining approximately $6 million for the much needed bridge improvements on Pechanga Parkway over Temecula Creek, has provided $17 million toward off-reservation road improvements and public safety and, over the last eight years alone, has contributed over $9 million in donations to high schools and community organizations that provide critical support to the welfare of the region; and

WHEREAS, in addition to the Gaming Center, which has become a major tourist attraction and brings millions of dollars into the local community, the Tribe has successfully developed on its lands other economic development or governmental projects that service the Tribe and the community, including a convenience store, golf course, cultural center, museum, gas station, car wash and RV park; and

WHEREAS, the Tribe enacted an off-reservation environmental impact ordinance pursuant to the Compact to address any such off-reservation impacts from the Gaming Center and the possible mitigation of their effects, which ordinance makes a good faith effort to incorporate the policies and purposes of the California Environmental Quality Act ("CEQA") and the National Environmental Policy Act ("NEPA"); and

WHEREAS, the Compact requires that for future "Projects" as defined in the Compact the Tribe must engage in certain specified environmental review processes and further provides for the Tribe and any impacted city and county to enter into enforceable written "Intergovernmental Agreements" for mitigation of Off-Reservation Environmental Impacts, public safety services, and other specified programs; and

WHEREAS, the Parties recognize that this Agreement therefore is an important and mutually beneficial means for furthering the government-to-government relationship between the Parties and in building trust, mutual respect, good will and cooperation for the benefit of the entire community. Further, this Agreement is intended to provide the Tribe and City with greater certainty concerning future planning and development activities. Accordingly, this not only addresses the current Gaming Center, but anticipates how issues that might arise in the future regarding its further development will be guided, and serves as the Intergovernmental Agreement provided for in the Compact so as to ensure cooperation and understanding between the Parties for generations to come.

NOW, THEREFORE, the Parties agree as follows:

AGREEMENT

SECTION 1. PURPOSE OF AGREEMENT

1.1. The purpose of this Agreement is to set forth certain agreements of the parties that are intended to:

a. Assure the implementation of measures for mitigating the Off-Reservation impacts of the Gaming Center, as set forth in this Agreement;

b. Establish a mutually agreeable process to identify and mitigate potential Off-Reservation environmental impacts of future Gaming Center development, including a process that meets or exceeds the processes required under the Compact;

c. Create a process to resolve future disputes that may arise between the City and the Tribe under the Compact and this Agreement;

d. Create a framework for continuing to build and maintain a mutually beneficial government-to-government relationship between the Tribe and the City; and

e. Identify ways for the Tribe and the City to work together to provide services and benefits to the Tribal community and the residents of the City of Temecula.

f. Provide certainty with respect to future planning and development activities.

SECTION 2. DEFINITIONS. The following terms shall be defined in this Agreement as set forth in this Section:

2.1. "Agreement" means this agreement, which shall be deemed to be the Intergovernmental Agreement between the Parties as required under Section 10.8.8 of the Compact.

2.2. "Anniversary Date" means the date defined as such in Section 3.4 below.

2.3. "Baseline Traffic Study" mean the traffic study defined as such in Section 4.1 a.

2.4. "CEQA" means the California Environmental Quality Act, California Public Resources Code Sections 21000 et seq. and the CEQA Guidelines, California Code of Regulations, Title 14, Sections 15000 et seq.

2.5. "City" means the City of Temecula, an incorporated California city that is located within the boundaries of the County.

2.6. "Compact" means the Tribal-State Compact between the State of California and the Tribe entered into on or about September 10, 1999, and effective in May, 2000, and amended effective March, 2008.

2.7. "County" means Riverside County, California.

2.8. "Effective Date" means the date this Agreement is executed by both Parties and so designated above in the introduction to this Agreement.

2.9. "Exempt Project" means any activity which, although initially defined as a "Project" herein or in the Compact, would be exempt under CEQA.

2.10. "Expansion" shall mean any increase in the number of Gaming Devices within the existing footprint of the Gaming Center beyond five thousand (5,000), or any increase exceeding

ten percent (10 %) or more of the existing footprint or height of the buildings or structures within the Gaming Center, provided that alterations, renovations, maintenance, refurbishments, improvements, changes in configurations or uses, construction, or reconstruction, within the footprint or height of the Gaming Center, or improvements to the spa, porte cochere, surface parking, walkways, pool and common areas that serve or are within the Gaming Center, shall not be deemed to be an Expansion.

2.11. [This section intentionally omitted.]

2.12. "Gaming Center" means the present gaming facility and hotel located on the Reservation and consisting of approximately two hundred thousand (200,000±) square feet of gaming space plus back of the house and administrative offices and facilities that can accommodate various gaming and casino activities, including up to five thousand (5,000) Gaming Devices, employee rooms, offices and related space; a thirteen story hotel with five hundred twenty-two (522) guest rooms and supporting kitchens, offices, retail, housekeeping, telecommunications and other utility facilities; maintenance and storage spaces; convention, ballroom, classroom and meeting spaces; restaurants, bars, food courts, night clubs, retail spaces, lounges, regulatory, public safety, surveillance and guest services amenities and facilities; a one thousand two hundred (1200) seat theater; swimming and Jacuzzi pools, porte cocheres, and spa facilities and related areas located outside the hotel; surface parking and three parking structures for buses, trucks, SUVs and similar vehicles and automobiles, that can accommodate approximately eight thousand six hundred (8600) vehicles; and related common areas, roadways, sidewalks, storage and administrative facilities; all of which primarily serve the Gaming Center.

2.13. "Gaming Device" means a Gaming Device as defined in Section 2.6 of the Compact.

2.14. "IGRA" means the Indian Gaming Regulatory Act, 25 U.S.C.§ 2701 et sec.

