

LCC/IEI Work Session
May 15-17, 2007
Coeur D'Alene, ID

Jim Peters, Chairman
Arnold Cooper, Vice Chairman
Vince Henry, Secretary
Russell Harper, Treasurer
Pete Kruger, Council Member
Will Penn, Council Member
Charlene Krise, Council Member

Ray Peters, Executive Director
Don Whitener, Deputy Director
Bobby Whitener, Island Enterprises
Bryan Johnson, IEI/Skookum Creek
Dave Johns, IEI/Salish Seafoods
Cameron Goodwin, LCC/CEO
Mark West, LCC
Terry Mehl, LCC
Kim Burrows, LCC/Hotel

Desi Smith, Tribal Gaming Director
Glen Parker, Tribal Gaming Commissioner
Kevin Lyon, Legal Counsel
Melissa Puhn, Recording Secretary

May 16, 2007

Discussed hosting the 2012 Canoe Journey; Jim will be attending the Canoe Family Potlatch on 5/30 to discuss planning. Cameron also will be attending anticipating the request for funding.

Review of LCC vision plan

Jim asked about the Wellness Center, which not included in the Vision Plan. The Wellness Center was discussed; open to patrons or community as well. Input from the community reflects that they would like it available to the community. Charlene suggested that everyone go check it out CDA's Wellness Center while here. CDA provided a center for the community with a minimal fee to tribal members and community members. Discussion regarding the pool at TLC and if the Wellness Center will be included with this pool. Discussed the problem of combining tribal/community center wellness center with patrons at the Casino. Pool size needs to be appropriate for the growing community. Wellness Center will be included back in to the Visioning Plan under the Health Section in Government.

The Spa needs to be included with the Casino Visioning; to complete the "full service" resort.

9:30 a.m. Casino

Cameron shared that at the General Body Meeting, he heard clearly the disappointment of taking out the arcades; does Council want to see the arcades included in the Vision Plan.

Payment plan/ schedule to the tribe

Cameron shared the current payment plan; handed out a chart of the cash flow from January. Outlining the amount owed to the Government, tribal taxes, and Korsmo. LCC is committed to paying \$2M to the tribe by September. Reviewed what is owed in tribal taxes, have not paid yet. Shared what is owed to Korsmo to finish the hotel; estimated about \$1.4M, which Korsmo is trying to manage down. LCC agreed to compensate Korsmo if they complete below budget. Shared the amount needed \$9.8M by September to pay off everybody. Went over available funds. First payment priority is payment to tribe (after payroll and food costs at LCC), second is small projects, third is gaming manufacturers who have been patient. Discussed the generators needed which is being addressed, the minimum needed in case of emergencies. Cameron stated that according to this payment plan provided, the Government will be receiving their \$6M by September.

Cameron briefed on the upcoming events & conferences; getting full for the summer. Christmas parties are already booked, with deposits upfront.

Budget Review

Cameron handed out a financial overview for March. Jim asked about incentives for signing up with the MVP Program; thus increasing the ability to track playing, showing what and when patrons are being drawn in; whether it's an event, special, conference, etc. Mark shared that they have given out TV's and are now looking at collector sets, tea, plates, crystal, etc.

Record revenues.

Kim discussed the idea of placing a logo bottle of water in each car that is valet parked, which would include a survey on services. Will be utilizing the customer service comment card in each room. Receive about 200+ a week in return.

Operating expenses; Cameron has worked on getting the operating expenses in line. Discussed the employer contribution on the 401K. What is the impact to the operating costs with that contribution; at what point does the Casino lessen that amount if in dire need. Cameron stated that implementing a 401K at the time that they did was the wrong time. 5% bonus going in to each employee 401K. Ray would like Cameron to track to make sure that this plan is doing what it is supposed to do; keeping employees. At what time does LCC possibly not contribute? Discussed benefits and costs.

Brief discussion on LCC hiring summer youth workers for housekeeping, hotel, food & beverage. As long as it is not on the gaming floor there would be no licensing issues.

This would come from LCC budget. Jim wants to make sure that if there is a willing student on the reservation, we would like to provide them an opportunity.

