GAMING COMPACT
BETWEEN THE
FLANDREAU SANTEE SIOUX TRIBE
AND THE
STATE OF SOUTH DAKOTA

WHEREAS, the Tribe is a federally recognized Indian Tribe whose reservation is located in Moody County, South Dakota; and

WHEREAS, Article III of the Flandreau Santee Sioux Constitution provides that the governing body of the Tribe shall be the Executive Committee; and

WHEREAS, Article VIII, Section 1, of the Constitution authorizes the Executive Committee to negotiate with the State government; and

WHEREAS, the State has, through constitutional provisions and legislative acts, authorized limited card games and slot machine activities to be conducted in Deadwood, South Dakota; and

WHEREAS, the Congress of the United States has enacted the Indian Gaming Regulatory Act, Public Law 100-497, 102 Stat. 2426, 25 U.S.C. 2701, et seq. (1988), which permits Indian tribes to operate Class III gaming activities on Indian reservations pursuant to a Tribal-State Compact entered into for that purpose; and

WHEREAS, the Tribe operates gaming activities at the Royal River Casino on the Flandreau Santee Sioux Indian Reservation in Moody County, South Dakota; and

WHEREAS, the Tribe and the State desire to negotiate a Tribal-State Compact to permit the continued operation of such gaming activities; and

NOW, THEREFORE, in consideration of the foregoing, the Tribe and the State hereto do promise, covenant, and agree as follows:

1. DECLARATION OF POLICY

   In the spirit of cooperation, the Tribe and the State hereby set forth a joint effort to implement the terms of the Indian Gaming Regulatory Act. The State recognizes the positive economic benefits that gaming may provide to the Tribe. The Tribe and the State recognize the need to insure that the health, safety and welfare of the public and the integrity of the gaming industry in South Dakota is protected.

2. PURPOSE AND SCOPE OF COMPACT

   This Compact and the Tribe's gaming regulations and ordinances shall govern the regulation and operation of Class III gaming on the Flandreau Santee Sioux Tribe

reservation. The purpose of this Compact is to provide the Tribe with the opportunity to continue to operate gaming activities in a manner that will benefit the Tribe economically, that will insure fair operation of the games, and that will minimize the possibility of corruption.

3. TYPE OF GAMING PERMITTED

The Tribe shall operate blackjack, pari-mutuel wagering and slot machines pursuant to the terms of this Compact and the Tribe's gaming regulations and ordinances. The Tribe shall be permitted to operate such other gaming as may be authorized by state law and after the date of the signing of this Compact, upon written amendment of this Agreement, or under a separate Agreement or as otherwise authorized by the South Dakota Commission on Gaming.

For the purposes of this Compact, the terms "blackjack" and"slot machines" are defined in South Dakota Codified Laws 42-7B-4(3),, and (21), respectively, except that the term "slot machines" does not include "video lottery machines" as defined by SDCL 42-7A-1)(18).

4. OPERATION OF GAMING

4.1 The Tribe shall operate its gaming activities pursuant to this Compact and the ordinances and regulations enacted by the Executive Committee which ordinances and regulations shall be at least as stringent as those adopted by the State of South Dakota in SDCL Ch. 42-7B and ARSD 20:18, et seq. All such ordinances and regulations shall be made available to the State.

If the Tribe operates pari-mutuel wagering on horses and dogs, the Tribe shall operate such wagering pursuant to the terms of this Compact and the Tribe's gaming regulations and ordinances, which ordinances and regulations shall be at least as stringent as those adopted by the State of South Dakota in SDCL Ch. 42-7 and ARSD 20:04:15 et seq. and 20:04:15.01, et seq. for greyhound racing and in SDCL Ch. 42-7 and ARSD 20:04:30, et seq. for horse racing. The Tribe may operate pari-mutuel wagering on horse and dog racing occurring within or without the United States. All equipment used by the Tribe, including electrical or mechanical tote board devices, in conducting pari-mutuel wagering shall be of the type and meet the standards for size and information display set forth by the South Dakota Commission on Gaming. The South Dakota Commission on Gaming agents shall be authorized to inspect (not to include audits) the equipment used by the Tribe in conducting pari-mutuel wagering to determine that it is in accordance with the laws and rules adopted in this Compact. Any periodic inspection of pari-mutuel wagering equipment shall only occur if the state inspector is accompanied by a member of the Tribal Gaming Commission or a designee. Any such inspection shall be carried out in a manner and at a time which will cause minimal disruption of the gaming operation. The Tribal Gaming Commission and the South Dakota Commission on Gaming shall be notified of all such inspections

