

Journal of the House

THIRTY-SECOND DAY

HALL OF THE HOUSE OF REPRESENTATIVES,
TOPEKA, KS, Wednesday, March 2, 2016, 11:00 a.m.

The House met pursuant to adjournment with Speaker Merrick in the chair.

The roll was called with 121 members present.

Reps. Bollier, Goico, Sloan and Wolfe Moore, were excused on excused absence by the Speaker.

Prayer by Chaplain Brubaker:

Almighty God,
Thank You for the blessing of this day
and for the short yet needed break.
Today, our leaders come back together to make
serious decisions for our state.
Our future is at stake
so be with them as they deliberate.
Help them not to hesitate,
yet thoughtful thinking and time help them take.
May their discussions not be filled with hate,
rather, help them to be productive in their debate.
Help them never to under estimate
how their decisions can determine our fate.
This feeble attempt at rhyming is over,
But when it is all said and done,
what I am requesting is that Your presence
be with these leaders today.
This I ask in Christ's Name,
Amen.

The Pledge of Allegiance was led by Rep. Doll.

PERSONAL PRIVILEGE

There being no objection, the following remarks of Rep. Schroeder are spread upon the Journal:

As we return from a week off for turnaround, the past week for us in Hesston has been anything but dull. I hardly know what to say, but think a few comments are in order.

First and foremost, we live in a different world than it was a few years ago. In light of the events of the past week in Hesston, I would like to publicly express my highest regards, especially for Hesston Police Chief Doug Schroeder for his heroic act of neutralizing an active shooter at the Excel facility. The shooter died as a result of the incident after Chief Schroeder and he exchanged gunfire. Chief Schroeder is the head of an outstanding department and, yes, we still feel very safe in Hesston thanks to Chief Schroeder's leadership.

Also a special thanks to Harvey County Sheriff T. Walton for providing backup and support to the Hesston Police. He and his department are outstanding and professional. There have been many local, State and Federal officers in Hesston this week and words can hardly express the gratitude for them, and what they do by putting themselves in harm's way to protect everyone.

Expressions of sympathy are in order for families of those killed, and prayers of support and healing for those injured and wounded. Hesston has many individuals who have done heroic acts of compassion for co-workers, friends and strangers.

Hesston is a community with strong faith. If you look at the history of Hesston, it is unusual in that it does not have a grain elevator like most plains towns and cities, but was begun as a Christian college town, spurred on by the donation of land for that purpose. Hesston College is still viable and brings in students from many different countries.

It is that faith in God that makes the community resilient. Twenty six years ago, an F5 tornado ripped through the middle of town. At that time, the community pulled together with compassion and grace, working as one to rebuild what was shattered. Now as well, the community relies on faith in God for strength to once again rebuild, this time relationships and emotions.

What is most important in situations like this? Three things are more important than anything else. Those are Faith, family and friends. In that order. Everything else falls away as insignificant compared to those. What do you place your faith in? Only faith in Christ Jesus can save your soul.

As we go about deliberating in this body, I encourage you to be considerate and remember what is really important. Strong faith, strong families, and strong friends. Those things are why we are '#hesstonstrong!'

The House observed a moment of silence for those slain and injured in Hesston.

INTRODUCTION OF BILLS AND CONCURRENT RESOLUTIONS

The following bills were introduced and read by title:

HB 2712, AN ACT concerning weights and measures; relating to charging for services; unlawful acts; technical representatives; amending K.S.A. 2015 Supp. 83-214, 83-219 and 83-302 and repealing the existing sections, by Committee on Appropriations.

HB 2713, AN ACT concerning corporations; relating to the Kansas general corporation code; business entity standard treatment act; amending K.S.A. 17-1289, 17-2036, 17-2718, 17-4634, 17-6001, 17-6004, 17-6006, 17-6007, 17-6008, 17-6009, 17-6010, 17-6101, 17-6102, 17-6104, 17-6106, 17-6301, 17-6302, 17-6304, 17-6401, 17-6402, 17-6404, 17-6405, 17-6407, 17-6408, 17-6409, 17-6410, 17-6412, 17-6413, 17-

6414, 17-6415, 17-6416, 17-6420, 17-6422, 17-6425, 17-6426, 17-6501, 17-6502, 17-6503, 17-6505, 17-6506, 17-6508, 17-6509, 17-6510, 17-6512, 17-6513, 17-6514, 17-6515, 17-6516, 17-6517, 17-6518, 17-6521, 17-6522, 17-6523, 17-6603, 17-6605, 17-6701, 17-6702, 17-6703, 17-6705, 17-6706, 17-6707, 17-6708, 17-6710, 17-6712, 17-6801, 17-6803, 17-6804, 17-6805, 17-6805a, 17-6807, 17-6808, 17-6809, 17-6810, 17-6811, 17-6812, 17-6813, 17-6902, 17-6903, 17-6904, 17-6905, 17-6906, 17-6907, 17-6908, 17-6909, 17-6910, 17-6911, 17-6913, 17-7001, 17-7003, 17-7101, 17-7102, 17-7201, 17-7203, 17-7204, 17-7205, 17-7206, 17-7208, 17-7209, 17-7211, 17-7212, 17-7213, 17-7215, 17-7302, 17-7305, 17-7307, 17-7404, 17-7503, 17-7504, 17-7505, 17-7510 and 17-7512 and K.S.A. 2015 Supp. 17-6002, 17-6305, 17-6601, 17-6602, 17-7002, 17-7207, 17-7506, 17-76, 139, 17-7903, 17-7908, 17-7918, 17-7919, 17-7924, 17-7925, 17-7927, 17-7928, 17-7929, 17-7931, 17-7934, 56-1a606, 56-1a607, 56a-1201 and 56a-1202 and repealing the existing sections; also repealing 17-12,100, 17-12,101, 17-12,102, 17-12,103, 17-12,104 and 17-6704, by Committee on Appropriations.

HB 2714, AN ACT concerning property taxation; relating to valuation, appeals, procedure; state of board of tax appeals, filing fees, procedure, appeals to district court; amending K.S.A. 79-309, 79-501, 79-504, 79-1412a and 79-1456 and K.S.A. 2015 Supp. 74-2426, 74-2433, 74-2438, 74-2438a, 77-618, 79-425a, 79-503a, 79-1448, 79-1476 and 79-2005 and repealing the existing sections, by Committee on Taxation.

HOUSE CONCURRENT RESOLUTION No. **HCR 5026**—

by Representatives E. Davis and S. Swanson

HCR 5026— A CONCURRENT RESOLUTION recognizing the following celebrations and observances in support of organ, eye, tissue, bone marrow, stem cell and cord blood donation and transplantation, and to express gratitude for those who have already given the gift of life. In March, Kansans observe National Eye Donor Month and National Kidney Month. In April, Kansans observe Donate Life Month and on April 15, Kansas will join the rest of the nation to celebrate National Donate Life Blue and Green Day, where the public will be asked to wear their best blue and green outfits in support of giving the gift of life and sight.

WHEREAS, For more than a decade, the month of April has highlighted the saving and healing of lives. Donate Life America and Donate Life state teams, like Donate Life Kansas, fill the month of April with powerful stories that share the lifesaving message of donation and transplantation. The goal of National Donate Life Month is to make LIFE possible by educating and motivating individuals to register their decision to be organ, eye, tissue, bone marrow, stem cell and cord blood donors; and

WHEREAS, 51% of Americans have registered their decision to donate and 60% of adults in Kansas have joined the Kansas Donor Registry – the need for more registered organ, eye and tissue donors increases; and

WHEREAS, Despite a record number of 30,000 organ transplants saving lives in 2015, 8,500 from deceased donors and 6,000 from living donors; despite more than one million tissue transplants enhancing the lives of others; and despite 48,000 gifts of sight, the need for more transplants continues to far surpass the number of donated organs and tissues each year; and

WHEREAS, Despite these successes, one person is added to the wait list every 10 minutes, leading to 125,000 Americans waiting for their life-saving transplant, and

2,600 of those individuals are from Kansas and Missouri. The organ most needed across the country is the kidney; the growing number of those in need of transplant and lack of available organs means 22 people are dying every day, while waiting for LIFE to be possible; and

WHEREAS, Each year, more than 20,000 people in the United States are diagnosed with life-threatening illnesses requiring a bone marrow, stem cell or cord blood transplant. Seventy percent find their best match is from the generosity of a stranger, rather than a family member; and therefore, are in need of someone like you to donate your healthy marrow.

WHEREAS, One Kansas sunflower has the potential to create an entirely new field of flowers. As individuals, we each have a similar potential to make LIFE possible for many when we register our decision to become an organ, eye and tissue donor. One organ donor can save the lives of up to eight people, restore sight to two people through cornea donation and heal countless others through tissue, bone marrow, stem cell and cord blood donation.

WHEREAS, Registered donors are LIFE donors. Everyone is a potential donor, and a decision to donate can save or enhance the lives of more than 50 people.

WHEREAS, Kansans are urged to take five minutes out of their day to register their decision to make LIFE possible through organ, eye and tissue donation at DonateLifeKansas.com. Kansans are urged to let their family know they have made their decision. Donors are urged to always reaffirm this decision when renewing their driver's license by indicating, "Yes, I want to be a donor."

WHEREAS, Hundreds of thousands of persons needing organ donations are depending on the people of Kansas to become organ donors. Kansans can also join the 27 million persons worldwide who have volunteered to join the National Bone Marrow Donor Registry by going to BeTheMatch.org. Now, therefore:

Be it resolved by the House of Representatives of the State of Kansas, the Senate concurring therein: That we recognize and celebrate National Eye Donor Month and National Kidney Month in March and in April, celebrate National Blue and Green Day and National Donate Life Month in Kansas, urging all residents to join us in support of this humanitarian action of giving the gift of life and sight to our fellow neighbors, residents and citizens; and

Be it further resolved: That this legislative body pause in its deliberations to memorialize the donor heroes from Kansas, pay tribute to those waiting for their life-saving call and honor those residents who have joined the Kansas Donor Registry and the National Bone Marrow Registry; and

Be it further resolved: That the Chief Clerk of the House of Representatives shall send an enrolled copy of this resolution to the Donate Life Team Kansas.

CHANGE OF REFERENCE

Speaker Merrick announced the withdrawal of **HB 2554**, **HB 2598** from Committee on Appropriations and rereferral to Committee on Agriculture and Natural Resources.

Also, the withdrawal of **HB 2534**, **HB 2585** from Committee on Appropriations and rereferral to Committee on Children and Seniors.

Also, the withdrawal of **HB 2617** from Committee on Appropriations and rereferral to Committee on Commerce, Labor and Economic Development.

Also, the withdrawal of **HB 2540, HB 2548, HB 2677, HB 2681** from Committee on Appropriations and rereferral to Committee on Corrections and Juvenile Justice.

Also, the withdrawal of **HB 2486, HB 2531, HB 2664, HB 2698** from Committee on Appropriations and rereferral to Committee on Education.

Also, the withdrawal of **HB 2686** from Committee on Appropriations and rereferral to Committee on Education Budget.

Also, the withdrawal of **Sub HB 2543** from Committee on Appropriations and rereferral to Committee on Elections.

Also, the withdrawal of **HB 2453, HB 2579, HB 2649** from Committee on Appropriations and rereferral to Committee on Insurance and Financial Institutions.

Also, the withdrawal of **HB 2660** from Committee on Appropriations and rereferral to Committee on General Government Budget.

Also, the withdrawal of **HB 2708** from Committee on Appropriations and referral to Committee on Health and Human Services.

Also, the withdrawal of **HB 2455, HB 2471, HB 2599, HB 2607, HB 2614, HB 2645, HB 2682** from Committee on Appropriations and rereferral to Committee on Health and Human Services.

Also, the withdrawal of **HB 2553, HB 2699** from Committee on Appropriations and rereferral to Committee on Judiciary.

Also, the withdrawal of **HB 2557** from Committee on Appropriations and rereferral to Committee on Local Government.

Also, the withdrawal of **HB 2601** from Committee on Appropriations and rereferral to Committee on Transportation.

Also, the withdrawal of **HB 2692** from Committee on Appropriations and rereferral to Committee on Veterans, Military and Homeland Security.

MESSAGES FROM THE GOVERNOR

MESSAGE FROM THE GOVERNOR REGARDING COMPACTS WITH TRIBAL NATIONS

In consultation with the Attorney General and the Department of Revenue, and pursuant to my authority under Article 1, Section 3 of the Constitution of the State of Kansas, I have entered into the following Compacts:

Compact Relating to Cigarette and Tobacco Sales, Taxation and Escrow Collection with the Prairie Band Potawatomi Nation as of February 17, 2016; and

Compact Relating to Cigarette and Tobacco Sales and Taxation with the Iowa Tribe of Kansas and Nebraska as of February 22, 2016.

I hereby give notice of these executive actions and transmit the Compacts to the Legislature for the required approvals pursuant to applicable law.

