July 29, 2009

VIA FACSIMILE: (760) 765-0320
and FIRST CLASS MAIL

Johnny Hernandez, Chairman
Iipay Nation of Santa Ysabel
P.O. Box 130
Santa Ysabel, CA 92070

Re: Stipulated Notices of Violation and Settlement Agreement # SA-09-32

Dear Chairman Hernandez:

I have enclosed a copy of the fully-executed Stipulated Notices of Violation and Settlement Agreement # SA-09-32 ("Agreement"), signed by the Chairman of the National Indian Gaming Commission ("NIGC") on July 29, 2009. The Agreement resolves Notice of Violation # NOV-09-2 issued on June 8, 2009, as well as the other stipulated-to violations, as recited on paragraph 8 of the Agreement.

As a reminder, the first $5,000 payment of the civil fine must be received by the NIGC by Friday, August 28, 2009, and the check must be payable to the "U.S. Treasury".

We appreciate the Tribe's efforts in reaching an amicable resolution of these matters. If you have any questions, please do not hesitate to contact me.

Sincerely,

Armando J. Acosta
Staff Attorney

Enclosure

cc: Carolyn J. Abeita, Esq.
VanAmberg, Rogers, Yepa, Abeita & Gomez LLP

National Indian Gaming Commission

STIPULATED NOTICES OF VIOLATION
AND
SETTLEMENT AGREEMENT # SA-09-32

INTRODUCTION

This Stipulated Notices of Violation and Settlement Agreement # SA-09-32 ("Agreement") is entered into by and between the IIPAY Nation of the Santa Ysabel Reservation ("Tribe"), a federally recognized Indian tribe, and the Chairman of the National Indian Gaming Commission ("NIGC"), relating to the matters contained in the NIGC Chairman's Notice of Violation # NOV 09-32, and other violations of NIGC regulations, 25 C.F.R. § 501.1 *et seq*.

RECITALS

1. Whereas, IGRA authorizes the NIGC Chairman to issue civil fines for violations of IGRA, NIGC regulations, tribal regulations, ordinances, or resolutions approved by the NIGC Chairman under 25 U.S.C. §§ 2710, 2712, and 2713(a)(1);

2. Whereas, under 25 C.F.R. § 573.3(a), the NIGC Chairman may issue a Notice of Violation ("NOV") to any person for violations of any provision of IGRA, NIGC regulations, tribal gaming ordinance, or resolution approved by the Chairman;

3. Whereas, on June 8, 2009, the NIGC Chairman issued NOV 09-32 to the Tribe for its untimely submission of quarterly statements and fees for the entire 2008 calendar year;

4. Whereas, the Chairman and the Tribe desire to achieve an amicable resolution of NOV 09-32;

5. Whereas, the Tribe stipulates to other violations of NIGC regulations, as set forth below;

6. Whereas, the Chairman and the Tribe desire to achieve an amicable resolution of the stipulated-to notices of violation described in paragraph 7, below.

NOTICE

7. Whereas, the NIGC Chairman hereby gives notice that the Tribe has also committed other violations of NIGC regulations, separate from those contained in NOV 09-32;

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8. Whereas, the circumstances of those other violations are:

   A. Pursuant to 25 C.F.R. § 571.13, a tribe shall submit to the NIGC a copy of its annual independent audit report within 120 days after the end of each fiscal year of the gaming operation.

   B. The end of the 2007 fiscal year for the Santa Ysabel Casino and Resort was March 31, 2008, and therefore, the Tribe was required to submit its annual independent audit report to the NIGC by July 29, 2008.

   C. The Tribe did not submit its annual independent audit report for fiscal year 2007 to the NIGC until June 10, 2009, 317 days late.

   D. Pursuant to 25 C.F.R. § 514.1, each gaming operation subject to NIGC jurisdiction, and not exempt from paying fees pursuant to the self-regulation provisions, are required to file with the NIGC a quarterly statement showing its assessable gross revenues for the previous calendar year. The quarterly statements are due March 31, June 30, September 30, and December 31 of each calendar year that the gaming operation is subject to NIGC jurisdiction, and shall arrive no later than the due date. In addition, the same NIGC regulation requires each gaming operation to remit to the NIGC the fees due each quarter with the quarterly statement.

   E. The Tribe's first quarterly statement and payment for calendar year 2009 was due no later than March 31, 2009.

   F. The Tribe did not submit its first quarterly statement and payment for 2009 to the NIGC until June 19, 2009, 81 days late.

9. Whereas, the NIGC Chairman acknowledges that, upon receiving NOV 09-32, and prior to the execution of this Agreement, the Tribe, in good faith, took affirmative steps to avoid future violations as follows:

   A. On June 19, 2009, the Tribe submitted the fee payments for the entire 2009 calendar year and the quarterly statement for the first quarter of 2009; and

   B. On June 25, 2009, the Tribe submitted the quarterly statements for the entire 2009 calendar year.

10. Therefore, the NIGC Chairman and the Tribe have agreed to execute this Agreement and perform in accordance with the following covenants and conditions:

TERMS OF SETTLEMENT

11. This Agreement is entered into pursuant to 25 C.F.R. § 575.6(b) and shall be effective upon the date that it is signed by the last party to sign this Agreement ("effective date").

