APPENDIX U

WEST PLAINS RETAIL DEVELOPMENT OPPORTUNITIES: AIRWAY HEIGHTS, WASHINGTON PRIMARY MARKET ASSESSMENT

WEST PLAINS RETAIL DEVELOPMENT OPPORTUNITIES

AIRWAY HEIGHTS, WASHINGTON

PRIMARY MARKET ASSESSMENT

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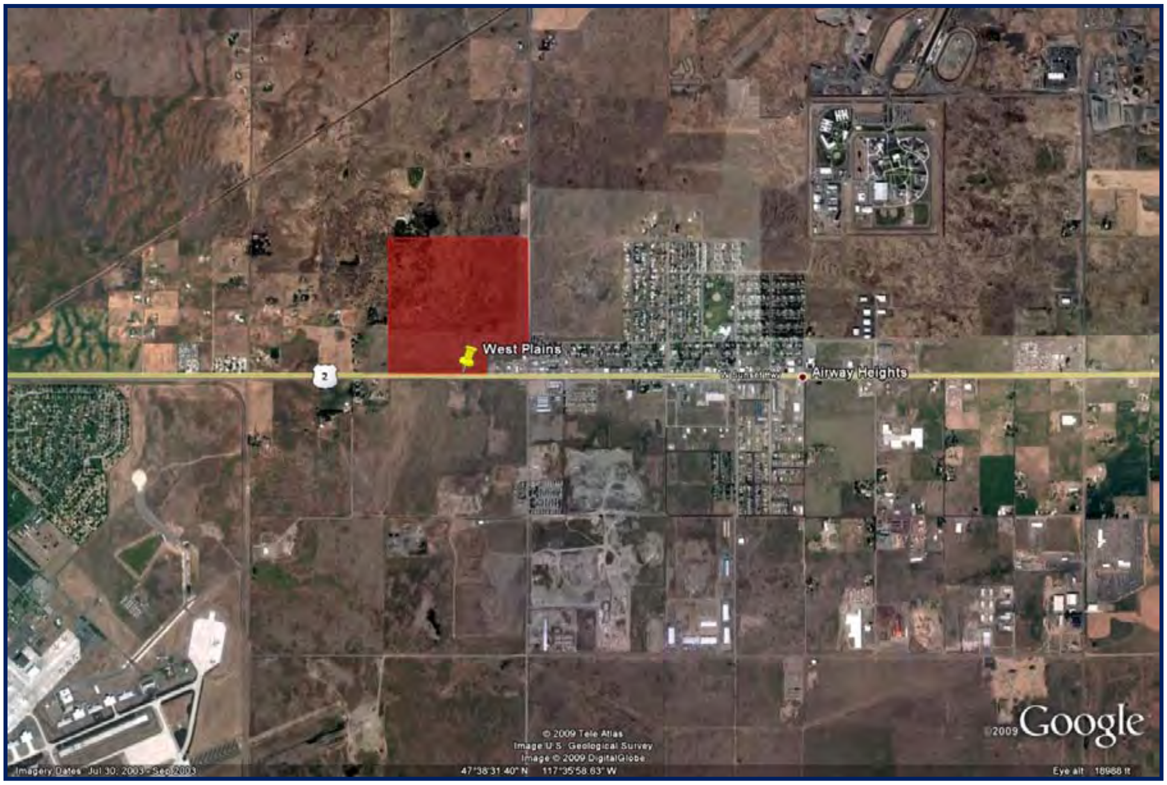
INTRODUCTION

Civic Economics has been retained by the Spokane Tribe of Indians to analyze retail development opportunities associated with the site of a proposed casino at Airway Heights, Washington.



The site is on US Highway 2 in western Spokane County, approximately 10 miles from downtown Spokane, five miles from the entrance to Spokane International Airport, and less than two miles from the entrance to Fairchild Air Force Base.

Civic Economics has been shown a variety of site plans for the West Plains development, each of which centers on a large entertainment and hotel complex on the southeastern portion of the site. Due to a variety of circumstances, none of the plans reviewed remains a likely development scenario. Nonetheless, we have prepared the following analyses based on the following broad parameters:

- The site will be anchored by a large entertainment and hotel complex, most likely featuring casino gaming.

- The Tribe desires to develop an additional 750,000 square feet of retail space, featuring three big box stores complemented by a variety of junior anchor and inline stores.
- The remainder of the site will be dedicated to retail development, including a gas station and convenience store on Highway 2 and a mix of big box and inline retail spaces elsewhere.
- Though earlier site plans showed development in the northwest quadrant of the site, it is our understanding that environmental considerations are likely to limit development in that section. Should that be the case, maximum retail space would likely decline to roughly 500,000 square feet.
- Finally, and perhaps most pressingly, the Spokane Tribe has entered into discussions regarding the possibility of developing a Bass Pro Shops store somewhere on the site.