Dated: February 22, 2016

SAM BROWNBACK
Governor of Kansas

**COMPACT RELATING TO CIGARETTE AND TOBACCO SALES, TAXATION
AND ESCROW COLLECTION**

THIS COMPACT RELATING TO CIGARETTE AND TOBACCO SALES, TAXATION AND ESCROW COLLECTION (“**Compact**”) is entered into between the Prairie Band Potawatomi Nation (along with its agencies, boards, commissions and political subdivisions, the “**Nation**”) and the State of Kansas (along with its agencies, boards, commissions and political subdivisions, the “**State**”). The Nation and the State are each referred to herein as a “**Party**” and collectively referred to herein as the “**Parties.**”

Recitals

WHEREAS, the Nation is a federally-recognized Indian tribe possessing and exercising inherent sovereign powers of self-government, as defined and recognized by treaties, federal laws and federal court decisions, and that it has responsibilities and needs similar to other governments;

WHEREAS, the State is a state within the United States of America possessing and exercising full powers of state government, as defined and recognized by the United States Constitution, federal laws, federal court decisions, the Kansas Constitution, State laws and State court decisions, and that it has responsibilities and needs similar to other governments;

WHEREAS, both the State and the Nation recognize that pursuant to applicable law each is a sovereign with dominion over their respective territories and governments and that entry into this Compact is not intended nor shall it be construed to cause the sovereignty of either to be diminished;

WHEREAS, the Nation is situated on and occupies a federally-established Indian Reservation situated within the borders of the State;

WHEREAS, federal law recognizes that tribal jurisdiction exists on Qualified Nation Lands regarding the rights of the Nation to pass its own laws and be governed by them;

WHEREAS, it is in the best interests of both the State and the Nation to prevent disputes between the Parties regarding possession, transport, distribution, and Sale of Cigarettes and other Tobacco Products, including but not limited to taxation and escrow collection, in the State of Kansas, on Compact Lands;

WHEREAS, each of the State and the Nation recognize the financial, cultural, educational, and economic contributions of the other;

WHEREAS, each of the State and the Nation respects the sovereignty of the other, and recognizes and supports the other’s governmental responsibilities to provide for and govern its citizens, members and territory; Kansas recognizes the Nation’s inherent sovereign right to existence, self-government and self-determination; and the Nation recognizes the Kansas’s inherent sovereign right to existence, self-government and self-determination;

WHEREAS, the Parties are of the opinion that cooperation between the Nation and the State is mutually productive and beneficial and recognize the need to develop and maintain good Nation/State governmental relations;

WHEREAS, it is in the best interests of the State to continue to reduce the financial burdens imposed on the State by Cigarette smoking and that said costs continue to be borne by Tobacco Product Manufacturers rather than by Kansas to the extent that such Tobacco Product Manufacturers either determine to enter into a settlement with Kansas or are found culpable by the courts;

WHEREAS, on November 23, 1998, the State became party to the MSA;

WHEREAS, certain Tobacco Product Manufacturers, which are party to the MSA, are obligated, in return for a release of past, present and certain future claims against them as described therein, to pay substantial sums to State (tied in part to their volume of Sales); to fund a national foundation devoted to the interests of public health; and to make substantial changes in their advertising and marketing practices and corporate culture, with the intention of reducing underage smoking;

WHEREAS, it would be contrary to the policy of State if Tobacco Product Manufacturers who determine not to enter into such a settlement could use a resulting cost advantage to derive large, short-term profits in the years before liability may arise without ensuring that State will have an eventual source of recovery from them if they are proven to have acted culpably;

WHEREAS, Kansas entered into a Secondary Settlement Agreement with certain participating Tobacco Product Manufacturers in 2012 settling State's obligations under the MSA and disputes regarding certain payment adjustments under the MSA with respect to NPMs (as that term is defined below) for calendar years 2003-2012;

WHEREAS, as part of said Secondary Settlement Agreement, State has agreed to undertake certain diligent enforcement efforts of its Cigarette and other Tobacco Product laws and more specifically, its MSA laws on Qualified Tribal Lands within the borders of State;

WHEREAS, State recognizes the importance to State of forming an alliance with Nation to assist State in its diligent enforcement efforts;

WHEREAS, State further recognizes that the Nation will incur certain economic costs in assisting State in its diligent enforcement efforts which Nation should not be required to endure;

WHEREAS, it is altogether just and proper that State compensate the Nation for its assistance to State in State's diligent enforcement obligation under the MSA and the Secondary Settlement Agreement; and

WHEREAS, the State and the Nation agree that it will serve the interests of both the State and the Nation for the Nation to be able to generate revenue for governmental purposes through the collection of certain Tribal taxes in accordance with this Compact and resolve their differences regarding the State's collection of escrow on certain Cigarettes Sold on Compact Lands.

Compact

NOW, THEREFORE, in consideration of the foregoing recitals which are made a contractual part hereof, and in consideration of the mutual promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

ARTICLE I DEFINITIONS

Section 1.01. Definitions. Whenever used in this Compact, the following capitalized words and phrases shall have the following meanings:

“**AAA**” shall mean the American Arbitration Association.

“**Approved Manufacturer**” shall mean, subject to Section 4.02(c), a Tobacco Product Manufacturer which is (A) in compliance with the Escrow Statutes and the Fire Safety Statutes, and (B) listed on the KSAG’s directory of compliant manufacturers pursuant to K.S.A. 50-6a04(B). The KSAG’s directories of compliant Tobacco Product Manufacturers can be found on the KSAG’s website.

“**Auditor**” shall have the meaning set forth for such term in Section 6.02.

“**Business Day**” shall mean any day that the governmental offices of the Nation are open for business.

“**Carton**” shall mean a container of two hundred (200) Cigarettes, whether consisting of either eight or ten Packs.

“**Cigarette**” shall mean any product that contains nicotine, is intended to be burned or heated under ordinary conditions of use and consists of or contains:

- (1) any roll of tobacco wrapped in paper or in any substance not containing tobacco;
- (2) tobacco, in any form, that is functional in the product, which, because of its appearance, the type of tobacco used in the filler, or its packaging and labeling, is likely to be offered to, or purchased by, Consumers as a Cigarette; or
- (3) any roll of tobacco wrapped in any substance containing tobacco which, because of its appearance, the type of tobacco used in the filler, or its packaging and labeling, is likely to be offered to, or purchased by, Consumers as a Cigarette described in clause (1) above.

The term “Cigarette” includes “roll-your-own” (i.e., any tobacco which, because of its appearance, type, packaging or labeling is suitable for use and likely to be offered to, or purchased by, Consumers as tobacco for making Cigarettes). For purposes of this definition, 0.09 ounces of “roll-your-own” tobacco shall constitute one individual “Cigarette.”

“**Compact**” shall have the meaning set forth for such term in the initial paragraph.

“**Compact Lands**” shall mean only the following Qualified Nation Lands:

(A) those Qualified Nation Lands within the boundaries of the Nation’s reservation granted in Article 4 of the Treaty with the Potawatomi Nation, ratified July 22, 1846 (9 Stat. 853), as modified by the Treaty with the Potawatomi, ratified April 15, 1862 (12 Stat. 1191), and by the Treaty with the Potawatomi, ratified July 25, 1868 (15 Stat. 531); and

(B) those Qualified Nation Lands described in (1) a Kansas Warranty Deed to the United States of America in trust for the Prairie Band Potawatomi Nation found in the Jackson County Register of Deeds Office in Book 305 of RB on pages 302-303, (2) a Kansas Warranty Deed to the United States of America in trust for the Prairie Band Potawatomi Nation found in the Jackson County Register of Deeds Office in Book 305 of RB on pages 587-588, (3) a Kansas Warranty Deed to the United States of America in trust for the Prairie Band Potawatomi Nation found in the Jackson County Register of Deeds Office in Book 500 on pages 234-235, and (4) a Kansas Warranty Deed to the United States of America in trust for the Prairie Band Potawatomi Nation found in the Jackson County Register of Deeds Office in Book 500 on pages 257-258.

“**Consumer**” shall mean the individual or entity purchasing or receiving Cigarettes or other Tobacco Products for final use.

“**Dispute**” shall have the meaning set forth for such term in Section 7.01(b).

“**Dispute Party**” shall have the meaning set forth for such term in Section 7.01(b).

“**Effective Date**” shall have the meaning set forth for such term in Section 3.01.

“**Escrow Statutes**” shall mean Chapter 50, Article 6a of the Kansas Statutes Annotated.

“**Fire Safety Statutes**” shall mean Chapter 31, Article 6 of the Kansas Statutes Annotated.

“**Indian Tribe**” shall mean any Indian tribe, band, nation or other organized group or community that is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians under the laws of the United States.

“**KDOR**” shall mean the Kansas Department of Revenue.

“**KSAG**” shall mean the Office of the Attorney General of the State of Kansas.

“**Licensed Distributor**” shall mean the Nation, any Nation Affiliate, or any individual or entity subject to the Nation’s regulatory and tax jurisdiction, in each case conducting business pursuant to a valid tobacco distributor license issued by the Nation.

“**Licensed Retailer**” shall mean the Nation or any Nation Affiliate conducting business pursuant to a valid tobacco retailer license issued by the Nation.

“**MSA**” shall mean the settlement agreement (and related documents) entered into on November 23, 1998 by the State and leading United States Tobacco Product

Manufacturers; provided, however, that such term does not include the Secondary Settlement Agreement.

“**Nation**” shall have the meaning set forth for such term in the initial paragraph.

“**Nation Affiliate**” shall mean an entity directly or indirectly wholly owned by the Nation. Solely for purposes of this definition, the phrase “wholly owned by” means ownership of one hundred percent (100%) of an equity interest, or the equivalent thereof.

“**Nation Claim Parties**” shall mean, collectively, the Nation, the Nation Tax Commission, and any Nation Affiliate to the extent such Nation Affiliate is either a Licensed Retailer or Licensed Distributor.

“**Nation Tax Commission**” shall mean the Prairie Band Potawatomi Tax Commission, or such other successor commission, board, committee, council, department or agency charged under Nation law with administration and enforcement of Nation tax laws.

“**NPM**” shall have the meaning set forth for the term “Non-participating manufacturer” in K.S.A. §50-6a07(g).

“**Pack**” shall mean one package of either twenty (20) or twenty-five (25) Cigarettes.

“**Parties**” or “**Party**” shall have the meaning set forth for such terms in the initial paragraph.

“**PM**” shall mean a “participating manufacturer” as that term is used in the Escrow Statutes.

“**Qualified Tribal Lands**” shall mean:

(1) All land within the borders of the State that is within the limits of any Indian reservation under the jurisdiction of the United States, notwithstanding the issuance of any patent, including rights-of way running through such reservation;

(2) all dependent Indian communities within the borders of the State;

(3) all Indian allotments within the borders of the State, the Indian titles to which have not been extinguished, including rights-of-way running through such allotments; and

(4) any lands within the borders of the State, the title to which is either held in trust by the United States for the benefit of any Indian Tribe or individual, or held by any Indian Tribe or individual subject to restriction by the United States against alienation and over which an Indian Tribe exercises governmental power.

“**Qualified Nation Lands**” shall mean the Nation’s Qualified Tribal Lands.

“**Rules**” shall have the meaning set forth in Section 7.02(b).

“**Sale**” (and any correlative term, such as “**Sell**,” “**Seller**,” or “**Sold**,” shall have the correlative meaning) shall mean any sale, barter, trade, exchange, or other transfer of ownership for value of Cigarettes or other Tobacco Products, no matter how characterized.

“**Secondary Settlement Agreement**” shall mean the 2003 NPM adjustment settlement agreement, which shall include the 2012 term sheet agreement, related to the MSA and to which State is a party.

“**State**” shall have the meaning set forth for such term in the initial paragraph.

“**Tobacco Product**” shall mean any product, including any component, part, or accessory, made or derived from tobacco that is intended for human consumption through smoking, chewing or both, including but not limited to Cigarettes, Cigarette tobacco, roll-your-own tobacco, smokeless tobacco, cigars, pipe tobacco, dissolvables, gels, waterpipe tobacco, and electronic cigarettes.

“**Tobacco Product Manufacturer**” shall mean an entity that after the Effective Date directly (and not exclusively through any affiliate):

(1) manufactures Cigarettes anywhere that such manufacturer intends to be Sold in the United States, including Cigarettes intended to be Sold in the United States through an importer;

(2) is the first purchaser anywhere for resale in the United States of Cigarettes manufactured anywhere that the manufacturer does not intend to be sold in the United States; or

(3) becomes a successor of an entity described in paragraph (1) or (2).

The term “Tobacco Product Manufacturer” shall not include an affiliate of a Tobacco Product Manufacturer unless such affiliate itself falls within any of paragraphs (1) through (3) above. Solely for purposes of this definition, the term “affiliate” shall mean a person who directly or indirectly owns or controls, is owned or controlled by, or is under common ownership or control with, another person. Solely for purposes of the preceding sentence, the terms “owns,” “is owned” and “ownership” mean ownership of any equity interest, or the equivalent thereof, of 10% or more, and the term “person” means an individual, partnership, committee, association, corporation or any other organization or group of persons.

“**Units Sold**” shall mean, with respect to a particular Tobacco Product Manufacturer for a particular year, the number of individual Cigarettes Sold in the State, including, without limitation, any Cigarettes Sold on any Qualified Tribal Lands within the State, by the applicable Tobacco Product Manufacturer, whether directly or through a distributor, retailer or similar intermediary or intermediaries, during the year in question, for which the State has the authority under federal law to impose excise or a similar tax or to collect escrow deposits, regardless of whether such taxes were imposed or collected by the State.

Section 1.02. Other Definitional Provisions.

(a) All capitalized terms defined in this Compact shall have the defined meanings when used as a capitalized term in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(b) As used herein and in any certificate or other document made or delivered pursuant

hereto or thereto, accounting terms not defined in Section 1.01, and accounting terms partially defined in Section 1.01 to the extent not defined, shall have the respective meanings given to them under generally accepted accounting principles or regulatory accounting principles, as applicable. To the extent that the definitions of accounting terms herein are inconsistent with the meaning of such terms under generally accepted accounting principles or regulatory accounting principles, the definitions contained herein shall control.

(c) The words “**hereof**,” “**herein**” and “**hereunder**” and words of similar import when used in this Compact shall refer to this Compact as a whole and not to any particular provision of this Compact; and Section, subsection, Schedule and Exhibit references contained in this Compact are references to Sections, subsections, Schedules and Exhibits in or to this Compact unless otherwise specified.

