



Chickasaw Enterprises

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INDUSTRIAL AND
GAMING COMMISSION

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Bill Anoatubby
Governor

Brian Campbell
CEO

October 24, 2006

Dear Chairman Hogen and Vice Chairman Choney:

This letter is in response to your letter of September 27, 2006 seeking supplemental information about the impact the NIGC's proposed classification regulations on the Chickasaw Nation. With regard to your request for specific financial and other proprietary information, I would refer you to the Nation's annual financial audit report and the information we have previously provided your regional staff in relation to our gaming activities. As you will note from this information, the Chickasaw Nation operates a number of gaming facilities from very small facilities in rural locations to our premier facility, the Riverwind Casino, recently opened and located near Norman, Oklahoma, approximately 25 miles south of Oklahoma City. The new Riverwind Casino, the largest in Oklahoma, opened its doors in July. This 219,000-square-foot facility, which includes a 1500-seat Showplace Theater, offers predominantly class II games.

As the record reflects, the Nation's gaming activities produce substantial income which has produced a level of prosperity unprecedented in modern history of the Nation. Our gaming revenues, most of which are derived from class II activities, have enabled us to strengthen our governmental infrastructure; improve and expand the quality and quantity of our governmental programs and services; expand and diversify our economy, create thousands of permanent well-paying jobs; educate a new generation of tribal members; construct quality housing; improve health care; and improve the overall quality of life for our people and their communities.

The impact of the proposed regulation on the Nation would be devastating. According to industry experts, the implementation of the proposed rule would result in at least a 60-75% reduction in our gaming revenue given that class II gaming represents substantially more than three-quarters of our gaming activities. Were the regulation to be promulgated, every player station on our gaming floor would have to be removed and/or replaced, including our oldest electronic aids, some of which have been in play for nearly two decades without a single question about the classification of the games played with such aids.

Every Class II electronic aid on our gaming floor would be affected by the regulation. Even if there were electronic aids available in the marketplace meeting the restrictions contained in the proposed rule, and to the best of our knowledge there are not, my staff informs me that under the best circumstances such electronically aided games would produce at least 60% less income than our current games and probably less. I am

also informed that the staff has great doubts that such games would likely prove unappealing to our patrons due to the restrictions the rule would place on the speed of play and the overall appearance of the player terminals. Our executives believe that the impact would be to further reduce revenue and possibly jeopardize the economic viability of most, if not all, of our operations.

The consequences of the proposed regulation are virtually unthinkable. Operationally, it would eliminate our capacity to meet our contractual obligations with vendors, suppliers, and service providers. We could be forced into a default situation with regard to our loans and financing agreements. Massive layoffs affecting thousands of employees are foreseeable. The severity of the impact on tribal social and economic priorities would be no less severe.

Last year the tribe announced that we would designate an additional \$10 million in funding specifically for services to be provided to our Chickasaw people targeted to education, health, housing and employment. During the past fiscal year, we have issued more than 2,100 scholarships to students attending colleges and universities, totaling more than \$3 million, with all but around \$200,000 of that money coming from tribal funds. The projected reductions in gaming revenue would eliminate our ability to keep these students in college, most of which have no alternative sources of funds to replace our tribal scholarship dollars.

We also assist students wishing to obtain their GEDs through our Adult Learning Program. GED preparation is also available on Fast Track, which means that Chickasaws may prepare for their GED test through an on-line Internet service. This service helps pave the way for those who want to finish their high school education and maybe even pursue a higher education. Our education system also includes our elders, who are provided computer training through our 11 senior centers. In this past year, we also increased, by \$500, the amount of scholarships provided to our students who enter vocational-technical schools. Again, these important initiatives in large part depend on gaming revenues.

We are embarking upon plans to build a new \$135 million hospital on tribal property just south of Ada. Those plans have continued, and a groundbreaking ceremony for our new, state-of-the art healthcare facility is presently scheduled for spring of 2007. An economic crisis of the dimension contemplated as a direct result of the implementation of the proposed rule would jeopardize this project which is of such critical importance to the health of our Nation and future generations. Moreover, the Chickasaw Nation Health System has continued to increase services provided to patients. In this past fiscal year, our healthcare facilities had more than 336,000 patient visits at our ambulatory clinics, including more than 15,000 at the dental clinics and almost 9,000 at the optometry clinics. We would not be able to continue this level of service in the event of a severe reduction in gaming revenues.