Ray brought up discussion on the workers compensation program. LCC is looking at improving the property in that standpoint. Ray would like to meet and discuss this with Cameron. Most claims are from the kitchen. Concern of the level of injury to the escalator. Most slip & fall claims are in the entrance going into the smoke free casino.

Cameron reported on the finances for April, by next Wednesday he will have a complete report for April.

Kim reported that the hotel occupancy; March was 73%, April is coming in a 75%, and May will be between 75-80%. Weekend wait list is pages long. Sold out last weekend during REO Speedwagon. This creates staffing issues and overtime issues. Pressure on food venues and room service.

Ray asked about payments to the tribe, TGA is included.

Will asked about the government rate versus tribal rate. Kim explained that the gov't rate is according to the GSA per diem. The GSA rate for this location is too low, discussion of what can be done about the rate. Kim has set up group rates based on the number of rooms. Working on summer/winter rates. Should they increase rates during event nights? Jim suggested that LCOB discuss the room rate.

Review master site plan

Cameron went over the master site plan. Looking across property to see what needs attention; brief discussion about a third wing to accommodate the high occupancy rate. New machines on the floor is a priority, but lack of space. Converting to slim line machines will create more space. Discussed existing areas and ways around to create new space. Discussed moving buffet to where the fine dining would have been and adding machines in the current buffet space. Discussion regarding the ways to increase machine counts. Ray would like to see a phase approach; a phase could be replacing the Class II machines with Class III. The problem with the slim line machines is the price of them. They are not ready to switch out the machines. Ballys has not made an offer yet. MultiMedia has made an offer to the upgrade of machines. IGT has put together proposals for machine counts as well. Right now MGAM has made the best offer, but will be asked to do better.

Discussed retail shops. Location and type of shops.

Discussion regarding location and number of machines.

Discussed parking. Parking garage. Rocking the remaining area.

Discussed area already available that can be renovated to gaming; bingo can accommodate up to 140 machines. That floor space is valuable. Discussed taking the

wall out between the main floor and the bingo floor to make it more open. Also, the 100 class II's upstairs can be renovated to class III's. Charlene would like to see a list/write up of how they can expand the gaming. Have gone so far as to take out Island Grille and replace with high end gaming. Discussed moving poker upstairs in Skookum Spirit Lounge (which is not a profit maker), and putting in more machines. Discussed areas to move bingo. But with more machines, more parking will be needed, in turn more employees, more hotel rooms, etc. Cameron will compile a list and provide to Council for their review.

Mark explained that they struggle with office and storage space. Will lose more office space when they expand soft count. Jim would like to see solutions to all of these problems discussed.

Discussed bingo and the losses involved. Part of the success of bingo is the employment of tribal members. Jim is concerned with the loss of bingo by not making revenue, and taking up valuable floor space for machines. Employing tribal members is only a part of the success. Ray stated that from a LCOB standpoint, there will be discussion regarding the point of staying ahead of competitors. Need to have a plan to stay a step ahead of competitors on machines. But would like to keep bingo somehow. Cameron provided an optimistic view of the potential win per unit with the additional machines in the bingo area. Council decided regardless of what it takes would like to keep bingo.

Discussed cash-in versus ticket-in machines, and the convenience to players.

MultiMedia has proposed to LCC that they will help finance the change, and based off the machines performance will make payments to them. Revenue share with them; 70/30, with LCC getting the larger portion. Discussed the different options and what the best option would be. Cameron stated that it would be about 3-6 months before LCC property would be ready for a switch. Cameron will present the options to Council regarding this switch and their options.

Discussed storage of tickets, paper products, garbage (smell, sight).

Discussion of how to expand the gaming floor.

Cameron mentioned the well that he has in place that is not in use, and he would like to use it for irrigation. He and Toby have been brainstorming ways to make it work. Also, if something happens with the MBR and the Casinos water is shut down, the Casino will need to shut down. But with this well, it could also serve as back up if that case happens. In the meantime use the well for irrigation. IHS is requiring Cameron to cap off the well as of now. It is approved for irrigation, and would like to do so. Cameron will check in to that option.

