

**AGREEMENT
CONCERNING TAXATION OF MOTOR VEHICLE FUEL
AND SPECIAL FUEL BETWEEN THE JAMESTOWN S'KLALLAM TRIBE
AND THE STATE OF WASHINGTON**

I. RECITALS

1.1 The Jamestown S'Klallam Tribe, a federally recognized Indian Tribe and sovereign government will be referred to in this Agreement as the "Tribe."

1.2 The State of Washington is a state within the United States of America, possessed of full powers of a state government. The Department of Licensing is an agency of the State of Washington. The State of Washington and the Department of Licensing are referred to collectively in this Agreement as the "State."

1.3 Senate Bill 5272, chapter 515, laws of 2007, effective May 15, 2007, amended certain sections of chapters 82.36 and 82.38 RCW to allow the Governor to enter into an agreement with any federally recognized Indian tribe located on a reservation within the State regarding motor vehicle and special fuel taxes. The legislation also authorized the Governor to delegate the power to negotiate such agreements to the Department of Licensing. The Governor has delegated this authority to the director of the Department of Licensing.

1.4 The Tribe and the State (collectively "the parties") have conferred and engaged in government-to-government negotiations in a mutual, good faith effort to reach an arrangement in regard to state fuel taxes on the distribution, sale, transfer, use, or possession of motor vehicle fuel and special fuel within the Tribe's Reservation. Each party to this Agreement respects the sovereignty of the other and desires to work within the framework of a government-to-government relationship.

1.5 The parties acknowledge that, pursuant to chapters 82.36 and 82.38 RCW, the State imposes state fuel taxes on motor vehicle fuel suppliers and importers and special fuel suppliers and importers, the revenue from which is used exclusively for highway purposes. The Tribe expends Tribal funds each year for roads and law enforcement on and adjoining the Reservation, as well as for other essential governmental purposes, including projects associated with roads and highways within the Tribe's Land Consolidation Area.

1.6 The parties also acknowledge that along with the State of Washington, the Tribe is a co-manager of fish, shellfish, and wildlife resources, as well as aquatic and terrestrial plants. The

Tribe shares with the State the need to provide for healthy ecosystems and productive habitats that these resources require, including those areas where transportation systems, waterways and related areas exist. This also includes the need to provide funding for resource protection and habitat restoration efforts associated with all of the transportation systems be they land-based or water-based, including appropriate law enforcement activities.

1.7 This Agreement addresses only the taxation and regulation of motor vehicle fuel and special fuel and shall not be construed as affecting any other area of Tribal or State taxation or regulation.

1.8 The Tribe and the State shall confer regarding regulation of filling stations operating within the jurisdiction of the Tribe to ensure such regulation is consistent with the intent and spirit of this Agreement.

1.9 By entering into this Agreement, the State does not concede that the Tribe has any immunity from the State's tax and tax collection provisions. By entering into this Agreement, the Tribe does not concede that the laws of the State of Washington, including its tax and tax collection provisions, apply to the Tribe or its citizens regarding activities and conduct within or outside Indian country.

1.10 This Agreement is not intended, and will not be construed to confer a benefit or create any right on a third party, or the power or right of any third party to bring an action to enforce any terms of this Agreement.

II. DEFINITIONS

2.1 "Department" means the Washington State Department of Licensing, or any successor agency, and its officials, employees, and agents acting in their official capacity.

2.2 "Distributor" shall be used in this Agreement to refer to either a Motor Vehicle Fuel Distributor or a Special Fuel Distributor. "Motor Vehicle Fuel Distributor" has the meaning given in RCW 82.36.010(15), as it now exists or as amended in the future. "Special Fuel Distributor" has the meaning given in RCW 82.38.101(24), as it now exists or as amended in the future.

2.3 "Essential governmental function" has the meaning given in 26 C.F.R. § 305.7871-1(d) (2000).

2.4 "Filling station" means a place of business operated for the purpose of delivering to the general public motor vehicle fuel or special fuel into the fuel tanks of motor vehicles.

2.5 “Motor vehicle” means every self-propelled vehicle designed for operation upon land and utilizing motor vehicle fuel or special fuel as the means of propulsion.

2.6 “Motor vehicle fuel” has the meaning given in RCW 82.36.010(20), as it now exists or as it may hereafter be amended.

2.7 “Reservation” means the Jamestown S’Klallam Tribe’s Reservation together with Tribal trust lands located outside the boundaries of the Reservation.

2.8 “Special fuel” has the meaning given in RCW 82.38.020 (23), as it now exists or as it may hereafter be amended.

