

AGENDA
COLORADO LIMITED GAMING CONTROL COMMISSION

Meeting of June 15, 2023
Beginning at 9:15 a.m.
In Person & Cisco Webex

Division of Gaming
1707 Cole Blvd., Ste. 300
Lakewood, CO 80401

**This meeting will be held in-person at 1707 Cole Blvd., Suite 300, Lakewood, CO 80401, and virtually at 9:15 a.m. The video meeting link can be found on our webpage:
<https://sbg.colorado.gov/limited-gaming-control-commission>.**

In addition to other matters that may properly be considered by the Colorado Limited Gaming Control Commission, the following items are scheduled for consideration and adoption on June 15, 2023. Times contained in the agenda are approximate.

PUBLIC SESSION

I. Call to Order

EXECUTIVE SESSION

Review of confidential background licensing reports scheduled for consideration during the public session.

PUBLIC SESSION (reconvened)

II. Consideration of Licensing Actions

Limited Gaming Licenses

Renewal of the Retail and Master Licenses for
Casino Holdings, Inc. d/b/a Brass Ass Casino
Holland Ventures, Inc. d/b/a J.P. McGill's Hotel & Casino
Midnight Rose Hotel & Casino, Inc. d/b/a Midnight Rose Hotel & Casino

Renewal of the of the Manufacturer/Distributor Licenses for
Midnight Rose Hotel & Casino, Inc. d/b/a Midnight Rose Hotel & Casino

Renewal of the of the Associated Equipment Supplier License for
Galaxy Gaming, Inc.

Reissuance of the Temporary Associated Equipment Supplier License for
OPTX Solutions, LLC

Sports Betting Licenses

Renewal of Internet Operator License for
Circa Sports Colorado LLC d/b/a Circa Sports Colorado

First Vendor Minor Licenses for
Vault Media & Technology Corporation
NRT Technology Corp.
RealJZ LLC d/b/a Bet-Tenders

Renewal of the Vendor Minor Licenses for
Shift4 Payments, LLC
Stram Entertainment Limited d/b/a BestOdds
Cardinal Marketing LLC
TotalReach, LLC
Growth Advisors Inc.
All Up AQ Pty Ltd
Fanalyze
BETFULLY, INC.
GMT Consultancy Services LTD
Leadstar Media AB
Al McMordie's BigAI.com
All Time Sports, LLC d/b/a The Volume, LLC
DIGITAL RUSH LTD
Made Good Company
LSports Ltd
Bleacher Report, Inc.
Shufti Pro Limited

- III. Opportunity for Public to Address the Commission
- IV. Consideration of Division Limited Gaming Financial Statements for April 2023
- V. Consideration of Division Sports Betting Financial Statements for April 2023
- VI. Consideration of Limited Gaming Rule 14 Regulation 30-1401, Tax Setting
- VII. Consideration of Sports Betting Rule 7.6 – Exchange Wagering
- VIII. Consideration of Organizational Matters
- IX. Opportunity for Industry Members to Address the Commission on Current Issues and Events
- X. Adjournment

At the discretion of the Commission, any or all of the above matters may be continued for consideration or adoption at a different time, may be considered out of order, or may be considered at the next meeting of the Commission.

Item IV

Limited Gaming Financial Statements April 2023



**STATEMENT OF GAMING REVENUES,
GAMING TAXES, AND EXPENDITURES**

(UNAUDITED)

FOR THE TEN (10) MONTHS ENDED

APRIL 30, 2023



COLORADO

Department of Revenue

Specialized Business Group—Gaming

1707 Cole Blvd., Suite 300
Lakewood, CO 80401

June 15, 2023

State Treasurer and Members of the Colorado Limited Gaming Control Commission:

Pursuant to Section 44-30-203 (i), C.R.S., the Colorado Division of Gaming is required to furnish monthly a, "report which contains a full and complete statement of the division's revenues and expenses."

The attached combined financial statements for April 30, 2023 have not been audited. They contain the most current data available. This information has been collected and recorded in accordance with generally accepted accounting principles.

Respectfully submitted,

Vickie Floyd
Division Controller

**COLORADO DIVISION OF GAMING
FINANCIAL STATEMENTS
(UNAUDITED)**

DISTRIBUTION

Honorable Jared Polis	Governor
Representative Julie McCluskie	Speaker of the House of Representatives
Senator Stephen Fenberg	President of the Senate
Senator Paul Lundeen	Senate Minority Leader
Representative Mike Lynch	House Minority Leader
Senator Rachel Zenzinger	Chair, Joint Budget Committee
Mr. Richard Nathan	Chair, Limited Gaming Control Commission
Mr. Justin Davis	Vice Chair, Limited Gaming Control Commission
Mr. Kevin Armstrong	Limited Gaming Control Commission
Mr. Shawn Coleman	Limited Gaming Control Commission
Ms. Patsy Landaveri	Limited Gaming Control Commission
Mr. Mark Ferrandino	Executive Director, Department of Revenue
Mr. Michael Phibbs	Senior Director, Specialized Business Group, Department of Revenue
Mr. Scott Koehler	Accounting Director, Department of Revenue
Mr. Bob Jaros	State Controller
Mr. Charles Scheibe	Chief Financial Officer, Department of the Treasury
Ms. Aly Jabrocki	State Archivist
Ms. Kerri Hunter	State Auditor
Ms. Amanda King	Joint Legislative Library
Ms. Megan Davisson	Deputy Director for Budget, Governor's Office
Colorado State Publications Depository and Distribution Center	State of Colorado Library

**DIVISION OF GAMING
STATEMENT OF REVENUES
GAMING TAXES, AND EXPENDITURES
(UNAUDITED)**

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**COLORADO DIVISION OF GAMING
TAX REVENUES COMPARISON
APRIL 30, 2023 AND 2022**

The Colorado Limited Gaming Control Commission assesses taxes based on adjusted gross proceeds (AGP).

The tax rates for period ending June 30, 2023 are:

- 3% on AGP from charitable gaming
- .25% on amounts up to \$2 million
- 2% on amounts over \$2 million and up to \$5 million
- 9% on amounts over \$5 million and up to \$8 million
- 11% on amounts over \$8 million and up to \$10 million
- 16% on amounts over \$10 million and up to \$13 million
- 20% on amounts over \$13 million

The tax rates for year ending June 30, 2023 are the same as they were for year ending June 30, 2022.

For Periods Beginning July 1, 2021 and 2022 through April 30, 2022 and 2023

AGP Comparison				
Range	Prior Year AGP	Current Year AGP	Difference	Percent Change
\$0 - \$2 Million	\$ 1,823,671	\$ 2,012,177	\$ 188,506	10.34%
\$2 - \$5 Million	\$ 15,300,520	\$ 29,222,770	\$ 13,922,250	90.99%
\$5 - \$8 Million	\$ 37,154,667	\$ 26,656,271	\$ (10,498,396)	(28.26)%
\$8 - \$13 Million	\$ 75,086,703	\$ 45,868,705	\$ (29,217,998)	(38.91)%
\$13+ Million	\$ 724,365,840	\$ 803,041,325	\$ 78,675,485	10.86%
Total	<u>\$ 853,731,401</u>	<u>\$ 906,801,248</u>	<u>\$ 53,069,847</u>	<u>6.22%</u>

Tax Comparison				
Range	Prior Year Tax	Current Year Tax	Difference	Percent Change
\$0 - \$2 Million	\$ 159,559	\$ 170,031	\$ 10,472	6.56%
\$2 - \$5 Million	\$ 1,766,010	\$ 1,764,455	\$ (1,555)	(0.09)%
\$5 - \$8 Million	\$ 6,313,920	\$ 6,269,064	\$ (44,856)	(0.71)%
\$8 - \$13 Million	\$ 12,268,321	\$ 13,734,854	\$ 1,466,533	11.95%
\$13+ Million	\$ 108,473,168	\$ 116,408,265	\$ 7,935,097	7.32%
Total	<u>\$ 128,980,978</u>	<u>\$ 138,346,669</u>	<u>\$ 9,365,691</u>	<u>7.26%</u>

Open Casinos Comparison			
Range	Prior Year No. of Tax Returns Filed by Casinos	This Year No. of Tax Returns Filed by Casinos	Difference
\$0 - \$2 Million	2	3	1
\$2 - \$5 Million	4	6	2
\$5 - \$8 Million	6	4	(2)
\$8 - \$13 Million	7	4	(3)
\$13+ Million	14	16	2
Total	<u>33</u>	<u>33</u>	<u>0</u>

**COLORADO DIVISION OF GAMING
COMBINED BALANCE SHEETS
APRIL 30, 2023 AND 2022
(UNAUDITED)**

	FY 2023				FY 2022			
	EXTENDED GAMING FUND	RESPONSIBLE GAMING GRANT FUND	LIMITED GAMING FUND	TOTAL GAMING FUNDS	EXTENDED GAMING FUND	RESPONSIBLE GAMING GRANT FUND	LIMITED GAMING FUND	TOTAL GAMING FUNDS
ASSETS:								
Cash	\$ 96,405	\$ 955,410	\$ 114,342,188	\$ 115,394,003	\$ 19,664	\$ 0	\$ 104,463,541	\$ 104,483,205
Accounts Receivable								
Gaming Taxes	0	0	16,837,181	16,837,181	0	0	16,731,535	16,731,535
Accounts Receivable Other Agencies	0	0	0	0	0	0	716	716
Fines Receivable	0	0	2,659	2,659	0	0	654	654
Miscellaneous	0	0	7,083	7,083	0	0	4,582	4,582
Net Accounts Receivable	0	0	16,846,923	16,846,923	0	0	16,737,487	16,737,487
Prepaid Expenses	0	0	62,307	62,307	0	0	50,058	50,058
Total Current Assets	96,405	955,410	131,251,418	132,303,233	19,664	0	121,251,086	121,270,750
TOTAL ASSETS	\$ 96,405	\$ 955,410	\$ 131,251,418	\$ 132,303,233	\$ 19,664	\$ 0	\$ 121,251,086	\$ 121,270,750
LIABILITIES AND FUND BALANCE:								
Accounts Payable	\$ 0	\$ 0	\$ 78,248	\$ 78,248	\$ 0	\$ 0	\$ 119,197	\$ 119,197
Wages & Salaries Payable	0	0	39,202	39,202	0	0	46,122	46,122
Due to Other State Agencies	0	0	617,021	617,021	0	0	622,951	622,951
Background and Other Deposits	0	0	278,499	278,499	0	0	236,653	236,653
Unearned Revenue	0	0	290,451	290,451	0	0	310,427	310,427
Total Liabilities	0	0	1,303,421	1,303,421	0	0	1,335,350	1,335,350
FUND BALANCE:								
Restricted	0	0	63,719,995	63,719,995	0	0	58,798,903	58,798,903
Committed	0	0	63,719,994	63,719,994	0	0	58,798,902	58,798,902
Restricted for:								
Required Reserve	0	0	2,445,701	2,445,701	0	0	2,267,873	2,267,873
Extended Gaming Recipients	96,405	0	0	96,405	19,664	0	0	19,664
Responsible Gaming	0	955,410	0	955,410	0	0	0	0
Nonspendable:								
Prepays	0	0	62,307	62,307	0	0	50,058	50,058
Total Fund Balance	96,405	955,410	129,947,997	130,999,812	19,664	0	119,915,736	119,935,400
TOTAL LIABILITIES AND FUND BALANCE	\$ 96,405	\$ 955,410	\$ 131,251,418	\$ 132,303,233	\$ 19,664	\$ 0	\$ 121,251,086	\$ 121,270,750

**COLORADO DIVISION OF GAMING
COMBINED STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE (UNAUDITED)
TEN MONTHS ENDED APRIL 30, 2023 AND 2022**

	FY 2023				FY 2022			
	EXTENDED GAMING FUND	RESPONSIBLE GAMING GRANT FUND	LIMITED GAMING FUND	TOTAL GAMING FUNDS	EXTENDED GAMING FUND	RESPONSIBLE GAMING GRANT FUND	LIMITED GAMING FUND	TOTAL GAMING FUNDS
REVENUES:								
Gaming Taxes	\$ 0	\$ 0	\$ 138,346,693	\$ 138,346,693	\$ 0	\$ 0	\$ 128,981,587	\$ 128,981,587
License and Application Fees	0	0	583,740	583,740	0	0	568,125	568,125
Background Investigations	0	0	92,210	92,210	0	0	103,257	103,257
Fines	0	0	4,788	4,788	0	0	5,292	5,292
Interest Income	96,405	46,210	1,499,000	1,641,615	19,664	0	541,018	560,682
Other Revenue	0	0	685	685	0	0	176	176
TOTAL REVENUES	96,405	46,210	140,527,116	140,669,731	19,664	0	130,199,455	130,219,119
EXPENDITURES:								
Salaries and Benefits	0	18,835	7,282,490	7,301,325	0	0	6,973,540	6,973,540
Annual and Sick Leave Payouts	0	0	41,393	41,393	0	0	24,927	24,927
Professional Services	0	0	147,838	147,838	0	0	102,998	102,998
Travel	0	0	71,459	71,459	0	0	27,369	27,369
Automobiles	0	0	175,119	175,119	0	0	149,432	149,432
Printing	0	0	15,629	15,629	0	0	10,402	10,402
Police Supplies	0	0	42,818	42,818	0	0	38,165	38,165
Computer Services & Name Searches	0	0	67,885	67,885	0	0	86,443	86,443
Materials, Supplies, and Services	0	0	300,119	300,119	0	0	340,549	340,549
Postage	0	0	1,952	1,952	0	0	3,187	3,187
Telephone	0	0	65,971	65,971	0	0	62,805	62,805
Utilities	0	0	27,274	27,274	0	0	22,800	22,800
Other Operating Expenditures	0	0	108,317	108,317	0	0	75,050	75,050
Leased Space	0	0	119,418	119,418	0	0	104,232	104,232
Capital Outlay	0	0	14,478	14,478	0	0	36,195	36,195
EXPENDITURES - SUBTOTAL	0	18,835	8,482,160	8,500,995	0	0	8,058,094	8,058,094
STATE AGENCY SERVICES								
Colorado Bureau of Investigation	0	0	0	0	0	0	119,750	119,750
Division of Fire Prevention and Control	0	0	234,892	234,892	0	0	214,574	214,574
Colorado State Patrol	0	0	3,003,262	3,003,262	0	0	2,950,033	2,950,033
State Auditors	0	0	10,405	10,405	0	0	8,690	8,690
Indirect Costs - Department of Revenue	0	0	971,249	971,249	0	0	979,863	979,863
Regulatory Agencies	0	0	0	0	0	0	2,731	2,731
Colorado Department of Law	0	0	192,988	192,988	0	0	202,545	202,545
OIT Purchased Services	0	0	124,890	124,890	0	0	12,880	12,880
Grants to Nongovernmental Organizations	0	1,571,965	0	1,571,965	0	0	0	0
TOTAL STATE AGENCY SERVICES	0	1,571,965	4,537,686	6,109,651	0	0	4,491,066	4,491,066
Non Personal Services Background Exp.	0	0	4,974	4,974	0	0	2,432	2,432
TOTAL EXPENDITURES	0	1,590,800	13,024,820	14,615,620	0	0	12,551,592	12,551,592
Excess of Revenues Over Expenditures	96,405	(1,544,590)	127,502,296	126,054,111	19,664	0	117,647,863	117,667,527
FY22 & FY21 Extended Gaming Distr.	(46,823,932)	0	0	(46,823,932)	(17,647,531)	0	0	(17,647,531)
FUND BALANCE AT JULY 1, 2022 & 2021	46,823,932	2,500,000	2,445,701	51,769,633	17,647,531	0	2,267,873	19,915,404
TOTAL FUND BAL. APRIL 30, 2023 & 2022	\$ 96,405	\$ 955,410	\$ 129,947,997	\$ 130,999,812	\$ 19,664	\$ 0	\$ 119,915,736	\$ 119,935,400

**COLORADO DIVISION OF GAMING
STATEMENT OF BUDGET TO ACTUAL
TEN MONTHS ENDED APRIL 30, 2023
(UNAUDITED)**

	BEGINNING BUDGET *	SUPPLE- MENTAL CHANGES / ROLLFORWARDS	ANNUAL REVISED ESTIMATED BUDGET **	83.3% OF BUDGETED AMOUNT EXCEPT FOR TAXES ***	YEAR-TO-DATE ACTUAL	OVER / (UNDER) ANNUAL BUDGET	% EARNED % EXPENDED OF ANNUAL BUDGET
REVENUES:							
Gaming Taxes	\$ 166,507,340	\$ 0	\$ 166,507,340	\$ 131,574,100	\$ 138,346,693	\$ (28,160,647)	83.09%
License and Application Fees	649,710	0	649,710	541,425	583,740	(65,970)	89.85%
Background Investigations	164,551	0	164,551	137,126	92,210	(72,341)	56.04%
Fines and Fees	0	0	0	0	4,788	4,788	100.00%
Interest Revenue	669,286	0	669,286	557,738	1,499,000	829,714	223.97%
Other Revenue	0	0	0	0	685	685	100.00%
TOTAL REVENUES	167,990,887	0	167,990,887	139,992,406 ^^	140,527,116	(27,463,771)	83.65%
EXPENDITURES:							
Personal Services	10,306,436	0	10,306,436	8,588,697	7,461,280	(2,845,156)	72.39%
Operating Expenditures	781,994	(75,000)	706,994	589,162	480,033	(226,961)	67.90%
Workers Compensation	25,015	0	25,015	20,846	20,846	(4,169)	83.33%
Risk Management	38,439	0	38,439	32,033	32,033	(6,406)	83.33%
Licensure Activities	127,074	0	127,074	105,895	70,671	(56,403)	55.61%
Leased Space	155,000	0	155,000	129,167	119,418	(35,582)	77.04%
Vehicle Lease Payments - Fixed	118,486	0	118,486	98,738	90,407	(28,079)	76.30%
Vehicle Lease Payments - Variable	86,000	(2,000)	84,000	70,000	84,000	0	100.00%
Utilities	28,925	0	28,925	24,104	27,274	(1,651)	94.29%
Legal Services	286,686	(55,100)	231,586	192,988	192,988	(38,598)	83.33%
CORE Operations	86,243	0	86,243	71,869	71,869	(14,374)	83.33%
Payments to Office of Information Technology	149,869	0	149,869	124,891	124,890	(24,979)	83.33%
IT Division - MIPC Phones & ISD	51,269	0	51,269	42,724	34,734	(16,535)	67.75%
Indirect Costs - Department of Revenue	1,165,499	0	1,165,499	971,249	971,249	(194,250)	83.33%
State Agency Services	4,018,554	0	4,018,554	3,348,795	3,238,154	(780,400)	80.58%
Division Expenditures	17,425,489	(132,100)	17,293,389	14,411,158	13,019,846	(4,273,543)	75.29%
Non Personal Services Background Expenditures	68,425	0	68,425	57,021	4,974	(63,451)	7.27%
TOTAL EXPENDITURES	17,493,914	(132,100)	17,361,814	14,468,178	13,024,820	(4,336,994)	75.02%
EXCESS OF REVENUES OVER EXPENDITURES	\$ 150,496,973	N/A	\$ 150,629,073	\$ 125,524,228	\$ 127,502,296	\$ (23,126,777)	84.65%

* Represents original information given to the Commission in April and May of 2022.

The percent of the fiscal year elapsed through April 30, 2023 is 83.3%.

** Amount includes Long Bill items and Supplemental Appropriations.

*** The original tax projection assumed an AGP increase of 10%, which was then applied to the existing casinos' graduated tax tiers. The \$131,574,100 is this tax projection through April, which is \$6,772,593 less than the actual taxes collected for the same period.

^^ Calculated number is not a sum, rather elapsed percentage of Annual Revised Estimated Budget.



COLORADO
Department of Revenue

Specialized Business Group—Gaming
1707 Cole Blvd., Suite 300
Lakewood, CO 80401

Memo

To: Colorado Limited Gaming Control Commission
From: Vickie Floyd, Gaming Controller
Date: June 15, 2023
Re: April Gaming Fund Financial Statement Presentation

Following are highlights from the Gaming Fund financial statements ending April 30, 2023.

Statement of Revenues, Expenditures, and Changes in Fund Balance

Gaming tax revenues increased by \$9,365,106 or 7% over last year. Please recall, Amendment 77, which removed betting limits and allowed other games, was effective May 1, 2021. Additional games have been added over time. Total Revenues for the Limited Gaming Fund as of April 30 were \$140,527,116, an 8% increase compared to April 2022.

Total expenditures for the period ending April 30, 2023, were approximately \$13 million. This represents a 4% increase over last year. The main reason for the increase is in the Salaries and Benefits line, which increased by \$308,950 or 4% over last year. This is mostly because we had more filled positions through February this fiscal year compared to last year and health, dental, and life expenditures have increased by an average of 3.4% over last fiscal year. The second largest increase of \$112,010 is in the OIT Purchased Services line. This is because the amount of the large OIT credit for fiscal year 2022 was not known until April of last year.

The excess of total revenues over expenditures was \$127,502,296. This is an 8% increase over last year and represents the amount we could distribute as of April 30.

Statement of Budget to Actual

Total revenues collected through April 30, 2023, were 84% of budgeted. Total expenditures were 75% of budgeted, which is below the 83% of the fiscal year that has elapsed. As you can see, we have expended all of the appropriation in the Vehicle Lease Payments – Variable line, as expected. We continue to pay any remaining expenditures out of the Operating Expenditures line. In addition, even though the Utilities line is 94% expended, we will pay any expenditures that exceed this appropriation out of our Operating Expenditures line as well. Lastly, the excess of revenues over expenditures was 85% of budgeted.

Please feel free to contact me if you have any questions on the Gaming Fund financial statements.

Item V

Sports Betting Financial Statements April 2023



**STATEMENT OF SPORTS BETTING REVENUES,
SPORTS BETTING TAXES, AND EXPENDITURES**

(UNAUDITED)

FOR THE TEN (10) MONTHS ENDED

APRIL 30, 2023

**DIVISION OF GAMING
STATEMENT OF REVENUES
SPORTS BETTING TAXES, AND
EXPENDITURES
(UNAUDITED)**

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COLORADO DIVISION OF GAMING
SPORTS BETTING COMBINED BALANCE SHEETS
APRIL 30, 2023 AND 2022
(UNAUDITED)

	FY 2023			FY 2022		
	HOLD-HARMLESS FUND	SPORTS BETTING FUND	TOTAL SPORTS BETTING FUNDS	HOLD-HARMLESS FUND	SPORTS BETTING FUND	TOTAL SPORTS BETTING FUNDS
ASSETS:						
Cash	\$ 1,263,648	\$ 21,163,884	\$ 22,427,532	\$ 491,958	\$ 10,122,214	\$ 10,614,172
Accounts Receivable						
Sports Betting Taxes	0	2,608,434	2,608,434	0	1,231,776	1,231,776
Fines Receivable	0	84	84	0	84	84
Miscellaneous	0	1,075	1,075	0	942	942
Net Accounts Receivable	0	2,609,593	2,609,593	0	1,232,802	1,232,802
Prepaid Expenses	0	16,439	16,439	0	23,137	23,137
Total Current Assets	1,263,648	23,789,916	25,053,564	491,958	11,378,153	11,870,111
TOTAL ASSETS	\$ 1,263,648	\$ 23,789,916	\$ 25,053,564	\$ 491,958	\$ 11,378,153	\$ 11,870,111
LIABILITIES AND FUND BALANCE:						
Accounts Payable	\$ 0	\$ 22,087	\$ 22,087	\$ 0	\$ 16,998	\$ 16,998
Wages & Salaries Payable	0	25,188	25,188	0	9,127	9,127
Due to Other State Agencies	0	31,496	31,496	0	70,654	70,654
Background Deposits	0	474,143	474,143	0	516,329	516,329
Unearned Revenue	0	57,105	57,105	0	55,067	55,067
Total Liabilities	0	610,019	610,019	0	668,175	668,175
FUND BALANCE:						
Restricted	0	23,145,981	23,145,981	0	10,680,659	10,680,659
Restricted for:						
Reserve	0	17,477	17,477	0	6,182	6,182
Hold-Harmless Recipients	1,263,648	0	1,263,648	491,958	0	491,958
Nonspendable:						
Prepays	0	16,439	16,439	0	23,137	23,137
Total Fund Balance	1,263,648	23,179,897	24,443,545	491,958	10,709,978	11,201,936
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,263,648	\$ 23,789,916	\$ 25,053,564	\$ 491,958	\$ 11,378,153	\$ 11,870,111

COLORADO DIVISION OF GAMING
SPORTS BETTING STATEMENT OF BUDGET TO ACTUAL
TEN MONTHS ENDED APRIL 30, 2023
(UNAUDITED)

	BEGINNING BUDGET *	SUPPLE- MENTAL CHANGES / ROLLFORWARDS	ANNUAL REVISED ESTIMATED BUDGET **	83.3% OF BUDGETED AMOUNT	YEAR-TO-DATE ACTUAL	OVER / (UNDER) ANNUAL BUDGET	% EARNED % EXPENDED OF ANNUAL BUDGET
REVENUES:							
Sports Betting Taxes	\$ 12,607,943	\$ 0	\$ 12,607,943	\$ 10,506,619	\$ 22,954,546	\$ 10,346,603	182.06%
License and Application Fees	185,250	0	185,250	154,375	149,747	(35,503)	80.84%
Sports Betting Operations Fees	2,536,075	0	2,536,075	2,113,396	1,985,500	(550,575)	78.29%
Background Investigations	89,860	0	89,860	74,883	82,334	(7,526)	91.62%
Fines and Fees	0	0	0	0	205,252	205,252	100.00%
Interest Revenue	97,141	0	97,141	80,951	301,581	204,440	310.46%
Other Revenue	0	0	0	0	285	285	100.00%
TOTAL REVENUES	15,516,269	0	15,516,269	12,930,224	25,679,245	10,162,976	165.50%
EXPENDITURES:							
Personal Services	3,490,526	0	3,490,526	2,908,772	2,094,537	(1,395,989)	60.01%
Operating Expenditures	110,134	75,000	185,134	154,278	123,107	(62,027)	66.50%
Workers Compensation	6,254	0	6,254	5,212	5,212	(1,042)	83.34%
Risk Management	9,610	0	9,610	8,008	8,008	(1,602)	83.33%
Licensure Activities	23,721	0	23,721	19,768	15,622	(8,099)	65.86%
Leased Space	39,000	0	39,000	32,500	29,854	(9,146)	76.55%
Vehicle Lease Payments - Fixed	12,731	0	12,731	10,609	11,322	(1,409)	88.93%
Legal Services	81,572	147	81,719	68,099	68,099	(13,620)	83.33%
CORE Operations	21,561	0	21,561	17,968	17,968	(3,593)	83.34%
Payments to Office of Information Technology	43,983	0	43,983	36,652	36,650	(7,333)	83.33%
Indirect Costs - Department of Revenue	125,336	0	125,336	104,447	104,447	(20,889)	83.33%
Division Expenditures	3,964,428	75,147	4,039,575	3,366,313	2,514,826	(1,524,749)	62.25%
Non Personal Services Background Expenditures	35,582	0	35,582	29,651	1,999	(33,583)	5.62%
TOTAL EXPENDITURES	4,000,010	75,147	4,075,157	3,395,964	2,516,825	(1,558,332)	61.76%
EXCESS OF REVENUES OVER EXPENDITURES	\$ 11,516,259	N/A	\$ 11,441,112	\$ 9,534,260	\$ 23,162,420	\$ 11,721,308	202.45%

* Represents original information given to the Commission in April of 2022.
The percent of the fiscal year elapsed through April 30, 2023 is 83.3%.

** Amount includes Long Bill items and Supplemental Appropriations.

**COLORADO DIVISION OF GAMING
SPORTS BETTING COMBINED STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
TEN MONTHS ENDED APRIL 30, 2023 AND 2022
(UNAUDITED)**

	FY 2023			FY 2022		
	HOLD-HARMLESS FUND	SPORTS BETTING FUND	TOTAL SPORTS BETTING FUNDS	HOLD-HARMLESS FUND	SPORTS BETTING FUND	TOTAL SPORTS BETTING FUNDS
REVENUES:						
Sports Betting Taxes	\$ 0	\$ 22,954,546	\$ 22,954,546	\$ 0	\$ 10,517,462	\$ 10,517,462
License and Application Fees	0	149,747	149,747	0	136,314	136,314
Sports Betting Operations Fees	0	1,985,500	1,985,500	0	2,107,100	2,107,100
Background Investigations	0	82,334	82,334	0	61,354	61,354
Fines	0	205,252	205,252	0	90,252	90,252
Interest Income	23,756	301,581	325,337	3,176	71,155	74,331
Other Revenue	0	285	285	0	164	164
TOTAL REVENUES	23,756	25,679,245	25,703,001	3,176	12,983,801	12,986,977
EXPENDITURES:						
Salaries and Benefits	0	1,922,133	1,922,133	0	1,576,072	1,576,072
Annual and Sick Leave Payouts	0	631	631	0	0	0
Professional Services	0	166,580	166,580	0	18,741	18,741
Travel	0	17,122	17,122	0	16,339	16,339
Automobiles	0	21,099	21,099	0	13,280	13,280
Printing	0	1,970	1,970	0	1,276	1,276
Police Supplies	0	6,642	6,642	0	6,111	6,111
Computer Services & Name Searches	0	23,829	23,829	0	17,681	17,681
Materials, Supplies, and Services	0	67,837	67,837	0	33,501	33,501
Postage	0	225	225	0	383	383
Telephone	0	11,281	11,281	0	8,213	8,213
Other Operating Expenditures	0	26,022	26,022	0	16,223	16,223
Leased Space	0	29,854	29,854	0	26,058	26,058
EXPENDITURES - SUBTOTAL	0	2,295,225	2,295,225	0	1,733,878	1,733,878
STATE AGENCY SERVICES						
Colorado Bureau of Investigation	0	0	0	0	6,303	6,303
State Auditors	0	10,405	10,405	0	249,065	249,065
Indirect Costs - Department of Revenue	0	104,447	104,447	0	106,073	106,073
Colorado Department of Law	0	68,099	68,099	0	118,657	118,657
OIT Purchased Services	0	36,650	36,650	0	64,064	64,064
TOTAL STATE AGENCY SERVICES	0	219,601	219,601	0	544,162	544,162
Non Personal Services Background Exp.	0	1,999	1,999	0	1,965	1,965
TOTAL EXPENDITURES	0	2,516,825	2,516,825	0	2,280,005	2,280,005
EXCESS OF REVENUES OVER EXPENDITURES	23,756	23,162,420	23,186,176	3,176	10,703,796	10,706,972
OTHER FINANCING SOURCES (USES):						
Sports Betting Distribution	0	(11,489,790)	(11,489,790)	0	(8,075,834)	(8,075,834)
Transferred to Hold-Harmless Fund	0	(746,727)	(746,727)	0	(488,782)	(488,782)
Transfer from Sports Betting Fund	746,727	0	746,727	488,782	0	488,782
FUND BALANCE AT JULY 1, 2022 & 2021	493,165	12,253,994	12,747,159	0	8,570,798	8,570,798
TOTAL FUND BAL. APRIL 30, 2023 & 2022	\$ 1,263,648	\$ 23,179,897	\$ 24,443,545	\$ 491,958	\$ 10,709,978	\$ 11,201,936



COLORADO
Department of Revenue

Specialized Business Group—Gaming
1707 Cole Blvd., Suite 300
Lakewood, CO 80401

Memo

To: Colorado Limited Gaming Control Commission
From: Ryan Golden, Reporting Accountant
Date: June 22, 2023
Re: April 2023 Sports Betting Fund Financial Statements

Following are highlights from the Sports Betting Fund financial statements ending April 30, 2023.

Statement of Revenues, Expenditures, and Changes in Fund Balance

Current fiscal year Sports Betting Tax revenue was \$22,954,546 which is an increase of \$12,437,084 or 118% over the prior fiscal year. The current fiscal year increase in Sports Betting Tax revenue is due primarily to the year over year increase in Net Sports Betting Proceeds of 167%.

Current fiscal year Sports Betting Operations Fees revenue was \$1,985,500 which is a decrease of \$121,600 over the prior fiscal year. Through April of the current fiscal year 40 total operations fees were collected, 25 for internet operations and 15 for on-site operations. Through April of the prior fiscal year 43 total operations fees were collected, 26 for internet operations and 17 for on-site operations. Internet operations fees did not change year over year while on-site operations fees decreased in amount year over year.

