SETTLEMENT AGREEMENT

INTRODUCTION

This Settlement Agreement (Agreement) is entered into and effective this 16th day of March, 2006, by and between the Spokane Tribe of Indians (Tribe), a federally-recognized Indian tribe, and the National Indian Gaming Commission (NIGC), relating to the following matters:

1. PNOV E1-023-04, Failure to Provide an Annual Audit and Minimum Internal Control Standards (MICS) Compliance Report for each Gaming Operation;

2. PNOV E1-24-04, Failure to file Quarterly Statements with the NIGC and to pay annual NIGC fees;

3. PNOV E1-025-04, Failure to Perform Background Investigation for Key Employees;

4. Fire and Life Safety issues identified in letters to Tribal Chairman Abrahamson dated April 18, 2005, concerning the Tribe's Two Rivers Casino and April 19, 2005, concerning the Double Eagle Casino; and

5. NIGC delivered compliance audit reports to the Tribe in September 2004 in which exceptions to 25 C.F.R. Parts 514 and 542 were noted.

RECITALS

6. Whereas, the Tribe submitted annual financial reports and annual MICS Compliance Reports for a combined entity that included Class III gaming at the Double Eagle Casino, and all gaming at Lil' Chiefs Casino, and Kieffer's Store and Casino, but failed to submit separate annual financial audit reports and annual MICS Compliance Reports for multiple years for gaming operations located at the Double Eagle Casino, Lil' Chiefs Casino, and Kieffer's Store and Casino, in violation of 25 C.F.R. Sections 571.12 and 571.13;

7. Whereas, the Tribe submitted annual financial reports and annual MICS Compliance Reports for a combined entity that included Class III gaming at the Double Eagle Casino, and all gaming at Lil' Chiefs Casino, and Kieffer's Store and Casino, but failed to submit separate quarterly statements for fee assessment reports for multiple years for gaming operations located at the Double Eagle Casino, Lil' Chiefs Casino, and Kieffer's Store and Casino, in violation of 25 C.F.R. Sections 514.1(a), (b), and (c), 522.10(d), and 571.14;

8. Whereas, the Tribe included Class III gaming revenues in its calculation of NIGC fees, and the Tribe looked to the Double Eagle Casino, an individually-owned and allegedly grandfathered Class II operation to pay NIGC fees for Class II gaming revenues

directly to NIGC, such that the Tribe failed to include all gaming revenues in its calculation of NIGC fees for the Double Eagle Casino, in violation of 25 C.F.R. Section 514.1;

9. Whereas, the Tribe failed to perform background investigations and submit required reports for key employees on the "Spokane Indian Gaming Team" who perform drop and count procedures at gaming operations located at the Double Eagle Casino, Lil' Chiefs Casino, and Kieffer's Store and Casino, in violation of 25 C.F.R. Sections 556.4 and 556.5;

10. Whereas, the NIGC has documented deficiencies concerning Fire and Life Safety issues at the Two Rivers Casino (absence of fire suppression system, heat or smoke detectors, automatic alarm system, and procedures concerning handling of biohazards and other hazardous materials; failure to develop emergency evacuation procedures) and at the Double Eagle Casino (absence of a fire suppression system, heat or smoke detectors, or an automatic alarm system; failure to regularly service fire extinguishers, develop emergency evacuation procedures, develop a maximum occupancy rating based on Fire and Life Safety standards, develop procedures for the safe handling of biohazards, or formally train or certify food handlers), in violation of 25 U.S.C. Sections 2710(b)(2)(E), 2712, and 2713(a)(1);

11. Whereas, in April 2004, consistent with its authority under 25 C.F.R. Sections 571.5, 571.6, and 571.7, the NIGC performed comprehensive audits of the internal control systems at the Chewelah Casino, Chewelah, Washington; Double Eagle Casino, Chewelah, Washington; and Two Rivers Casino, Davenport, Washington, to measure compliance with 25 C.F.R. Parts 514 and 542;

12. Whereas, on September 8, 2004, the NIGC provided to the Tribe compliance audit reports identifying the areas of noncompliance with 25 C.F.R. Parts 514 and 542, and many of the audit exemptions were deemed to be material internal control weaknesses;

