

MONTANA



Associates

June 17, 2003

Chairman, Harvey Angle & Tribal Council Members
Enterprise Rancheria

RE: Article regarding Governor Davis recall and memo from Barnes et al.

Dear Tribal Council:

I felt that maybe you should be aware of some of these current events surrounding the Governor Davis recall effort. It would appear that there would be some advantageous approaches that may or may not succeed relating to approaching Governor Davis regarding the possibility of a Section 20 execution for gaming purposes.

It may be helpful to read the article I have attached and also the memo from your consultants who just weeks ago seemed to be opposed to such a move at the State of California level. I have had several conversation with Allen W. over the last several weeks and have come to agree with his astute observation of the potential labor union factors that may have a significant impact on whether Governor Davis would be inclined to sign off on a Section 20 proposal on behalf of Enterprise Rancheria.

Obviously, any alternative that places you in a position to begin construction and the realization of Class III gaming as soon as possible should be explored.

Thank you for attention to this matter and should you have any questions please feel free to contact me at your convenience.

Best Regards,

Gary J. Montana, Attorney at Law

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June 13, 2003

TO: Enterprise Rancheria Working Group
FROM: Barnes, Mosher, Whitehurst, Lauter & Partners
Rosa Consulting Group
RE: Assessing a Section 20 resolution

Several months ago the clear strategy for resolving our section 20 issue was to move forward legislatively. With the changing political realities facing California we need to reassess the approach we take with regards to both the legislative strategy and the Governor.

California's Political Landscape

Two issues are currently dominating the State's political landscape – the budget and the recall.

The State Budget

State leaders are at an impasse on solving the \$30 billion+ budget deficit. Democrats are asking for tax increases to pay for state spending that has grown by almost 40% over the past 5 years while not offering a great deal in terms of cutting. Republicans have dug in their heels on taxes – pledging to oppose any budget that raises taxes – but offering no realistic solutions other than deeper cuts.

The Senate President pro-tem stormed out of negotiations earlier this week and the Senate Republican leader has threatened his caucus with political retribution if they break party lines. Despite these problems the Governor has told reporters that he believes that they can come to a compromise on the budget by the June 30th constitutional deadline.

Any budget compromise will require the Governor to make an executive order raising the Vehicle License Fee (Car Tax). This action will likely have to happen in the next 60 days.

The Governor will likely take additional heat for either a budget that cuts too much, a budget that taxes too much or a failure to pass a budget in a timely fashion. Any of these scenarios will result in the Governor's positive ratings – already at an all-time low of 21% - dropping further.

The Recall

There are two questions surrounding the recall: When will it qualify and who will put their names on the ballot?

The question of timing is very important. The proponents of the recall have until September to qualify. However, if the Secretary of State certifies that there are enough signatures to qualify the recall by the end of July, the recall election will take place this fall in a special election.

An election in the fall would likely have low turnout that could potentially motivate a conservative base and improve the likelihood of success. The City of San Francisco is the only major populace that is having a significant election (the mayor's race) where the recall polls relatively poorly.

If the recall qualifies during the month of August, the recall election would take place at the same time as the next primary election - March. California's primary will have a number of Democrats seeking their party's nomination for president - increasing Democratic turnout and helping the Governor's efforts to avoid recall.

The dilemma facing our efforts is the roster of potential candidates. The State Democratic Party will encourage Senator Dianne Feinstein to run. If she does she will likely clear the field of any other Democrats and will be heavily favored to win. If she does not run the field on the Democratic side will probably consist of Lt. Governor Cruz Bustamante, Attorney General Bill Lockyer, Treasurer Phil Angelides and possibly Secretary of State Kevin Shelley.

The Republican side of the field may not be as large with Congressman Darrell Issa having already declared. However Arnold Schwarzenegger, former Los Angeles Mayor Richard Riordan and the man Gray Davis beat in 2002, Bill Simon, are contemplating jumping in. The timing of the recall election could affect the eventual Republican candidates, with some Republicans possibly opting not to run in the Democratic-friendly March election.

The bottom line is if Feinstein wins the gaming industry on Native American lands will not have a friend in Sacramento. If she does not run, the race is a toss-up and we won't know what to expect.

Governor - Strategy & Resources

Any effort to approach the Governor must be multifaceted. We must approach the Governor from a variety of angles to ensure success - formal channels in the Governor's office, organized labor, friends, local elected officials and Democratic activists will all need to play a role.

Over the past year, we have established a politically strong network of friends, both locally and statewide. An inventory of our resources for this effort includes:

- John Morris, one of the Governor's closest friends
- Jim Kellogg, influential labor leader
- Art Carter, influential Sacramento labor lobbyist

- Jack Gribbon, H.E.R.E leader
- Yuba County Democratic Party
- Members, Yuba County Board of Supervisors
- Various high-ranking members of the administration and significant contributors, all of whom would be willing to give appropriate advice and introductions where necessary.

We must also assess who would be opposed to the project and the arguments that they might use. Davis will not listen to the local conservatives who have just helped in the recall effort against him. A bigger threat would come from other developers and tribes who are already in the existing Northern California market.

Recommendation

The timing is crucial. The best approach would be to thoroughly review the willingness, abilities and advice of all of our resources by contacting them immediately, especially Mr. Morris and the union leaders. BMWL & Partners will assess the situation in Governor's office through its personal relationships in the administration.

We recommend we begin those meetings immediately and have a more in depth strategy and timing by July 16, 2003. At that point we will know whether approaching the Governor is appropriate.

It's likely that three things will help earn a favorable outcome with the Governor this year: 1) a failed or delayed (until March) recall election effort, 2) our ability to influence him and 3) his belief that supporting the tribe and signing a compact is not inconsistent with his previously stated opposition to expansion of gambling in urban areas.