

Marijuana Compact

Between

Confederated Tribes of the Chehalis Reservation
and
The State of Washington

Table of Contents

I. INTRODUCTION 2

II. PARTIES 2

III. PURPOSE AND INTENT 2

IV. DEFINITIONS 4

V. GENERAL MATTERS 6

VI. RETAIL SALES 8

VII. PRODUCING AND PROCESSING 9

VIII. RESEARCH AND TESTING OF MARIJUANA PRODUCTS 10

IX. NOTICE TO LOCAL JURISDICTIONS 12

X. TAXATION AND RECORD-KEEPING 13

XI. SAFETY AND ENFORCEMENT 14

XII. DISPUTE RESOLUTION 16

XIII. COMMUNICATION AND NOTICE 18

XIV. EFFECT, DURATION, AND AMENDMENT 19

I. INTRODUCTION

This compact is entered into pursuant to RCW 43.06.490, Chapter 207, Laws of 2015 (the "Compacting legislation"). This document will be cited as the "Marijuana Compact Between the Chehalis Tribe and the State of Washington, hereinafter referred to as the "Compact."

II. PARTIES

The Parties to this Compact are the Chehalis Tribe ("Tribe") and the State of Washington ("State") (collectively, "Parties").

The Tribe is located on the Chehalis Reservation, which is in the state of Washington, and the Tribe is a federally recognized sovereign Indian tribe.

The State of Washington is a state within the United States of America, possessed of the full powers of a state government. The Washington State Liquor and Cannabis Board ("Board") is an executive department of the State government with statutory authority with respect of marijuana under chapters 69.50 and 69.51A RCW. The Compacting legislation allows the Governor to enter into an agreement with any federally recognized Indian tribe located within the geographical boundaries of the State regarding marijuana and to delegate the power to negotiate such agreement to the Board.

III. PURPOSE AND INTENT

Historically, the production, possession, delivery, distribution and sale of marijuana have been illegal across the United States and in Indian Country. In 2012, Washington voters passed Initiative 502 ("I-502") which sets forth a tightly regulated, state-licensed system allowing for the production, processing, and retail sale of marijuana, marijuana concentrates, useable marijuana, and marijuana-infused products for recreational purposes within the State of Washington.

While the federal Controlled Substances Act continues to designate marijuana as a Schedule 1 substance, the United States Department of Justice on August 29, 2013, issued a memorandum to all United-States Attorneys setting forth guidance regarding marijuana enforcement. In that memo, James M. Cole, Deputy Attorney General, set forth eight enforcement priorities of particular importance to the federal government,

including: preventing the distribution of marijuana to minors; preventing revenue from the sale of marijuana from going to criminal enterprises, gangs, and cartels; preventing the diversion of marijuana from states where it is legal under state law in some form to other states; preventing state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity; preventing violence and the use of firearms in the cultivation and distribution of marijuana; preventing drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use; preventing the growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands; and preventing marijuana possession or use on federal property. The memo further states that the focus of federal law enforcement resources and efforts will be on those whose conduct interferes with the stated priorities and that state and local governments should provide sufficiently robust regulatory and enforcement systems to protect against these harms.

On October 28, 2014, the United States Department of Justice issued another memorandum to all United States Attorneys providing a policy statement regarding marijuana issues in Indian Country. In that memo, Monty Wilkinson, Director, Executive Office for United States Attorneys, acknowledged that "the eight priorities in the Cole Memorandum will guide United States Attorneys' marijuana enforcement efforts in Indian Country, including in the event that sovereign Indian Nations seek to legalize the cultivation or use of marijuana in Indian Country." That memo effectively treats tribal governments the same as state governments in the decision to legalize marijuana.

Through State law and the Board's implementing rules, the State has legalized possession of limited amounts of marijuana and the production, processing, and sale of marijuana by licensed businesses and has set forth a civil regulatory system that accomplishes the federal priorities set forth above and keeps marijuana production, processing, and sale in the State regulated and safe for the public.