2.9 “State” means the State of Washington and the Washington State Department of Licensing.

2.10 “Tribe” means the Jamestown S’Klallam Tribe.

2.11 “Tribal business” means a business that is owned and operated by the Tribe or by an enrolled Tribal citizen, so long as the business operated by an enrolled Tribal citizen is licensed or permitted by the Tribe to do business on the Reservation.

2.12 “Tribal Fuel Facilities” means a retail filling station that is owned and operated by the Tribe or by a Tribal business, and any facilities owned and operated by the Tribe or a Tribal business for bulk storage of motor vehicle fuel or special fuel.

2.13 “Tribal citizen” means a person who is an enrolled member of the Tribe.

III. PURPOSE AND OBJECTIVES

3.1 This Agreement addresses the establishment of a cooperative framework for taxation and regulation, by the Tribe and by the State, respecting the distribution, sale, transfer, use or possession of motor vehicle fuel and special fuel when such fuel is distributed, sold, used, or possessed within the Reservation. The parties intend this Agreement to facilitate the on-Reservation retail sale of fuel products to Tribal citizens and other customers at prices competitive with those of surrounding retailers.

3.2 The parties intend that this Agreement completely resolve, as between them, all issues related to motor vehicle fuel taxes and special fuel taxes within the Reservation, and that this Agreement be binding upon the parties and upon persons subject to regulation by the parties, except where specifically indicated otherwise within this Agreement.

3.3 In general, the parties intend that the State’s statutory and regulatory law for taxation with respect to such fuel remain in full force and effect under this Agreement.

IV. AGREEMENT

Government-to-Government Cooperation

4.1 The State and the Tribe shall cooperate to the extent legally permitted to ensure the enforcement of:

- a. The Tribe’s laws with respect to the taxation and regulation of Tribal citizens, non-tribal filling stations, and Tribal filling stations and businesses that sell or deliver motor vehicle or special fuel within the Reservation;
- b. The State’s laws and rules respecting the imposition and collection of its fuel taxes from all persons doing business with the Tribe, except as provided under this Agreement; and
- c. The terms of this Agreement.

Framework for Taxation and Regulation

4.2 The Department shall collect Washington State motor vehicle and special fuel taxes in accordance with chapters 82.36 and 82.38 RCW, as they now exist or as they may hereafter be amended. The Tribe agrees to purchase only fuel on which applicable state taxes have been paid.

- a. Unless otherwise agreed to in writing, the Tribe shall by ordinance or code require non-tribal filling stations, Tribal filling stations, Tribal businesses and Tribal citizens to purchase only fuel on which state fuel tax has been paid, and to purchase only fuel from persons or companies operating lawfully in accordance with RCW 82.36 and 82.38 as a motor vehicle or special fuel distributor, supplier, importer, or blender, or from a Tribal distributor, supplier, importer, or blender lawfully doing business according to all applicable laws. Such ordinances or codes shall become effective within six (6) months of the execution of this agreement, or unless otherwise agreed.
- b. The Tribe agrees to pass on to the retail customer the state tax included in the price of fuel.

4.3 Upon compliance with the procedures described in this Agreement, the Tribe shall be entitled to a refund equal to 75% of the tax paid on each gallon of motor vehicle fuel or special fuel purchased for resale by the Tribe and Tribal businesses.

4.4 Tax paid on fuel purchased that is claimed for refund for Tribal government vehicles for Federal fuel tax purposes on Internal Revenue Service (IRS) claim form 4136 shall be entitled to a refund of 100% of the tax. A copy of the IRS form 4136 shall accompany the refund request. Such fuel must be used by the Tribe for its essential governmental functions and the Tribal businesses.

4.5 The Tribe, Tribal filling stations, Tribal businesses and Tribal citizens may also be eligible for refunds under the provisions of RCW 82.36.280, RCW 82.36.285, RCW 82.36.290, RCW 82.36.300, RCW 82.38.080, RCW 82.38.180, and similar state fuel tax exemption statutes that may be later adopted, but only (1) to the extent such statutes apply to the Tribes, the Tribal filling station, the Tribal business, or the Tribal citizen, and to the particular use by them of motor vehicle and special fuel and (2) to the extent a refund was not made to the Tribe under subsection 4.3 or 4.4 of this Agreement.

4.6 No refund of motor vehicle or special fuel taxes need be made by the State except as specifically set out in this Agreement or as otherwise permitted by law.

