

SQUAXIN ISLAND TRIBAL
COUNCIL WORK SESSION
November 4, 2013

Attendance:

Tribal Council	Dave Lopeman	Chairman
	Arnold Cooper	Vice Chairman (<i>absent</i>)
	Andy Whitener	Treasurer
	Pete Kruger, Sr.	Secretary
	Ray Peters	1 st Council Member
	Jim Peters	2 nd Council Member
	Vince Henry, Sr.	3 rd Council Member
Little Creek Casino	Michael Starr	
	Mark West	
Island Enterprises	Kelly Croman	
	Cameron Goodwin	
	Richard Sweeney	
	Dave Johns	
Legal Counsel	Kevin Lyon	
	Nate Schriener	
Tribal Administrator	Don Whitener	
Operations Director	Kathy Block	
Recording Secretary	Melissa Puhn	

Pete Kruger offered the opening prayer. Dave Lopeman called the meeting to order at 9:20 a.m. Dave shared that he would like to spend the next couple of days discussing the 5-10 year plans for the Tribal Enterprises.

Michael Starr and Mark West started. Michael shared the expansion plan. The Phase 1A will be ready and open December 18th, which will include the addition of 118 machines. They will then look in to Phase 1B which will include a new buffet. Currently, Korsmo Construction is working 24/7 on Phase 1A.

Expansion ideas include theater and a bowling alley. Second level casino. Food court. Attached event center. Discussed turning the current Event Center in to a Bingo Hall.

The current 5-10 year plan of the LCC is to add amenities.

Ray asked about parking. Michael is looking at the space across the highway and running a shuttle, discussed airport transportation, limos and town cars.

Michael will put together the phases (I-III) with timelines, models and cost.

Dave asked about the likelihood of increased per capita payments. Michael stated that he constantly looks at that; LCC is currently trying to get the payments due to the Tribe caught up. Once that happens, then he can look at per capita increases. Until then, increasing per capitass while LCC is in debt to the Tribe will not do any good.

Discussed paying back debts and credit lines. There will be increased revenues over the next 3-5 years. The demand is increasing. Discussed payments to the Tribe.

Ray would like to get all the information from Michael, then Council can discuss the allocation plan. Michael can provide figures, as can Kelly. Then Council can brainstorm allocation. Dave knows it will come up more; he's been asked by tribal members since the LCC is expanding. They also see the NR building and more property purchases, they assume it's all the same money; which it's not. Tribal Members really want to see more going to them. Ray added that this and previous councils have been able to balance increased revenues with increased per caps.

Don Whitener shared that he appreciates how conservative Council has been. The tribal members will want these debts paid off, but also want more money for their pocket. Everyone already receives \$4500/year, but finding that balance is important. Andy added that the .25 discount for gas and the childcare facility is sort of a per capita check really. That also is a huge benefit, and tribal members don't take in account those types of benefits that is not "cash in their hands" but it is a huge savings for a lot of people.

Dave knows that the bills need to be paid, but he doesn't want to leave tribal members in the dark either. He would like to be more open with what the tribe is doing. Tribal members see what other tribes give their tribal members, and if LCC is doing so much better than other casinos; what is SIT doing wrong, what other tribes are doing right and are able to provide their members a higher per capita. He would like to compare to what other tribes do. Dave would like to raise per capitass at least \$500/year.

Cameron suggested to show a list of what benefits is provided; medical, childcare, gas discounts, etc. Ray brought up the Seven Inlets Foundation that will provide education for tribal members in the very near future. He knows it's hard sometimes to communicate to tribal members; but it's important to let tribal members know that there is more to what is given, than the four times/year payment. Cameron added that tribal employment alone is a huge benefit. Dave shared that there still is a lot of tribal members without jobs. If we're going to spend \$20M on improvements, what's another half million to spend on tribal members per capitass?

Vince added that part of the reason he wanted to get back on Council is to make sure the tribal debt gets paid and allowing per capitass to raise. But, Vince shared that even though other tribes are giving out \$17-20k/year in per caps, they're only hurting themselves. What do tribal members do with that much money and how does that really help them? Andy added that if another half million gets paid out, the Casino will need to pay the tribe twice that in order to follow the Revenue Allocation Plan.