Total Sports Betting Fund revenues through April 2023 increased by \$12,695,444 or 98% over April 2022.

Total Sports Betting Fund expenditures through April 2023 were \$2,516,825 which is an increase of 10% year over year. Although current fiscal year salaries and benefits, and professional services have increased by about \$495,000 in total, current fiscal year payments to the State Auditor have decreased by roughly \$240,000 due to the Sports Betting performance audit being completed in fiscal year 2022.

Statement of Budget to Actual

Total revenues collected through April 2023 were about 166% of budgeted. Total expenditures were about 62% of budgeted, which is below the 83% of the fiscal year that has elapsed. Excess of revenues over expenditures was about 202% of budgeted.

Please feel free to contact me if you have any questions on the Sports Betting Fund financial statements.

Item VI

Limited Gaming Rule 14, Tax Setting

OFFICE OF THE STATE COURT ADMINISTRATOR



Steven Vasconcellos
State Court Administrator

Terri Morrison
Judicial Legal Counsel

DIRECTORS

Brenidy Rice
Court Services

Marty Galvin
Financial Services

Amy Burne
Human Resources

Glenn Tapia
Probation Services

ACTING DIRECTOR

Jason Bergbower
Information Technology Services

April 6, 2023

Paul Hogan
Chief Auditor
Colorado Division of Gaming
17301 West Colfax Avenue, Suite 135
Golden, CO 80401

Dear Paul:

We have compiled fiscal impact information related to legalized gaming as requested. In Fiscal Year 1995, the Judicial Branch received an appropriation for six court clerks specifically associated with the workload increases in Gilpin and Teller Counties. In Fiscal Year 1996, the 4th Judicial District allocated a new court clerk position to Teller County in response to workload demands. Since Fiscal Year 1995, the county court judgeships in Gilpin and Teller Counties were increased by a combined 0.45 FTE due to gaming-related cases.

Based on current data, it is estimated that the Fiscal Year 2024 impact to judges and clerks in Gilpin and Teller Counties is shown in the table below.

Staff	Fiscal Year 2024 Costs
7.0 Court Clerks	\$478,213
0.45 Judgeships	\$96,242
Total	\$574,455

Please let me know if you need anything further.

Sincerely,

A handwritten signature in blue ink that reads "Marty Galvin".

Marty Galvin
Director, Financial Services.



City of Central
141 Nevada Street / Post Office Box 249
Central City, Colorado 80427
(303) 582-5251
www.centralcity.colorado.gov

May 1, 2023

Colorado Limited Gaming Control Commission
C/O Paul Hogan, Chief Auditor
Department of Revenue – Division of Gaming
1707 Cole Boulevard, Suite 300
Lakewood, Colorado 80401

Delivered via Electronic Mail (paul.hogan@state.co.us)

RE: Central City Annual Gaming Report

Dear Honorable Commissioners:

The City of Central (“City”) continues to deal with the ever-growing challenges associated with operating a local government hosting the gaming industry, including but not limited to the exponential cost increases associated with delivering the most critical public services. Although the City bears all the operational burdens, it lacks the financial resources needed to address them. Furthermore, the City’s fiscal shortfalls are exacerbated by lower-than-average gaming device counts, and the associated revenues, which still have not recovered from pre-pandemic levels.

Local government services are critical to preserving the health, safety and welfare of a community and its businesses in general. And, while the City may be small in geographic size, its costs for maintaining and improving critical infrastructure and providing essential public safety services is quite large; the size of said costs are highly correlated to the presence of the gaming industry. Moreover, the gravity of those expenses tends to weigh much more heavily on a community like Central City, designated as a *National Historic Landmark District*, which has more than its fair share of needs with respect to historic restoration and preservation, but nowhere near the amount of fiscal resources needed to address them.

Interestingly, most gaming revenue beneficiaries receive annual gaming tax distributions in amounts that far exceed the total amount of the City’s overall Annual Budget. While many economic development initiatives may be well-intentioned, any measure that effectively cuts gaming tax rates or otherwise reduces funding allocations to the local governments will endanger the health, safety and welfare of our gaming communities. Needless to say, the City is extremely sensitive to any action or policy that could adversely affect funding distributions to the City.

Recommendation / Request

Protect the health and safety of our gaming communities by safeguarding the local governments' ability to provide essential infrastructure and services. To that end, the City strongly opposes any reduction in the gaming tax rates for the upcoming fiscal year, as well as any policy that could reduce local government allocations and/or the amounts distributed to the City. Therefore, the City respectfully requests the Gaming Commission refrain from taking any action, or allowing any change in policy, which could adversely affect the City's fiscal condition at any time.

For questions or requests for additional information, please contact Daniel R. Miera, City Manager.

Respectfully submitted,

City of Central



BLACK HAWK ®



INCORPORATED 1864

Office of the City Manager

201 Selak
P.O. Box 68
Black Hawk, CO 80422
www.cityofblackhawk.org
303-582-0292 Office
303-582-0848 Fax

Mayor

David D. Spellman

Aldermen

Linda Armbright
Paul G. Bennett
Hal Midcap
Jim Johnson
Greg Moates
Benito Torres

City Attorney

Corey Y. Hoffmann

City Manager

Stephen N. Cole

City Clerk /

Administrative Services Director

Melissa A. Greiner

**Community Planning & Development
Director**

Cynthia L. Linker

Finance Director

Lance R. Hillis

Fire Chief / Emergency Manager

Christopher K. Woolley

Police Chief

Michelle Moriarty

Public Works Director

Thomas Isbester

COLORADO'S SECOND OLDEST
MUNICIPAL CORPORATION

May 4, 2023

Colorado Division of Gaming
Limited Gaming Control Commission
1707 Cole Blvd., Suite 350
Lakewood, Colorado 80401

Dear Commission Members:

We are pleased to present our annual report to the Limited Gaming Control Commission (the Commission). The financial and other information sought by the Commission is as follows:

GENERAL OVERVIEW AND VISION

I am sure the Commission is aware that Black Hawk is the major contributor to gaming in the State of Colorado, contributing over 83% of statewide gaming taxes, and is the 15th largest gaming market in the United States, per the most recent American Gaming Association report. We are specifically concerned the Gaming Commission will continue its past spending practices while the gaming industry and local communities work through the on-going challenges. We hope the Gaming commission will reflect on its past spending practices and take steps to reduce spending this year.

A review of the Division expenses and the payments to the other State agencies reveals a stark difference. With the exception of Fiscal Years 2021 & 2022, the Division and the State Agencies have seen funding increases year after year as the accompanying chart illustrates. It is worth noting that the FY 2023 Budget figures are 17.5% higher than FY 2022 actuals. During the same time, the number of casinos has decreased from 42 in 2008 to 33 in 2022. The number of devices has also declined, dropping from roughly 17,000 in 2008 to less than 11,000 in 2022.

Every year we see the increase of State expenses outpace the revenue to Black Hawk and the other host cities and counties as indicated by the attached chart. Even though there may be modest increase in tax revenue collected year over year, much of it is consumed by these State "operations" before it ever reaches the City of Black Hawk. The City has aggressively marketed gaming and attempted to transition the City into a resort destination, which ultimately would drive higher revenues for the State. The City of Black Hawk currently provides water, police, fire, and public works services along with other amenities to the gaming community. These obligations continue to grow,

yet through prudent fiscal management, the City has met these obligations.

The City Council remains committed to working on ways to support our businesses by offering additional amenities and incentives to transform Black Hawk into a true resort destination. These efforts are very expensive endeavors but critical to Black Hawk's long-term economic health. The continued escalation of State expenses and the resulting marginal revenue increases to Black Hawk make it increasingly hard to fund these new projects and programs.

The City has explained to the commission in our prior reports how we are planning to reposition Black Hawk as a true resort destination. To summarize, the plan is to feature our mining history, mountain orientated outdoor activities including the Maryland Mountain Open Space Park, the new Artisans Point Beverage Community, and create an entertainment/retail district that will offer a number of activities other than gaming in the newly zoned HARD District® (History Appreciation Recreation Destination District). Programs like these take a great deal of capital to accomplish. Black Hawk is well positioned and has the potential to become a resort destination provided we have the capital to make the necessary improvements.

GAMING-RELATED ON-GOING BUDGETARY IMPACTS

For 2023, General Fund revenues (less transfers) are budgeted at \$22,669,410.

The revenues of the Black Hawk General Fund come primarily from three sources; Device Fees, State Gaming Revenue, and Sales and Use Taxes

The first source of revenue for the City of Black Hawk is the Occupation Tax entitled "Device Fees" assessed at the annual rate of \$1,050 per gaming device used on the gaming floor of our casinos. The revenues from this source are utilized for general operations of the City and for transfer to the Capital and Debt Service Funds. For the year 2023, the City has budgeted \$7,665,000, short of the \$8,007,888 received in 2019.

The second prominent source of revenue in Black Hawk's General Fund is the State-shared Gaming revenue. In 2022, the City received \$12,313,295 from this source. However, moving forward, the City has concerns related to this revenue stream due to SB22-216 and the related legislation.

The third source of revenue in the General Fund is from Sales and Use Tax. The City levies a 4.50% sales tax. For 2023, sales tax revenues are budgeted at \$3,500,000 an improvement over recent years. Additionally, the City also imposes a 1.5% sales tax (the Educational Enhancement Tax) that is then passed on to the Gilpin School District, free of any processing or administrative fees for the benefit of the entire County. Since the inception of the Educational Enhancement Tax in 2009, the School District has received \$13,304,652 from this program.

BLACK HAWK REVENUE IMPACTS ON OTHER MUNICIPAL FUNDS

In addition to the General Fund, the City has a number of other funds which have been affected by gaming. A brief summary of each major fund follows:

Preservation and Restoration Fund

The City receives State-collected gaming taxes which are restricted in use for preservation and restoration purposes per Article XVIII of the State of Colorado Constitution. The City is budgeting the distribution for 2023 to be \$4,104,257. However, when compared to the pre-pandemic high of \$3,970,589 in 2018, the annually increase over the past five years is less than 1.00%.

Capital Project Funds

The Capital Project Fund is established to account for the purchase or construction of major capital facilities. The Capital Project Fund revenues come from a transfer from the General Fund and investment earnings. In late 2021, the City borrowed \$20,000,000 to help fund projects put on hold during the pandemic. \$5,000,000 of the proceeds of this debt issue were transferred to the Capital Projects Fund to development of Gregory Hill and Artisan's Point.

Debt Service Fund

The Debt Service Fund is supported by the transfer of Device Fees from the General Fund. To date, nine series of bonds have been issued: one for professional fees in 1991; one for water projects in 1992; one for the construction of a fire station and the funding of an EIS for water purposes in 1994; one in 1996 for the completion of the Main Street project; one in 1997 for acquisition, construction, and related improvements to Bobtail Street; one in 1998 for additional improvements to the City's water system; one in 2013 for water related projects; one in 2014 for infrastructure improvements; and one in 2021 for water system expansion, infrastructure improvements and open space acquisitions & improvements. The City Council is sensitive to incurring inordinate amounts of debt and continues to be prudent in planning for improvements.

SUMMARY

The City of Black Hawk would like to see the Commission maintain current Gaming Tax Rates. Furthermore, as mentioned multiple times in this report, we ask the Commission to reverse the continued escalation in Division expenses. I am pleased to provide the above information for the use and consideration of the Commission. Should you desire additional information or clarification, feel free to contact me directly at 303-582-2200.

I look forward to continuing to work with the Commission in the future.

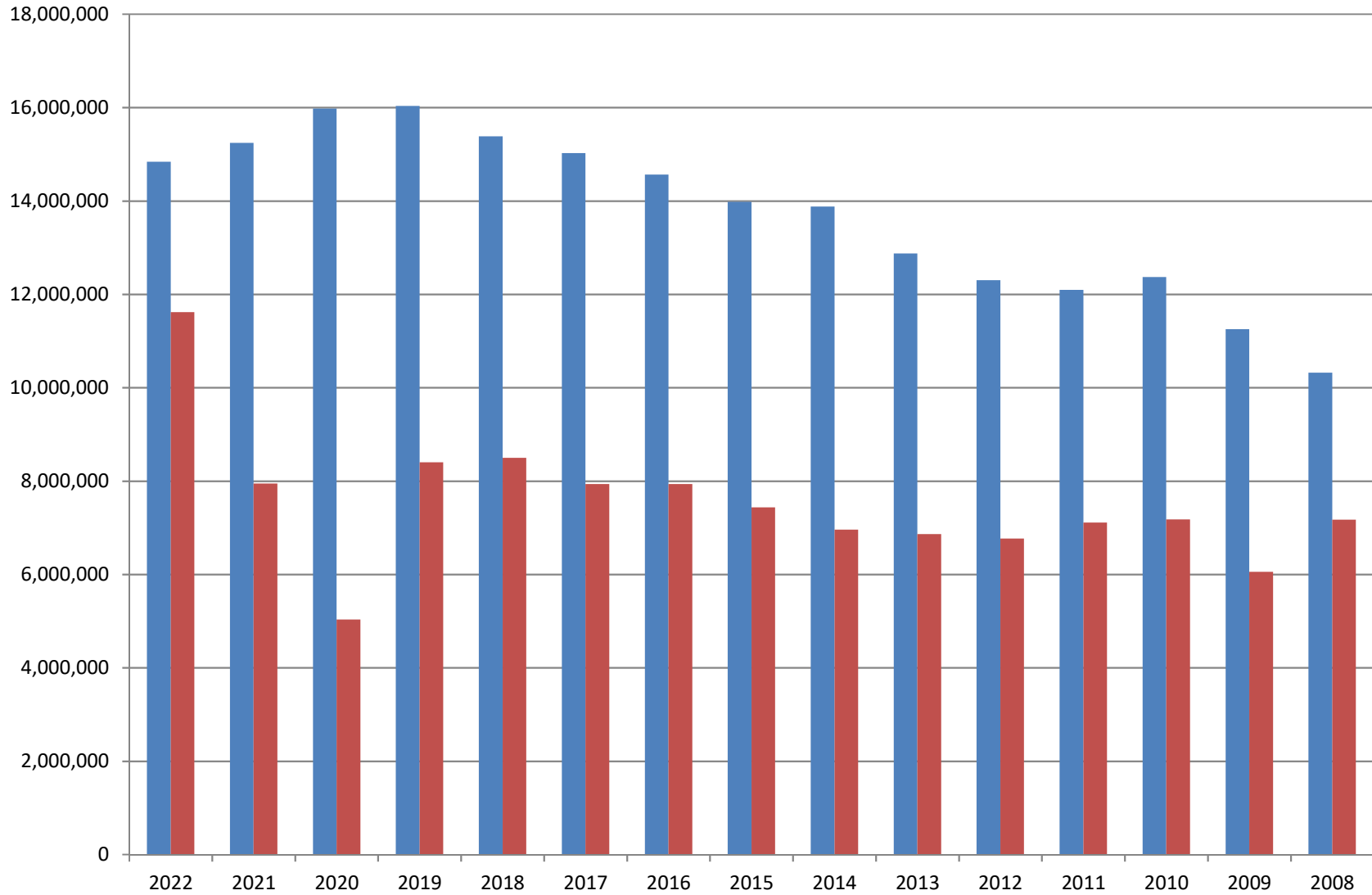
Sincerely,



Stephen N. Cole
City Manager

Enc: Gaming Fund Distribution Chart
American Gaming Association Statistics

Gaming Fund Distribution



■ Total Gaming Division Expenditures ■ Black Hawk Distribution

TOP 20 U.S. COMMERCIAL CASINO MARKETS 2021

Each of the 20 largest land-based commercial casino gaming markets in the country saw significant increases in gaming revenue in 2021, reflecting the resumption of full operations after pandemic related shutdowns the previous year. As in past years, the Las Vegas Strip remained by far the largest gaming market in the country.

Elsewhere, reduced operating restrictions related to COVID-19 helped the Chicagoland market to return to the third spot, ahead of the Baltimore-Washington D.C. region, while New York City returned to number six after falling below both Philadelphia and St. Louis in 2020.

	Market	State(s)	2021 Revenue	Last Ranking
1	Las Vegas Strip	NV	\$7.05B	1 —
2	Atlantic City	NJ	\$2.57B	2 —
3	Chicagoland	IL/IN	\$2.01B	4 ↑
4	Baltimore-Washington DC	DC/MD/WV	\$2.00B	3 ↓
5	Gulf Coast	MS	\$1.61B	5 —
6	New York City	NY	\$1.46B	8 ↑
7	Philadelphia	PA	\$1.40B	6 ↓
8	Detroit	MI	\$1.29B	10 ↑
9	St. Louis	MO/IL	\$1.03B	7 ↓
10	Boulder Strip	NV	\$967M	9 ↓
11	Reno/Sparks	NV	\$889M	12 ↑
12	Kansas City	MO/KS	\$861M	13 ↑
13	Poconos	PA	\$849M	14 ↑
14	Lake Charles	LA	\$843M	11 ↓
15	Black Hawk/Central City	CO	\$812M	16 ↑
16	Downtown Las Vegas	NV	\$731M	19 ↑
17	Tunica/Lula	MS	\$696M	17 —
18	Cincinnati	OH/IN	\$655M	18 —
19	Shreveport/Bossier City	LA	\$646M	15 ↓
20	Pittsburgh/Meadowlands	PA	\$630M	N/A

*Market revenue includes contributions from electronic gaming devices, table games, and land-based sports betting.

SOURCE: VIXIO Gambling Compliance, State Gaming Regulatory Agencies



April 27th, 2023

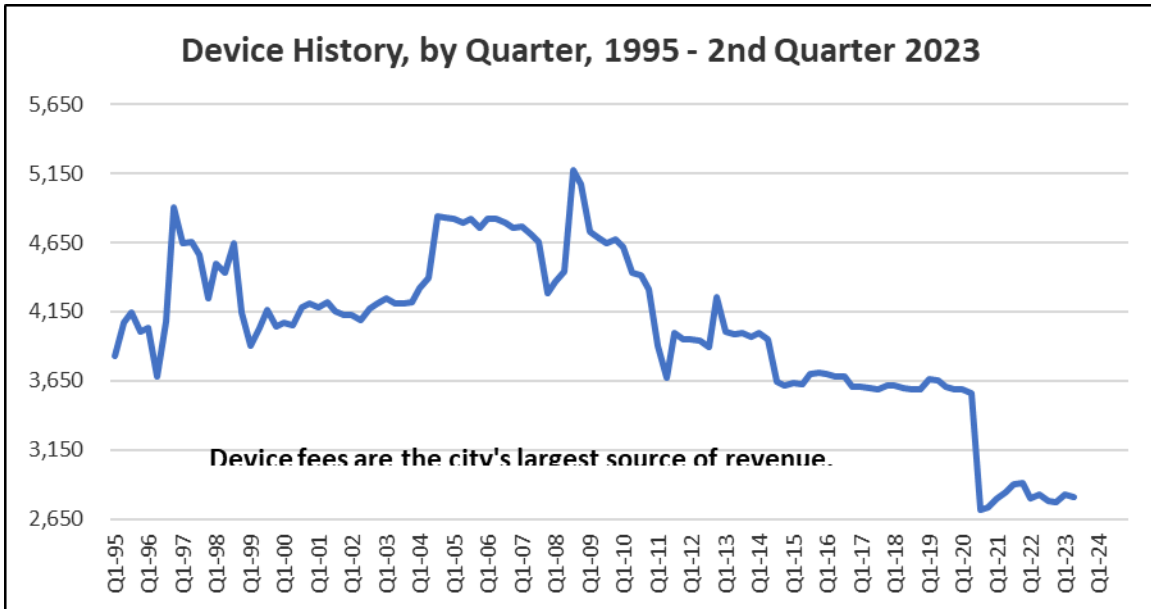
State of Colorado
Department of Revenue
Division of Gaming
1707 Cole Blvd., Suite 300
Lakewood, Colorado 80401

Dear Limited Gaming Control Commissioners,

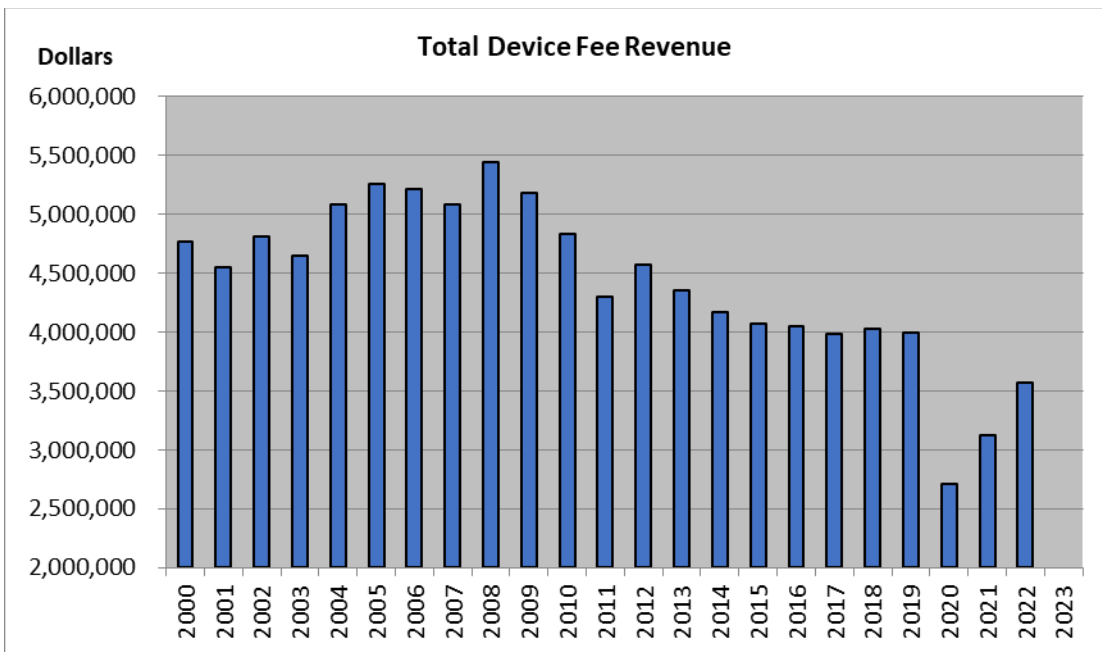
The following is intended to provide you with an update of the on-going impacts of the gaming industry on the City of Cripple Creek. Currently, there are six corporations operating twelve gaming licenses in the city. The gaming industry is the primary economic engine for the City of Cripple Creek and Southern Teller County.

On-Going Financial Impacts on City Government

Although the gaming industry has bounced back nicely, the City of Cripple Creek's finances have not, due to the number of devices in town not rebounding to the pre COVID number. Some of the casinos have changed their business model, with the adoption of the "pod" layout for their gaming floors, which require fewer machines. This change means the city may never reach the pre-COVID device count. This is a critical issue for the town since device fees are the city's largest source of revenue. The number of gaming devices in the city dropped from a pre-COVID number of 3,585 in the first quarter of 2020 to 2,717 when the casinos reopened in June 2020 – a reduction of 868 devices, or 24%. Since then, only 92 machines have been added for a total of 2,809 for the second quarter of 2023. This leaves the city still down 776 machines, or 22%. The decline in the number of devices will continue to "hamstring" the city's ability to recover financially. The chart on the following page illustrates the decline in the number of devices.



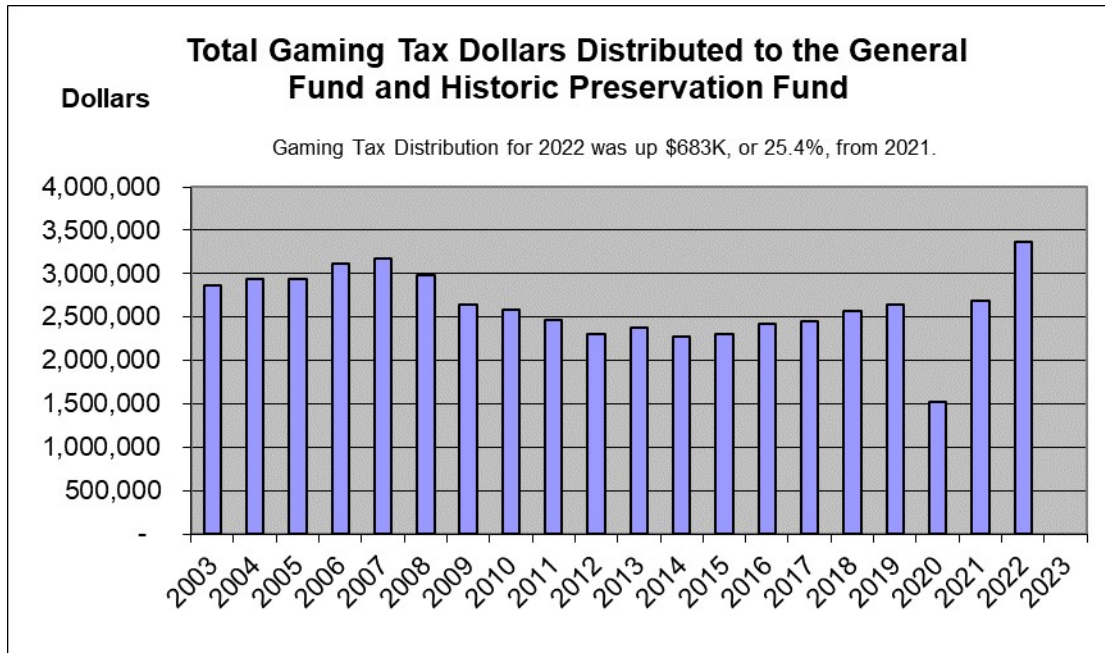
For 2022, device fees increased \$444K, or 14.2%, due to the city increasing the fee charged. Device fees are still down significantly from their past level (see chart below). For example, 2022 device fees were down \$425K, or 10.6%, compared to 2019 – the last year not impacted by COVID-19.



The substantial drop in the number of devices led the City Council to increase device fee in 2022. Beginning January 1st, 2022, the city eliminated the partial break on device fees for the first fifty machines for each license, which had been in place since 2004. The City Council recently voted in March 2022 to increase device fees by 10%, or \$30 per machine, beginning July 1st, 2022. This marked the first time in 30 years that device fees were raised from the \$300 per quarter figure. The new ordinance has a built-

in annual cost increase – inflation escalator that goes into effect January 1st of each year. For 2023, the increase was 8.25%.

The city’s second largest source of revenue are the gaming taxes collected by the State of Colorado and distributed to the three gaming towns and two counties. Gaming taxes were up \$683K, or 25.4% from 2021, primarily due to the impact of Amendment 77 (unlimited wagers).



Sports Betting

It is tragic that the municipal governments in the three gaming cities and two counties do not receive any direct financial benefit from allowing sports betting to take place in their communities and around the state. Had the three gaming cities and two counties received a portion of the sports betting tax distributions, as they do for both limited gaming and extended gaming, the financial health of each entity would be significantly better. It is hard to understand why the gaming communities do not receive any of the sports betting taxes generated. The three gaming cities and the two counties were cut out of the sports betting tax distribution in a last-minute change in the Bill that was brought before the legislature, which changed the tax distribution to the State’s Water Fund. This is an issue of fairness that needs to be addressed.

Senate Bill 22-216

In late April 2022, the JBC sponsored SB22-216, which among other things, moved funds from the Limited Gaming Fund to the Extended Gaming Fund. The bill reduced Cripple Creek, Central City, and Teller County’s tax distribution, due to the difference in the two formulas used to calculate market share – Adjust Gross Proceeds vs. taxes paid. In the first-years gaming tax distribution 21/22, the cities and counties received back filled dollars, from the state, to offset most of the lost revenue. However, that back filling portion of the bill sunset after one year. The cities and counties will

receive less in gaming tax distributions for FY 22/23 than before SB22-216 was put in place. A work group consisting of all the tax recipients and the Division of Gaming was established in 2022 and met multiple times to address equitable tax distributions moving forward and to look at how some aspects of the formulas used and assumptions made are calculated. However, no changes have been made to the distribution formulas which would benefit the cities/counties and no real recommendations, or actions, came out of the final report, which was submitted in November 2022 to the Legislature.

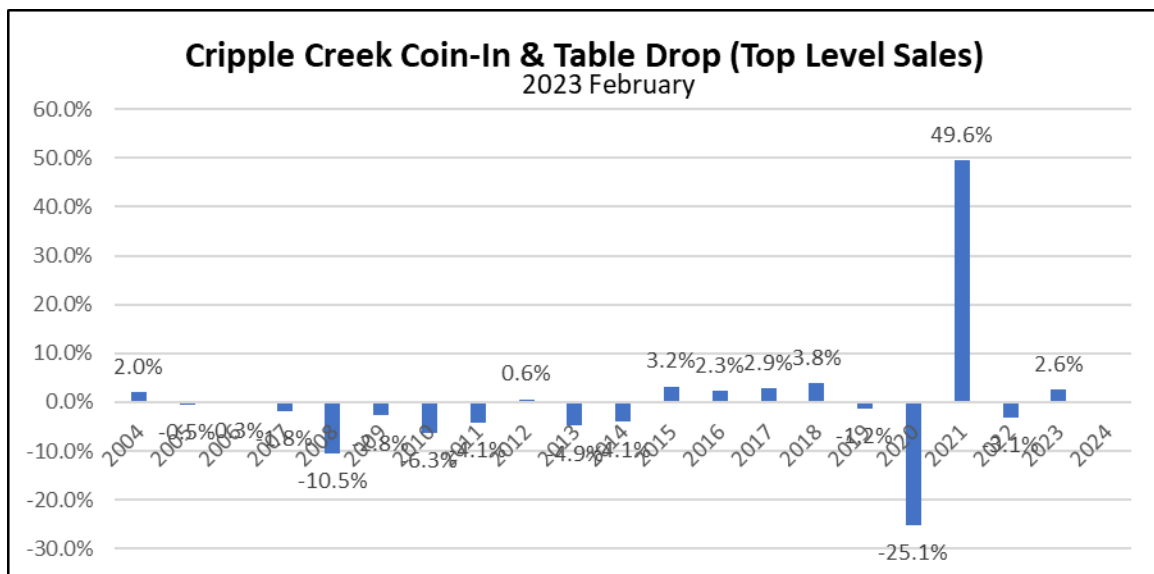
City Expenses

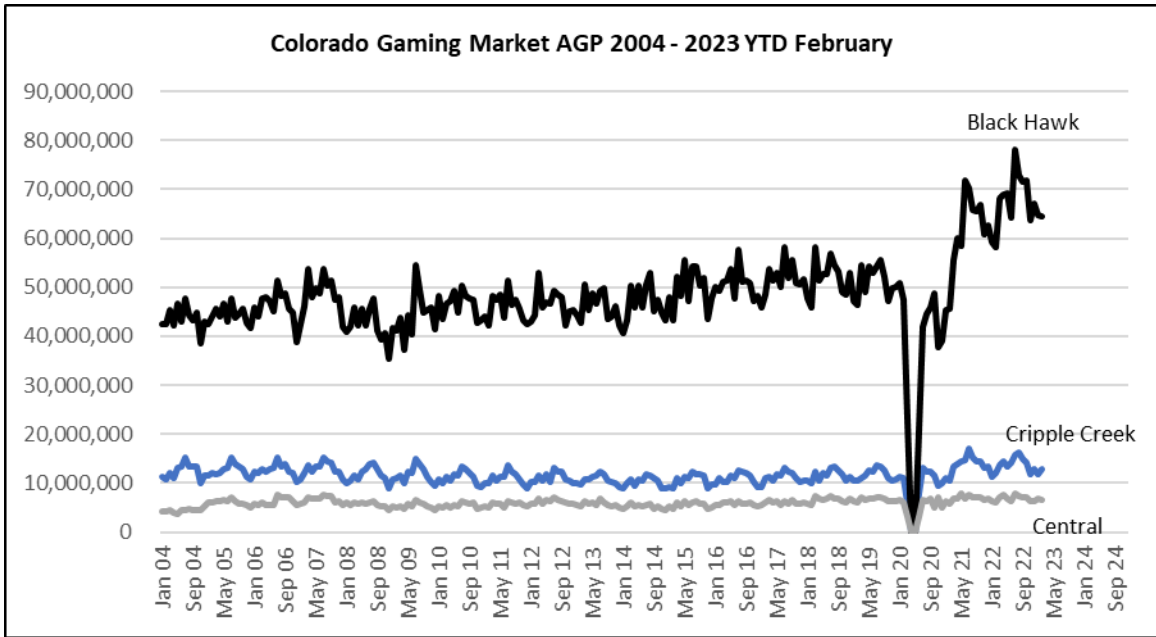
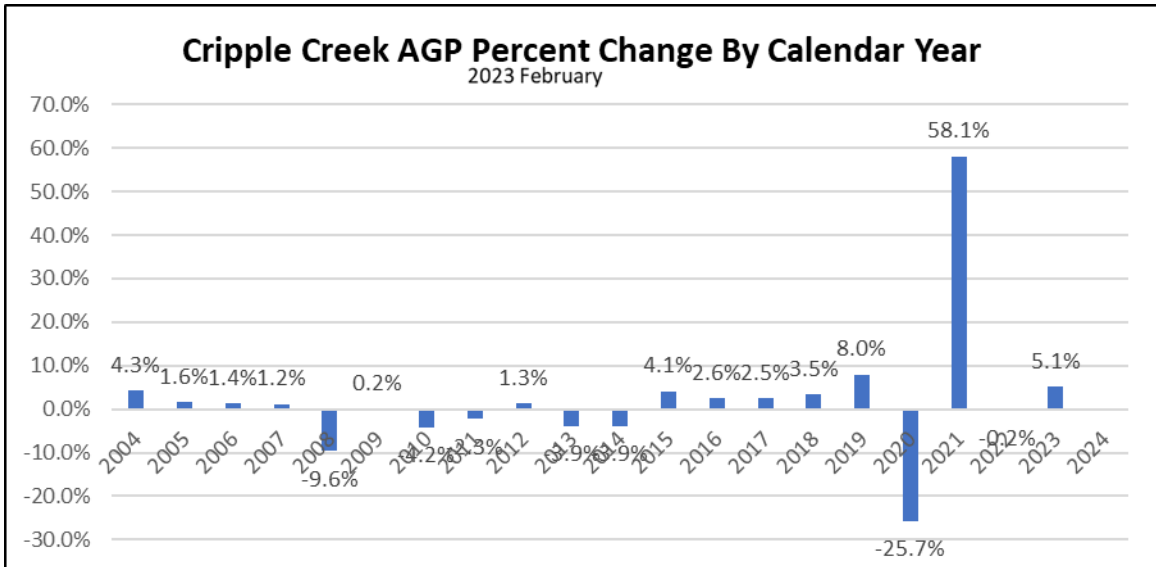
The city, like many entities, is having an exceedingly difficult time filling open positions, especially in the Police and Dispatch departments. Currently, our Police Department has nine open positions, out of a badged staff of fourteen. The city is having the same issue with staffing our emergency dispatch center. Competing with larger municipalities and counties along the front range, who pay much higher wages, for the same pool of candidates is proving extremely difficult.

