

NOTICE OF PUBLIC HEARING

The Arkansas Racing Commission will meet on February 21, 2019, at 11:00 a.m. in the Commission office located in the 1515 Building, 1515 West Seventh Street, Suite 500, Little Rock, Arkansas, to consider the adoption of the following rules governing casino gaming in Arkansas pursuant to Amendment 100 to the Arkansas Constitution:

- (1) CGR 1. Issuance of Rules; Construction; Definitions. Defines the terms used in the Rules.
- (2) CGR 2. Casino License Application. Defines an applicant, casino gaming, minimum qualifications for licenses, and letters of support, and sets the application fee amount.
- (3) CGR 3. Service Industry License and Service Industry Employee License. Defines persons who require a service industry license, license requirements, license fees, and requirements for independent testing labs.
- (4) CGR 4. Operation of Gaming Establishments. Contains the requirements for operation of casinos, grounds for disciplinary actions, requirements for surveillance systems, and prohibits unauthorized games.
- (5) CGR 5. Operation of Interactive Gaming. Sets initial and renewal license fees, investigative fees, requirements for house rules, and grounds for disciplinary action.
- (6) CGR 6. Accounting Regulations. Sets the State's requirements for licensee accounting, audited financial statements, gross revenue computations, and calculation of taxes.
- (7) CGR 7. Transfer of Ownership; Loans. Prohibits transfer of an ownership interest to strangers to a license, and defines the requirements for persons to participate as an owner of licensee.
- (8) CGR 8. Enforcement of Security Interests. Requires lienholders to apply to the Commission for enforcement of security interests in casino assets.
- (9) CGR 9. Closing of Business, Death or Disability; Insolvency. Sets the requirements for licensees in cases of death, disability or insolvency.
- (10) CGR 10. Miscellaneous. Prohibits public officials from holding casino gaming licenses.
- (11) CGR 11. Chips. Sets the requirements for approval, redemption and destruction of chips.
- (12) CGR 12. Manufacturers, Distributors, Operators of Inter-Casino Linked Systems, Gaming Devices, New Games, Inter-Casino Linked Systems, On-Line Slot Metering Systems, Cashless Wagering Systems, Mobile Gaming Systems, Interactive Gaming Systems and Associated Equipment. Sets the standards for gaming devices, new games, cashless wagering systems, and equipment.
- (13) CGR 13. Corporate Licensees. Contains the disclosure requirements for corporate licenses.
- (14) CGR 14. Limited Partnership Licensees. Contains the disclosure requirements for limited partnerships.
- (15) CGR 15. Limited Liability Company Licensees. Contains the disclosure requirements for limited liability companies.

(16) CGR 16. Private Investment Companies. Contains the disclosure requirements for private investment companies.

(17) CGR 17. Publicly Traded Corporations and Public Offerings of Securities. Contains the disclosure requirements for publicly traded corporations.

(18) CGR 18. Supervision. Sets the requirements for the Commission to determine if an independent supervisor of a casino is necessary because of issues with the casino licensee's operation of the casino.

(19) CGR 19. Disseminators. Addresses disseminators of racing and sporting events contracted with casino licensees.

(20) CGR 20. Race Books and Sports Pools. Requires patrons to be on the premises of a casino to place bets on racing and sporting events.

(21) CGR 21. Card Games. Establishes the rules for card games at a casino.

(22) CGR 22. Off Track Pari-Mutuel Wagering. Requires patrons to be on the premises of a casino to place bets.

(23) CGR 23. Off-Track Pari-Mutuel Sports Wagering and Off-Track Pari-Mutuel Other Event Wagering. Requires Commission approval for off-track wagers and requires patrons to be on the premises of a casino to place bets.

(24) CGR 24. Off-Track Pari-Mutuel Horse Race Account Wagering. Sets the requirements for account wagering and defines prohibited wagers.

(25) CGR 25. Exclusions. Sets the requirements for excluding patrons for cheating and criminal activity.

Any persons wishing to speak for or against any of the above proposed Rules should appear at the meeting on Thursday, February 21, 2019, and they will be given the opportunity to express their views. Persons wishing to submit written comments on the above proposed Rules should send them to the Arkansas Racing Commission via regular mail at P.O. Box 3076, Little Rock, Arkansas 72203, or via email to smokey.campbell@dfa.arkansas.gov and nikki.langston@dfa.arkansas.gov prior to the close of business on Monday, February 18, 2019. Copies of the complete text of the proposed Casino Gaming Rules can be obtained from the Racing Commission office during normal business hours and from the Secretary of State's office / website.

