

BLACKFEET NATION - MONTANA
TOBACCO TAX AGREEMENT

The Blackfeet Nation - Montana Tobacco Tax Agreement ("Agreement") is entered into this 29th day of July, 2005, by and between the State of Montana ("State"), and the Blackfeet Nation of the Blackfeet Reservation ("Nation").

The Blackfeet Tribal Business Council ("Council") is the governing body of the Nation and is authorized by Article VI, Section 1(a) of the Constitution and By-Laws for the Blackfeet Tribe of the Blackfeet Indian Reservation of Montana to enter into this Agreement.

The State is authorized pursuant to the State-Tribal Cooperative Agreements Act, Title 18, chapter 11, MCA, to enter into this Agreement.

1. General Purposes of Agreement. The purposes of this Agreement are to minimize legal controversy and possible litigation over the taxation of tobacco within the exterior boundaries of the Blackfeet Reservation ("Reservation"), to mitigate the effects of dual taxation of tobacco by both the Nation and the State, and to provide an effective means by which revenues generated by the state and tribal taxes on tobacco products may be shared and distributed. In order to accomplish these purposes, the State and the Nation agree that the same level of taxation shall be imposed on tobacco sales both within and outside the boundaries of the Reservation. For purposes of this Agreement, the term "tobacco" shall mean tobacco and tobacco products as those terms are defined in state law. This section shall be interpreted consistently with the terms and conditions set forth in Section 13 of this Agreement.

2. Recitals. This Agreement is made by and between the Nation, acting through its Council and the State. The parties hereto, having conferred together, desire to collect the tobacco tax on all tobacco or tobacco products sold or consumed on the Reservation for the mutual benefit of all the people of Montana

including members of the Nation. The Nation agrees to allow the Montana Department of Revenue the authority to enforce state and tribal law in relation to taxation of sales of tobacco on the Reservation subject to the terms and conditions herein.

3. Tribal Law. While this Agreement is in effect, the Nation shall adopt and keep in force an ordinance imposing taxes equal to the Montana taxes on tobacco, which taxes shall apply to tobacco sold to all persons within the Nation's jurisdiction on the Reservation in a manner similar to the Montana taxes. The Nation shall supply the State with a current copy of the ordinance as it may be amended from time to time within sixty (60) days of the enactment or amendment of the ordinance.

4. State Law. The State imposes a tax on tobacco distributed within the State's jurisdiction under Title 16, chapter 11, Montana Code Annotated. The State shall notify the Nation in writing of any changes or amendments to state law, which the State believes necessitates an amendment to tribal law under this Agreement within sixty (60) days of any amendment to applicable state law.

5. Collection and Administration of Taxes. The State and Nation agree that tobacco sold on the Reservation shall not be subject to both the state and the tribal tax, but shall be subject to one tax. The State agrees to assist the Nation by pre-collecting tobacco taxes for sales on the Reservation from the tobacco wholesalers distributing tobacco products on the Reservation and to remit to the Nation the tribal tobacco tax collected as determined by the formulas described below. All cigarettes sold on the Reservation shall have the state tax insignia affixed (and the Nation shall not be required to affix a tribal tax insignia) and all other tobacco products shall be taxed.

a. For each calendar quarter, the Nation shall receive an amount of tobacco taxes pre-collected for tobacco sales on the Reservation, which approximates the sales to enrolled Blackfeet tribal members living on the

Reservation. The amount of tobacco taxes that the Nation receives shall be determined by multiplying 150 percent of the Montana per capita tobacco tax collected for the calendar quarter, times the total number of enrolled Blackfeet tribal members living on the Reservation.

The total number of enrolled Blackfeet tribal members living on the Reservation shall be determined by using the Blackfeet Tribal Enrollment Office Age Distribution Report population as well as member's place of residence as determined by a methodology set out by the Nation. The Council shall certify to the State by March 31st of each year the number of enrolled Blackfeet tribal members living on the Reservation as of January 1 of each calendar year. In the event the Council does not issue a recertification, the State may use the previous year's certification. The Council authorizes the State to review the enrollment records maintained by the Nation and any other information the Nation uses to determine place of residency should the State wish to conduct an audit as provided in Section 7 of this Agreement.