4.7 The Tribe agrees to expend fuel tax proceeds retained by the Tribe or amounts equivalent thereto on: Planning, construction, and maintenance of roads, bridges, and boat ramps; transit services and facilities; transportation planning; police services; and other highway-related purposes.

4.8 The Tribe may also expend fuel tax proceeds retained by the Tribe or amounts equivalent thereto to fund a Tribal Transportation Infrastructure Bond, as long as the proceeds of such a bond are used for the purposes that meet the requirements of subsection 4.7 of this Agreement.

4.9 For the purposes of subsections 4.7 and 4.8, in any fiscal year in which the Tribe's expenditures for the permissible transportation purposes either exceed or are less than the fuel tax refund receipts, the Tribe may carry forward the difference of the expenditure amount as a credit or debit against the requirement of permissible transportation expenditures in any subsequent year, up to ten (10) years.

Records and Audit Provisions

4.10 The Tribe shall maintain:

- a. Invoices showing the number of gallons of motor vehicle fuel and special fuel purchased by the Tribe for resale at tribal retail stations;
- b. Records to document the use of fuel tax proceeds or their equivalent for the purposes identified in subsections 4.7 and 4.8 of this Agreement, and
- c. Internal Revenue Service (IRS) Form 4136 and Detail Schedules reflecting the number of gallons claimed for refund for Federal fuel tax purposes.

The Tribe shall maintain such records for a minimum of three years, except that records required pursuant to subsection 4.9 shall be maintained for no less than ten (10) years.

4.11 The Tribe shall cause an audit to be performed annually, consistent with its fiscal year, or at such other interval as shall be agreed by the parties, by an independent third party auditor who shall be a certified public accountant in good standing, to review such records as are necessary to certify the number of gallons of motor vehicle and special fuel purchased by the Tribe for re-sale at Tribal filling stations, the amount of state tax included in the price of the fuel purchased by the Tribe, and the use of Fuel Tax proceeds or their equivalent for the purposes identified in subsections 4.7 and 4.8, above. The Tribe shall deliver a copy of the final written report of such audit to the Director of the State Department of Licensing.

4.12 The State agrees to treat as personal information under RCW 42.56.230(3)(b) any information received by the State or otherwise made available to the State for review pursuant to this Agreement and to exempt such information from public inspection and copying.

4.13 The State will, within thirty (30) days of a written request by the Tribe, remit to the Tribe an amount equal to seventy-five percent (75%) of the state motor vehicle fuel and special fuel tax actually paid or included in the price of all purchases of motor vehicle fuel and special fuel by Tribal filling stations in the preceding month or other period at the Tribe's option. The Tribe shall submit copies of invoices for fuel delivered to its Tribal filling stations, which shall include the invoice date, name of the seller, and the amount of the state motor vehicle fuel taxes and special fuel taxes paid or included in the price of the fuel. If the accuracy or authenticity of any invoice submitted is in question, the State and the Tribe shall use their best efforts to resolve the issue informally. If such informal efforts are unsuccessful, the dispute resolution provisions of this Agreement shall apply.

V. DISPUTE RESOLUTION, TERM AND RENEWAL

5.1 Neither the Tribe, nor the State, nor officers acting on either government's behalf, may petition any court to enforce this Agreement unless (a) the dispute resolution process described in subsections 5.1(a) through (d) has been followed in good faith to completion without successful resolution, or unless (b) the other party fails to enter into the dispute resolution process or terminates the process before its completion. Should a dispute arise between the Tribe and the State upon an issue of compliance with the Agreement by either government, or by their officers, employees or agents, the Tribe and State shall attempt to resolve the dispute through the following dispute resolution process:

a. Either party may invoke the dispute resolution process by notifying the other, in writing, of its intent to do so. The notice shall set out the issues in dispute and the notifying party's position on each issue.

b. The first stage of the process shall include a face-to-face meeting between representatives of the two governments to attempt to resolve the dispute by negotiation. The meeting shall be convened within 30 days of the date of the written notice described in subsection 5.1(a). The representatives of each government shall come to the meeting with the authority to settle the dispute.

c. The second stage of the process will be that if the parties are unable to resolve the dispute within sixty (60) days of the notice sent under subsection 5.1(a), above, the parties shall engage the services of a mutually agreed upon qualified mediator to assist them in attempting to negotiate the dispute. Costs for the mediator shall be borne equally by the parties. The parties shall pursue the mediation process in good faith until the dispute is resolved or until the mediator determines that the parties are not able to resolve the dispute. If the parties cannot agree on a format for the mediation process, the format shall be that directed by the mediator. If the dispute is resolved, the resolution shall be memorialized by the mediator and shall bind the parties.

d. If a party terminates the process before completion, or if the mediator determines that the dispute cannot be resolved in the mediation process, or if the dispute is not resolved within one hundred and twenty (120) days of the date the mediator is selected, either party may initiate binding arbitration proceedings under the rules of the American Arbitration Association ("AAA"), but AAA need not administer the arbitration. If the arbitrator determines that a party is in violation of a material provision of this Agreement, and such violation is not or cannot be cured

within thirty (30) days of the arbitrator's decision, then the other party may terminate this Agreement with sixty (60) days written notice.