This analysis begins with a broad look at retail development prospects at the West Plains site, with a primary market area consisting of the western portions of Spokane County. In addition, we look at the prospects for a successful Bass Pro Shops project of approximately 145,000 square feet, complemented by additional retail development on the site.

OVERVIEW OF THE MARKET AREA

Civic Economics visited the site and the Greater Spokane area to gain an understanding of the regional dynamics relative to the West Plains site. Spokane County, which also serves as Metropolitan Spokane, has a population of 468,000 (2008, US Census Bureau). Urban growth continues east into Kootenai County, Idaho to the city of Coeur d'Alene. Combined, Spokane and Kootenai Counties have an estimated population of just over 600,000 (2008, Census Bureau).

Metropolitan Area and Growth Direction

Though the airport and Fairchild AFB are both in the area surrounding West Plains, the population of Spokane County is heavily on the eastern side, across the Spokane River. In general, the urbanized area sprawls north and east from downtown Spokane. The portion of Spokane County west of the Spokane River and Highway 195 comprises only

50,000 residents. Growth in the Spokane MSA remains heavily to the east, though modest developments are occurring in the Airway Heights area.

The maps in Appendix 1 illustrate the population mix of Spokane County.

Retail concentrations are found in Downtown Spokane, at the area surrounding the declining North Town Mall in Spokane, and to the east along Interstate 90 all the way to the state line, where Cabela's opened in late 2007. Very little development has taken place to the West along Interstate 90, though a new Wal-Mart Supercenter in Airway Heights appears to have jumpstarted development there.

Immediate Vicinity

Fairchild Air Force Base reports an on-base population of 8,600. The 2000 Census indicates the Census Designated Place at the base housed a population of 4,357 people in 1,071 households. The median income for a household on the base was $33,512; per capita income was $11,961.

Airway Heights in 2000 housed 4,500 people in 958 households. The median income for a household in the city was $29,829; per capita income was $11,069.

The remainder of the immediate vicinity is sparsely populated. Moreover, the hinterlands served by Highway 2 to the west are also sparsely populated.

CURRENT RETAIL MARKET CONDITIONS

It is important to note at the outset that the entire retail industry is in the midst of a severe retrenchment nationally, and Spokane is unlikely to escape its effects. However, limited and anecdotal information about the health of specific retailers and retail markets makes it difficult to estimate how current trends will impact any specific market area or retail sector.

The last year for which strong data is widely available is fiscal year 2008, as publicly traded companies have released annual reports covering that period. Civic Economics has prepared this analysis based on 2008 data, with the clear understanding that 2009 is likely to lag last year's performance for many large retailers.

Prospects for a revival in retail development vary tremendously across the nation and even within metropolitan markets. Based on our visit to the area, though, we believe the Airway Heights market will present a tempting opportunity to those retailers looking to expand in the region, particularly if additional growth occurs in the area with the expansion of casino gaming.

PRIMARY MARKET AREA ANALYSIS - CLARITAS

Based on our review of the regional dynamics in Spokane, Civic Economics believes the primary market area for retail development at West Plains is comprised of the portions of Spokane County west of the Spokane River and Highway 195, which includes roughly 50,000 residents.

The presence of a true destination retailer at the West Plains site would, of course, offer the potential of expanding this market area. That prospect will be discussed further below.

To estimate the capacity of this primary market to absorb additional retail development, Civic Economics pulled Claritas Retail Opportunity Gap data for the area.

> Claritas' RMP data is derived from two major sources of information. The demand data is derived from the Consumer Expenditure Survey (CE Survey), which is fielded by the U.S. Bureau of Labor Statistics (BLS). The supply data is derived from the Census of Retail Trade (CRT), which is made available by the U.S. Census.
>
> The difference between demand and supply represents the opportunity gap or surplus available for each retail outlet in the specified reporting geography. When the demand is greater than (less than) the supply, there is an opportunity gap (surplus) for that retail outlet. For example, a positive value signifies an opportunity gap, while a negative value signifies a surplus.

Overall, Claritas estimates substantial untapped retail potential in the area, and this is true for most specific lines of goods and services.

