

APPENDIX G

**ECONOMIC BACKGROUND STUDY
AND COMPETITIVE EFFECTS ANALYSIS**

Background Study and Competitive Effect Analysis: West Plains Mixed Use Development

Airway Heights, Washington

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SPOKANE TRIBE ECONOMIC TRENDS

According to Tribal records¹, the unemployment rate on the Spokane Reservation rose in 2009 to 47%, up from 34% in 2008. Employment declined by 13.6% or 69 workers. In addition, 45.3% of the employed have such low earnings that they fall beneath the federal poverty level. Falling revenues and income at Two Rivers Casino (discussed in the next chapter) have forced its closure during the off-season, and the collapse of the timber market has decimated the tribe's other leading economic engine.

Spokane Tribe Demographic Estimates	
	Total
Tribal Enrollment	
Total	2,705
Under Age 3	95
Age 3 through 5	130
Age 6 through 17	455
Age 18 through 64	1,725
Age 65 and over	300
Tribal Population Living on Reservation	
Total	969
Unemployment Rate ¹	47%
Employed but below the poverty line ¹	198
Employed but below the poverty line (percentage) ¹	45.3%
Tribal Population Living within 40 Miles of Project Site	
Total	1,954
Age 18 through 64	1,214

Source: Raymond, 2011; ¹Bureau of Indian Affairs, "Labor Survey Information on the Indian Labor Force, Survey for Calendar Year 2009 (and 2008)," submitted by the Spokane Tribe of Indians (BIA, 2010).

The Spokane Reservation is coterminous with two Census Block Groups (9510001 and 9510002) in Stevens County (53065). The U.S. Bureau of Labor Statistics (BLS) gathers labor statistics only at the county or major metropolitan area level. The most recent employment data available at the block group level is from the 2000 Census. The tribal records do not appear to be directly comparable to how the BLS derives unemployment rates. Specifically, there appears to be no allowance for adults not in the labor force.

According to 2000 Census data, 42.5% of the Spokane Reservation population 16 and over was not in the labor force, and the unemployment rate on the Spokane Reservation

¹ Bureau of Indian Affairs, "Labor Survey Information on the Indian Labor Force, Survey for Calendar Year 2009 (and 2008)," submitted by the Spokane Tribe of Indians.

was 11.4%, compared to just 5.6% in Stevens County as a whole and 4.0% in Washington.

Population Age 16 and Over by Employment

	Spokane Reservation	Stevens County, WA	Lincoln County, WA	Spokane County, WA	Washington
In Armed Forces	0.2%	0.1%	0.3%	0.9%	1.0%
Civilian - Employed	45.9%	51.8%	51.7%	59.5%	61.6%
Civilian - Unemployed	11.4%	5.6%	3.5%	4.9%	4.0%
Not in Labor Force	42.5%	42.5%	44.5%	34.7%	33.4%

Source: Nielsen Claritas/IEPress.

The official unemployment rate for Stevens County was 12.5% in 2009, up from 7.7% in 2008.

Unemployment Rate Stevens County (%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2000	8.6	9.5	9.7	7.7	6.4	6.4	6.7	6.2	5.2	5.7	7.1	7.7	7.2
2001	9.6	10.3	11.3	10.2	8	7.9	7.6	7.7	6.9	8.9	9.9	11.1	9.1
2002	12.7	12.6	13.3	12.1	9.3	9.4	9.5	8.7	7.3	7.3	8.6	9.3	10
2003	11.3	11.7	11.4	11.2	9.2	9.6	9.3	8.9	7.7	7.4	8.8	9.1	9.6
2004	10.8	10.9	10.8	8.6	7.2	7.6	7.3	7	6.1	6.4	7.3	8.3	8.2
2005	9.7	10.4	9.6	8.2	6.9	7	6.7	6.7	6	6	6.9	7.4	7.6
2006	8.7	8.7	8.3	7.4	6.4	6.3	6.4	6.3	5.4	5.1	6.7	7.8	7
2007	9.8	9.3	8.7	7.3	6.1	6.1	6.1	5.8	5.4	5.5	6.4	7.4	7
2008	8.3	8.4	9.1	8	6.9	6.7	6.7	6.7	6.3	6.8	8.2	9.9	7.7
2009	13.1	14.2	15.1	13.5	12.3	12.3	11.7	11.4	10.6	10.5	11.5	13	12.5
2010	14.5	15.5	14.6	12.3	11.5	11	10.8(P)						

Source: Bureau of Labor Statistics; P-preliminary.

While an official rate directly comparable to BLS unemployment statistics may not be available, it is clear from the data that the Tribe has very high levels of unemployment and poverty, far exceeding those experienced elsewhere in the region.

Nearly one-quarter of families on the Spokane Reservation were living in poverty in 2000, compared to 11.7% in Stevens County and 7.6% in Washington. The highest rate exists in female-led families, with nearly 4 out of 10 female-led families falling under the poverty line.

Families in Poverty 2000

	Spokane Reservation	Stevens County, WA	Lincoln County, WA	Spokane County, WA	Washington
Total	24.5%	11.7%	8.6%	8.1%	7.6%
Married-Couple Family	14.9%	6.5%	5.6%	3.0%	3.1%
Male Householder	28.2%	1.2%	0.5%	0.9%	0.9%
Female Householder	39.1%	4.0%	2.6%	4.2%	3.6%

Source: Nielsen Claritas/Express²

This contrast between the Spokane Reservation and neighboring areas continued in 2009, with median household income well below the state average and nearly one in five households earning under \$15,000, compared with only one in ten at the state level.

Household Income 2009

	Spokane Reservation	Stevens County, WA	Lincoln County, WA	Spokane County, WA	Washington
Less than \$15,000	19.4%	15.0%	12.7%	13.0%	9.9%
\$15,000 to \$24,999	12.8%	13.4%	12.1%	11.8%	9.0%
\$25,000 to \$34,999	12.1%	12.0%	13.8%	12.2%	10.0%
\$35,000 to \$49,999	19.8%	16.2%	19.1%	16.6%	15.0%
\$50,000 to \$74,999	17.6%	22.2%	21.5%	20.4%	20.9%
\$75,000 to \$99,999	9.4%	10.7%	10.0%	11.5%	14.0%
\$100,000 to \$149,999	6.3%	7.7%	7.8%	9.8%	13.7%
\$150,000 to \$249,999	2.7%	2.1%	2.5%	3.4%	5.4%
\$250,000 to \$499,999	0.0%	0.6%	0.5%	0.9%	1.5%
\$500,000 or more	0.0%	0.2%	0.1%	0.3%	0.6%
Average Household Income	\$47,333	\$53,442	\$54,497	\$60,238	\$72,752
Median Household Income	\$39,396	\$43,877	\$44,011	\$46,754	\$57,241
Per Capita Income	\$15,608	\$20,495	\$22,432	\$24,082	\$28,408

Source: Nielsen Claritas/Express.

The need for advancements in education is also readily apparent. Only 15% of the population (age 25+) on the Spokane Reservation has a college degree (2009), compared to 24% in Stevens County and 36% in Spokane as well as statewide. The Reservation has double the rate of high school dropouts as Stevens County, and 2.5 times that of Spokane.

² Nielsen Claritas is a vendor of demographic information located in the United States. Nielsen Claritas provides census demographic and psychographic data on a variety of geographic levels of detail ranging from census block groups and counties to postal zip codes. Their information is updated every six months and includes a current year estimate and a five-year forecast for the future.