(d) Unless otherwise specifically noted herein, any capitalized word or term used in this Compact but not otherwise expressly defined herein shall have the same meaning as the definition provided for such capitalized word or term in Chapters 50 and 79 of the Kansas Statutes Annotated as in effect on January 1, 2016.

ARTICLE II GENERAL PROVISIONS

Section 2.01. Purpose of Compact. The purpose of this Compact is to prevent disputes between the Parties regarding possession, transport, distribution, and Sale of Cigarettes and other Tobacco Products, including but not limited to taxation and escrow collection, in the State of Kansas, on Compact Lands, and on other Qualified Tribal Lands to the extent set forth herein.

Section 2.02. External Citations. The citation to any State statute or regulation in this Compact refers to the version in effect on January 1, 2016, unless otherwise specifically provided herein or unless the Parties specifically agree in writing to a modification of the Compact.

Section 2.03. Scope of Compact. Unless otherwise specifically provided herein, the terms and provisions of this Compact shall only apply to Cigarettes and other Tobacco Products Sold on Compact Lands. Notwithstanding any term or provision herein to the contrary, the Parties agree and acknowledge that the terms and provisions of this Compact shall not apply in any respect, including but not limited to taxation and escrow collection, to (i) any Tobacco Product Manufacturer or manufacturer of other Tobacco Products owned or operated by Nation or any Nation Affiliate during the term of this Compact, or (ii) the possession, transport, distribution, purchase, or Sale of Cigarettes or other Tobacco Products manufactured or imported by any Tobacco Product Manufacturer or manufacturer of other Tobacco Products, in each case to the extent described in clause (i).

ARTICLE III EFFECTIVE DATE; TERM

Section 3.01. Effective Date. Subject to the prior full execution by the Parties,

ratification by Nation's Tribal Council by written resolution, approval by Nation's General Council under Nation's Constitution, and ratification by State through its legislation enacted by the State Legislature and publication in the Kansas Register, this Compact shall become effective on July 1, 2016 (the "Effective Date").

Section 3.02. Term.

(a) This Compact shall have an initial term of ten (10) years subject to automatic renewal for successive ten (10) year terms absent a requested revision in writing by any Party on or before August 1 in the calendar year prior to calendar year of the expiration of the then-current term. The Parties shall negotiate such requested revisions in good faith for a period ending fifteen (15) days before expiration of the then current term; *provided, however*, that if the Parties are not able to reach agreement on such requested revisions by such date, the Parties may agree to extend the then-current term beyond the expiration date for so long as the Parties agree that further negotiations are warranted; *provided, further*, that following expiration of the initial or any extended negotiation period, either Party may provide written notice of termination of the Compact effective on the later to occur of the expiration date of the then-current term or two Business Days following the date of delivery of such written notice of termination without giving effect to any extension agreed to by the Parties. In the event that the Parties reach agreement on the requested revisions, such revisions shall be reflected in an amendment to this Compact consistent with Section 8.08. In any event, the terms and provisions of this Compact shall continue to apply and the Parties shall conduct themselves accordingly until such time either that such amendment is fully executed, ratified and effective or that termination of this Compact is effective.

(b) Notwithstanding any provision of this Compact to the contrary, in the event that State is subject to a final, binding arbitration award or decision of a court of competent jurisdiction that the State is non-compliant or has violated the terms of the MSA or Secondary Settlement Agreement due to State's compliance with its obligations under this Compact, the Parties shall attempt to negotiate amendments to this Compact for a period of not less than 90 days following State's written notice to Nation of State's desire to initiate such negotiations. The Parties acknowledge that the purpose of such negotiations would be to amend the Compact in a manner acceptable to the Parties that would permit the State to comply with the terms and provisions of this Compact, the MSA, and the Secondary Settlement Agreement. If the Parties are unable to negotiate such amendments within such negotiation period, the State may terminate this Compact upon two weeks' prior written notice to the Nation. Termination of this Compact pursuant to this Section 3.02(b) shall not be subject to the dispute resolution provisions of Article VII.

(c) In the event that the State is no longer subject to, or elects to withdraw from or cease performing under, the MSA and the Secondary Settlement Agreement, the Nation and the State may jointly agree in writing to terminate this Compact prior to the expiration of the then-current term. If there is any modification to relevant State law or final judicial determination by a court of competent jurisdiction that negates the escrow deposit obligations pursuant to the Escrow Statutes, the State may terminate this Compact at any time thereafter by providing thirty days' written notice to Nation.

ARTICLE IV
MASTER SETTLEMENT AGREEMENT PROVISIONS

Section 4.01. Nation Obligations.

(a) Nation shall regulate all Sales of Cigarettes on Compact Lands and may regulate Sales of other Tobacco Products on Compact Lands. As part of such mandatory regulation of Sales of Cigarettes on Compact Lands, the Nation shall require, and enforce such requirement, that:

- (i) all Sales to ultimate Consumers of Cigarettes on Compact Lands by a Licensed Retailer shall be conducted pursuant to a valid Nation tobacco retailer license;
- (ii) all Cigarettes Sold on Compact Lands by a Licensed Retailer shall be acquired from a Licensed Distributor;
- (iii) each Licensed Retailer shall implement and maintain processes that verify receipt of all Cigarettes on Compact Lands substantiated and supported by contemporaneously created documentation, including but not limited to invoices, bills of lading, way bills and other documents, showing Cigarettes received by such Licensed Retailer by brand, quantity, date of receipt, and from whom such Licensed Retailer received such Cigarettes;
- (iv) each Licensed Retailer shall implement and maintain processes that verify the number of Cigarettes Sold by such Licensed Retailer to Consumers on Compact Lands by contemporaneously created documentation, including register tapes or other indicia of retail Sale generated at the point of Sale or, with respect to vending machine Sales, stocking reports, in each case showing Cigarettes Sold by brand and quantity;
- (v) each Licensed Retailer shall provide to the Nation Tax Commission, on a timely basis, reports, data, and documentation specified in clauses (iii) and (iv) above regarding retail sales of Cigarettes on Compact Lands in form and format sufficient to enable Nation to comply with its obligations pursuant to Section 4(b) and Section 4(c), and shall maintain such documentation in an adequate and accessible retention system for a period of not less than three years;
- (vi) each brand of Cigarettes Sold, offered for Sale, possessed for Sale, or imported for Sale on Compact Lands by a Licensed Retailer shall be a brand of an Approved Manufacturer and, subject to Section 4.01(e), shall bear indicia of excise tax payment as provided in Section 5.02;
- (vii) each Licensed Distributor shall apply indicia of excise tax payment as provided in Section 5.02 to each Pack of Cigarettes prior to delivery to a Licensed Retailer located on Compact Lands;
- (viii) each Licensed Distributor shall implement and maintain processes that verify delivery of all Cigarettes to Licensed Retailers on Compact

Lands substantiated and supported by contemporaneously created documentation, including but not limited to invoices, bills of lading, way bills and other documents, showing Cigarettes delivered by brand, quantity, date of receipt, and to which Licensed Retailer such Cigarettes were delivered;

- (ix) each Licensed Distributor shall implement and maintain processes that, on a monthly basis, verify the number of items of indicia of payment of excise tax purchased from the Nation Tax Commission, as documented by a contemporaneously created, written receipt received from the Nation Tax Commission, the number of such items of indicia received by such Licensed Distributor, if different than the number purchased, the number of such items of indicia affixed to Packs of Cigarettes by such Licensed Distributor, the number of Packs of Cigarettes bearing such indicia delivered to Licensed Retailers as documented by one or more contemporaneously created, written statements from such Licensed Distributor, the number of such items of indicia that may be damaged, torn, mutilated or otherwise unusable and returned to the Nation Tax Commission, documented by a contemporaneously created, written receipt received from the Nation Tax Commission, the number of such items of indicia which are destroyed in accordance with Nation Tax Commission regulations, and the number of unaffixed items of such indicia which are on hand at such Licensed Distributor's premises, as documented by contemporaneously created, written inventory sheets;
- (x) each Licensed Distributor shall implement and maintain processes that verify monthly beginning and ending inventories of Packs of Cigarettes bearing indicia of payment of excise tax described in Section 5.02(a), as documented by contemporaneously created, written inventory sheets showing adjustments during such month for number of Packs of Cigarettes (A) to which such indicia were affixed, (B) received with such indicia affixed, (C) returned from Licensed Retailers, and (D) Sold to Licensed Retailers;
- (xi) with respect to each Licensed Distributor that maintains premises on Compact Lands, such Licensed Distributor shall implement and maintain processes that verify monthly beginning and ending inventories of Packs of Cigarettes not bearing any indicia of payment of excise tax, as documented by contemporaneously created, written inventory sheets showing adjustments during such month for number of Packs of Cigarettes (A) received without bearing any indicia of payment of excise tax, (B) to which indicia of payment of excise tax are affixed, in the aggregate and by specific jurisdiction, (C) Sold to the United States government, and (D) returned to a Tobacco Product Manufacturer;
- (xii) each Licensed Distributor shall provide to the Nation Tax Commission, on a timely basis, reports, data, and documentation

specified in clauses (viii), (ix), (x), and (xi) above regarding retail Sales of Cigarettes on Compact Lands in form and format sufficient to enable Nation to comply with its obligations pursuant to Section 4.01(b) and Section 4.01(c), and shall maintain such documentation in an adequate and accessible retention system for a period of not less than three years.

The Parties agree that United States generally accepted accounting principles (GAAP) shall, to the extent applicable, provide the appropriate standard for measuring the adequacy of the processes required by this Section 4.01.

(b) Nation, through its Nation Tax Commission, shall collect from Licensed Retailers the documentation specified in clause (v) of Section 4.01(a), shall collect from Licensed Distributors the documentation specified in clause (xii) of Section 4.01(a), and shall retain all such documentation for a period of not less than three years.

(c) Nation, through its Nation Tax Commission at Nation's sole expense, shall prepare and remit to KDOR data regarding Sales of Cigarettes on Compact Lands in the form and format and on the dates reasonably requested by KDOR from time to time and approved by the Nation Tax Commission, such approval not to be unreasonably withheld. Such data shall be prepared based upon the documentation gathered by the Nation Tax Commission pursuant to Section 4.01(b). Such data shall be remitted at the same frequency as comparable data is required to be submitted to the State under applicable State law by State-licensed retailers or distributors of Cigarettes.

(d) Nation, through its Nation Tax Commission, shall implement and maintain processes that verify the number of items of indicia of payment of excise tax delivered to the Nation pursuant to Section 5.02, as documented by a contemporaneously created, written receipt received from the State, the number of such items of indicia applied to Cigarettes delivered to Licensed Retailers as documented by one or more contemporaneously created, written statements from each Licensed Distributor, the number of such items of indicia that may be damaged, torn, mutilated or otherwise unusable and returned to the State, documented by a contemporaneously created, written receipt received from the State, the number of such items of indicia on hand from time to time at the Nation Tax Commission and each Licensed Distributor documented on contemporaneously created, written inventory sheets. Nation, through its Nation Tax Commission, shall retain all such documentation for a period of not less than three years.

(e) On the Effective Date, the Nation Tax Commission shall seize as contraband all Cigarettes held for Sale by Licensed Retailers which do not satisfy the requirements of Section 4.01(a)(vi). Such contraband Cigarettes shall be destroyed subject to oversight by the Nation Tax Commission and KSAG. Notwithstanding any provision of this Compact to the contrary, all Packs of Cigarettes in the inventory of a Licensed Retailer on the Effective Date which bear either a Nation excise tax stamp or a State excise tax stamp shall be deemed to bear indicia of excise tax payment as provided in Section 5.02 for all purposes of this Compact.

Section 4.02. State Obligations.

(a) Beginning with calendar year 2016 and each subsequent calendar year occurring in whole or in part during the term of this Compact, State will pay to Nation an amount equal to the product of (i) the total dollar amount disbursed to the State pursuant to the MSA and Secondary Settlement Agreement attributable to Sales of Cigarettes during such calendar year, multiplied by (ii) the quotient obtained by dividing (A) total PM brand Units Sold by Licensed Retailers on Compact Lands during such calendar year, by (B) total PM brand Units Sold in Kansas and on Qualified Tribal Lands, without duplication, during such calendar year. Each such payment shall be due within thirty days following State's receipt of any disbursement described in clause (i) above. Concurrently with making such payment to the Nation, the State shall provide Nation with appropriate documentation supporting computation of such payment.

(b) If the KSAG takes the position that an Approved Manufacturer of any brand of Cigarette Sold by Licensed Retailers on Compact Lands is not in compliance with any mandatory requirement of the Escrow Statutes or of the Fire Safety Statutes, the KSAG will notify the Nation and such Approved Manufacturer. If the matter is not resolved within 30 days of such notice, the Nation Tax Commission will prohibit the Sale of that brand family by Licensed Retailers on Compact Lands until the matter is resolved.

(c) The KSAG shall not remove any Approved Manufacturer of any brand of Cigarette Sold by Licensed Retailers on Compact Lands from its directory of compliant Tobacco Product Manufacturers pursuant to K.S.A. §50-6a04(b)(8) prior to giving notice to Nation of, and negotiations regarding, such proposed removal in accordance with Section 7.01(b). For the avoidance of doubt, the foregoing shall not require initiation or completion of arbitration proceedings prior to removal.

ARTICLE V

TAX PROVISIONS

Section 5.01. Exercise of Tax Jurisdiction.