RULE 8
ENFORCEMENT OF SECURITY INTERESTS

8.010 Definitions.

8.020 Approvals required; applicability; scope of approval.

8.030 Application for approval to enforce security interest; investigation; recommendation of the Commission.

8.040 Enforcement of a security interest in personal property gaming collateral.

8.010 Definitions. As used in this Rule:

1. "Director" means the Commission of the Arkansas Commission or the Commission's designee.
2. "Enforce a security interest" means the transfer of possession ownership or title pursuant to a security interest.
3. "Operating license" means the Casino license issued to a person for the conduct of gaming. The term does not include licenses issued to officers, directors, holders of securities or other ownership interest, key employees, or others who have been licensed due to their relationship to or involvement with the gaming operation.
4. "Personal property gaming collateral" means property subject to a security interest that is composed of:
 - (a) A security issued by a corporation which is a holder of a Casino license in this state;
 - (b) A security issued by a holding company that is not a publicly traded corporation;
 - (c) A security issued by a holding company that is a publicly traded corporation, if the enforcement of the security interest will result in the creditor acquiring control as set forth in Rule 17; or
 - (d) A security issued by a partnership which is a holder of a Casino license in this state.
5. "Secured party" means a person who is a lender, seller, or other person in whose favor there is a security interest or judgment.
6. "Security" means security as that term is defined in Rules 13 and 14.
7. "Security agreement" means an agreement that creates or provides for a security interest.
8. "Security interest" means an interest in property that secures the payment or performance of an obligation or a judgment.

8.020 Approvals required; applicability; scope of approval.

1. A person may not enforce a security interest in personal property gaming collateral except as provided by this Rule. The purported enforcement of such security interest without the secured party having complied with the requirements of this Rule is void.
2. The provisions of this Rule do not apply to the enforcement of a security interest in real property.
3. Notwithstanding any other provision of this Rule, approval is not required under this Rule to enforce a security interest in a security issued by a holding company or by a corporation,

general partnership, or limited partnership licensee, if the gaming operation has ceased and the operating license has been surrendered to the Commission prior to the enforcement of such security interest.

4. The granting of an approval pursuant to this Rule does not constitute a determination by the Commission as to the validity or enforceability of the security interest.

5. The granting of an approval pursuant to this Rule does not constitute licensing, registration, or finding of suitability of the secured party, nor approval for further sale, transfer, or other disposition of the gaming collateral subsequent to the enforcement of the security interest.

8.030 Application for approval to enforce security interest; investigation; recommendation of the Commission.

1. Except as otherwise specifically provided herein, a secured party shall apply for approval to enforce a security interest in personal property gaming collateral using such forms as the Commission may prescribe. The application shall include a complete schedule and description of the gaming collateral that is the subject of the security interest, copies of the security agreement and documents evidencing the obligation secured, a statement by the secured party identifying the act of default by the debtor that is the basis for seeking to enforce the security interest, including a copy of any notice of default sent to the debtor, and any other information requested by the Commission.

2. The Commission shall investigate the facts and circumstances related to the application for approval to enforce a security interest. The investigation by the Commission may include:

- (a) A review of all pertinent documents;
- (b) An analysis of the impact upon the debtor of approving the enforcement of the security interest, including an evaluation of the effect of enforcement of the security interest upon the continued operation of the licensed gaming establishment;
- (c) A review of the transaction to determine whether the security interest was given in violation of Rule 7.050, or in an attempt to evade the requirements of the Rules adopted by the Commission regarding the sale, assignment, transfer or other disposition of an interest in a gaming operation or in the type of property subject to this Rule; and
- (d) Any other data or information the Commission deems relevant to the application.

8.040 Enforcement of a security interest in personal property gaming collateral.

1. The enforcement of a security interest in personal property gaming collateral requires the affirmative approval of the Commission. The Commission shall not approve the enforcement of such security interest if such enforcement will result in any person becoming subject to mandatory licensing, registration, or finding of suitability, unless all persons have been licensed, registered, or found suitable by the Commission, as applicable. The Commission may grant a temporary or permanent waiver of the requirement of prior licensing, registration, or finding of suitability, or may grant delayed licensing, registration, or finding of suitability, upon written request by the secured party.

2. Where an operating license is surrendered, the Commission may, upon its own initiative or upon a request by the secured party, petition a court of competent jurisdiction for the appointment of a supervisor pursuant Rule 18 to ensure the continuation of the gaming operation upon lapse of the license.

3. The Commission may permit the licensee or holding company to register or record the securities in its books or records in the name of the secured party pursuant to Rule 7.040. The Commission may grant such permission only if the secured party has filed an application for approval to enforce a security interest in such securities. Such permission shall be conditioned upon and require that the secured party not exercise any voting rights or other control over the licensee or holding company, and that all dividends payable or other beneficial interest in the securities be held in escrow, pending final action on the application to enforce the security interest.

End – Rule 8