2.15. "Mitigation Fee" means the fee or fees referred to as such in Section 3.4 below, and is intended to provide further and final mitigation with respect to the Gaming Center (i) in accordance with subsection 3.4.a. so long as there has been no Expansion, and (ii) in accordance with Subsection 3.4.b. if there has been an Expansion.

2.16. "Original Compact" means the compact between the State of California and the Tribe executed in 1999 (and effective in 2000), and similar to compacts entered into between the State and approximately 57 other tribes at the time.

2.17. "Reservation" means those lands held in trust by the federal government for the benefit of the Tribe, including but not limited to the lands on which the Gaming Center is located.

2.18. "Project" means an activity defined as a "Project" in Section 10.8.7 of the Compact and shall not include an Exempt Project.

2.19. "SDF Payment" means monies received by the City from the State Distribution Fund ("SDF") that was created under State law pursuant to the Original Compact and into which the Tribe made contributions prior to the Compact's amendment in 2008. Although payments by

the Tribe to the State under the amended Compact are not required to be allocated to the SDF, those payments to the State are far in excess of what the Tribe was paying to the State for the SDF under the Original Compact, and the State may continue to appropriate some of such money to the SDF or similar uses that benefit the City. In addition, the State has some funds remaining in the original SDF that have not yet been paid to the City. Any payment received by the City from or through the State related to Indian gaming revenues therefore shall be included within the term "SDF Payment."

2.20. "Significant Effect on the Environment" shall be as defined in Section 10.8.7 (b) of the Compact as a Significant Effect on the Off-Reservation Environment.

2.21. "Tribal Environmental Impact Report" or "TEIR" is the report described in, and subject to, Section 10.8.1 of the Compact.

2.22. "Tribe" means the Pechanga Band of Luiseno Indians, a federally recognized Indian tribe.

2.23. "Term" means the period from the Effective Date through December 31, 2030 as further described in Section 13.8 of this Agreement.

2.24. Capitalized words not otherwise specifically defined in this Agreement shall have the definitions of such words as may be set forth in the Compact.

SECTION 3. GAMING CENTER MITIGATION MEASURES.

3.1. Review of Existing Gaming Center Environmental Reports.

a. Prior to the construction of the facilities for the Gaming Center, the Tribe conducted and completed an environmental study and process under the Original Compact, which included the adoption of mitigation measures designed to address the facilities anticipated in the study. Commencing with the legislative approval of the Amended Compact in August 2006, and on a government-to-government voluntary basis, the Parties have met periodically to review the off-reservation impacts of the Gaming Center.

b. The Parties acknowledge that the establishment of the Gaming Center may create off-reservation impacts, including but not limited to the generation of vehicle traffic and traffic-related events, law enforcement services, fire and emergency medical services, noise and light and related factors, and other effects. The parties also acknowledge that the Gaming Center has provided substantial benefits to the Tribal, City and surrounding communities, including increased employment, an important market for local vendors, and an attraction for patrons, tourists and revenues from out of the area.

3.2. Intergovernmental Agreement.

3.3. The Parties recognize that both the positive and negative effects of the Gaming Center on the interests of the Parties may be difficult to quantify, but in the government-to-government spirit that underlies this Agreement, and in order to address any off-reservation effects of the Gaming Center and resolve differences of opinions between the Tribe and City as

to the extent and materiality of any such effects, the Parties have agreed to add certain mitigation measures that take all of those positive and negative effects into account. The mitigation measures embodied in this Agreement, including but not limited to the Mitigation Fee, and this Agreement itself, are intended to constitute the Intergovernmental Agreement between the Tribe and the City to the extent required under Section 10.8.8 of the Compact with respect to the Gaming Center.

a. The Tribe and the City agree that any Significant Effects on the Environment from the Gaming Center will be adequately mitigated by the Tribe as required by the Compact through its mitigation efforts completed prior to the adoption of this Agreement and through the Mitigation Fee provided in Section 3.4 of this Agreement.

b. The Tribe and the City agree that this Agreement provides a fair process for determining whether any Expansion will have a Significant Effect on the Environment and, if so, the measures, if any, that will be required to adequately mitigate those effects as required by the Compact.

3.4. Mitigation Fees.

a. The Tribe shall pay Mitigation Fees to the City on an annual basis during the Term in the following amounts, each of which shall be subject to the credit for SDF Payments described in Section 3.4.a.iii:

i. On or before June 30, 2010 (June 30 of each year shall be known as the "Anniversary Date"), the sum of Two Million dollars ($2,000,000).

ii. For each succeeding year , the following amounts:

A. The sum of Two Million dollars ($2,000,000) on or before the second, third, fourth and fifth Anniversary Dates;

B. On or before the sixth Anniversary Date, the sum of Two Million dollars ($2,000,000) adjusted upward or downward in accordance with the direction and percentage of change from the prior year in the annual Consumer Price Index for the metropolitan area closest to the City of Temecula last published prior to the date such payment is due ("CPI"), by multiplying such percentage change in the CPI by $2,000,000 and adding or subtracting such amount, as the direction of the change may dictate, and

C. On or before each Anniversary Date thereafter during the Term, the amount due with respect to the last Anniversary Date, adjusted upward or downward in accordance with the direction and percentage of change from the prior year in the CPI, by multiplying such percentage change in the CPI by the amount of such prior amount due and adding or

subtracting such amount, as the direction of the change may dictate; and

D. A last and final Mitigation Fee payment under this Agreement, which shall be paid on or before the Anniversary Date that falls within the year 2030, adjusted as in the preceding subparagraph C.

iii. Each Mitigation Fee due annually under subsection i. or ii. shall be reduced by the amount of any SDF Payments received by the City in the same year such Mitigation Fee payment is due (or if received after payment of the Mitigation Fee in that year, shall so reduce the following year's payment), except that any SDF Payment received by the City after the last and final Mitigation Fee payment was received by it shall be refunded to the Tribe on or before the next June 30th.