RETAIL MARKET OPPORTUNITY ANALYSIS (NAICS 3-digit level)
Primary Market Area - Western Spokane County

	Demand (Consumer Expenditures)	Supply (Retail Sales)	Opportunity Gap/Surplus
Furniture and Home Furnishings Stores-442	20,060,935	329,157	19,731,778
Electronics and Appliance Stores-443	20,170,960	1,423,440	18,747,520
Building Material, Garden Equip Stores -444	90,228,739	20,950,212	69,278,527
Food and Beverage Stores-445	104,329,670	57,242,769	47,086,901
Health and Personal Care Stores-446	36,821,569	10,991,906	25,829,663
Gasoline Stations-447	98,417,910	106,447,769	-8,029,859
Clothing and Clothing Accessories Stores-448	38,675,141	5,127,917	33,547,224
Sporting Goods, Hobby, Book, Music Stores-451	17,675,176	4,683,678	12,991,498
General Merchandise Stores-452	101,352,362	11,188,029	90,164,333
Miscellaneous Store Retailers-453	22,074,381	9,625,431	12,448,950
Foodservice and Drinking Places-722	79,783,194	50,759,216	29,023,978
Totals	**$ 629,590,037**	**$ 278,769,524**	**$ 350,820,513**

Source: Claritas

As noted, these values indicate a significant untapped market on the western side of Spokane County. Essentially, they demonstrate that residents of the primary market area currently meet a wide range of retail needs by traveling into Spokane and its more developed suburbs. This activity is known as leakage. Of course, residents of the primary market area will be expected to travel into Spokane on a regular basis for employment and entertainment. Airway Heights, like hinterland markets nationwide, will likely demonstrate a degree of leakage for years to come. Even the most substantial destination retail development will not fully reverse the flow.

ANCHOR RETAILERS

Civic Economics has further undertaken to identify specific market segments with the greatest potential market at West Plains.

A retail development of the size envisioned by the Spokane Tribe requires substantial anchor stores around which the project is built. As a general rule, only two types of merchants fit that description. The bulk of proposed space, up to 300,000 square feet, can be occupied by two retail stores: a home center and a discount supercenter.

Home Centers: The primary national players in this segment are Lowe's and Home Depot, which develop comparable stores.

As demonstrated above, there is ample room in the primary market area to absorb sales from a sizeable Home Depot or Lowe's store at the West Plains site. In fact, even were one of these companies to develop elsewhere in the primary market area, the market could well support the other at the West Plains site.

HOME IMPROVEMENT CENTERS

	Home Depot	Lowe's
Average Store SF	105,000	113,000
Corporate Sales PSF	$304	$259
Average Store Sales	$31,900,000	$29,200,000

Source: 2008 Annual Reports, Home Depot and Lowe's

Home centers, of course, are among the more severely impacted sectors by the current recession, which has hit particularly hard at their core market of suburban homeowners and homebuilders. Both Home Depot and Lowe's have publicly indicated a strategy of slow, disciplined growth in the coming year while awaiting improved conditions. Nonetheless, Airway Heights, with ongoing growth, stable military employment, and inexpensive land and homes should present an appealing market as growth resumes.

Including an open air garden center of approximately 30,000 square feet, either of these merchants would occupy a total of 140,000 square feet at West Plains. It should be noted that both prefer free-standing stores and typically own the building. Given the somewhat awkward configuration of the site, with the casino and wetlands isolating large retail sites, such a store presents an opportunity to fill the bulk of one corner of the property.

Discount Supercenters: The primary national players in this segment are Wal-Mart and Target, with additional regional competition provided by Kroger's Fred Meyer subsidiary.

Supercenters compete in a sector that is a combination of GAFO (see below), Food and Beverage, and Health and Personal Care. The following chart consolidates those sectors for ease of reference.

RETAIL MARKET OPPORTUNITY ANALYSIS (GAFO)
Primary Market Area - Western Spokane County

	Demand (Consumer Expenditures)	Supply (Retail Sales)	Opportunity Gap/Surplus
*GAFO **	*$ 206,703,240*	*$ 25,571,817*	*$ 181,131,423*
General Merchandise Stores-452	101352362	11188029	90,164,333
Clothing and Clothing Accessories Stores-448	38675141	5127917	33,547,224
Furniture and Home Furnishings Stores-442	20060935	329157	19,731,778
Electronics and Appliance Stores-443	20170960	1423440	18,747,520
Sporting Goods, Hobby, Book, Music Stores-451	17675176	4683678	12,991,498
Office Supplies, Stationery, Gift Stores-4532	8768666	2819596	5,949,070
Food and Beverage Stores-445	*104,329,670*	*57,242,769*	*47,086,901*
Health and Personal Care Stores-446	*36,821,569*	*10,991,906*	*25,829,663*
Totals	**347,854,479**	**93,806,492**	**254,047,987**

* GAFO (General merchandise, Apparel, Furniture and Other) represents sales at stores that sell merchandise normally sold in department stores. This category is not included in Total Retail Sales Including Eating and Drinking Places.
Source: Claritas

Wal-Mart recently opened a Supercenter on the east side of Airway Heights very near the West Plains site. Depending on the size of that store, it is likely to be generating roughly $40-60 Million in annual sales which may not be included in the data above, but even that store will capture a relatively small portion of available retail sales in the primary market area.