Island Enterprises, Inc.

Bobby handed out the annual operating plan.

IEI Board right now has a vacancy with Andys VP position.

Annual Operating Plan for 2007, went over the objectives. Discussed the open air market; fruit stand and is available for other vendors. Parking was moved and improved. KTP is training for future retail. KTP expansion for office space. Steamboat Island Store clean up. Discussed agreement with tribal member for the Steamboat Island Store.

Discussed the rest of the building, and if the tribe could lease the building and put a bar & grille with class II machines. Discussed purchasing that land, if a TM purchases that land it would remain in trust, but if the Tribe buys it, the land would not be in trust any more.

Bobby will bring the operating plan to Council in August for approval, just before the next fiscal year.

Skookum Creek Tobacco, he would like to create a separate operating plan for the factory.

Bobby handed out KTP financials and went over. Have fixed the controls to fix theft, which was a big problem in the past. Operating about \$500K/month when first opened, and have increased to \$1M+. Childcare is about \$600K/year to operate and still keeping up with Elders checks. KTP has grown and can maintain those expenses. Overall KTP has done as well as can be pushed. Sales are doing well; hear complaints of the store and gas pumps are too crowded. Will not have public restrooms outside again.

Bobby discussed the investigations that ATF have been performing on tribes. Bobby spoke with Billy Frank regarding protection of Franks Landing. Franks Landing was hit with ATF, and Council has offered protection but they denied.

Jim inquired about the rise of gas prices; drives more customers to KTP with the discount cards for customers, five cents for customers and ten cents for tribal members. 190K gallons/month sales. Upgraded pumps last year, somewhere between 225-250K gallons might cause a volume concern. Bryan mentioned the possibility of putting in a branded gas station across the highway.

Will asked about gas tax money, it is earmarked for programs already. The compact reads that the Tribe has to spend equivalent of the taxes on transportation.

Jim asked Bobby about a couple of KTP employees regarding misspelling on notes on the pumps, disciplinary notices, etc. A lot of misspelling. Also the handbook, employees don't know the proper disciplinary process. Jim wanted to mention to Bobby that maybe KTP employees get issued a handbook similar to the government. Bryan will bring HR to the factory once per month to go over a part of the handbook. Bryan will start doing that with KTP also. Every employee has access to the IEI HR. IEI utilizes the tribes personnel committee and grievance process. The other complaint was on disciplinary actions are not treated equally. But Jim stated to the individual that these processes are confidential, and the employees may not see the entire situation. Jim just

wanted to make sure that every employee is treated equally. Also scheduling is not consistent, and changes at last minute. Bryan stated that this person is probably on-call, and if they don't want to be on-call they can request it. Because most employees who are not on-call have a standard schedule, set two weeks in advance.

Overview of Bylaws

Review of 07 Annual Operating Plan

Salish Seafoods

Dave Johns briefed on the beaches and labor. Discussed the oyster shots at the seafood bar with Tony the F & B Manager, and have been in discussion with him regarding oysters, etc. He has been asked about smoking salmon; he would like to do that with the cohos, smoked and packaged nicely. Lots of ideas, but everything costs money. Hoping to develop a beach that would yield 15K pounds a year.

Ray went over the new TANF Program, which helps create jobs for tribal members. What if there was a great need on the Island to get rid of predation, why not create jobs to do that type of stuff.

Bobby went over the Salish Seafoods cash flow statements for the month ending April 30th. Costs of goods are high because of the resale of oysters.

Every beach has oyster seed.

Discussed ways to contract tribal members to purchase salmon for resale.

Discussed security on the Island. Ray asked Council if they would like to have a certified trained law enforcement officer, or a security person who is on-call for those situations. Ray will look in to this as a TANF program. Jim spoke with Mike Evans regarding ideas for Island security. Ray spoke with Mike regarding lack of coverage. Extensive discussion regarding Law Enforcement.

KTP/Steamboat/New

Arcadia property proposal, brought up at General Body the idea of developing Arcadia Point. Extend the parking, locked boat parking, store selling cigarettes and gas, etc. Estimate of 105 boat storage capacity. Bobby didn't hear any negative comment. Will continue the feasibility study and keep Council updated.