iv. In addition to the Mitigation Fee payments set forth in subsections i through iii above, on or before the fifth Anniversary Date, the Tribe shall pay to the City a Mitigation Fee in the amount of Ten Million dollars ($10,000,000). Such Mitigation Fee shall be reduced by the amount of any federal or state grant or other funding (including but not limited to a grant or funding with respect to improvements related to any I-15/SR-79 interchange) ("Government Grant") received by or committed to the City or for the City's benefit during that or the following year through the efforts in whole or in part of the Tribe Funding under such circumstances may be in installments, as such Government Grant shall be authorized, provided that if it is finally determined in good faith that such funding, although in process will not in fact occur, such Mitigation Fee (or such portion thereof as will not be funded) shall be paid by the Tribe on or before June 30th following such final determination. In the event the Tribe pays all or any portion of the $10 million Fee described in this subsection iv while an application for a Government Grant is pending and such Government Grant is later received by the City, the Tribe shall be given credit for the amount received, up to $10 million, against future Mitigation Fees due under subsections i and ii, adjusted if applicable by subsection iii. The Mitigation Fee in this subsection iv shall not be subject to a CPI adjustment.

3.5. The foregoing Mitigation Fees shall be deemed to be mitigation provided in connection with any Expansion during the Term, provided that within sixty (60) days following the issuance of a Final TEIR in connection with an Expansion, either Party may request to reopen Section 3.4 for the limited purpose of negotiating and reaching agreement with the other party in good faith as to whether: (1) these Mitigation Fees are adequate to mitigate the identified off-reservation impacts of the proposed Expansion; (2) additional mitigation measures are needed to mitigate the identified off-reservation impacts of the proposed expansion; and (3) the future Mitigation Fees remaining during the Term should be adjusted or mitigation measures should be added, in accordance with this Agreement, in order to mitigate the proposed Expansion. Any failure to reach agreement following such good faith negotiations shall be subject to the arbitration provisions set forth in Section 8.

3.6. Law Enforcement Services Generally. Both the City and the County rely on the services of the Riverside County Sheriff's Department ("Sheriff's Department") to meet the law enforcement needs that arise within their respective jurisdictions, including the Public Law 280 duties of the County and State with respect to the Tribe, the reservation and the Gaming Center. In addition, the Tribe has its own force of public safety and security officers that are assigned to the Reservation and the Gaming Center. There is a good working relationship between and among the Tribe, the City, the County and the Sheriff's Department with respect to meeting law enforcement needs that arise on or in connection with activities at the Gaming Center and on the reservation.

a. The Parties have determined that the Mitigation Fees agreed to in Section 3.4 above are sufficient to ensure that the City and County law enforcement needs that are directly related to the Gaming Center can be adequately met, subject to any adjustment up or down per Section 3.4. The City, through contractual agreements with the County, provides law enforcement to the areas surrounding the Gaming Center. Concurrently with the approval of this Agreement, the Tribe, City, County of Riverside and the Sheriff of Riverside County have entered into that certain "Memorandum of Understanding Concerning Law Enforcement Services at Pechanga Casino," a copy of which is attached hereto as Exhibit A (the Law Enforcement MOU"). The Law Enforcement MOU provides that the City will ensure that the cost of law enforcement directly or indirectly related to the Gaming Center will be met, and agrees to apply sufficient funds from the Mitigation Fees and SDF Credits to meet such needs. Notwithstanding the foregoing, the specific allocation of such Mitigation Fees for such purposes shall be at the discretion of the City (except as the SDF Credits may be controlled by law).

b. The assignment of law enforcement officers to the extent necessary to make arrests under State law and fulfill PL 280 functions with respect to the Gaming Center or the reservation (except in emergencies) shall be made in cooperation and through ongoing dialogue between Tribal and City/County law enforcement. Nothing in this Agreement or any other contract with the City or the Sheriff is intended or shall be construed to expand or limit the jurisdiction of the City, the County or the Sheriff beyond that which would be exercised pursuant to Public Law 280. Nothing in this Agreement or other contract with the County or Sheriff is intended, or shall be construed, to expand or limit the jurisdiction of any Tribal law enforcement agency beyond that which would be exercised pursuant to applicable law.

3.7. Fire And Emergency Services.

a. The Parties acknowledge that the Tribe's development, construction, operation and maintenance of the Gaming Center require fire protection and emergency response services. Much of that need is fulfilled by the construction and operation of the Tribe's own fire department on the Reservation. Nevertheless, from time to time the fire protection and emergency response services available from the Tribe's own departments may require supplemental services from the County.

b. The Tribe and the City shall cooperate on a government-to-government basis to promote public safety and to provide the Tribe with such mutual aid and automatic aid for supplemental fire and emergency services, on a cooperative basis, as is offered to neighboring cities and unincorporated County areas. At present, a mutual aid agreement exists

between the Tribe and the appropriate agencies concerning fire and emergency services. If necessary, the parties agree to diligently and in good faith negotiate a more detailed mutual aid and automatic aid agreement, similar in its terms to those between the Tribe and other jurisdictions, to further implement the intent of this Section that the City and the Tribe cooperate in providing effective and efficient fire and emergency services to the Gaming Center and the surrounding community.

c. The Tribe has in place an emergency preparedness plan that addresses evacuation and access issues. The City and Tribe shall consult and coordinate services to further develop the plan and to prepare to respond to any emergency at the Gaming Center.

d. The Tribe shall consult with the City, and the City shall cooperate with the Tribe, regarding the use, storage, disposal, and transportation on roads within the City of any and all hazardous materials to be used by the Gaming Center. Nothing in this Agreement shall expand the City's jurisdiction regarding regulation of hazardous materials.

3.8. Regular Meetings of the Parties. In an effort to maintain and promote good government to government relations between the Tribe and the City, the parties' designated representatives shall meet on a regular basis every six (6) months to discuss issues of mutual interest.