Mark suggested to allow LCC to finish out their plan, then make plans for the increased revenues. Jim supports Daves request and would like to discuss this again. Michael stated that this money belongs to the tribe. He would gladly get it to the tribe quicker, there is no issue with that.

The conservative approach is a great approach. Council wanted to get this first phase done; nothing needs to be fast tracked. In future years, once one adjustment is made the business will need to grow in order to grow distributions. Need to make sure to always look at how to grow the revenues in order to grow per capita payments. Andy added that the LCC has done a good job in catching up payments to the tribe these recent months. Michael stated that they need to get current on payments to the tribe, then work on increasing distribution to the tribe. Michael is absolutely fine with a conservative approach on expansion.

Ray added that the current Revenue Allocation Plan is solid. LCC has a good strategy on increasing revenue.

Pete stated that he agrees with the Chairman: spread out the expansion a little more and increase per capita payments. Dave just wanted to bring it up and share his stance. Ray would like council to meet and discuss this later on. He believes that Council unanimously supports increasing the per capita payments. Jim doesn't want to lose the idea that Cameron brought up, showing all the benefits: gas discount, healthcare, per caps, child care, housing, etc. That's just good education to tribal members. Ray suggested IEI put something together, since most of that comes from IEI. Kelly can get that information. Kathy added that Swinomish doesn't give per caps, but they have a lot of programs give back to the community.

If information this is educated to the community enough, it may have some positive impact.

Kelly Croman shared that they have prepared three pieces. One is a quick overview on Indian Tax Law, refresh memories of what you can and cannot do. Then review on where IEI is today financially, where they're headed short term. Then have SCT presentation on where it is today and where it's headed.

Kelly shared a PowerPoint on Indian Tax Basics.

Kelly shared an Overview on IEI and its businesses including distributions and businesses.

Cameron handed out a presentation on the plan for Skookum Creek. First, he discussed the growth and decline of sales and distribution. Cameron explained the SCT distribution and the idea of having the delivery trucks full, whatever it is. They are focusing on quality of tobacco products, by improving product and machines. Changed some of the tasks on the floor and writing standard operating procedures. The pride in his workers have improved dramatically. The staff have taken a lot of ownership in the factory and proud of their product. Ray commended Cameron for his management of the SCT staff. Vince recommended doing a walk-through of the Factory. It's interesting to see it all work.

The SCT management group works together towards the same goal and has a say as to what the goal is.

Trending; smokers have dropped, taxes have increased. Washington State is doing everything it can to decrease smoking. What else is there? Cameron shared how his sales people have been out at the convenient stores informing potential customers.

Discussed net income year after year; which saw a small *increase* in this year. Slight, but still increasing. Surprisingly, the competitor's sales have dropped significantly while SCT has increased slightly. Right marketing message.

Product, marketing and sales plan. Cameron shared his marketing challenges with the larger companies. Discussed marketing strategies and sales.

November 5, 2013

Pete offered the prayer. Dave asked that Dave Johns start. He would like to then brainstorm different and potential business ideas this afternoon.

Dave Johns wanted to share the rundown of the Salish numbers. He also wanted to thank Council and Andy for adding the budget line item for IEI & Salish, from the Shellfish Settlement money, to be used for geoduck enhancement. Last year the Board allocated money for enhancement, and this year it will be repeated. The seed that was planted last year, he brought in a sample of what it looks like now. They have an 87% expectation rate, which is incredible.

He wanted to talk about the farm plan for Salish. They have two plans; shucked meats, and Oysters. They have so much predation and limited space for shucked meats. He shared the locations that have the best production and predation control.

Dave shared the plan of maximizing their farming, reducing their footprint and predation control. They will move their focus on to single oysters (maintain the shucked meat) but focus more in singles.

They will start singles in bags, for the areas that have predator issues. They will spread seed in locations that don't have predator issues. Dave explained how they will handle the bag grown oysters to make them appear to be "beach grown."