(a) The Nation shall have the sole right to impose, collect, and retain Sales taxes and excise taxes on transactions conducted by Licensed Retailers and Licensed Distributors involving Cigarettes and other Tobacco Products ultimately Sold to Consumers by Licensed Retailers on Compact Lands. Further, the Nation shall have the sole obligation hereunder to impose Sales taxes and excise taxes on such transactions to the extent described herein. With respect to such Cigarettes or other Tobacco Products, the State shall not impose any Sales tax, excise tax, privilege tax, use tax, other tax, licensing fee, user fee or other fee at any point in the stream of commerce:

(i) where the legal incidence of any such tax or fee falls on any such Consumer; or

(ii) which, if passed through in whole or in part to any such Licensed Retailer or Licensed Distributor, would have the effect of increasing such Licensed Retailer's or Licensed Distributor's cost of goods Sold;

provided, however, for the avoidance of doubt, such restrictions shall not apply to escrow payments, directory fees, or any bond required under the Escrow Statutes with respect to such Cigarettes. The State shall take no affirmative action to enable or authorize any other individual or entity to take any action which, if taken directly by the

State, would violate this Section 5.01(a).

(b) Notwithstanding any provision of Section 5.01(c) to the contrary, the Nation shall levy upon the consensual Sale of Cigarettes by a Licensed Retailer to a Consumer on Compact Lands a tax computed as a percentage of the actual Sales price thereof exclusive of any rebates. For purposes of the preceding sentence, such Sales tax shall be levied at a rate no lower than the lowest of (i) five percent (5%), or (ii) the Kansas Sales tax rate in effect at the time of such Sale less 1.5%; *provided, however*, that the fixed amount computed pursuant to this Section 5.01(b) shall not be less than \$0.00. Nothing in this Compact shall prohibit the Nation, in its sole discretion, from levying Sales tax on such Sales at a rate higher than that required in the preceding sentence.

(c) Subject to Section 5.01(d), the Nation shall levy upon the consensual Sale of Cigarettes on Compact Lands an excise tax computed from time to time as a fixed amount per Carton of Cigarettes or fractional part thereof. For purposes of the preceding sentence, such fixed amount per Carton of Cigarettes shall be no lower than the lowest of (i) the lowest excise tax rate per Carton of Cigarettes levied or imposed at the time of computation pursuant to the laws of any of the states immediately bordering the State; (ii) the excise tax rate per Carton of Cigarettes levied or imposed at the time of computation pursuant to the laws of the State less \$11.20 per Carton of Cigarettes; or (iii) the lowest aggregate excise tax rate per Carton of Cigarettes levied or imposed at the time of computation by any Indian Tribe which is party to a Cigarette/Tobacco Product compact with the State; *provided, however*, that the fixed amount computed pursuant to this Section 5.01(c) shall not be less than \$0.01 per Carton. Nothing in this Compact shall prohibit the Nation, at its sole discretion, from levying excise tax on such Cigarettes in an amount higher than that required in the preceding sentence. Such excise tax shall be paid only once and shall be imposed on and paid by the Licensed Distributor which Sells Cigarettes to a Licensed Retailer for Sale to Consumers on Compact Lands. For the avoidance of doubt, the Nation shall not be required to levy such excise tax on any Sale of Cigarettes where the Licensed Distributor intends to Sell such Cigarettes outside Compact Lands.

(d) Notwithstanding any other provision of this Compact to the contrary, the Nation shall levy upon the consensual Sale of roll-your-own tobacco on Compact Lands an excise tax of not less than 1% of the wholesale Sale price of such roll-your-own tobacco. Such excise tax shall be paid only once and shall be imposed on and paid by the Licensed Distributor at the time that the Licensed Distributor (a) brings or causes to be brought onto Compact Lands such roll-your-own tobacco for Sale on Compact Lands, (b) makes, manufactures, or fabricates such roll-your-own tobacco on Compact Lands for Sale on Compact Lands, or (c) ships or transports such roll-your-own tobacco to any Licensed Retailer on Compact Lands to be Sold by such Licensed Retailer on Compact Lands. For the avoidance of doubt, the Nation shall not be required to levy such excise tax on any sale of roll-your-own tobacco where the Licensed Distributor intends to Sell such roll-your-own tobacco outside Compact Lands.

Section 5.02. Indicia of Tax; Distribution and Transport.

(a) The Nation Tax Commission and KDOR shall jointly design and designate indicia of payment of the excise tax levied pursuant to Section 5.01(c). Such indicia shall

include at a minimum the acronym “PBPN,” the word “Kansas,” and an inventory control number, code or other technology in a form and color mutually agreeable to the Nation Tax Commission and KDOR. Kansas shall produce, or cause to be produced, and deliver to the Nation Tax Commission all such indicia as may be required for Nation to comply with its obligations hereunder, including but not limited to Nation’s obligations pursuant to Section 4.01(a)(vi). In order to compensate State for production and delivery of such indicia, Nation shall pay to the State the fixed amount of One Hundred Fifty Thousand Dollars (\$150,000.00) on February 1, 2018 and each subsequent February 1 during the term of this Compact; *provided, however,* that Nation shall have no obligation to make such any such payment if Licensed Retailers, on an aggregate basis, do not Sell more than 175,000 Cartons of Cigarettes on Compact Lands during the immediately preceding calendar year. The Nation and the State expressly agree and acknowledge that such payments (1) constitute payments for goods and services provided by State to Nation, (2) do not represent the levy or payment of any tax imposed by the State on the Nation, any Nation Affiliate, any Licensed Distributor, any Licensed Retailer, or any Consumer, and (3) do not represent sharing of Nation tax revenues or business profits with the State. Such payments and State’s production and delivery of such indicia shall not be subject to any sales, excise or other tax imposed by either State or Nation.

(b) For purposes of this Compact, the Parties agree that the following shall constitute contraband:

(i) All Packs of Cigarettes, in quantities of 20 Cigarettes per Pack or more, not bearing indicia of payment of excise tax as required in this Compact and all devices for vending Cigarettes in which unstamped Packs are found;

(ii) all Cigarettes or Tobacco Products in the possession of a minor;

(iii) all property, other than vehicles, used in the retail Sale of Packs of Cigarettes described in clause (i);

(iv) any Cigarettes Sold, offered for Sale, or possessed for Sale on Compact Lands where such Cigarettes are not a brand of an Approved Manufacturer; and

(v) any Cigarettes to which tax indicia has been affixed, was caused to be affixed, or the tax paid thereon as required by Section 5.01(c) or (d) of this Compact, where such Cigarettes are not a brand of an Approved Manufacturer.

(c) Notwithstanding any provision of this Compact to the contrary, any Pack of Cigarettes Sold by a Licensed Retailer, in the possession of a Licensed Retailer, or in transit to a Licensed Retailer with proper bills of lading from a Licensed Distributor in each case bearing the indicia of payment of excise tax described in Section 5.02(a) shall be deemed to be bearing indicia of payment of State excise tax for all purposes of State law and, in any event, shall be deemed not to be a common nuisance or contraband pursuant to State law and not subject to seizure, forfeiture, confiscation or destruction pursuant to State law or process on grounds of non-payment of any State tax.

(d) Notwithstanding any provision of this Compact to the contrary, any Cigarette in the possession of a Licensed Distributor with premises on Compact Lands or which are in

transit, with proper bills of lading showing shipment from the relevant Tobacco Product Manufacturer or its importer to a Licensed Distributor with premises on Compact Lands, but in either case not bearing indicia of payment of excise tax pursuant to Section 5.02(a), or for which tax has not been paid pursuant to Section 5.01(d), shall be deemed not to be a common nuisance or contraband pursuant to State law and not subject to seizure, forfeiture, confiscation or destruction pursuant to State law or process, in each case on grounds of non-payment of State excise tax, if the related Tobacco Product Manufacturer is an Approved Manufacturer.

(e) Any Tobacco Product, other than Cigarettes, which is in the possession of a Licensed Distributor with premises on Compact Lands or is in transit, with proper bills of lading showing shipment from the relevant manufacturer or its importer to a Licensed Distributor with premises on Compact Lands, but in either case not bearing indicia of payment of excise tax pursuant to Section 5.02(a), or for which tax has not been paid pursuant to Section 5.01(d), shall be deemed not to be a common nuisance or contraband pursuant to State law and not subject to seizure, forfeiture, confiscation or destruction pursuant to State law or process, in each case on grounds of non-payment of any State tax.

(f) Any Tobacco Product, other than Cigarettes described in Section 5.02(c), in the possession of a Consumer which a Consumer can demonstrate was purchased from a Licensed Retailer, shall be deemed not to be a common nuisance or contraband pursuant to State law and not subject to seizure, forfeiture, confiscation or destruction pursuant to State law or process on grounds of non-payment of any State tax.

(g) In the event KSAG or KDOR has actual knowledge that any Pack of Cigarettes described in Section 5.02(c) or (d) or any Tobacco Product described in Section 5.02(e) is seized or confiscated under color of State law or process as in effect from time to time, then KSAG or KDOR, as applicable, shall transmit written notice of such seizure or confiscation to the Nation within two Business Days of first acquiring such actual knowledge.

(h) Notwithstanding any provision of this Compact to the contrary, the possession, gift, or use on Qualified Nation Lands of noncommercial privately produced tobacco for religious or ceremonial use shall be exempt from taxation by State and may be exempt from taxation by Nation. Such tobacco shall be deemed not to be a common nuisance or contraband pursuant to State law and not subject to seizure, forfeiture, confiscation or destruction as a common nuisance or contraband pursuant to State law or process, in each case on grounds of non-payment of any State tax. For purposes of this Section 5.02(h), "tobacco" shall mean any plant, including parts or products thereof, within the genus *Nicotiana* and which does not constitute a "controlled substance" within the meaning of 21 U.S.C. § 802(6).

(i) For purposes of this Section 5.02 only, references to "State law" mean K.S.A. § 79-3323 and the Escrow Statutes as each may be amended from time to time.

ARTICLE VI AUDITS AND INSPECTIONS

Section 6.01. Purpose. The purpose of this Article VI is to provide a process for regular verification of the requirements of this Compact. The verification process is intended to reconcile data from all sources that make up the stamping, Selling, and taxing activities under this Compact.

Section 6.02. Nation to Contract with Third Party Auditor. The Nation and the State agree that, for purposes of verifying compliance with this Compact, the Nation will contract with and retain an independent third party auditor (the “**Auditor**”). The Nation and the State shall each bear fifty percent (50%) of the costs of the auditing services. The Nation and the State shall be entitled to freely communicate with the Auditor; *provided, however*, that all information provided to the State by Auditor shall be provided directly to KDOR. The Nation shall select the Auditor, subject to the approval of the KSAG; *provided, further*, that such approval shall not be unreasonably withheld; *provided, further*, that the Nation’s selection of any Auditor possessing a valid Kansas Permit to Practice issued by the Kansas Board of Accountancy shall be deemed approved by the KSAG. The Auditor will review records on an annual calendar year basis to issue an annual report and certification as provided in this Article VI.

Section 6.03. Audit Protocol. To verify compliance with this Compact, the Auditor must adhere to the following protocol:

(a) **Period Under Review.** The Auditor must review records for the calendar year under audit and may review records for earlier years that are after the Effective Date but only as necessary for an internal reconciliation of the relevant books. Subject to the foregoing, records relating to any period before the Effective Date are not open to review. In situations where the Auditor is responsible for verifying records on less than an annual basis, the period under review shall not include years previously reviewed by the Auditor, except when a violation is alleged to have occurred during the period previously reviewed.

(b) **Records to be Examined.** The Auditor must review Nation Tax Commission books and records for records and invoices of stamp purchases, records and invoice of Sales of stamped Cigarettes, stamp inventory, the stamping process, products Sold, product inventory records, and such additional records as are necessary to verify (1) the Units Sold, (2) the retail Selling price, including application of Nation Sales and excise taxes, and (3) procedures demonstrating Nation’s compliance with Sections 4.01 and 5.01 of this Compact, all with respect to Sales of Cigarettes by Licensed Retailers on Compact Lands. In all situations, the Auditor is not responsible for examining, and shall not examine, records that do not relate to the stamping, Selling, or taxing activities of the Nation, any Nation Affiliate, or Nation’s licensees, unless a review of the records is necessary to an internal reconciliation of the books of the Nation, any such Nation Affiliate or any such licensee.

(c) **Audit Standard.** Each audit performed pursuant to this Article VI shall be performed in accordance with generally accepted auditing standards.

Section 6.04. Audit Report and Certification. After each annual audit, the Auditor shall issue to KDOR and the Nation an audit report and a certification, as further described below, with respect to compliance with this Compact. The annual audit report

shall set forth the total Units Sold attributable to each Tobacco Product Manufacturer by Licensed Retailers on Compact Lands during the relevant period. The annual audit report shall also include a certified statement of the Auditor to the KDOR that the Auditor finds the Nation to be in compliance with Sections 4.01 and 5.01 of this Compact or else that the Nation is in compliance except for specifically listed items that are explained in the annual report.

Section 6.05. Audit Schedule. Audit reviews shall take place following each calendar year (or portion thereof) during the term of this Compact, with an audit report submitted no later than April 1 following such calendar year.

Section 6.06. Joint Audit Implementation and Review. The Nation and the State shall meet jointly with the Auditor prior to the beginning of each annual audit. The purpose of such meeting will be to discuss the objectives of the upcoming audit, the expectations of the Nation and of the State, the standards to be used in such audit, and any issues regarding conduct of the audit, records pertinent to the audit or the contents of the Auditor's report. Subsequent meetings before and during the audit may be held as required. As soon as practicable after the issuance of the Auditor's report and certification, the Nation and the State may meet jointly with the Auditor as often as required to review the audit report and discuss any issue of concern. In the event that either the Nation or the State disagrees with the Auditor's report or certification, or any audit finding contained therein, either Party may notify the other of the disagreement and follow the procedures for resolution of the disagreement in Article VII of this Compact.