Age 25+ by Educational Attainment 2009

	Spokane Reservation	Stevens County, WA	Lincoln County, WA	Spokane County, WA	Washington
Less than 9th grade	3%	3%	3%	3%	4%
Some High School, no diploma	22%	11%	10%	8%	9%
High School Graduate (or GED)	37%	35%	31%	27%	25%
Some College, no degree	22%	26%	28%	27%	27%
Associate Degree	8%	9%	8%	10%	8%
Bachelor's Degree	5%	10%	14%	17%	18%
Master's Degree	2%	4%	3%	6%	6%
Professional School Degree	1%	1%	1%	2%	2%
Doctorate Degree	0%	0%	0%	1%	1%
Total College Degree	15%	24%	27%	36%	36%

Source: Nielsen Claritas/Express.

The economic development needs of the Tribe are expected to grow as the population of the Spokane Reservation increases. Historical growth rates are shown in the table below:

Spokane Reservation Household and Population Growth

	Households	Pop
2011 Estimate		2,705
2009 Estimate		2,652
2000 Census	641	2,004
1990 Census	464	1,502
<i>Growth 2009-2011</i>		2.0%
<i>Growth 2000-2009</i>		32.3%
<i>Growth 1990-2000</i>	38.1%	33.4%

Source: Nielsen Claritas/Express; Spokane Tribe

As discussed in the following section, this population growth comes at a time when Tribal revenues have declined, in the case of gaming operations to virtually nothing. After peaking in 2005 at \$7.7 million, transfers to the Tribe from Two Rivers and Chewelah have declined until in 2009 transfers totaled less than \$20,000, as shown in the following table.

Transfers to the Spokane Tribe of Indians from Gaming Operations

Fiscal Year ending Sept. 30	Total	% Change
2005	\$7,697,484	
2006	\$6,646,536	-13.7%
2007	\$5,571,604	-16.2%
2008	\$2,119,249	-62.0%
2009	\$18,720	-99.1%
A.A.G. 1998-2009		-47.1%

Source: Spokane Tribal Gaming Division, Financial Statements and Independent Auditors' Reports

Timber revenues, another leading source of general funds for the Tribe, have also dropped sharply as a result of the recession. From \$2.5 million in 2007, timber revenues fell to a mere \$863,000 in 2009, with the partial-year trend for 2010 continuing to decline.

SPOKANE TRIBE GAMING TRENDS

The following table shows the annual gaming revenue history from 1998 through 2009 for the casino properties of the Spokane Tribe of Indians. In the late 1990's the tribe operated Two Rivers and Chewelah casinos and received lease payments on gaming revenue from Spokane Indian Gaming.³ Since 2004, only Two Rivers and Chewelah casinos were in operation.

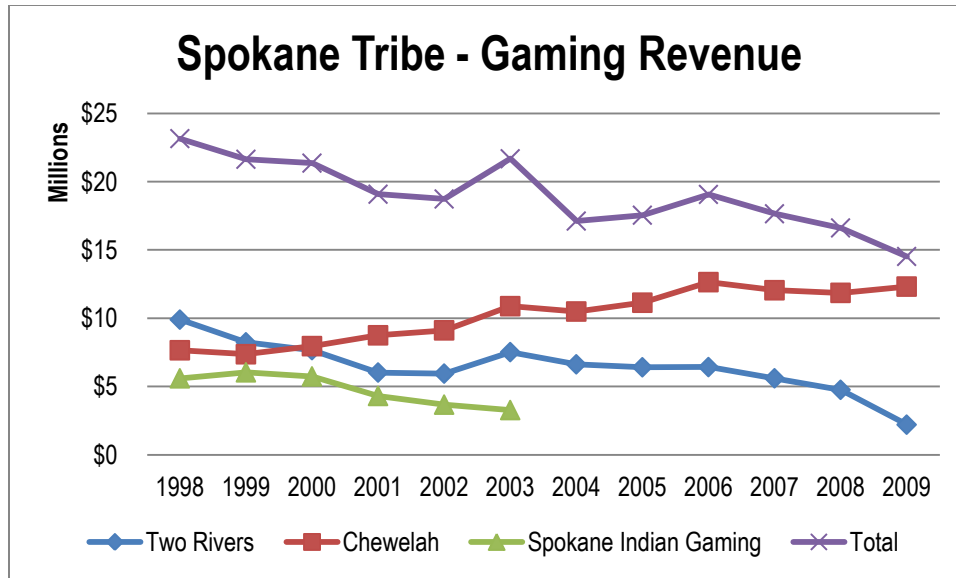
Total gaming revenues have declined from \$23.2 million in 1998 to \$14.5 million in 2009. This represents an average annual decline of 5.0%. While the overall gaming revenues have declined gaming revenues at Chewelah casino have increased from \$7.7 million in 1998 to \$12.3 million in 2009, an average annual growth of 5.4%. Two Rivers Casino has not fared as well and revenues have decreased approximately 15.4% annually, from \$9.9 million in 1998 to \$2.2 million in 2009. The opening of Northern Quest in FY2001 resulted in a revenue decline of 21.4% at Two Rivers. Further expansions at Northern Quest in 2007 impacted both Two Rivers and Chewelah.

Gaming Revenue

Fiscal Year ending Sept. 30	Two Rivers	% Change	Chewelah	% Change	Spokane Indian Gaming	% Change	Total	% Change
1998	\$9,899,651		\$7,655,269		\$5,599,903		\$23,154,823	
1999	\$8,236,738	-16.8%	\$7,364,377	-3.8%	\$6,039,982	7.9%	\$21,641,097	-6.5%
2000	\$7,664,285	-6.9%	\$7,956,841	8.0%	\$5,739,318	-5.0%	\$21,360,444	-1.3%
2001	\$6,023,901	-21.4%	\$8,750,073	10.0%	\$4,308,785	-24.9%	\$19,082,759	-10.7%
2002	\$5,945,571	-1.3%	\$9,114,244	4.2%	\$3,673,879	-14.7%	\$18,733,694	-1.8%
2003	\$7,520,311	26.5%	\$10,883,082	19.4%	\$3,277,087	-10.8%	\$21,680,480	15.7%
2004	\$6,626,143	-11.9%	\$10,491,622	-3.6%			\$17,117,765	-21.0%
2005	\$6,409,837	-3.3%	\$11,136,899	6.2%			\$17,546,736	2.5%
2006	\$6,422,975	0.2%	\$12,644,935	13.5%			\$19,067,910	8.7%
2007	\$5,601,669	-12.8%	\$12,050,058	-4.7%			\$17,651,727	-7.4%
2008	\$4,758,072	-15.1%	\$11,857,527	-1.6%			\$16,615,599	-5.9%
2009	\$2,206,806	-53.6%	\$12,317,974	3.9%			\$14,524,780	-12.6%

Source: Spokane Tribal Gaming Division, Financial Statements and Independent Auditors' Reports

³ The Tribe received a share of the gaming revenues from slot machines placed in private locations. When the gaming compact was signed, these private location lease agreements were cancelled.



Source: Spokane Tribal Gaming Division, Financial Statements and Independent Auditors' Reports

Declines in operating income are even more dramatic. Although Chewelah's gaming revenues have been fairly steady for the past four years, operating income has declined from \$5.5 million in 2006 to \$3.4 million in 2009. In both 2008 and 2009, Two Rivers posted operating losses, requiring a reverse transfer of funds from the Tribe to the Casino (discussed later).

