

DEPARTMENT OF REVENUE

Division of Gaming

SPORTS BETTING REGULATIONS

1 CCR 207-2

TEMPORARY RULE 3 APPLICATIONS, INVESTIGATIONS AND LICENSURE

BASIS AND PURPOSE FOR TEMPORARY RULE 3

The purpose of Temporary Rule 3 is to enable applications, investigations and licensure as related to sports betting, including to establish and provide the specific information required on license applications; to establish license fees for each type of license; to establish investigation fees for certain applicants and deposit procedures for investigation fees; to establish procedures for conducting background checks on applicants and other interested persons and assessing the costs of such background checks; to require certain information regarding the premises the applicant wishes to be licensed, and to provide a procedure for approval of modifications of such premises; and to provide for the issuance of conditional licenses. The statutory basis for Temporary Rule 3 is found in sections 44-30-201, C.R.S.; 44-30-203, C.R.S.; 44-30-302, C.R.S.; 44-30-507, C.R.S., and part 15 of article 30 of title 44, C.R.S.

3.1 License classifications.

In addition to the sports betting licenses authorized by section 44-30-1505(1)(a)–(c), C.R.S, the Commission authorizes the following additional license classifications.

- (1) Vendor major license.
 - (a) Any person who is employed for, contracts with, or acts on behalf of an establishment licensed to operate sports betting, and who performs one or more of the following duties must hold a vendor major license:
 - (i) Manages, administers, or controls wagers that are initiated, received, or made on a sports betting gaming system;
 - (ii) Manages, administers, or controls the games with which the wagers that are initiated, received, or made on a sports betting gaming system are associated;
 - (iii) Maintains or operates the software or hardware of a sports betting gaming system;
 - (iv) Provides products, services, information or assets to an establishment licensed to operate sports betting and/or receives therefore a percentage of gaming revenue from the establishment's sports betting system.
 - (b) A vendor major license expires two years after the date of issuance but may be renewed upon the filing and approval of an application for renewal.
- (2) Vendor minor license.
 - (a) Any person who is employed for, contracts with, or acts on behalf of an establishment licensed to operate sports betting, but is not required to hold a vendor major license, must hold a vendor minor license.

- (b) A vendor minor license expires two years after the date of issuance but may be renewed upon the filing and approval of an application for renewal.
- (3) Key employee license.
 - (a) The person designated to be responsible for the operation of sports betting licensee must hold a key employee license.
 - (b) Persons licensed as key employees for limited gaming purposes need not obtain a separate key employee license for sports betting.
 - (c) The determination of key employee status shall follow the same procedure as that set out in section 44-30-502 for key employees for limited gaming purposes.
 - (d) A key employee license expires two years after the date of issuance but may be renewed upon the filing and approval of an application for renewal.
- (4) Support license.
 - (a) All employees of a sports betting licensee not otherwise required to hold a key employee license, a vendor major license, or a vendor minor license may be required to hold a support license.
 - (b) No person required to hold a support license shall be an employee of, or assist, any sports betting licensee until the person obtains a valid support license.
 - (c) A support license expires two years after the date of issuance but may be renewed upon the filing and approval of an application for renewal.

3.2 Qualifications for licensure.

To qualify for licensure an applicant must:

- (1) Be at least twenty-one years of age;
- (2) Possess a suitable character as determined by the Director or the Commission;
- (3) For applicants for a master license, possess premises to be used for sports betting that are deemed suitable by the Commission and that satisfy all health and safety requirements; and
- (4) Comply with all specific laws, rules and regulations regulating sports betting in Colorado, and any other regulatory or taxing authority.

3.3 Applications.

- (1) An applicant for any type of license must apply on forms provided by the Division. Such application forms shall be completed under penalty of perjury. The application forms may include questions concerning the following:
 - (a) Personal background information;
 - (b) Licensing background;
 - (c) Organizational information;
 - (d) Financial information;
 - (e) Participation in legal or illegal activities in Colorado or other jurisdictions, including foreign countries;

- (f) Criminal record information;
- (g) Information concerning all pecuniary and equity interests in the applicant; and
- (h) Other information as required.

The application forms shall be accompanied and supplemented by such documents and information as may be specified or required. Failure to supply the information requested within five days after the request has been made by the Division constitutes grounds for delaying consideration of the application.