The Montana per capita tobacco tax is based on the net sum of tobacco taxes in all funds into which cigarette and tobacco taxes are deposited, subsequent to the deduction or addition of refunds, credits, and corrections. Notwithstanding the foregoing, the parties mutually agree that the total number of enrolled Blackfeet tribal members living on the Reservation for the 2005 calendar year shall be 9,120.

b. The State shall distribute the monies due to the Nation under this Agreement no later than thirty (30) days from the end of each calendar quarter. The State will include with each distribution a statement showing how the distribution was determined for that quarter. Distributions shall continue until the expiration or the termination of this Agreement as provided below or required by law. For the purposes of this Agreement, a calendar quarter begins on January 1,

April 1, July 1, and October 1 of each year. The State's responsibility to distribute monies to the Council is subject to and limited by the Agreement entered into between the State and the Nation on September 3, 2004, as subsequently amended. The parties agree that this Blackfeet Nation – Montana Tobacco Tax Agreement compliments Section 4 of the September 3, 2004 Agreement, as subsequently amended.

c. In the event of termination by either party prior to the end of the term, the State shall remit the full amount payable to the Nation provided for in this Agreement for that period of time up to and including the effective date of the termination. This obligation of the State shall survive any termination of this Agreement.

6. Term. This Agreement shall be for a term of nine (9) years and eleven (11) months, commencing August 1, 2005, and terminating June 30, 2015, subject to the conditions precedent and the renewal provision below.

7. Audits. Either party may examine or audit the records of the other party to determine the accuracy of the statements or representations called for in this Agreement. In addition, either party may require an audit of the other party by an independent auditor, at its own expense. The right of examination or audit shall exist during the term of the Agreement and for a period of one year after the date of termination or expiration of this Agreement. To the extent permitted by applicable law, the parties agree to maintain the confidentiality of any confidential information obtained from the other party.

8. Effective Date. This Agreement is effective August 1, 2005, so long as the following conditions precedent are met: the Nation has adopted and provided a copy to the State of an ordinance as required by Section 3 above; the Agreement has received the final approval of the Council; the Agreement has been approved by the Superintendent of the Blackfeet Indian Agency, Bureau of Indian Affairs,

United States Department of Interior; the Agreement has been approved by the State Attorney General, as required by § 18-11-105, MCA; and a public hearing, as required by § 18-11-103, MCA, has been held and comments received and considered. If the referenced conditions precedent have not been met by August 1, 2005, this Agreement is effective on the first day of the next calendar quarter after all conditions precedent have been met.

9. Amendments and Renewal.

a. This Agreement may be amended only by written instrument signed by both parties.

b. Six months prior to expiration of the initial term provided in this Agreement, the parties shall meet to negotiate in good faith a renewal of the Agreement for an additional ten (10) year term, and thereafter shall meet to negotiate successive ten (10) year renewals of the Agreement. The parties in each negotiation of a renewal term shall seek to agree on a distribution of tax revenues on substantially the same basis as the one provided above, in light of the circumstances existing at that time. If this Agreement expires because the term has run, the parties agree that all of its terms, except provision 10a, will remain in full force and effect until a new agreement is reached or either party gives 30 days written notice that it is cancelled.

10. Termination.

a. This Agreement may be terminated by either party upon five (5) years written notice to the other party for circumstances not constituting cause, or upon thirty (30) days written notice for circumstances constituting cause. "Cause" means any material change in circumstances that alters or affects the terms of the Agreement, whether express or implied, foreseen or unforeseen.

b. The Blackfeet Tribe-Montana Tobacco Tax Agreement entered into on the 24th day of May 1995 and the subsequent four (4) Amendments to that

agreement terminate on the effective date of this Agreement. This Agreement supercedes all tobacco agreements and amendments thereto entered into between the parties prior to the effective date of this Agreement.