After serious deliberation, the Tribe, as a sovereign nation, has also determined that present day circumstances make a complete ban of marijuana within Indian Country ineffective and unrealistic and has decriminalized its sale and possession in certain circumstances. At the same time, consistent with the federal priorities, the need still exists for strict regulation and control over the production, possession, delivery,

distribution, sale, and use of marijuana in Indian Country.

The State and the Tribe have recognized the need for cooperation and collaboration with regard to marijuana in Indian Country. The State has authorized the entry of this Compact by the Compacting legislation, enacted by the 2015 Regular Session of the Legislature on April 24, 2015, signed by the Governor on May 8, 2015, and effective on July 24, 2015. Laws of 2015, Chapter 207. Through Section 2 of this legislation, codified at RCW 43.06.490, the State authorized the Governor to enter Compacts concerning the regulation of marijuana and to delegate the authority to negotiate the Compacts to the Board.

The Parties share a strong interest in ensuring that marijuana production, processing, and sales in Indian Country are well-regulated to protect public safety and community interests. The Parties acknowledge that pursuant to federal law, 21 U.S.C. § 812, marijuana is a Schedule I controlled substance and that this Compact does not protect the sales or regulation of marijuana in Indian Country from federal law; however, the Parties have entered into this Compact in order to strengthen their ability to meet these mutual interests and to provide a framework for cooperation to ensure a robust tribal and state regulatory and enforcement system sufficient to meet the federal priorities.

The Parties agree that it is in the best interests of the Tribe and the State that they further implement the government-to-government relationship between them, as recognized in the Centennial Accord of August 4, 1989, by entering into a compact to protect public health and safety, ensure a lawful and well-regulated marijuana market, encourage economic development in Indian Country, and provide fiscal benefits to both the Tribe and the State.

IV. DEFINITIONS

- A. "Auditor" means a certified public accountant licensed and in good standing in the State of Washington.
- B. "Board" means the Washington State Liquor and Cannabis Board and its staff.
- C. "Compact" means this Marijuana Compact between the Chehalis Tribe and the State of Washington, as it may be amended.
- D. "Indian Country" means all land located within the Chehalis Reservation and all lands

held in trust or restricted fee status by the United States for the Tribe or its Tribal Members and any other parcels owned by the Tribe over which its Tribal Members and any other parcels owned by the Tribe over which it exercises jurisdiction, which definition incorporates land defined under 18 USC 1151.

E. "Marijuana," marijuana concentrates," "marijuana-infused products," and "useable marijuana" as used in this Compact shall have the same meanings as in RCW 69.50.101 or any amendments thereto. Together, these terms shall be referred to as "marijuana product" or "marijuana products."

F. "Parties" means the Tribe and the State.

G. "Processor" means any marijuana processor licensed to process, package, and label useable marijuana, marijuana concentrates, and marijuana-infused products for sale at wholesale to processors and retailers by the Board pursuant to RCW 69.50.325 and any marijuana processor in Indian Country licensed or otherwise allowed by the Tribe or any other tribe with a marijuana compact with the Board.

H. "Producer" means any marijuana producer licensed to produce and sell marijuana at wholesale to processors and other producers by the Board pursuant to RCW 69.50.325 and any marijuana producer in Indian Country licensed or otherwise allowed by the Tribe or any other tribe with a marijuana compact with the Board.

I. "Retailer" means any marijuana retailer licensed to sell useable marijuana, marijuana concentrates, and marijuana-infused products in a retail outlet by the Board pursuant to RCW 69.50.325 and any marijuana retailer in Indian Country licensed or otherwise allowed by the Tribe or any other tribe with a marijuana compact with the Board.

J. "Research and Testing Facility" means any business that conducts research and testing of marijuana products for quality control, potency and safety compliance for medical and other uses.