Petrosol is a company that is locating on Johns Prairie that is an offloading facility for propane. They are proposing that they come in and build a spur and lease it to the tribe for the ability to offload propane on to trucks, then train and hire tribal members. About a \$200K project with a 20 year lease.

Sun-Flex is a maker of titanium frames for glasses. He approached a while back about building frames on reservation and selling to Costco. Came back with a different idea

with building the frames elsewhere, and doing the glass and nose pieces on the tribe. The manufacturing equipment would be around \$150K, with a 50% profit to the tribe.

Island Search and Consulting, still progressing well. This is a contract that will find executives, have done casino searches before. Primarily government. He would like to work for the government solely. Could be a business that would do well for the tribe. Low cost start up.

IEI construction, just work on own projects. Just recently was going to bid on the police station renovation, but Richard Gouin was going to bid so IEI didn't want to bid against a tribal member. But, Richard wanted to work with IEI, so they are partnering with that renovation project.

Just signed a contract with Chuck Bloomfield to do 72 hours of work at the Casino. IEI will always try to utilize tribal construction whenever possible.

Jim asked about tribal contractors doing work on tribal houses. Both on and off reservation. Bobby stated that he has hired tribal members to do work on his house.

Will Penn would like to re-approach the building & occupancy tax. Such as a building permit fee, that could go towards education/elders. "Privilege of doing business tax." This has been part of discussion, but no action has been taken.

Jim would like to look at this a little further; taro tax. This will be brought back at a later time.

Ray asked Bobby what his plan is for the construction company, as far as projects increase, will labor increase. Bobby would like to stay small for now; he has one person right now and would like to keep it that way. Don't want any risks right now.

The May 16th meeting adjourned at 4:45.

May 17, 2007

Jim Peters, Arnold Cooper, Pete Kruger, Don Whitener, Charlene Krise, Russell Harper, Bryan Johnson, Mark West, Terry Mehl, Cameron Goodwin, Vince Henry, Desi Smith, Dave Johns, Glen Parker, Kevin Lyon, Will Penn

Casino-Operations

Terry Mehl presented a proposal from MultiMedia for refurbishing machines. Went over options and costs associated with.

Terry handed out an outline showing all of the options, including the unknown costs the unit costs with refurbishing machines and new machines, and the different vendors; IGT, Bally's and MultiMedia.

Discussion on changing out class II games with class III games; but discussed the success on certain class II machines. Discussed replacing old machines in order to keep the floor updated.

They are leaning towards either Option 2 or Option 4 with a profit share (see handout).

Looking at traveling to Austin to meet with MultiMedia to discuss their games; fly down 5/29, meet with them the 30th, and fly home the 31st. Terry and Cameron will be attending.

Terry provided an AutoCAD drawing of the floor, and went over different scenarios on how to modify and expand the gaming floor. Shared their brainstorming of how to expand the main gaming floor, bring back the Creekside Café, expand the buffet, etc. Discussed ways to get the most floor space with the least amount of impact and money.

Cameron discussed conferences and events that they are bringing in to fill the hotel/events center.

LCOB Bylaws

Kevin handed out the LCOB bylaws for review. Kevin has taken the delegation of authority chart and created a bylaw outlining the chart for the LCOB. Now is an opportunity for Council, TGA and LCOB to review. Provided Desi a couple of pages describing the gaming ordinance of what LCOB would do and what TGA would do. Also included the commissions and committees policy. Commissions have some authority granted by Council, committees are advisory only. LCOB is a commission. The bylaws that will be reviewed today will outline what authority the LCOB has. Ray made a suggestion that at the next LCOB meeting, if the board can review these bylaws and have Cameron review by the next LCOB meeting. This gives clarity to the roles and responsibility of LCOB. Desi suggested that on the chart, he would like to make a change to the choice of an external auditor. Council agreed to take Desi's recommendation and make that change in the bylaws. Kevin will make that change. Kevin then went over the membership of LCOB; seven voting members and four ex-

officio members; Council Chair, additional Council member, IEI CEO, and Exec Director, and three community members; Legal counsel, TGA Director and LCC CEO are all ex-officio. The other possibility of membership could be a member of the commission. The membership is not well defined so Council can review that. There are two vacant community member positions open. Council would like to send out a notice to the community regarding this opening. LCOB will be regularly reporting to Council at the first meeting of the month, and minutes will be provided to Council on the first Thursday of the month. The bylaws will be reviewed and approved at the next LCOB Meeting.