11. Jurisdiction and Venue. The parties agree and stipulate that venue and jurisdiction for enforcement of the terms hereof lie in the United States District Court, Great Falls Division, Great Falls, Montana, or, if the U.S. District Court lacks jurisdiction, a Montana state district court. In the event of a breach by either party of any of the terms hereof, upon written notice to the breaching party of the substance of the alleged breach and the remedies sought, the non-breaching party shall be entitled to suspend any of the non-breaching party's obligations hereunder to the extent of the breach and petition the court for the appropriate relief. Appropriate relief shall be limited to monetary judgment against the breaching party, including costs and attorney's fees, arising from the breach, and such other relief as is necessary to put the non-breaching party in the same position they would have been in had the breaching party fully performed. The failure to pursue a remedy for one or more breaches is not a waiver of any right to enforce a subsequent breach of the same or a different term hereof.

12. Mutual Limited Waiver of Sovereign Immunity. The State has waived its sovereign immunity from suit for contract actions arising under the Agreement, see, Title 18, chapter 1, part 4, MCA, and for tort actions, see Title 2, chapter 9, part 1, MCA. The Tribe expressly grants a limited waiver of sovereign immunity from suit for litigation pertaining to this Agreement, provided that the Tribe's waiver shall be no more extensive than the State's waiver pursuant to Title 18, chapter 1, part 4, MCA, and Title 2, chapter 9, part 1, MCA, and shall only extend to the State and no other parties. Neither party waives its sovereign immunity except as provided in this Agreement.

13. Reservation of Rights and Negative Declaration. The State and Nation have entered into this Agreement in part to resolve any potential legal disputes and avoid litigation. The parties agree that by entering into this Agreement, neither the State nor the Nation shall be deemed to have waived any rights, arguments, or defenses available in litigation on any subject except as specifically provided in this Agreement. This Agreement is specifically not intended to reflect or be viewed as reflecting in this or any context either party's position with respect to the jurisdictional authority of the other. Nothing in this Agreement or in any conduct undertaken pursuant thereto shall be deemed as enlarging or diminishing the jurisdictional authority of either party except to the extent necessary to implement and effectuate the Agreement's terms. This Agreement, conduct pursuant thereto or conduct in the negotiations or renegotiations of this Agreement, shall not be offered as evidence, otherwise referred to in any present or future litigation, or used in any way to further either party's equitable or legal position in any litigation except as specifically set forth in this Agreement. By entering into this Agreement, neither the State nor the Nation is forfeiting any legal rights to apply their respective taxes except as specifically set forth in this Agreement. This Agreement does not apply to any state tax collected other than the tax on tobacco as provided in §§ 16-11-101 through 206, MCA. It does not apply to any other taxes or fees of any nature collected by the State. This Agreement does not apply to any other tax collected by any other agency or subdivision of the State.

14. Notices. All notices and other communications required to be given under this Agreement by the Nation and the State shall be deemed to have been duly given when delivered in person or posted by United States certified mail, return receipt requested, with postage prepaid, addressed as follows:

i. To the Nation:

Chairman
Blackfeet Tribal Business Council
Box 850
Browning, MT 59417

ii. To the State:

Governor's Office
P.O. Box 200801
State Capitol
Helena, MT 59620-0801

With Copies to:

Director of Revenue
Department of Revenue
Room, 455, Mitchell Building
Helena, Montana 59620

Attorney General
215 North Sanders
Helena, MT 59620-1401

Notice shall be considered given on the date of mailing.

This Contract consists of nine (9) pages.

DATED this 29th day of July, 2005.

STATE OF MONTANA

BLACKFEET NATION
of the BLACKFEET RESERVATION

/S/ BRIAN SCHWEITZER
Brian Schweitzer
Governor

/S/ PATRICK THOMAS
Acting Chairman
Blackfeet Tribal Business Council

/S/ DAN BUCKS
Dan Bucks
Director of Revenue

Approved pursuant to § 18-11-105, MCA

/S/ MIKE MCGRATH

Mike McGrath
Attorney General

Ross P. Denny, Superintendent, Blackfeet Indian Agency, the Bureau of Indian Affairs, United States Department of Interior, hereby approves this BLACKFEET NATION - MONTANA TOBACCO TAX AGREEMENT.

/S/ ROSS P. DENNY

Ross P. Denny