The city has had to rely more and more on grants to pay for capital projects, such as water/sewer pipe replacement. The city continues to identify additional cost reductions and efficiencies that can be gained to try and offset the decline in device revenues. It is difficult to find an area of city expenditures that is not directly or indirectly related to the gaming industry.

Cripple Creek Gaming Industry

Cripple Creek’s gaming market, based on coin-in & table drop and AGP, declined in 2022. Through February 2023, it is up 2.6% coin-in/table drop and 5.1% for AGP. The city finishes a very distant second place, compared to Black Hawk, for market share in the State of Colorado.





Looking Forward

On a positive note, Full House Entertainment (Bronco Billy’s Casino) is making great progress with their hotel, conference space, spa, parking garage, etc., with a projected opening date of December 2023. Triple Crown Casinos have put their hotel project on hold. The hotel projects will help propel Cripple Creek forward and will make the community more competitive state-wide. The City of Cripple Creek would recommend keeping the current tax rates in place for the coming fiscal year.

Thank you,

Paul Harris
Finance Director



History Colorado

We Are Colorado. Somos Colorado.

2023 Gaming Commission Hearing

April 27, 2023 | Luis Colón, Chief Administrative Officer
Patrick Eidman, Chief Preservation Officer





History Colorado

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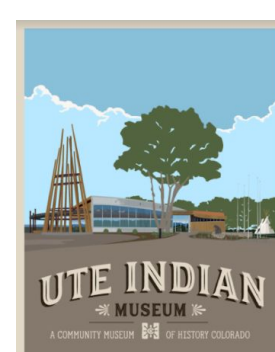
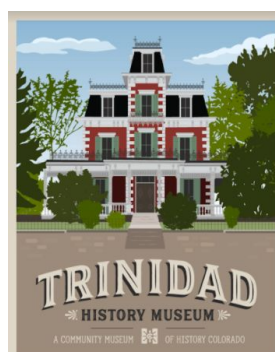
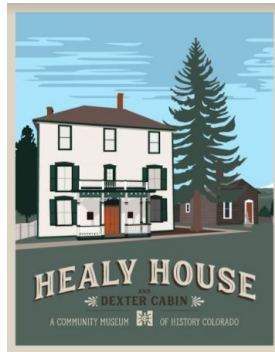
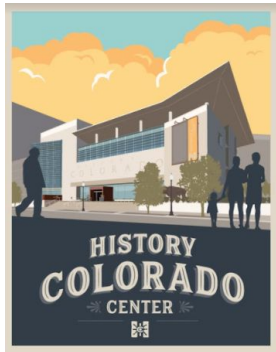
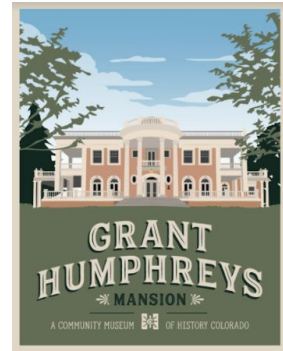
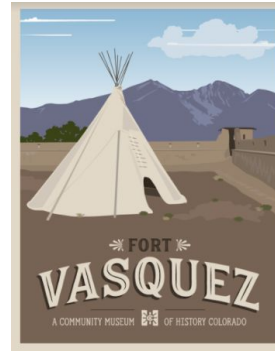
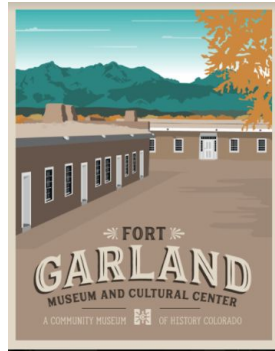
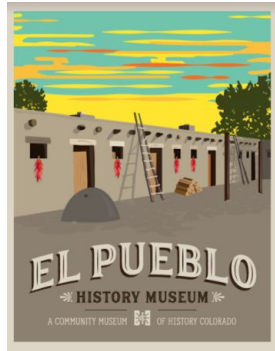
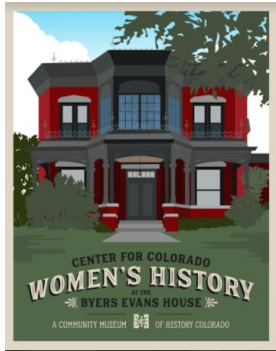
Mission

History Colorado creates a better future for Colorado by inspiring wonder in our past.

Vision

We are Colorado! We share powerful stories, honor treasured memories, and create vibrant communities. We are the trusted leaders in helping people understand what it means to be a Coloradan.

11 MUSEUMS & HISTORIC SITES





Wildly Important Goal

Engage One Million People Annually by 2025



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What We Do

- + Make Colorado's history accessible
- + Connect people to Colorado and our past to cultivate an informed future
- + Serve as statutory stewards of Colorado's historic collection of 15 million artifacts and archival resources
- + Administer core preservation programs to support Colorado communities, including distributing State Historical Fund grant dollars to all 64 counties
- + Offer a place of belonging for all Coloradans and serve as a platform for community connection

What We Have Accomplished



Improved preservation access by identifying historic places through studies of Green Book travel sites, women's suffrage sites, and more



Invested in Community Prosperity & Resiliency

- Awarded more than 5,000 State Historical Fund grants in all 64 Colorado counties, nearly 70% in rural communities
- Made a cumulative \$3 billion economic impact across Colorado as every \$1 million spent on historic preservation in Colorado leads to \$1.03 million in additional spending, 14 new jobs, and \$636,700 in increased household incomes across the state.



Expanded Hands-On History, a program now offered at five locations across Colorado



Implemented FREE admission for kids at all our museums, including the History Colorado Center



Opened new exhibits, including Sand Creek Massacre, Unsilenced, Steele City, Rainbows & Revolutions, Treaty of Guadalupe Hidalgo, with others on the horizon (Virgil Ortiz, John Fielder)

FY21-22 Engagement

Direct interaction between History Colorado staff and a Visitor/Guest at the moment.

Total individuals served directly/in-person:	465,248
Total number of independent engagements:	1,860,515
Number of social engagements:	766,651

Number of kids served with FREE admission since program launched (July 1, 2022): approaching **10,000** (through April 11, 2023)

History Colorado Center Attendance Report

Select Date Range

Jul 1, 2022 - Apr 11, 2023

Report Details:

The total numbers (to the right) show the percentage difference from the previous year

Kids Free and Adult General Admission at this time can not be compared to last year

The top graph compares the dates selected to previous year same dates

The bottom graph is showing the breakdown of categories for the dates selected.

The Use category includes café and gift shop.
Paid Visitation does not include free kids.

Total Museum Admission

41,692

↑ 28.0%

Total Paid Admission

21,110

↑ 0.1%

Total w/o Outside Use

74,706

↑ 47.5%

Total with Outside Use

89,188

↑ 39.8%

C- Kids Free

8,768

PA - Adult GA

21,078



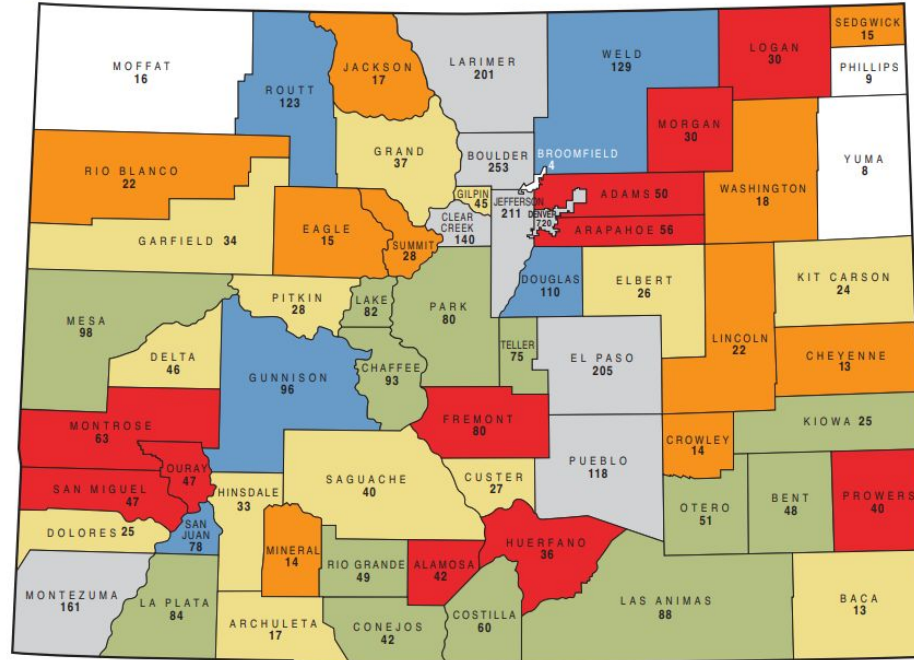


State Historical Fund



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The State Historical Fund has awarded over 4,961 throughout the 64 counties since its inception



Number of grants awarded indicated by numbers on the map. Projects affecting multiple counties are not shown.



Impact of the SHF grant program has been phenomenal

Impact 2022

Grants awarded:	<u>113</u>
Total grants requested:	<u>175</u>
Total grant value:	<u>\$9,182,579</u>
Total cash match provided:	<u>\$5,357,886</u>
Total project value:	<u>\$14,540,465</u>
BIPOC Community grants:	<u>35</u>
BIPOC grants value:	<u>\$3,337,804</u>
BIPOC grants cash match:	<u>\$2,392,322</u>
Total BIPOC project value:	<u>\$5,770,126</u>

Impact Since Inception

Grants awarded through FY 2022: 4,961

Total value of those grants: \$334,874,422

Over \$3 billion in total estimated economic impact

Highlights: S.M.M.D.T.U



22-01-030 | \$250,000
Sociedad Proteccion Mutua
De Trabajadores Unidos |
Antonito, Conejos County

The Sociedad Proteccion Mutua De Trabajadores Unidos (S.P.M.D.T.U.) was established in 1900 to fight discrimination against Hispano workers in the San Luis Valley. The Concilio Superior in Antonito was constructed between 1923 and 1925 and served as a community meeting place, available for socials, dances, weddings, and sporting events. The adobe building is a staple of downtown Antonito, and this grant will return the building to its traditional use while incorporating new features, including an affordable housing unit.

Highlights: Chautauqua Fire Mitigation Plan

22-M2-001 | \$37,350
Colorado Chautauqua Association |
Boulder, Boulder County

In 2021, the Marshall and NCAR Fires threatened the Colorado Chautauqua National Historic Landmark. This grant helps the Colorado Chautauqua Association complete a wildfire mitigation plan that assesses individual buildings on the Chautauqua campus, identifies priority needs, and establishes protocols that will be invaluable during a crisis.



Highlights: First A.M.E., Pueblo

First A.M.E., Pueblo Pueblo, Pueblo County

This non-competitive planning grant funded the completion of a nomination to the National Register of Historic Places for the Turner Chapel African Methodist Episcopal Church, known historically as the First A.M.E. Church. Listing in the Register will honor and celebrate the history of the community and make the property eligible for a variety of preservation incentives.



The Power of Mini Grants

History Colorado's State Historical Fund annually delivers two rounds of competitive mini grants. These grants are a source of funding for many groups across the state looking to kickstart preservation projects and leverage funding for larger projects with profound economic and social benefits. This round, we are pleased to have funded \$296,337 for projects across the state.

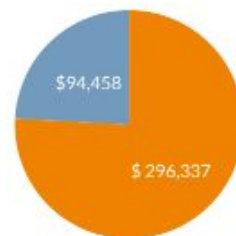
Awarded October 2022

8
Grants awarded

\$ 296,337
Request Total

\$94,458
Matching Funds

\$390,795
Combined Total



*Applications received: 12
Requests received: \$441,911

■ Total \$ in Requests (75.83%)
■ Total \$ in Matching Funds (24.17%)

Awards that Benefit BIPOC Communities

2
Total BIPOC Projects

\$ 92,099
Request Total

\$ 5,500
Matching Funds

* 100% of BIPOC Projects were awarded.

Awards that Support Rural Prosperity

6
Total Rural Projects

\$ 229,104
Request Total

\$ 70,871
Matching Funds

* Two projects support both the BIPOC Community and Rural Prosperity.

The Power of General Grants

History Colorado's State Historical Fund annually delivers two competitive general grant rounds in Spring and Fall. These grants are a source of funding for many groups across the state looking to complete larger projects or significant phases of work. This round, we are pleased to be recommending \$4,507,477 for projects across the state.

Awarded October 2022

23
Grants awarded

\$ 4,507,477
Request Total

\$2,449,441
Matching Funds

\$7,549,277
Combined Total



■ Total \$ in Requests (64.79%)
■ Total \$ in Matching Funds (35.21%)

*Applications received: 58
Requests received: \$11,661,807

Awards that Benefit BIPOC Communities

7
Total BIPOC Projects

\$ 1,378,804
Request Total

\$ 291,892
Matching Funds

* 100% of BIPOC Projects were awarded.

Awards that Support Rural Prosperity

13
Total Rural Projects

\$ 2,309,528
Request Total

\$ 1,423,031
Matching Funds

* Four projects support both the BIPOC Community and Rural Prosperity.



Looking forward



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Expand access through State Historical Fund grants and statewide programs



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Prepare for the Colorado 150 / US 250 Anniversary Commemoration



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Continue Growing Hands-On History on a statewide basis



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Develop New Exhibits Across Our Museums



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Improve Collections Storage & Access



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Thank you!



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GILPIN COUNTY

April 28th, 2023

To: Colorado Limited Gaming Control Commission

From: Gilpin County Director of Finance Joe Allaire

As this commission considers the current issues of Colorado Limited Gaming tax funds, Gilpin County would like to highlight funding shortfalls that occur directly due to gaming within Gilpin County and vulnerabilities due to the natural terrain that would have wide reaching consequences for Colorado funding as a whole. The nature of these problems is directly related to gaming and could have a vast impact on gaming funds for the entire state of Colorado. Gilpin County takes the position that this should all be considered moving forward.

Gilpin County combined justice departments currently compose the largest expense in the county's budget. These budgets have increased sharply over the past three years. In 2021 the combined justice departments (Patrol, Jail, Dispatch, Victims Services and Office of Emergency Management) budget was \$7.5M, increasing to \$8.9M in 2022 and \$10.9M in 2023. The county expects that in order to continue to meet the needs of gaming in Gilpin County that the budgets for the justice departments will continue to increase into the future. The funding needed is directly related to gaming within Gilpin County.

Gilpin County has a population of just under 6,000 citizens and yet over 90% of the population that moves through the Gilpin County Jail is from outside of Gilpin County. Most of these instances are crimes related to Colorado Limited Gaming. The Gilpin County Jail is a large expense line within the justice departments and increased by \$845K from 2022 to 2023. Even as gaming revenues continue to increase the amount of funds needed to maintain our justice department falls short.

Gilpin County also suffers from a staff shortage due to its location within the state and the salaries and benefits it can afford to offer law enforcement. Currently many of the metro area police and correctional facilities can afford to provide higher salaries or comparable salaries with a more desirable location. In order to increase our offerings to fully staff our justice departments Gilpin County would need to increase wages, retirement benefits, explore workforce housing or likely act on many of these items in combination. Because such a large burden comes from gaming issues it is our position that the solution should also come from gaming funds.

Another issue that faces not only Gilpin County but the State of Colorado as a whole is the risk of a natural disaster within Gilpin County. The question is not if a natural disaster hits Gilpin County but when and the likelihood that this could impact gaming (much like COVID) is high. A wildfire in certain areas could have a devastating effect on the casinos within Gilpin County. All Gilpin County and the state can do is prepare, act quickly when a disaster strikes and build reserves to expedite the recovery.

If Gilpin County and the State of Colorado cannot adequately prepare then people will suffer both emotionally and financially. Because we view this issue as so critical to both our county and the state, we believe that the burden should be shared. Any adjustments, even temporarily, to the formula to provide Gilpin County additional funds to aid with mitigation, preparation and response would be an investment into our collective future. On average for every dollar spent on mitigation saves eight dollars in needed recovery.

It seems unfortunate that municipal governments in the gaming cities and counties do not receive direct benefit from the sports betting that takes place within our communities and around Colorado. It seems that the three cities and two counties were included in this Bill until the very end. It is our position that as the backbone of gaming in Colorado the three cities and two counties should be included in the tax distribution from sports betting.

Gilpin County recommends that the Colorado Limited Gaming Control Commission keep the current tax rates in place for the coming fiscal year with an eye to the future. Our financial pressures will continue to mount due to the impact gaming has on our county. Gilpin County deeply appreciates your consideration on this matter and as always looks forward to continuing our wonderful partnership.

Thank you for your consideration,

Director of Finance Joe Allaire

Colorado Limited Gaming
Control Commission
&
Division of Gaming



Presentation Documents

Colorado Limited Gaming
Control Commission
&
Division of Gaming

PUBLIC SESSION

Public Session
Presentation Documents

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DEFINITIONS & PRESENTATION

AGP (Adjusted Gross Proceeds):

The amount of money wagered minus the amount paid out in prizes.

Net Revenues:

Includes all operating revenue derived from gaming, food, beverage, hotel and other operating revenue less promotional allowances.

Promotional Allowance:

Defined as complementaries (comps), that represent goods and services which would be accounted for as revenue if sold, that a casino gives to customers as an inducement to gamble at that establishment.

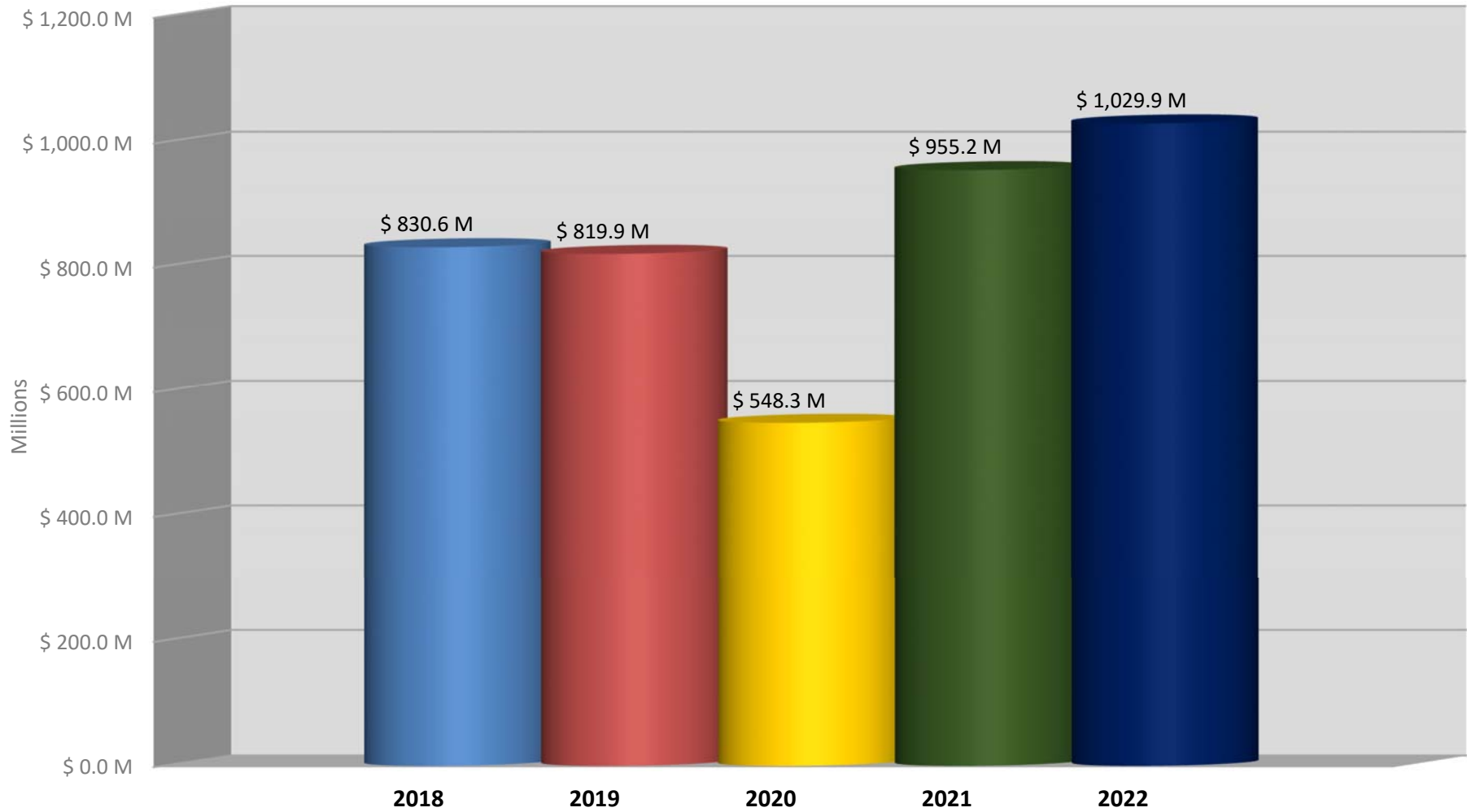
EBIT (Earnings Before Interest and Taxes):

Gives a broader measure of return by adjusting a casino's earnings for non-cash items that reduces earnings for tax purposes, before adjustments for depreciation and amortization. This measure also facilitates profitability comparisons among casinos as a result of differing debt and equity structures. Impairment charges, if any, have been eliminated from EBIT.

EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization):

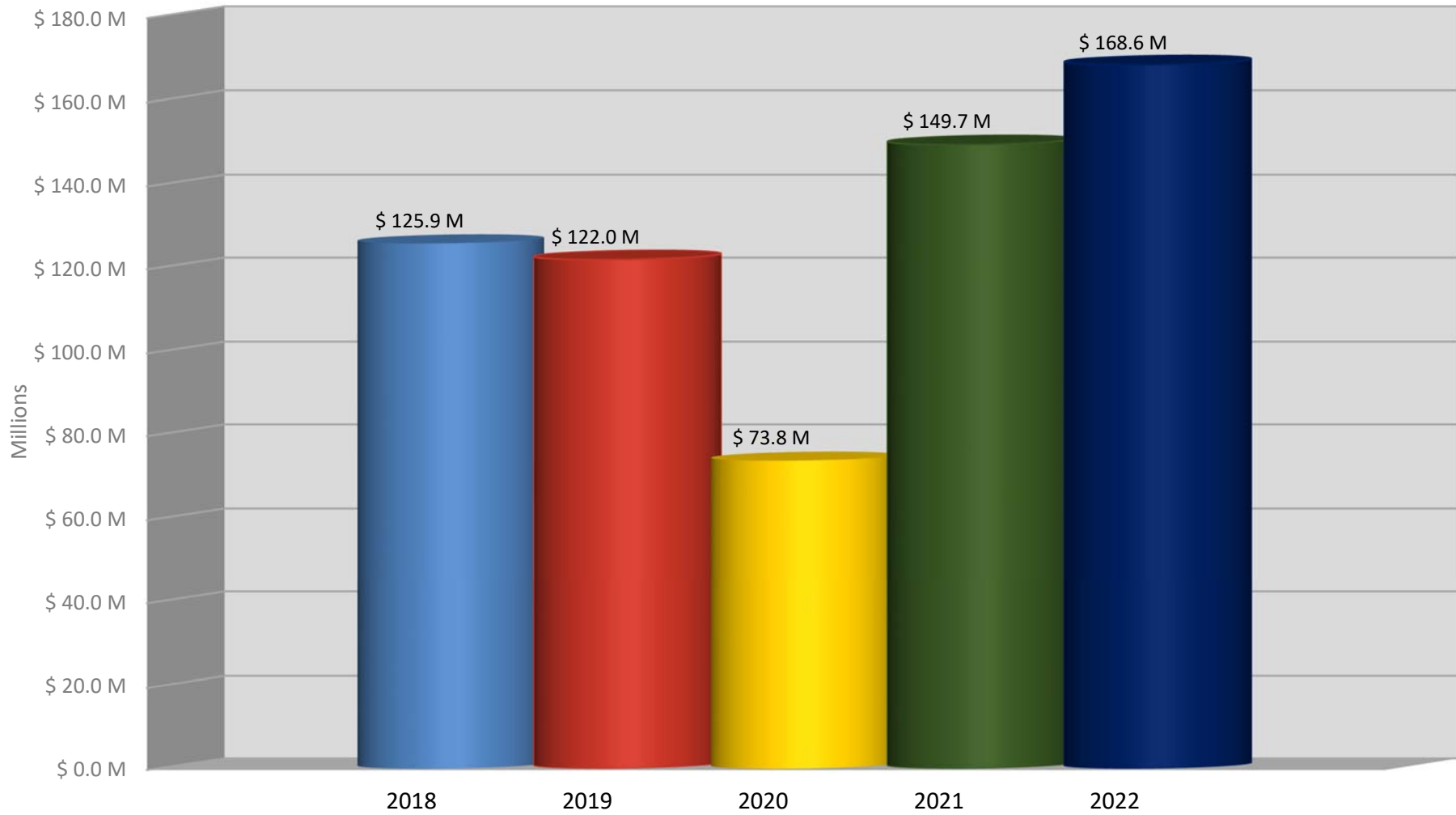
Gives a broader measure of return by adjusting a casino's earnings for non-cash items (such as depreciation and amortization) that reduces earnings for tax purposes. This measure also facilitates profitability comparisons among casinos as a result of differing debt and equity structures. Impairment charges, if any, have been eliminated from EBITDA.