- (2) Renewal applications for licenses may be submitted and renewed upon the filing and approval of an application for renewal. Renewal applications for master licenses, sports betting operator licenses, internet sports betting operator licenses, vendor major licenses, and vendor minor licenses must be received by the Division 120 days before the expiration of the current license. Renewal applications for support employee and key employee licenses must be received by the Division 30 days before the expiration of the current license. Renewal applicants who fail to submit their completed applications when due shall not be considered to have made a timely and sufficient application for renewal, as such term is used in section 24-4-104(7) C.R.S.
- (3) When a key employee license or support employee license expires prior to renewal, the applicant for re-licensure shall file an original license application and shall pay the fee for an original application, and the Division shall process the application as an original license application.
- (4) Applicants, licensees, and others who submit documents to the Division or the Commission in connection with any investigation or inquiry are advised to keep a complete and detailed record of all such submissions. Once submitted, the documents become part of the Division's investigative files and work papers, and are presumed to be confidential and protected pursuant to section 44-30-1507, C.R.S. Because of the inconvenience to the Division in segregating this information from the investigative files, and in filtering confidential materials, disclosure to the person who initially submitted the record is not favored. The Commission may grant such a request only upon a showing of compelling cause.

3.4 License fees.

- (1) A non-refundable fee for issuance of a two-year license must accompany an application for any license required by this Rule.
- (2) The amount of the fee required by subsection (1) shall be set pursuant to the annual fee schedule proposed by the Director and approved by the Commission.

3.5 Investigation and background check costs.

- (1) All applicants for licenses shall pay the costs of investigations into their backgrounds, suitability, and qualifications for licensure.
 - (a) The cost of such investigations shall be at the current hourly rate set by the formula prepared by the Director and approved by the Commission for each hour spent by investigators of the Division, the Colorado Bureau of Investigation, or the Department of Revenue investigating the applicants until the conclusion of the investigation.
 - (b) All such applicants shall also pay the Division for the following actual costs incurred in conducting the background investigations: transportation; lodging; meals, and other expenses associated with traveling; significant office expense; document reproduction costs, preparation time; time necessary for administration of the investigation (including

additional staffing on a temporary basis); and other similar expenses incurred until the conclusion of the investigation.

- (c) An investigation concludes upon the issuance by the Commission of an initial order concerning the issuance or denial of the license, upon the issuance by either the Commission or the Division of an order approving the withdrawal of the application, or upon the issuance by the Division of an order of denial of the license which is not appealed to the Commission.
- (2) Applicants shall additionally submit a set of fingerprints to the Division. The Division shall forward the fingerprints to the Colorado Bureau of Investigation for the purpose of conducting a state and national fingerprint-based criminal history record check utilizing records of the Colorado Bureau of Investigation and the Federal Bureau of Investigation. The applicant for a sports betting license shall be responsible for the actual costs of submitting such fingerprints for investigation. The total amount of the fee for issuance of a license, investigation fees, and fees for the background check for an applicant for a sports betting license may not exceed one hundred and twenty-five thousand dollars.
- (3) Before any such investigations are conducted, each original applicant for a sports betting operator license or internet sports betting operator license, or vendor major license shall pay a deposit of \$10,000 by check made out to the Colorado Division of Gaming to the sports betting fund. Upon notice to the applicant, all other license types may be required to pay a deposit to the sports betting fund in an amount, which, in the Director's discretion, is sufficient to enable the investigation to be conducted.
- (4) As expenses are incurred, the Division shall draw upon the respective deposits in the sports betting fund. Upon request, a statement of costs, draws upon deposit, and deposit balance shall be sent to the applicant making the request.
- (5) When a deposit balance approaches zero dollars, or is forecasted to reach zero dollars due to anticipated or known expenses which will be incurred in the future, the Division may request a further deposit of an amount sufficient to cover the anticipated expenses and which will prevent the account balance from becoming negative. Until receipt of such further deposit, investigation of the application may cease.
- (6) Where an applicant disputes any investigative charges, or the necessity for further deposits, the applicant may request relief from the Commission, by declaratory order or other appropriate motion, regarding the matters in dispute.
- (7) No license, finding of suitability, or other approvals sought, shall be issued until payment for the full amount of any negative deposit balance has been received from the applicant.
- (8) Within 90 days of the conclusion of the investigation, any deposit balance shall be returned to the applicant. A statement of costs, also called an account detail report, draws upon deposit, and deposit balance shall accompany the return of the deposit balance to the applicant.

3.6 Contracts between master licensees with internet sports betting operators and/or sports betting operators.

Applicants for a master license, sports betting operator license, internet sports betting operator license, and vendor major license must provide, at the time of application, proposed contracts with all other sports betting licensees or applicants for a sports betting license, in a form as specified by the Division.