13. Whereas, on November 1, 2004, the Tribe submitted a plan of action which acknowledged and accepted the findings of the compliance audits and committed the Tribe to implement remedial controls to achieve compliance, while noting the Tribe's objection and asserting its position that NIGC lacks the legal authority to promulgate regulations regarding minimum internal controls for Class III gaming. The proposed remedial action plan covered a six month period, ending May 1, 2005. On December 8, 2004, at the request of the Tribe, the NIGC agreed to extend the remedial action plan period an additional 30 days to June 1, 2005;

14. Whereas, the IGRA authorizes the Chairman of the NIGC to issue civil fines for violations of the IGRA, NIGC regulations, or tribal regulations, ordinances, or resolutions approved by the Chairman under 25 U.S.C. Sections 2710(b)(2)(E), 2712, and 2713(a)(1) and mandates that a tribe must assure that the construction and maintenance of

the gaming facility, and the operation of that gaming, is conducted in a manner which adequately protects the environment and the public health and safety;

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

16. Whereas, under the regulations of the NIGC, 25 C.F.R. § 573.6(a)(12), the Chairman of the NIGC may issue an order of temporary closure in conjunction with an NOV for substantial violations of NIGC regulations, including the operation of a facility in a manner that threatens the environment or the public health and safety, in violation of a tribal ordinance or resolution approved by the Chairman;

17. Whereas, no NOV or order of temporary closure has been issued in this case and both the Tribe and the NIGC desire to resolve the issues set forth in the PNOVs; and

18. Whereas, the Chairman of the NIGC and the Tribe desire to resolve the regulatory concerns related above identified as issues of non-compliance;

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

TERMS OF SETTLEMENT

20. This Agreement is entered into pursuant to 25 C.F.R. Section 575.6 (b) and shall be effective upon the signature of all parties.

21. The Tribe agrees to submit audited financial statements and CPA reports on internal controls for each fiscal year no later than 120 days after the end of each fiscal year for each gaming operation.

22. The Tribe agrees to submit its quarterly statements showing assessable gross revenues and fees payable and to pay applicable NIGC fees for each gaming operation.

23. The NIGC acknowledges that the Tribe is now in compliance with the performance of background investigations and the submission of required reports, and the Tribe agrees to continue to perform background investigations and submit the required reports to the NIGC for all gaming employees whose duties meet the definition of a Key Employee or Primary Management Official as defined by 25 C.F.R. Sections 502.14 and 502.19, respectively, within 60 days of employment.

24. The Tribe acknowledges that the deficiencies concerning Fire and Life Safety issues documented by the NIGC at the Two Rivers Casino (absence of fire suppression system, heat or smoke detectors, automatic alarm system, and procedures concerning

handling of biohazards and other hazardous materials; failure to develop emergency evacuation procedures) and at the Double Eagle Casino (absence of a fire suppression system, heat or smoke detectors, or an automatic alarm system; failure to regularly service fire extinguishers, develop emergency evacuation procedures, develop a maximum occupancy rating based on Fire and Life Safety standards, develop procedures for the safe handling of biohazards, or formally train or certify food handlers) violate 25 U.S.C. Sections 2710(b)(2)(E), 2712, and 2713(a)(1).

25. The Tribe agrees to remedy each of the Environmental, Public Health and Safety (EPHS) concerns noted in the letter dated April 19, 2005, to Chairman Abrahamson regarding the Two Rivers Casino as follows. First, the Tribe shall develop and provide to the NIGC within fifteen (15) days after executing this Agreement, an interim plan of special measures to mitigate the EPHS concerns at the existing facility and shall implement such plan, as may be revised through consultation with the NIGC, within thirty (30) days after execution of this Agreement. Second, the Tribe shall remedy each concern in the April 19, 2005 letter by either making the needed improvements in the existing facility within one hundred eighty (180) days of the execution of this Agreement, or by notifying the NIGC within ninety (90) days of the execution of this Agreement that a replacement facility is to be constructed. If a replacement facility is to be constructed, the Tribe shall complete the replacement facility and permanently close the existing facility within eighteen (18) months from the execution of this Agreement. In such case, the Tribe agrees to construct and operate the replacement facility in a manner that reasonably protects the environment, public health and safety, including specific measures to address each of the EPHS concerns listed in the April 19, 2005 letter. The Tribe agrees that if the Fire and Life Safety concerns addressed in this letter are not remedied in a manner satisfactory to the NIGC by the agreed upon dates, the Tribe will close this facility until the safety concerns have been adequately addressed.