K. "State" means the State of Washington.

L. "State Licensee" means any marijuana producer, marijuana processor, or marijuana retailer licensed by the Board pursuant to chapter 69.50 RCW, chapter 314-55 WAC, or any other regulations promulgated thereunder

- M. "State Tax" means the marijuana excise tax as stated in RCW 69.50.535 and the State and local sales and use tax on sales of marijuana as stated in chapters 82.08 and 82.12 RCW, all as may be amended from time to time.
- N. "Tribal Police" means the Chehalis Police Department.
- O. "Tribal Law" means the Chehalis Tribal Code.
- P. "Tribal Enterprise" means a business owned in whole or in part by the Tribe and authorized to transact business with marijuana products.
- Q. "Tribe" means the Chehalis Tribe.
- R. "Tribal Member Business" means a business owned by an enrolled member of the Tribe.
- S. "Tribal Tax" means a tax imposed by the Tribe on marijuana activities.

V. GENERAL MATTERS

- A. Sovereign Immunity. The Parties agree that, except for the limited purpose of resolving disputes in accordance with the Dispute Resolution Section below, the signing of this Compact by the Tribe does not imply a waiver of sovereign immunity by the Tribe or any of its subdivision or enterprises and is not intended as a waiver of sovereign immunity and that any action by the State in regard to marijuana regulation by the Tribe shall be in accord with this Compact.
- B. Tribe Does Not Submit to State Jurisdiction. By entering into this Compact, the Tribe does not concede that the laws of the State apply to the Tribe, its businesses, agents, or members regarding activities and conduct within Indian Country.
- C. State Does Not Concede Tribal Immunity. By entering into this Compact, the State does not concede that the Tribe has any immunity from the State's tax and collection provisions.
- D. This Compact Does Not Create any Third-Party Beneficiaries. No third party shall have rights or obligations under or be considered a beneficiary of this Compact.

E. **Jurisdiction.** This Compact does not increase or reduce the jurisdiction of either the Tribe or the State.

F. **No Limitation.** The Parties agree that the signing of this Compact and the resultant benefits and obligations shall not be construed as limiting any otherwise lawful activity of the Tribe or its subdivisions or enterprises nor subject the Tribe or its subdivisions or enterprises to any State jurisdiction not agreed to in this Compact.

G. **Applicability.** Consistent with RCW 43.06.490, this Compact applies to the production, processing, and sale of marijuana products in Indian Country where the Tribe or Tribal Enterprise (i) delivers or causes delivery to be made to or receives delivery of marijuana products from a State Licensee or (ii) physically transfers possession of marijuana products from the seller to the buyer within Indian Country. Except as otherwise provided herein, the production, processing, sale, and possession of marijuana products in Indian Country pursuant to the Chehalis Tribal Code and in accordance with this Compact are not subject to the terms of chapter 69.50 RCW and chapter 314-55 WAC, or any other regulations promulgated under that RCW Chapter, and any such activities will not be a criminal or civil offense under Washington state law.

H. **State Licensees.**

1. The Tribe may purchase marijuana products from or sell marijuana products to State Licensees or any other entity operating under a valid Compact authorized by the Compacting legislation, including any amendments thereto, with or otherwise authorized by the State. All transactions between the Tribe or Tribal Enterprise and State Licensees must be executed through the State traceability system, and marijuana products purchased from or sold to State Licensees must be fully compliant with all State marijuana laws and rules, including packaging, testing, and labeling.

2. The State will not cite, fine, or otherwise take any other adverse licensing or other action against any State Licensee for the mere fact that it bought or sold marijuana products from or to the Tribe or a Tribal Enterprise in accordance with the terms of this Compact and the Chehalis Tribal Code.

3. To the extent necessary, the State will work with the Tribe and with any State Licensees or otherwise authorized producers, processors, or retailers to assure such entities that the Tribe and Tribal Enterprises are legally authorized to purchase and sell marijuana products pursuant to the terms of this compact.

4. The current Tribal Law does not permit Tribal Member Businesses to conduct retail sales, producing, processing, research or testing of marijuana products in Indian Country. However, if

the Tribal Law is revised to allow it, then the Tribal Member Business may not purchase from or sell to a State Licensee, or conduct research or testing for transactions with a State Licensee, until such time as this Compact is amended to allow it.