Nearly 600,000 clinic tests were administered for our patients this past year. And, just under 800,000 prescriptions were filled by the pharmacy. That's just the beginning

of what our pharmacy will be doing. The new pharmacy refill center will make filling prescriptions easier and quicker for all patients. Also, there were 438 births at the hospital this year. There are numerous other services provided through our health system, including early prevention programs designed to give our children protection from substance abuse. Our diabetes clinic has been very aggressive in making not only state-of-the-art treatment available, but also to provide education designed to help prevent diabetes altogether. The CHRs, working in the tribe's oldest continuous program, provided health care services to more than 35,000 people during the last year. Severe cuts or the complete elimination of these programs will be felt not in dollars and cents, but in lost lives.

In service to our elders, Chickasaw Elders Energy Assistance, designed for Chickasaws 60 and older, helps pay summer cooling and winter heating bills. More than a thousand households were helped through this program, which also provided air conditioners to Chickasaw families who had elders living with them. We also initiated a new assisted living program for our elders. Our senior nutrition sites have also experienced growth.

Home maintenance for our elders has grown so much that we have added staff with more experience and skills to perform needed home repairs. We have also added new vehicles, new tools and necessary equipment so that more repairs may be done. The services now include home repairs, car care, weatherization, firewood delivery and lawn mowing. We expanded the Over-The-Counter Medications program to mail those medications to our elders, no matter where they live. Our transportation program drove nearly 373,000 miles, transporting more than 7200 clients to area offices, clinics, hospitals, dialysis centers and various other locations. Again, the programs not only improve lives, but save them.

We have been particularly proud of the accomplishments of our law enforcement division, the Lighthorse Police Department. The LPD now has 25 full-time officers, six reserve officers and seven support personnel. This past year, nearly 2/3 of the LPD's budget was funded directly by the tribe, with only about 38% of its needs provided through federal funds. The department now has three dogs, two trained in drug-detection and one in explosives detection. Since the tribe assumed the law enforcement functions of the Bureau of Indian Affairs, police manpower in Chickasaw Indian Country has increased by more than 315%, and the average response time to calls has decreased by about 2/3, meaning the LPD responds in an average of about 35 minutes, compared to the previous response time of over 90 minutes. As part of its efforts to reduce crime, the LPD provides school and community programming, including its new Drug and Alcohol Resistance Education (DARE) and the Gang Resistance Education and Training (GREAT) programs. Our gaming revenues have been critical in enabling us to build a law enforcement program capable of making a real and meaningful difference in the well-being of our communities. Again, these programs save lives.

Much of our efforts are focused on our young people, and the Chickasaw Nation Department of Child Support Services plays a critical role in serving children in need.

The tribe's child care service, part of the education division, also grew last year. The child care development department is licensed to serve children aged six weeks through the sixth grade. This department focuses on the total development of children physically, intellectually, emotionally and socially. Child care assistance provides services to Native American families by paying for child care services, along with a small co-payment made by the family. We have also begun construction on a sick child day care center, which will allow parents of children who are not seriously ill to be able to continue to work while our staff cares for their sick children. This is one of the first such centers of its kind. Gaming revenues make these programs and services possible.

Our Head Start program continues to expand its services. The Reading is Fundamental grant was awarded to Head Start again this year. With more than 750 books given to Head Start students and more than 4,000 books being read during the year, our children are truly being given a head start in their education. Tribal funds supplement, the level of federal financial assistance resources, making it possible for the Nation's Head Start program to be among the best in the U.S.

Our housing division has also had an exceptional year. Besides helping to make families home-owners, 125 storm shelters have been installed. Through Chuka Chukmasi, mortgage home loans were provided and some families were helped with down payments and closing costs. The Elders Driveway Program is a new addition to our services. We provide repair and/or construction of private driveways for Chickasaw elders aged 62 and over as well as to families which have special needs. The grant program that provides up to \$3,000 in down payments and closing costs, the low income home improvement grant program and the storm shelter program have all been expanded to serve our fellow Chickasaws no matter where they live. We are able to provide this assistance thanks to the revenues produced by our gaming operations.

We have many other services designed to help our families and others. Among those is roads and bridges construction. Projects are made possible, which are not already funded with federal, state, county or municipal funds, including replacing dangerous bridges and building new intersections and roads. By building roads and bridges, which make it safer for our Chickasaw families, we are also making it safer for all of our neighbors and friends who travel those roads.