Jim asked about working with the summer youth workers to get the kids out on the beach and learning the processes. Nothing that impacts Salish since they're being paid out of the tribe's employment programs; but more for educational purposes. Dave shared that they have done this before. Growing the shellfish on bays off Squaxin Island is unique since the Island has no septic systems, no homes, and no upland pollution of any kind. It truly is a gem that is unique.

Dave shared a plate of geoduck that are 14 months old. Also was various sizes of oyster seed and he explained how the oyster seed system works. Expect 70% survival with oyster seed; they move it to the grow bags and lose 10%. In the grow bags, they have 90% survival.

Dave brought in a geoduck tube, and explained how that works to protect the geoducks.

Dave is hoping to spend a lot more time with the fish and shellfish committees and share with them what they're doing and give tours to anyone who is interested.

Richard Sweeney asked if anyone has any questions about financials. The board allocated funds for the nursery. They bought oyster seed that will double to triple the production.

They're keeping track and so far the numbers that were forecasted have been right on. With the funds that have been set aside, they can plant about 2.5 more acres. Currently Salish has 2.5 acres planted. They plant about 125k geoducks/acre. They hope to get 50% survival.

Don asked about the capacity of Salish, if they can handle the expansion of product. Dave said yes, for the most part they can handle it. Their options are, if they cannot is to contract out geoduck. They can harvest everything and ship it out to a company in Kent, WA. Their initial plan though, is to market every animal they harvest. The return is there, with lots of options to market and harvest.

As soon as geoducks are harvest, they can turn right around and replant. The flatter the beach, the better. Quick rotation of crops.

Discussed security. Salish is out on every tide, IEI security is out often. It would be difficult to harvest geoduck with nobody noticing.

Council thanked Dave for doing a good job.

Cameron asked about private beach owners and who do they approach about growing. NR handles that. Andy said they currently are working with someone on Harstine Island. The tribe gets half of what private beaches produce.

Dave Johns stated that there are natural geoduck on the Island. He would like to look in to harvesting on the Island. His concern is funds for next year, he would like to harvest the natural geoduck on the Island to produce funds for next year. Ray brought up the idea of a rotating 5 acre crop. Council was supportive of Salish surveying and possibly harvesting the wild geoducks on the Island. Jim would like to make sure it's managed right, so the tribal diggers are not impacted. Dave Johns will do a survey of what's out there.

Kelly provided the KTP phases of expansion. Phase I is the truck stop across Hwy 108. Phase II is a new KTP, which is a much more expensive project. Fast food. Private mailboxes. On the retail side she's spoken about jewelry manufacturing; there is a large market on the wholesale side, but also a small showroom. Toyed with the concept of making the BDC a retail showroom space. High end cigar and tobacco shop. The phases would require reshaping of the Clary property, creating a terrace.

Jim asked about the current treatment system capacity and if it can handle this development. Kelly stated that should not be a concern until the carwash is discussed. The initial phases do not have a lot of water use; mostly just a customer restroom. Ray reminded that Kevin Dragon reviewed the facility and the new skids were installed. There still are a couple of issues to take care of, but the capacity was increased. Mark reminded that they are looking at another tower in the next five years. But, the development that Kelly is looking at, there won't be much impact on the system. Even the carwash will use filtered recycled water. Mark stated that the Golf Advisory has been looking at water use, and they will need to do the water analysis of water use. Water treatment and use was discussed.

Kathy asked about the Visitor Center and if that is part of the transit hub. Kelly stated that the transit hub is part of the deed, but unsure if the visitor center is part of it. How important is it to keep the visitor center open? They get a lot of visitors there in the summer and the employee who works there does a good job of reaching out to the community. If it's not part of the transit hub, then Council needs to decide what to do with it.

Michael asked about the truck diesel pumps; would it be branded or unbranded fuel. Kelly stated that they would stay unbranded for diesel. Kelly said they are mostly catching the short haul truckers, and they prefer the unbranded diesel.

Kathy went back to the Visitor Center; she thinks it would make sense to move the visitor center and keep it near KTP. It won't take a lot of space, but she thinks it would make sense to keep it near KTP, since that is probably most of the visitors are KTP customers.