Section 6.07. Inspections.

(a) The Parties agree that, subject to the requirements and limitations of this Section 6.07, agents or employees of the Nation Tax Commission and agents or employees of KSAG and/or KDOR will conduct joint inspections of Licensed Retailers and Licensed Distributors located on Compact Lands. In connection with any such joint inspection, the Nation Tax Commission shall permit such agents or employees of the Nation Tax Commission and agents or employees of KSAG and/or KDOR to review all documentation collected and maintained by the Nation Tax Commission pursuant to Section 4.01(b) and Section 4.01(d).

The agents or employees of the Nation Tax Commission and agents or employees of KSAG and/or KDOR shall agree to a random sampling methodology for each joint inspection based on generally recognized valid and reliable sampling techniques. The Parties further agree such joint inspections shall not involve complete audits or complete inventories but shall be limited to random sample inspections of stock, tax indicia, and documentation on hand at the premises of a Licensed Retailer or Licensed Distributor, as applicable, for the purposes of verifying that all Cigarettes offered or intended for Sale by any Licensed Retailer on Compact Lands (i) are solely brands of Approved Manufacturers, (ii) were acquired from a Licensed Distributor, and (iii) bear indicia of payment of excise tax to the extent required in Section 5.02. In any event, such joint inspections shall not be disruptive of the business operations of any Licensed Retailer or Licensed Distributor.

(b) The State reserves the right hereunder to initiate and participate in up to twelve joint inspections described in Section 6.07(a) per calendar year, with a limit of up to two (2) such joint inspections per calendar month; *provided, however*, that joint inspections of any one or more separate premises on the same Business Day shall only constitute one “joint inspection” for purposes of the preceding limitations; *provided, further*, that if the State and Nation inspection team notes any violations of this Compact by one or more Licensed Retailers or Licensed Distributors during any such joint inspection, the State may initiate, by giving notice in accordance with Section 6.07(c), one follow-up joint inspection with the Nation Tax Commission of all premises involved in such violations on a subsequent Business Day following the earlier of notice of completed cure or conclusion of any cure period pursuant to Section 7.01(a) related to such violations, with such follow-up joint inspection not counting against the monthly or annual limits set forth in this sentence.

(c) The Nation Tax Commission shall make its personnel available for joint inspections permitted hereunder on a Business Day between the hours of 9:00 a.m. and 4:30 p.m. upon prior email notice to the Nation Tax Commission transmitted by a representative of the State by 10:00 a.m. one Business Day prior to the requested inspection. State representatives and Nation Tax Commission representatives shall coordinate the details of the joint inspection by 3:00 p.m. on the day of such email notice. Any email notice provided to the Nation Tax Commission pursuant to the Section 6.07 shall be given at tobacco.compact@pbpnation.org, or such other email address as the Nation may specify to the State by written notice.

(d) Any Packs of Cigarettes found for Sale at a Licensed Retailer during a permitted joint inspection that are not brands of an Approved Manufacturer or that do not bear indicia of payment of excise tax as required in Section 5.02 shall be removed by the Nation Tax Commission until the matter is resolved.

(e) This Section 6.07 does not limit the Nation from unilateral enforcement of its laws and regulations and does not authorize the State to unilaterally conduct inspections of Licensed Retailers or Licensed Distributors on Compact Lands; *provided, however*, that the State may conduct test purchases from Licensed Retailers located on Compact Lands and may conduct unobtrusive observation of those portions of Licensed Retailer and Licensed Distributor premises located on Compact Lands which are open to the general public.

ARTICLE VII DISPUTE RESOLUTION

Section 7.01. General.

(a) In the event Nation is in default of its obligations pursuant to Section 4.01, Article V or Article VI of this Compact, Nation shall cure such default within thirty days following receipt of written notice of such default from the State. Nation Tax Commission shall promptly provide written notice of completion of such cure to State. In the event Nation does not cure such default, the State may initiate dispute resolution procedures in accordance with the remainder of Article VII of this Compact.

(b) For purposes of this Article VII, each of the State and the Nation may be referred

to as a “**Dispute Party.**” Each Dispute Party warrants that it will use its best efforts to negotiate an amicable resolution of any and all disagreements, controversies or claims between any or all Nation Claim Parties and the State (each, a “**Dispute**”) arising out of or in connection with this Compact (including without limitation claims relating to the validity, construction, performance, breach and/or termination of this Compact). Negotiation pursuant to this Section 7.01(b) shall be commenced by one Dispute Party providing written notice to the other Dispute Party of the existence of a Dispute. The written notice shall provide a concise summary of the nature of the Dispute. Promptly following delivery of any such written notice, and in no event later than thirty (30) days following such delivery, the Governor of the State of Kansas and the Nation’s Chairperson, or their respective designees, shall commence good faith negotiations to resolve such Dispute(s). If the Dispute Parties are unable to negotiate an amicable resolution of any such Dispute within thirty (30) days following such commencement of good faith negotiations or such longer time period as the Dispute Parties may mutually agree in writing, either Dispute Party may submit the matter to arbitration for final resolution. Notwithstanding the foregoing or any other provision of this Compact to the contrary, either Dispute Party may immediately commence arbitration proceedings for the purpose of seeking emergency relief pursuant to the Rules addressing “Emergency Measures of Protection.”

Section 7.02. Arbitration.

(a) *Initiation; Selection of Panel.* Subject to the requirements of Section 7.01, arbitration may be initiated by either Dispute Party by serving written notice to the other Dispute Party and by complying with the requirements of the Rules. Within seven days following initiation of the arbitration proceedings, each Dispute Party shall notify the other Dispute Party and the AAA of its disinterested and independent nominee for an arbitrator. If the Dispute Parties agree upon the nomination of a single arbitrator for the Dispute within ten days following initiation of arbitration, such nominee shall serve as sole arbitrator of the Dispute. If the Dispute Parties do not agree to a single arbitrator, the arbitration panel shall consist of three disinterested and independent arbitrators. In that event, the two arbitrators nominated by the Dispute Parties shall nominate the third disinterested and independent arbitrator to serve with them. In the event the two arbitrators fail for any reason to name the third arbitrator within seven days, the AAA shall name the third arbitrator. In any event, such third arbitrator shall serve as chairperson of the arbitration panel. Notwithstanding the foregoing, the Rules shall govern the selection and number of arbitrators for any Dispute governed by the Emergency Measures of Protection or Expedited Procedures provisions of the Rules, or both.

(b) *Rules; Federal Question; Choice of Law.* Except as the Dispute Parties may subsequently agree otherwise in writing, the arbitration shall be conducted and enforced in accordance with the Commercial Arbitration Rules and Mediation Procedures (the “**Rules**”) of the (“**AAA**”), as such Rules may be modified by this Compact, the Federal Arbitration Act, and to the extent not preempted by the Federal Arbitration Act, the Kansas Uniform Arbitration Act. The Parties agree and acknowledge that judicial resolution and enforcement of any Dispute or a settlement or arbitration decision issued hereunder with respect thereto, involves questions of federal law. The law governing any Dispute shall be limited to applicable federal law, the common law of the United

States, and Kansas law, in that order and without reference to internal conflicts of laws principles.

(c) *Proceedings.* Any arbitration shall be conducted at a place designated by the arbitration panel in Topeka, Kansas or any other location as the Dispute Parties may mutually agree in writing. Except for proceedings governed by the Rules on “Emergency Measures of Protection” or by the “Expedited Procedures” contemplated by the Rules, if applicable, the arbitration panel shall commence proceedings within 30 days of appointment of the final arbitrator, and hold proceedings providing each Dispute Party a fair opportunity to present its side of the Dispute, together with any documents or other evidence relevant to resolution of the Dispute. The arbitration decision shall be final and binding upon the Parties unless, during or following completion of the arbitration proceedings, the Dispute Parties have met and arrived at a different settlement of the Dispute. The arbitrators shall have the power to grant equitable or injunctive relief and specific performance of this Compact. The arbitrators shall not have the power to award monetary relief, including damages, penalties, or costs and expenses, including attorneys’ fees, to the extent not otherwise expressly permitted by the terms of this Compact. The Parties and the arbitrators shall maintain strict confidentiality with respect to the arbitration.

(d) *Expenses.* The reasonable expenses of Dispute resolution shall be paid equally by the Dispute Parties, who shall also pay their own expenses; *provided, however,* that any Dispute Party who (1) fails or refuses to submit to arbitration following a proper demand by any other Dispute Party, or (2) fails or refuses to voluntarily comply with the terms of any settlement or arbitration decision issued hereunder, shall bear all costs and expenses, including reasonable attorneys’ fees, incurred by such other Dispute Party in compelling arbitration of any Dispute or enforcing any settlement or arbitration decision.

(e) *Enforcement.* If enforcement of a settlement or arbitration decision becomes necessary by reason of failure of one or more Parties to implement its terms voluntarily, or if one of the Dispute Parties refuses to participate in arbitration as provided in this Section 7.02 and the other Dispute Party seeks enforcement of any provision of this Compact, the Parties agree that, subject to the limited waivers of sovereign immunity contained herein, the matter may be resolved by judicial resolution and enforcement and that venue for judicial resolution and enforcement shall be in the United States District Court for Kansas pursuant to the specific provisions of this Compact, in any other court of competent jurisdiction, and in any other court having appellate jurisdiction over any such court. In any such proceeding, service on any Dispute Party shall be effective if made by certified mail, return receipt requested to the address set forth in or otherwise designated pursuant to Section 8.06.

Section 7.03. Limited Waivers by Nation. The Nation hereby waives its sovereign immunity, its right to require exhaustion of tribal remedies, and its right to seek tribal remedies with respect to any Dispute, effective only if the Nation fails to implement the terms of a settlement or arbitration decision voluntarily or refuses to participate in arbitration, and subject to the following specific limitations:

(1) *Limitation of Claims.* The limited waiver granted pursuant to this Section 7.03 shall

encompass (A) claims which seek monetary relief for direct damages attributable to Nation's breach of this Compact and for costs and expenses, including reasonable attorneys' fees, to the limited extent provided in Section 7.02(d), (B) claims for equitable remedies, and (C) actions to compel Dispute resolution by arbitration or for enforcement of a settlement or arbitration decision as provided in this Article VII. Notwithstanding the foregoing or any other provision of this Compact to the contrary, such limited waiver shall in no event extend to or encompass claims which seek indirect, incidental, special, consequential, punitive, exemplary or reliance damages (including, without limitation, lost or anticipated revenues, lost business opportunities or lost Sales or profits, whether or not any Party has been advised of the likelihood of such damages) against Nation or any Nation Affiliate, and neither Nation nor any Nation Affiliate shall be liable for any such damages.

(2) *Time Period.* The limited waiver granted pursuant to this Section 7.03 shall commence upon the Effective Date of this Compact and shall continue until the date of its termination or cancellation pursuant to the terms of this Compact, except that the limited waiver shall remain effective for any proceedings then pending or initiated within 180 days following termination of this Compact for breach, and all permitted appeals therefrom.

(3) *Recipient of Waiver.* The limited waiver granted pursuant to this Section 7.03 is granted to and for the sole benefit of the State, and may not be assigned or granted to any other individual or entity.

(4) *No Revocation.* The Nation agrees not to revoke its limited waiver of sovereign immunity contained in this Section 7.03. In the event of any such revocation, the State may, at its option, declare this Compact terminated for breach by the Nation.

(5) *Limitation Upon Damages.* Any monetary award or awards against the Nation shall be limited, in the aggregate, to an amount equal to total tax revenues and gross profits actually received by the Nation or Nation Affiliates attributable to the Sale of Cigarettes during the term of this Compact.

(6) *Credit of the Nation and Nation Affiliates.* Except as otherwise expressly provided in this Section 7.03, the limited waiver granted pursuant to this Section 7.03 shall not implicate or in any way involve the credit of the Nation or any Nation Affiliate.

Section 7.04. Limited Waiver by State. The State hereby waives its sovereign immunity, effective only if the State fails to implement the terms of a settlement or arbitration decision voluntarily or refuses to participate in arbitration pursuant to this Compact, subject to the following specific limitations:

(1) *Limitation of Claims.* The limited waiver granted pursuant to this Section 7.04 shall encompass (A) claims which seek monetary relief for direct damages attributable to State's breach of this Compact and for costs and expenses, including reasonable attorneys' fees, to the limited extent provided in Section 7.02(d), (B) claims for equitable remedies, and (C) actions to compel Dispute resolution by arbitration or for enforcement of a settlement or arbitration decision as provided in this Article VII. Notwithstanding the foregoing or any other provision of this Compact to the contrary, such limited waiver shall in no event extend to or encompass claims which seek indirect, incidental, special, consequential, punitive, exemplary or reliance damages

(including, without limitation, lost or anticipated revenues, lost business opportunities or lost Sales or profits, whether or not any Party has been advised of the likelihood of such damages) against the State, and the State shall not be liable for any such damages.

(2) *Time Period.* The limited waiver granted pursuant to this Section 7.04 shall commence upon the Effective Date of this Compact and shall continue until the later of the date of its termination or cancellation pursuant to the terms of this Compact or the date on which the State has no surviving obligations pursuant to Section 8.02 and no surviving payment obligations pursuant to Section 4.02(a), except that the limited waiver shall remain effective for any proceedings pending on such date or initiated within 180 days following termination of this Compact for breach, and all permitted appeals therefrom.

(3) *Recipient of Waiver.* The limited waiver granted pursuant to this Section 7.04 is granted to and for the sole benefit of the Nation (for itself and the other Nation Claim Parties), and may not be assigned or granted to any other individual or entity.