Gaming Industry Performance Industry Trends Adjusted Gross Proceeds from 2018 to 2022

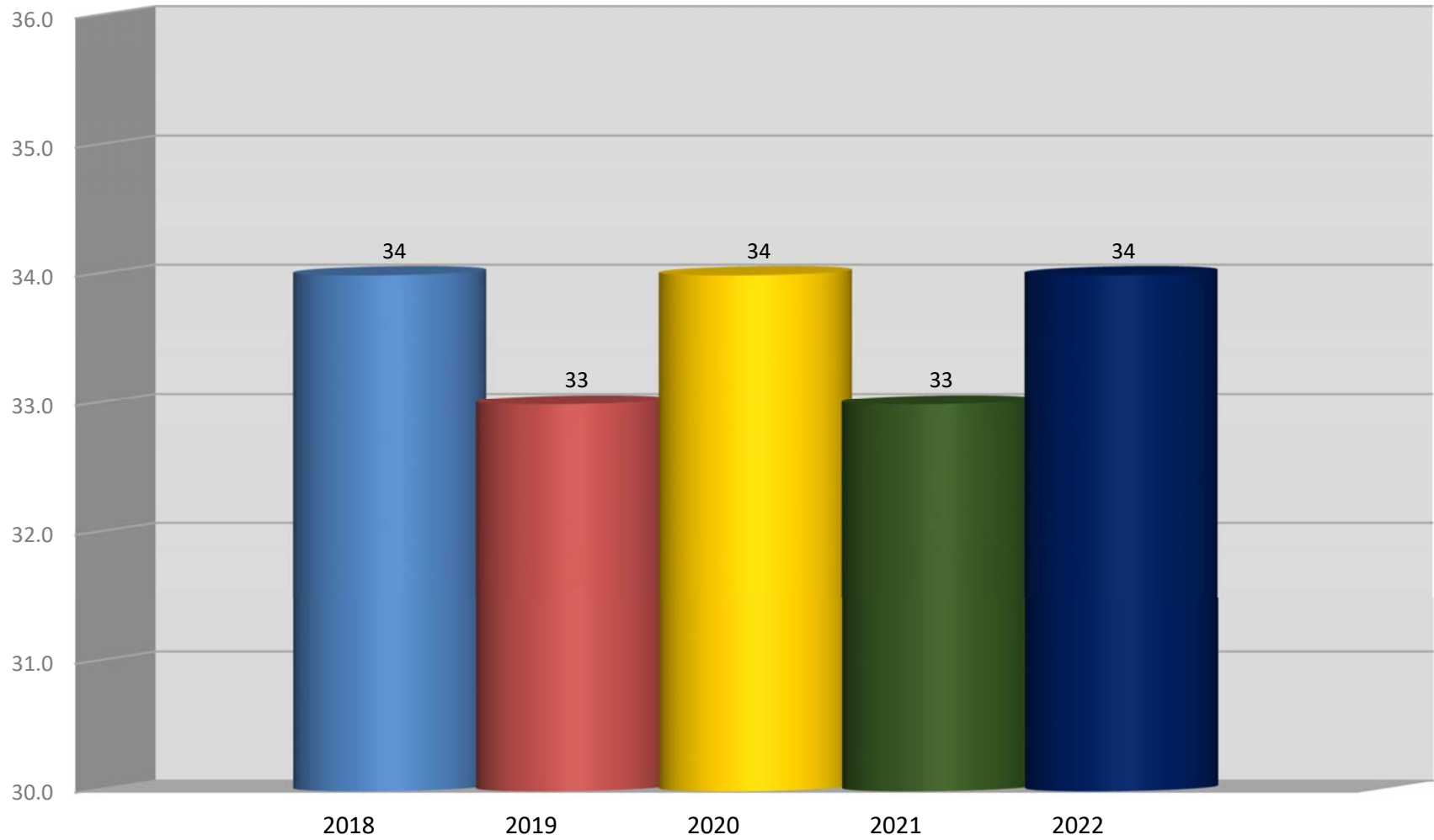


Gaming Industry Performance Industry Trends

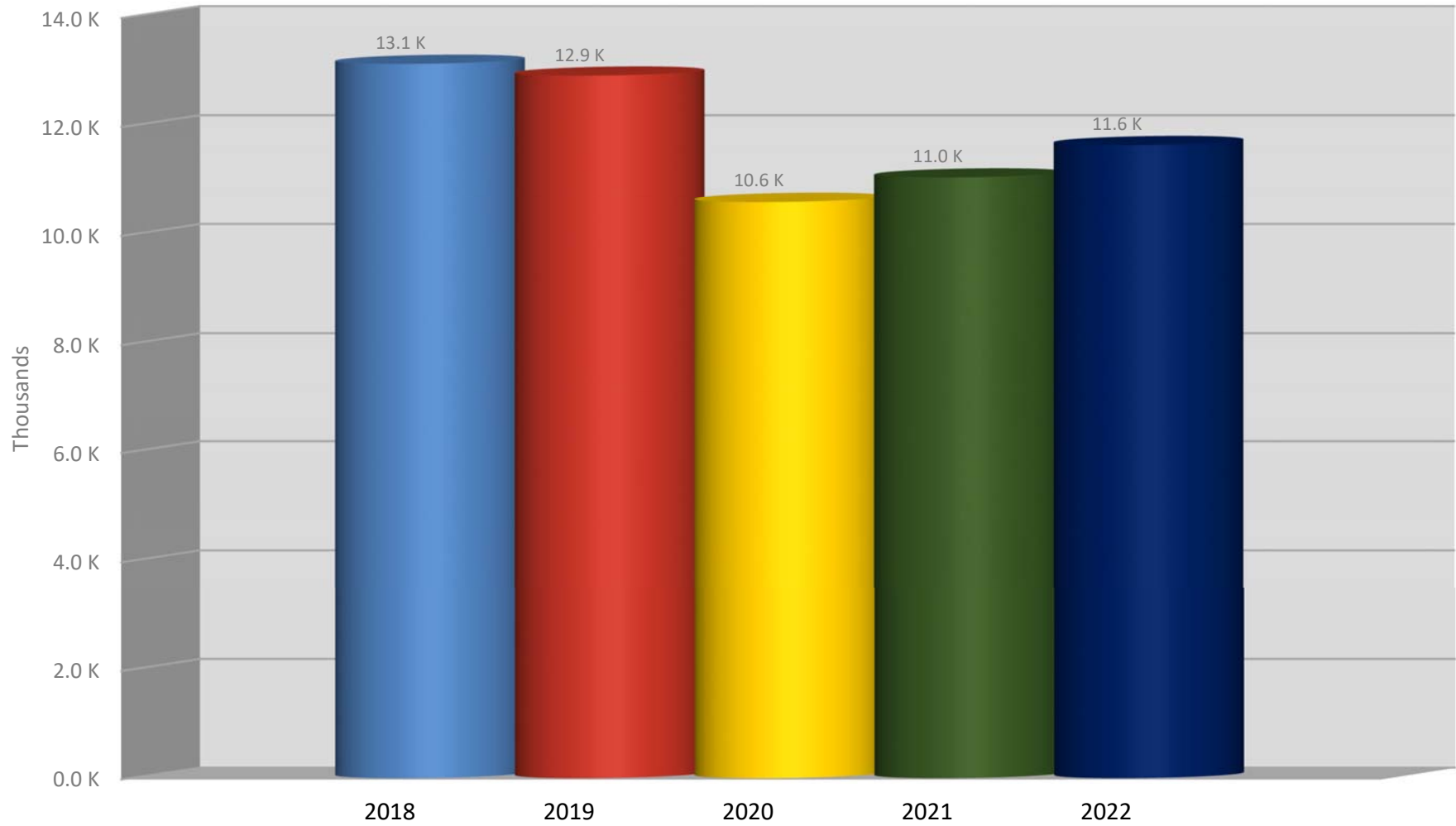
Gaming Taxes from 2018 to 2022



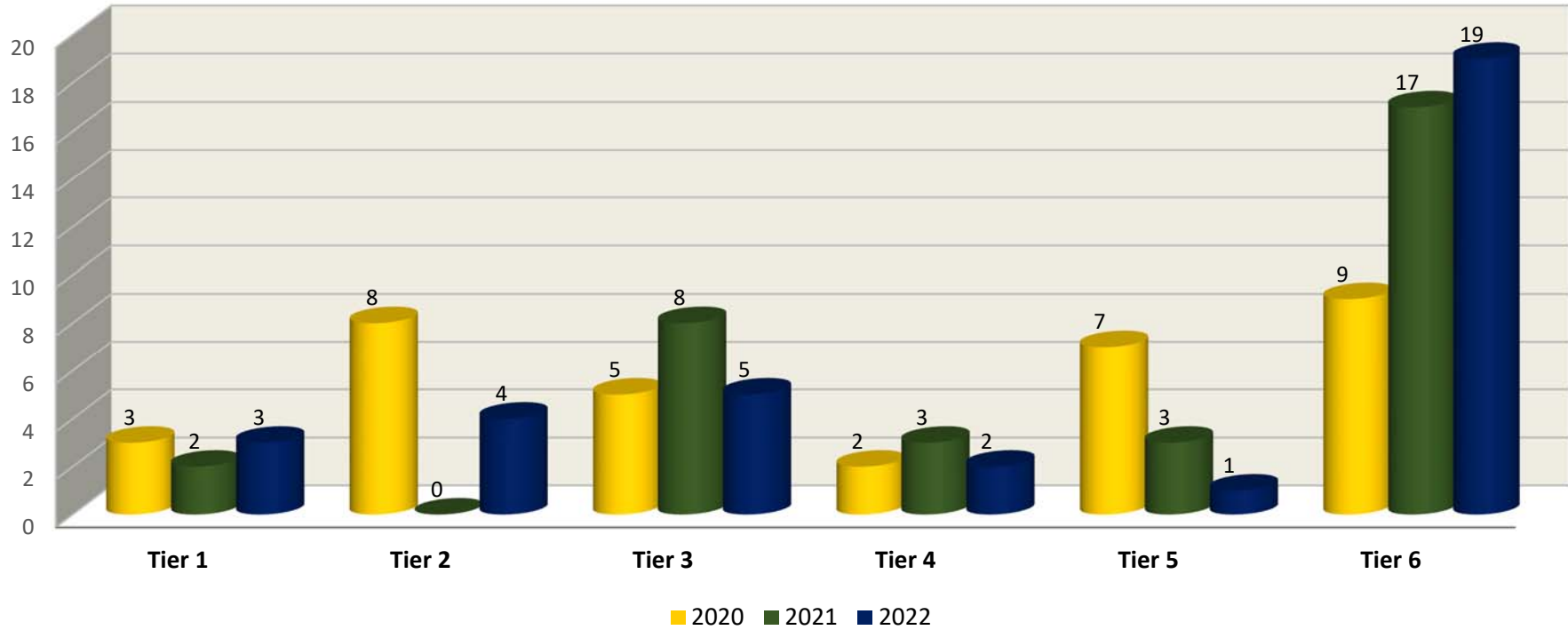
Gaming Industry Performance Industry Trends Number of Casinos from 2018 to 2022



Gaming Industry Performance Industry Trends Number of Devices from 2018 to 2022



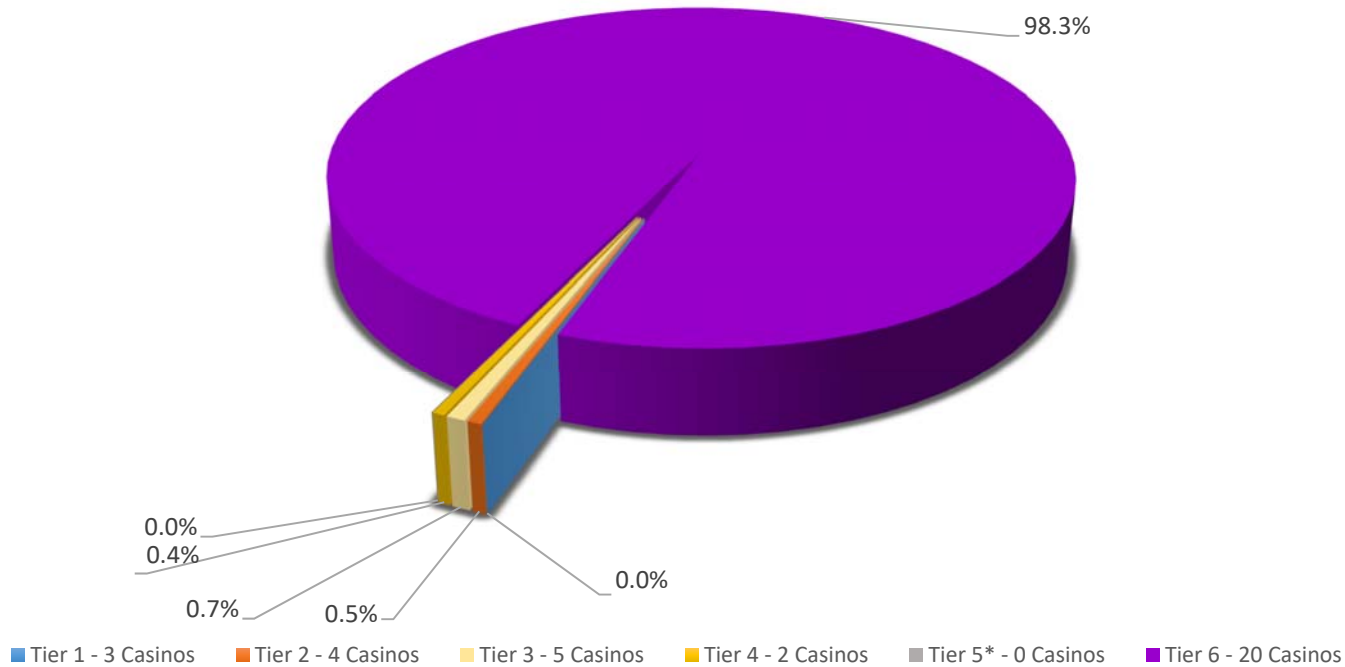
Number of Casinos by Tax Tier



		AGP Range					
		Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 6
Low	\$	-	2,000,000	5,000,000	8,000,000	10,000,000	13,000,000+
High	\$	2,000,000	5,000,000	8,000,000	10,000,000	13,000,000	
Tax Rates by Tier		0.25%	2.00%	9.00%	11.00%	16.00%	20.00%

Gaming Taxes Paid by Tax Tier

(Pictured: Percentage Allocation of 2022 Gaming Taxes Paid by Tax Tier)



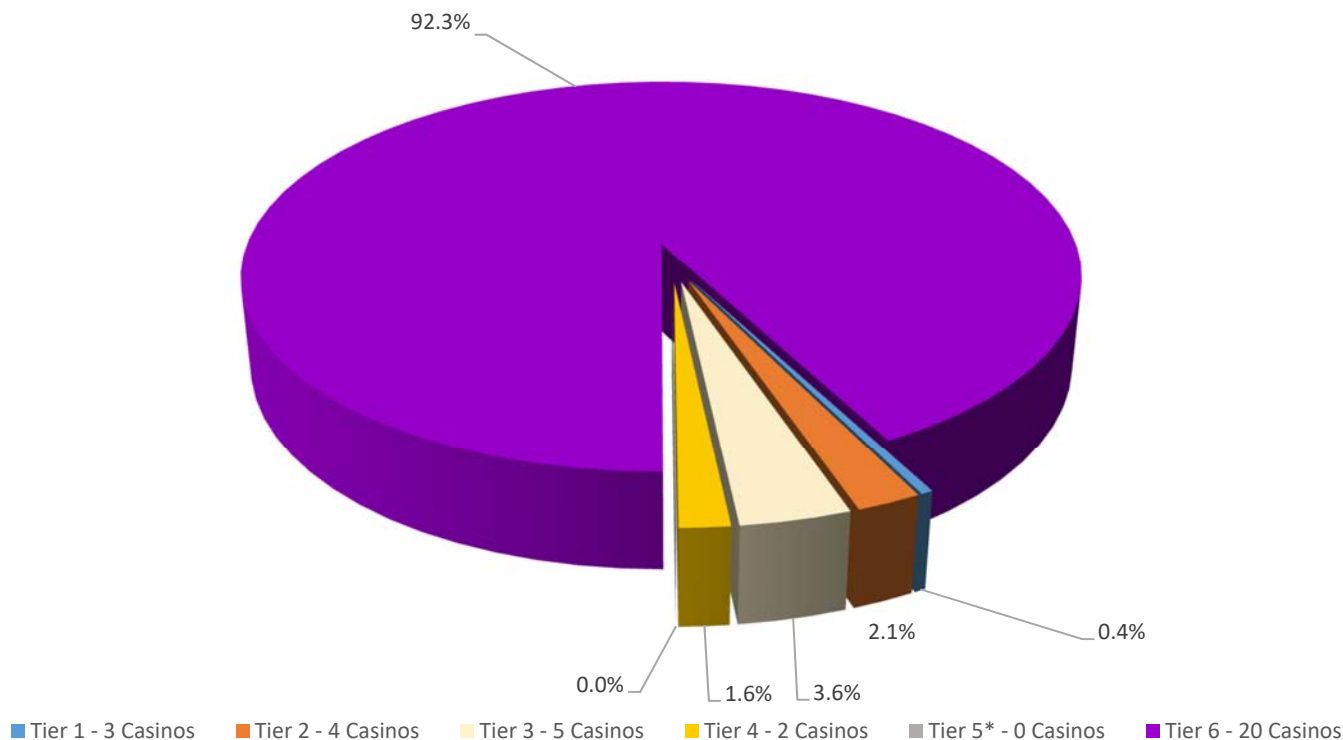
Three Year Historical Overview of Gaming Taxes by Tax Tier							
	Tier 1	Tier 2**	Tier 3	Tier 4	Tier 5*	Tier 6	All Tiers
2020	\$ 3.4 K	\$ 378.9 K	\$ 1.1 M	\$ 0.9 M	\$ 6.5 M	\$ 65.0 M	\$ 73.8 M
2021	\$ 5.1 K	\$ 0.0 K	\$ 1.0 M	\$ 1.3 M	\$ 2.4 M	\$ 144.9 M	\$ 149.7 M
2022	\$ 8.3 K	\$ 863.8 K	\$ 1.2 M	\$ 0.8 M	*	\$ 165.8 M	\$ 168.6 M
Avg. Casino Contribution (2022)	\$ 2.8 K	\$ 0.2 M	\$ 0.2 M	\$ 0.4 M	n/a	\$ 8.7 M	\$ 5.0 M
Effective Tax Rate (2022)	0.4%	4.7%	3.3%	4.5%	n/a	17.3%	16.4%

* For confidentiality reasons, this tier has been combined with Tier 6 in 2022.

** In 2021, there were not any casinos that were classified as a Tier 2 Casino.

Net Revenues by Tax Tier

(Pictured: Percentage Allocation of 2022 Net Revenues by Tax Tier)



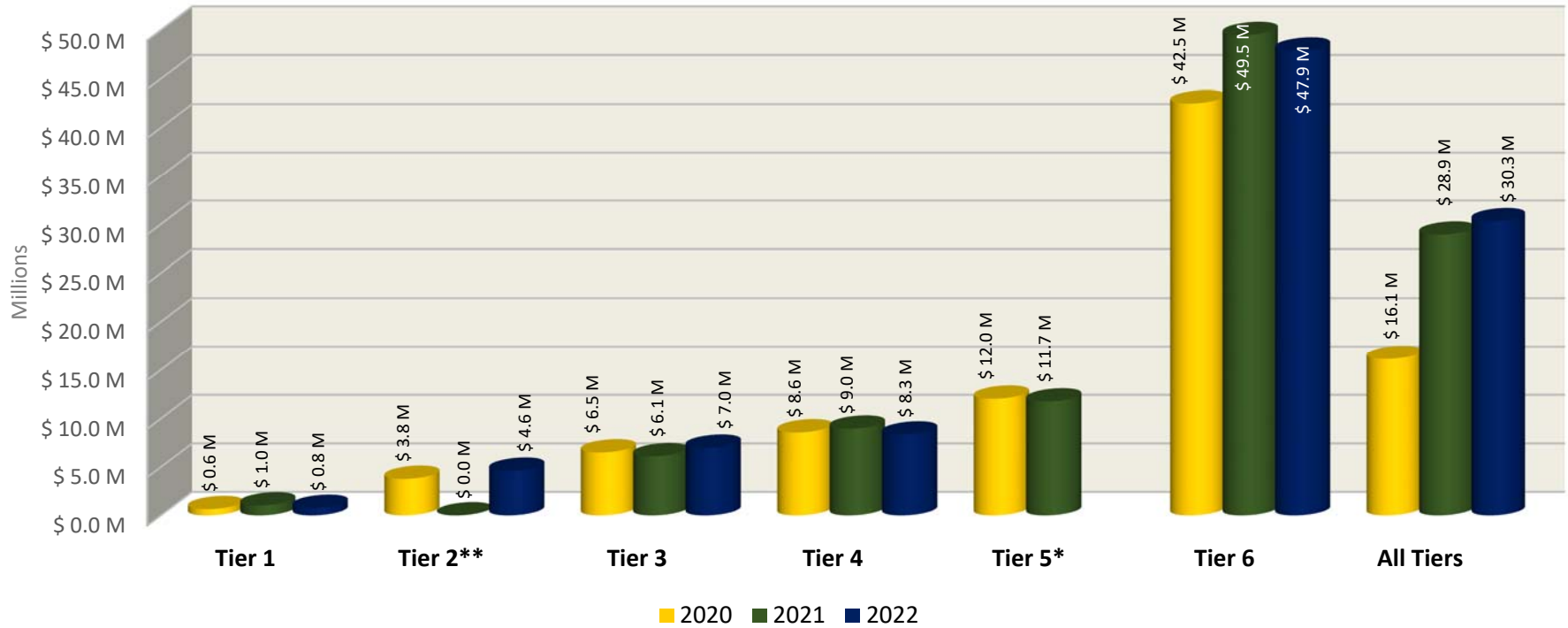
Three Year Historical Overview of Net Revenues by Tax Tier							Average Revenue	
	Tier 1	Tier 2**	Tier 3	Tier 4*	Tier 5	Tier 6	All Tiers	
2020	\$ 2.8 M	\$ 36.5 M	\$ 36.8 M	\$ 18.5 M	\$ 103.6 M	\$ 412.7 M	\$ 611.0 M	\$ 18.0 M
2021	\$ 3.1 M	\$ 0.0 M	\$ 61.4 M	\$ 30.3 M	\$ 41.9 M	\$ 931.9 M	\$ 1,068.5 M	\$ 32.4 M
2022	\$ 4.5 M	\$ 24.0 M	\$ 40.9 M	\$ 18.7 M	*	\$ 1,061.3 M	\$ 1,149.4 M	\$ 33.8 M
% Change 2021-2022	46.7%	Infinite	(33.4%)	(38.3%)	n/a	13.9%	7.6%	4.4%
% Change 2020 vs 2022	61.1%	(34.3%)	11.0%	0.8%	n/a	157.1%	88.1%	88.1%

* For confidentiality reasons, this tier has been combined with Tier 6 in 2022.

** In 2021, there were not any casinos that were classified as a Tier 2 Casino.

Changes in Casinos 2021-2022						
+1	+4	-3	-1	-2	+2	+1

Average Adjusted Gross Proceeds by Tax Tier



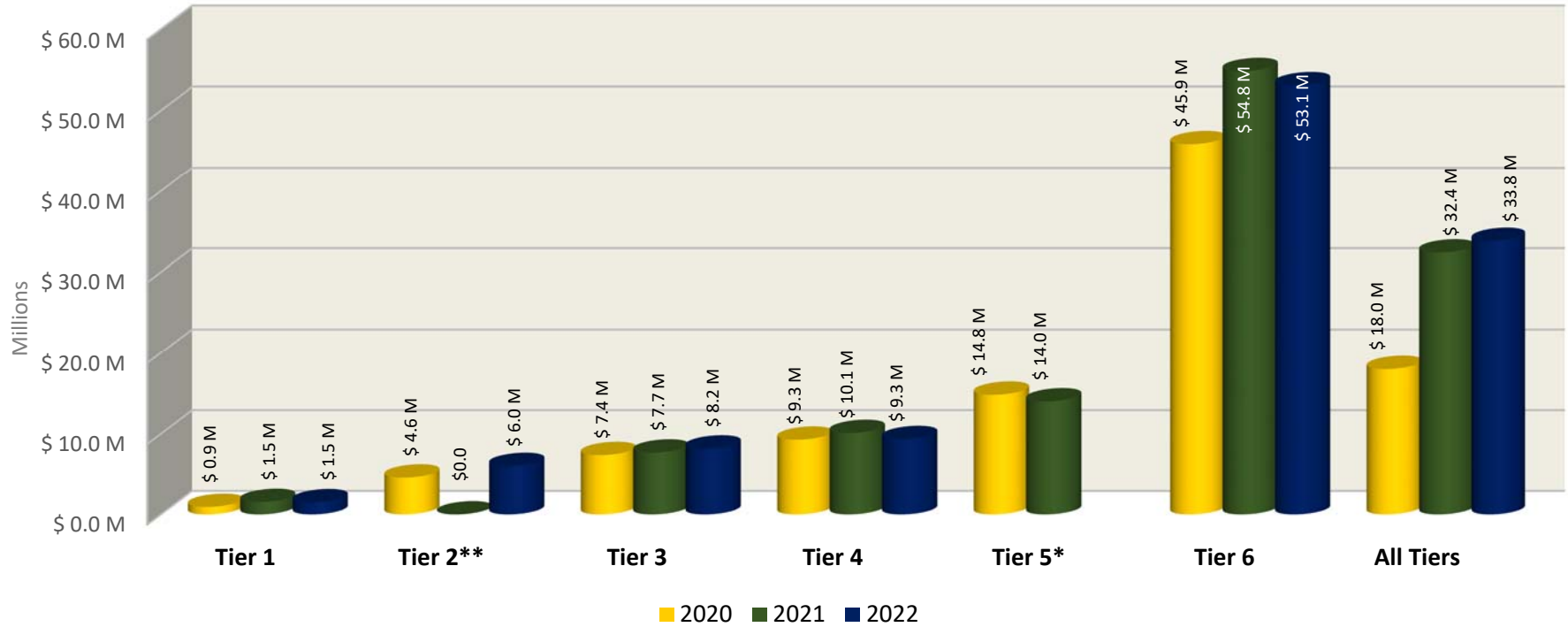
2020
2021
2022
% Change 2021-2022
% Change 2020 vs. 2022

Average AGP by Tax Tier						
Tier 1	Tier 2**	Tier 3	Tier 4	Tier 5*	Tier 6	All Tiers
\$0.6 M	\$3.8 M	\$6.5 M	\$8.6 M	\$12.0 M	\$42.5 M	\$16.1 M
\$1.0 M	\$0.0 M	\$6.1 M	\$9.0 M	\$11.7 M	\$49.5 M	\$28.9 M
\$0.8 M	\$4.6 M	\$7.0 M	\$8.3 M	*	\$47.9 M	\$30.3 M
(24.8%)	Infinte	14.4%	(6.8%)	n/a	(3.2%)	4.8%
20.7%	22.1%	7.4%	(2.6%)	n/a	12.7%	87.8%

* For confidentiality reasons, this tier has been combined with Tier 6 in 2022.

** In 2021, there were not any casinos that were classified as a Tier 2 Casino.

Average Net Revenues by Tax Tier

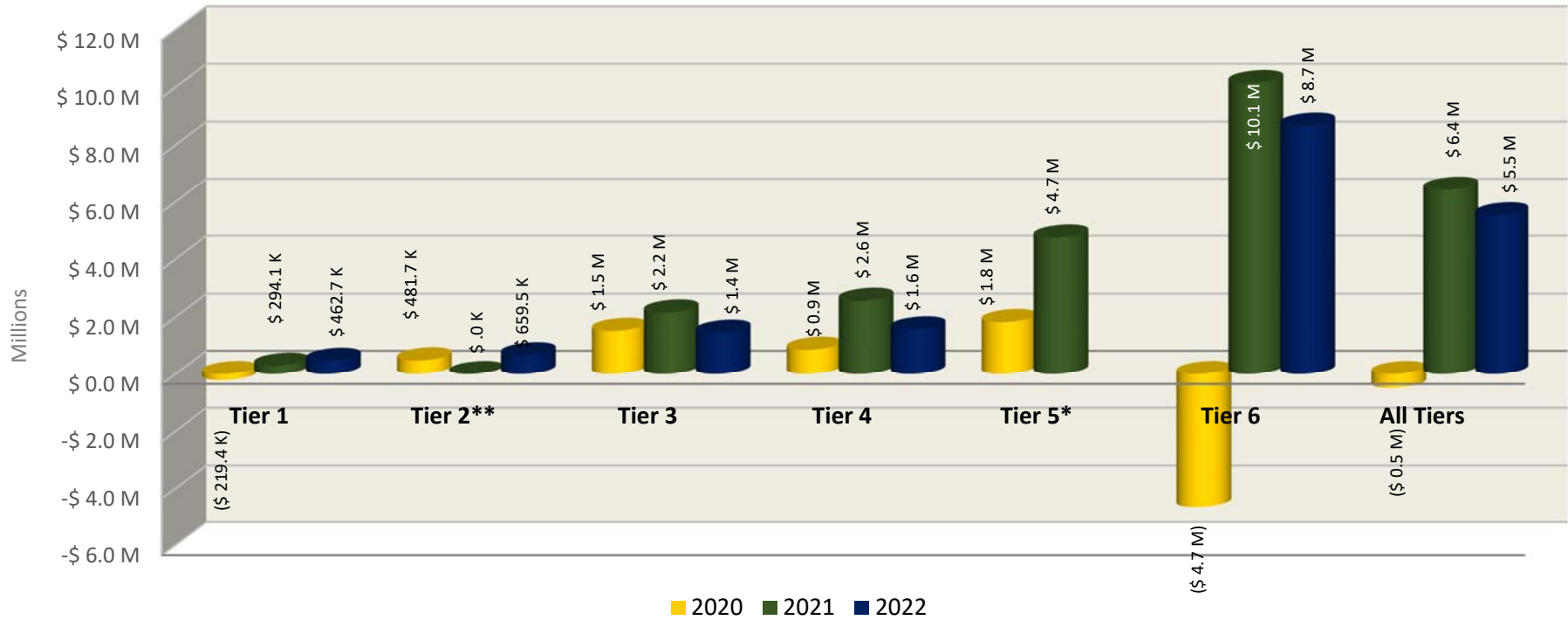


Average Net Revenues by Tax Tier							
	Tier 1	Tier 2**	Tier 3	Tier 4	Tier 5*	Tier 6	All Tiers
2020	\$ 0.9 M	\$ 4.6 M	\$ 7.4 M	\$ 9.3 M	\$ 14.8 M	\$ 45.9 M	\$ 18.0 M
2021	\$ 1.5 M	\$ 0.0 M	\$ 7.7 M	\$ 10.1 M	\$ 14.0 M	\$ 54.8 M	\$ 32.4 M
2022	\$ 1.5 M	\$ 6.0 M	\$ 8.2 M	\$ 9.3 M	*	\$ 53.1 M	\$ 33.8 M
% Change 2021-2022	(2.2%)	Infinite	6.5%	(7.5%)	n/a	(3.2%)	4.4%
% Change 2020 vs. 2022	61.1%	31.5%	11.0%	0.8%	n/a	15.7%	88.1%

* For confidentiality reasons, this tier has been combined with Tier 6 in 2022.

** In 2021, there were not any casinos that were classified as a Tier 2 Casino.

Average Net Income (Loss) Before Taxes by Tax Tier



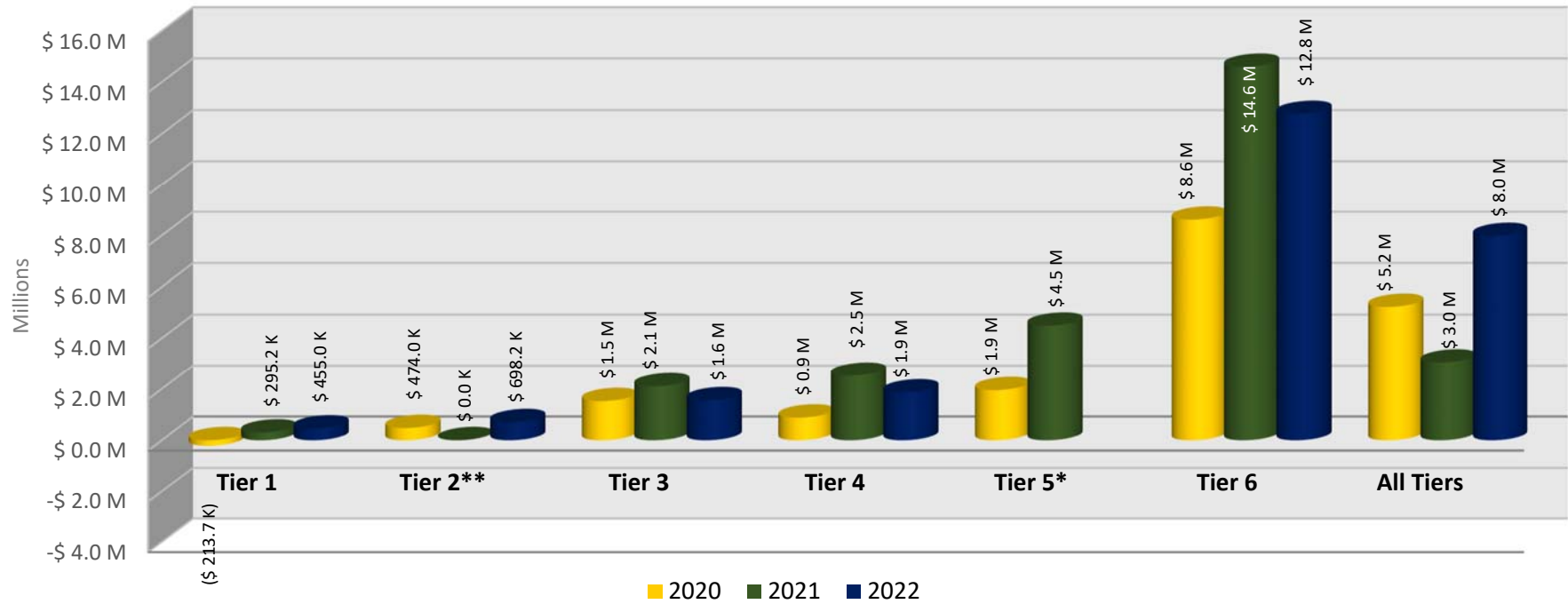
Average Net Income (Loss) Before Taxes by Tax Tier							
	Tier 1	Tier 2**	Tier 3	Tier 4	Tier 5*	Tier 6	All Tiers
2020	(\$ 219.4 K)	\$ 481.7 K	\$ 1.5 M	\$ 0.9 M	\$ 1.8 M	(\$ 4.7 M)	(\$ 0.5 M)
2021	\$ 294.1 K	\$ 0 K	\$ 2.2 M	\$ 2.6 M	\$ 4.7 M	\$ 10.1 M	\$ 6.4 M
2022	\$ 462.7 K	\$ 659.5 K	\$ 1.4 M	\$ 1.6 M	*	\$ 8.7 M	\$ 5.5 M
% Change 2021-2022	57.3%	(100.0%)	(32.8%)	(39.0%)	n/a	(14.4%)	(14.0%)
% Change 2020 vs. 2022	***	36.9%	(4.4%)	83.6%	n/a	***	***

* For confidentiality reasons, this tier has been combined with Tier 6 in 2022.