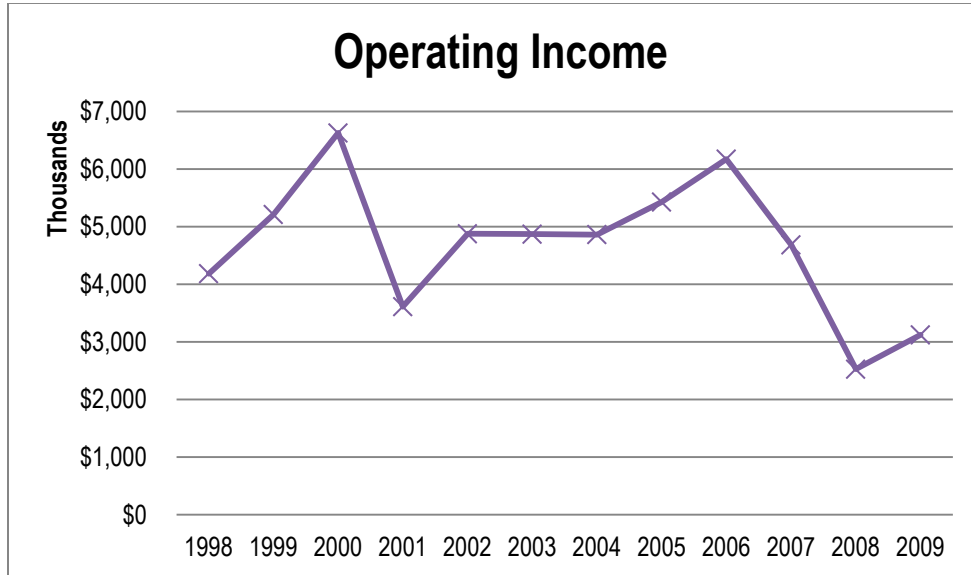
Operating Income (Loss)

Fiscal Year ending Sept. 30	Two Rivers	Chewelah	Spokane Indian Gaming	Total	% Change
1998	\$1,768,426	\$305,056	\$2,110,715	\$4,184,197	
1999	\$1,509,097	\$874,632	\$2,827,364	\$5,211,093	24.5%
2000	\$1,870,895	\$1,720,498	\$3,033,859	\$6,625,252	27.1%
2001	\$570,369	\$819,083	\$2,221,391	\$3,610,843	-45.5%
2002	\$1,206,705	\$1,861,433	\$1,807,972	\$4,876,110	35.0%
2003	\$1,282,808	\$3,322,322	\$1,784,877	\$6,390,007	31.0%
2004	\$476,080	\$4,386,613		\$4,862,693	-23.9%
2005	\$610,365	\$4,816,898		\$5,427,263	11.6%
2006	\$663,988	\$5,507,899		\$6,171,887	13.7%
2007	\$50,130	\$4,633,461		\$4,683,591	-24.1%
2008	(\$818,394)	\$3,343,662		\$2,525,268	-46.1%
2009	(\$291,210)	\$3,412,207		\$3,120,997	23.6%

Source: Spokane Tribal Gaming Division, Financial Statements and Independent Auditors' Reports

Total operating income for the casino enterprises peaked at \$6.6 million in 2000. In 2001, total operating income dropped by 45.5% with both Two Rivers and Chewelah

reporting low operating incomes. The second peak in operating income occurred in 2006 at \$6.2 million. Since then total operating income for these tribal enterprises dropped to \$2.5 million in 2008.



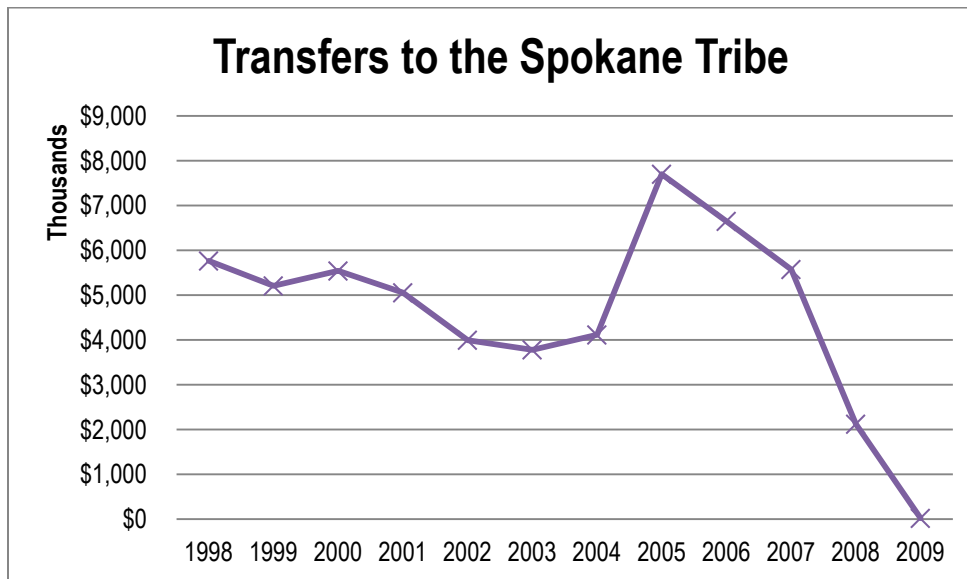
Source: Spokane Tribal Gaming Division, Financial Statements and Independent Auditors' Reports

As a result of the decline in operating income from the casino enterprises, the transfer of revenues to the Tribe to fund government programs has dropped precipitously. From 1998 through 1999 transfers from the gaming operations to the Spokane Tribe of Indians ranged from \$5.0 million to \$5.7 million. Transfers dropped to around \$4.0 million in 2002 and 2004. In 2005, transfers increased to \$7.7 million, the largest in the 12-year period described. This primarily came from the Chewelah Casino, which from 2001 onward has contributed the bulk of transfers. Since 2005, transfers have declined until in 2009 transfers totaled less than \$20,000. In 2009, \$983,300 had to be transferred from the tribe to Two Rivers Casino. Annual transfers are illustrated in the table and chart that follow.

Transfers to the Spokane Tribe of Indians

Fiscal Year ending Sept. 30	Two Rivers	Chewelah	Spokane Indian Gaming	Total	% Change
1998	\$2,738,029	\$1,258,163	\$1,766,000	\$5,762,192	
1999	\$1,816,975	\$1,010,850	\$2,378,370	\$5,206,195	-9.6%
2000	\$1,984,157	\$1,669,590	\$1,885,195	\$5,538,942	6.4%
2001	\$445,012	\$1,191,430	\$3,416,283	\$5,052,725	-8.8%
2002	\$744,679	\$1,912,798	\$1,336,578	\$3,994,055	-21.0%
2003	\$366,399	\$1,659,359	\$1,753,964	\$3,779,722	-5.4%
2004	\$240,857	\$3,870,970		\$4,111,827	8.8%
2005	\$175,462	\$7,522,022		\$7,697,484	87.2%
2006	\$605,918	\$6,040,618		\$6,646,536	-13.7%
2007	\$549,948	\$5,021,656		\$5,571,604	-16.2%
2008	\$68,630	\$2,050,619		\$2,119,249	-62.0%
2009	(\$983,300)	\$1,002,020		\$18,720	-99.1%
A.A.G. 1998-2009	-100.0%	-2.5%		-47.1%	

Source: Spokane Tribal Gaming Division, Financial Statements and Independent Auditors' Reports



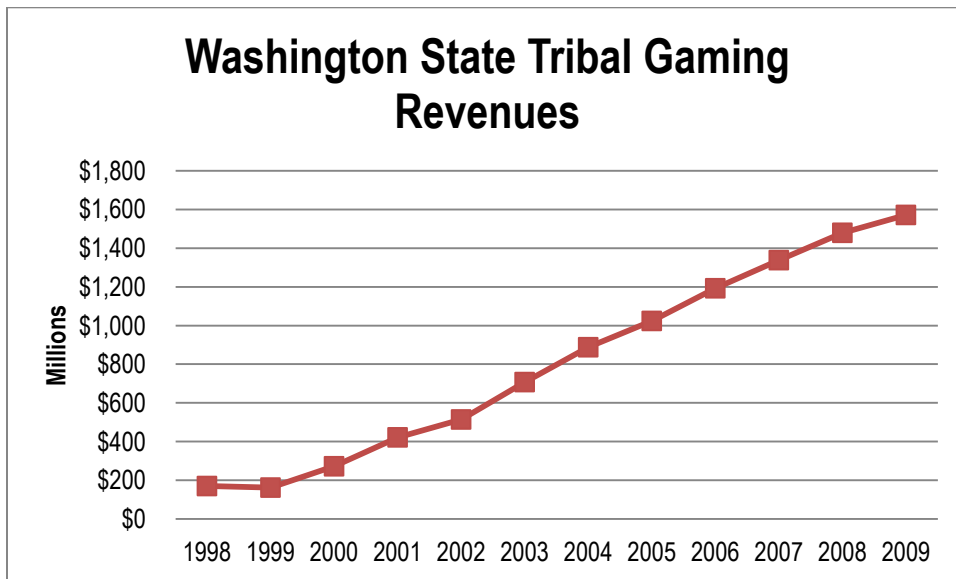
Source: Spokane Tribal Gaming Division, Financial Statements and Independent Auditors' Reports