A. Buffer Zone Requirements.

To maintain community safety and compliance with the United States Department of Justice memoranda, tribal marijuana producer, processor, and retail businesses in Indian Country must follow buffer zone requirements outlined in RCW 69.50.331(8), as of the date hereof as may be modified by the Tribe consistent with subsections (b) through (d), and subject to interpretations of the grounds identified in subsection (a) that are within Indian Country all as codified in Tribal Law.

VI. RETAIL SALES

A. Retail Sales. The Tribe and/or its Tribal Enterprise may sell marijuana products in Indian Country pursuant to the Chehalis Tribal Code and this Compact. This Compact does not permit Tribal Member Businesses to conduct retail sales of marijuana products in Indian Country without the prior written approval of the Chehalis Indian Tribe Business Committee.

B. Other sales by the Tribe or a Tribal Enterprise. The Tribe shall notify the State at least 30 days prior to the opening of any other Retailer owned by the Tribe or Tribal Enterprise. Such notifications shall include:

1. The identity of the entity which is operating the retail location;
2. Location of the premises; and
3. Certification that the premises are located in Indian Country.

C. Conditions on Retail Sales.

1. Retail sales of marijuana products by the Tribe and any Tribal Enterprise must be conducted in accordance with Chehalis Tribal Code and the policies and controls of the Tribe or Tribal Enterprise. Chehalis Tribal Code Chapter _____ as it exists on the date of this Compact is attached as Exhibit A. Current copies of Chehalis Tribal Code Chapter _____ and marijuana policies and controls of the Tribe and any Tribal Enterprise will be made available online or made available for review by the Board upon request. The Tribe agrees to notify the Board of any changes to the Chehalis Tribal Code that may affect marijuana products within ten days of the date of adoption by the Tribe.

2. All marijuana products purchased by the Tribe or a Tribal Enterprise from a State-licensed producer or processor will be verified upon delivery in Indian Country, and confirmation of receipt will be made by executing the delivery invoice. The Tribe or Tribal Enterprise will input

or cause to be input all delivered purchases into the Tribe's tracking system within 24 hours of receiving any such delivery, with a copy of the invoice delivered to the State.

3. All marijuana products purchased by the Tribe or a Tribal Enterprise from the tribal government, Tribal Enterprise, or member of another federally recognized Indian Tribe with a reservation located within the state of Washington, or sold by the Tribe or a Tribal Enterprise to a tribal government, Tribal Enterprise, or member of another federally recognized Indian Tribe with a reservation located within the state of Washington, will be recorded in either the Tribe's or the State's tracking system within 24 hours of any such receipt or delivery. The Tribe and any Tribal Enterprise will make such records available for review by the Board upon request.

VII. PRODUCING AND PROCESSING

A. Producing and Processing of Marijuana Products. The Tribe may allow the production and processing of marijuana products in Indian Country pursuant to the following terms:

1. Production and/or Processing by the Tribe or a Tribal Enterprise. The Tribe shall notify the State at least 90 days prior to the start of operations of any Producer or Processor owned by the Tribe or a Tribal Enterprise. Such notifications shall include:

- a. The identity of the entity which is operating the Producer or Processor location;
- b. Location of the premises; and
- c. Certification from the Tribe that the premises are located in Indian Country.

2. Conditions on Producers and Processors.

a. Production and processing of marijuana products by the Tribe and any Tribal Enterprise must be conducted in accordance with Chehalis Tribal Code Chapter _____ and the policies and controls of the Tribe or Tribal Enterprise: Chehalis Tribal Code Chapter _____ as it exists on the date of this Compact is attached as Exhibit A. Current copies of Chehalis Tribal Code Chapter _____ and any marijuana policies and controls of the Tribe and any Tribal Enterprise will be made available online or made available for review by the Board upon request. The Tribe agrees to notify the Board of any changes to the Chehalis Tribal Code that may affect marijuana products within ten days of the date of adoption by the Tribe.