(4) *No Revocation.* The State agrees not to revoke its limited waiver of sovereign immunity contained in this Section 7.04. In the event of any such revocation, the Nation may, at its option, declare this Compact terminated for breach by the State.

(5) *Limitation Upon Damages.* Any monetary award or awards against the State shall be limited, in the aggregate, to an amount equal to total tax revenues and gross profits actually received by the Nation or Nation Affiliates attributable to the Sale of Cigarettes during the term of this Compact.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Other Compacts.

(a) During the Term of this Compact, State may enter into and be party to one or more compacts or other agreements regarding possession, transport, distribution, or Sale of Cigarettes or other Tobacco Products, including but not limited to taxation and escrow collection, with the Iowa Tribe of Kansas and Nebraska, the Kickapoo Tribe in Kansas, or the Sac and Fox Nation of Missouri in Kansas and Nebraska.

(b) State shall not enter into or be party to any such compact or agreement with any Indian Tribe during the Term of this Compact, except as otherwise provided in Section 8.01(a).

Section 8.02. Confidentiality. All information provided hereunder to the State shall be provided directly to KDOR and shall be treated as confidential pursuant to K.S.A. 2015 Supp. Sections 50-6a11(e), 50-6a11(f), and 75-5133; *provided, however*, that the State is permitted to provide or share such information pursuant to K.S.A. 2015 Supp. Sections 50-6a11(a) or 75-5133(b)(19).

Section 8.03. No Concessions. By entering into this Compact, the Parties acknowledge and agree that, except as expressly provided herein, the Nation does not concede that: (a) the laws of the State, including any taxation or civil regulatory laws, apply to the Nation, its members or any Nation Affiliate regarding activities and

conduct on Qualified Nation Lands or otherwise within the Nation's jurisdiction; or (b) the Qualified Nation Lands are located in or within the State or are otherwise part of the State. By entering into this Compact, the Parties acknowledge and agree that, except as expressly provided herein, the State does not concede that its interests, jurisdiction or sovereignty, as authorized, permitted or recognized by federal law, is diminished, limited or preempted in any manner.

Section 8.04. Most-Favored Nation. The State agrees that Nation may propose an amendment to this Compact by written notice to the State based upon any provision of a compact permitted by Section 8.01 which Nation desires to include as a provision in this Compact. If the State Legislature does not approved such proposed amendment at the legislative session next following the Nation's request for such amendment, Nation may terminate this Compact at any time thereafter by providing thirty days' written notice to State.

Section 8.05. Construction.

(a) Each Party has received independent legal advice from its attorney(s) of choice and neither Party shall be deemed the author or drafter of this Compact. Therefore, any rule or canon of construction (whether pertaining to contracts, statutes, treaties or otherwise) that, in the case of an ambiguity, such ambiguity is construed against the author or drafter is not applicable. The language of all parts of this Compact shall in all cases be construed as a whole, according to its fair meaning, and not strictly for or against any of the Parties. It is the intent of the Parties that this Compact shall be construed to reflect that the Parties are of equal stature and dignity and have dealt with each other at arm's-length. Accordingly, any statutory or judicial rules or canon concerning the construction of vague or ambiguous terms (whether pertaining to contracts, statutes, treaties or otherwise) that might otherwise be used in the interpretation or enforcement of this Compact, including construction of ambiguities either in favor of or against a state or Indian Tribe, is not applicable to this Compact and shall not obtain to the benefit or detriment of any Party, nor shall the terms and conditions of this Compact be extended by implication to the benefit or detriment of any Party, it being the intent of the Parties that the construction of this Compact shall be controlled by its express terms and not by implication.

(b) The Article, Section and other headings contained in this Compact are for reference purposes only and shall not affect the meaning or interpretation of this Compact.

Section 8.06. Notice. Except as otherwise expressly provided in Section 6.07(c), any notices or communications required or permitted to be given hereunder shall be in writing and shall be sent by manual delivery, overnight courier or United States certified mail (postage prepaid and return receipt requested) addressed to the respective Party at the address specified below, or at such other address as such Party shall have specified to the other Parties hereto in writing.

If to the Nation:

Chairperson and Tribal Council
Prairie Band Potawatomi Nation
16281 Q Road, Mayetta, KS 66509

with a copy to:

Russell A. Brien
Brien Law, LLC
15026 114th St.
Oskaloosa, KS 66066

If to the State:

Office of the Governor
300 SW 10th Ave., Ste. 241S
Topeka, KS 66612-1590

with copies to:

Office of the Kansas Attorney General
120 SW 10th Ave., 2nd Floor
Topeka, KS 66612-1597

and

Secretary of Revenue
915 SW Harrison Street, Second Floor
Topeka, KS. 66612-1588

All periods of notice shall be measured from, and such notices or communications shall be deemed to have been given and received on, the date of delivery as evidenced by the signed receipt of such notice or communication by the addressee or its authorized representative.

Section 8.07. Limited Purpose. Nothing in this Compact shall be deemed to authorize the State to regulate or tax the Nation, its members, or any Nation Affiliate or to interfere with the Nation's government or internal affairs. This Compact shall not alter, limit, diminish or preempt Nation, federal or State sovereignty, authority, civil adjudicatory jurisdiction or criminal jurisdiction, except as expressly provided herein. Subject to Section 2.03 and the provisions of this Compact regarding Approved Manufacturers, nothing in this Compact shall require that the Nation, any Nation Affiliate, or any Licensed Retailer or Licensed Distributor obtain or maintain any license from, or otherwise submit to the jurisdiction of, the State. Nothing in this Compact shall constitute a stipulation by any party as to the actual boundaries of Nation's federally-established reservation.

Section 8.08. Entire Agreement; Amendments. This Compact constitutes the entire understanding between the Parties and supersedes any and all prior or contemporaneous understandings and agreements, whether oral or written, between or among the Parties, with respect to the subject matter hereof. Subject to Section 8.04, this Compact can only be amended or modified with the same formality required to make the original Compact valid and enforceable.

Section 8.09. No Assignment; Beneficiaries. This Compact is personal in nature, and

no Party may directly or indirectly assign or transfer it by operation of law or otherwise. Nothing in this Compact, express or implied, is intended to or shall confer upon any individual or entity, other than the Parties hereto, any right, benefit or remedy of any nature whatsoever under or by reason of this Compact; *provided, however*, that subject to the terms and provisions of Article VII, each Nation Claim Party (other than the Nation) is an express third-party beneficiary of this Compact.

Section 8.10. Survival. Upon the termination or cancellation of this Compact, the obligations of the parties hereunder shall terminate, except that the provisions of Sections 7.01, 7.02, 7.03, 7.04, and 8.02 shall survive such termination or cancellation and the State's payment obligations pursuant to Section 4.02(a) shall survive such termination or cancellation only until satisfaction of such obligations.

Section 8.11. Severability. The terms, provisions, agreements, covenants and restrictions of this Compact are non-severable and, unless otherwise agreed to by the Parties, this Compact shall terminate if any term, provision, agreement, covenant or restriction in this Compact is held by a court of competent jurisdiction or other authority to be invalid, void, or otherwise unenforceable. In the event either Party has actual knowledge that the validity or enforceability of this Compact or any of its terms, provisions, agreements, covenants or restrictions are being challenged in a court of competent jurisdiction or other authority, such Party shall transmit written notice thereof to the other Party within three Business Days of acquiring such actual knowledge. The Parties agree to reasonably cooperate with each other and oppose any such challenge.

IN WITNESS WHEREOF, the Parties hereto have executed this Compact as of the respective dates indicated below.

Prairie Band Potawatomi Nation

State of Kansas

By: LIANA ONNEN, *Chairperson*

By: SAM BROWNBACK, *Governor*

Date: February 17, 2016

Date: February 17, 2016

**COMPACT RELATING TO CIGARETTE AND
TOBACCO SALES AND TAXATION**

**ARTICLE I
PURPOSE AND INTENT**

WHEREAS, it is in the best interests of the State of Kansas (hereinafter, Kansas) to continue to reduce the financial burdens imposed on Kansas by cigarette smoking and that said costs continue to be borne by tobacco product manufacturers rather than by Kansas to the extent that such manufacturers either determine to enter into a settlement with Kansas or are found culpable by the courts; and,

WHEREAS, On November 23, 1998, leading United States tobacco product manufacturers (hereinafter, PMs) entered into a settlement agreement, entitled the "master settlement agreement," (hereinafter, MSA) with Kansas. The MSA obligates these PMs, in return for a release of past, present and certain future claims against them as described therein, to pay substantial sums to Kansas (tied in part to their volume of sales); to fund a national foundation devoted to the interests of public health; and to make substantial changes in their advertising and marketing practices and corporate culture, with the intention of reducing underage smoking; and,

WHEREAS, it would be contrary to the policy of Kansas if tobacco product manufacturers who determine not to enter into such a settlement could use a resulting cost advantage to derive large, short-term profits in the years before liability may arise without ensuring that Kansas will have an eventual source of recovery from them if they are proven to have acted culpably; and,

WHEREAS, Kansas entered into a settlement agreement with certain PMs settling Kansas' obligations under the MSA and the 2003 NPM adjustment settlement agreement, including the 2012 term sheet agreement; and,

WHEREAS, as part of said settlement, Kansas has agreed to undertake certain diligent enforcement efforts of its cigarette and tobacco laws and more specifically, its MSA laws on qualified tribal land in Kansas ("*Qualified tribal land*" means: (1) *All land within the borders of this state that is within the limits of any Indian reservation under the jurisdiction of the United States, notwithstanding the issuance of any patent, including rights-of-way running through the reservation;* (2) *all dependent Indian communities within the borders of this state; and* (3) *all Indian allotments in within the borders of this state, the Indian titles to which have not been extinguished, including rights-of-way running through such allotments; and* (4) *any lands within the borders of this state, the title to which is either held in trust by the United States for the benefit of any Indian tribe or individual, or held by any Indian tribe or individual subject to restriction by the United States against alienation, and over which an Indian tribe exercises governmental power*); and,

WHEREAS, Kansas recognizes the importance to Kansas of forming an alliance with the Iowa Tribe of Kansas and Nebraska (hereinafter, Tribe) to assist Kansas in its diligent enforcement efforts; and,

WHEREAS, Kansas further recognizes that the Tribe will incur certain economic costs in assisting Kansas in its diligent enforcement efforts for which the Tribe should not be required to endure; and,

WHEREAS, it is altogether just and proper that Kansas compensate the Tribe for its assistance to Kansas in Kansas' diligent enforcement obligation under the MSA and the 2003 NPM adjustment settlement agreement, including the 2012 term sheet agreement; and,

WHEREAS, the Tribe is a federally recognized Indian Tribe with its reservation located within the geographical boundaries of the State of Kansas, possessing inherent powers of self-government, exercising sovereign powers over its members and their property within the boundaries of the Tribe's reservation, as defined and recognized by treaty and federal laws and federal court decisions, and recognized by state laws and state court decisions, and that it has responsibilities and needs similar to those of state governments; and,

WHEREAS, the State of Kansas is an independent sovereign state within the United States of America possessed of full powers of state government, possessing inherent powers of self-government, exercising sovereign powers over its citizens and their property within the boundaries of the state, as defined and recognized by federal laws and federal court decisions, and recognized by state laws and state court decisions, and that it has responsibilities and needs similar to those of the national government; and,

WHEREAS, Kansas and the Tribe respect the sovereignty of the other, and recognize and support each other's governmental responsibilities to provide for and govern its citizens, members and territory; Kansas recognizes the Tribe's inherent sovereign right to existence, self-government and self-determination; the Tribe recognizes the Kansas's inherent sovereign right to existence, self-government and self-determination; and,

WHEREAS, federal and state law recognizes Kansas' authority to collect state taxes on cigarettes and tobacco products sold to non-tribal members on the Tribe's reservation, whether sold by the Tribe, or businesses owned or controlled by the Tribe, or not; and,

WHEREAS, federal law recognizes the Tribe's authority to sell cigarettes and tobacco products to its tribal members on the Tribe's reservation free from Kansas taxation.

ARTICLE II TERMS AND CONDITIONS

NOW, THEREFORE, the Tribe, by and through its duly elected Executive Committee and Kansas, by and through its duly elected Governor and Legislature do hereby enter into this Compact, the terms of such Compact to commence upon approval by the Executive Committee of the Iowa Tribe of Kansas and Nebraska (the "Executive Committee"), and enactment by the Kansas Legislature and publication in the Kansas Register, to-wit:

1. Kansas and the Tribe agree that as used herein the Tribe's reservation shall mean only the land that comprises that portion of the Tribe's reservation as established by the treaty between the United States and the Tribe dated the seventeenth day of May, 1854, that: (a) is within the boundaries of the State of Kansas; and, (b) is unaffected by the treaty between the United States and the Sauk and Foxes dated the sixth day of March, 1861, to the extent such treaty reduced the land set aside for the Tribe pursuant to the prior treaty dated the seventeenth day of May, 1854, and specifically excludes any portion of the Tribe's reservation that is not within the boundaries of the State of

Kansas. For the purposes of this Compact, the Tribe's reservation shall also not include any lands that are inside the boundaries of the State of Kansas, but are outside the boundaries of the Tribe's reservation established by the 1854 Treaty that have been, or may at any time be taken into trust by the United States.

2. Unless otherwise expressly stated, Kansas and the Tribe agree that K.S.A. 2015 Supp. §50-6a01, and amendments thereto, and K.S.A. 2015 Supp. §79-3301, and amendments thereto apply to the provisions of this Compact. For the purposes of this Compact, only, and for no other purpose whatsoever, Kansas and the Tribe agree that the Tribe's Treaties with the United States do not exempt, exclude or reserve the Tribe's land from the boundaries of Kansas. For the purposes of this Compact, only, and for no other purpose whatsoever, the Tribe's Reservation is within the State of Kansas.