3.7 Retail gaming licenses.

Any applicant who holds a retail gaming license may apply for a master license. Upon the applicant's submission of an application and payment of all applicable fees, the Commission may issue one master license for each retail gaming license the applicant holds.

3.8 Waiver of privilege.

An applicant may claim any privilege afforded by the Constitution of the United States, or of the State of Colorado in refusing to answer questions by the Division and the Commission. However, a claim of privilege with respect to any testimony or evidence pertaining to an application may constitute sufficient grounds for denial of an application or revocation of a license.

3.9 Waiver of application requirements.

Corporate applicants for a sports betting license and licensees, or holding, intermediate or subsidiary companies of an applicant or licensee, may petition the Division for a waiver of the requirements listed in sections 44-30-1504(1) or (2), C.R.S. Waivers may be granted in the discretion of the Director upon a showing of good cause, subject to Commission approval.

3.10 Untrue statements.

The Commission may refuse to grant a license to an applicant who makes deliberate misstatements, deliberate omissions, misrepresentations, or untruths in the application or in connection with the applicant's background investigation. Such conduct may also constitute a class 6 felony.

3.11 Licensed premises.

- (1) An applicant for a master license must specify the portion of the licensee's premises, if any, where sports betting will take place by providing the following information:
 - (a) An 8 1/2" x11" drawing to scale of the building, and each floor thereof, in which sports betting shall be conducted.

A diagram, outlined in red, of the proposed licensed premises on each floor within the building, and including the placement of any self-service sports betting devices. No sports betting, except online sports betting by a customer using his or her own computer or mobile or interactive device, shall be conducted or permitted outside of the licensed premise. All persons participating in sports betting, except online sports betting by a customer using his or her own computer or mobile or interactive device, must stand or sit within the licensed premises; and no licensee shall permit any person to conduct or participate in sports betting, except online sports betting by a customer using his or her own computer or mobile or interactive device, who is not within the licensed premises. Nothing in this section, however, shall be construed to permit violation of any fire safety, health or building codes by any licensee. The licensed premises must be clearly marked as such so that the patrons of each establishment licensed to operate sports betting can readily discern the licensed premises.
 - (b) A certificate of compliance approved by the local fire and building officials which has been approved, or deemed approved, by the Colorado Division of Fire Prevention and Control; and a written statement by the appropriate local official that handicapped access to the licensed premises has been provided.
- (2) Any master licensee may change the configuration of its licensed premises upon prior approval of the Division. Application to modify the licensed premises must be made on forms furnished by the Division. No application to modify the licensed premises of any licensee shall be approved unless

the licensed premises, as modified, meets the requirements of article 30 of title 44, C.R.S., and the rules promulgated thereunder.

- (3) An applicant for a sports betting license, other than a master license, must specify the portion of the master licensee's premises, if any, where sports betting will take place by submitting such information along with its contract with a master licensee.

3.12 Temporary license.

- (1) The Commission may issue a temporary license to any applicant for a permanent license.
- (2) No licensee issued a temporary license pursuant to this article shall be entitled to receive any refund of the license fee submitted in connection with the license application.
- (3) The Commission may change a temporary license into a permanent license where: all investigations into the license application are complete; and the Commission is satisfied the holder of a temporary license qualifies to hold a permanent license.
- (4) When the Commission changes a temporary into a permanent license, the date of issuance of the permanent license shall be deemed to be that of the first temporary license.
- (5) A temporary license may expire of its own accord, or it may be suspended, revoked, or summarily suspended under the same terms and conditions as a permanent license.
- (6) The Commission may issue consecutive temporary licenses in its discretion.

3.13 Approval with conditions or for a limited period.

The Commission may grant a license with special conditions or for a limited period, or both.

3.14 Approval.

- (1) Except as otherwise provided in subsection (2) of this rule, the Commission shall approve an application for any license that meets all requirements imposed by article 30 of title 44, C.R.S., and the rules and regulations thereunder, including payment of all fees and costs.
- (2) The Director may issue temporary or permanent key employee and support licenses, without necessity for Commission approval, to qualified applicants upon submission to the Director of proper applications, costs, and fees.

3.15 Transferability of licenses.

- (1) A license issued pursuant to these rules may not be transferred without prior approval by the Commission. The Commission reserves the right to terminate any license and revoke the privileges of such license whenever appropriate.