5.2 This Agreement shall remain in effect unless the parties mutually agree in writing that the Agreement should be vacated or terminated and superseded by a new agreement between the parties, unless terminated in accordance with the procedures in subsection 5.1(d).

5.3 If, at any time after the effective date of this Agreement, the State enters into an agreement, compact or consent decree with any other federally recognized Indian Tribe, of or relating to the collection and reimbursement of state fuel taxes, and in the event such agreement or compact contains terms more favorable to the other Indian tribe than the terms in this Agreement, the State agrees to make such terms and conditions available to the Tribe, at its option, and if so agreed to by the Tribe, such terms and conditions shall become a part of this Agreement by a signed amendment, executed by both parties. Provided, however, that if this clause is exercised by the Tribe, all the terms in this Agreement are open to renegotiation, and the State shall be entitled to insist that any other terms as are associated with, facilitated or were given in exchange for the more favorable terms negotiated with the other tribe also be included in any modification of or replacement terms in this Agreement.

5.4 In any action filed by a third party challenging either the Tribe's or the State's authority to enter into or enforce this Agreement, the Tribe and the State each agree to support the Agreement and defend their authority to enter into and implement this Agreement.

VI. IMPLEMENTATION, AMENDMENTS

6.1 This Agreement may be amended only by a written instrument duly signed and executed by the parties. If either party wishes to amend this Agreement, it will notify the other party in writing of the desire to make amendments and the nature of the amendments. The parties agree to meet within thirty (30) days of a request for amendment pursuant to this subsection to discuss the requested amendment(s) and to establish a process for negotiations as appropriate.

6.2 The contact person for the Tribe, for any changes or concerns about this Agreement, shall be:

Jerry Allen
Assistant General Manager, 7 Cedars Casino
Jamestown S'Klallam Tribe
1033 Old Blyn Hwy.
Sequim, WA 98382
cc: Leo Gatén, Governmental Policy Advisor

The contact person for the State, for any changes or concerns about this Agreement, shall be:

Sharon Whitehead
Deputy Director, Department of Licensing
P.O. Box 48001
Olympia, WA 98504

6.3 The Tribe shall provide the State with a list of the name and physical location (address) of each retail outlet operated by the tribe and covered by this Agreement. No later than 30 days after any new retail outlet is opened, the same information will be provided to the State.

6.4 If the Tribe proposes to purchase fuel for bulk storage for use in Tribally owned vehicles or for resale, before such activities begin, the Tribe shall notify the State, and the parties shall confer on any changes necessary to this Agreement.

6.5 In the event the Tribe proposes to blend fuel, the Tribe agrees to abide by all applicable Federal laws related to the blending and sale of motor vehicle and diesel fuel. The parties agree to meet and discuss the application of this Agreement to fuel blended by the Tribe, before any such blending begins. If the Tribe begins blending fuel without compliance with this paragraph, the provisions of the dispute resolution section of this Agreement shall apply.

6.6 The parties agree to meet and confer from time to time to discuss issues or concerns relating to fuel tax matters and the distribution of fuel that may not be covered by this Agreement. The parties agree to work cooperatively to resolve those concerns and to enter into dispute resolution as provided in this Agreement, as appropriate.

DATED this 1st day of May, 2008.

JAMESTOWN S'KLALLAM TRIBE

W. Ron Allen

W. Ron Allen, Chairman
Jamestown S'Klallam Tribe

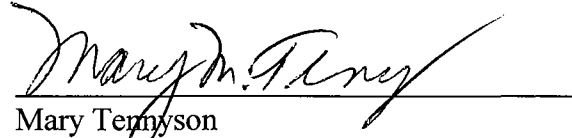
DATED this 7th day of May, 2008.

DEPARTMENT OF LICENSING

Elizabeth A. Luce

Elizabeth A. Luce
Director, Department of Licensing

Approved as to Form:

A handwritten signature in black ink, appearing to read "Mary Tennyson", is written over a horizontal line.

Mary Tennyson
Assistant Attorney General