and the results of those inspections. If the results of any such inspection reveal that the equipment fails to meet applicable standards, the Tribe will not use such equipment until the equipment meets the applicable standards. Any simulcast signal received at the Tribal gaming establishment shall be provided by a satellite provider authorized by the South Dakota Commission on Gaming to provide satellite wagering to satellite facilities in South Dakota.

4.2 The Tribe shall appoint a Tribal Gaming Commission which shall supervise the gaming activities, issue licenses as provided herein, inspect all premises where gaming is conducted and otherwise be responsible for enforcing the Tribe's Gaming Act and regulations. The Flandreau Santee Sioux Tribal Gaming Commission shall have primary responsibility for the supervision and regulation of gaming on the Flandreau Santee Sioux Reservation. This shall include, but not be limited to, the licensing of gaming employees and the inspection and regulation of all gaming devices. Any discrepancies in the gaming operation and any violation of Tribal Gaming Commission regulations and rules of this Compact shall be immediately reported to the Tribal Gaming Commission and the South Dakota Commission on Gaming for appropriate action by the Tribal Gaming Commission pursuant to the terms of this Compact.

5. DISCIPLINARY ACTION OF MISCONDUCT BY LICENSEES

Any suspected violation of any law or rule, adopted in the State-Tribal Compact, shall be reported to the Tribal Gaming Commission and the South Dakota Commission on Gaming. If either the State or the Tribe concludes that a violation has occurred the violation will be addressed by the Tribe within five (5) days. The Tribal Gaming Commission shall report any disciplinary action it imposes upon a licensee to the Executive Secretary of the South Dakota Commission on Gaming within ten (10) days of the imposition of the action.

6. LAW ENFORCEMENT

6.1 All criminal matters arising from or related to Class III gaming shall be dealt with according to applicable Tribal, State, or Federal law. Nothing in this Compact shall deprive the Courts of the Tribe, the United States, of the State of South Dakota of such criminal jurisdiction as each may enjoy under applicable law.

6.2 The Tribe agrees to adopt Class III gaming ordinances and regulations to regulate gaming on the Flandreau Santee Sioux Reservation which ordinances and regulations are at least as stringent as those statutes and administrative rules adopted by the State of South Dakota to regulate gambling in Deadwood, South Dakota. The Tribe shall furnish the State with copies of such ordinances and regulations and shall advise the State of any amendment, revision or rescission of the gaming regulations. The State shall furnish the Tribe with any amendment, revision or rescission of its gaming regulations. The Tribe agrees that in no event

shall it amend, revise or rescind any gaming regulations which would result in the tribal regulations being less stringent that the statutes and rules adopted by the State of South Dakota.

7. CIVIL JURISDICTION (OTHER THAN APPEALS FROM THE COMMISSION)

All civil matters arising from or related to Class III gaming shall be dealt with according to applicable Tribal, State, or Federal law. Nothing in this Compact shall deprive the Courts of the Tribe, the United States, or the State of South Dakota of such civil jurisdiction as each may enjoy under applicable law. Nothing in this provision shall be construed to be a waiver of the sovereign immunity of the Flandreau Santee Sioux Tribe.

8. LICENSING OF GAMING OPERATORS AND EMPLOYEES

All individuals who operate or manage a gaming operation on the Flandreau Santee Sioux Reservation shall be licensed by the Tribal Gaming Commission. All individuals employed to work directly with the gaming operation shall be licensed by the Commission.

The Flandreau Santee Sioux Tribal Gaming Commission shall have primary responsibility for the licensing of individuals who operate or manage a gaming operation or who are employed in the tribal gaming operation. Any person seeking to be licensed hereunder shall first submit an application to the Tribal Commission which application shall include a written release by the applicant authorizing the State to conduct a background investigation of the applicant on behalf of the Tribal Gaming Commission. The State shall agree to conduct an investigation of the applicant on behalf of the Commission, upon receipt of the executed release and payment of the fee as provided in the South Dakota Commission on Gaming rules and regulations for such investigations. The State shall provide the Commission with a written report regarding each applicant within 30 days of the receipt of the request and fee or soon thereafter as practical. The Tribal Gaming Commission shall determine if an individual employed to work other than directly with the gaming operation shall be subject to a suitability determination by the State Gaming Commission.