SECTION 4. FUTURE ENVIRONMENTAL REVIEW AND MEASURES

4.1. Traffic Studies. In addition to the promises and covenants otherwise contained in this Agreement, the Parties acknowledge that it is uncertain whether an Expansion will create a Significant Effect on the Environment.. In particular, the Parties recognize and acknowledge that an Expansion, depending on its nature and extent, could create certain increased demand and resulting costs for public services to be provided by the City and increased traffic in the area of the Gaming Center and roads leading to Interstate 15. Additionally, the Parties acknowledge and recognize that given the improvements made to the area of the Gaming Center by the Tribe and City through this Agreement, through any Expansion, or otherwise, the updated Baseline Traffic Studies provided in this section and the TEIR might conclude that an Expansion may not require additional mitigation measures to mitigate its off-reservation impacts. The City has further identified the Temecula Parkway/Interstate 15 Interchange as a possible interchange improvement in the area and the parties agree that such an improvement will need to be carefully reviewed. Because any potential increase in traffic is a measurable method of determining an Expansion's Off-Reservation impacts, the Parties have agreed that in the event of an Expansion, it is necessary to provide for a method acceptable to the parties to measure the relative increase of traffic attributable to the Expansion of the Gaming Center. Accordingly, in the event of an Expansion, the parties agree to proceed in good faith to mitigate resulting adverse Significant Effects on the Environment created by an Expansion as follows:

a. Baseline Traffic Study. Within sixty (60) days of the Effective Date, the Tribe and the City shall meet and confer on a traffic study that is mutually acceptable, including giving good faith consideration as a preference to the possible use of traffic studies that have already been conducted by the Tribe, but if the parties cannot agree, to determine the most feasible and economic way to jointly conduct a traffic study, paid for in equal shares by the

Parties. The traffic study agreed upon (the "Baseline Traffic Study") shall serve as a baseline to objectively measure the actual current traffic conditions resulting from the Gaming Center separately from all other users of the key roadways and intersections.

b. It is agreed by the parties that the Baseline Traffic Study will utilize the data set collected by the Tribe in June 2008.

c. The Baseline Traffic Study shall measure and identify the total traffic along Pechanga Parkway between Temecula Parkway (SR 79) and Pechanga Road and at the Gaming Center driveways on a daily basis (ADT's) and at the key intersections along Pechanga Parkway during the AM, PM, evening peak hours on a typical weekday and a typical Saturday.

d. No other traffic studies shall be referred to or used under this Agreement, until and unless an Expansion is undertaken in accordance with the TEIR process in the Amended Compact, or at or after the fifth Anniversary Date, whichever first occurs, but only if one of the Parties can demonstrate an increase or decrease of ten percent (10%) or more from the Baseline Traffic Study's weekday evening peak hour ADTs attributable to the Gaming Center. To demonstrate an increase, a Party must submit prima facie documentation complying with industry standards for measurement of off-reservation traffic impacts, such as a traffic mitigation study or some similar type of traffic count study. Any submissions of prima facie documents for an additional traffic study must be submitted to the other party within 60 days of the fifth Anniversary Date or the issuance of the final TEIR, depending on whether the event used to justify the timing for considering an update is the fifth Anniversary Date or an Expansion.

e. If the prima facie documentation shows a substantial increase or decrease in traffic attributable to the Gaming Center from that set forth in the Baseline Traffic Study, then the Parties agree to conduct a traffic study for the purpose of comparing the data to the Baseline Study in order to objectively measure the actual off-reservation traffic impacts attributable to the Expansion and to update the Baseline Traffic Study.

f. The parties agree to utilize the measurements in an updated Baseline Traffic Study for the purposes of determining whether any additional mitigation fees are reasonably necessary with respect to the increased off-reservation traffic impacts from the Expansion or the Gaming Center.

g. The additional mitigation fees, if any, shall not exceed an amount that is (1) necessary to mitigate off-reservation traffic impacts related to the Expansion as identified in the updated Baseline Traffic Study and TEIR and (2) proportional to the traffic generated by the Gaming Center and Expansion when compared to the traffic in the area analyzed in the Baseline Traffic Studies that is generated from sources other than the Gaming Center. The additional mitigation fees for off-reservation traffic impacts shall be consistent with mitigation requirements imposed on developers of projects within the City to the extent they are based on the actual generation of a comparable increase in traffic over that set forth in the Baseline Traffic Study. While the Tribe acknowledges and recognizes that such comparisons can be difficult because the development agreement process of Government Code Section 65864 authorizes the City to require mitigation that may exceed a developer's proportional share of traffic generation,

the parties agree to cooperate in determining what the actual fees would be if they were lowered to reflect a developer's actual proportional share of traffic generation.

4.2. TEIR. In the event that an Expansion is undertaken, the Tribe shall prepare a TEIR pursuant to Section 10.8.1 of the Compact and shall follow the processes required in Sections 10.8.2, 10.8.3, 10.8.4 and 10.8.5. The Tribe shall notify the City of the filing of the Notice of Preparation of the Draft TEIR and provide the City with a copy of the Notice of Preparation at the time the Notice of Preparation is filed with the State Clearinghouse in the State Department of Planning and Research ("State Clearinghouse"). The Tribe shall notify the City of the filing of the Notice of Completion of the TEIR and provide the City with a copy of the TEIR at the time the Notice of Completion is filed with the State Clearinghouse. The Tribe shall maintain an administrative record of the TEIR process, the documents cited in the TEIR, the comments received on the TEIR during the public comment periods, and such other studies and documents relied on in the preparation of the TEIR and the Final TEIR so as to provide an adequate basis for the resolution of any disputes pursuant to Sections 7, 8 and 9 of this Agreement.