The declining gaming revenue for the Spokane Tribe contrasts sharply with the explosive growth at other tribal casinos in Washington. Total gaming revenues in Washington have grown from \$170.5 million in 1998 to \$1.57 billion in 2009. For the decade (2000-2009), gaming revenues have grown by an average of 21% annually. Even in the current economic climate, annual growth has averaged 8% (2007 to 2009). The following table shows the total tribal gaming revenues for the State of Washington as estimated by the Washington State Gambling Commission.

Washington State Tribal Casinos

Fiscal Year ending June 30	Estimated Gaming Revenues (\$Millions)	% Change
1998	170.5	
1999	162.4	-5%
2000	272.6	68%
2001	422.0	55%
2002	514.5	22%
2003	707.8	38%
2004	888.0	25%
2005	1,023.9	15%
2006	1,192.8	16%
2007	1,338.3	12%
2008	1,479.5	11%
2009	1,571.9	6%
A.A.G. 1998-2009		22%
A.A.G. 2000-2009		21%
A.A.G. 2007-2009		8%

Source: Washington State Gambling Commission



Source: Washington State Gambling Commission

SPOKANE TRIBE FISCAL CONDITION AND UNMET NEEDS

The declining income from gaming and timber has led to sharp cuts in Tribal budgets and dwindling cash reserves.

General fund spending for 2009 fell below 2006 levels and approximately \$2.5 million less than 2007.

2006	2007	2008	2009
\$16,341,983	\$18,460,366	\$18,345,400	\$15,970,887

Source: Spokane Tribal Finance Office

Additional cutbacks were implemented in 2010 and 2011, reducing expenditures to approximately \$1 million per month.

2009	2010	2011
\$15,606,018	\$12,985,232	\$11,261,238

Source: Spokane Tribal Finance Office

Even at this reduced level of spending, cash reserves have plummeted and represent less than a handful of months of general fund operating costs.

9/30/05	10.7
9/30/06	9.8
9/30/07	7.2
9/30/08	7.2
9/30/09	3.3
2/28/10	4.4*

Source: Spokane Tribal Finance Office; *2.7m of which are restricted funds

For FY 2010, the projected budget shortfall was \$4.6 million, leading to a number of cuts hurtful to the Tribe's membership and employees. Through a reduction in benefits, per capita payments, and two weeks of furlough, the Tribe effectively reduced the income of its employees and membership by \$2.8 million. This has resulted in hardship not only for an already-impooverished Tribe but also has wider impacts throughout the community, as households have less money to spend in the local economy.

STOI Budget Cuts FY 2010: Employee & Per capita payments

Category	Description of Cut	Amount of Cut
Employee pension plan	Eliminate 5% contribution	\$375,000
Medical premiums	Require 25% from employees	\$250,000
Annual & sick leave	2 hour reduction	\$308,521
Committee members	Pay eliminated	\$51,038
Per capita	Reduced by \$300	\$810,000
Employee furlough	2 weeks	\$46,000
Per capita	August payment eliminated	\$780,000
Employee work week	Reduced to 32 hours in April	\$206,145
Total		\$2,826,704

Source: Spokane Tribal Finance Office

Funding support of the Enterprise Board and the Tribal College was also eliminated (\$361,588 and \$200,000, respectively), jeopardizing vital economic-development related programs. The Enterprise Board was left struggling to keep up with the administrative functions of the Tribe's enterprises while cutting its budget.

The two-year Tribal College is a branch of Salish Kootenai College and prepares Tribal members for success in four-year colleges. The College's plans for becoming independent are not helped by such financial instability. As discussed above, only 15% of reservation residents have college degrees, less than half the state and regional average, demonstrating the vital need of this program for the successful economic development of the Tribe.

In addition, a number of social services were reduced or eliminated altogether. One such program eliminated in FY 2010 was the Spirited Adults Program, which supported a second-hand store staffed by handicapped Tribal members that rely on SSI and support from their families. Most of Spirited Adults live with family members. The R Store not only provided additional income to some of neediest members of the Tribe, but also a well-needed service that sold affordable clothing at a much lower price than the thrift stores in Spokane.

The Tribal Energy Assistance program was also eliminated at a savings of approximately \$10,000.

An additional \$1.1 million in budget cuts were made to a wide range of departments for FY 2010. Furthermore, a number of additional cuts are being considered for FY 2011, including total elimination of vital per-capita payments with the possible exception of an elder's distribution as well as the following items:

- Consider eliminating the medical insurance benefit for employees.
- Cut Tribal HHS budget by \$51,477.
- Reduce IT Budget for capital item purchase amount in the FY 2010 budget.

- Consider funding only books and tuition for Scholarship Program.
- If subscriptions for Rawhide do not increase, consider eliminating the Rawhide.
- Consider not filling NR Director
- Go to a 4-day work week.
- Only fill necessary General Fund Positions that become vacant.
- Investigate further budget cuts in GC, Law Enforcement, and Tribal Court.

The Tribe has identified the following unmet needs for raising the Tribe's standard of living, services, and infrastructure in line with regional norms:

Facilities:

1. Head Start Building
2. Court Building
3. Jail
4. Health & Human Services
5. Food Distribution Building
6. Gaming Commission Office
7. Wellness Center
8. Half-way house
9. Culture Center/Heritage Center
10. Improvements to Youth Centers

Roads

1. Ford/Wellpinit/West End Road
2. Reservation Road
3. Peter's Road
4. Pave Martha Boardman Road
5. Pave Joe Sherwood Road
6. Pave Cottonwood road
7. Wellpinit/Cayuse Road

Housing

Tribal Program Needs

1. Scholarship Endowment
2. Social security/Retirement Fund for elder
3. Health care for Tribal members
4. Language Preservation
5. Court system improvements and support for additional staffing
6. Alcohol & Drug Prevention & treatment
7. Law & order code revisions

8. Assistance for individuals currently served by limited GA Funds
9. Funding to assist Developmental Disabled to become more self sufficient
10. Tutoring Programs for youth and adults
11. Vocational Educational Programs
12. Apprenticeship Programs
13. Further Development of Tribal College
14. Economic Development Enhancement: Training for Small Business, Incubator Program, etc.
15. Additional funding to enhance Senior Citizen Programs
16. Tribal Bank, revolving loan program
17. Development of 8a Entity
18. Enterprise Development
19. Planning and Zoning development
20. Enhanced Environmental protection with all organizations and processes of life (go green)
21. Dump closure and reclamation

Given the current fiscal condition of the Tribe and staffing cutbacks, it lacks the resources to have developed a budget for these capital improvements and programs. However, operating funds for programs would in themselves likely run as high as eight figures. As discussed previously, 25% of families on the reservation live under the poverty level and only 15% of reservation residents have college degrees, indicating a vast need for social services and economic development programs.