b. The State requires that marijuana products sold by Producers or Processors to State Licensees be packaged, tested, and labeled in compliance with State marijuana laws. With respect to "edibles" this must include State preapproval of the product, packaging, and labeling before sale to State Licensees; PROVIDED, that such preapproval shall not be unreasonably withheld and shall be timely provided. All

transactions between the Tribe or Tribal Enterprises and State Licensees will be executed through the state traceability system following the same rules as State Licensees. All marijuana products sold to State Licensees will be fully traceable in the state's traceability system. Marijuana products will trace back to the plant(s) they were derived from and include results for all required quality assurance testing. All required test results must be entered into the traceability system by a Board-certified testing laboratory.

VII. RESEARCH AND TESTING OF MARIJUANA PRODUCTS

A. The Tribe may allow the opening of a Research and Testing Facility pursuant to the following terms:

1. The Tribe shall notify the State at least 90 days prior to the start of operations of any Research and Testing Facility owned by the Tribe or a Tribal Enterprise. Such notifications shall include:

- a. The identity of the entity which is operating the Research and Testing Facility.
- b. Location of the premises.

B. Research and Testing Operations. The Tribe is authorized to operate a research and testing lab that will for a fee conduct scientific and safety testing services for substances including cannabis.

C. Certification. The Tribe will obtain and maintain certification consistent with Board rules including any amendments thereto, from the Board or the Board's vendor before conducting testing for State Licensees, and will conduct no testing for State Licensees during any period in which the Tribe's Testing Lab is not certified. The Tribe must pay all vendor fees for certification, recertification, and ongoing monitoring directly to the vendor. The Tribe agrees that the Tribe's Testing Lab will meet the Board's certification criteria to be certified as a lab that meets the standards in state law for conducting quality assurance testing consistent with Board rules.

D. Testing Standards. The Tribe's Testing Lab will perform the tests described in the Board rules when conducting testing for State Licensees.

E. Federal Standards. The Tribe will conduct operations of the Testing Lab in a manner consistent and in compliance with the standards set forth by the United States Department of Justice in the Cole Memorandum and in other documents relevant to the enforcement of laws dealing with marijuana.

F. Clientele. The Parties recognize that the Tribe's Testing Lab may offer its services to, among others, State-licensed producers, processors and retailers of marijuana, marijuana

concentrates, and marijuana-infused products. The Tribe will obtain certification from the Board or the Board's vendor before conducting testing for State Licensees, and will conduct no testing for State Licensees during any period in which the Tribe's Testing Lab is not certified. When conducting testing for State Licensees, the Tribe's Testing Lab will report all required quality assurance test results directly into the Board's seed-to-sale traceability system within twenty-four hours of completion and record in the Board's seed-to-sale traceability system an acknowledgment of the receipt of samples from state- licensed producers or processors and verify if any unused portion of the sample was destroyed.

A. Notice to Local Jurisdictions. The Parties agree that it is in the best interests of both Parties that notice be provided to neighboring jurisdictions prior to the commencement of operations of any business involving marijuana. The Parties agree that the purpose of the notice is to facilitate an exchange of information that may be helpful to all parties for dealing with any concerns that neighboring jurisdictions may have. The Parties recognize that this notice is a matter of intergovernmental courtesy and is not required by state law.

B. The Tribe's Testing Lab may conduct quality assurance testing on marijuana product(s) produced or processed by the Tribe or Tribal Enterprise, as provided for herein.

1. In accordance with WAC 314-55-102(2), for marijuana products produced by the Tribe or Tribal Enterprise for sale to a State Licensee, the Tribe shall ensure that the products are tested by a certified third-party testing lab in which the Tribe has no financial interest, and that the products comply with all legal and regulatory testing and product requirements. At its option, the Tribe's Testing Lab may also test such products, but no label or statement of testing results shall appear on a marijuana product that differs from the results determined by the certified third-party testing lab in which the Tribe has no financial interest.

2. The Tribe's Testing Lab may perform the tests described in the Board rules when conducting testing of marijuana products produced by the Tribe or Tribal Enterprise for sale by the Tribe or Tribal Enterprise at a retail location within Indian Country.