4.3. Existing Off-Reservation Impacts. The Parties agree that any existing off-reservation environmental impacts from the Gaming Center, including future additional traffic impacts from the Gaming Center, but not an Expansion, will not be the subject of any additional Mitigation Fee or mitigation plan, including any mitigation plan under the TEIR process in the Amended Compact, except as set forth in this Agreement.

4.4. Meet and Confer Requirements Regarding the TEIR and Intergovernmental Agreement.

a. Not later than fifteen (15) days following the filing of the Notice of Completion of the Draft TEIR with the State Clearinghouse, the Parties shall commence diligent and good faith negotiations, to discuss and reach agreement on the contents of the Draft TEIR, the primary objective of which is to provide for the timely mitigation of adverse Significant Effects on the Environment, where such off-reservation impacts:

i. Are primarily attributable to the Expansion being proposed;

ii. Occur outside of the geographic boundaries of the Tribe's existing or proposed Trust Lands and within the geographic boundaries of the City; and;

iii. Are within the jurisdiction or responsibility of the City.

b. Not later than fifteen (15) days after the filing of the Notice of Preparation with the State Clearinghouse, the Parties shall commence diligent and good faith negotiations, to discuss and reach agreement on an amendment to this Intergovernmental Agreement to implement additional mitigations measures, modified mitigation measures described in this Agreement or a combination of both, to the extent the parties agree that such measures are reasonably required to address the environmental impacts described in the TEIR or the comments thereto.

4.5. Binding Arbitration. If the Parties, after meeting and conferring consistent with Section c. above, have not approved, executed and delivered an Amended Intergovernmental Agreement for the Expansion, within fifty-five (55) days after the date of the publication of the Final TEIR, or such other date as the Parties may mutually agree in writing, either party may initiate the binding arbitration dispute resolution processes contained in Section 8 of this Agreement and 10.8.9 of the Compact. The Parties may extend this time by mutual written agreement.

SECTION 5. EFFECT OF FEDERAL LAWS REGARDING ENVIRONMENTAL MATTERS.

5.1. Notwithstanding any provision to the contrary, the Parties acknowledge that the Tribe is subject to federal laws and regulations regarding the environment and health and safety, including but not limited to the Clean Water Act, Safe Drinking Water Act, Endangered Species Act, Indian Gaming Regulatory Act, and Occupational Safety and Health Act, and permit conditions including but not limited to conditions in any NPDES permits. Except as provided below, the Parties agree that the matters regulated by these laws, regulations, and permits shall be matters that are between the Tribe and the federal agency having jurisdiction over such statutes, regulations, and permits, and a violation of such statutes, regulations, and permits shall not be considered in conflict with this Agreement or a required part of it. Consistent with the above, the City shall retain whatever rights it may have with respect to participation in the matters regulated by these laws, regulations, and permits, including without limitation, the rights to take such administrative or legal actions as may be necessary to protect is rights in accordance with the statutes and regulations applicable to the federal agency conducting the proceedings, shall be deemed to have waived any right it might otherwise have under this Agreement to compel arbitration or meet the City's concerns about that aspect of the Project under this Agreement.

5.2. Any dispute or disagreement the City has with a federal process or its outcome thus shall only be subject to the remedies available in such process and not through the dispute resolution or other provisions of this Agreement.

5.3. Nothing herein shall be construed as limiting the Parties' respective rights to reach agreement on a voluntary basis with each other over such matters outside such federal process, subject to applicable law and the sole discretion of each party as to whether or not to negotiate or agree on such matters outside the context of the federal process itself.

SECTION 6. CONFIDENTIALITY OF PROPRIETARY INFORMATION

6.1. To the extent authorized by the California Public Records Act (Government Code Section 6250 et seq.), and subject to all provisions of such Act, the Parties agree that proprietary and confidential operational and financial information concerning the Gaming Center shall be deemed confidential and shall not be shared with any third party. The Parties acknowledge and agree that such proprietary information includes found documents obtained, observations made, or conclusions drawn directly or indirectly under this Agreement concerning the proprietary operation or financial information concerning the Gaming Center including without limitation, where the source or information comes from, inspection reports, plan reviews, and all

documents related to examinations of financial information, negotiations, consultations, disputes or other activities under this Agreement.

6.2. Prior to providing such information to the City, or permitting City access to such information, but without implying that providing such access or information is necessarily required, the Tribe shall notify the City in writing that such information is confidential or proprietary.

6.3. The City shall promptly provide the Tribe notice of any Public Records Act request related to this Agreement and shall afford the Tribe, within the time limits allowed under the Act, an opportunity to seek an injunction by the Court against any such disclosure.

SECTION 7. DISPUTE RESOLUTION

7.1. Meet and Confer Process

a. In recognition of the government-to-government relationship between the Tribe and City, the Parties shall make their best efforts to resolve disputes that occur under this Agreement by good faith negotiations whenever possible. Therefore, the Parties hereby establish a threshold requirement that disputes arising under this Agreement shall first be subject to a good faith meet and confer procedure to give the Parties an opportunity to work together to solve identified issues.

b. Disputes arising between the Parties regarding a party's alleged failure to meet its obligations imposed by this Agreement, including a refusal to meet and confer, shall be addressed through the following process:

c. The Parties may meet and confer informally to discuss their concerns. This stage may include an informal exchange of views among Tribal and City personnel and may remain confidential in accordance with applicable law.

d. A party desirous of invoking the meet and confer provisions of this Agreement shall provide written notice to the other party, identifying with specificity the alleged issue or issues and the actions requested to resolve the dispute. Within seven (7) business days after receipt of the notice, the recipient shall provide a written response agreeing or disagreeing with the complaint. If the party agrees it will set forth detailed steps to address the alleged breach of the Agreement. If the Parties disagree, they shall proceed in accordance with the next subsection.

e. The Parties shall formally meet and confer in good faith within ten (10) business days of receipt of such notice, or at such other time as the Parties may agree in writing, to attempt to resolve the dispute. If both Parties agree, a mediator may be used to help resolve the dispute at this stage. The Parties and mediator, if any, shall ensure that any disputed issues are clearly and directly communicated according to any agreed upon process and timeline. Multiple meetings under this step may be reasonably required depending upon the nature of the dispute, provided that the meet and confer process shall be completed within thirty (30) days of formal initiation unless extended in writing by mutual agreement of the Parties. Failure to

substantially comply with the procedures and timelines contained in this Section with respect to an Expansion shall entitle the complaining party to proceed directly to arbitration.

f. To the extent allowed by law, such writings as may be prepared and transmitted between the Parties pursuant to this subsection 7.1 shall be confidential.