3. Tribe agrees to not purchase any cigarettes or tobacco products from any distributor, manufacturer, importer or wholesale dealer not licensed by Kansas for sale by the Tribe in Kansas, nor offer for sale in Kansas, possess for sale or import into Kansas for sale, cigarettes of a cigarette product manufacturer brand family not included in the directory maintained by the Kansas Attorney General. The Kansas Attorney General shall give the Tribe written notice to discontinue sale of any cigarettes or tobacco products being sold by the Tribe that are not included in the directory. The Tribe shall have ninety (90) days from and after receipt of the written notice within which to sell or otherwise dispose of the Tribe's existing inventory of the product(s) subject of such notice. The Tribe shall not order new or replacement inventory of the product(s) subject of the notice within such ninety (90) day period.

Nothing in this section shall prohibit the Tribe from licensing and regulating any distributor, manufacturer, importer or wholesale dealer doing business with the Tribe on its reservation, but the Tribe recognizes that its exercise of regulatory authority over a distributor, manufacturer, importer or wholesale dealer does not preempt Kansas from also exercising its regulatory authority over the same distributor, manufacturer, importer or wholesale dealer, including, where applicable, the power to tax.

Except for "Sacred Tobacco," which shall not be subject to the terms of this Compact, Tribe agrees that if it manufactures, or authorizes the manufacture of cigarettes or tobacco products on its reservation for sale in Kansas such products shall be subject to the terms of this Compact. For purposes of this Compact, Sacred Tobacco shall mean *nicotiana quadrivalvis* and *nicotiana rustica* neither of which is a controlled substance or otherwise regulated by Kansas or Federal Law.

4. Tribe will be responsible for regulating and enforcing Compact with respect to sales at retail of cigarettes and tobacco products in Tribe's retail outlets on the Tribe's reservation.

5. Tribe will require all sales of cigarettes and tobacco products on Tribe's reservation to be conducted pursuant to a valid retail license issued by the Tribe.

6. Tribe agrees to require all cigarettes and tobacco products provided for sale on the Tribe's reservation will only be acquired from manufacturers compliant with Kansas statute and on the Attorney General's approved list.

7. Kansas and the Tribe agree that each pack of cigarettes the Tribe sells in Kansas shall bear a joint Kansas-Tribal tax stamp that will be designed jointly by the Tribe and Kansas.

a. Said stamp shall bear the name "Iowa Tribe" and "Kansas" and a logo in a form and color mutually agreeable to both the Tribe and Kansas;

b. Kansas shall cause said stamps to be produced at its sole expense;

c. Kansas and the Tribe shall select a mutually agreeable in-state third party distributor, and the Tribe shall cause all cigarettes it purchases for sale in Kansas to be shipped to said third party distributor at its sole expense;

d. Kansas shall provide said joint Kansas-Tribal stamps to said third party distributor who shall be responsible for affixing said Kansas-Tribal stamps on all cigarettes to be sold by the Tribe in Kansas;

e. Said third party distributor shall ship all cigarettes bearing joint Kansas-Tribal stamps to the Tribe at the Tribe's sole expense; and,

f. The costs incurred by the Tribe associated with this paragraph shall be added to the economic costs of the Tribe in Paragraph Fifteen (15) below that Kansas agrees is part of the diligent enforcement expenses for which it must reimburse the Tribe.

8. Tribe agrees to collect and timely share with Kansas, subject to third party audit, data regarding retail sales by Tribe on Tribe's reservation. Data shall be collected and provided to the Kansas Department of Revenue, at the Tribe's sole expense, on a monthly basis in a manner that conforms to data provided to Kansas by all other entities that currently collect and file data with Kansas, and shall be filed electronically in a format as required by Kansas of all other reporting entities.

9. Tribe and Kansas shall select a third party auditor for purposes of verifying compliance with this Compact. For purposes of verifying compliance with this Compact, the parties agree to jointly retain said Auditor and shall each bear fifty percent (50%) of the costs of the auditing services. The Auditor must possess a valid Kansas Permit to Practice issued by the Kansas Board of Accountancy. The Tribe and State shall be entitled to freely communicate with the Auditor. The Auditor will review records on an annual calendar year basis and issue an annual report and certification as provided herein.

a. Audit Protocol. To verify compliance with this Compact, the Auditor must

adhere to the following protocol:

b. **Period Under Review.** The Auditor must review records for the calendar year under audit and may review records for earlier years that are after the Effective Date but only as necessary for an internal reconciliation of the relevant books. Subject to the foregoing, records relating to any period before the Effective Date are not open to review. In situations where the Auditor is responsible for verifying records on less than an annual basis, the period under review shall not include years previously reviewed by the Auditor, except when a violation is alleged to have occurred during the period previously reviewed.

c. **Records to be Examined.** The Auditor must review records and invoices of stamp purchases, records and invoice of sales of stamped cigarettes, stamp inventory, the stamping process, products sold, product inventory records, and such additional records as are necessary to verify (1) the Units Sold (2) the retail selling price, including application of Tribal sales and excise taxes, and (3) procedures demonstrating the Tribe's compliance with this Compact, all with respect to sales of Cigarettes by the Tribe. In all situations, the Auditor is not responsible for examining, and shall not examine, records that do not relate to the stamping, selling, or taxing activities of the Tribe.

d. **Audit Report and Certification.** After each annual audit, the Auditor shall issue an audit report and a certification, as further described below, with respect to compliance with this Compact. The annual audit report shall set forth the total Units Sold attributable to each manufacturer by the Tribe during the relevant period. The annual audit report shall also include a certified statement of the Auditor to the Kansas Attorney General that the Auditor finds the Tribe to be in compliance with this Compact or else that the Tribe is in compliance except for specifically listed items that are explained in the annual report.

e. **Audit Schedule.** Audit reviews shall take place following each calendar year (or portion thereof) during the term of this Compact, with an audit report submitted no later than April 1 following such calendar year.

f. **Joint Audit Implementation and Review.** The Tribe and the State shall meet jointly with the Auditor prior to the beginning of each annual audit. The purpose of such meeting will be to discuss the objectives of the upcoming audit, the expectations of the Tribe and of the State, the standards to be used in such audit, and any issues regarding conduct of the audit, records pertinent to the audit or the contents of the Auditor's report. The Tribe and State agree that the report will audit the processes, controls and the supporting documentation of the Tribe's purchases and sales of cigarettes and tobacco products using both Generally Accepted Auditing Standards and Generally Accepted Accounting Principles. Subsequent meetings before and during the audit may be held as required. As soon as practicable after the issuance of the Auditor's report and certification, the Tribe and the State may meet jointly with the Auditor as often as required to review the audit report and discuss any issue of concern. In the event that either the Tribe or the State disagrees with the Auditor's report or certification, or any

audit finding contained therein, either Party may notify the other of the disagreement and follow the procedures for resolution of the disagreement in Article III, Paragraph 1 of this Compact.

g. Tribe agrees that Kansas is allowed to enter its retail outlets and inspect its cigarette stock, invoice and inventory of tax indicia on hand to insure that the cigarettes offered by Tribe for sale in Kansas are solely brands that are on the Attorney General's approved list and bear Kansas tax indicia. Any cigarettes found for sale at Tribe's retail outlets that are not on the Attorney General's approved list or bearing Kansas tax indicia shall be jointly removed by the Tribe and Kansas and destroyed.

10. Tribe shall enjoy exclusive cigarette and tobacco excise tax on all cigarette and tobacco sales by Tribe on Tribe's reservation. As part of the consideration for this Compact, Kansas agrees that cigarette and tobacco sales on the Tribe's Reservation shall not be subject to the Kansas cigarette and tobacco excise tax.

11. The Tribe has the right to impose its tribal tax on its members on its reservation and the Kansas cigarette and tobacco tax does not apply on said sales. Kansas has the right to impose its cigarette and tobacco taxes on the wholesale dealer of first receipt, and the Tribe's tax does not preempt or otherwise impede or interfere with Kansas' tax.

12. Kansas and the Tribe jointly agree to waive their respective rights to taxation identified in paragraph 11 above, and instead, agree to apply paragraphs 11 and 13 herein.

13. Tribe's cigarette tax shall be no lower than 17 cents per individual pack of cigarettes, or \$1.70 per carton of ten (10) packs of cigarettes for the term of this Compact.

14. Kansas agrees to reimburse the Tribe for the economic cost incurred by the Tribe in assisting the Kansas in its ongoing diligent enforcement efforts under the MSA and 2012 Term Sheet Settlement. Reimbursement shall be as follows:

a. \$30,000.00 to be received by the Tribe on or before the end of each calendar quarter (March 31, June 30, September 30 and December 31) during the initial five (5) year term of this Compact.

b. In the event this Compact continues for additional five (5) year terms, the quarterly payment amount shall be increased fifteen percent (15%) over the quarterly payment amount payable during the immediately prior five (5) year period.

15. As additional consideration to reimburse the Tribe for the economic cost incurred by the Tribe in assisting the State in its ongoing diligent enforcement efforts under the MSA and the 2003 NPM adjustment settlement agreement, including the 2012 term sheet agreement, the following shall be exempt from tax imposed by the Kansas Retailers' Sales Tax Act, K.S.A. 79-3601 *et seq.* and amendments thereto: all sales of

tangible personal property or service, including the renting and leasing of tangible personal property, purchased directly by the Iowa Tribe of Kansas and Nebraska, a federally recognized Indian Tribe, and used exclusively for Tribal purposes.

ARTICLE III GENERAL PROVISIONS

1. Dispute Resolution

a. General. Each party warrants that it will use its best efforts to negotiate an amicable resolution of any dispute between the Tribe and Kansas arising from this Compact whether as to the construction or operation thereof or the respective rights and liabilities of the Tribe and Kansas thereunder. If a party perceives itself to be aggrieved under this Compact, said party shall provide written notice of such perceived violation to the other party within thirty (30) days of the perceived violation or violations. The notice shall identify the specific Compact provision or provisions allegedly violated, or in dispute, the date or dates of violation, and shall specify in sufficient detail the asserting party's contention and all factual basis for each claim. The parties agree to cooperatively and promptly investigate and cure any such violations, to the extent possible, prior to providing a notice of breach of this Compact.

b. Negotiation. Upon written notice by either party of being unable to cure an issue under Article III 1. A. above, the Governor and Tribe's Chairperson, or their respective designees, shall commence good faith negotiations to resolve the dispute within thirty (30) days or such longer period as mutually agreed in writing by both parties. If the Tribe and Kansas are unable to negotiate an amicable resolution of a dispute under this paragraph, then the aggrieved party shall issue a final written notice of intent to refer the matter to arbitration under this section.

c. Arbitration. Arbitration may be initiated by any signatory to this Compact by serving written notice to the other signatories at the addresses noted herein. Within seven (7) days thereafter, each party shall notify the other party of its nominee for an arbitrator. If Tribe and Kansas can agree upon the nomination of a single arbitrator for the dispute, such person shall serve as sole arbitrator of the dispute. If the Tribe and Kansas do not agree upon the nomination of a single arbitrator, each party's nominee shall serve as arbitrator upon a panel of three, and those two arbitrators shall nominate the third to serve with them. In the event the two arbitrators fail for any reason to name the third arbitrator within two weeks after the nomination of the last nominated one of them, either nominee shall be entitled to ask the American Arbitration Society to name the third arbitrator. The arbitrators shall commence proceedings within thirty (30) days after their appointment, and hold proceedings providing each party a fair opportunity to present its side of the dispute, together with any documents or other evidence relevant to resolution of the dispute. The arbitration decision shall be signed by the arbitrators and shall be made within thirty (30) days after all evidence relevant to resolution of the dispute has been received by the arbitrators, but no later than forty-five (45) days after proceedings are commenced. The arbitration decision shall be final and binding upon

the Tribe and Kansas unless, during or following completion of the arbitration proceedings, the Tribe and Kansas have met and arrived at a different settlement of the dispute.

d. Enforcement. If enforcement of a settlement or arbitration decision becomes necessary by reason of failure of one or both parties to implement its terms voluntarily, or if one of the parties refuses to participate in arbitration as provided in this Section and the other party seeks enforcement of any provision of this Compact, the Tribe and Kansas agree that the matter may be resolved by judicial resolution and enforcement and that venue for judicial resolution and enforcement shall be in the United States District Court for Kansas pursuant to the specific provisions of this Section.

e. Expenses of Dispute Resolution or Judicial Enforcement Between the Tribe and Kansas. Each party shall be responsible for their own expenses of dispute resolution by arbitration or judicial enforcement, unless the parties agree otherwise.

2. Waiver of Sovereign Immunity by the Tribe and Rights to Tribal Remedies. The Tribe hereby waives its sovereign immunity, its right to require exhaustion of tribal remedies, and its right to seek tribal remedies with respect to any dispute over this Compact, subject to the following specific limitations:

a. Limitation of Claims. The waiver granted herein shall encompass only claims for remedies, dispute resolution by arbitration or judicial enforcement provided in this Compact, and may not encompass claims which seek monetary relief, including but not limited to damages, penalties or attorney's fees.

b. Time Period. The waiver granted herein shall commence upon publication of this Compact in the Kansas Register and shall continue until the date of its termination pursuant to the terms of this Compact or cancellation, except that the waivers shall remain effective for any proceedings then pending and all appeals therefrom.

c. Recipient of Waiver. The waiver of sovereign immunity is limited to the State of Kansas.

d. Enforcement. Tribe agrees to waive its sovereign immunity from a judgment or order which is final because either the time for appeal thereof has expired or the judgment or order issued by a court having final appellate jurisdiction over the matter. Tribe agrees to accept and be bound by any order or judgment of the United States District Court for Kansas or any other court having appellate jurisdiction over such Court. Further, Tribe waives its sovereign immunity as to enforcement in any federal court of any such final judgment against Tribe.

e. Service of Process. In any such suit, Tribe agrees that service on Tribe shall be effective if made by certified mail, return receipt requested at the addresses set forth herein.

f. Guarantee of Tribe Not to Revoke Waiver of Sovereign Immunity. Tribe agrees not to revoke its waiver of sovereign immunity contained in this Compact. In the event of any such revocation, Kansas may, at its option, declare this Compact terminated for breach by Tribe.