** In 2021, there were not any casinos that were classified as a Tier 2 Casino.

*** Percentage change could not be computed as the base year was negative.

Average Earnings Before Income Taxes (EBIT) by Tier



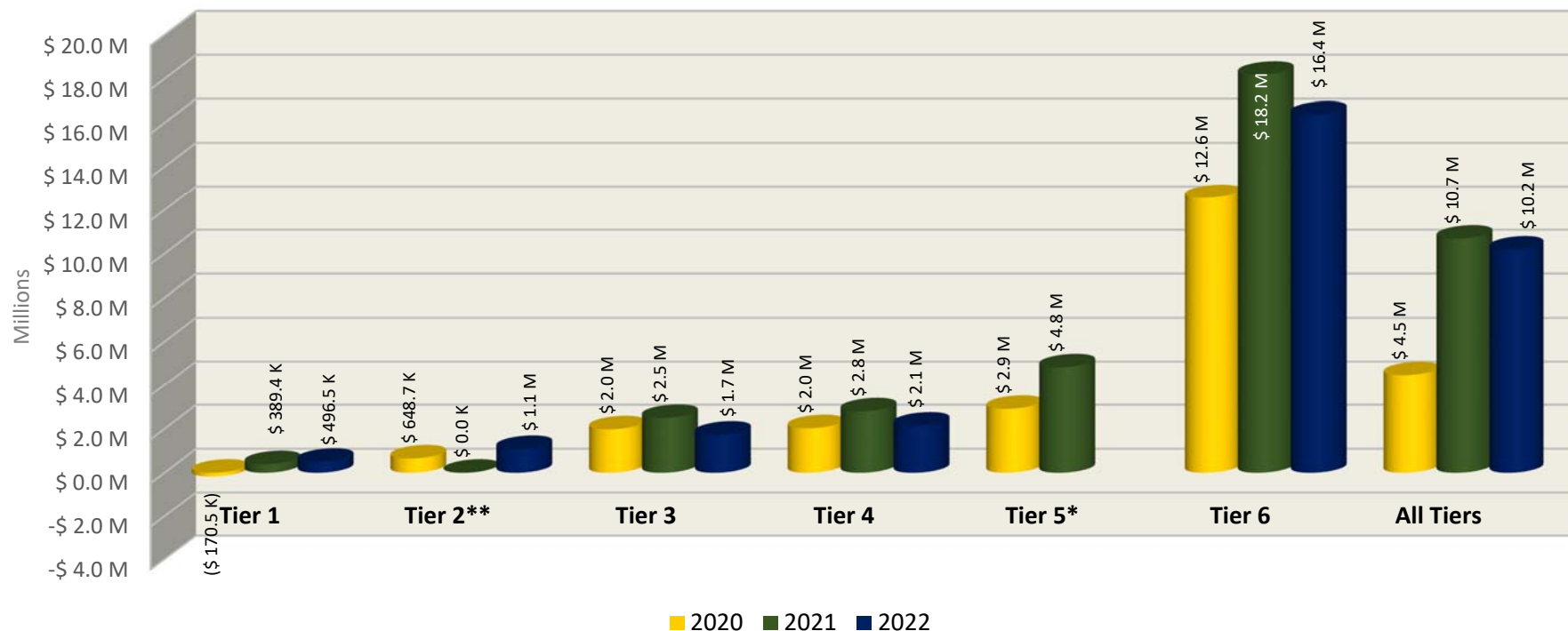
Average EBIT by Tax Tier							
	Tier 1	Tier 2**	Tier 3	Tier 4	Tier 5*	Tier 6	All Tiers
2020	(\$ 213.7 K)	\$ 474.0 K	\$ 1.5 M	\$ 0.9 M	\$ 1.9 M	\$ 8.6 M	\$ 5.2 M
2021	\$ 295.2 K	\$ 0.0 K	\$ 2.1 M	\$ 2.5 M	\$ 4.5 M	\$ 14.6 M	\$ 3.0 M
2022	\$ 455.0 K	\$ 698.2 K	\$ 1.6 M	\$ 1.9 M	*	\$ 12.8 M	\$ 8.0 M
% Change 2021-2022	(26.0%)	Infinite	(26.0%)	(26.5%)	n/a	(12.5%)	161.6%
% Change 2010 vs. 2020	***	47.3%	2.2%	111.7%	n/a	48.3%	52.6%

* For confidentiality reasons, this tier has been combined with Tier 6 in 2022.

** In 2021, there were not any casinos that were classified as a Tier 2 Casino.

*** Percentage change could not be computed as the base year was negative.

Average Earnings Before Income Taxes Depreciation & Amortization (EBITDA) by Tier



2020
2021
2022
% Change 2021-2022
% Change 2020 vs. 2022
Average EBITDA as a % of Average Net Revenues

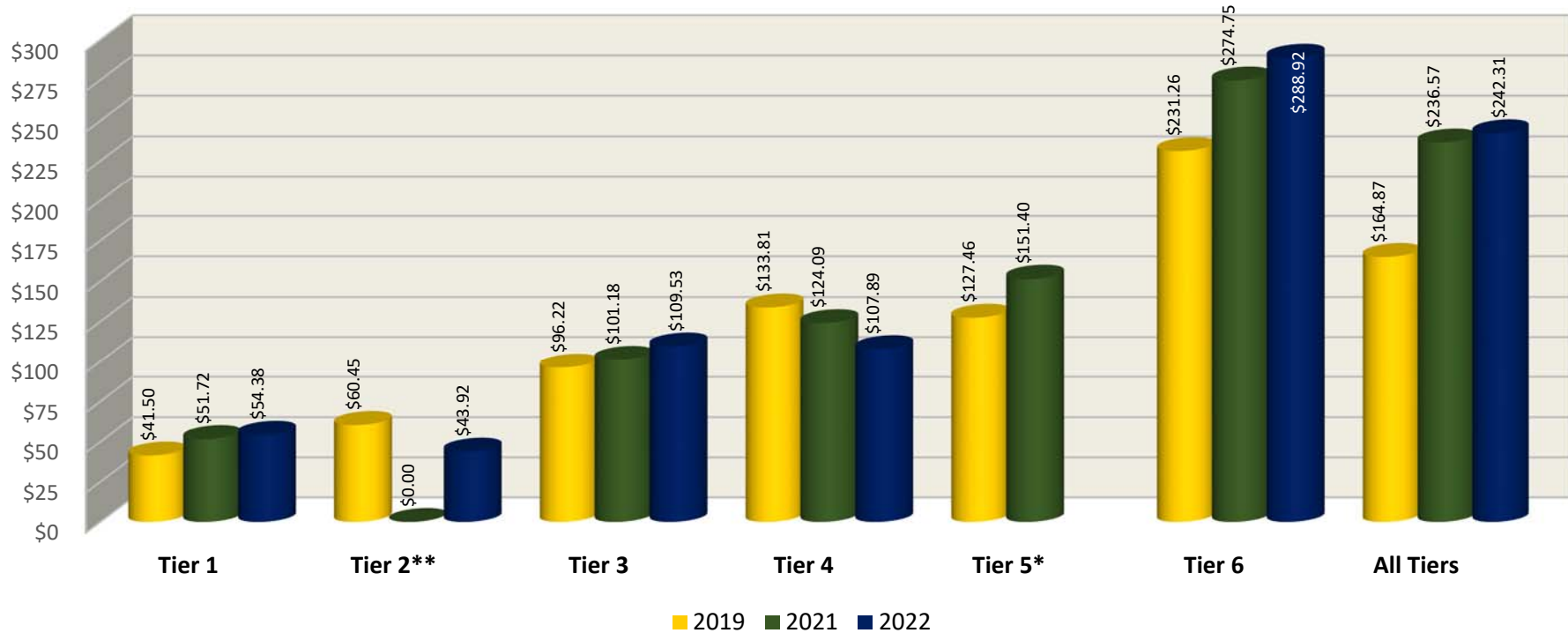
Average EBITDA by Tax Tier						
Tier 1	Tier 2**	Tier 3	Tier 4	Tier 5*	Tier 6	All Tiers
(\$170.5 K)	\$648.7 K	\$2.0 M	\$2.0 M	\$2.9 M	\$12.6 M	\$4.5 M
\$389.4 K	\$0.0 K	\$2.5 M	\$2.8 M	\$4.8 M	\$18.2 M	\$10.7 M
\$496.5 K	\$1.1 M	\$1.7 M	\$2.1 M	*	\$16.4 M	\$10.2 M
27.5%	Infinite	(30.5%)	(23.3%)	n/a	(9.9%)	(4.7%)
***	66.4%	(12.4%)	n/a	n/a	30.3%	127.8%
33.0%	18.0%	21.1%	22.9%	n/a	30.9%	30.1%

* For confidentiality reasons, this tier has been combined with Tier 6 in 2022.

** In 2021, there were not any casinos that were classified as a Tier 2 Casino.

*** Percentage change could not be computed as the base year was negative.

Adjusted Gross Proceeds (AGP) per Device per Day by Tax Tier



2020
2021
2022
% Change 2021-2022
% Change 2020 vs. 2022

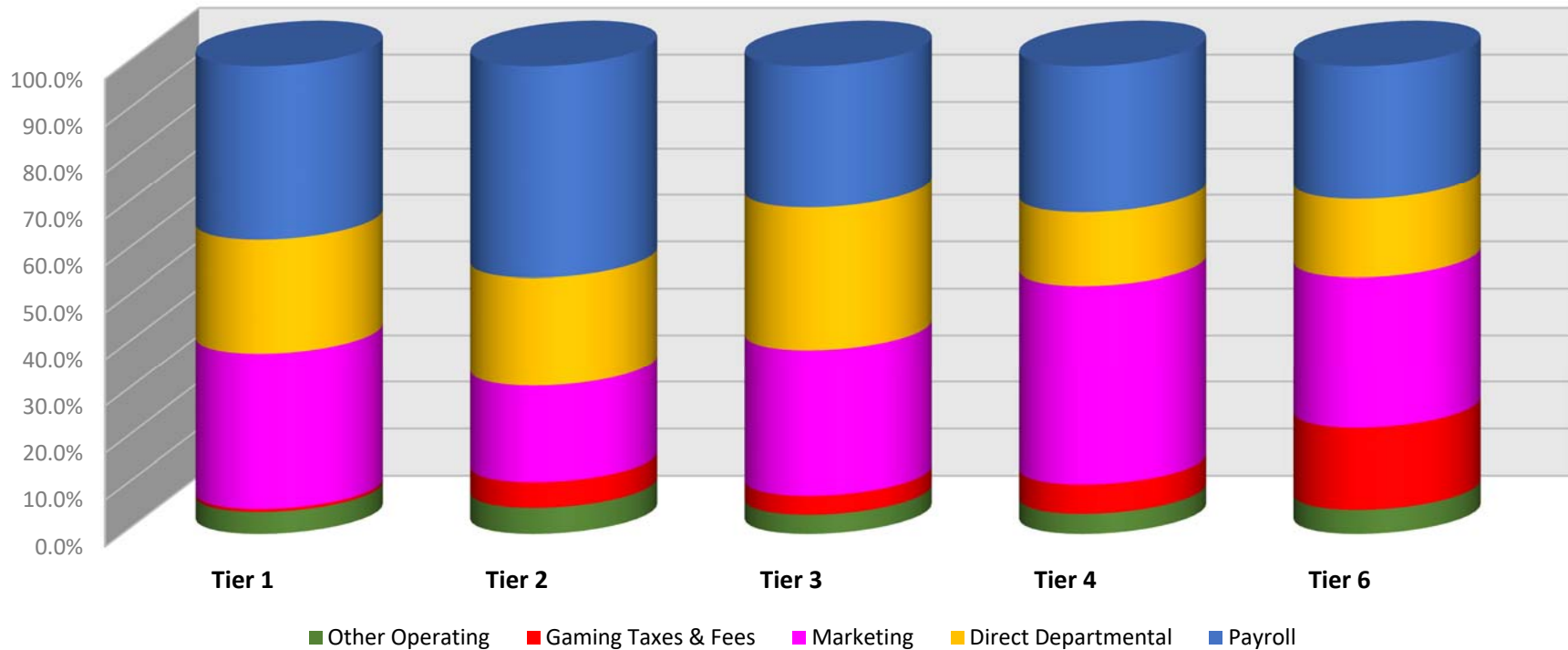
AGP per Device per Day by Tax Tier						
Tier 1	Tier 2**	Tier 3	Tier 4	Tier 5*	Tier 6	All Tiers
\$41.50	\$60.45	\$96.22	\$133.81	\$127.46	\$231.26	\$164.87
\$51.72	\$0.00	\$101.18	\$124.09	\$151.40	\$274.75	\$236.57
\$54.38	\$43.92	\$109.53	\$107.89	\$0.00	\$288.92	\$242.31
5.1%	Infinite	8.3%	(13.1%)	n/a	5.2%	2.4%
31.0%	(27.3%)	13.8%	n/a	n/a	24.9%	47.0%

* For confidentiality reasons, this tier has been combined with Tier 6 in 2022.

** In 2021, there were not any casinos that were classified as a Tier 2 Casino.

Operating Expenses by Category by Tax Tier

(Pictured: Allocation of 2022 Operating Expenses by Category by Tax Tier)

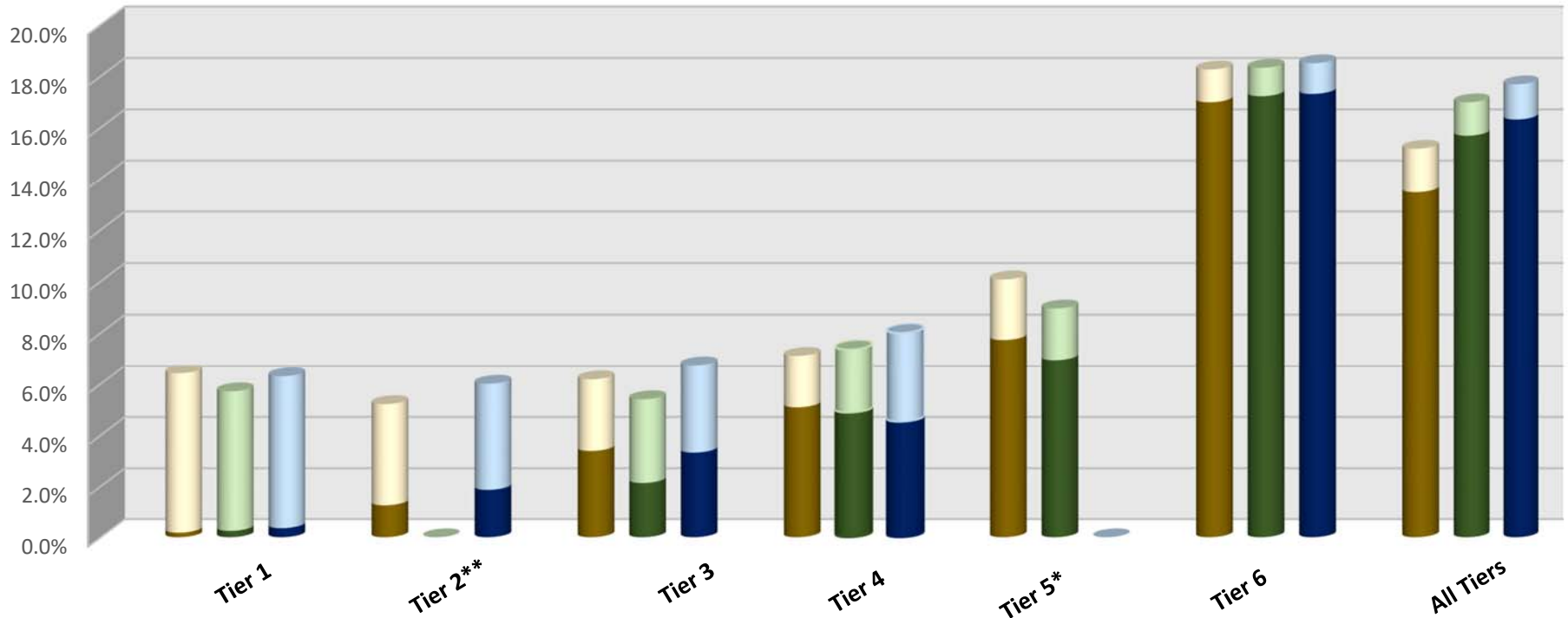


Average Operating Expenses Per Casino (in Millions)							
	Tier 1	Tier 2**	Tier 3	Tier 4	Tier 5*	Tier 6	All Tiers
2020	\$ 1.0 M	\$ 3.5 M	\$ 4.9 M	\$ 6.8 M	\$ 11.2 M	\$ 31.7 M	\$ 12.7 M
2021	\$ 1.1 M	\$ 0.0 M	\$ 4.6 M	\$ 6.4 M	\$ 9.2 M	\$ 37.3 M	\$ 21.9 M
2022	\$ 0.9 M	\$ 4.3 M	\$ 6.0 M	\$ 6.0 M	*	\$ 38.3 M	\$ 24.3 M
2022 Avg Net Revenue	\$ 1.5 M	\$ 6.0 M	\$ 8.2 M	\$ 9.3 M	*	\$ 53.1 M	\$ 33.8 M
2022 Avg OpEx of Avg Net Revenue	63.1%	71.6%	72.9%	64.6%	n/a	72.2%	72.0%

* For confidentiality reasons, this tier has been combined with Tier 6 in 2022.

** In 2021, there were not any casinos that were classified as a Tier 2 Casino.

Gaming Taxes & Device Fees as a Percentage of AGP by Tax Tier



State Gaming Taxes as % of AGP							
	Tier 1	Tier 2**	Tier 3	Tier 4	Tier 5*	Tier 6	All Tiers
2020	0.2%	1.3%	3.4%	5.1%	7.7%	17.0%	13.5%
2021	0.2%	0.0%	2.1%	4.9%	6.9%	17.2%	15.7%
2022	0.4%	1.9%	3.3%	4.5%	*	17.3%	16.3%

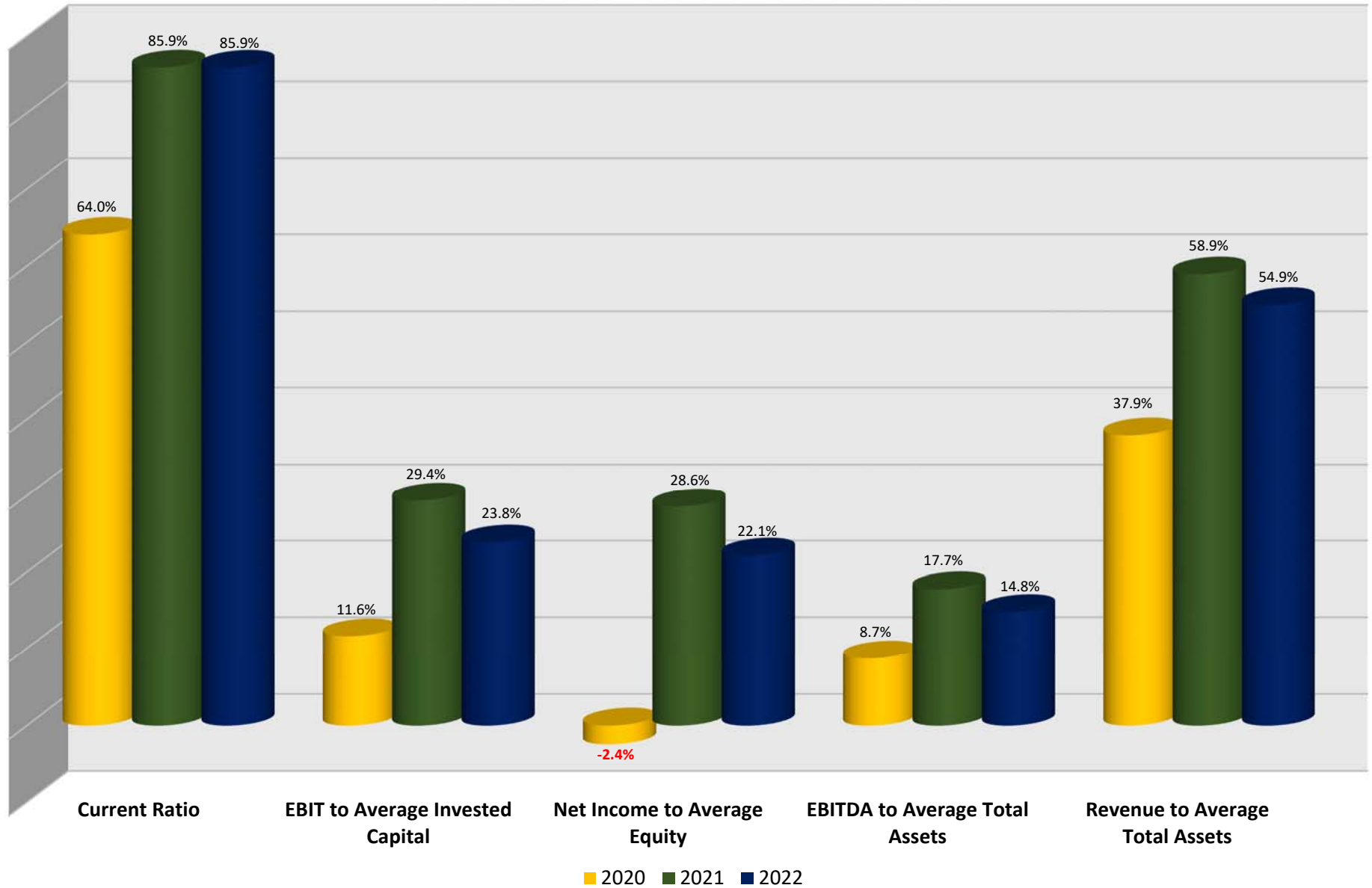
Device Fees as % of AGP							
	Tier 1	Tier 2**	Tier 3	Tier 4	Tier 5*	Tier 6	All Tiers
2020	6.2%	4.0%	2.8%	2.0%	2.4%	1.3%	1.7%
2021	5.5%	0.0%	3.3%	2.5%	2.0%	1.1%	1.3%
2022	5.9%	4.1%	3.4%	3.5%	*	1.2%	1.4%

Total Gaming Taxes and Device Fees as % of AGP							
	Tier 1	Tier 2**	Tier 3	Tier 4	Tier 5*	Tier 6	All Tiers
2020	6.4%	5.2%	6.2%	7.1%	10.1%	18.3%	15.2%
2021	5.7%	0.0%	5.4%	7.4%	9.0%	18.3%	17.0%
2022	6.3%	6.0%	6.7%	8.0%	*	18.5%	17.7%

* For confidentiality reasons, this tier has been combined with Tier 6 in 2022.

** In 2021, there were not any casinos that were classified as a Tier 2 Casino.

Financial Ratios: Industry Trends 2020 to 2022



Item VII

Sports Betting Rule 7.6, Exchange Wagering

DEPARTMENT OF REVENUE

Division of Gaming

SPORTS BETTING REGULATIONS

Rule 1.4 Definitions

- I. “ADDITIONAL FEE” MEANS ANY FEE, INCLUDING MONTHLY FEES OR SIGN-UP COSTS, THAT A SPORTS BETTING OPERATOR OR AN INTERNET SPORTS BETTING OPERATOR CHARGES TO SPORTS BETTING PATRONS OR EXTERNAL MARKET MAKERS THAT ALLOWS THE SPORTS BETTING PATRON OR EXTERNAL MARKET MAKERS TO PLACE, BUY OR SELL WAGERS WITH THE SPORTS BETTING OPERATOR OR INTERNET SPORTS BETTING OPERATOR IN THE STATE OF COLORADO. ADDITIONAL FEES SHALL BE PROHIBITED.
- II. “AUTHORIZED PERSON” MEANS THE EMPLOYEE OF AN EXTERNAL MARKET MAKER OR ANY ENTITY OTHER THAN AN INDIVIDUAL ACTING IN THEIR PERSONAL NAME, WHO IS RESPONSIBLE FOR AUTHORIZING THE PROVISION OF ODDS AND LIQUIDITY CONSTRAINTS TO AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR THAT IS OPERATING AN EXCHANGE. THE AUTHORIZED PERSON MUST HOLD A SUPPORT LICENSE. THE AUTHORIZED PERSON SHALL NOT BE A PROHIBITED SPORTS BETTING PARTICIPANT ONLY WHEN ACTING IN THE CAPACITY OF EXCHANGE WAGERING AS AN AUTHORIZED PERSON.
- III. “CORRECTIVE WAGER” MEANS AN EXCHANGE WAGER PLACED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR IN A GIVEN MARKET, UNDER CIRCUMSTANCES APPROVED BY THE DIRECTOR, IN ORDER TO ADDRESS THE IMPACT ON THAT MARKET OF THE CANCELLATION OR VOIDING OF A GIVEN MATCHED WAGER OR GIVEN PART OF A MATCHED WAGER
- IV. “EXCHANGE BETS” IS A REPORTING TERM USED TO DERIVE NET SPORTS BETTING PROCEEDS, AND SHALL BE CALCULATED AS THE CUMULATIVE RISK TAKEN BY PERSONS’ AND EXTERNAL MARKET MAKERS’ ON A MARKET ON THE GAMING DAY ON WHICH THE MARKET IS SETTLED.
- V. “EXCHANGE BETS PAID” IS A REPORTING TERM USED TO DERIVE NET SPORTS BETTING PROCEEDS, AND SHALL BE CALCULATED AS THE CUMULATIVE AMOUNT PAID OUT TO PERSONS AND EXTERNAL MARKET MAKERS ON A MARKET ON THE GAMING DAY ON WHICH THE MARKET IS SETTLED. EXCHANGE BETS PAID SHALL NOT INCLUDE ANY COMMISSION COLLECTED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR APPROVED TO CONDUCT EXCHANGE WAGERING.
- VI. “Exchange wagers” means a form of wagering in which two or more persons place identically opposing wagers in a given market, allowing patrons to wager on both winning and non-winning outcomes in the same event. “EXCHANGE WAGERS” MEANS WAGERS, BY THOSE PRESENT IN THIS STATE, ON THE RESULTS OF A SPORTING EVENT APPROVED ON THE COLORADO DIVISION OF GAMING OFFICIAL SPORTS BETTING CATALOG OF EVENTS AND WAGERS.
- VII. “EXCHANGE WAGERING” MEANS THE FORM OF WAGERING, AUTHORIZED BY THIS SECTION 7.6 (17), IN WHICH PERSONS PLACE WAGERS THAT CAN BE MATCHED BY AN EXCHANGE WAGERING SYSTEM TO BECOME BACK OR LAY

WAGERS, AND WHICH WAGERING IS CONDUCTED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR APPROVED TO CONDUCT EXCHANGE WAGERING.

- VIII. "EXCHANGE WAGERING SYSTEM" MEANS A SYSTEM THROUGH WHICH EXCHANGE WAGERS ARE PROCESSED.
- IX. "EXTERNAL MARKET MAKER" MEANS AN ENTITY OR AUTHORIZED PERSON WITHIN THE STATE OF COLORADO, OTHER THAN AN INDIVIDUAL ACTING IN THEIR PERSONAL NAME WITHIN THE STATE OF COLORADO, THAT HAS FUNDS ON DEPOSIT WITH AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR BY PLACING WAGERS, AND BUYING AND SELLING WAGERS ON THE EXCHANGE.
- X. "INTERNAL MARKET MAKER" MEANS AN ENTITY OR INDIVIDUAL OTHER THAN AN INDIVIDUAL ACTING IN THEIR PERSONAL NAME, WHO PARTICIPATES IN REVENUE SHARING AND PROVIDES ODDS AND LIQUIDITY TO AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR THAT IS OPERATING AN EXCHANGE.
- XI. "LAY" MEANS TO WAGER ON A SELECTED OUTCOME NOT OCCURRING (BETTING THE OUTCOME WILL NOT OCCUR) IN A GIVEN MARKET.

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BASIS AND PURPOSE FOR RULE 7

The purpose of Rule 7 is to establish a Sports Betting Operations Fee to defray the cost of regulating the sports betting industry, specify the requirements regarding the certification, assessment and security of sports betting systems and kiosks, direct Sports Betting Operations to establish internal control procedures, including accounting controls, outline reporting requirements and the computation of taxes, establish geofence and sports betting account requirements, and to outline procedures for change control. The statutory basis for Rule 7 is found in sections 44-30-102, C.R.S., 44-30-201, C.R.S., 44-30-202, C.R.S., 44-30-203, C.R.S., 44-30-302, C.R.S., 44-30-503, C.R.S., 44-30-510, C.R.S., 44-30-528, C.R.S., 44-30-833, C.R.S., 44-30-1501, C.R.S, and part 15 of article 30 of title 44, C.R.S.

RULE 7 REQUIREMENTS OF SPORTS BETTING OPERATIONS

Rule 7.6 Sport betting system requirements.

(17) Exchange wagers.

Prior to accepting exchange wagers a sports betting operation must obtain approval from the Commission.

THE RULES IN THIS SECTION 7.6 (17) ARE APPLICABLE ONLY TO EXCHANGE WAGERING. THIS SECTION, IN ADDITION TO ALL APPLICABLE SPORT BETTING RULES, SHALL BE APPLICABLE TO ALL PERSONS LICENSED AND APPROVED BY THE COMMISSION IN CONNECTION WITH EXCHANGE WAGERING, AND EVERY PATRON AND ACCOUNT HOLDER OF THE EXCHANGE WAGERING SYSTEM.

(A) THE FOLLOWING WORDS AND TERMS, WHEN USED IN THIS SECTION 7.6 (17), SHALL HAVE THE FOLLOWING MEANINGS, UNLESS THE CONTEXT CLEARLY INDICATES OTHERWISE:

- I. "BACK" MEANS TO WAGER ON A SELECTED OUTCOME OCCURRING (BETTING THAT AN OUTCOME WILL OCCUR) IN A GIVEN MARKET.
- II. "COMMISSION RATE" MEANS A FEE RELATING TO PERSONS OR EXTERNAL MARKET MAKERS' WAGERING ACTIVITY CHARGED TO PERSONS OR EXTERNAL MARKET MAKERS AND COLLECTED BY THE SPORTS BETTING OPERATION AUTHORIZED TO OFFER EXCHANGE WAGERING.
- III. "EXCHANGE" MEANS A SYSTEM OPERATED BY THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR IN WHICH THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR ACCEPTS, MATCHES, AND/OR CANCELS WAGERS TO BACK OR LAY OUTCOMES ON A SPORTING EVENT APPROVED ON THE COLORADO DIVISION OF GAMING OFFICIAL SPORTS BETTING CATALOG OF EVENTS AND WAGERS.
- IV. "MARKET" MEANS, IN RELATION TO THE RESULTS OF A SPORTING EVENT SET OF SPORTING EVENTS OR OUTCOMES THAT OCCUR DURING THE PLAYING OF A SPORTING EVENT APPROVED ON THE COLORADO DIVISION OF GAMING OFFICIAL SPORTS BETTING CATALOG OF EVENTS AND WAGERS A PARTICULAR OUTCOME THAT IS SUBJECT TO EXCHANGE WAGERING AS DETERMINED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR.

- V. "PRICE" MEANS THE ODDS FOR A GIVEN EXCHANGE WAGER.
- (B) THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL GIVE THE OPTION TO PATRONS TO HAVE LIQUIDITY AT THE BEST AVAILABLE PRICE FOR EXCHANGE WAGERING ON A MARKET BE CLEARLY DISPLAYED TO THE PATRON WITHIN THE SPORTS BETTING SYSTEM.
- (C) THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL EXCLUSIVELY ACCEPT WAGERS ON AUTHORIZED SPORTS EVENTS, LEAGUES, OR BETS PURSUANT TO RULE 5.
- (D) FOR THE PURPOSES OF EXCHANGE WAGERING, WHEN CALCULATING NET SPORTS BETTING PROCEEDS PURSUANT TO RULE 1.4 (XX), 'EXCHANGE BETS' SHALL EQUAL TOTAL AMOUNT OF ALL BETS PLACED BY PLAYERS, 'EXCHANGE BETS PAID' SHALL EQUAL ALL PAYMENTS TO PLAYERS.
- (E) WHERE A RESETTLEMENT OF AN EXCHANGE WAGER OCCURS, THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR IS RESPONSIBLE FOR PAYING THE WINNING WAGER REGARDLESS OF THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR'S ABILITY TO RECOVER FUNDS FOR THE LOSING WAGER
- (F) IF AN ERROR OCCURS IN THE PAYMENT OF AMOUNTS OF EXCHANGE WAGERS, REGARDLESS OF CAUSE, THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR OFFERING EXCHANGE WAGERING SHALL BE RESPONSIBLE FOR SUCH OVERPAYMENT OR UNDERPAYMENT.
- (G) OTHER INTERNET SPORTS BETTING OPERATORS OR SPORTS BETTING OPERATORS WISHING TO LAY-OFF WAGERS UNDER RULE 7.6 (15) VIA EXCHANGE WAGERS MAY DO SO WITH A VALID COLORADO INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR LICENSE. SUCH ACTIVITY SHALL NOT COUNT TOWARDS THE CALCULATION OF 'EXCHANGE BETS' OR 'EXCHANGE BETS PAID', AND THUS DOES NOT CONTRIBUTE TOWARDS, OR TAKE AWAY FROM AN INTERNET SPORTS BETTING OPERATOR'S OR SPORTS BETTING OPERATOR'S CALCULATION OF NET SPORTS BETTING PROCEEDS.
- (H) EXTERNAL MARKET MAKERS
- I. AN EXTERNAL MARKET MAKER MUST POSSESS A VENDOR MINOR LICENSE AND PROVIDE A LIST OF PERSONS AUTHORIZED TO ACT ON THE ENTITY'S BEHALF PRIOR TO AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR POSTING A BACK OR LAY EXCHANGE WAGER ON BEHALF OF THE MARKET MAKER. THE LIST OF AUTHORIZED PERSONS SHALL BE UPDATED BY THE EXTERNAL MARKET MAKER WHEN AN AUTHORIZED PERSON CHANGES.
 - II. THE INTERNET SPORTS BETTING OPERATOR, SPORTS BETTING OPERATOR, AND EXTERNAL MARKET MAKER ARE EACH SUBJECT TO DISCIPLINE IF THE SPORTS BETTING OPERATOR ACCEPTS A WAGER FROM AN EXTERNAL MARKET MAKER OR EXTERNAL MARKET MAKER'S AUTHORIZED PERSON WHERE THE EXTERNAL MARKET MAKER HAS ACCESS TO NONPUBLIC, CONFIDENTIAL INFORMATION HELD BY THE SPORTS BETTING OPERATOR.
 - III. EXTERNAL MARKET MAKERS AND THE EXTERNAL MARKET MAKER'S AUTHORIZED PERSON MUST REMAIN ELIGIBLE TO PLACE WAGERS UNDER THE SPORTS BETTING ACT. THE INTERNET SPORTS

BETTING OPERATOR, SPORTS BETTING OPERATOR, AND EXTERNAL MARKET MAKER ARE EACH SUBJECT TO DISCIPLINE IF THE SPORTS BETTING OPERATOR ACCEPTS A WAGER FROM AN EXTERNAL MARKET MAKER OR EXTERNAL MARKET MAKER'S AUTHORIZED PERSON WHERE THE EXTERNAL MARKET MAKER'S AUTHORIZED PERSON IS OUTSIDE THE STATE OF COLORADO.