The Tribal Gaming Commission shall not issue a license to any unsuitable applicant. A suitable applicant is one who is determined suitable by the Tribal Gaming Commission according to tribal ordinance and by the South Dakota Commission on Gaming pursuant to SDCL Ch. 42-7B and the South Dakota Commission on Gaming rules and regulations.

Should the Tribal Gaming Commission disagree with the State's determination on suitability, the Tribal Gaming Commission may invoke the following arbitration procedure:

The dispute shall be determined by a three-person binding Arbitration Board. One member of the Board shall be the chairman of the South Dakota Commission on Gaming or his designee. One member of the Board shall be the chairman of the Flandreau Santee Sioux Tribal Gaming Commission or his designee. The third member of the Board shall be jointly selected by the two commission chairmen or their designees and shall be a person who is knowledgeable in the regulation of gaming. The third member of the Board shall be compensated at the rate set by state law for members of the South Dakota Commission on Gaming for attendance at meetings of the Board. The State and the Tribe shall each pay the third member of the Board one half of the compensation due. The Board shall determine whether the applicant is deemed suitable, taking into consideration the ordinance and regulations adopted by the Tribal Gaming Commission and the statutes and rules adopted by the State of South Dakota. The Arbitration Board shall further decide the suitability issue in the best interest of the public. If permitted by law, either the State or the Tribe may appeal the arbitration decision to federal district court.

Meetings of the Arbitration Board shall be held in accordance with SDCL Ch. 1-25 and SDCL 42-7B-8.1.

9. REGULATORY STANDARDS FOR GAMING ON THE FLANDREAU SANTEE SIOUX RESERVATION

In recognition of the valid public policy interests of the State, which is similarly appreciated as desirable by the Tribe, the following regulatory standards are established for gaming operated and played within the federally-recognized boundaries of the Reservation.

9.1 NO CREDIT EXTENDED. All gaming shall be conducted on a cash basis. Except as herein provided, no person shall be extended credit for gaming by the gaming facility operated within the Reservation, and no operation shall permit any person or organization to offer such credit for a fee. This restriction shall not apply to credits won by players who activate play on gaming machines after inserting coins, tickets, tokens or currency into the game, and shall not restrict the right of the Tribe or any other person to offer check cashing or to install or accept bank card or credit card transactions in the same manner as would be normally permitted at any retail business with the State.

9.2 MINIMUM AGE REQUIREMENTS. No person under the age of twenty-one (21) shall play or be allowed to play any gaming device or table game authorized by this Compact. Any violation of this provision shall be enforceable pursuant to paragraph 5.. Violations prosecutable in state court shall proceed under SDCL 42-7B-35. Violations prosecutable in tribal court shall proceed under applicable tribal law.

No person under the age of twenty-one (21) shall be permitted on the premises where gaming is conducted pursuant to this Compact, except as authorized by state law and tribal ordinance.

9.3 TECHNICAL STANDARDS FOR GAMING DEVICES. All gaming machines operated and played within the Flandreau Santee Sioux Reservation pursuant to this compact shall meet or exceed the hardware and software specifications set forth by the South Dakota Gaming Commission and SDCL 42-7B-43 prior to play. Gaming machine prototypes will be tested and approved prior to play the State according to State procedures and by the Tribe according to tribal procedures.

9.4 APPROVAL OF GAMING DEVICES. No gaming device shall be operated on the Flandreau Santee Sioux Reservation unless:

1. The gaming device is purchased, leased or acquired from a manufacturer or distributor licensed to sell, lease or distribute gaming devices by the State, pursuant to SDCL Ch. 42-7B and ARSD 20:18, and

2. The gaming device or a prototype thereof, has been tested, approved and certified by a gaming test laboratory as meeting the requirements and standards of this Compact. For purposes of this Compact, a gaming test laboratory shall be a laboratory agreed to and designated in writing by the South Dakota Gaming Commission and the Tribal Gaming Commission.