We continue the effort to create and provide employment opportunities for Chickasaws. As of this month, the Chickasaw Nation provides employment for 10,570 people. In order to expedite the hiring process, a new computer system allows job applicants to apply online 24 hours a day, seven days a week. But our efforts go beyond just putting Chickasaws to work with the tribe. Our human resources department worked with outside companies, such as IRT, a call center company in Ada, which needed 50 more customer service employees, and with the Wal-Mart Distribution Center at Pauls Valley, to help Chickasaws find employment. Also, we provided summer employment for 542 Chickasaw youth. Job Club also helps provide help with employment opportunities and helps people gain skills in interviewing techniques, filling out job applications, and proper attire, as well as teaching good job performance skills.

We have numerous other opportunities for our families, including martial arts, which has an average monthly enrollment of 1,236 students. This represents a 20% increase over last year.

The horticulture department has also grown. This department produced more than three tons of produce that went to farmers markets and to our senior sites. The horticulture department also operates a career development/REACH initiative which helped more than 50 people explore career choices by developing their own plan for personal growth and empowerment.

The landscaping department alone has 54 Chickasaw employees in the Ada area and 50 more Chickasaws are being employed in the Ardmore area. They have worked on community service projects, like building wheelchair ramps and landscaping public buildings, in addition to studying trades like plumbing, roofing and air conditioning systems.

Drug court support services were initiated in Pontotoc and Carter counties, with services being developed in other counties within the year. Our students at the Chickasaw Children's Village near Kingston had a total grade point average of 3.0, an extraordinary achievement. Family services through the Office of Strong Family Development have been expanded into the Purcell Area and are beginning in the Oklahoma City area.

Vocational rehabilitation served Indian people with disabilities in gaining or maintaining employment.

Preserving and promoting our great culture and history have also seen a successful year. The restoration of the Chickasaw White House, the home of Governor Douglas Johnston, has been completed and is magnificent. Our plans continue to develop for the interpretive center to be located in Lee County, Mississippi at Cedarscape. This center will teach visitors about the Chickasaw village of Chi-cha-ta-la and provide insight into the ancient and recent history of the Chickasaws in the homelands.

We have acquired the old Burney Institute, which was also known as the Lebanon Orphans Academy, and are working on a plan for its restoration. We are in the process of creating a new division, the Division of Historical Research and Scholarship. This division will operate the Center for the Study of Chickasaw History and Culture and the Chickasaw Press, as well as administer the Chickasaw Nation Publications Awards and the Chickasaw Nation Hall of Fame. This new division will coordinate and operate many tribal activities designed to further Chickasaw culture.

Our division of arts and humanities has also been busy. The division helped with the world premiere of the original play, "Te Ata," which was written by a Chickasaw, Judy Lee Oliva, and presented at the University of Science and Arts of Oklahoma in Chickasha. The division also helped in producing the book, "Chickasaw, Unconquered and Unconquerable," a magnificent picture book with photography by the world-renowned David Fitzgerald. This book, the first publication of the Chickasaw Press, is

being launched during this year's Chickasaw Festival. The Mike Larsen Elders Painting Project was completed, and planning is now going on for a major exhibit of his paintings and the production of a book to accompany the exhibit. The Arts in Education program provided cultural arts instruction and projects with regional Girl Scout troops.

Monthly cultural arts programs were presented at the Chickasaw Boys and Girls Clubs in Sulphur, Chickasha and Tishomingo, and special programs presented at area schools. The division's work, which promotes the arts and humanities, is funded entirely with tribal money. There are many other services provided by the division, including Clemente humanities college courses at East Central University; the Chickasaw Living History Performers, the Chickasaw Theater Company and the Chickasaw Children's Choir.

No discussion of our achievements is possible without talking about the tribe's businesses. Our business success has grown with the implementation of our diversification strategy. An example is Chickasaw Nation Industries, Inc., (called CNI), which has developed 12 companies, seven of which have been granted 8(a) minority business status by the U.S. government. The list of clients for CNI is impressive and includes: the U.S. Department of Justice, IBM, Titan, the U.S. Department of Defense, the Federal Aviation Administration, the Indian Health Service, the Centers for Disease Control, the U.S. Army Corps of Engineers, USDA, NASA and the U.S. departments of Interior, Energy, Health and Human Services, the Army and the Air Force and the Office of the Special Trustee. CNI provides services to those clients, which includes things like business support, records management, document imaging, building operations and management, environmental consulting and services in the fields of energy, construction and manufacturing.

While CNI's growth has been exceptional with \$1.1 million in dividends issued in FY 2006, our gaming revenues represent a significantly higher portion of the revenues used to pay for our programs and services expansion. Chickasaw Enterprises, an arm of the executive branch, currently operates 57 businesses and has 6,488 employees, an accomplishment that would have been impossible but for the investments made possible by our gaming revenues.