SECTION 8. BINDING ARBITRATION PROCEDURE

8.1. Subject to compliance with the meet and confer process stated above and the limitations herein as to the scope of any order, either party may initiate binding arbitration to resolve any dispute arising out of this Agreement regarding the interpretation of any the Agreement's provisions and/or rights and obligations of the Parties under the Agreement.

8.2. The arbitration shall be conducted by arbitrator(s) in accordance with the JAMS Comprehensive Arbitration Rules & Procedures (the "Rules") then in effect at the time of the initiation of arbitration. The arbitration shall take place in or near Temecula, including any location on the Reservation, or at another location mutually agreed upon by the Parties. The arbitrator shall be a retired federal or California superior court judge selected pursuant to the following terms:

a. The arbitrator shall be from the list of prior approved arbitrators with experience in matters concerning the California Environmental Quality Act.

b. In the event the Parties cannot agree upon an arbitrator, the Parties agree that Rule 15 of the Rules shall govern the selection of the arbitrator.

c. Subject to the terms of this Section, the arbitrator shall have jurisdiction to interpret and apply the terms of the Compact and this Agreement, but shall lack jurisdiction to modify the Agreement or relieve a party of its obligations, or add to those obligations under the Agreement, except in the event that material terms of this Agreement are determined to be void or that the provisions of the Compact are in material conflict with the terms of this Agreement. In the latter instance the arbitrator may order the Agreement modified to conform to the Compact, with the least change necessary in order to maintain the relative positions of the Parties at the time the Agreement was entered into.

d. This Agreement does not provide for, and the arbitrator shall not have jurisdiction to order, remedies with respect to federal, state, Tribal or City laws, regulations, ordinances, codes or other laws against the City or the Tribe, including its government entities, officials, members or employees or its real property, and shall only consider or evaluate such laws and issue such orders as expressly permitted under this Agreement.

e. In the event the dispute concerns the failure to prepare a TEIR or the adequacy of a TEIR for an Expansion, the Arbitrator shall have the authority to order the Tribe to comply with the requirements of this Agreement with respect to the TEIR, including, without limitation, the revision and recirculation of the TEIR.

f. In the event the dispute concerns the adequacy or extent of measures necessary to mitigate Significant Effects on the Environment, the Arbitrator shall have the

authority to impose such mitigation measures as are described in the TEIR, the comments of the City or other persons commenting on the TEIR, the Final EIR and such other mitigation measures as are reasonably necessary and feasible to mitigate the Significant Effects on the Environment, but in accordance with the limitations in this Agreement.

g. Except as provided above with respect to the impact of an Expansion, arbitration orders and awards may not include monetary awards, and such monetary awards related to an Expansion shall be limited to the amount the Arbitrator determines as necessary to mitigate a Significant Effect on the Environment on the basis of the information contained in the administrative record of the Tribe's proceedings to approve the TEIR and adopt mitigation measures, and shall not exceed the limits in this Agreement.

h. Equitable relief shall be limited to compelling some actual performance that is expressly described in this Agreement or preventing a party from failing to take such action.

i. Any controversy regarding whether an issue is subject to arbitration shall be determined by the arbitrator, but the arbitrator's jurisdiction shall be limited to ordering forms of relief agreed to in this Agreement.

j. The Arbitrator shall render an award consistent with Rule 30 of the Rules. The Parties agree to be bound by the provisions of Rule 17 of the Rules relating to informal and formal discovery rights and obligations, subject to the agreement of the Parties or order of the Arbitrator otherwise. In any event, any discovery conducted shall be subject to the confidentiality provisions of this Agreement to the extent such provisions may be lawfully enforced, and the Arbitrator shall make such orders as are necessary to enforce such provisions.

k. Following an arbitration order or award, either Party may appeal pursuant to the JAMS Rules re appeals from arbitration. In the event appeal is sought, no order of the arbitrator shall be considered to be final until the appeal is concluded, including any matters that may be pending as to such order by a reviewing court under Section 9.

SECTION 9. JUDICIAL REVIEW AND ENFORCEMENT

9.1. The Parties agree that the prevailing party in any arbitration contemplated under Section 8 hereof may seek to confirm and enforce any arbitration award that has become final by filing a petition with any Superior Court in the State of California, pursuant to the provisions of California Code of Civil Procedure, Section 1285 et seq. In any arbitration or court action, each party shall bear its own costs and attorneys' fees in any court action or arbitration proceeding brought pursuant to this Agreement.

9.2. Nothing in this Agreement shall preclude or restrict the ability of Parties to voluntarily pursue, by mutual agreement, any other method of dispute resolution.