COMPETITIVE EFFECTS ANALYSIS

Gaming Impact

A constrained gravity model was used for projecting gaming impacts for the Spokane market area using various discrete market segments. Gravity models are commonly used in location studies for commercial and residential developments and public facilities. First formulated in 1929 and later refined in the 1940s, the gravity model is an analytical tool that defines the behavior of consumers based on travel distance and the availability of goods or services at various locations. The general form of the equation is that attraction is directly related to a measure of availability such as square feet (or for casinos, gaming positions) and inversely related to the square of the travel distance. Thus, the gravity model quantifies the effect of distance on the behavior of potential patrons, while considering quality, scope and the impact of competing venues.

Each discrete market segment was assigned a unique propensity and frequency factor. These factors were generally derived based upon primary research in other gaming markets. The gamer visits were then distributed among the competitors based upon the size, quality and scope of each facility and the relative distance from each zip code in the market segment. For this study, we defined the market using a 100-mile ring emanating from the subject property and including six existing tribal casinos, two of which (Coulee Dam and Kootenai River) are on the margins of the 100-mile area and largely unaffected by developments in Spokane. The gravity model then calculates the probabilistic distribution of gamer visits from each market area to each of the gaming locations in the market. Other competitors outside the market are treated as external competitors siphoning off a portion of gaming trips from zip codes within the region. The model was constructed to include only those alternative venues that are considered to be within a reasonable travel time. These include competing casinos that have the potential to attract patrons, or capture visits from the market. The following section provides a description of the various components of the model.

Propensity - Propensity refers to the percentage of the adult population within a market that is likely to participate in gaming. Generally, propensity decreases as the distance from the market center increases. In fully developed casino markets, such as the local Las Vegas market, propensity can reach 60%, while in single venue or slots-only markets it can be as low as 20%. This measure is type dependent in that it refers to the propensity of individuals likely to participate in a specific form of gaming.

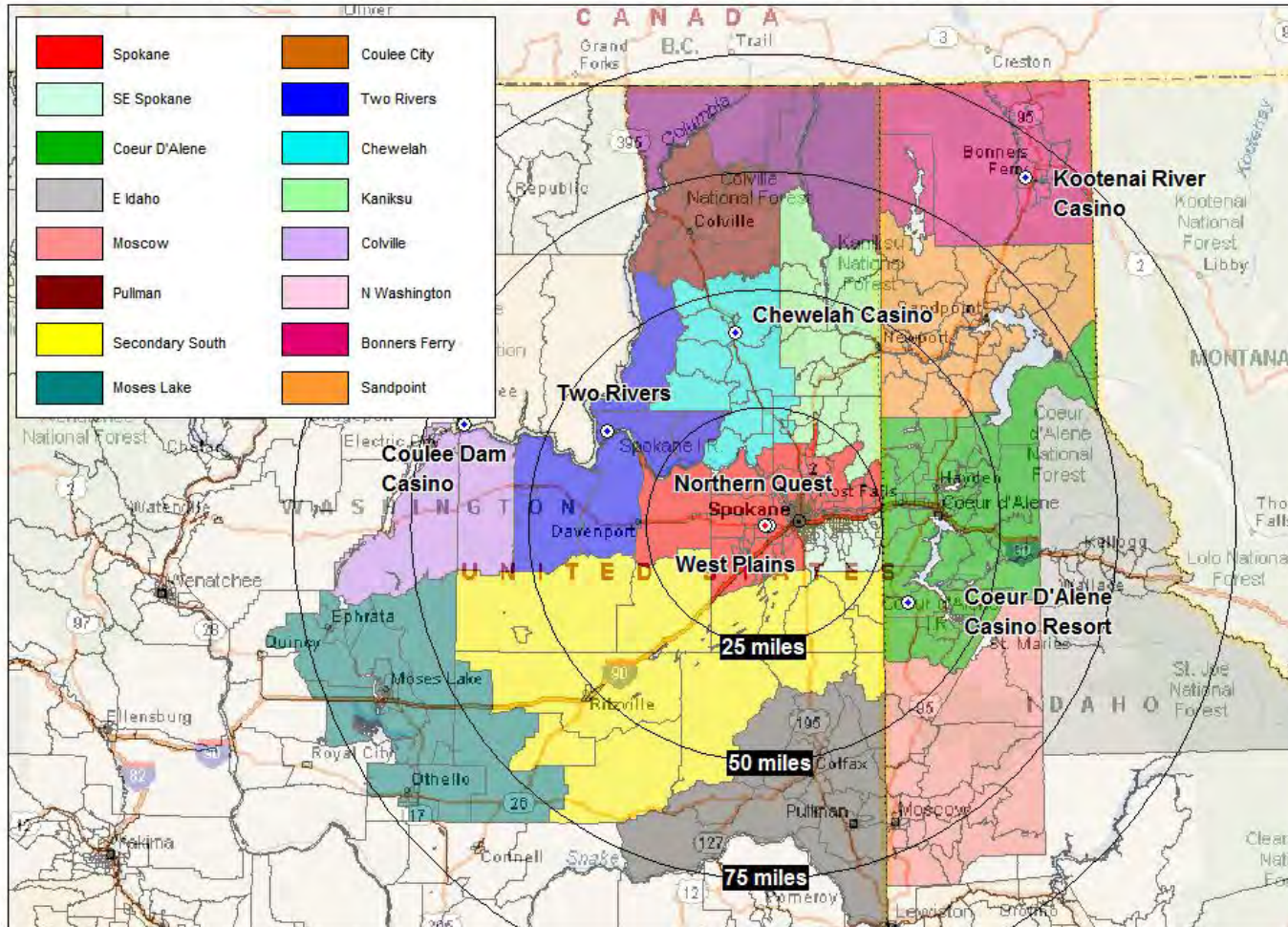
Frequency - Frequency is a measure of the average number of times per year that individuals with a propensity to participate in gaming within a market will actually do so. Like propensity, frequency tends to decline as the distance from the market center increases. In markets with multiple casino operators, frequency generally ranges from 12 to 24 times per year, although the figure is considerably higher for the major gaming markets in Nevada.

Win Per Visit (“WPV”) - WPV reflects the casino’s average gaming win for each customer visit for a given market or market segment. Win per visit tends to increase in proportion to distance traveled as the gamers make fewer trips per year with a higher budget. Win per visit also varies based on income and the specific facility characteristics such as the degree of overcrowding and the gaming product.

Attraction Factors - Attraction factors measure the attraction of one gaming venue relative to the competition. Attraction factors are applied to the size of the gaming venue as measured by the number of positions. The market average attraction factor would be one. A value of less than one adjusts the size of the gaming venue downwards and conversely a value greater than one indicates that the gaming venue has characteristics that make it more attractive. Attraction factors are based on a number of attributes including branding, the level and effectiveness of marketing efforts, and the level of quality and amenities of a facility.

Within the market area, 16 unique market segments were established to account for variations in highway access, population centers, gaming competition and demographics. For each market area, the gamer population and average household income statistics were obtained and analyzed. The following map displays these market segments.

West Plains Market Areas and Competitive Sites



In the West Plains market area, household income averages \$58,532 and the gaming population is 641,443. The majority of the population resides in the Spokane-Coeur d'Alene region, with smaller population clusters to the south in Moscow and Pullman and to the west in Moses Lake.