At Newcastle, a 41,000-square-foot training center has been established for employees in the northern region. The recently-opened Riverwind Casino, located just south of Norman, OK, is among the facilities supported by the training center. The Chickasaw Travel Lodge, formerly known as the Chickasaw Motor Inn, was demolished this year, making way for the new Artesian Hotel. The new structure will be closely modeled after the Artesian Hotel which burned down more than a half-century ago. The hotel will have 84 guest rooms, a spa, retail store, cafe/coffee shop and prime restaurant.

At Thackerville, our newest business was opened, the Red River Sand and Gravel company, serving customers in south Oklahoma, north Texas and the Dallas/Ft. Worth metroplex. Another of our new businesses which also opened recently is the WinStar Golf Course. The Chickasaw Nation operates Microtel franchise hotels in Thackerville

and Davis. In April of this year, we were named "Franchisee of the Year" at Microtel's national awards ceremony. We also had two employees nominated for the "Guest Services Hero Award," and one of them received the award. Our other businesses, Bank2, Bedre Chocolates and Solara, have also shown great progress.

Twenty years ago, we knew what we needed: more and better services for the Chickasaw people; we knew we would need to develop our own tribal economy so that we would have the revenues to meet the growing and changing needs of our people. We took advantage of every available opportunity, including contracting for federal programs through Public Law 93-638, and then through the self-governance compacting process. Both gave us more say in how our services were tailored, and gave us the opportunity to put more Chickasaws to work. We became the first tribe in the United States to compact for and assume operations of our entire health system. Yet, without the revenue stemming from our gaming activities we would not have accomplished anything near what exists today. Federal aid to the Nation has never been available in sufficient amounts to meet its basic needs, and certainly not to provide the level and quality of services we are now able to offer.

The profits from our businesses, most of which were built on our gaming revenue, allowed us to expand our services and to add services that the Chickasaw people needed but which were never available previously, all the while employing new people. We have been able to expand our health care system and open the Ada Family Practice Clinic, the Ardmore Nutrition Center, the Food Distribution program grocery store and the Purcell Nutrition Center. To make all of our programs more accessible, we were able to open regional offices in Ada, Purcell, Ardmore, Tishomingo, Sulphur and Duncan. By using some of the profits generated by our businesses, we expanded our business base, entered new fields of endeavor.

In the past three years alone, we have opened the new diabetes care center, the wellness center in Ardmore, the health clinic in Purcell, a new nutrition center in Ardmore and new senior sites in Pauls Valley and Purcell. We expanded our language program and completed restoration of our capitol building and the Douglas Johnston home. Our new, state-of-the-art cultural center near Sulphur is well underway and scheduled for completion next year. Underway are the new pharmacy refill center, the new building for our housing programs, the Ada Community Center, the Sick Child Day Care Center, a wellness center here in Tishomingo, a community center at Enos and the new senior site in Duncan, as well as the plans for a new hospital.

We understand from the wording of your questions that the NIGC believes that the impact of the regulation would be mitigated by the fact that Oklahoma has finally agreed to a tribal state gaming compact. We believe that this oversimplifies the ramifications of the proposed rule to the economic stability of our Nation. Moreover, we do not believe that it is reasonable to justify the elimination of the class II industry of the Chickasaw Nation on the basis that we can simply "fall back" to compacted gaming.

In the first place, class II gaming is lawful and was intended to produce the very benefits and effects that we have described in this response. It is manifestly unjust to render that which is lawful unlawful due to political pressure brought by another federal agency displeased with the concept that tribal governments have been recognized as possessing the sovereign authority establish and regulate a successful and lucrative industry without state interference.

IGRA was enacted as a means of strengthening tribal governments and providing tribal governments the means to prosper socially, culturally, and economically and the NIGC was created and provided the degree of independence necessary to withstand political pressures intended to undermine the purposes of the Act in this regard. In our view, it is the solemn obligation of the NIGC to interpret the law in a manner that is consistent with the intent of the Congress as articulated in the Act itself and to ensure that the law is interpreted in a manner designed to ensure tribal governments its full benefit.

Secondly, the notion that the Nation can simply change out one class of games for another overlooks the economic realities of the situation. Even if it were possible to do so in a relatively short period of time, the associated costs would be immense. As previously discussed, we have literally millions of dollars invested in class II gaming and long term contractual commitments. Neither are we so callous as to disregard the impact on the entities with which we do business. To simply walk away from these commitments is virtually unthinkable, not only because of the financial harm doing so would, but also the damage it would have on our credibility and reputation in the business community. One thing is certain, were we to breach our contractual obligations, our costs of doing business in the future would soar. There is a very real potential that our access to capital would diminish as would our bargaining position and standing in the community.