3. Waiver of Sovereign Immunity by Kansas. Kansas hereby waives its sovereign immunity.

a. Limitation of Claims. The waiver granted herein shall encompass only claims for remedies, dispute resolution by arbitration or judicial enforcement provided in this Compact, and may not encompass claims which seek monetary relief, including but not limited to damages, penalties or attorney's fees.

b. Time Period. The waiver granted herein shall commence upon publication of this Compact in the Kansas Register and shall continue until the date of its termination pursuant to the terms of this Compact or cancellation, except that the waivers shall remain effective for any proceedings then pending and all appeals therefrom.

c. Recipient of Waiver. The waiver of sovereign immunity is limited to the Tribe.

d. Enforcement. Kansas agrees to waive its sovereign immunity from a judgment or order which is final because either the time for appeal thereof has expired or the judgment or order issued by a court having final appellate jurisdiction over the matter. Kansas agrees to accept and be bound by any order or judgment of the United States District Court for Kansas or any other court having appellate jurisdiction over such Court. Further, Kansas waives its sovereign immunity as to enforcement in any federal court of any such final judgment against Tribe.

e. Service of Process. In any such suit, Kansas agrees that service on the Governor, Secretary of Revenue and Attorney General shall be effective if made by certified mail, return receipt requested at the addresses set forth herein.

f. Guarantee of Kansas Not to Revoke Waiver of Sovereign Immunity. Kansas agrees not to revoke its waiver of sovereign immunity contained in this Section. In the event of any such revocation, the Tribe may, at its option, declare this Compact terminated for breach by Kansas.

4. Attached hereto as Exhibit A and incorporated into this Compact is a copy of the Resolution of the Executive Committee of the Tribe approving this Compact including the limited waiver of sovereign immunity provisions and authorizing the Tribal Chairman to execute this Compact on behalf of the Tribe.

5. Kansas agrees to not enter into a cigarette and tobacco compact with any Indian tribe that does not have a reservation established by treaty with the United States of America within the State of Kansas as of the date of publication of this Compact in the Kansas Register.

6. Kansas agrees that it will fully enforce its cigarette and tobacco laws under Chapter 79 of the Kansas Statutes Annotated, and amendments thereto, including the administrative regulations pertaining thereto, and its MSA laws under Chapter 50 of the Kansas Statutes Annotated, and amendments thereto, including the administrative regulations pertaining thereto, against any retailer, distributor, wholesale dealer or manufacturer selling, importing, or delivering cigarettes or tobacco products in violation of Kansas law, including, but not limited to, not being on the Attorney General's approved list. This will include enforcement against other Indian tribes, including tribes in Kansas, unless the resident Kansas tribe has entered into a Compact with
Kansas.

During the term of this compact, Kansas may enter into and be party to one or more compacts or other agreements regarding possession, transport, distribution, or sale of cigarettes or other tobacco products, including but not limited to taxation and escrow collection, with the Kickapoo Tribe in Kansas, the Prairie Band Potawatomi Nation, or the Sac and Fox Nation of Missouri in Kansas and Nebraska. Kansas shall not enter into or be party to any such compact or agreement with any Indian Tribe during the term of this Compact, except as otherwise provided above.

7. This Compact shall expire on the last day of the month five (5) years after the Effective Date and shall be automatically renewed for consecutive five (5) year terms thereafter unless either party gives written notice to the other not less than sixty (60) days prior to the end of the then current term that it elects to terminate this Compact.

8. In the event that Kansas elects to withdraw from the MSA and the 2003 NPM adjustment settlement agreement, including the 2012 term sheet agreement, then the Tribe shall be free to withdraw from the terms of this Compact without penalty.

9. Kansas agrees that Tribe may propose an amendment to this Compact by written notice to the Governor, State of Kansas and Attorney General based upon any provision of a compact Kansas entered into with another tribe which the Tribe desires to include as a provision in this Compact. If the Kansas Legislature does not approve the proposed amendment at the Legislative Session next following the Tribe's request for the amendment, Tribe may terminate this Compact at any time thereafter by written notice to the Governor, Secretary of Revenue and Attorney General.

10. The language of all parts of this Compact shall in all cases be construed as a whole, according to its fair meaning, and not strictly for or against any of the parties. It is the intent of the parties that this Compact shall be construed to reflect that the parties are of equal stature and dignity and have dealt with each other at arm's-length. Accordingly, any statutory or judicial rules concerning the construction of vague or ambiguous terms that might otherwise be used in the interpretation or enforcement of this Compact, including judicial decisions generally holding that agreements involving Indians or Indian tribes are to be construed in a manner in favor of Indians and Indian tribes, shall not obtain to the benefit or detriment of either party, nor shall the terms and conditions of this Agreement be extended by implication to the benefit or detriment of either party, it being the intent of the parties that the construction of this Compact shall be controlled

by its express terms and not by implication.

11. Unless otherwise specifically noted herein, the definitions, words and terms used in this Compact shall have the same meaning as the definitions, words and terms used in Chapters 50 and 79 of the Kansas Statutes Annotated, and amendments thereto, including the administrative regulations pertaining thereto. If the definitions, words and terms used in this Compact are not found in Chapters 50 or 79 of the Kansas Statutes Annotated, and amendments thereto, including the administrative regulations pertaining thereto, then those definitions, words and terms are to be given their plain and ordinary meaning.

12. The paragraph headings contained in this Compact are for reference purposes only and shall not affect the meaning or interpretation of this Compact. If any provision of this Compact is declared or determined by any court to be illegal or invalid, that part shall be excluded from the Compact, but the validity of the remaining parts, terms, or provisions shall not be affected.

13. This Compact constitutes the entire understanding between the parties and supersedes any and all prior or contemporaneous understandings and Compacts, whether oral or written, between the parties, with respect to the subject matter hereof. This Compact can only be modified with the same formality as the original Compact.

14. Any failure by either party to enforce the other party's strict performance of any provision of this Compact will not constitute a waiver of its right to subsequently enforce such provision or any other provision of this Compact.

15. This Compact is personal in nature, and no party may directly or indirectly assign or transfer it by operation of law or otherwise. All obligations contained in this Compact shall extend to and be binding upon the parties to this Compact and their respective successors, assigns and designees.

16. Notices. All notices under this Compact shall be in writing and sent by way of certified U.S. mail to the following officials or their successors in office:

To the Tribe:

Chairperson and Executive Committee
Iowa Tribe of Kansas and Nebraska
3345 B Thrasher Road,
White Cloud, KS 66094

To the Governor:

Office of the Governor
300 SW 10th Ave., Ste. 241S
Topeka, KS 66612-1590

To the Attorney General:

Office of the Kansas Attorney
120 SW 10th Ave., 2nd Floor
Topeka, KS 66612-1597

To the Kansas Department of Revenue

Secretary of Revenue
915 SW Harrison Street, Second Floor
Topeka, KS. 66612-1588

17. Confidentiality. All information provided hereunder to Kansas is confidential, except as Kansas is permitted under K.S.A. 2015 Supp. § 50-6a11(a) and K.S.A. 2015 Supp. § 75-5133(b)(19) to provide information for MSA and 2003 NPM adjustment settlement agreement, including the 2012 term sheet agreement purposes. All information will be provided to the Kansas Department of Revenue in the manner provided hereunder and shall be treated as confidential under K.S.A. 2015 Supp. § 75-5133.

IN WITNESS WHEREOF, the parties hereto have executed this Compact as of the date first above written.

Iowa Tribe of Kansas and Nebraska

By: TIMOTHY N. RHODD
Chairman

State of Kansas

By: SAM BROWNBACK
Governor

**IOWA TRIBE OF KANSAS AND NEBRASKA
EXECUTIVE COMMITTEE
FEBRUARY 22, 2016**

WHEREAS, the Iowa Tribe Executive Committee being duly organized, met on this 22nd day of February, 2016; and,

WHEREAS, the Iowa Tribe Executive Committee has authority to act for the Iowa Tribe under the present Constitutional authorities provided in Sec. 1.a., Article IV – Governing Bodies; and,

WHEREAS, the Iowa Tribe of Kansas and Nebraska being organized and empowered by the Constitution and By-Laws (approved November 6, 1978 and amended August 27, 1989); and,

WHEREAS, the Executive Committee has determined that it is in best interest of the Iowa Tribe to make and enter into that certain Tax Compact with the State of Kansas, a copy of which has been submitted to the Executive Committee for review.

NOW THEREFORE, BE IT RESOLVED: That the Iowa Tribe of Kansas and Nebraska make and enter into the aforesaid Tax Compact with the State of Kansas which Compact includes a limited waiver of sovereign immunity; and be it further

RESOLVED: That Timothy N. Rhodd, the Tribal Chairman, be and he is hereby authorized and directed to execute the Compact on behalf of the Iowa Tribe of Kansas and Nebraska.

C E R T I F I C A T I O N

The foregoing Resolution was duly adopted this date, February 22, 2016, at a scheduled meeting of the Executive Committee, at which 4 members of the Committee were present, constituting a quorum, by a vote of 3 for; 0 against. Chairman abstained.

TIMOTHY N. RHODD, *Chairman*
Iowa Tribe Executive Committee

Attest:

ANTHONY FEE, *Secretary*
Iowa Tribe Executive Committee

MESSAGES FROM THE SENATE

Announcing adoption of **HCR 5025**.

Announcing passage of **SB 326, SB 330, SB 338, SB 362, SB 365, SB 366, SB 367, SB 374, SB 382, SB 387, SB 391, SB 392, SB 393, SB 402, SB 405, SB 407, SB 408, SB 410, SB 412, SB 415, SB 418, SB 419, SB 426, SB 438, SB 449, SB 453; Substitute for SB 103, Substitute for SB 277, Substitute for SB 335, Substitute for SB 440**.

The Senate concurs in House amendments to **SB 250**.

INTRODUCTION OF SENATE BILLS AND CONCURRENT RESOLUTIONS

The following Senate bills were thereupon introduced and read by title:

Sub SB 103, Sub SB 277, SB 326, SB 330, Sub SB 335, SB 338, SB 362, SB 365, SB 366, SB 367, SB 374, SB 382, SB 387, SB 391, SB 392, SB 393, SB 402, SB 405, SB 407, SB 408, SB 410, SB 412, SB 415, SB 418, SB 419, SB 426, SB 438, Sub SB 440, SB 449, SB 453.

REPORTS OF STANDING COMMITTEES

Committee on **Vision 2020** recommends **HB 2509**, be amended by adoption of the amendments recommended by the House Committee on Vision 2020 as reported in the Journal of the House on February 18, 2016, and the bill, as printed with amendments by House Committee, be further amended:

On page 1, in line 11, by striking "state"; in line 13, after "the" by inserting "executive branch"; in line 31, by striking "state";

On page 2, in line 14, by striking "review and restructure, as necessary,"; in line 15, after "agencies" by inserting "and restructure as necessary"; in line 16, by striking "coordinate"; in line 17, after "agencies" by inserting "and coordinate such interests"; in line 21, by striking "section" and inserting "act,"; in line 27, after "an" by inserting "executive branch"; also in line 27, by striking "this"; in line 28, by striking "requirement" and inserting "the requirements of this section"; in line 30, after "The" by inserting "executive"; in line 31, after "the" by inserting "executive branch"; in line 32, after "the" by inserting "executive branch"; in line 33, after "and" by inserting "the"; in line 39, after "the" by inserting "executive"; in line 42, after "The" by inserting "executive"; in line 43, after "the" by inserting "executive";

On page 3, in line 9, after "of" by inserting "executive"; in line 31, by striking the second comma; in line 39, after "bodies" by inserting a comma;

On page 4, in line 5, by striking "state"; in line 15, after "the" by inserting "executive"; in line 29, after "such" by inserting "executive branch";

On page 5, in line 2, after "executive" by inserting "branch"; in line 5, after "executive" by inserting "branch"; in line 16, after "executive" by inserting "branch"; in line 19, after "lead" by inserting "executive branch"; in line 23, by striking "state";

And the bill be passed as amended.

Upon unanimous consent, the House referred back to the regular business, Introduction of Bills and Concurrent Resolutions.

INTRODUCTION OF BILLS AND CONCURRENT RESOLUTIONS

The following bill was introduced and read by title:

HB 2715, AN ACT enacting the electronic communications privacy act; relating to electronic communications; search warrants, by Committee on Federal and State Affairs.

COMMITTEE ASSIGNMENT CHANGES

Speaker Merrick announced the appointment of Rep. Trimmer to replace Rep. Wolfe Moore on Committee on Taxation on March 2, 2016.

REPORT ON ENGROSSED BILLS

HB 2460, HB 2502, HB 2563, HB 2615 reported correctly engrossed February 24, 2016.

On motion of Rep. Vickrey, the House adjourned until 11:00 a.m., Thursday, March 3, 2016.

BECKIE HENDRICKS, JENNY HAUGH, *Journal Clerks*.

SUSAN W. KANNARR, *Chief Clerk*.