Local Market Population (21 and over) and Average Household Income

	2009	2014	A.A.G. 2009-2014	2009	2014	A.A.G. 2009-2014
Spokane	209,684	223,258	1.26%	\$58,532	\$65,755	2.35%
SE Spokane	111,820	119,488	1.34%	\$68,533	\$76,084	2.11%
Coeur D'Alene	104,783	119,381	2.64%	\$58,544	\$65,212	2.18%
E Idaho	9,844	9,734	-0.22%	\$46,254	\$51,757	2.27%
Moscow	27,522	28,809	0.92%	\$52,264	\$58,557	2.30%
Pullman	27,418	28,746	0.95%	\$50,770	\$57,448	2.50%
Secondary South	11,616	11,984	0.63%	\$59,935	\$67,715	2.47%
Moses Lake	43,775	47,066	1.46%	\$55,440	\$61,121	1.97%
Coulee City	2,918	3,035	0.79%	\$50,036	\$54,449	1.70%
Two Rivers	6,069	6,329	0.84%	\$50,071	\$56,295	2.37%
Chewelah	16,222	17,649	1.70%	\$55,157	\$61,784	2.30%
Kaniksu	15,442	17,025	1.97%	\$57,109	\$63,227	2.06%
Colville	11,745	12,039	0.50%	\$51,953	\$57,547	2.07%
N Washington	3,632	3,761	0.70%	\$42,036	\$46,664	2.11%
Bonnars Ferry	8,438	9,138	1.61%	\$48,532	\$53,221	1.86%
Sandpoint	30,515	33,388	1.82%	\$55,606	\$63,422	2.67%
Total/Average	641,443	690,830	1.49%	\$58,580	\$65,497	2.26%

Source: Nielsen Claritas/iXPRESS/MapInfo; The Innovation Group

2009 Local Market Calibration

Using the Spokane Tribe's gaming revenue reports, along with market observation and estimates on the other casinos in the area, The Innovation Group has calibrated a gravity model for 2009. Although calibrated using 2009 data from Chewelah and Two Rivers, it is adjusted to account for the impact of the opening of Northern Quest's 250-room hotel. The following table details the local market gaming revenue calculation, segregated by market segment.

Local Market Gaming Revenue – 2009 Calibration

	Gamer Pop.	Propensity	Frequency	Gaming Visits	Win per Visit	Gaming Revenue
Spokane	209,684	41.00%	16.80	1,444,303	\$59.97	\$86,609,004
SE Spokane	111,820	41.00%	16.80	770,216	\$65.97	\$50,810,810
Coeur D'Alene	104,783	40.00%	16.50	691,568	\$61.98	\$42,860,600
E Idaho	9,844	28.00%	8.00	22,051	\$59.95	\$1,321,963
Moscow	27,522	28.00%	8.00	61,649	\$61.95	\$3,819,168
Pullman	27,418	28.00%	8.00	61,416	\$59.94	\$3,681,080
Secondary South	11,616	32.00%	11.50	42,747	\$63.76	\$2,725,727
Moses Lake	43,775	20.00%	6.00	52,530	\$63.54	\$3,337,889
Coulee City	2,918	40.00%	16.00	18,675	\$59.80	\$1,116,738
Two Rivers	6,069	38.00%	12.00	27,675	\$53.72	\$1,486,658
Chewelah	16,222	38.00%	15.00	92,465	\$57.94	\$5,357,096
Kaniksu	15,442	34.00%	13.00	68,254	\$59.93	\$4,090,737
Colville	11,745	32.00%	11.50	43,222	\$57.73	\$2,495,356
N Washington	3,632	26.00%	7.00	6,610	\$51.80	\$342,419
Bonnars Ferry	8,438	38.00%	15.00	48,097	\$56.99	\$2,741,162
Sandpoint	30,515	32.00%	11.50	112,295	\$58.95	\$6,619,904
Total	641,443			3,563,773		\$219,416,309

Source: The Innovation Group

The gravity model calibration distributes these gaming visits and revenues among the existing casinos based on distance and size and quality of facility. It should be noted that the gravity model was not calculated to 100% of the revenues, since a portion of casino revenues typically comes from outside of the 100-mile market area from such sources as traffic intercept, tourism, and visiting friends and family. These out-of-market revenues can account for as much as 10% in gaming revenues, depending on site access and traffic and tourism volume as well as the capacity constraints related to population density and level of gaming supply. Since the gravity model is not centered on the outlying facilities such as Coeur d'Alene, Kootenai, and Coulee Dam, an even higher proportion comes from outside the identified market areas. In addition, Two Rivers relies heavily on summer tourism at Lake Roosevelt.

2013 Local Market Calibration

The following table details the local market gaming revenue calculation estimated for 2013, segregated by market segment. Growth in the market is a factor of population and household income growth.

Local Market Gaming Revenue – 2013 Calibration

	Gamer Pop.	Propensity	Frequency	Gaming Visits	Win per Visit	Gaming Revenue
Spokane	220,395	41.00%	16.80	1,518,081	\$63.97	\$97,106,296
SE Spokane	117,878	41.00%	16.80	811,946	\$69.97	\$56,812,187
Coeur D'Alene	116,275	40.00%	16.50	767,412	\$65.98	\$50,632,210
E Idaho	9,756	28.00%	8.00	21,852	\$63.95	\$1,397,515
Moscow	28,541	28.00%	8.00	63,932	\$65.95	\$4,216,368
Pullman	28,471	28.00%	8.00	63,774	\$63.94	\$4,077,583
Secondary South	11,906	32.00%	11.50	43,814	\$67.77	\$2,969,346
Moses Lake	46,381	20.00%	6.00	55,657	\$67.55	\$3,759,609
Coulee City	3,011	40.00%	16.00	19,271	\$63.80	\$1,229,545
Two Rivers	6,276	38.00%	12.00	28,617	\$57.68	\$1,650,730
Chewelah	17,352	38.00%	15.00	98,909	\$61.94	\$6,125,965
Kaniksu	16,695	34.00%	13.00	73,790	\$63.94	\$4,717,767
Colville	11,977	32.00%	11.50	44,075	\$61.73	\$2,720,643
N Washington	3,735	26.00%	7.00	6,797	\$55.80	\$379,272
Bonnors Ferry	8,993	38.00%	15.00	51,258	\$60.99	\$3,126,378
Sandpoint	32,789	32.00%	11.50	120,663	\$62.95	\$7,595,938
Total	680,429			3,789,849		\$248,517,352

Source: The Innovation Group

The following table shows the 2013 local and out-of-market revenue calibration for the four existing casinos in the greater Spokane region. As noted previously, Kootenai and Coulee Dam are outlier facilities with little overlap with the Spokane market, and thus they draw on gaming patrons from tertiary markets they are not expected to be impacted by the West Plains casino.

2013 Gaming Revenue Baseline Calibration (MMs)

	Northern Quest	Coeur d'Alene	Chewelah	Two Rivers
Gravity Model	\$128.9	\$96.3	\$11.8	\$1.9
Out-of-market	\$16.1	\$19.6	\$1.1	\$0.4
Total	\$145.0	\$116.0	\$12.9	\$2.3
Out-of-market %	11.1%	16.9%	8.1%	19.2%

Source: The Innovation Group

West Plains Impact Results

The next step is to insert West Plains into the gravity model. The addition of a new facility is expected to increase the total market revenue slightly by offering an additional gaming choice to local patrons and travelers on Highway 2. The Impact model for Phase I was calibrated to Warner Gaming’s revenue estimate of \$94 million for West Plains.

The development program for Phase I (which is effectively Alternative 2) includes 1,500 slot machines, 32 gaming tables, and 10 poker tables.

