

UNAPPROVED MINUTES

South Dakota Commission on Gaming Administrative Hearings, Proposed Rule Change Hearing and Quarterly Business Meeting Deadwood City Hall, Deadwood, South Dakota

MINUTES

September 10, 2014

At 9:00 a.m. the meeting was called to order. Commissioners Karen Crew, Commissioner Ralph Kemnitz, Commissioner Harry Christianson, Commissioner Dennis Duncan, and Commissioner Tim Holland were present. Staff members present for the meeting were Michael Shaw, Commission Attorney; Larry Eliason, Executive Secretary; Craig Sparrow, Deputy Executive Secretary.

The meeting was called to order by Commissioner Crew.

Larry Eliason, Executive announced that Craig Sparrow has been given a new title of Deputy Executive Secretary.

Andy Gerlach presented Janell Berg with a letter of service for 31 years with the State of SD.

Larry Eliason also introduced the new Administrative Secretary for the Pierre office, Tami Florentz.

The court reporter for the hearings was Jean Carlson. The following cases were scheduled to be heard:

Administrative Hearings

- In Re: One Seized Diver's Ocean King Slot Machine
- In Re: One Seized Beatles Theme Slot Machine
- Laurell Miller Appeal of Denial of Pari Mutuel License
- SDCOG vs. David Klynsma

In Re: One Seized Diver's Ocean King Slot Machine

The purpose of the hearing is to determine if the Yasmasa Diver's King Ocean slot machine, which was seized from Oahe Pawn, LLC on July 22, 2014, is contraband and may be destroyed pursuant to SDCL 42-7B-39. Oahe Pawn was not present for the hearing. Staff recommended that the slot machine be destroyed. Commissioner Christianson made a motion to destroy the slot machine. Commissioner Kemnitz seconded the motion which carried unanimously.

UNAPPROVED MINUTES

In Re: One Seized Beatles Theme Slot Machines

The purpose of the hearing is to determine if the Beatles Theme slot machine, which was seized from a residence in Rapid City, SD on August 12, 2014, is contraband and may be destroyed pursuant to SDCL 42-7B-39. The owner of the slot machine, was not present for the hearing. Staff recommended that the slot machine be destroyed. Commissioner Kemnitz made a motion to destroy the slot machine. Commissioner Holland seconded the motion which carried unanimously.

Laurel Miller Appeal of Denial of Pari Mutuel License

The purpose of the hearing was the appeal of the denial of Laurel Miller's pari mutuel license. Ms. Miller was not present for the hearing. Staff recommended to up hold the decision of the Executive Secretary. Commissioner Kemnitz made a motion to up hold the decision of her denial for a pari mutuel license. Commissioner Holland seconded the motion which carried unanimously.

SDCOG vs. David Klynsma

Mr. Klynsma entered a guilty plea to the charge of sexual contact with a child under the age of 16, a felony offense, and received a suspended imposition of sentence. Pursuant to SDCL 23A-27-14.2 his license is subject to revocation by virtue of his probationary status under the suspended imposition of sentence. Staff recommended that his license be revoked. Commissioner Christianson made a motion to revoke his Key License. Commissioner Duncan seconded the motion which carried unanimously.

Proposed Rule Changes

Live Horse Racing Rules

Commissioner Christianson made a motion to approve the rules as amended which are listed on pages 17-27 of the meeting packet. Commissioner Holland seconded the motion which carried unanimously.

Pari Mutuel Definition

Commissioner Kemnitz made a motion to approve the rules as amended which are listed on pages 28-30 of the meeting packet.

Lucky Lucky Blackjack Game Variation

Commissioner Kemnitz made a motion to approve the rules for the Lucky Lucky Blackjack game variation. Commissioner Holland seconded the motion which carried unanimously.

Slot Machine Requirements

20:18:17:03

Commissioner Christianson made a motion to approve the rule as amended. Commissioner Duncan seconded the motion which carried unanimously.

UNAPPROVED MINUTES

20:18:18:25

Commissioner Duncan made a motion to approve the rule as amended. Commissioner Holland seconded the motion which carried unanimously.

A brief recess was taken at 9:54 a.m.

General Meeting

After the brief recess, Commissioner Crew called the general meeting to order at 10:03 a.m.

Approval of Agenda

No changes were noted on the agenda.

No conflicts of interest were noted on the agenda.

June 11, 2014 Meeting

Commissioner Kemnitz made a motion to adopt the minutes as drafted for the June 11, 2014 meeting. Commissioner Christianson seconded the motion which carried unanimously.