DISCOUNT SUPERCENTERS

	Target
Average Store SF	132,335
Corporate Sales PSF	$283
Average Store Sales	$37,385,961

Source: 2008 Annual Report, Target Stores, Inc.

The two remaining competitors in the region are Target and Fred Meyer. Because Kroger provides extremely limited data on the performance of Fred Meyer stores, Civic Economics has estimated sales at typical

SuperTarget store, which average $37 Million annually.

Once again, given the tremendous available market in the primary market area, Civic Economics would expect the West Plains site to be highly attractive to either of these merchants. A SuperTarget might be expected to occupy between 130,000 and 170,000 square feet depending on their particular estimate of likely sales.

A multi-department Fred Meyer store might be expected to occupy a similarly sized space. The last time Civic Economics had the opportunity to evaluate a Fred Meyer store was in 2005, and at the time the company enjoyed modestly higher sales per square foot than its competitors. However, we are unable today to speculate on total sales to be expected at a Fred Meyer in Airway Heights.

JUNIOR ANCHOR RETAILERS

Having accounted for uptake of roughly 300,000 square feet, Civic Economics turned to evaluating the potential attractiveness of the West Plains site to those smaller retailers commonly referred to as "junior anchors." The recession and resulting turmoil in the retail industry has hit these stores hard. Most occupy niches known as "category killers," focusing on specific retail segments, making them highly vulnerable to shifts in consumer spending.

In addition, many of these junior anchor stores operated in a highly competitive market, with two or more similar merchants competing for sites and customers within any given submarket. This formerly intense competition resulted in overbuilding, as merchants were slow to concede market areas to locally dominant players.

EXAMPLE JUNIOR ANCHOR SPECIALTY RETAILERS

	Current	**Former**
Home Goods	Bed Bath & Beyond, Home Goods	Linens 'n' Things
Electronics and Appliances	Best Buy	Circuit City, etc.
Pet Supplies	PetCo, PetsMart	
Office Supplies	Office Depot, Office Max, Staples	
Books & Music	Barnes & Noble, Borders	
Discount Clothing Stores	Marshalls/TJMaxx, Ross, Kohl's	Mervyn's

All these stores run between 20-35,000 square feet

The current recession has begun to pare down both the number of competitive merchants in each category and the total number of stores (and thus square footage) in operation. The result, particularly in the home goods and electronics sectors, has been a rapid slowdown in building, as surviving merchants can now increase market share without additional locations in existing markets. Even in sectors with multiple surviving competitors, development has slowed while firms await a resurgence in consumer spending.

Taking a longer view, though, Claritas market data provides mixed encouragement in prospects for filling a large shopping center such as that proposed at West Plains. The chart on the following page reviews market potential by segment, along with average store sales for prototypical candidate merchants. Only publicly-held merchants have been included to ensure that data is accurate and current.

One key to understanding the following chart is that it assumes no new merchant in the market area will capture market share from existing merchants in the area, which is clearly not the likely outcome. Rather, new merchants in a mix generally alter market shares and, if well positioned and marketed, can substantially outperform existing merchants. So, where a hypothetical candidate merchant is showing a negative value in the margin, that does not mean the store cannot succeed, it simply means that it will have to capture sales from other stores in order to meet the corporate average performance of its chain.