26. The NIGC acknowledges that by orders of the Spokane Tribal Gaming Commission, the Double Eagle Casino is closed and not anticipated to reopen. NIGC acknowledges that lawsuits and appeals of the Spokane Tribal Gaming Commission orders are pending in Spokane Tribal Court. The Tribe agrees that the Double Eagle shall not reopen until each of the Environmental, Public Health and Safety (EPHS) concerns noted in the letter dated April 18, 2005, to Chairman Abrahamson regarding the Double Eagle Casino is remedied. By separate signature to this Agreement, the Spokane Tribal Gaming Commission commits to withdraw the license of that facility if the concerns are not so remedied.

27. The Tribe hereby asserts and maintains that it has effectively implemented its remedial action plan submitted in response to the NIGC November 1, 2004, compliance audit reports, which identified items of noncompliance with 25 C.F.R. Parts 514 and 542. The Tribe expressly reserves the right to challenge the NIGC's statutory authority to promulgate regulations establishing minimum internal controls for Class III gaming and the NIGC's authority to take enforcement action on the grounds that such regulations have been violated.

28. The Chairman of the NIGC agrees upon execution of this Agreement to waive his right to impose a civil fine against the Tribe for matters addressed in this Agreement, unless the Tribe fails to comply with this Agreement. If the Tribe fails to comply with this Agreement, the Chairman reserves the right to initiate an enforcement action.

29. 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 in 25 C.F.R. Sections 577 *et seq.* and judicial review pursuant to 25 U.S.C. Section 2714, unless this right is specifically reserved elsewhere in this Agreement.

ADDITIONAL COVENANTS

30. This Agreement constitutes the entire agreement between the NIGC and the Tribe relating to the five (5) enforcement matters 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.

31. The NIGC 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.

32. A signature produced by facsimile shall be deemed to be an original signature and shall be effective and binding for purpose of the Agreement.

Spokane Tribe of Indians

Greg Abrahamson

Greg Abrahamson, Chairman

Date: 3-1-2006

National Indian Gaming Commission

Philip N. Hogen, Chairman

Date: 3/1/06

Spokane Tribal Gaming Commission

Bryan J. Flett

~~Ron Samuels, Executive Director~~

Bryan J. Flett

Chairman Gaming Commision

Date: 3-16-2006

SETTLEMENT AGREEMENT

AMENDMENT ONE

The certain Settlement Agreement (Settlement Agreement) entered into and effective the 16th day of March, 2006, by and between the Spokane Tribe of Indians (Tribe), a federally-recognized Indian tribe, and the National Indian Gaming Commission (NIGC), is hereby amended as follows:

A. Paragraph 25 of the Settlement Agreement is deleted and replaced with the following language:

> 25. The Tribe agrees to remedy each of the Environmental, Public Health and Safety (EPHS) concerns noted in the letter dated April 19, 2005, to Chairman Abrahamson regarding the Two Rivers Casino as follows. First, the Tribe shall cause to remain in place the interim plan of special measures to mitigate the EPHS concerns at the existing facility as acknowledged by the NIGC. Second, the Tribe shall remedy each concern in the April 19, 2005 letter by making the needed improvements in the existing facility on or before November 30, 2006. The Tribe shall provide NIGC with a brief written statement regarding progress on the improvements on a bi-weekly basis, with the first statement to be submitted on August 1, 2006. The Tribe agrees that if the Fire and Life Safety concerns addressed in this letter are not remedied in a manner satisfactory to the NIGC by the agreed upon dates, the Tribe will close this facility until the safety concerns have been adequately addressed.

B. All other aspects of the Settlement Agreement shall remain in effect and are binding on the parties.

C. A signature produced by facsimile shall be deemed to be an original signature and shall be effective and binding for purpose of this Amendment One to the Settlement Agreement.

Spokane Tribe of Indians:

Rick Sherwood, Chairman
Date: 7-21-06

National Indian Gaming Commission:

Philip N. Hogen, Chairman
Date: 7-20-2006

Spokane Tribal Gaming Commission:

Gladys Abrahamson, Vice Chairman
Date: 7/20/2006