Kelly reiterated that this plan is strictly IEP's idea. If the Casino or Tribe would like to go a completely different route with it, that's what these discussions are for.

Discussed using the Marshall Property as the bus stop. Or move it to the gravel parking lots. Kathy suggested having Rich and Pam talk with Mason County Transit and what they would entertain for the bus stop. There is a lot of traffic in that area and not really ideal for the transit busses. Don went back to the Marshall property, if the transportation hub was there, it would still leave the Clary Property to be completely available for development. Kelly will look at that.

Ray asked about the cost for infrastructure of a motel, he asked Michael about having a motel across the street on the Clary property. Either have another company build and run it, or an additional hotel that is tribal owned, family friendly. Maybe increasing our capacity for large events. Michael feels that if the LCC builds another hotel, it would be the best interest to attach it to the casino. But if Hilton or someone wants to come in and build an additional hotel and operate it, they would pay a lease to the Tribe. Ray asked if that is something worth exploring. Michael feels it could be a benefit to LCC, if it's a brand that has a rewards points system like Holiday Inn, Hilton, Marriott, etc. It would benefit the casino floor since the casino wouldn't have anything invested. The only disadvantage would be customers using their points or a restaurant that might cause competition.

Jim brought up if the property grew to a point; he would prefer to build a third tower before that came up.

Vince likes the plan Kelly presented. Stick to adding the hotel to the casino itself.

Dave asked how long to finish the first phase. Kelly said they would be ready to break ground early spring; 4-5 months to completion. All of the phases would be built for future phases so nothing would have to be torn out, to accommodate the next phase. Once this direction is approved, Kelly will get the engineers and architects into explain to Council on what their plan is. All the utility stuff, roads, infrastructure would all be built to accommodate expansion.

IEI will not sign a contract for a next set of drawings, until this plan is approved. Just let her know. Dave knows that the tribe needs to grow somewhere. He likes the first phase of a truck stop. He asked for Kelly to draw this up for approval. Ray likes this also, since it has a fast return on investment. Council approved moving forward on the first phase. Kelly will have something drawn

up including storm water and utilities. Once she gets a timeline, she will bring it back to Council. Dave would like to see a couple of options of paving all of the roads during phase I to accommodate the additional expansions. Kathy would like the engineers to meet with Kevin Harper and Kevin Dragon on the water usage. Kelly attends the capital projects meetings, she has been talking with Rich Wells and Kevin quite a bit about this expansion. She will check in with them.

Kelly reiterated that she will bring back the phase I plan to Council for final consideration.

Dave shared that he now wants to brainstorm different business ideas.

Andy brought up Sauk-Seattle misunderstanding.

Discussed having a council to council meeting with Sauk- Seattle. The question is; does Nate try and get another year, or something else? Jim suggested a Council to Council meeting, then bring in the lawyers and tell them what to write up.

Council to Council meeting; Andy will send them an email requesting a meeting.

Dave brought up marijuana as a potential new business. Kelly has looked in to the regulations of that. It would have to be on fee lands. The amount of security and tracking that is required at the growing, processing and retail (you can be two of those three things, not all); at the grower and processor levels, there is a 25% tax on each level. There would be no tax advantage and cannot do this on trust land.

Kelly looked in to this and explained the process. The level of security and tracking is similar to the detail that is at the Casino. Each plant needs to be tracked. Camera spacing, and coverage; large investment up front. The biggest risk is the amount of money up front. The demand for this product is unknown as of now. It's a high risk, with a potential lower return. Kelly and Nate are discussing with Suquamish different ideas. Nate has talked with the State about land opportunities. Kelly would like to wait and see where the market goes first. Until this can be done on trust land, there is not much of a tax incentive.

Dave feels confident that this is an opportunity that the tribe can do well from.

Kelly brought up liquor again. She has worked with an attorney who helped another tribe obtain a distillery on trust land. The tax advantage that was once there is now gone. But, if the tribe manufactures it, and it never leaves the tribal lands, is that taxable? Such as manufacturing it for the Casino. That should be a huge tax advantage for the Tribe. Would have to get a tax ruling, but that shouldn't be too difficult.