VIII. NOTICE TO LOCAL JURISDICTIONS

A. The Parties agree that it is in the best interests of both Parties that notice be provided to neighboring jurisdictions prior to the commencement of operations of a Producer, Processor, or Retailer.

1. When the Tribe or any other Tribal enterprise proposes to open a new Producer, Processor, or Retailer the Tribe will provide, at least 30 days prior to the commencement of operations, written notice to the county and to the cities in and adjacent to which the activity will occur. The Parties agree that the purpose of the notice is to facilitate an exchange of information that may be helpful to all parties concerned in addressing unanticipated impacts with the understanding that such notice related to Indian country is

a matter of intergovernmental courtesy and not required by state law.

2. In accordance with the direction of the Legislature in RCW 43.06.490(3)(c) to address problems arising out of cross-border commerce, when any business that is not owned by the Chehalis Indian Tribe applies to the Board for a Producer, Processor, Retailer or Research and Testing Facility license for a location in Indian Country, the Board agrees that such license will not be granted without the Board first obtaining express written consent of the Tribe. The tribe agrees to respond to the express written consent request within 20 days of notification from the Board. The express written consent request shall be delivered to each of the Tribe's contacts consistent with section XIII C. Notice. Unless the Tribe responds in writing in the affirmative, the Board will assume disapproval. Notwithstanding anything herein to the contrary, requests for tribal member owned marijuana businesses of any kind shall be controlled by section VI(A).

IX. TAXATION AND RECORD KEEPING

The Parties recognize that RCW 43.06.490(2)(a) provides that "Each marijuana agreement adopted under this section must provide for a tribal marijuana tax that is at least one hundred percent of the state marijuana excise tax imposed under RCW

69.50.535 and state and local sales and use taxes on sales of marijuana." The Parties further recognize that Sections 3, 4, and 5 of the Compacting legislation, codified at RCW 69.50.555, 82.08.997, and 82.12.997, provide exemptions from certain state taxes under the circumstances described in those sections.

A. State Tax.

A. Pursuant to RCW 69.50.555 no State Tax or fee, assessment, or other charge imposed by RCW 69.50 may be assessed against or collected from the Tribe, Tribal Enterprise, or retail customer purchasing from the Tribe or Tribal Enterprises if covered under the provisions of this Compact.

B. Tribal Tax.

1. Sales of marijuana products. The Tribe shall impose and maintain a Tribal

2. Tax that is equal to at least 100 percent of the State Tax on all sales of marijuana products in Indian country, except that, consistent with RCW 43.06.490(2), the tribe may allow an exemption from tax for sales to the Tribe, Tribal Enterprise, Tribal Member Business, or an enrolled member of the Tribe on marijuana grown, produced, or processed within Indian Country, or for transactions otherwise exempt from state marijuana taxation under state or federal law. Medical marijuana products used in the course of medical treatment by a clinic, hospital, or similar facility owned and operated by the Tribe within Indian Country are exempted from tax. The Tribe may choose to levy a Tribal Tax on

any transaction that may otherwise be exempt.

A. At the State's request, the Tribe will retain, at its own expense, an Independent Auditor to test the Tribe's compliance with this Taxation and Record Keeping Section of the Compact. The Auditor will review a sample of records to verify the requirements of this section and will certify to the State by letter compliance or non-compliance with the terms of this section.

B. In the event of non-compliance, the parties shall consult informally, but if the consultation does not achieve a satisfactory result for the parties, then the parties may proceed to implement the Dispute Resolution procedures of section XII (A), (B), (C) and (D).

X. SAFETY AND ENFORCEMENT

A. The Tribe shall address safety and enforcement issues in accordance with the Chehalis Tribal Code, this Compact, and policies and controls of the Tribe or Tribal Enterprise.