12. The Tribe agrees that, by law, it was required to submit timely quarterly statements and fees to the NIGC for the Santa Ysabel Resort and Casino during the 2008 calendar year, and the Tribe agrees that it submitted said quarterly statements and fees in an untimely fashion;

13. The Tribe agrees that its failure to submit 2008 quarterly statements and fee payments for its gaming operation in a timely fashion is a violation of NIGC regulations;

14. The Tribe agrees that, by law, it was required to submit a timely quarterly statement and fee payment to the NIGC for the Santa Ysabel Resort and Casino on March 31, 2009, and the Tribe agrees that it submitted said quarterly statement and fee payment in an untimely fashion;

15. The Tribe agrees that, by law, it was required to file its FY 2007 annual audit report to the NIGC for the Santa Ysabel Resort and Casino on July 29, 2008, and the Tribe agrees that it submitted said audit report in an untimely fashion;

16. The Tribe agrees that its failure to file its FY 2007 audit report and to submit its March 31, 2009 quarterly statement and fee payment in a timely fashion are violations of NIGC regulations;

17. The Tribe agrees to pay a civil fine of twenty thousand dollars ($20,000) for the matters set forth in NOV 09-32, and those set forth in paragraph 7, above.

18. The first five thousand ($5,000) of the civil fine is due to the NIGC within thirty (30) calendar days of the effective date of this Agreement. The check must be made payable to the "U.S. Treasury."

19. The NIGC Chairman agrees to forgive fifteen thousand dollars ($15,000) of the civil fine in the following increments if the Tribe submits timely biannual fees and statements, and the 2009 fiscal year audit report, by the requisite deadlines below:

    A. $5,000 will be forgiven if a biannual statement and fee payment for the Santa Ysabel Resort and Casino is received by the NIGC by the regulatory due date of March 1, 2010;

    B. $5,000 will be forgiven if the 2009 fiscal year audit report for the Santa Ysabel Resort and Casino is received by the NIGC by the due date of July 29, 2010; and

    C. $5,000 will be forgiven if a biannual statement and fee payment for the Santa Ysabel Resort and Casino is received by the NIGC by the regulatory due date of August 1, 2010.

20. The Tribe agrees to place five thousand dollars ($5,000) in a training fund for the purposes of training its tribal gaming commission and gaming employees, and to comply with paragraphs 23 through 28 of this agreement to that end.

21. The Tribe agrees that if it fails to comply with this Agreement, a civil fine of thirty thousand dollars ($30,000) will become fully due and payable on the date of the breach, offset by any civil fine that the Tribe may have paid pursuant to this Agreement. In such a circumstance, the NIGC will issue a written notice to Tribe pursuant to NIGC debt collection regulations at 25 C.F.R. part 513. The Tribe further agrees that the NIGC and/or the U.S. Treasury may proceed against the Tribe to collect the debt of the thirty thousand dollar ($30,000) civil fine, less any amounts already paid, and may assess interest, penalties, and/or administrative costs from the date of the breach of this Agreement as provided in 25 C.F.R. § 513.5. In such circumstance, the Tribe agrees to waive any rights to an oral hearing under 25 C.F.R. § 513.6, but the NIGC shall provide the Tribe with a reasonable opportunity to submit written material to support a request to reconsider the determination that the Tribe is in breach of this Agreement or to challenge the method by which the NIGC calculated the debt.

22. The Tribe agrees upon execution of this Agreement to waive the right to further review of matters addressed in this Agreement, including all rights to appeal to the full Commission as set forth in 25 C.F.R. part 577, and judicial review pursuant to 25 U.S.C. § 2714.

USE OF TRAINING FUND

23. As set forth in paragraph 20 of this Agreement, the Tribe agrees to place five thousand dollars ($5,000) in a fund for training. The five thousand dollars ($5,000) must be paid to the fund in two installments, each for two thousand five hundred dollars ($2,500). The first installment is due August 15, 2009. The second installment is due September 15, 2009. The Tribe agrees to submit documentation to the NIGC within thirty (30) calendar days of each due date that it has fulfilled its payment obligations to the fund.

24. The Tribe agrees that the fund created through this Agreement will be restricted to use only for training regulators or employees of the Santa Ysabel Resort and Casino.

25. The Tribe agrees that it will develop a training plan to use all the monies in the fund and that it will submit the plan to NIGC by August 15, 2009.

26. The Tribe agrees to submit documentation for each dollar spent on training, up to five thousand dollars ($5,000) as set forth of paragraph 20 of this Agreement, to the NIGC within fourteen (14) days of incurring the expense, and that if it does not submit proper documentation to NIGC, it may not use monies from the training fund to pay the expense.

27. The Tribe agrees that all training paid for with monies from this fund must be completed no later than December 31, 2009.

28. The Tribe further agrees that it will properly spend and submit appropriate documentation to NIGC for all training fund dollars by January 15, 2010, as set forth in paragraphs 23-27 of this Agreement.

ADDITIONAL COVENANTS

29. This Agreement constitutes the entire agreement between the NIGC and the Tribe relating to the enforcement matter set forth at the beginning of this Agreement. Any modification or waiver of any term of this Agreement must be in writing and signed by both parties.

30. The Tribe agrees that the stipulated notices of violation shall be deemed a final order of the Commission, and final agency actions pursuant to 25 C.F.R. § 577.9(d).

31. The Tribe stipulates that this Agreement shall be deemed to be the subject of a final order of the NIGC under 25 C.F.R. § 575.4(c)(1), and a final agency action pursuant to 25 C.F.R. § 577.9(d).

32. The NIGC Chairman and the Tribe expressly agree and acknowledge that time is of the essence in this Agreement. The recitals herein shall be binding upon the parties, their agents, heirs, personal representatives, successors and assigns.

33. The parties agree that after the effective date, this Agreement shall be a public document and may be published or disclosed by either party.

34. This Agreement may be executed on one or more counterparts and each shall constitute an original. A signature produced by facsimile shall be deemed to be an original signature and shall be effective and binding for purpose of the Agreement.

IIPAY Nation of the Santa Ysabel Reservation

Johnny Hernandez, Chairman

Date: 7/23/09

National Indian Gaming Commission

Philip N. Hogen, Chairman

Date: 7/29/09