(I) INTERNAL MARKET MAKER

- I. AN INTERNAL MARKET MAKER MUST POSSESS A VENDOR MAJOR LICENSE PRIOR TO AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR POSTING WAGERS ON BEHALF OF THE INTERNAL MARKET MAKER.
- II. ANY REVENUE DERIVED FROM AN INTERNAL MARKET MAKER FACILITATING THE PLACING OF, BUYING OF, OR SELLING OF WAGERS THROUGH PROVIDING ODDS AND LIQUIDITY TO AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR THAT IS OPERATING AN EXCHANGE MUST BE COLLECTED BY THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR, AND CONSTITUTE NET SPORTS BETTING PROCEEDS. ANY REVENUE SHARING PAYMENTS TO AN INTERNAL MARKET MAKER BY THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR DO NOT CONSTITUTE PAYMENTS TO PLAYERS AND DO NOT FACTOR INTO THE CALCULATION OF NET SPORTS BETTING PROCEEDS.
- III. A SPORTS BETTING OPERATOR AND INTERNET SPORTS BETTING OPERATOR MUST CLEARLY DISCLOSE THE PRESENCE OF WAGERS FOR SALE OR FOR PURCHASE BY AN INTERNAL MARKET MAKER THROUGH THE EXCHANGE IN A MANNER APPROVED BY THE DIRECTOR OR THE DIRECTOR'S DESIGNEE.

(J) THE INTERNET SPORTS BETTING OPERATOR OFFERING EXCHANGE WAGERING MAY CANCEL AN UNMATCHED WAGER AT ANY TIME, WITHOUT CAUSE, BEFORE IT IS MATCHED TO FORM A BACK OR LAY WAGER.

(K) AN EXCHANGE WAGERING ACCOUNT HOLDER WHO OFFERS AN UNMATCHED WAGER MAY CANCEL THAT UNMATCHED WAGER AT ANY TIME, WITHOUT CAUSE, BEFORE IT IS MATCHED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR TO FORM ONE OR MORE IDENTICALLY OPPOSING WAGERS. HOWEVER, THE SUSPECTED ABUSE OF THIS CANCELLATION PRIVILEGE BY AN ACCOUNT HOLDER, INCLUDING, BUT NOT LIMITED TO, WHERE ANY SUCH CANCELLATION IS MADE PURSUANT TO OR IN FURTHERANCE OF FRAUDULENT ACTIVITY OR WHERE THE FREQUENCY OF SUCH CANCELLATIONS IS DETERMINED BY THE EXCHANGE WAGERING PROVIDER TO NEGATIVELY IMPACT THE EXCHANGE OR ANY GIVEN MARKET, SHALL SERVE AS A BASIS FOR THE CLOSURE OR SUSPENSION OF THE EXCHANGE WAGERING ACCOUNT PURSUANT.

(L) THE INTERNET SPORTS BETTING OPERATOR OFFERING EXCHANGE WAGERING MUST GIVE PATRONS AND EXTERNAL MARKET MAKERS THE ABILITY TO AUTOMATICALLY HAVE ALL WAGERS AUTOMATICALLY CANCELED BY THE EXCHANGE WAGERING SYSTEM PRIOR TO THE TIME THE EVENT STARTS.

(M) NOTHING CONTAINED IN THIS SECTION SHALL BE INTERPRETED TO PRECLUDE THE DIRECTOR FROM ORDERING THAT AN APPROVED MARKET, OR PREVIOUSLY APPROVED MARKET, BE DISCONTINUED BECAUSE THE SPORTING EVENT HAS BEEN REMOVED FROM THE COLORADO DIVISION OF GAMING OFFICIAL SPORTS BETTING CATALOG OF EVENTS AND WAGERS. THERE ARE ISSUES WITH THE INTEGRITY OF A MARKET OR

WHERE THE CONTINUANCE THEREOF WOULD BE INCONSISTENT WITH THE EXCHANGE WAGERING SYSTEM, INCLUDING ITS WAGERING AND TECHNOLOGICAL RELIABILITY ASPECTS.

- (N) IN THE EVENT OF A TECHNOLOGICAL BREAKDOWN ASSOCIATED WITH THE EXCHANGE WAGERING SYSTEM, WHICH RENDERS THE EXCHANGE WAGERING SYSTEM NON-FUNCTIONAL, AND WHERE THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR DETERMINES THAT THE NATURE AND DEGREE OF THE TECHNOLOGICAL BREAKDOWN DOES NOT REQUIRE A SUSPENSION OR VOIDING OF THE MARKET. THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL:
- I. CAUSE ALL BACK AND LAY WAGERS, AS OF THE TIME OF THE FAILURE, TO REMAIN, AND TO BE PAID IN ACCORDANCE WITH THE ESTABLISHED PRICE FOR SUCH WAGERS AND THE CALCULATION OF 'EXCHANGE BETS' AND 'EXCHANGE BETS PAID' DEFINITIONS AND THE INTERNAL CONTROL PROCEDURES OF THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR APPLICABLE TO BACK AND LAY WAGERS; AND
 - II. CAUSE ALL UNMATCHED WAGERS TO BE CANCELED.
 - III. IN THE EVENT THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR ACTS PURSUANT TO THIS SECTION, IT SHALL PROMPTLY FILE WITH THE DIVISION A WRITTEN REPORT DETAILING THE ACTION TAKEN AND THE REASONS IN SUPPORT OF SUCH ACTION.
- (O) THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR MAY SUSPEND A MARKET ON ITS OWN ACCORD AND AT ANY TIME, FOR GOOD CAUSE. FOR THE PURPOSES OF THIS SECTION, GOOD CAUSE SHALL EXIST WHERE: THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR HAS REASONABLE CAUSE TO SUSPECT THAT FRAUD OR ANY OTHER ACTION OR INACTION BY ANY NATURAL PERSON CONNECTED WITH THE SPORTING EVENT RAISES QUESTIONS ABOUT THE INTEGRITY AND FAIRNESS OF THE MARKET; THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR HAS REASONABLE CAUSE TO CONCLUDE THAT A MATERIAL TECHNOLOGICAL BREAKDOWN ASSOCIATED WITH THE EXCHANGE WAGERING SYSTEM EXISTS OR HAS ARISEN, WHICH TECHNOLOGICAL BREAKDOWN IS OF SUCH MAGNITUDE THAT THE IMPLEMENTATION OF THE EXCHANGE WAGERING SYSTEM'S BREAKDOWN PROCEDURE AS SET FORTH IN 7.6 (17) (m) WOULD BE INADEQUATE. THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR MAY ALSO SUSPEND A MARKET FOR OTHER REASONS WHERE THE OPERATOR IMMEDIATELY CONTACTS THE DIRECTOR OR THE DIRECTOR'S DESIGNEE AND CAN DEMONSTRATE TO THE SATISFACTION OF THE DIRECTOR OR THE DIRECTOR'S DESIGNEE THAT A FAILURE TO SUSPEND A MARKET WILL LIKELY NEGATIVELY IMPACT THE INTEGRITY OF THE EXCHANGE WAGERING SYSTEM
- (P) IN THE EVENT THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SUSPENDS A MARKET PURSUANT TO 7.6 (17) (N) ABOVE, IT SHALL IMMEDIATELY NOTIFY THE DIRECTOR OF SUCH ACTION IN WRITING, BY ELECTRONIC MAIL. IN ADDITION, THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL PROMPTLY FILE A WRITTEN REPORT TO THE DIRECTOR WHICH, AT A MINIMUM, IDENTIFIES:
- I. THE MARKET SUSPENDED;
 - II. THE DATE AND TIME OF THE SUSPENSION;

III. THE REASON FOR THE MARKET SUSPENSION, THE REASONS WHY THE IMPLEMENTATION OF THE PROCEDURE SET FORTH IN 7.6 (17) (N) WOULD HAVE BEEN INSUFFICIENT;

IV. THE RESULTS OF THE RELATED DUE DILIGENCE INVESTIGATION CONDUCTED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR; AND

V. A PROPOSAL FOR SETTLING THE MARKET.

UPON SATISFACTORY REVIEW AND WRITTEN AUTHORIZATION FROM THE DIRECTOR, THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL SETTLE THE MARKET.

(Q) AN ENTIRE MARKET MAY ONLY BE VOIDED, UPON APPLICATION TO THE DIRECTOR OR DIRECTOR'S DESIGNEE, WHERE THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR DEMONSTRATES TO THE SATISFACTION OF THE DIRECTOR THAT A MATERIAL AND IRREPARABLE TECHNOLOGICAL BREAKDOWN OF THE EXCHANGE WAGERING SYSTEM OCCURRED, AND THAT, DUE TO THE NATURE THEREOF AND CIRCUMSTANCES PRESENT, IT WOULD PROVE INSUFFICIENT FOR THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR TO IMPLEMENT THE PROCEDURE SET FORTH IN EITHER 7.6 (N), OR IN (O) OR (P) ABOVE. IN APPROVING ANY SUCH APPLICATION, THE DIRECTOR MAY IMPOSE REASONABLE AND NECESSARY CONDITIONS TO ENSURE THE INTEGRITY OF THE EXCHANGE WAGERING SYSTEM.

(R) EXCEPT AS PROVIDED IN (I) BELOW, ONCE AN UNMATCHED WAGER IS CONFIRMED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR AS HAVING BEEN MATCHED TO FORM A BACK OR A LAY WAGER IN A GIVEN MARKET ON THE EXCHANGE, SUCH MATCHED WAGER SHALL BE FINAL AND SHALL NOT BE CANCELED.

I. THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL ONLY CANCEL A MATCHED WAGER, OR PART OF A MATCHED WAGER, IF SUCH CANCELLATION IS ORDERED BY THE DIRECTOR OR, WHERE IN ITS SOLE DISCRETION, THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR DETERMINES THAT:

A) THERE IS A TECHNOLOGICAL FAILURE OF THE EXCHANGE WAGERING SYSTEM AND THE ENTIRE MARKET, WITHIN WHICH THE EXCHANGE WAGER WAS MADE, MUST AS A RESULT BE VOIDED IN ACCORDANCE WITH 7.6 (17) (N), OR

B) THERE IS GOOD CAUSE TO SUSPECT THAT A PERSON PLACING A WAGER THROUGH THE EXCHANGE WAGERING SYSTEM HAS ACTED IN VIOLATION OF THE TERMS AND CONDITIONS ENTERED INTO WITH THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR AT THE TIME SUCH PERSON'S EXCHANGE WAGERING ACCOUNT WAS ESTABLISHED, OR AT THE TIME THE TERMS THEREOF WERE AMENDED; OR

C) IT IS IN THE INTEREST OF MAINTAINING THE INTEGRITY AND FAIRNESS IN A PARTICULAR MARKET; OR

D) HUMAN ERROR, BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR, OCCURRED IN THE RECORDING OF THE EXCHANGE WAGER.

II. IN THE EVENT THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR CANCELS A BACK OR A LAY WAGER AS AUTHORIZED BY THIS SECTION, THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL PROMPTLY SUBMIT A WRITTEN REPORT DETAILING THE ACTION TAKEN AND THE REASONS IN SUPPORT OF SUCH ACTION TO THE DIVISION.

DRAFT



COLORADO

Department of Revenue

Specialized Business Group—Gaming
1707 Cole Blvd., Suite 300

Lakewood, CO 80401

June 8, 2023

Dear Commissioners,

The Division would like to present the attached updated Exchange Wagering proposed draft rules (version 8) with an explanation of key changes from the document presented at the April 2023 Commission meeting.

Over the past few months, Division staff met with stakeholders that had a vested interest in exchange wagering and developed a revised version of the rules that fit within the confines of sports betting regulations and guidelines. On June 6, 2023, an additional stakeholder meeting was held to present the updated rules to the public.

The two significant changes that were made, are the introduction of Internal and External Market Makers, and the tax structure for each.

Based on conversations with stakeholders, the Division saw Sports Betting Operators (SBOs) work with market makers in two ways.

First, the market maker that works in-house with the SBO is referred to as an Internal Market Maker (IMM). The money IMM loses or wins is funneled through, and is backed by, the SBO. When the IMM “wins”, that money goes to the SBO, and when the IMM “loses”, the SBO pays the winning patron from the SBO’s financial reserves. The IMM gets a cut of the SBO profits at the end of the month and would require a Vendor Major license.

- The IMM is essentially acting like an oddsmaker—the SBO places the wagers on the exchange, based on the information given by the IMM, but the SBO carries the liability and pays full taxes on money made as a result of its interaction with the IMM.
- Since the IMM is only providing information to the SBO, the IMM is not an independent wagerer and thus doesn’t need to follow the rules on “prohibited patrons.”

Second, the market maker that is an outside participant is referred to as an External Market Maker (EMM). The money the EMM wins and loses is not funneled through the SBO. Instead, the EMM places a wager. If the EMM loses, the EMM pays the winning patron. If the EMM wins, the EMM receives the money from the losing patron. The money is not funneled through the SBO and the winning amount is not taxed as net sports betting proceeds. An EMM would be required to obtain a Vendor Minor license at a minimum.

- Since this EMM is operating entirely outside the SBO, the EMM is placing wagers not just giving information (just as a patron would be placing wagers, even though they are “placing orders for a wager to be placed” through the market). Like a patron, EMMs need to comply with the prohibited patron rules.
- The only taxes here are on the commissions that the SBO takes from the winning bet, whether the EMM or an individual patron wins. The SBO does not maintain the financial reserves on its

own, though it should collect the money when the wager is placed (as it would for non-EMMs, and regular patrons).

Attached are three documents to help navigate through this complex rule.

1. 20230406 Exchange Wagering-proposed draft - v COMMISSION MTG

This document contains the rules presented at the April 2023 Commission meeting.

2. 20230608 Exchange Wagering-PROPOSED DRAFT v8

This document contains the revised rules being presented during the June 2023 Commission meeting.

3. Comparison of 20230406 Exchange Wagering-proposed draft - v COMMISSION MTG & 20230608 Exchange Wagering-PROPOSED DRAFT v8

This document is a comparison of the two documents to show updates made to the most recent version.

We greatly appreciate your time and review of the exchange wagering proposed draft rules.

Sincerely,

Mia Tsuchimoto
Interim Deputy Director, Sports Betting and Fantasy Sports

Brett Buckingham
Agent in Charge, Sports Betting and Fantasy Sports

DEPARTMENT OF REVENUE

Division of Gaming

SPORTS BETTING REGULATIONS

1 CCR 207-2

BASIS AND PURPOSE FOR RULE 7

The purpose of Rule 7 is to establish a Sports Betting Operations Fee to defray the cost of regulating the sports betting industry, specify the requirements regarding the certification, assessment and security of sports betting systems and kiosks, direct Sports Betting Operations to establish internal control procedures, including accounting controls, outline reporting requirements and the computation of taxes, establish geofence and sports betting account requirements, and to outline procedures for change control. The statutory basis for Rule 7 is found in sections 44-30-102, C.R.S., 44-30-201, C.R.S., 44-30-202, C.R.S., 44-30-203, C.R.S., 44-30-302, C.R.S., 44-30-503, C.R.S., 44-30-510, C.R.S., 44-30-528, C.R.S., 44-30-833, C.R.S., 44-30-1501, C.R.S, and part 15 of article 30 of title 44, C.R.S. *Amended 2/14/23*

RULE 7 REQUIREMENTS OF SPORTS BETTING OPERATIONS *Effective 4/14/20*

Rule 7.6 Sport betting system requirements.

(17) Exchange wagers.

Prior to accepting exchange wagers a sports betting operation must obtain approval from the Commission. The commission rates taken on such bets must be approved by the Director, all commissions collected are subject to all taxes and tax requirements as are paid on net sports betting proceeds.

THE RULES IN THIS SECTION 7.6 (17) ARE APPLICABLE ONLY TO EXCHANGE WAGERING. THIS SECTION, IN ADDITION TO ALL APPLICABLE SPORT BETTING RULES, SHALL BE APPLICABLE TO ALL PERSONS LICENSED AND APPROVED BY THE COMMISSION IN CONNECTION WITH EXCHANGE WAGERING, AND EVERY PATRON AND ACCOUNT HOLDER OF THE EXCHANGE WAGERING SYSTEM.

(A) THE FOLLOWING WORDS AND TERMS, WHEN USED IN THIS SECTION 7.6 (17), SHALL HAVE THE FOLLOWING MEANINGS, UNLESS THE CONTEXT CLEARLY INDICATES OTHERWISE:

(I) "AUTHORIZED PERSON" MEANS THE EMPLOYEE OF A MARKET MARKER OR ANY ENTITY OTHER THAN AN INDIVIDUAL ACTING IN THEIR PERSONAL NAME, WHO IS RESPONSIBLE FOR AUTHORIZING THE PROVISION OF ODDS AND LIQUIDITY CONSTRAINTS TO AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR THAT IS OPERATING AN EXCHANGE. THE AUTHORIZED PERSON MUST HOLD A SUPPORT LICENSE. THE AUTHORIZED PERSON SHALL NOT BE A PROHIBITED SPORTS BETTING PARTICIPANT.

(II) "BACK" MEANS TO WAGER ON A SELECTED OUTCOME OCCURRING (BETTING THAT AN OUTCOME WILL OCCUR) IN A GIVEN MARKET.

- (III) "COMMISSION RATE" MEANS THE PERCENTAGE TAKEN BY THE SPORTS BETTING OPERATION OPERATING THE EXCHANGE. THE COMMISSION RATE IS A PERCENTAGE OF THE TOTAL AMOUNT ~~OF THE ALL~~ EXCHANGE WAGERS PAID TO PLAYERS NET OF STAKE. ANY PROCEEDS COLLECTED THROUGH COMMISSION RATES CONSTITUTE NET SPORTS BETTING PROCEEDS.
- (IV) "CORRECTIVE WAGER" MEANS AN EXCHANGE WAGER PLACED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR IN A GIVEN MARKET, UNDER CIRCUMSTANCES APPROVED BY THE DIRECTOR, IN ORDER TO ADDRESS THE IMPACT ON THAT MARKET OF THE CANCELLATION OR VOIDING OF A GIVEN MATCHED WAGER OR GIVEN PART OF A MATCHED WAGER.
- (V) "DIRECTOR" MEANS THE DIRECTOR OF THE COLORADO DIVISION OF GAMING.
- (VI) "EXCHANGE" MEANS A SYSTEM OPERATED BY THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR IN WHICH THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR MAINTAINS ONE OR MORE MARKETS IN WHICH AUTHORIZED WAGERS MAY BACK OR LAY ON THE RESULTS OF A SPORTING EVENT APPROVED ON THE COLORADO DIVISION OF GAMING OFFICIAL SPORTS BETTING CATALOG OF EVENTS AND WAGERS.
- (VII) "EXCHANGE WAGERS" MEANS WAGERS, BY THOSE PRESENT IN THIS STATE, ON THE RESULTS OF A SPORTING EVENT APPROVED ON THE COLORADO DIVISION OF GAMING OFFICIAL SPORTS BETTING CATALOG OF EVENTS AND WAGERS. WAGERS ARE TO BE POSTED AND MATCHED IN A MARKET OR MARKETS ON AN EXCHANGE.
- (VIII) "EXCHANGE WAGERING" MEANS THE FORM OF WAGERING, AUTHORIZED BY THIS SECTION 7.6 (17), IN WHICH TWO OR MORE PERSONS PLACE IDENTICALLY OPPOSING WAGERS IN A GIVEN MARKET, AND WHICH WAGERING IS CONDUCTED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR APPROVED TO CONDUCT EXCHANGE WAGERING.
- (IX) "EXCHANGE WAGERING SYSTEM" MEANS A SYSTEM THROUGH WHICH EXCHANGE WAGERS ARE PROCESSED.
- (X) "IDENTICALLY OPPOSING WAGERS" MEANS WAGERS IN WHICH ONE OR MORE PERSONS OFFER TO LAY A SELECTED OUTCOME AT THE SAME PRICE AT WHICH ONE OR MORE PERSONS OFFER TO BACK THAT SAME OUTCOME, WITH THE AMOUNT SUBJECT TO THE LAY BEING PROPORTIONATELY COMMENSURATE TO THE AMOUNT SUBJECT TO THE BACK.
- (XI) "LAY" MEANS TO WAGER ON A SELECTED OUTCOME NOT OCCURRING (BETTING THE OUTCOME WILL NOT OCCUR) IN A GIVEN MARKET.
- (XII) "LIQUIDITY" IS THE POOL OF MAXIMUM MONEY THAT A BETTOR CAN WAGER ON A GIVEN BETTING EXCHANGE MARKET. NO BET CAN EXCEED THIS AMOUNT.
- (XIII) "MARKET" MEANS, IN RELATION TO THE RESULTS OF A SPORTING EVENT, SET OF SPORTING EVENTS OR OUTCOMES THAT OCCUR DURING THE PLAYING OF A SPORTING EVENT APPROVED ON THE COLORADO DIVISION OF GAMING OFFICIAL SPORTS BETTING CATALOG OF EVENTS AND WAGERS A PARTICULAR OUTCOME THAT IS SUBJECT TO

EXCHANGE WAGERING AS DETERMINED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR.

- (XIV) "MARKET MAKER" MEANS AN ENTITY OR INDIVIDUAL WITHIN THE STATE OF COLORADO, OTHER THAN AN INDIVIDUAL ACTING IN THEIR PERSONAL NAME WITHIN THE STATE OF COLORADO, THAT HAS FUNDS ON DEPOSIT WITH AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR WHO PROVIDES ODDS AND LIQUIDITY TO AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR THAT IS OPERATING AN EXCHANGE. THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR THAT IS OPERATING AN EXCHANGE HAS FINAL DISCRETION TO POST OR NOT POST THE ODDS AND LIQUIDITY FROM A MARKET MAKER TO THE EXCHANGE WAGERING SYSTEM.
- (XV) "MATCHED WAGER" MEANS THE WAGER THAT IS FORMED WHEN TWO OR MORE PERSONS ARE CONFIRMED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR AS HAVING PLACED IDENTICALLY OPPOSING WAGERS IN A GIVEN MARKET ON THE EXCHANGE.
- (XVI) "PRICE" MEANS THE ODDS FOR A GIVEN EXCHANGE WAGER.
- (XVII) "UNMATCHED WAGER" MEANS A WAGER OR PORTION OF A WAGER PLACED IN A GIVEN MARKET WITHIN AN EXCHANGE THAT DOES NOT BECOME PART OF A MATCHED WAGER BECAUSE THERE ARE NOT ONE OR MORE AVAILABLE EXCHANGE WAGERS IN THAT MARKET WITH WHICH TO FORM ONE OR MORE IDENTICALLY OPPOSING WAGERS.

(B) THE TOTAL COMMISSION RATE TAKEN ON ~~AN ALL~~ EXCHANGE WAGERS PAID TO PLAYERS MUST BE APPROVED BY THE DIRECTOR, NOT TO BE SET BELOW ~~2.55.0%~~ OF THE ~~AMOUNT OF ALL~~ EXCHANGE WAGERS PAID TO PLAYERS. IN THE CASE OF WAGERS LAID OR BACKED BY AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR, THE TOTAL COMMISSION RATE MUST BE APPROVED BY THE DIRECTOR, NOT TO BE SET BELOW ~~3.55.0%~~ OF ~~THE ALL~~ WAGERS COLLECTED BY AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR. ~~FREE BETS SHALL NOT BE DEDUCTED FROM THE AGGREGATE COMMISSION TAKEN ON AN EXCHANGE WAGERS.~~

(I) UPON APPROVAL BY THE DIRECTOR, AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR MAY OFFER COMMISSION RATES TO INDIVIDUALS OR MARKET MAKERS THAT ARE BELOW ~~2.55.0%~~ OF THE WAGER. ~~IF WHERE~~ AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR IS APPROVED TO OFFER A COMMISSION RATE THAT IS BELOW ~~2.55.0%~~ OF THE WAGER TO ANY INDIVIDUALS OR MARKET MAKERS, ~~AND THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR HAS AN AGGREGATE COMMISSION FOR INDIVIDUALS AND MARKET MAKERS AT BELOW ~~2.55.0%~~ DURING ANY TAX PERIOD, THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL STILL BE SUBJECT TO ALL TAXES AND TAX REQUIREMENTS FOR A ~~2.55.0%~~ COMMISSION RATE ON THE MONTHLY AGGREGATE OF ALL EXCHANGE WAGERS PAID TO ~~FOR~~ INDIVIDUALS AND MARKET MAKERS.~~

(C) LIQUIDITY AVAILABLE FOR EXCHANGE WAGERING ON A MARKET MUST BE CLEARLY DISPLAYED TO THE PATRON WITHIN THE SPORTS BETTING SYSTEM.

- (D) THE ODDS OF THE WAGER MUST BE DISPLAYED AT THE TIME OF BET PLACEMENT AND IN THE TICKET CONTENTS WHEN A PATRON PLACES A SINGLE WAGER.
- ~~(E) THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL EXCLUSIVELY ACCEPT WAGERS ON AUTHORIZED SPORTS EVENTS, LEAGUES, OR BETS PURSUANT TO RULE 5.~~
- (F) WHERE A RESETTLEMENT OF AN EXCHANGE WAGER OCCURS, THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR IS RESPONSIBLE FOR PAYING THE WINNING WAGER REGARDLESS OF THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR'S ABILITY TO RECOVER FUNDS FOR THE LOSING WAGER.
- (G) IF AN ERROR OCCURS IN THE PAYMENT OF AMOUNTS OF EXCHANGE WAGERS, REGARDLESS OF CAUSE, THE INTERNET SPORTS WAGERING OPERATOR OR SPORTS BETTING OPERATOR OFFERING EXCHANGE WAGERING SHALL BE RESPONSIBLE FOR SUCH OVERPAYMENT OR UNDERPAYMENT.
- (H) EXCHANGE WAGERS MAY NOT BE VOIDED FOR OBVIOUS ERROR UNDER RULE 7.6 (12) AND CANNOT BE CANCELED FOR ANY REASON NOT EXPLICITLY STATED WITHIN THIS SECTION 7.5 (17) AND SHALL BE POSTED WITHIN THE INTERNET SPORTS WAGERING OPERATOR OR SPORTS BETTING OPERATOR'S HOUSE RULES.
- (I) ANY ENTITY OTHER THAN AN INDIVIDUAL ACTING IN THEIR PERSONAL NAME MUST POSSESS A VENDOR MINOR LICENSE AND PROVIDE A LIST OF PERSONS AUTHORIZED TO ACT ON THE ENTITY'S BEHALF PRIOR TO AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR ALLOWING THE ENTITY TO PLACE AN EXCHANGE WAGER. THE LIST OF AUTHORIZED USERS SHALL BE UPDATED WHEN AN AUTHORIZED PERSON CHANGES. OTHER INTERNET SPORTS WAGERING OPERATORS OR SPORTS BETTING OPERATORS WISHING TO LAY-OFF WAGERS UNDER RULE 7.6 (15) VIA EXCHANGE WAGERS MAY DO SO WITH A VALID COLORADO INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR LICENSE.
- ~~(J) A MARKET MAKER MUST POSSESS A VENDOR MINOR LICENSE AND PROVIDE A LIST OF PERSONS AUTHORIZED TO ACT ON THE ENTITY'S BEHALF PRIOR TO AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR POSTING A BACK OR LAY EXCHANGE WAGER ON BEHALF OF THE MARKET MAKER. THE LIST OF AUTHORIZED PERSONS SHALL BE UPDATED BY THE MARKET MAKER WHEN AN AUTHORIZED PERSON CHANGES. THE INTERNET SPORTS WAGERING OPERATOR, SPORTS WAGERING OPERATOR, AND MARKET MAKER ARE EACH SUBJECT TO DISCIPLINE IF THE SPORTS BETTING OPERATOR ACCEPTS A WAGER FROM A MARKET MAKER OR MARKET MAKER'S AUTHORIZED PERSON WHERE THE MARKET MAKER HAS ACCESS TO NONPUBLIC, CONFIDENTIAL INFORMATION HELD BY THE SPORTS BETTING OPERATOR.~~
- (K) THE INTERNET SPORTS WAGERING OPERATOR OFFERING EXCHANGE WAGERING MAY CANCEL AN UNMATCHED WAGER AT ANY TIME, WITHOUT CAUSE, BEFORE IT IS MATCHED TO FORM ONE OR MORE IDENTICALLY OPPOSING WAGERS.
- (L) AN EXCHANGE WAGERING ACCOUNT HOLDER WHO OFFERS AN UNMATCHED WAGER MAY CANCEL THAT UNMATCHED WAGER AT ANY TIME, WITHOUT CAUSE, BEFORE IT IS MATCHED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR TO FORM ONE OR MORE IDENTICALLY OPPOSING WAGERS. HOWEVER, THE SUSPECTED ABUSE OF THIS CANCELLATION PRIVILEGE BY AN ACCOUNT HOLDER, INCLUDING, BUT NOT LIMITED TO, WHERE ANY SUCH CANCELLATION IS MADE PURSUANT TO OR IN FURTHERANCE OF FRAUDULENT ACTIVITY

OR WHERE THE FREQUENCY OF SUCH CANCELLATIONS IS DETERMINED BY THE EXCHANGE WAGERING PROVIDER TO NEGATIVELY IMPACT THE EXCHANGE OR ANY GIVEN MARKET, SHALL SERVE AS A BASIS FOR THE CLOSURE OR SUSPENSION OF THE EXCHANGE WAGERING ACCOUNT PURSUANT.