1. Premises Checks

a. Premise Checks by the Tribe. The Tribal Police or other authorized Tribal agency may conduct its own premises checks in Indian Country to observe compliance with Tribal Code and this Compact and to provide support and education to Tribal Enterprises and staff. Such premises checks shall occur not less often than six times per year. Re-checks for correction of compliance with the Tribal Code and this Compact within the same month shall not count as one of the minimums of six checks per annum set forth herein. To the extent it is informed of the results of such premises checks, the Tribe will share the results of the premises checks with the Board.

b. Premise Checks by the Board. The Board shall rely on the results of the premises checks as reported to it by the Tribe and upon the compliance certification by an Independent Auditor as set forth above.

2. Compliance Checks - Minors

a. Compliance Checks by the Tribe. The Tribe may conduct its own compliance checks in Indian Country using minors ages 18, 19, or 20 through the Tribal Police or another authorized Tribal agency in accordance with Tribal regulations and policies. To the extent it is informed of the results of such compliance checks, the Tribe will provide the results of the compliance checks to the Board. No criminal action may

be taken against any minor who purchases marijuana as part of such a compliance check.

3. Transportation Outside Indian Country. Transportation of marijuana products outside the boundaries of Indian Country shall be conducted in compliance with state law and Board rules.

XI. DISPUTE RESOLUTION

A. Process Required. Neither Party, nor any officer or official acting on behalf of a Party, may petition any court to enforce this Compact unless (a) the dispute resolution process described in this Dispute Resolution Section has been followed in good faith to completion without successful resolution or (b) the other Party fails to enter into the dispute resolution. Should a dispute arise between the Parties regarding compliance with this Compact by either Party, the Parties will attempt to resolve the dispute through the following dispute resolution process:

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

C. Meet and Confer. The first stage of the process will include a face-to-face

· · meeting between representatives of the two Parties to attempt to resolve the dispute by negotiation. The meeting must be convened within 30 days after the receiving Party's receipt of the written notice described in the Notice Section above. The representatives of each Party will come to the meeting with authority to settle the dispute. If the dispute is resolved, the resolution will be memorialized in a writing signed by the Parties.

D. Mediation. The second stage of the process will be that if the Parties are unable to resolve the dispute within sixty (60) days after receipt of the initial written notice, the Parties will engage the services of a mutually agreed-upon qualified mediator to assist them in attempting to negotiate the dispute. Costs for the mediator will be divided equally by the Parties. The Parties will pursue the mediation process in good faith until the

dispute is resolved or until ninety (90) days after the date of the mediation demand, whichever occurs first.

The Parties may continue mediation after the 90-day period by mutual agreement. If the Parties cannot agree on a format for the mediation process, the format will be determined

by the mediator. If the dispute is resolved, the resolution will be memorialized by the mediator in a writing signed by the Parties, which will bind the Parties.

E. Arbitration.

1. 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 after 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 Compact, and such violation is not or cannot be cured within thirty (30) days after the arbitrator's decision, then the other Party may terminate this Compact with sixty (60) days' prior written notice.
2. The arbitrator shall have no authority to award monetary damages or issue injunctive or other equitable relief.
3. Each Party will bear its own legal costs incurred under this section.
4. All costs of the arbitrator will be shared equally.

F. Procedure if the Dispute Remains Unresolved. After completion of the process described in the Dispute Resolution, Process Required Section above or one hundred eighty (180) days after the written notice described in Dispute Resolution, Notice Section above, whichever occurs first, either Party may terminate this Compact upon thirty (30) days' written notice sent to the persons listed in the Communication and Notice, Designated Contacts Section.

G. Defense of This Compact. In any action filed by a third party challenging either the Tribe's or the State's authority to enter into or enforce this Compact, the Parties each agree to support the Compact and defend each of their authority to enter into and implement this Compact; provided, however, that this provision does not waive, and shall not be construed as a waiver of, the sovereign immunity of the Tribe or any of its subdivisions or enterprises.

H. Traceability. Should either Party have any concerns arising out of operation of the traceability system or the results thereof, the Parties will meet in good faith to discuss any issues. If parties fail to come to a resolution, either Party may invoke the Dispute Resolution Process of this Compact.