SECTION 10. NOTICES

10.1. Notices pursuant to this Agreement and service of process in any judicial or arbitration proceeding contemplated under this Agreement is waived in favor of delivery of

documents by (i) delivery by a reputable document delivery service, such as but not limited to, Federal Express, that provides a receipt showing date and time of delivery or (ii) by Certified Mail – Return Receipt Requested to the following:

10.2. For the Tribe:

Tribal Chairperson
Pechanga Band of Luiseno Indians
12705 Pechanga Road
Temecula, CA 92592
Tel: 951-676-2768

With a copy simultaneously delivered to:

Jerome L. Levine
Holland & Knight, LLP
633 W. 5th Street, Suite 2100
Los Angeles, CA 90071
Tel: 213 896 2565

Office of Legal Counsel
Pechanga Band of Luiseno Indians
12705 Pechanga Road
Temecula, CA 92592
Tel: 951-676-2768

10.3. For the City:

City Manager
City of Temecula
43200 Business Park Drive
Temecula, CA 92590
Tel: 951-694-6444

With copy simultaneously delivered to:

Peter M. Thorson
Richards, Watson & Gershon
355 South Grand Ave., 40th Floor
Los Angeles, CA 90071
Tel: 213-626-8484

10.4. Either Party may change the names and address to which notices and service of process may be delivered by written notice to such persons as listed in the subsection or by subsequent notice of changes.

SECTION 11. MUTUAL LIMITED WAIVER OF SOVEREIGN IMMUNITY

11.1. The Parties agree that the Parties' waiver of immunity from arbitration, or from suit related thereto, or the enforcement of any order or judgment related thereto, is limited to the express provisions of Sections 8 and 9 of this Agreement, and neither the agreement to arbitrate nor any other provision of this Agreement shall be construed as creating any implied waiver of such immunity.

11.2. The Parties each expressly covenant and agree that they may each sue and be sued with respect to the resolution of disputes in arbitration and the judicial enforcement thereof, as provided in Sections 8 and 9 above, to resolve through arbitration any controversy arising from this Agreement or to enforce or interpret the terms and conditions of this Agreement through arbitration, as provided for in this Agreement. The Parties, their officers and agents expressly agree to waive governmental immunities, including sovereign immunity, in connection with any claims arising from this Agreement as provided for herein for the enforcement of any arbitration award, or judgment to enforce such an award as a result of this Agreement. The Parties further consent to the jurisdiction of an arbitrator and/or specified court under this Agreement including the consent to be sued and bound by a lawful order or judgment with respect to such arbitration and to the extent provided for herein. Each of the Parties represent that its agreement to such dispute resolution processes and waivers has been effectively and lawfully granted and that nothing further needs to be done to effectuate those processes.

11.3. With respect to any action arising out of the Agreement for which there is a waiver of sovereign immunity, the Tribe and City expressly consent to the jurisdiction of the United States District Court for the Central District of California and, as limited herein to, the Superior Court of the State of California for Riverside County and all related appellate courts, and/or an arbitrator selected pursuant to this Agreement and specifically waive sovereign immunity for that purpose. The Parties specifically agree that the applicable court shall have jurisdiction to enter judgments enforcing the arbitration rights and remedies provided for in this Agreement which shall be binding and enforceable on the Parties, subject to the limitations set forth in this Agreement. No party to this Agreement shall contest jurisdiction or venue of the above-referenced courts, provided their jurisdiction and venue are invoked in the order specified, but only for disputes or claims arising out of this Agreement. Neither the Tribe nor the City shall plead or invoke the doctrine of exhaustion of Tribal or other administrative remedies, defenses of immunity or indispensable Parties beyond those contemplated in this Agreement.

11.4. The City and the Tribe may not join or consent to the joinder of any third party to any action (including but not limited to any arbitration) contemplated herein, unless failure to join such party would deprive the court or arbitration tribunal of jurisdiction; provided that nothing in this Agreement shall be construed to constitute a waiver of the sovereign immunity or other protection from lawsuit (or other dispute resolution process), or the effect, orders or judgments thereof, of either the Tribe or the City with respect to any claim of any kind by any such third party. In the event of intervention by any third party into any such action without the consent of the Tribe and the City, nothing herein shall be construed to constitute a waiver of any immunity with respect to such third party, and no arbitrator or court shall have jurisdiction to award any relief or issue any order as against the City or Tribe with respect to such third party in that or any other proceeding.

SECTION 12. CEQA REVIEW

12.1. Pursuant to Government Code Section 12012.49, and in deference to tribal sovereignty, the approval and execution of this Agreement by the Parties is not a project within the meaning of CEQA because this Agreement has been negotiated pursuant to the express authority of the Compact, and specifically Section 10.8.8 of the Compact.

12.2. By approving, executing and performing this Agreement the City has not, and is not, making any commitment to (a) issue a lease, permit, license, certificate or other entitlement for use, or (b) develop, construct or improve any facilities or cause any other physical changes in the environment.

12.3. This Agreement is intended to, and shall be construed, to be a government payment and funding mechanism that does not commit the City to make any specific physical changes in the environment.

12.4. Pursuant to Government Code Section 12012.49, if the City determines that it is required to comply with CEQA with respect to any construction of any public improvements or other projects subject to CEQA related to this Agreement, the City shall comply with CEQA at such time, but other than as specifically authorized under this Agreement, such compliance shall not in and of itself preclude or delay commencement or completion of the Project by the Tribe..

SECTION 13. MISCELLANEOUS PROVISIONS

13.1. No Authority Over Tribal Activities. Nothing in this Agreement is intended to confer or expand the jurisdiction of any local, state or federal agency or other governmental body, nor is this Agreement intended to infringe or otherwise usurp the authority of any regulatory body including local, state, federal or Tribal agencies that may have jurisdiction over or related to Tribal activities, development or Projects. Further, nothing in this Agreement shall be construed to relieve the Tribe's obligation to comply with the National Environmental Policy Act (NEPA) as may be required as part of any trust application or any other Project requirement.

13.2. 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 including, without limitation, no rights in any Interested Persons, nor does it create any private right of action for any third party nor permit any third party to bring an action to enforce any of its terms.