9.5 NUMBER OF GAMING DEVICES. The Tribe shall be authorized to operate five hundred (500) slot machines in a tribal gaming establishment located in the SW-1/4 of the SW-1/4 of T107N, R48W, Section 28 of reservation land in Moody County, South Dakota. There shall be no limits placed on the number of blackjack tables that may be operated.

The Tribe shall be entitled to have up to ten (10) gaming devices in reserve as replacements for devices which are out of service as a result of mechanical problems. These additional devices are only to be used in such an event and shall meet the requirements of 9.3 (Technical Standards) of this Compact.

9.6 INSPECTION PROCEDURE. South Dakota Commission on Gaming agents shall be authorized to inspect (not to include audits) the tribal gaming establishment in accordance with the laws and rules adopted in the Compact. Any periodic inspection of gaming machines shall only occur if the state inspector is accompanied by a member of the Tribal Gaming Commission, the Executive Secretary of the Tribal Gaming Commission or a designee. Any such testing shall be carried out in a manner and at a time which will cause minimal disruption of the gaming operation. The Tribal Gaming Commission and the South Dakota Commission on Gamingshall be notified of all such testing and the results of such testing.

In addition to the gaming machine inspections authorized above, any inspections of other gaming devices and the tribal gaming establishment by state inspectors shall be limited to a maximum of 100 hours per year plus travel. These inspections are specifically authorized to be unannounced and may be in the nature of an undercover inspection. The Tribal Gaming Commission and the South Dakota Gaming Commission shall be notified of the results of such inspections. Any violations detected pursuant to this paragraph shall be enforced consistent with the procedure contained in the above section entitled Disciplinary Action of Misconduct by Licensees.

9.7 REMEDIES FOR NON-COMPLYING GAMING DEVICES. Upon inspection pursuant to paragraph 9.6, the State may designate gaming devices which it believes do not comply with tribal gaming laws. The machine shall immediately be removed temporarily from play. Gaming devices removed from play pursuant to this section may be returned to play only after such gaming device comes into compliance with the provisions of 9.4 herein.

Within five (5) days of such written designation the Tribe shall either:

1. Accept the finding of non-compliance, remove the gaming devices from play, and take appropriate action to ensure that the Tribe, manufacturer, distributor or other responsible party cures the problem; or

2. Contest the finding or non-compliance before the Arbitration Board as provided in secton 8 above. In the event the Arbitration Board finds that the gaming device in non-complying, such device shall be removed from play. Gaming devices removed from play pursuant to this section may be returned to play only after such gaming device comes into compliance with the provisions of 9.4 herein.

Nothing in this section shall limit the rights or remedies available to the parties under any other provision of this Compact or under the IGRA.

9.8 LIMIT ON WAGERS. The amount of a bet may not be more than one hundred dollars on the initial bet or subsequent bet subject to rules promulgated by the Tribal Gaming Commission. Class III gaming operations on the Flandreau Santee Sioux Reservation may offer such higher bet limits as are consistent with the acts of the South Dakota legislature, and regulations of the South Dakota Commission on Gaming and authorized by the Tribal Gaming Commission. No runner may place a bet on behalf of any other person.

10. ACCOUNTING AND AUDIT PROCEDURES

The Tribe shall adopt accounting standards which meet or exceed those standards established in Chapter 20:18:22 of the South Dakota Rules and Regulations for Limited Gaming.

The Tribe shall conduct independent audits of the gaming operation and provide copies to the State. If the Tribe so requests, the State may at its discretion audit the tribal operation, at the Tribe's expense.

The Tribe shall engage an independent certified public accountant to audit the books and records of all gaming operations conducted pursuant to this Compact and shall make copies of the audit and all current internal accounting and audit procedures available to the State upon written request. The Tribe shall permit the State, in the presence of authorized tribal representatives, to consult with the auditors before or after any audits or periodic checks on procedures which may be conducted by the auditors, and shall allow the State to submit written or oral comments or suggestions for improvements regarding the accounting and audit procedures. Within 30 days of receipt of any written or comments, the Tribe shall: (a) accept the comments and modify the procedures accordingly; or (b) respond to the comments with counterproposals or amendments.