Discussion regarding the requirement that any expense exceeding \$10K must be reviewed and approved by LCOB. This is in place because of past contracts that have been made. Council had concern of the waiting period of some expenses that come up suddenly, Charlene wanted to make sure that Council and LCOB are not cinching the Casino to a point where they cannot flourish. Jim explained that proper planning should be done, also will be forcing open communication. Micro managing could be a deterrent, but at times it is needed. Operating costs at times exceed \$10K, but Cameron will always communicate these expenses with LCOB.

Next LCOB Meeting is rescheduled to June 6th, 10am in council chambers.

Discussion of negotiation team to attend Austin, TX the end of the month. Cameron will plan and be ready by next week on who will be attending. Jim and Charlene will be attending. Arnold will go, Pete, Russell and Vince will check their schedule. Terry will schedule from the 29th through June 1st.

Tobacco Operations

Skookum Creek Tobacco Factory, Bryan updated on the process of moving machines in. The facility is designed to operate at 250 boxes/month. In process of obtaining one final piece of equipment which will complete the factory. Sales in WA have been soft. New equipment phase, technicians will be on site from Italy, where the machines came from.

GA Andron is a distribution company licensed in all of US, the factory must license all states that are sold in. The advantage with GA Andron is that they are licensed in all states. By purchasing GA Andron, IEI will have an office in CA.

Two recent hires; Arnold as a machine tech, Stephen Dorland as a general laborer; which makes it 100% tribal employees.

Jim and Will both had the opportunity while at Self-Gov to tour the office in CA. Council will be receiving a presentation from (Oliver) GA Andron. Invited Council to tour office once it is running. Starting next year, the projection is to have the equipment paid off in five years. When GA Andron comes up to make their presentation, they should share their projection of the business as well. Break even is 65K cartons/month.

Cameron asked about the \$6M from the Casino to the Tribe, with some going to IEI. IEI receives a portion of that (which is capped at \$1.5M) for start-up costs.

Kevin Lyon briefed on the Island Enterprises Revenue allocation plan. This plan was approved by resolution #05-25.

Council went in to Executive Session discussing the petition re: resolution #06-31.

Casino- Resort completion

Golf Course: discussion regarding a partnership with an outside company that will come in and build and manage the course.

Retail & fine dining: There is area onsite that is designated as fine dining. Small surrounding areas are available for retail such as art, liquor, etc. Spots could be available to lease out to vendors. The presentation (smoked salmon sticks) for fine dining would be too expensive to do. Discussed the option of bringing in a franchise to run the steak restaurant.

Spa: Possibly another building. Another option of bringing in an outside franchise to run.

Discussed the espresso stand and changing the vendor from Dancing Goats.

Discussion of the old gift shop location is vacant, should it be filled with arcade games. Liability issues. Cameron will look in to this further; maybe get arcade games up at TLC.

Glen Parker wanted to update on the Veterans Memorial. The design is complete, still working on small details. \$534K approx. estimate. Have received a commitment of about \$174K in-kind. Need to find approx \$360K in which Planning is looking for. Glen read through a list of potential vendors/donors, and who will contact. The next Wednesday meeting this will be discussed with Brian regarding these commitments. Cameron offered the Veterans to run a concession at an event, and everything above profits can go towards to the veterans, if they work the stands. Possibly do a donation box. This can be discussed at LCOB. But the concession stand would work well.

Beginning Monday is ATNI at the Casino.

In summary of the Vision Plan, Ray, Cameron and Bobby will get together to review the minutes and prepare for Council to be sure that everything was captured accurately.

Bobby will be included with the Wednesday meetings, to share his budget.

The May 17th meeting adjourned at 3:45 p.m.