- (M) THE INTERNET SPORTS WAGERING OPERATOR OFFERING EXCHANGE WAGERING MUST CANCEL ALL UNMATCHED WAGERS PRIOR TO THE TIME THE EVENT STARTS, HOWEVER THE INTERNET SPORTS WAGERING OPERATOR OFFERING EXCHANGE WAGERING MAY REOPEN IN-PLAY EXCHANGE WAGERING AT THE START OF THE EVENT.
- (N) NOTHING CONTAINED IN THIS SECTION SHALL BE INTERPRETED TO PRECLUDE THE DIRECTOR FROM ORDERING THAT AN APPROVED MARKET, OR PREVIOUSLY APPROVED MARKET, BE DISCONTINUED BECAUSE THE SPORTING EVENT HAS BEEN REMOVED FROM THE COLORADO DIVISION OF GAMING OFFICIAL SPORTS BETTING CATALOG OF EVENTS AND WAGERS, THERE ARE ISSUES WITH THE INTEGRITY OF A MARKET OR WHERE THE CONTINUANCE THEREOF WOULD BE INCONSISTENT WITH THE EXCHANGE WAGERING SYSTEM, INCLUDING ITS WAGERING AND TECHNOLOGICAL RELIABILITY ASPECTS.
- (O) IN THE EVENT OF A TECHNOLOGICAL BREAKDOWN ASSOCIATED WITH THE EXCHANGE WAGERING SYSTEM, WHICH RENDERS THE EXCHANGE WAGERING SYSTEM NON-FUNCTIONAL, AND WHERE THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR DETERMINES THAT THE NATURE AND DEGREE OF THE TECHNOLOGICAL BREAKDOWN DOES NOT REQUIRE A SUSPENSION OR VOIDING OF THE MARKET. THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL:
- (I) CAUSE ALL MATCHED WAGERS, AS OF THE TIME OF THE FAILURE, TO REMAIN MATCHED, AND TO BE PAID IN ACCORDANCE WITH THE ESTABLISHED PRICE FOR SUCH WAGERS AND THE INTERNAL CONTROL PROCEDURES OF THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR APPLICABLE TO MATCHED WAGERS; AND
- (II) CAUSE ALL UNMATCHED WAGERS TO BE CANCELED.
- (III) IN THE EVENT THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR ACTS PURSUANT TO THIS SECTION, IT SHALL PROMPTLY FILE WITH THE DIVISION A WRITTEN REPORT DETAILING THE ACTION TAKEN AND THE REASONS IN SUPPORT OF SUCH ACTION.
- (P) THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR MAY SUSPEND A MARKET ON ITS OWN ACCORD AND AT ANY TIME, FOR GOOD CAUSE. FOR THE PURPOSES OF THIS SECTION, GOOD CAUSE SHALL EXIST WHERE: THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR HAS REASONABLE CAUSE TO SUSPECT THAT FRAUD OR ANY OTHER ACTION OR INACTION BY ANY NATURAL PERSON CONNECTED WITH THE SPORTING EVENT RAISES QUESTIONS ABOUT THE INTEGRITY AND FAIRNESS OF THE MARKET; THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR HAS REASONABLE CAUSE TO CONCLUDE THAT A MATERIAL TECHNOLOGICAL BREAKDOWN ASSOCIATED WITH THE EXCHANGE WAGERING SYSTEM EXISTS OR HAS ARISEN, WHICH TECHNOLOGICAL BREAKDOWN IS OF SUCH MAGNITUDE THAT THE IMPLEMENTATION OF THE EXCHANGE WAGERING SYSTEM'S BREAKDOWN PROCEDURE AS SET FORTH IN 7.6 (17) (m) WOULD BE INADEQUATE. THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR MAY ALSO SUSPEND A MARKET FOR OTHER REASONS WHERE THE

OPERATOR IMMEDIATELY CONTACTS THE DIRECTOR OR THE DIRECTOR'S DESIGNEE AND CAN DEMONSTRATE TO THE SATISFACTION OF THE DIRECTOR OR THE DIRECTOR'S DESIGNEE THAT A FAILURE TO SUSPEND A MARKET WILL LIKELY NEGATIVELY IMPACT THE INTEGRITY OF THE EXCHANGE WAGERING SYSTEM.

(Q) IN THE EVENT THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SUSPENDS A MARKET PURSUANT TO 7.6 (17) (N) ABOVE, IT SHALL IMMEDIATELY NOTIFY THE DIRECTOR OF SUCH ACTION IN WRITING, BY ELECTRONIC MAIL. IN ADDITION, THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL PROMPTLY FILE A WRITTEN REPORT TO THE DIRECTOR WHICH, AT A MINIMUM, IDENTIFIES:

- (I) THE MARKET SUSPENDED;
- (II) THE DATE AND TIME OF THE SUSPENSION;
- (III) THE REASON FOR THE MARKET SUSPENSION, THE REASONS WHY THE IMPLEMENTATION OF THE PROCEDURE SET FORTH IN 7.6 (17) (N) WOULD HAVE BEEN INSUFFICIENT;
- (IV) THE RESULTS OF THE RELATED DUE DILIGENCE INVESTIGATION CONDUCTED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR;
AND
- (V) A PROPOSAL FOR SETTLING THE MARKET.

UPON SATISFACTORY REVIEW AND WRITTEN AUTHORIZATION FROM THE DIRECTOR, THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL SETTLE THE MARKET.

(R) AN ENTIRE MARKET MAY ONLY BE VOIDED, UPON APPLICATION TO THE DIRECTOR OR DIRECTOR'S DESIGNEE, WHERE THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR DEMONSTRATES TO THE SATISFACTION OF THE DIRECTOR THAT A MATERIAL AND IRREPARABLE TECHNOLOGICAL BREAKDOWN OF THE EXCHANGE WAGERING SYSTEM OCCURRED, AND THAT, DUE TO THE NATURE THEREOF AND CIRCUMSTANCES PRESENT, IT WOULD PROVE INSUFFICIENT FOR THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR TO IMPLEMENT THE PROCEDURE SET FORTH IN EITHER 7.6 (17) (11), OR IN (12) OR (13) ABOVE. IN APPROVING ANY SUCH APPLICATION, THE DIRECTOR MAY IMPOSE REASONABLE AND NECESSARY CONDITIONS TO ENSURE THE INTEGRITY OF THE EXCHANGE WAGERING SYSTEM.

(S) EXCEPT AS PROVIDED IN (I) BELOW, ONCE AN UNMATCHED WAGER IS CONFIRMED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR AS HAVING BEEN MATCHED TO AN IDENTICALLY OPPOSING WAGER IN A GIVEN MARKET ON THE EXCHANGE, AND A MATCHED WAGER IS THEREBY FORMED, SUCH MATCHED WAGER SHALL BE FINAL AND SHALL NOT BE CANCELED.

- (I) THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL ONLY CANCEL A MATCHED WAGER, OR PART OF A MATCHED WAGER, IF SUCH CANCELLATION IS ORDERED BY THE DIRECTOR OR, WHERE IN ITS SOLE DISCRETION, THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR DETERMINES THAT:

- (A) THERE IS A TECHNOLOGICAL FAILURE OF THE EXCHANGE WAGERING SYSTEM AND THE ENTIRE MARKET, WITHIN WHICH THE EXCHANGE WAGER WAS MADE, MUST AS A RESULT BE VOIDED IN ACCORDANCE WITH 7.6 (17) (N), OR
 - (B) THERE IS GOOD CAUSE TO SUSPECT THAT A PERSON PLACING A WAGER THROUGH THE EXCHANGE WAGERING SYSTEM HAS ACTED IN VIOLATION OF THE TERMS AND CONDITIONS ENTERED INTO WITH THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR AT THE TIME SUCH PERSON'S EXCHANGE WAGERING ACCOUNT WAS ESTABLISHED, OR AT THE TIME THE TERMS THEREOF WERE AMENDED; OR
 - (C) IT IS IN THE INTEREST OF MAINTAINING THE INTEGRITY AND FAIRNESS IN A PARTICULAR MARKET; OR
 - (D) HUMAN ERROR, BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR, OCCURRED IN THE RECORDING OF THE EXCHANGE WAGER.
- (II) IN THE EVENT THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR CANCELS A MATCHED WAGER AS AUTHORIZED BY THIS SECTION, THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL PROMPTLY SUBMIT A WRITTEN REPORT DETAILING THE ACTION TAKEN AND THE REASONS IN SUPPORT OF SUCH ACTION TO THE DIVISION.

SUBJECT TO APPROVAL OF THE DIRECTOR, BOTH AS TO TYPE AND AMOUNT, THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR MAY IMPOSE AND COLLECT A SURCHARGE OR SURCHARGES ASSOCIATED WITH EXCHANGE WAGERING ACCOUNTS AND EXCHANGE WAGERS. PERMISSIBLE SURCHARGES SHALL INCLUDE, BUT NOT BE LIMITED TO, SURCHARGES IN CONNECTION WITH THE SUBMISSION OF EXCHANGE WAGERS TO THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR FOR PROCESSING, AND THE ASSESSMENT OF A SURCHARGE ON ANY EXCHANGE WAGERING ACCOUNT HOLDER'S WINNINGS.

DEPARTMENT OF REVENUE

Division of Gaming

SPORTS BETTING REGULATIONS

Rule 1.4 Definitions

- i. “ADDITIONAL FEE” MEANS ANY FEE, INCLUDING MONTHLY FEES OR SIGN-UP COSTS, THAT A SPORTS BETTING OPERATOR OR AN INTERNET SPORTS BETTING OPERATOR CHARGES TO SPORTS BETTING PATRONS OR EXTERNAL MARKET MAKERS THAT ALLOWS THE SPORTS BETTING PATRON OR EXTERNAL MARKET MAKERS TO PLACE, BUY OR SELL WAGERS WITH THE SPORTS BETTING OPERATOR OR INTERNET SPORTS BETTING OPERATOR IN THE STATE OF COLORADO. ADDITIONAL FEES SHALL BE PROHIBITED.
- ii. “AUTHORIZED PERSON” MEANS THE EMPLOYEE OF AN EXTERNAL MARKET MAKER OR ANY ENTITY OTHER THAN AN INDIVIDUAL ACTING IN THEIR PERSONAL NAME, WHO IS RESPONSIBLE FOR AUTHORIZING THE PROVISION OF ODDS AND LIQUIDITY CONSTRAINTS TO AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR THAT IS OPERATING AN EXCHANGE. THE AUTHORIZED PERSON MUST HOLD A SUPPORT LICENSE. THE AUTHORIZED PERSON SHALL NOT BE A PROHIBITED SPORTS BETTING PARTICIPANT ONLY WHEN ACTING IN THE CAPACITY OF EXCHANGE WAGERING AS AN AUTHORIZED PERSON.
- iii. “CORRECTIVE WAGER” MEANS AN EXCHANGE WAGER PLACED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR IN A GIVEN MARKET, UNDER CIRCUMSTANCES APPROVED BY THE DIRECTOR, IN ORDER TO ADDRESS THE IMPACT ON THAT MARKET OF THE CANCELLATION OR VOIDING OF A GIVEN MATCHED WAGER OR GIVEN PART OF A MATCHED WAGER
- iv. “EXCHANGE BETS” IS A REPORTING TERM USED TO DERIVE NET SPORTS BETTING PROCEEDS, AND SHALL BE CALCULATED AS THE CUMULATIVE RISK TAKEN BY PERSONS’ AND EXTERNAL MARKET MAKERS’ ON A MARKET ON THE GAMING DAY ON WHICH THE MARKET IS SETTLED.
- v. “EXCHANGE BETS PAID” IS A REPORTING TERM USED TO DERIVE NET SPORTS BETTING PROCEEDS, AND SHALL BE CALCULATED AS THE CUMULATIVE AMOUNT PAID OUT TO PERSONS AND EXTERNAL MARKET MAKERS ON A MARKET ON THE GAMING DAY ON WHICH THE MARKET IS SETTLED. EXCHANGE BETS PAID SHALL NOT INCLUDE ANY COMMISSION COLLECTED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR APPROVED TO CONDUCT EXCHANGE WAGERING.
- vi. “Exchange wagers” means a form of wagering in which two or more persons place identically opposing wagers in a given market, allowing patrons to wager on both winning and non-winning outcomes in the same event. “EXCHANGE WAGERS” MEANS WAGERS, BY THOSE PRESENT IN THIS STATE, ON THE RESULTS OF A SPORTING EVENT APPROVED ON THE COLORADO DIVISION OF GAMING OFFICIAL SPORTS BETTING CATALOG OF EVENTS AND WAGERS.

- vii. "EXCHANGE WAGERING" MEANS THE FORM OF WAGERING, AUTHORIZED BY THIS SECTION 7.6 (17), IN WHICH PERSONS PLACE WAGERS THAT CAN BE MATCHED BY AN EXCHANGE WAGERING SYSTEM TO BECOME BACK OR LAY WAGERS, AND WHICH WAGERING IS CONDUCTED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR APPROVED TO CONDUCT EXCHANGE WAGERING.
- viii. "EXCHANGE WAGERING SYSTEM" MEANS A SYSTEM THROUGH WHICH EXCHANGE WAGERS ARE PROCESSED.
- ix. "EXTERNAL MARKET MAKER" MEANS AN ENTITY OR AUTHORIZED PERSON WITHIN THE STATE OF COLORADO, OTHER THAN AN INDIVIDUAL ACTING IN THEIR PERSONAL NAME WITHIN THE STATE OF COLORADO, THAT HAS FUNDS ON DEPOSIT WITH AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR BY PLACING WAGERS, AND BUYING AND SELLING WAGERS ON THE EXCHANGE.
- x. "INTERNAL MARKET MAKER" MEANS AN ENTITY OR INDIVIDUAL OTHER THAN AN INDIVIDUAL ACTING IN THEIR PERSONAL NAME, WHO PARTICIPATES IN REVENUE SHARING AND PROVIDES ODDS AND LIQUIDITY TO AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR THAT IS OPERATING AN EXCHANGE.
- xi. "LAY" MEANS TO WAGER ON A SELECTED OUTCOME NOT OCCURRING (BETTING THE OUTCOME WILL NOT OCCUR) IN A GIVEN MARKET.

1 CCR 207-2

BASIS AND PURPOSE FOR RULE 7

The purpose of Rule 7 is to establish a Sports Betting Operations Fee to defray the cost of regulating the sports betting industry, specify the requirements regarding the certification, assessment and security of sports betting systems and kiosks, direct Sports Betting Operations to establish internal control procedures, including accounting controls, outline reporting requirements and the computation of taxes, establish geofence and sports betting account requirements, and to outline procedures for change control. The statutory basis for Rule 7 is found in sections 44-30-102, C.R.S., 44-30-201, C.R.S., 44-30-202, C.R.S., 44-30-203, C.R.S., 44-30-302, C.R.S., 44-30-503, C.R.S., 44-30-510, C.R.S., 44-30-528, C.R.S., 44-30-833, C.R.S., 44-30-1501, C.R.S, and part 15 of article 30 of title 44, C.R.S.

RULE 7 REQUIREMENTS OF SPORTS BETTING OPERATIONS

Rule 7.6 Sport betting system requirements.

(17) Exchange wagers.

Prior to accepting exchange wagers a sports betting operation must obtain approval from the Commission.

THE RULES IN THIS SECTION 7.6 (17) ARE APPLICABLE ONLY TO EXCHANGE WAGERING. THIS SECTION, IN ADDITION TO ALL APPLICABLE SPORT BETTING RULES, SHALL BE APPLICABLE TO ALL PERSONS LICENSED AND APPROVED BY THE COMMISSION IN CONNECTION WITH EXCHANGE WAGERING, AND EVERY PATRON AND ACCOUNT HOLDER OF THE EXCHANGE WAGERING SYSTEM.

(A) THE FOLLOWING WORDS AND TERMS, WHEN USED IN THIS SECTION 7.6 (17), SHALL HAVE THE FOLLOWING MEANINGS, UNLESS THE CONTEXT CLEARLY INDICATES OTHERWISE:

- i. "BACK" MEANS TO WAGER ON A SELECTED OUTCOME OCCURRING (BETTING THAT AN OUTCOME WILL OCCUR) IN A GIVEN MARKET.
- ii. "COMMISSION RATE" MEANS A FEE RELATING TO PERSONS OR EXTERNAL MARKET MAKERS' WAGERING ACTIVITY CHARGED TO PERSONS OR EXTERNAL MARKET MAKERS AND COLLECTED BY THE SPORTS BETTING OPERATION AUTHORIZED TO OFFER EXCHANGE WAGERING.
- iii. "EXCHANGE" MEANS A SYSTEM OPERATED BY THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR IN WHICH THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR ACCEPTS, MATCHES, AND/OR CANCELS WAGERS TO BACK OR LAY OUTCOMES ON A SPORTING EVENT APPROVED ON THE COLORADO DIVISION OF GAMING OFFICIAL SPORTS BETTING CATALOG OF EVENTS AND WAGERS.
- iv. "MARKET" MEANS, IN RELATION TO THE RESULTS OF A SPORTING EVENT SET OF SPORTING EVENTS OR OUTCOMES THAT OCCUR DURING THE PLAYING OF A SPORTING EVENT APPROVED ON THE COLORADO DIVISION OF GAMING OFFICIAL SPORTS BETTING

CATALOG OF EVENTS AND WAGERS A PARTICULAR OUTCOME THAT IS SUBJECT TO EXCHANGE WAGERING AS DETERMINED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR.

- v. "PRICE" MEANS THE ODDS FOR A GIVEN EXCHANGE WAGER.

- (B) THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL GIVE THE OPTION TO PATRONS TO HAVE LIQUIDITY AT THE BEST AVAILABLE PRICE FOR EXCHANGE WAGERING ON A MARKET BE CLEARLY DISPLAYED TO THE PATRON WITHIN THE SPORTS BETTING SYSTEM.

- (C) THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL EXCLUSIVELY ACCEPT WAGERS ON AUTHORIZED SPORTS EVENTS, LEAGUES, OR BETS PURSUANT TO RULE 5.

- (D) FOR THE PURPOSES OF EXCHANGE WAGERING, WHEN CALCULATING NET SPORTS BETTING PROCEEDS PURSUANT TO RULE 1.4 (XX), 'EXCHANGE BETS' SHALL EQUAL TOTAL AMOUNT OF ALL BETS PLACED BY PLAYERS, 'EXCHANGE BETS PAID' SHALL EQUAL ALL PAYMENTS TO PLAYERS.

- (E) WHERE A RESETTLEMENT OF AN EXCHANGE WAGER OCCURS, THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR IS RESPONSIBLE FOR PAYING THE WINNING WAGER REGARDLESS OF THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR'S ABILITY TO RECOVER FUNDS FOR THE LOSING WAGER

- (F) IF AN ERROR OCCURS IN THE PAYMENT OF AMOUNTS OF EXCHANGE WAGERS, REGARDLESS OF CAUSE, THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR OFFERING EXCHANGE WAGERING SHALL BE RESPONSIBLE FOR SUCH OVERPAYMENT OR UNDERPAYMENT.

- (G) OTHER INTERNET SPORTS BETTING OPERATORS OR SPORTS BETTING OPERATORS WISHING TO LAY-OFF WAGERS UNDER RULE 7.6 (15) VIA EXCHANGE WAGERS MAY DO SO WITH A VALID COLORADO INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR LICENSE. SUCH ACTIVITY SHALL NOT COUNT TOWARDS THE CALCULATION OF 'EXCHANGE BETS' OR 'EXCHANGE BETS PAID', AND THUS DOES NOT CONTRIBUTE TOWARDS, OR TAKE AWAY FROM AN INTERNET SPORTS BETTING OPERATOR'S OR SPORTS BETTING OPERATOR'S CALCULATION OF NET SPORTS BETTING PROCEEDS.

- (H) EXTERNAL MARKET MAKERS
 - i. AN EXTERNAL MARKET MAKER MUST POSSESS A VENDOR MINOR LICENSE AND PROVIDE A LIST OF PERSONS AUTHORIZED TO ACT ON THE ENTITY'S BEHALF PRIOR TO AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR POSTING A BACK OR LAY EXCHANGE WAGER ON BEHALF OF THE MARKET MAKER. THE LIST OF AUTHORIZED PERSONS SHALL BE UPDATED BY THE EXTERNAL MARKET MAKER WHEN AN AUTHORIZED PERSON CHANGES.

- ii. THE INTERNET SPORTS BETTING OPERATOR, SPORTS BETTING OPERATOR, AND EXTERNAL MARKET MAKER ARE EACH SUBJECT TO DISCIPLINE IF THE SPORTS BETTING OPERATOR ACCEPTS A WAGER FROM AN EXTERNAL MARKET MAKER OR EXTERNAL MARKET MAKER'S AUTHORIZED PERSON WHERE THE EXTERNAL MARKET MAKER HAS ACCESS TO NONPUBLIC, CONFIDENTIAL INFORMATION HELD BY THE SPORTS BETTING OPERATOR.
 - iii. EXTERNAL MARKET MAKERS AND THE EXTERNAL MARKET MAKER'S AUTHORIZED PERSON MUST REMAIN ELIGIBLE TO PLACE WAGERS UNDER THE SPORTS BETTING ACT. THE INTERNET SPORTS BETTING OPERATOR, SPORTS BETTING OPERATOR, AND EXTERNAL MARKET MAKER ARE EACH SUBJECT TO DISCIPLINE IF THE SPORTS BETTING OPERATOR ACCEPTS A WAGER FROM AN EXTERNAL MARKET MAKER OR EXTERNAL MARKET MAKER'S AUTHORIZED PERSON WHERE THE EXTERNAL MARKET MAKER'S AUTHORIZED PERSON IS OUTSIDE THE STATE OF COLORADO.
- (I) INTERNAL MARKET MAKER
- i. AN INTERNAL MARKET MAKER MUST POSSESS A VENDOR MAJOR LICENSE PRIOR TO AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR POSTING WAGERS ON BEHALF OF THE INTERNAL MARKET MAKER.
 - ii. ANY REVENUE DERIVED FROM AN INTERNAL MARKET MAKER FACILITATING THE PLACING OF, BUYING OF, OR SELLING OF WAGERS THROUGH PROVIDING ODDS AND LIQUIDITY TO AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR THAT IS OPERATING AN EXCHANGE MUST BE COLLECTED BY THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR, AND CONSTITUTE NET SPORTS BETTING PROCEEDS. ANY REVENUE SHARING PAYMENTS TO AN INTERNAL MARKET MAKER BY THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR DO NOT CONSTITUTE PAYMENTS TO PLAYERS AND DO NOT FACTOR INTO THE CALCULATION OF NET SPORTS BETTING PROCEEDS.
 - iii. A SPORTS BETTING OPERATOR AND INTERNET SPORTS BETTING OPERATOR MUST CLEARLY DISCLOSE THE PRESENCE OF WAGERS FOR SALE OR FOR PURCHASE BY AN INTERNAL MARKET MAKER THROUGH THE EXCHANGE IN A MANNER APPROVED BY THE DIRECTOR OR THE DIRECTOR'S DESIGNEE.
- (J) THE INTERNET SPORTS BETTING OPERATOR OFFERING EXCHANGE WAGERING MAY CANCEL AN UNMATCHED WAGER AT ANY TIME, WITHOUT CAUSE, BEFORE IT IS MATCHED TO FORM A BACK OR LAY WAGER.
- (K) AN EXCHANGE WAGERING ACCOUNT HOLDER WHO OFFERS AN UNMATCHED WAGER MAY CANCEL THAT UNMATCHED WAGER AT ANY TIME, WITHOUT CAUSE, BEFORE IT IS MATCHED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR TO FORM ONE OR MORE IDENTICALLY OPPOSING WAGERS. HOWEVER, THE SUSPECTED ABUSE OF THIS CANCELLATION PRIVILEGE BY AN ACCOUNT HOLDER, INCLUDING, BUT NOT LIMITED TO, WHERE ANY SUCH CANCELLATION IS MADE PURSUANT TO OR IN FURTHERANCE OF FRAUDULENT ACTIVITY OR WHERE THE FREQUENCY OF SUCH CANCELLATIONS IS DETERMINED BY THE EXCHANGE WAGERING PROVIDER TO NEGATIVELY IMPACT THE EXCHANGE OR ANY GIVEN MARKET, SHALL

SERVE AS A BASIS FOR THE CLOSURE OR SUSPENSION OF THE EXCHANGE WAGERING ACCOUNT PURSUANT.

- (L) THE INTERNET SPORTS BETTING OPERATOR OFFERING EXCHANGE WAGERING MUST GIVE PATRONS AND EXTERNAL MARKET MAKERS THE ABILITY TO AUTOMATICALLY HAVE ALL WAGERS AUTOMATICALLY CANCELED BY THE EXCHANGE WAGERING SYSTEM PRIOR TO THE TIME THE EVENT STARTS.
- (M) NOTHING CONTAINED IN THIS SECTION SHALL BE INTERPRETED TO PRECLUDE THE DIRECTOR FROM ORDERING THAT AN APPROVED MARKET, OR PREVIOUSLY APPROVED MARKET, BE DISCONTINUED BECAUSE THE SPORTING EVENT HAS BEEN REMOVED FROM THE COLORADO DIVISION OF GAMING OFFICIAL SPORTS BETTING CATALOG OF EVENTS AND WAGERS, THERE ARE ISSUES WITH THE INTEGRITY OF A MARKET OR WHERE THE CONTINUANCE THEREOF WOULD BE INCONSISTENT WITH THE EXCHANGE WAGERING SYSTEM, INCLUDING ITS WAGERING AND TECHNOLOGICAL RELIABILITY ASPECTS.
- (N) IN THE EVENT OF A TECHNOLOGICAL BREAKDOWN ASSOCIATED WITH THE EXCHANGE WAGERING SYSTEM, WHICH RENDERS THE EXCHANGE WAGERING SYSTEM NON-FUNCTIONAL, AND WHERE THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR DETERMINES THAT THE NATURE AND DEGREE OF THE TECHNOLOGICAL BREAKDOWN DOES NOT REQUIRE A SUSPENSION OR VOIDING OF THE MARKET. THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL:
- i. CAUSE ALL BACK AND LAY WAGERS, AS OF THE TIME OF THE FAILURE, TO REMAIN, AND TO BE PAID IN ACCORDANCE WITH THE ESTABLISHED PRICE FOR SUCH WAGERS AND THE CALCULATION OF 'EXCHANGE BETS' AND 'EXCHANGE BETS PAID' DEFINITIONS AND THE INTERNAL CONTROL PROCEDURES OF THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR APPLICABLE TO BACK AND LAY WAGERS; AND
 - ii. CAUSE ALL UNMATCHED WAGERS TO BE CANCELED.
 - iii. IN THE EVENT THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR ACTS PURSUANT TO THIS SECTION, IT SHALL PROMPTLY FILE WITH THE DIVISION A WRITTEN REPORT DETAILING THE ACTION TAKEN AND THE REASONS IN SUPPORT OF SUCH ACTION.
- (O) THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR MAY SUSPEND A MARKET ON ITS OWN ACCORD AND AT ANY TIME, FOR GOOD CAUSE. FOR THE PURPOSES OF THIS SECTION, GOOD CAUSE SHALL EXIST WHERE: THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR HAS REASONABLE CAUSE TO SUSPECT THAT FRAUD OR ANY OTHER ACTION OR INACTION BY ANY NATURAL PERSON CONNECTED WITH THE SPORTING EVENT RAISES QUESTIONS ABOUT THE INTEGRITY AND FAIRNESS OF THE MARKET; THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR HAS REASONABLE CAUSE TO CONCLUDE THAT A MATERIAL TECHNOLOGICAL BREAKDOWN ASSOCIATED WITH THE EXCHANGE WAGERING SYSTEM EXISTS OR HAS ARISEN, WHICH TECHNOLOGICAL BREAKDOWN IS OF SUCH MAGNITUDE THAT THE IMPLEMENTATION OF THE EXCHANGE WAGERING SYSTEM'S BREAKDOWN PROCEDURE AS SET FORTH IN 7.6 (17) (m)

WOULD BE INADEQUATE. THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR MAY ALSO SUSPEND A MARKET FOR OTHER REASONS WHERE THE OPERATOR IMMEDIATELY CONTACTS THE DIRECTOR OR THE DIRECTOR'S DESIGNEE AND CAN DEMONSTRATE TO THE SATISFACTION OF THE DIRECTOR OR THE DIRECTOR'S DESIGNEE THAT A FAILURE TO SUSPEND A MARKET WILL LIKELY NEGATIVELY IMPACT THE INTEGRITY OF THE EXCHANGE WAGERING SYSTEM

- (P) IN THE EVENT THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SUSPENDS A MARKET PURSUANT TO 7.6 (17) (N) ABOVE, IT SHALL IMMEDIATELY NOTIFY THE DIRECTOR OF SUCH ACTION IN WRITING, BY ELECTRONIC MAIL. IN ADDITION, THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL PROMPTLY FILE A WRITTEN REPORT TO THE DIRECTOR WHICH, AT A MINIMUM, IDENTIFIES:
- i. THE MARKET SUSPENDED;
 - ii. THE DATE AND TIME OF THE SUSPENSION;
 - iii. THE REASON FOR THE MARKET SUSPENSION, THE REASONS WHY THE IMPLEMENTATION OF THE PROCEDURE SET FORTH IN 7.6 (17) (N) WOULD HAVE BEEN INSUFFICIENT;
 - iv. THE RESULTS OF THE RELATED DUE DILIGENCE INVESTIGATION CONDUCTED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR;
AND
 - v. A PROPOSAL FOR SETTLING THE MARKET.

UPON SATISFACTORY REVIEW AND WRITTEN AUTHORIZATION FROM THE DIRECTOR, THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL SETTLE THE MARKET.

- (Q) AN ENTIRE MARKET MAY ONLY BE VOIDED, UPON APPLICATION TO THE DIRECTOR OR DIRECTOR'S DESIGNEE, WHERE THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR DEMONSTRATES TO THE SATISFACTION OF THE DIRECTOR THAT A MATERIAL AND IRREPARABLE TECHNOLOGICAL BREAKDOWN OF THE EXCHANGE WAGERING SYSTEM OCCURRED, AND THAT, DUE TO THE NATURE THEREOF AND CIRCUMSTANCES PRESENT, IT WOULD PROVE INSUFFICIENT FOR THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR TO IMPLEMENT THE PROCEDURE SET FORTH IN EITHER 7.6 (N), OR IN (O) OR (P) ABOVE. IN APPROVING ANY SUCH APPLICATION, THE DIRECTOR MAY IMPOSE REASONABLE AND NECESSARY CONDITIONS TO ENSURE THE INTEGRITY OF THE EXCHANGE WAGERING SYSTEM.

- (R) EXCEPT AS PROVIDED IN (I) BELOW, ONCE AN UNMATCHED WAGER IS CONFIRMED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR AS HAVING BEEN MATCHED TO FORM A BACK OR A LAY WAGER IN A GIVEN MARKET ON THE EXCHANGE, SUCH MATCHED WAGER SHALL BE FINAL AND SHALL NOT BE CANCELED.

- i. THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL ONLY CANCEL A MATCHED WAGER, OR PART OF A MATCHED WAGER,

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IF SUCH CANCELLATION IS ORDERED BY THE DIRECTOR OR, WHERE IN ITS SOLE DISCRETION, THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR DETERMINES THAT:

- a) THERE IS A TECHNOLOGICAL FAILURE OF THE EXCHANGE WAGERING SYSTEM AND THE ENTIRE MARKET, WITHIN WHICH THE EXCHANGE WAGER WAS MADE, MUST AS A RESULT BE VOIDED IN ACCORDANCE WITH 7.6 (17) (N), OR
 - b) THERE IS GOOD CAUSE TO SUSPECT THAT A PERSON PLACING A WAGER WAGER THROUGH THE EXCHANGE WAGERING SYSTEM HAS ACTED IN VIOLATION OF THE TERMS AND CONDITIONS ENTERED INTO WITH THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR AT THE TIME SUCH PERSON'S EXCHANGE WAGERING ACCOUNT WAS ESTABLISHED, OR AT THE TIME THE TERMS THEREOF WERE AMENDED; OR
 - c) IT IS IN THE INTEREST OF MAINTAINING THE INTEGRITY AND FAIRNESS IN A PARTICULAR MARKET; OR
 - d) HUMAN ERROR, BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR, OCCURRED IN THE RECORDING OF THE EXCHANGE WAGER.
- ii. IN THE EVENT THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR CANCELS A BACK OR A LAY WAGER AS AUTHORIZED BY THIS SECTION, THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL PROMPTLY SUBMIT A WRITTEN REPORT DETAILING THE ACTION TAKEN AND THE REASONS IN SUPPORT OF SUCH ACTION TO THE DIVISION.