XII. COMMUNICATION AND NOTICE

A. Designated Contacts. The Parties agree to maintain regular and open communication regarding the administration and implementation of this Compact. The Parties agree that

Marijuana Compact - State of Washington/
Chehalis Tribe Page 17

the following individuals will be designated primary contacts regarding administration of this Compact:

For the State: Agency Director
Liquor and Cannabis Board
3000 Pacific Ave SE
PO Box43080
Olympia WA 98504 3080
360-664-1650

For the Tribe: Chehalis Tribal Chairman
420 Howanut Road
Oakville, WA 98568
360-273-5911

Lead Counsel
Chehalis Tribe
420 Howanut Road
Oakville, WA 98568

B. The Parties agree that if either Party believes that the goals and objectives of this Compact are not being met, that they will meet promptly to discuss any issues and concerns.

C. Notice. Any notice that may be or is required to be sent under this Compact shall be sent as follows:

Marijuana Compact - State of Washington/
Chehalis Tribe Page 17

If to the State:
Office of the Governor
PO Box40002
Olympia WA 98504 0002

With a copy to: Agency Director
Liquor and Cannabis Board 3000 Pacific Ave SE
PO Box43080

Olympia WA 98504 3080
360-664-1650

If to the Tribe: Chairman
Chehalis Indian Tribe
420 Howanut Road
Oakville, WA 98568

With a copy to: Office of the Tribal Attorney
Lead Counsel
420 Howanut Road
Oakville, WA 98568
360-273-5911

XIII. EFFECT, DURATION, AND AMENDMENT

A. Term. This Compact shall remain in effect for a term of ten years unless the Parties mutually agree in writing that the Compact should be vacated or terminated and superseded by a new compact between the Parties within that time frame, or unless the Compact is terminated pursuant to the Dispute Resolution Provision above. Unless terminated through the Dispute Resolution Provisions above, the Compact shall be automatically renewed for successive periods of ten years.

B. Amendment. No amendment or alteration of this Compact shall arise by implication or course of conduct. This Compact may be altered only by a subsequent written document, approved by the Parties, expressly stating the Parties' intention to amend this Compact.

C. Severability. If any provision of this Compact or its application to any person or circumstance is held invalid, the remainder of the Compact shall not be affected.

D. Most Favored Nation Provision in Another Compact. If, at any time either before or after the effective date of this Compact, the State enters into or has entered into an agreement, compact, or consent decree with any other federally recognized Indian tribe \or governmental agency thereof, of or relating to the regulation of marijuana in Indian country which includes terms more favorable than contained in this Compact, then, upon the Tribe's written request, this Compact will be amended to include such provision (This provision is most commonly known as a Most Favored Nation provision.). A "most favored nation" provision is defined as language by which the State agrees to accord a tribe or tribal government agency the same favorable terms that are offered in agreements with any other tribe or tribal government agency. The parties recognize that terms regarding taxation may fall within the scope of this paragraph. However, notwithstanding any other provision in this section, should it be determined that a Tribe is entitled to a refund or payment of any State tax, fee, assessment or other charge imposed on a Tribe's

Marijuana Compact - State of Washington/
Chehalis Tribe Page 19

marijuana product sold off the Tribe's reservation, then the parties agree that such more favorable terms shall be added to this Compact under this provision upon the Tribe's written request to the Board.

E. Renegotiation. The parties may renegotiate the nature and/or scope of this Compact upon the written notice and request by either party if and when:

1. Laws in the State governing marijuana are enacted allowing activities which are now prohibited, or prohibiting activities which are now allowed;
2. The Tribe wishes to engage in forms of marijuana-related businesses other than those authorized in this Compact; or
3. Federal laws governing marijuana change.

This Compact is hereby entered into this ____ day of _____, 20__.

STATE OF WASHINGTON

By: _____

CONFEDERATED TRIBES OF THE CHEHALIS RESERVATION

By: _____

WASHINGTON STATE LIQUOR AND CANNABIS BOARD

By: _____

By: _____

By: _____

By: _____