13.3. Amendments. This Agreement may be modified or amended only by mutual and written agreement of the Parties.

13.4. Final Agreement. This Agreement contains the entire Intergovernmental Agreement of the Parties as to the subject matter herein and supersedes any other agreements of the Parties to the contrary except for the following agreements between the City and the Tribe: (1) Pechanga Parkway signal maintenance agreements; and (2) fiber-optic right of way agreements. The Agreement is intended both as the final expression of the agreement between the Parties with respect to the included terms and as a complete and exclusive statement of the terms of the Agreement consistent with California Code of Civil Procedure section 1856. No modification of this Agreement shall be effective unless and until such modification is evidenced by a writing approved and signed by the Parties.

13.5. Severability of Provisions. The invalidity of any provisions or portion of this Agreement as determined by a court of competent jurisdiction or any State or federal agency having jurisdiction and thereof and the authority to do so, shall not affect the validity of any other provisions of this Agreement or the remaining portions of the applicable provisions, unless such provision is material to the reasonable expectation of the Parties. Without limiting the

foregoing, if any provision of the Agreement is declared invalid as aforesaid, then the Parties shall use their best efforts to renegotiate the terms of the invalid provisions.

13.6. Force Majeure. The Parties shall not be liable for any failure to perform, or for delay in performance of a party's obligations, and such performance shall be excused for the period of the delay and the period of the performance shall be extended when a force majeure event occurs; provided however that the party whose performance is prevented or delayed by such event of force majeure shall give prompt written notice (i.e., within seventy-two (72) hours of the event) of such event to the other party. For purposes of this Section, the term "force majeure" shall include, without limitation, war, epidemic, rebellion, riot, civil disturbance, earthquake, fire, flood, acts of governmental authorities(other than the City or Tribe), acts of God, acts of terrorism (whether actual or threatened), acts of the public enemy and in general, any other severe causes or conditions beyond the reasonable control of the Parties, the consequences of which in each case, by exercise of due foresight such party could not reasonably have been expected to avoid, and which by the exercise of due diligence it would not have been able to overcome, when such an event prevents the Tribe from meeting its obligations under this Agreement due to Gaming Activities ceasing operations for an extended period or prevents the City from meeting its obligations under this Agreement due to an interruption of City government operations. An interruption of performance, or the delayed occurrence of any event, under this Agreement caused by an event of force majeure shall as far as practical be remedied with all reasonable dispatch. During any period in which a party is excused from performance by reason of the occurrence of an event of force majeure, the party so excused shall promptly, diligently, and in good faith take all reasonable action required in order for it to be able to commence or resume performance of its obligations under this Agreement.

13.7. Governing Law. This Agreement shall be construed according to applicable federal and California substantive law to the extent not inconsistent with the express provisions of this Agreement, unless federal law as to the Tribe or the City, or California law as to the City, prohibits such Parties from abiding by such express provision, in which case the provision will be deemed to be invalid and resolved, if possible, under the severability provisions in Section 13.5. Notwithstanding the foregoing, California rules of construction shall be applied in interpreting this Agreement. This Agreement shall be deemed to have been drafted jointly by the Parties and shall not be construed as having been drafted by, or construed against, one party against another.

13.8. Term; Obligations to Continue. The term of this Agreement shall be from the Effective Date until December 31, 2030, unless sooner terminated pursuant to the term of this Agreement or extended by mutual agreement of the Parties. Unless specifically designated otherwise, all of the Parties' obligations under this Agreement shall continue through the Term, including any extensions thereof. Notwithstanding the end of the Term, any covenant, term or provision of this Agreement which, in order to be effective, or is necessary to enforce an unfulfilled material term of this Agreement or obligation that may continue beyond the end of the Term shall survive termination.

13.9. Payments. Unless otherwise indicated, all payments made pursuant to this Agreement shall be made payable to the City of Temecula on the schedule set out above.

13.10. Representations. By entering into this Agreement each signatory represents that, as of the Effective Date, the undersigned has the authority to execute this Agreement on behalf of their respective governing bodies.

13.11. Duplicate Originals. At least two copies of this Agreement shall be signed and exchanged by the Parties, each of which shall be considered an original document.

13.12. Approval. Each Party's execution, delivery and performance of this Agreement shall be approved by resolution or motion duly adopted by each Party's respective governing body, which resolution or motion shall provide that the Party shall not enact a law impairing the rights and obligations under this Agreement. The Parties intend that Intergovernmental Agreements under the Compact, between the Tribe and the City and the Tribe and the County, the latter of which the Parties anticipate will be a Law Enforcement MOU, shall be concluded in conjunction with one another. Because the Intergovernmental Agreement between the County and the Tribe may not be finalized before this Agreement has been approved by its Parties, any resolution or motion approving this Agreement may include a condition that this Agreement shall not be deemed to be final or enforceable unless and until an Intergovernmental Agreement with the County has been formally concluded.

13.13. Obligation on Related Entities. This Agreement binds the Parties and their departments, affiliates, agents, representatives, successors, contractors, officials and related entities, which such Agreement shall also be reflected in a resolution or certification of a motion duly adopted by each Party's respective governing body approving the Agreement.

13.14. Authority/Authorization

a. The City and Tribe each represent and warrant that each has performed all acts precedent to adoption of this Agreement, including but not limited to matters of procedure and notice and each has the full power and authority to execute this Agreement and perform its obligations in accordance with the above terms and conditions, and that the representative(s) executing this Agreement on behalf of each party is duly authorized to so execute and deliver the Agreement.

b. In evidence of the above, each governing body shall execute formal resolutions or certifications indicating approval of this Agreement and these resolutions or certifications are attached in Exhibits A and B.

IN WITNESS WHEREOF, 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.

Dated:

PECHANGA BAND OF LUISENO INDIANS

BY:_____
Mark Macarro, Tribal Chairperson
Pechanga Band of Luiseno Indians

CITY OF TEMECULA

Dated:

_____
Jeff Comerchero
Mayor

Attest

_____
Susan Jones
City Clerk

Approved as to Form:

_____
Peter M. Thorson
City Attorney