



shelter bay community, inc.

April 15, 2009

TO: President Steff Steinhorst and the Shelter Bay Board of Directors

FROM: Lease Task Force

SUBJECT: Recommendations on 2013 Rent Adjustment and Extension of Master Lease

The Task Force has held several meetings and worked through various methods of constructing an offer to submit to the Tribe and Allottees concerning the rental adjustment and lease term. At our most recent meeting, the Task Force came to a conclusion that will achieve much better results when we pay-off the balance of the back rent which is owed; and, in a presentation or letter to the Tribe with the final payment, we ask the Tribe what they would like to receive for payments in the future and what length of an extension they would like to give us on the master lease.

The Committee has discussed and reviewed the history of Shelter Bay's relationship with our landlords and neighbors and concluded that since 2005, when Shelter Bay acquired the Shelter Bay Company and the first Lease Committee was formed, we have made many offers to the Tribe. None of these offers have ever received a direct counter proposal from the Tribe. We have been making offers based on what we wanted without consideration of what they wanted.

The only offer Shelter Bay ever received from the Tribe was just before the arbitration process started and that was a proposal which included a \$10,000,000 valuation for rent calculations from 2003 through 2012. Shelter Bay did not accept this proposal as it did not include a lease extension. Hindsight tells us that what the Tribe offered was reasonable.

Based on this history showing what has worked and what has not worked, the Task Force has come to the conclusion that unsolicited offers are ineffective at best and may even alienate our Tribal neighbors. The Task Force believes that the Tribe is fully aware that the future of Shelter Bay is important to them and that the Shelter Bay Community, in its current configuration, should continue as a tenant on their land. Thus, the Tribe would also be aware that a reasonable rent amount and term is essential to maintaining the property values in Shelter Bay and thereby the income stream to the Tribe and Allottees.

We have learned that pushing our desires on the Tribe can be counterproductive and it is our belief we should learn from the past and solicit and give thoughtful consideration to the Tribe's wishes and requirements for our continued tenancy on their land.

On behalf of the Task Force, thank you for the opportunity to perform this work for the community.

s/ Bill Veselka, Chair