July 23, 2014 Special Meeting

Commissioner Duncan made a motion to adopt the minutes as drafted for the July 23, 2014 special meeting. Commissioner Kemnitz seconded the motion which carried unanimously.

Remarks by Secretary of Revenue Andy Gerlach

Secretary Gerlach briefed the Commission on activities of the Department of Revenue and the upcoming Legislative Session.

Regulatory Costs at Live Horse Tracks

Larry Eliason, Executive Secretary, provided a breakdown of the regulatory costs for the 2014 live horse racing season.

Commissioner Christianson made a motion to put a notice out to the horse racing tracks that the Commission will be considering on whether or not to assess the horse racing tracks the regulatory costs for the 2015 live horse racing season. Commissioner Duncan seconded the motion.

On roll call vote motion carried 3 to 2.

Commissioner Crew	Aye
Commissioner Christianson	Aye
Commissioner Duncan	Aye
Commissioner Holland	Naye
Commissioner Kemnitz	Naye

UNAPPROVED MINUTES

Possible Legislation in 2015 Session

Larry Eliason, Executive Secretary, briefed the Commission on the Legislative Session for 2015.

He would like the Commission to consider introducing a bill to address the maximum amount of fines that the Commission can impose.

In addition, if Constitutional Amendment Q passes in November then the entire gaming chapter, SDCL 42-7B will need to be reviewed and updated. The current gaming laws do not allow for the games cited in the proposed amendment.

Deadwood Licensing Matters

Key License Approvals Recommendations

Deputy Executive Secretary Sparrow recommended approval of the following Key Licenses:

- ✓ Raye Anne Delong
- ✓ Rebecca Davis
- ✓ Kevin Fish

Commissioner Duncan made a motion to approve the Key Licenses as recommended by staff. Commissioner Kemnitz seconded the motion which carried unanimously.

Additional Key License Approval

- ✓ Patricia Hall

Commissioner Holland made a motion to approve the Key License as recommended by staff. Commissioner Duncan seconded the motion which carried unanimously.

Business License

Deputy Executive Secretary Sparrow recommended the approval of the following Business License:

- ✓ Approval of the request of Scientific Games Corporation's planned acquisition of Bally Technologies, Inc. with two conditions.
 - Scientific Games Corporation provides documentation of Bally's Shareholder Approval, and
 - Scientific Games provides notification of any regulatory denial of their planned acquisition.

Commissioner Christianson made a motion to approve the Business License request as recommended by staff. Commissioner Duncan seconded the motion which carried unanimously.

UNAPPROVED MINUTES

Ratification of Licensing Actions by the Executive Secretary per 42-7B-11 (16)

Deputy Executive Secretary Sparrow recommended that the following actions by the Executive Secretary be ratified:

- ✓ Approval of one new retail license to Willy's Wild West, Inc. and the assignment of the license to Deadwood Station 2 (**0602-RT**) effective July 1, 2014.
- ✓ Approval of three new retail licenses to Black Diamond Capital, LLC and the assignment of the licenses to 777/Holiday Inn (**0610, 0611 & 0612-RT's**).
 - This approval also moved three retail licenses belonging to Platinum Ventures, LLC to an unassigned location and was necessary to facilitate the closing of the Four Aces sale.
- ✓ Approval of eight new retail licenses to Blue Sky Gaming, Inc. and the assignments of the licenses to Four Aces (**0603, 0604, 0605, 0606, 0607, 0608, 0609 & 0613-RT's**).
 - This approval also moved eight retail licenses belonging to Platinum Ventures, LLC to an unassigned location and was necessary to facilitate the closing of the Four Aces sale.

Commissioner Christianson made a motion to approve the Ratifications of Licensing actions by the Executive Secretary. Commissioner Duncan seconded the motion which carried unanimously.

Executive Session

At 11:06 a.m. the Commission went into Executive Session pursuant to SDCL 1-25-2(3) and 42-7B-8.1 (4).

The Executive Session was concluded at 11:33 a.m. with no formal action taken.

Schedule of Next Meeting

The next quarterly meeting is scheduled for November 20, 2014.

With no further business to be discussed, Commissioner Christianson made a motion to adjourn the meeting. Commissioner Duncan seconded the motion which carried unanimously.

The meeting was adjourned at 11:35 a.m.

Respectfully Submitted,

Kathy Fredericksen

Karen Crew, Chairman

Larry B. Eliason, Executive Secretary