11. CONTRIBUTION OF GAMING PROCEEDS

The Tribe may, in its discretion, contribute a sum to be used to provide public services for the citizens of Moody County or City of Flandreau. Such contributions shall be made without consultation with the State and the State shall bear no obligation or liability for such contributions.

12. DURATION

This Compact shall become effective upon execution by the Governor of the State and the Chairman of the Tribe, approval by the Secretary of the Interior and publication of that approval in the Federal Register pursuant to the IGRA.

The terms of this Compact shall be subject to review at two (2) year intervals dating from the date of execution of this Compact. Prior to the expiration of the two (2) year period, each party of the Compact may give notice to the other party of provisions it believes requires review or amendment. Such notice shall be in writing and shall be sent by certified mail to the Governor of the State or Chairman of the Tribe at the appropriate governmental office within 180 days prior to the expiration of the compact. If no notice is given by either party within 180 days prior to the expiration of the two (2) year period or any subsequent two (2) year period, the Compact shall automatically be extended for an additional two (2) years. If, in the notice, a party states that termination of this Compact should not result from any failure of the parties to reach agreement with respect to

changes in the provisions noticed for review or amendment, the Compact shall also automatically be extended for an additional two (2) years.

Upon receipt of such notice, the parties shall engage in good faith efforts to resolve the issues identified in the notice.

Except as otherwise provided in the second paragraph of this section, in the event the parties are unable to resolve the issues identified in the notice upon expiration of the two (2) year period or any subsequent two (2) year period, this Compact, unless earlier terminated by agreement of the parties, shall remain in effect for 180 days thereafter. The parties shall have until the expiration of the 180 days to continue to negotiate and remedies available under the Indian Gaming Regulatory Act shall apply. The State and the Tribe may agree in writing to extend the negotiating period without prejudice to the rights of either party.

Upon the expiration of the negotiating period, or any extension thereof, the Compact shall terminate unless the parties, in writing, agree otherwise.

Either party may terminate this Compact upon a substantial breach by the other party regardless of any other provision of this Compact. Upon identification of what either party believes to be substantial breach of the terms in this Compact, such party shall notify the other party in writing, via certified mail, return receipt requested, as to the nature of the substantial breach. The complaining party may terminate this Compact in writing after at least 30 days have elapsed from receipt of the notice of noncompliance by the other party, unless the breach has been remedied and the cause of the breach has been dealt with in a manner acceptable to the complaining party or unless the responding party has presented a plan to deal with the breach which is acceptable to the complaining party.

Notwithstanding any other provision of this Compact including the paragraph immediately above, it is agreed between the parties that on the day that it becomes illegal as a matter of South Dakota law to operate slot machines or Class III blackjack or to conduct pari-mutuel wagering on horses and dogs, as the case may be within the State of South Dakota, this Compact shall expire and be of no further force with respect to the illegal gaming activity.

13. PERSONAL INJURY REMEDY FOR PATRONS

A) During the term of this Compact, the Tribe shall obtain and maintain public liability insurance insuring the Tribe, the Tribe's class III gaming operation and their agents and employees, against claims by visitors of the gaming facility for bodily injury or property damage arising out of the operation of the gaming facility. Such insurance coverage shall provide coverage of no less than $ 1 million per person and $ 1 million per occurrence.

B) The Tribe agrees it will not assert the defense of sovereign immunity for any claim within the scope of the coverage and policy limits of the insurance provided under this section. The Tribe shall assure that any insurance policy it obtains to fulfill the requirements of this section shall include language expressly stating that the insurer agrees not to assert the defense of sovereign immunity within the scope of coverage and the policy amounts of the insurance policy required by this section. Nothing in this Compact shall be construed as a waiver of the Tribe's sovereign immunity with respect to any claim not covered by insurance maintained under this section, and nothing in this Compact shall be construed as agreement by the Tribe to pay punitive damages or attorneys' fees in connection with any claim.

C) The body of law, including both statutory and case law, governing tort recoveries in the State of South Dakota shall constitute the limits of the insurance policy purchased by the Tribe. Interpretation of the insurance policy as well as potential recoveries under this section shall also be governed by the statutory and case law of South Dakota.