TYPICAL JUNIOR ANCHOR PROSPECTS
Primary Market Area - Western Spokane County

		Opportunity Gap/Surplus	Prototypical Candidate	Candidate Average Sales	Margin
Furniture and Home Furnishings Stores-442	**$**	**19,731,778**	**Pottery Barn/PB Kids**		
Furniture Stores-4421	$	10,626,352		**$12,000,000**	**$7,731,778**
Home Furnishing Stores-4422	$	9,105,426	Williams-Sonona average of $512 sales psf.		
Electronics and Appliance Stores-443	**$**	**18,747,520**	**Best Buy**	**$37,600,000**	**($18,852,480)**
Appliances, TVs, Electronics Stores-44311	$	14,226,250	Average sales per square foot of $947 and		
Household Appliances Stores-443111	$	2,561,035	average store size of 39,700 square feet.		
Radio, Television, Electronics Stores-443112	$	11,665,215	Smaller formats available.		
Computer and Software Stores-44312	$	3,799,466			
Camera and Photographic Equipment Stores-4	$	721,804			
Clothing and Clothing Accessories Stores-448	**$**	**33,547,224**			
Clothing Stores-4481	$	23,881,836	**TJX**	**$ 7,300,000**	**$26,247,224**
Men's Clothing Stores-44811	$	1,733,087	Includes TJMaxx and Marshall's clothing		
Women's Clothing Stores-44812	$	7,092,871	stores as well as HomeGoods. Average		
Childrens, Infants Clothing Stores-44813	$	1,423,179	sales psf of $309.		
Family Clothing Stores-44814	$	12,244,569			
Clothing Accessories Stores-44815	$	266,539			
Other Clothing Stores-44819	$	1,121,591			
Shoe Stores-4482	$	5,194,647			
Jewelry, Luggage, Leather Goods Stores-4483	$	4,470,742			
Jewelry Stores-44831	$	4,052,308			
Luggage and Leather Goods Stores-44832	$	418,433			
Sporting Goods, Hobby, Book, Music Stores-451	**$**	**12,991,498**			
Sportng Goods, Hobby, Musical Inst Stores-451	$	8,930,838	**REI**	**$13,700,000**	**($708,502)**
Sporting Goods Stores-45111	$	4,429,347			
Hobby, Toys and Games Stores-45112	$	3,309,007			
Sew/Needlework/Piece Goods Stores-45113	$	50,414			
Musical Instrument and Supplies Stores-451:	$	1,142,070			
Book, Periodical and Music Stores-4512	$	4,060,659	**Borders**	**$ 5,000,000**	**($939,341)**
Book Stores and News Dealers-45121	$	2,158,278	Sales PSF of $203.		
Book Stores-451211	$	2,708,107			
News Dealers and Newsstands-451212	$	(549,830)			
Prerecorded Tapes, CDs, Record Stores-451	$	1,902,382			
Miscellaneous Store Retailers-453	**$**	**12,448,950**			
Florists-4531	$	808,761			
Office Supplies, Stationery, Gift Stores-4532	$	5,949,070	**Office Depot**	**$ 5,000,000**	**$949,070**
Office Supplies and Stationery Stores-45321	$	4,351,955	Sales psf of $199.		
Gift, Novelty and Souvenir Stores-45322	$	1,597,114			
Used Merchandise Stores-4533	$	356,718			
Other Miscellaneous Store Retailers-4539	$	5,334,401	**PetSmart**	**$ 4,500,000**	**$834,401**
			Sales psf of $202.		

Source: 2008 Annual Reports, Civic Economics

MARKET PROSPECT SUMMARY

Based on our understanding of site plans previously circulated, the retail shopping facilities proposed are viable in a phased development.

Our analysis shows that the site could support two large anchor stores (Target or Fred Meyer, and Home Depot or Lowe's), together occupying as much as 300,000 square feet and anchoring the two primary quadrants of the development.

In addition, a variety of junior anchor stores would be viable in the market area. The following chart applies corporate average sales per square feet for the previously identified typical target merchants to the available market gap in the primary market area to forecast a theoretical opportunity in square feet.

THEORETICAL MARKET CAPACITY
Primary Market Area - Western Spokane County

Sector		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		***292,528***

Source: Civic Economics

In practice, of course, the sales per square foot of various merchants varies widely. In home furnishings, for example, Ethan Allen registers a mere $153 per square foot in its company retail spaces. Similarly, Circuit City fell dramatically behind Best Buy in all measures, but notably in sales per square foot. In the current retail environment, neither Civic Economics nor any other firm can forecast with confidence where these values will stand at the end of 2009. Moreover, financing for retail developments is currently extremely tight, with construction and operating loans difficult if not impossible to obtain.

For these reasons, any retail development at the West Plains site will be phased over a period of years, with construction proceeding in sections only when major anchor tenants are secured and financing committed.

In earlier site plans, these phases were easily visualized as the site was divided roughly into quadrants, with the largest reserved for the casino project and the smallest for wetlands conservation.

More recent site sketches indicate a different configuration. Regardless, retail market considerations will require phasing of the development as tenants sign on.

Bass Pro Shops Prospect

Civic Economics has not yet evaluated the ways in which this analysis might change if Bass Pro Shops joins the mix at West Plains. In order to survive and thrive, a Bass Pro Shops would have to draw from a substantially larger trade area than that used here. In fact, it will be, in effect, going head to head with the existing Cabela's store roughly 30 miles away at the Idaho state line. We look forward to learning the state of that possibility soon.

Civic Economics is prepared to provide a specific review of any modified site plans in the coming weeks.