Total Local Market Gaming Revenue Phase I (Effectively Alt. 2) – 2013

	Gamer Pop.	Propensity	Frequency	Gaming Visits	Win per Visit	Gaming Revenue
Spokane	220,395	43.46%	17.98	1,721,807	\$63.98	\$110,161,927
SE Spokane	117,878	42.64%	17.81	895,089	\$69.98	\$62,638,001
Coeur D'Alene	116,275	40.80%	16.83	798,416	\$65.98	\$52,680,565
E Idaho	9,756	28.00%	8.00	21,852	\$63.96	\$1,397,706
Moscow	28,541	28.00%	8.00	63,932	\$65.96	\$4,217,032
Pullman	28,471	28.00%	8.00	63,774	\$63.95	\$4,078,642
Secondary South	11,906	32.64%	11.73	45,584	\$67.85	\$3,093,052
Moses Lake	46,381	20.20%	6.06	56,776	\$67.69	\$3,843,100
Coulee City	3,011	40.00%	16.00	19,271	\$63.83	\$1,230,133
Two Rivers	6,276	39.52%	12.72	31,548	\$58.02	\$1,830,518
Chewelah	17,352	38.76%	15.30	102,905	\$61.96	\$6,375,553
Kaniksu	16,695	34.00%	13.00	73,790	\$63.96	\$4,719,400
Colville	11,977	32.00%	11.50	44,075	\$61.79	\$2,723,533
N Washington	3,735	26.00%	7.00	6,797	\$55.85	\$379,641
Bonnars Ferry	8,993	38.00%	15.00	51,258	\$60.99	\$3,126,418
Sandpoint	32,789	32.00%	11.50	120,663	\$62.96	\$7,597,135
Total	680,429			4,117,537		\$270,092,357

Source: The Innovation Group

Utilizing the gravity model analysis, the Innovation Group has estimated the impact of West Plains on gaming revenues at the existing four casinos in the broad Spokane market: Northern Quest, Coeur d'Alene, Chewelah and Two Rivers. As shown in the following table, in Phase I (which is effectively Alternative 2), West Plains is estimated to cause a reduction⁴ in gaming revenues at these four facilities by a total of \$66.5 million, or 24.1%.

⁴ i.e., gaming substitution effect.

West Plains Impact on the Existing 4 Spokane Gaming Market Phase I (Effectively Alt. 2)

	2009	2013 Base	2013 w/Spokane	Impact #	Impact %
Spokane	\$86,609,004	\$97,106,296	\$62,041,403	-\$35,064,893	-36.1%
SE Spokane	\$50,810,810	\$56,812,187	\$42,138,015	-\$14,674,172	-25.8%
Coeur D'Alene	\$41,480,721	\$49,090,557	\$43,510,882	-\$5,579,675	-11.4%
E Idaho	\$1,183,532	\$1,250,689	\$1,022,159	-\$228,530	-18.3%
Moscow	\$3,722,625	\$4,109,561	\$3,260,065	-\$849,497	-20.7%
Pullman	\$3,598,946	\$3,986,165	\$2,942,068	-\$1,044,096	-26.2%
Secondary South	\$2,655,874	\$2,893,582	\$1,941,052	-\$952,530	-32.9%
Moses Lake	\$2,841,784	\$3,192,278	\$2,245,647	-\$946,631	-29.7%
Coulee City	\$280,437	\$305,004	\$255,017	-\$49,987	-16.4%
Two Rivers	\$1,310,471	\$1,451,995	\$1,131,567	-\$320,428	-22.1%
Chewelah	\$5,308,907	\$6,068,764	\$4,555,829	-\$1,512,935	-24.9%
Kaniksu	\$3,897,648	\$4,493,394	\$2,920,622	-\$1,572,772	-35.0%
Colville	\$2,404,233	\$2,615,647	\$2,004,756	-\$610,891	-23.4%
N Washington	\$308,833	\$340,822	\$250,141	-\$90,680	-26.6%
Bonnors Ferry	\$173,466	\$197,315	\$175,597	-\$21,718	-11.0%
Sandpoint	\$4,342,205	\$4,961,369	\$3,922,558	-\$1,038,811	-20.9%
Subtotal	\$210,929,498	\$238,875,624	\$174,317,378	-\$64,558,246	-27.0%
Out-of-market	\$32,357,709	\$37,240,534	\$35,284,758	-\$1,955,776	-5.3%
Total	\$243,287,207	\$276,116,157	\$209,602,135	-\$66,514,022	-24.1%

Source: The Innovation Group

The following table shows total impacts by facility for Phase I:

2013 Impact of West Plains (MMs): Phase I (Effectively Alt. 2)

	Northern Quest	Coeur d'Alene	Chewelah	Two Rivers
2013 Base	\$145.0	\$116.0	\$12.9	\$2.3
2013 w/West Plains	\$102.2	\$95.6	\$10.1	\$1.8
Impact of West Plains	-\$42.8	-\$20.4	-\$2.8	-\$0.5
% Impact	-29.5%	-17.6%	-22.0%	-22.7%

Source: The Innovation Group

For the full build out of West Plains (Phase III of Alternative 1), the Innovation Group assessed the incremental impact West Plains would cause from expanding the gaming floor and adding a hotel. The basis of comparison was between the gravity model for 2015 containing West Plains Alternative 2 and the 2015 gravity model assuming the Alternative 1 Phase III expansion (2,500 slots, 50 tables, 10 poker tables, and 300 hotel rooms). The Impact model for Alternative 1 was calibrated to Warner Gaming's revenue estimate of \$141 million for West Plains.

The additional impact of Phase III on the four existing casinos is estimated at a total of \$37.4 million, or 16.7%, as shown in the following table.

**West Plains Impact on the Existing 4 Spokane Gaming Market, Incremental Impact Phase III
(Alternative 1)**

	2009	2015 Base	2015 Impact of Alt 2 Expansion	Impact #	Impact %
Spokane	\$86,609,004	\$65,784,070	\$49,552,338	-\$16,231,732	-24.7%
SE Spokane	\$50,810,810	\$44,634,504	\$36,012,824	-\$8,621,681	-19.3%
Coeur D'Alene	\$41,480,721	\$47,594,591	\$42,873,023	-\$4,721,568	-9.9%
E Idaho	\$1,183,532	\$1,057,552	\$929,428	-\$128,125	-12.1%
Moscow	\$3,722,625	\$3,447,092	\$2,984,657	-\$462,435	-13.4%
Pullman	\$3,598,946	\$3,117,431	\$2,605,971	-\$511,459	-16.4%
Secondary South	\$2,655,874	\$2,035,471	\$1,626,315	-\$409,156	-20.1%
Moses Lake	\$2,841,784	\$2,397,746	\$1,942,581	-\$455,165	-19.0%
Coulee City	\$280,437	\$269,488	\$240,658	-\$28,830	-10.7%
Two Rivers	\$1,310,471	\$1,200,768	\$989,332	-\$211,436	-17.6%
Chewelah	\$5,308,907	\$4,900,174	\$4,187,657	-\$712,517	-14.5%
Kaniksu	\$3,897,648	\$3,155,549	\$2,500,864	-\$654,685	-20.7%
Colville	\$2,404,233	\$2,107,366	\$1,792,622	-\$314,744	-14.9%
N Washington	\$308,833	\$265,004	\$220,662	-\$44,342	-16.7%
Bonnars Ferry	\$173,466	\$189,487	\$176,939	-\$12,548	-6.6%
Sandpoint	\$4,342,205	\$4,227,888	\$3,661,646	-\$566,242	-13.4%
Subtotal	\$210,929,498	\$186,384,181	\$152,297,517	-\$34,086,665	-18.3%
Out-of-market	\$32,357,709	\$37,989,480	\$34,677,918	-\$3,311,561	-8.7%
Total	\$243,287,207	\$224,373,661	\$186,975,435	-\$37,398,226	-16.7%

Source: The Innovation Group

The following table shows total impacts by facility for Phase III (Alternative 1):

2015 Incremental Impact of West Plains (MMs): Phase III (Alternative 1)

	Northern Quest	Coeur d'Alene	Chewelah	Two Rivers
2015 Base	\$109.8	\$101.8	\$10.9	\$1.9
2015 w/West Plains Expansion	\$86.8	\$89.3	\$9.3	\$1.6
Incremental Impact of West Plains expansion	-\$23.0	-\$12.5	-\$1.6	-\$0.3
% Impact	-20.9%	-12.3%	-15.0%	-16.2%

Source: The Innovation Group

With Phase I and Phase III impacts bookending the minimum and maximum building programs, Phase II impacts can be estimated at a point in between. Phase II has additional gaming positions including 500 more slot machines for a total of 2,000, but no

hotel. The Innovation Group estimates that the Phase II expansion will impact the existing Spokane area casinos by an additional 5% over and above the Phase I program.