D) Any dispute regarding a recovery under the policy shall be submitted to binding arbitration. The injured party shall pick a licensed arbitrator of his or her choice. The Tribe shall pick a licensed arbitrator of its choice. The two arbitrators chosen by the parties will then choose a third licensed arbitrator to hear the matter and issue a final decision on the question presented. The insurance company shall agree to be bound by this decision.

E) Nothing in this section enlarges or diminishes the jurisdiction of any Court.

14. GENERAL PROVISIONS

The following conditions shall be applicable throughout the term of this Agreement:

14.1 The parties hereto agree that in the event that a dispute arises as to an interpretation of the provisions of this Compact, in any of the rights, responsibilities or obligations attaching to the parties hereto, either party may commence an action in federal district court for the purpose of resolving such dispute.

14.2 The parties hereto agree that the Tribe will be responsible for the costs incurred by the State and associated with the State's performance of its responsibilities as provided for herein. The intent of this Compact is to provide for the reimbursement of the costs and expenses of the State in performing its responsibilities as provided herein with respect to inspections of gaming authorized under this Compact and background checks of potential licensees. Unless and until agreed in writing otherwise, the hourly rate to be paid to the State for its services for

inspections pursuant to this Compact is fifty dollars ($50.00). Travel, per diem, and other expenses shall be paid to the State at the rates set out in South Dakota Administrative Rules 05:01:02. Should the rates set out in the Administrative Rules be changed during the time of this Compact the rates to be paid to the State shall likewise be adjusted.

14.3 Unless otherwise indicated, all notices, payments, requests, reports, information or demand which any party hereto may desire or may be required to give to the other party hereto, shall be in writing and shall be personally delivered or sent by telegram or first class certified or registered United States mail, postage prepaid, return receipt requested, and sent to the other party at its address appearing below or such other address as any party shall hereinafter inform the other party hereto by written notice give as aforesaid:

Notice to the Tribe shall be sent to:

Flandreau Santee Sioux Tribe
PO Box 349
Flandreau, SD 57028

Notice to the State shall be sent to:

Governor's Office
500 East Capitol
Pierre, SD 57501

All notices, payments, requests, reports, information or demand so given shall be deemed effective upon receipt or if mailed, upon receipt or the expiration of the third day following the day of mailing, whichever occurs first, except that any notice of change of address shall be effective only upon receipt by the party of whom said notice is addressed.

14.4 This Agreement is the entire Agreement between the parties and supersedes all prior agreements whether written or oral, with respect to the subject matter hereof. Neither this Agreement nor any provision herein may be changed, waived, discharged, or terminated orally, but only by an instrument in writing.

14.5 This Agreement may be executed by the parties hereto in any number of separate counterparts with the same effect as if the signatures hereto and hereby were upon the same instrument. All such counterparts shall together constitute but one and the same document.

14.6 The State and/or the Tribe may not assign any of its respective right, title, or interest in this Agreement, nor may the State and/or the Tribe

delegate any of its respective obligations and duties under this Agreement, except as expressly provided herein. Any attempted assignment or delegation in contravention of the foregoing shall be null and void.

14.7 Nothing in this Compact shall be construed to limit the rights or remedies available to the parties hereto under the Indian Gaming Regulatory Act, provided that the Tribe agrees during the initial term of this Compact, the only games as to which it will seek to enter a compact with the State are blackjack, pari-mutuel wagering, slot machines, and games authorized by the South Dakota Commission on Gaming and any Class III game, not currently authorized in any form under South Dakota law, which becomes authorized for any purpose by the State during the initial term of this Compact.

14.8 This Compact shall not be construed to waive or diminish the sovereignty of the Flandreau Santee Sioux Tribe or the State of South Dakota, except as specifically provided by the terms of the Compact set forth above.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

FLANDREAU SANTEE SIOUX TRIBE

July 6th 2011 (Date)

BY: _____
Anthony Reider
Tribal President

STATE OF SOUTH DAKOTA

July 20, 2011 (Date)

BY: Dennis Daugaard
Dennis Daugaard, Governor
State of South Dakota

DEPARTMENT OF THE INTERIOR

AUG 31 2011 (Date)

BY: _____
Assistant Secretary