Also note that this response does not cover all of the impacts that would accrue were we to experience even a more modest drop in gaming revenues than anticipated, especially in light of our current obligations and commitments. We assist local governments to build physical infrastructure such as water and sewage, roads and bridges, power lines, and more. We would not be able to continue to provide such aid. We fear that this would cause hardship and probably sour important relationships. Our charitable giving would have to be reduced or suspended. Again, creating hardship and souring relationships. Our ability to meet matching requirements for numerous federal assistance programs would be jeopardized, and if so, we would lose eligibility status eliminating these programs and services altogether.

As to market conditions and other circumstances unique to the Nation, we believe that the Oklahoma gaming market has peaked and will stabilize in the near future. Currently there are 92 gaming facilities in Oklahoma. In the last two years a number of new facilities have been completed, including Remington Park, two Million Dollar Elm Casinos, Cherokee Casino, Choctaw Casino, Firelake Grand Casino, and the Nation's Riverwind Casino, and though a few additional facilities are in the planning or development phases, we believe that the expansion trend is leveling off. We do not

anticipate substantial expansion much beyond what is currently in process. If the State of Texas continues to move toward legalizing gaming with the popular vote increasing in favor of gambling we would anticipate a significant impact on the Nation's gaming revenues. These market forces would exacerbate the impact of the proposed regulation on the Nation's gaming activities and revenues.

We have conducted some research as to patron preferences through focus groups. The results indicate that approximately half of our patrons set a dollar limit on spending in our facilities ranging from \$50 to \$200 on average. In experimenting with the introduction of compacted games, we experienced a reduction in the average hold of the compacted machine in comparison to the class II gaming terminals that were replaced. We followed up with a patron survey in the affected facilities and found that approximately 80% of the patrons surveyed preferred the Class II machines. This information reinforces our opinion that class II gaming is critically important in our market and that the proposed rule would severely damage our operations financially.

The remaining issues addressed in your request for supplemental information concerning the certification process and related issues will be addressed in our technical comments on the proposed regulation which will be submitted by November 15. As development of those comments is still in process, I will defer response in this reply in anticipation of a fuller response in the next submission.

We urge the NIGC to consider that the proposed rule would create a negative domino-effect on the economic, social, and political well-being of the Nation due to the decrease in gaming revenue and lost investment that would ensue. Most of the accomplishments outlined in this response have been made, not over the course of the last 150 years, but in the last two decades. Just 20 years ago, the Chickasaw Nation had around 250 employees. Today, we employ more than 10,000 people, members and non-members alike. Twenty years ago, we had three health facilities, Carl Albert and the clinics in Tishomingo and Ardmore. We will soon break ground on a major hospital center.

Twenty years ago, the Nation operated five businesses: the Chickasaw Motor Inn, two trading posts, three smokeshops, and a bingo hall. The housing authority existed, but was run as a state agency, not a tribal one. The revenues and resulting payments to the tribal treasury made by our businesses, particularly our class II gaming operations, have enabled us to dramatically increase and expand programs and services. We have been able to put more Chickasaws to work, to provide educational opportunities, to improve housing and other services, and to continue providing the very best health care possible.

We urge the NIGC to consider that it is not the loss of money in itself that concerns us; rather it is the loss of the means to continue to improve the quality of life for our people. As we all know, it is impossible to prove a negative. We can't say with certainty how many lives have been saved or will be saved because we have increased health care services, increased police protection, storm shelters, or heating and air conditioning in the homes of our neediest citizens. We can't foresee the future, so we

can't prove that the scholarships the Nation provides will mean the difference between poverty and prosperity for the recipients and their families or that some of our members will achieve their fullest potential thanks to our investments in their education and training. We can't prove that the Nation as a whole will benefit tangibly and intangibly from the investments we are making today. But we nonetheless know lives have been spared, opportunities expanded, and our future holds the promise of even greater things to come.

As you consider whether to proceed with the rule as proposed, we urge that you consider the information that we have provided and that of other tribal governments undoubtedly facing the same grim consequences that your proposed rule would wreak on the lives of our people and the stability of our Nation. The Commission need not issue this rule as proposed. The federal courts have given you the means and the legal support to do the right thing. We urge you take full advantage.

Sincerely,

A handwritten signature in black ink that reads "Brian Campbell". The signature is written in a cursive style with a large, prominent initial "B".

Brian Campbell, CEO
Chickasaw Enterprises