The following table shows how other existing casinos have been impacted by the opening of new casinos. It should be noted that all of these casinos remain viable enterprises, including the Blue Chip Casino in Michigan City, Indiana, which experienced the heaviest impact (a 37% revenue decline after the opening of the Four Winds Casino in late 2007). In fact, Blue Chip rebounded in 2009 with revenue growth of 3.2%.

Impacts of New Openings on Existing Casinos

	Isle of Capri Bossier, LA	Ameristar St. Charles, MO	Grand Victoria, IN	KC: Harrah's, Argosy, Sam's Town	Harrah's KC	Lake Charles, LA	Blue Chip, IN
Pre-Impact	\$145,986,996	\$144,370,345	\$152,385,379	\$307,158,630	\$209,058,897	\$371,075,492	\$289,125,927
Post-Impact	\$120,068,124	\$111,264,867	\$130,831,346	\$255,273,843	\$188,913,622	\$315,703,999	\$181,942,644
% Impact	-17.8%	-22.9%	-14.1%	-16.9%	-9.6%	-14.9%	-37.1%
Event	Opening of Boomtown Oct 96	Opening of Maryland Heights March 97	Opening of Belterra Oct 2000	Opening of Hilton (Isle) and Stations (Ameristar) 1997	Argosy expansion Dec 03	Opening of Delta Downs Racino Feb 02	Opening of Four Winds 2007

Therefore, after an approximately 12-month period of impact, normative revenue growth for Northern Quest and Coeur D'Alene is expected to resume. No tribal casino of the magnitude of Northern Quest or Coeur D'Alene has ever closed as a result of new competition. In western Washington a number of casinos have opened or had major expansions over the past ten years without forcing the closure of competitors. The Lummi Nation's Silver Reef Casino did not force the closure of Nooksack or Skagit Valley. Snoqualmie did not cause the closure of Puyallup or Muckleshoot. Angel of the Winds did not force the closure of Tulalip, Swinomish, or Skagit Valley. Tulalip's major Quil Ceda expansion did not cause Muckleshoot or Angel of the Winds to close.

Washington is effectively a limited-license jurisdiction (limited to compacted tribes), unlike Nevada, New Jersey, and Mississippi, which place no limits on the number of casinos that may open. In these three open-market jurisdictions, casinos have closed as a result of competitive market pressures and operating inadequacies. In limited-license jurisdictions, casino closures are extremely rare. Spokane is sufficiently large to support three casinos of the magnitude of Northern Quest and Coeur D'Alene.

Retail Impact

In a study performed for the Spokane Tribe by Civic Economics, using a “gap” analysis,⁵ identified the following retail opportunity for the West Plains site.

West Plains Retail Opportunity			
	Opportunity	Candidate Sales PSF	Theoretical Opportunity in SF
Furniture and Home Furnishings Stores-442	19,731,778	512	38,539
Electronics and Appliance Stores-443	18,747,520	947	19,797
Clothing and Clothing Accessories Stores-448	33,547,224	309	108,567
Sporting Goods, Hobby, Book, Music Stores-451	12,991,498	203	63,998
Miscellaneous Store Retailers-453	12,448,950	202	61,628
Total/Average	\$97,466,970	\$333	292,529

Source: Civic Economics; Claritas

In Alternative 1, retail development at West Plains is programmed at 360,000 square feet. Although this is larger than the gap analysis suggested, it should be noted that 107,500 square feet is designated as casino specialty retail, which is targeted toward casino guests. Casino specialty retail typically does not overlap with residential-based local retail. Therefore, no material substitution effect on existing retail businesses in West Spokane is projected.

For Alternative 2, retail development at West Plains is programmed at 155,000 square feet. Therefore, no material impact on existing retail businesses in West Spokane is projected, since the building program is smaller than the opportunity suggested in the gap analysis.

For the non-gaming alternative (Alternative 3), retail development at West Plains is programmed at 252,000 square feet. Therefore, no material impact on existing retail businesses in West Spokane is projected, since the building program is smaller than the opportunity suggested in the gap analysis.

⁵ A gap analysis measures the difference between consumer expenditures and consumer sales in a given area, in this case the west side of Spokane, i.e., a nearly square area west of the Spokane River and Highway 195 comprised of approximately 50,000 residents.

CHEWELAH AND TWO RIVERS ALTERNATIVES

The Innovation Group has previously (2007) looked into the feasibility of expanding Chewelah and Two Rivers. Given the limited population base and the impact of Northern Quest, very little revenue boost was estimated from the expansions.

As shown previously in this analysis, the primary Chewelah market has just 16,222 adults and Two Rivers has just 6,069.

2009 Gaming Age Population

Chewelah	16,222
Two Rivers	6,069

These population bases are too small to support expanded development to enhance Tribal revenues, and the presence of Northern Quest prevents Chewelah and Two Rivers from sufficiently penetrating the Spokane market. The primary determinant in a gamer's selection of a casino is convenience of location, and the remoteness of Chewelah and Two Rivers is too great of an obstacle for the facilities to overcome the competitive advantage of Northern Quest and the convenience it offers to Spokane gamers.

In our 2007 assessment of resort development at Chewelah, we estimated that development of a 69-room hotel would result in an increase in gaming revenues of \$1.2 million. At the time, Chewelah was generating an operating income margin of 40%, which would mean the revenue increase would result in a mere \$480,000 in operating income. This level of income would barely be sufficient to cover the costs of investment, let alone put a dent in the Tribe's unmet needs as described previously.

The limited market potential of the Chewelah location is evidenced by the virtual zero impact that the casino received from a multi-million dollar investment in new slot machines in 2007 (\$11 million in total between the two casinos). Slot revenues at Chewelah have in fact *declined* at Chewelah since the installation of the new machines in 2007. New slot machines typically produce revenue increases as gaming patrons are attracted by popular new games, but the impact of Northern Quest has diluted that benefit.

Chewelah Slot Revenues

2004	\$9,945,273
2005	\$10,614,396
2006	\$12,158,639
2007	\$11,697,536
2008	\$11,410,484
2009	\$11,858,971

Source: Spokane Tribal Gaming Division, Financial Statements and Independent Auditors' Reports

Further capital investment in Chewelah would leave the Tribe even deeper in debt, and the marginal increase in operating income would, at best, be barely sufficient to cover that debt. Two Rivers is even more remote and its market potential even lower than Chewelah. As discussed previously, the Tribe in fact lost nearly \$1 million in 2009 trying to keep Two Rivers afloat.

In summary, the Tribe would not be advised to count on any additional income resulting from investment at Chewelah or Two Rivers. Return on investment at either of these two locations would be marginal at best, and likely negative.

CITATIONS

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Spokane Tribal Finance Office, General Council Special Meeting, 8/31/10.

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Disclaimer

Certain information included in this report contains forward-looking estimates, projections and/or statements. The Innovation Group has based these projections, estimates and/or statements on our current expectations about future events. These forward-looking items include statements that reflect our existing beliefs and knowledge regarding the operating environment, existing trends, existing plans, objectives, goals, expectations, anticipations, results of operations, future performance and business plans.

Further, statements that include the words "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan," "project," or other words or expressions of similar meaning have been utilized. These statements reflect our judgment on the date they are made and we undertake no duty to update such statements in the future.

Although we believe that the expectations in these reports are reasonable, any or all of the estimates or projections in this report may prove to be incorrect. To the extent possible, we have attempted to verify and confirm estimates and assumptions used in this analysis. However, some assumptions inevitably will not materialize as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties and unanticipated events and circumstances, which may occur. Consequently, actual results achieved during the period covered by our analysis will vary from our estimates and the variations may be material. As such, The Innovation Group accepts no liability in relation to the estimates provided herein.