DEPARTMENT OF REVENUE

Division of Gaming

SPORTS BETTING REGULATIONS

~~1-CGR-207-2~~

~~BASIS AND PURPOSE FOR RULE 7~~

~~The purpose of Rule 7 is to establish a Sports Betting Operations Fee to defray the cost of regulating the sports betting industry, specify the requirements regarding the certification, assessment and security of sports betting systems and kiosks, direct Sports Betting Operations to establish internal control procedures, including accounting controls, outline reporting requirements and the computation of taxes, establish geofence and sports betting account requirements, and to outline procedures for change control. The statutory basis for Rule 7 is found in sections 44-30-102, C.R.S., 44-30-201, C.R.S., 44-30-202, C.R.S., 44-30-203, C.R.S., 44-30-302, C.R.S., 44-30-503, C.R.S., 44-30-510, C.R.S., 44-30-528, C.R.S., 44-30-833, C.R.S., 44-30-1501, C.R.S., and part 15 of article 30 of title 44, C.R.S. Amended 2/14/23~~

~~RULE 7 – REQUIREMENTS OF SPORTS BETTING OPERATIONS~~ *Effective 4/14/20*

~~Rule 7.6 – Sport betting system requirements.~~

~~(17) – Exchange wagers.~~

~~Prior to accepting exchange wagers a sports betting operation must obtain approval from the Commission. The commission rates taken on such bets must be approved by the Director, all commissions collected are subject to all taxes and tax requirements as are paid on net sports betting proceeds.~~

~~THE RULES IN THIS SECTION 7.6 (17) ARE APPLICABLE ONLY TO EXCHANGE WAGERING. THIS SECTION, IN ADDITION TO ALL APPLICABLE SPORT BETTING RULES, SHALL BE APPLICABLE TO ALL PERSONS LICENSED AND APPROVED BY THE COMMISSION IN CONNECTION WITH EXCHANGE WAGERING, AND EVERY PATRON AND ACCOUNT HOLDER OF THE EXCHANGE WAGERING SYSTEM.~~

~~THE FOLLOWING WORDS AND TERMS, WHEN USED IN THIS SECTION 7.6 (17), SHALL HAVE THE FOLLOWING MEANINGS, UNLESS THE CONTEXT CLEARLY INDICATES OTHERWISE:~~**Rule 1.4 Definitions**

~~(A)i. “ADDITIONAL FEE” MEANS ANY FEE, INCLUDING MONTHLY FEES OR SIGN-UP COSTS, THAT A SPORTS BETTING OPERATOR OR AN INTERNET SPORTS BETTING OPERATOR CHARGES TO SPORTS BETTING PATRONS OR EXTERNAL MARKET MAKERS THAT ALLOWS THE SPORTS BETTING PATRON OR EXTERNAL MARKET MAKERS TO PLACE, BUY OR SELL WAGERS WITH THE SPORTS BETTING OPERATOR OR INTERNET SPORTS BETTING OPERATOR IN THE STATE OF COLORADO. ADDITIONAL FEES SHALL BE PROHIBITED.~~

~~(H)a. “AUTHORIZED PERSON” MEANS THE EMPLOYEE OF A MARKET MARKERAN EXTERNAL MARKET MAKER OR ANY ENTITY OTHER THAN AN INDIVIDUAL ACTING IN~~

~~THEIR PERSONAL NAME, WHO IS RESPONSIBLE FOR AUTHORIZING THE PROVISION OF ODDS AND LIQUIDITY CONSTRAINTS TO AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR THAT IS OPERATING AN EXCHANGE. THE AUTHORIZED PERSON MUST HOLD A SUPPORT LICENSE. THE AUTHORIZED PERSON PERSON SHALL NOT BE A PROHIBITED SPORTS BETTING PARTICIPANT ONLY WHEN ACTING IN THE CAPACITY OF EXCHANGE WAGERING AS AN AUTHORIZED PERSON.~~

- ~~ii. "BACKCORRECTIVE WAGER" MEANS TO WAGER ON A SELECTED OUTCOME OCCURRING (BETTING THAT AN OUTCOME WILL OCCUR) IN A GIVEN MARKET AN EXCHANGE WAGER PLACED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR IN A GIVEN MARKET, UNDER CIRCUMSTANCES APPROVED BY THE DIRECTOR, IN ORDER TO ADDRESS THE IMPACT ON THAT MARKET OF THE CANCELLATION OR VOIDING OF A GIVEN MATCHED WAGER OR GIVEN PART OF A MATCHED WAGER~~
- ~~iii. "EXCHANGE BETS" IS A REPORTING TERM USED TO DERIVE NET SPORTS BETTING PROCEEDS, AND SHALL BE CALCULATED AS THE CUMULATIVE RISK TAKEN BY PERSONS' AND EXTERNAL MARKET MAKERS' ON A MARKET ON THE GAMING DAY ON WHICH THE MARKET IS SETTLED.~~
- ~~iv. "EXCHANGE BETS PAID" IS A REPORTING TERM USED TO DERIVE NET SPORTS BETTING PROCEEDS, AND SHALL BE CALCULATED AS THE CUMULATIVE AMOUNT PAID OUT TO PERSONS AND EXTERNAL MARKET MAKERS ON A MARKET ON THE GAMING DAY ON WHICH THE MARKET IS SETTLED. EXCHANGE BETS PAID SHALL NOT INCLUDE ANY COMMISSION COLLECTED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR APPROVED TO CONDUCT EXCHANGE WAGERING.~~

~~(II) "Exchange wagers" means a form of wagering in which two or more persons place identically opposing wagers in a given market, allowing patrons to wager on both winning and non-winning outcomes in the same event.~~

~~(III) "COMMISSION RATE" MEANS THE PERCENTAGE TAKEN BY THE SPORTS BETTING OPERATION OPERATING THE EXCHANGE. THE COMMISSION RATE IS A PERCENTAGE OF THE TOTAL AMOUNT OF THE ALL EXCHANGE WAGERS PAID TO PLAYERS NET OF STAKE. ANY PROCEEDS COLLECTED THROUGH COMMISSION RATES CONSTITUTE NET SPORTS BETTING PROCEEDS.~~

~~(IV) "CORRECTIVE WAGER" MEANS AN EXCHANGE WAGER PLACED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR IN A GIVEN MARKET, UNDER CIRCUMSTANCES APPROVED BY THE DIRECTOR, IN ORDER TO ADDRESS THE IMPACT ON THAT MARKET OF THE CANCELLATION OR VOIDING OF A GIVEN MATCHED WAGER OR GIVEN PART OF A MATCHED WAGER.~~

~~(V) "DIRECTOR" MEANS THE DIRECTOR OF THE COLORADO DIVISION OF GAMING.~~

~~(VI) "EXCHANGE" MEANS A SYSTEM OPERATED BY THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR IN WHICH THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR MAINTAINS ONE OR MORE MARKETS IN WHICH AUTHORIZED WAGERS MAY BACK OR LAY ON THE RESULTS OF A SPORTING EVENT APPROVED ON THE COLORADO DIVISION OF GAMING OFFICIAL SPORTS BETTING CATALOG OF EVENTS AND WAGERS.~~

~~(VII)a. "EXCHANGE WAGERS" MEANS WAGERS, BY THOSE PRESENT IN THIS STATE, ON THE RESULTS OF A SPORTING EVENT APPROVED ON THE COLORADO DIVISION OF GAMING OFFICIAL SPORTS BETTING CATALOG OF EVENTS AND WAGERS. WAGERS ARE TO BE POSTED AND MATCHED IN A MARKET OR MARKETS ON AN EXCHANGE.~~

~~(VIII)b. "EXCHANGE WAGERING" MEANS THE FORM OF WAGERING, AUTHORIZED BY THIS SECTION 7.6 (17), IN WHICH TWO OR MORE PERSONS PLACE IDENTICALLY OPPOSING WAGERS IN A GIVEN MARKET, PERSONS PLACE WAGERS THAT CAN BE MATCHED BY AN EXCHANGE WAGERING SYSTEM TO BECOME BACK OR LAY WAGERS, AND WHICH WAGERING IS CONDUCTED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR APPROVED TO CONDUCT EXCHANGE WAGERING.~~

~~(IX)c. "EXCHANGE WAGERING SYSTEM" MEANS A SYSTEM THROUGH WHICH EXCHANGE WAGERS ARE PROCESSED.~~

~~(X) "IDENTICALLY OPPOSING WAGERS" MEANS WAGERS IN WHICH ONE OR MORE PERSONS OFFER TO LAY A SELECTED OUTCOME AT THE SAME PRICE AT WHICH ONE OR MORE PERSONS OFFER TO BACK THAT SAME OUTCOME, WITH THE AMOUNT SUBJECT TO THE LAY BEING PROPORTIONATELY COMMENSURATE TO THE AMOUNT SUBJECT TO THE BACK.~~

~~(XI) "LAY" MEANS TO WAGER ON A SELECTED OUTCOME NOT OCCURRING (BETTING THE OUTCOME WILL NOT OCCUR) IN A GIVEN MARKET.~~

~~(XII) "LIQUIDITY" IS THE POOL OF MAXIMUM MONEY THAT A BETTOR CAN WAGER ON A GIVEN BETTING EXCHANGE MARKET. NO BET CAN EXCEED THIS AMOUNT.~~

~~v. "MARKET" MEANS, IN RELATION TO THE RESULTS OF A SPORTING EVENT, SET OF SPORTING EVENTS OR OUTCOMES THAT OCCUR DURING THE PLAYING OF A SPORTING EVENT APPROVED ON THE COLORADO~~

~~DIVISION OF GAMING OFFICIAL SPORTS BETTING CATALOG OF EVENTS AND WAGERS A PARTICULAR OUTCOME THAT IS SUBJECT TO "EXTERNAL MARKET MAKER" MEANS AN ENTITY OR AUTHORIZED PERSON WITHIN THE STATE OF COLORADO, OTHER THAN AN INDIVIDUAL ACTING IN THEIR PERSONAL NAME WITHIN THE STATE OF COLORADO, THAT HAS FUNDS ON DEPOSIT WITH AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR BY PLACING WAGERS, AND BUYING AND SELLING WAGERS ON THE EXCHANGE.~~

vi. "INTERNAL MARKET MAKER" MEANS AN ENTITY OR INDIVIDUAL OTHER THAN AN INDIVIDUAL ACTING IN THEIR PERSONAL NAME, WHO PARTICIPATES IN REVENUE SHARING AND PROVIDES ODDS AND LIQUIDITY TO AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR THAT IS OPERATING AN EXCHANGE.

vii. "LAY" MEANS TO WAGER ON A SELECTED OUTCOME NOT OCCURRING (BETTING THE OUTCOME WILL NOT OCCUR) IN A GIVEN MARKET.

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1 CCR 207-2

BASIS AND PURPOSE FOR RULE 7

The purpose of Rule 7 is to establish a Sports Betting Operations Fee to defray the cost of regulating the sports betting industry, specify the requirements regarding the certification, assessment and security of sports betting systems and kiosks, direct Sports Betting Operations to establish internal control procedures, including accounting controls, outline reporting requirements and the computation of taxes, establish geofence and sports betting account requirements, and to outline procedures for change control. The statutory basis for Rule 7 is found in sections 44-30-102, C.R.S., 44-30-201, C.R.S., 44-30-202, C.R.S., 44-30-203, C.R.S., 44-30-302, C.R.S., 44-30-503, C.R.S., 44-30-510, C.R.S., 44-30-528, C.R.S., 44-30-833, C.R.S., 44-30-1501, C.R.S., and part 15 of article 30 of title 44, C.R.S.

RULE 7 REQUIREMENTS OF SPORTS BETTING OPERATIONS

Rule 7.6 Sport betting system requirements.

(17) Exchange wagers.

Prior to accepting exchange wagers a sports betting operation must obtain approval from the Commission.

THE RULES IN THIS SECTION 7.6 (17) ARE APPLICABLE ONLY TO EXCHANGE WAGERING. THIS SECTION, IN ADDITION TO ALL APPLICABLE SPORT BETTING RULES, SHALL BE APPLICABLE TO ALL PERSONS LICENSED AND APPROVED BY THE COMMISSION IN CONNECTION WITH EXCHANGE WAGERING, AND EVERY PATRON AND ACCOUNT HOLDER OF THE EXCHANGE WAGERING SYSTEM.

(A) THE FOLLOWING WORDS AND TERMS, WHEN USED IN THIS SECTION 7.6 (17), SHALL HAVE THE FOLLOWING MEANINGS, UNLESS THE CONTEXT CLEARLY INDICATES OTHERWISE:

- i. "BACK" MEANS TO WAGER ON A SELECTED OUTCOME OCCURRING (BETTING THAT AN OUTCOME WILL OCCUR) IN A GIVEN MARKET.
- ii. "COMMISSION RATE" MEANS A FEE RELATING TO PERSONS OR EXTERNAL MARKET MAKERS' WAGERING ACTIVITY CHARGED TO PERSONS OR EXTERNAL MARKET MAKERS AND COLLECTED BY THE SPORTS BETTING OPERATION AUTHORIZED TO OFFER EXCHANGE WAGERING.
- iii. "EXCHANGE" MEANS A SYSTEM OPERATED BY THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR IN WHICH THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR ACCEPTS, MATCHES, AND/OR CANCELS WAGERS TO BACK OR LAY OUTCOMES ON A SPORTING EVENT APPROVED ON THE COLORADO DIVISION OF GAMING OFFICIAL SPORTS BETTING CATALOG OF EVENTS AND WAGERS.
- iv. "MARKET" MEANS, IN RELATION TO THE RESULTS OF A SPORTING EVENT SET OF SPORTING EVENTS OR OUTCOMES THAT OCCUR DURING THE PLAYING OF A SPORTING EVENT APPROVED ON THE COLORADO DIVISION OF GAMING OFFICIAL SPORTS BETTING CATALOG OF EVENTS AND WAGERS A PARTICULAR OUTCOME THAT IS SUBJECT TO EXCHANGE WAGERING AS DETERMINED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR.
- v. "PRICE" MEANS THE ODDS FOR A GIVEN EXCHANGE WAGER.

~~(XIII)~~ THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL GIVE THE OPTION TO PATRONS TO HAVE LIQUIDITY AT THE BEST AVAILABLE PRICE

EXCHANGE WAGERING AS DETERMINED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR.

~~(XIV) "MARKET MAKER" MEANS AN ENTITY OR INDIVIDUAL WITHIN THE STATE OF COLORADO, OTHER THAN AN INDIVIDUAL ACTING IN THEIR PERSONAL NAME WITHIN THE STATE OF COLORADO, THAT HAS FUNDS ON DEPOSIT WITH AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR WHO PROVIDES ODDS AND LIQUIDITY TO AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR THAT IS OPERATING AN EXCHANGE. THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR THAT IS OPERATING AN EXCHANGE HAS FINAL DISCRETION TO POST OR NOT POST THE ODDS AND LIQUIDITY FROM A MARKET MAKER TO THE EXCHANGE WAGERING SYSTEM.~~

~~(XV) "MATCHED WAGER" MEANS THE WAGER THAT IS FORMED WHEN TWO OR MORE PERSONS ARE CONFIRMED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR AS HAVING PLACED IDENTICALLY OPPOSING WAGERS IN A GIVEN MARKET ON THE EXCHANGE.~~

~~(XVI) "PRICE" MEANS THE ODDS FOR A GIVEN EXCHANGE WAGER.~~

~~(XVII) "UNMATCHED WAGER" MEANS A WAGER OR PORTION OF A WAGER PLACED IN A GIVEN MARKET WITHIN AN EXCHANGE THAT DOES NOT BECOME PART OF A MATCHED WAGER BECAUSE THERE ARE NOT ONE OR MORE AVAILABLE EXCHANGE WAGERS IN THAT MARKET WITH WHICH TO FORM ONE OR MORE IDENTICALLY OPPOSING WAGERS.~~

~~(B) THE TOTAL COMMISSION RATE TAKEN ON AN ALL EXCHANGE WAGERS PAID TO PLAYERS MUST BE APPROVED BY THE DIRECTOR, NOT TO BE SET BELOW 2.55.0% OF THE AMOUNT OF ALL EXCHANGE WAGERS PAID TO PLAYERS. IN THE CASE OF WAGERS LAID OR BACKED BY AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR, THE TOTAL COMMISSION RATE MUST BE APPROVED BY THE DIRECTOR, NOT TO BE SET BELOW 3.55.0% OF THE ALL WAGERS COLLECTED BY AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR. FREE BETS SHALL NOT BE DEDUCTED FROM THE AGGREGATE COMMISSION TAKEN ON AN EXCHANGE WAGERS.~~

~~(I) UPON APPROVAL BY THE DIRECTOR, AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR MAY OFFER COMMISSION RATES TO INDIVIDUALS OR MARKET MAKERS THAT ARE BELOW 2.55.0% OF THE WAGER. IF WHERE AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR IS APPROVED TO OFFER A COMMISSION RATE THAT IS BELOW 2.55.0% OF THE WAGER TO ANY INDIVIDUALS OR MARKET MAKERS. AND THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR HAS AN AGGREGATE COMMISSION FOR INDIVIDUALS AND MARKET MAKERS AT BELOW 2.55.0% DURING ANY TAX PERIOD, THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL STILL BE SUBJECT TO ALL TAXES AND TAX REQUIREMENTS FOR A 2.55.0% COMMISSION RATE ON THE MONTHLY AGGREGATE OF ALL EXCHANGE WAGERS PAID TO FOR INDIVIDUALS AND MARKET MAKERS.~~

~~(B) LIQUIDITY AVAILABLE FOR EXCHANGE WAGERING ON A MARKET MUST BE CLEARLY DISPLAYED TO THE PATRON WITHIN THE SPORTS BETTING SYSTEM.~~

~~(C)~~ THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL EXCLUSIVELY ACCEPT WAGERS ON AUTHORIZED SPORTS EVENTS, LEAGUES, OR BETS PURSUANT TO RULE 5.

~~(C)~~ FOR THE PURPOSES OF EXCHANGE WAGERING, WHEN CALCULATING NET SPORTS BETTING PROCEEDS PURSUANT TO RULE 1.4 (XX), 'EXCHANGE BETS' SHALL EQUAL TOTAL AMOUNT OF ALL BETS PLACED BY PLAYERS, 'EXCHANGE BETS PAID' SHALL EQUAL ALL PAYMENTS TO PLAYERS.

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~~(D) THE ODDS OF THE WAGER MUST BE DISPLAYED AT THE TIME OF BET PLACEMENT AND IN THE TICKET CONTENTS WHEN A PATRON PLACES A SINGLE WAGER.~~

~~(E)viii. THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL EXCLUSIVELY ACCEPT WAGERS ON AUTHORIZED SPORTS EVENTS, LEAGUES, OR BETS PURSUANT TO RULE 5.~~

~~(F)ix. WHERE A RESETTLEMENT OF AN EXCHANGE WAGER OCCURS, THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR IS RESPONSIBLE FOR PAYING THE WINNING WAGER REGARDLESS OF THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR'S ABILITY TO RECOVER FUNDS FOR THE LOSING WAGER.~~

~~(G)x. IF AN ERROR OCCURS IN THE PAYMENT OF AMOUNTS OF EXCHANGE WAGERS, REGARDLESS OF CAUSE, THE INTERNET SPORTS WAGERING BETTING OPERATOR OR SPORTS BETTING OPERATOR OFFERING EXCHANGE WAGERING SHALL BE RESPONSIBLE FOR SUCH OVERPAYMENT OR UNDERPAYMENT.~~

~~EXCHANGE WAGERS MAY NOT BE VOIDED FOR OBVIOUS ERROR UNDER RULE 7.6 (12) AND CANNOT BE CANCELED FOR ANY REASON NOT EXPLICITLY STATED WITHIN THIS SECTION 7.5 (17) AND SHALL BE POSTED WITHIN THE~~

~~(H) OTHER INTERNET SPORTS BETTING OPERATORS OR SPORTS BETTING OPERATORS WISHING TO LAY-OFF WAGERS UNDER RULE 7.6 (15) VIA EXCHANGE WAGERS MAY DO SO WITH A VALID COLORADO INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR LICENSE. SUCH ACTIVITY SHALL NOT COUNT TOWARDS THE CALCULATION OF 'EXCHANGE BETS' OR 'EXCHANGE BETS PAID', AND THUS DOES NOT CONTRIBUTE TOWARDS, OR TAKE AWAY FROM AN INTERNET SPORTS WAGERING OPERATOR BETTING OPERATOR'S OR SPORTS BETTING OPERATOR'S HOUSE RULES.~~

~~(D) ANY ENTITY OTHER THAN AN INDIVIDUAL ACTING IN THEIR PERSONAL NAME CALCULATION OF NET SPORTS BETTING PROCEEDS.~~

~~(E) EXTERNAL MARKET MAKERS~~

~~i. AN EXTERNAL MARKET MAKER MUST POSSESS A VENDOR MINOR LICENSE LICENSE AND PROVIDE A LIST OF PERSONS AUTHORIZED TO ACT ON THE ENTITY'S BEHALF PRIOR TO AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR ALLOWING THE ENTITY TO PLACE AN EXCHANGE WAGER POSTING A BACK OR LAY EXCHANGE WAGER ON BEHALF OF THE MARKET MAKER. THE LIST OF AUTHORIZED USERS AUTHORIZED PERSONS SHALL BE UPDATED BY THE EXTERNAL MARKET MAKER WHEN AN AUTHORIZED PERSON CHANGES. OTHER~~

~~ii. THE INTERNET SPORTS WAGERING OPERATORS OR SPORTS BETTING OPERATORS WISHING TO LAY-OFF WAGERS UNDER RULE 7.6 (15) VIA EXCHANGE WAGERS MAY DO SO WITH A VALID COLORADO BETTING OPERATOR, SPORTS BETTING OPERATOR, AND EXTERNAL MARKET MAKER ARE EACH SUBJECT TO DISCIPLINE IF THE SPORTS BETTING OPERATOR ACCEPTS A WAGER FROM AN EXTERNAL MARKET MAKER OR EXTERNAL MARKET MAKER'S AUTHORIZED PERSON WHERE THE EXTERNAL MARKET MAKER HAS ACCESS TO NONPUBLIC, CONFIDENTIAL INFORMATION HELD BY THE SPORTS BETTING OPERATOR.~~

~~(I) EXTERNAL MARKET MAKERS AND THE EXTERNAL MARKET MAKER'S AUTHORIZED PERSON MUST REMAIN ELIGIBLE TO PLACE WAGERS UNDER THE SPORTS BETTING ACT. THE INTERNET SPORTS BETTING OPERATOR OR, SPORTS BETTING OPERATOR LICENSE.~~

~~iii. A MARKET MAKER MUST POSSESS A VENDOR MINOR LICENSE AND PROVIDE A LIST OF PERSONS AUTHORIZED TO ACT ON THE ENTITY'S BEHALF PRIOR TO AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR POSTING A BACK OR LAY EXCHANGE WAGER ON BEHALF OF THE MARKET MAKER. THE LIST OF AUTHORIZED PERSONS SHALL BE UPDATED BY THE MARKET MAKER WHEN AN AUTHORIZED PERSON CHANGES. THE INTERNET SPORTS WAGERING OPERATOR, SPORTS WAGERING OPERATOR, AND MARKET MAKER ARE EACH SUBJECT TO DISCIPLINE IF THE SPORTS BETTING OPERATOR ACCEPTS A WAGER FROM A MARKET MAKER OR MARKET MAKER'S AUTHORIZED PERSON WHERE THE MARKET MAKER HAS ACCESS TO NONPUBLIC, CONFIDENTIAL INFORMATION HELD BY THE SPORTS BETTING OPERATOR, AND EXTERNAL MARKET MAKER ARE EACH SUBJECT TO DISCIPLINE IF THE SPORTS BETTING OPERATOR ACCEPTS A WAGER FROM AN EXTERNAL MARKET MAKER OR EXTERNAL MARKET MAKER'S AUTHORIZED PERSON WHERE THE EXTERNAL MARKET MAKER'S AUTHORIZED PERSON IS OUTSIDE THE STATE OF COLORADO.~~

~~(F) INTERNAL MARKET MAKER~~

- ~~i. AN INTERNAL MARKET MAKER MUST POSSESS A VENDOR MAJOR LICENSE PRIOR TO AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR POSTING WAGERS ON BEHALF OF THE INTERNAL MARKET MAKER.~~
- ~~ii. ANY REVENUE DERIVED FROM AN INTERNAL MARKET MAKER FACILITATING THE PLACING OF, BUYING OF, OR SELLING OF WAGERS THROUGH PROVIDING ODDS AND LIQUIDITY TO AN INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR THAT IS OPERATING AN EXCHANGE MUST BE COLLECTED BY THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR, AND CONSTITUTE NET SPORTS BETTING PROCEEDS. ANY REVENUE SHARING PAYMENTS TO AN INTERNAL MARKET MAKER BY THE INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR DO NOT CONSTITUTE PAYMENTS TO PLAYERS AND DO NOT FACTOR INTO THE CALCULATION OF NET SPORTS BETTING PROCEEDS.~~

~~(J)xi. A SPORTS BETTING OPERATOR AND INTERNET SPORTS BETTING OPERATOR MUST CLEARLY DISCLOSE THE PRESENCE OF WAGERS FOR SALE OR FOR PURCHASE BY AN INTERNAL MARKET MAKER THROUGH THE EXCHANGE IN A MANNER APPROVED BY THE DIRECTOR OR THE DIRECTOR'S DESIGNEE.~~

~~(K)xii. THE INTERNET SPORTS WAGERING BETTING OPERATOR OFFERING EXCHANGE WAGERING MAY CANCEL AN UNMATCHED WAGER AT ANY TIME, WITHOUT CAUSE, BEFORE IT IS MATCHED TO FORM ONE OR MORE IDENTICALLY OPPOSING WAGERS A BACK OR LAY WAGER.~~

~~(L) AN EXCHANGE WAGERING ACCOUNT HOLDER WHO OFFERS AN UNMATCHED WAGER MAY CANCEL THAT UNMATCHED WAGER AT ANY TIME, WITHOUT CAUSE, BEFORE IT IS MATCHED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR TO FORM ONE OR MORE IDENTICALLY OPPOSING WAGERS. HOWEVER, THE SUSPECTED ABUSE OF THIS CANCELLATION PRIVILEGE BY AN ACCOUNT HOLDER, INCLUDING, BUT NOT LIMITED TO, WHERE~~

~~(G) ANY SUCH CANCELLATION IS MADE PURSUANT TO OR IN FURTHERANCE OF FRAUDULENT ACTIVITY ANY SUCH CANCELLATION IS MADE PURSUANT TO OR IN FURTHERANCE OF FRAUDULENT ACTIVITY OR WHERE THE FREQUENCY OF SUCH CANCELLATIONS IS DETERMINED BY THE EXCHANGE WAGERING PROVIDER TO NEGATIVELY IMPACT THE EXCHANGE OR ANY GIVEN MARKET, SHALL SERVE AS A BASIS FOR THE CLOSURE OR SUSPENSION OF THE EXCHANGE WAGERING ACCOUNT PURSUANT.~~

OR WHERE THE FREQUENCY OF SUCH CANCELLATIONS IS DETERMINED BY THE EXCHANGE WAGERING PROVIDER TO NEGATIVELY IMPACT THE EXCHANGE OR ANY GIVEN MARKET, SHALL SERVE AS A BASIS FOR THE CLOSURE OR SUSPENSION OF THE EXCHANGE WAGERING ACCOUNT PURSUANT:

- ~~(M)~~xiii. THE INTERNET SPORTS WAGERING BETTING OPERATOR OFFERING EXCHANGE WAGERING MUST CANCEL ALL UNMATCHED WAGERS PRIOR TO THE TIME THE EVENT STARTS, HOWEVER THE INTERNET SPORTS WAGERING OPERATOR OFFERING EXCHANGE WAGERING MAY REOPEN IN-PLAY EXCHANGE WAGERING AT THE START OF GIVE PATRONS AND EXTERNAL MARKET MAKERS THE ABILITY TO AUTOMATICALLY HAVE ALL WAGERS AUTOMATICALLY CANCELED BY THE EXCHANGE WAGERING SYSTEM PRIOR TO THE TIME THE EVENT STARTS.
- ~~(N)~~ NOTHING CONTAINED IN THIS SECTION SHALL BE INTERPRETED TO PRECLUDE THE DIRECTOR FROM ORDERING THAT AN APPROVED MARKET, OR PREVIOUSLY APPROVED MARKET, BE DISCONTINUED BECAUSE THE SPORTING EVENT HAS BEEN REMOVED FROM THE COLORADO DIVISION OF GAMING OFFICIAL SPORTS BETTING CATALOG OF EVENTS AND WAGERS, THERE
- ~~(H)~~ ARE ISSUES WITH THE INTEGRITY OF A MARKET OR WHERE THE CONTINUANCE THEREOF WOULD BE INCONSISTENT WITH THE EXCHANGE WAGERING SYSTEM, INCLUDING ITS WAGERING AND TECHNOLOGICAL RELIABILITY ASPECTS; ARE ISSUES WITH THE INTEGRITY OF A MARKET OR WHERE THE CONTINUANCE THEREOF WOULD BE INCONSISTENT WITH THE EXCHANGE WAGERING SYSTEM, INCLUDING ITS WAGERING AND TECHNOLOGICAL RELIABILITY ASPECTS.
- ~~(O)~~ IN THE EVENT OF A TECHNOLOGICAL BREAKDOWN ASSOCIATED WITH THE EXCHANGE WAGERING SYSTEM, WHICH RENDERS THE EXCHANGE WAGERING SYSTEM NON-FUNCTIONAL, AND WHERE THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR
- ~~(I)~~ DETERMINES THAT THE NATURE AND DEGREE OF THE TECHNOLOGICAL BREAKDOWN DOES NOT REQUIRE A SUSPENSION OR VOIDING OF THE MARKET, THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL:
- ~~(I)~~a. CAUSE ALL MATCHEDBACK AND LAY WAGERS, AS OF THE TIME OF THE FAILURE, TO REMAIN MATCHED, AND TO BE PAID IN ACCORDANCE WITH THE ESTABLISHED PRICE FOR SUCH WAGERS AND THE CALCULATION OF 'EXCHANGE BETS' AND 'EXCHANGE BETS PAID' DEFINITIONS AND THE INTERNAL CONTROL PROCEDURES OF THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR APPLICABLE TO MATCHEDBACK AND LAY WAGERS; AND
- ~~(I)~~b. CAUSE ALL UNMATCHED WAGERS TO BE CANCELED.
- ~~(I)~~c. IN THE EVENT THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR ACTS PURSUANT TO THIS SECTION, IT SHALL PROMPTLY FILE WITH THE DIVISION A WRITTEN REPORT DETAILING THE ACTION TAKEN AND THE REASONS IN SUPPORT OF SUCH ACTION.
- ~~(P)~~ THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR MAY SUSPEND A MARKET ON ITS OWN ACCORD AND AT ANY TIME, FOR GOOD CAUSE. FOR THE PURPOSES OF THIS SECTION, GOOD CAUSE SHALL EXIST WHERE: THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR HAS REASONABLE CAUSE TO SUSPECT THAT FRAUD OR ANY OTHER ACTION OR INACTION BY ANY NATURAL PERSON CONNECTED WITH THE SPORTING EVENT RAISES QUESTIONS ABOUT THE INTEGRITY AND FAIRNESS OF THE MARKET; THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS

BETTING OPERATOR HAS REASONABLE CAUSE TO CONCLUDE THAT A MATERIAL TECHNOLOGICAL BREAKDOWN ASSOCIATED WITH THE EXCHANGE WAGERING SYSTEM EXISTS OR HAS ARISEN, WHICH TECHNOLOGICAL BREAKDOWN IS OF SUCH MAGNITUDE THAT THE IMPLEMENTATION OF THE EXCHANGE WAGERING SYSTEM'S BREAKDOWN PROCEDURE AS SET FORTH IN 7.6 (17) (m) WOULD BE INADEQUATE. THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS SUSPECT THAT FRAUD OR ANY OTHER ACTION OR INACTION BY ANY NATURAL PERSON CONNECTED WITH THE SPORTING EVENT RAISES QUESTIONS ABOUT THE INTEGRITY AND FAIRNESS OF THE MARKET; THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR HAS REASONABLE CAUSE TO CONCLUDE THAT A MATERIAL TECHNOLOGICAL BREAKDOWN ASSOCIATED WITH THE EXCHANGE WAGERING SYSTEM EXISTS OR HAS ARISEN, WHICH TECHNOLOGICAL BREAKDOWN IS OF SUCH MAGNITUDE THAT THE IMPLEMENTATION OF THE EXCHANGE WAGERING SYSTEM'S BREAKDOWN PROCEDURE AS SET FORTH IN 7.6 (17) (m) WOULD BE INADEQUATE. THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR MAY ALSO SUSPEND A MARKET FOR OTHER REASONS WHERE THE

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~~(J)~~ OPERATOR IMMEDIATELY CONTACTS THE DIRECTOR OR THE DIRECTOR'S DESIGNEE AND CAN DEMONSTRATE TO THE SATISFACTION OF THE DIRECTOR OR THE DIRECTOR'S DESIGNEE THAT A FAILURE TO SUSPEND A MARKET WILL LIKELY NEGATIVELY IMPACT THE INTEGRITY OF THE EXCHANGE WAGERING SYSTEM.

~~(Q)~~xiv. IN THE EVENT THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SUSPENDS A MARKET PURSUANT TO 7.6 (17) (N) ABOVE, IT SHALL IMMEDIATELY NOTIFY THE DIRECTOR OF SUCH ACTION IN WRITING, BY ELECTRONIC MAIL. IN ADDITION, THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL PROMPTLY FILE A WRITTEN REPORT TO THE DIRECTOR WHICH, AT A MINIMUM, IDENTIFIES:

~~(I)~~a. THE MARKET SUSPENDED;

~~(II)~~b. THE DATE AND TIME OF THE SUSPENSION;

~~(III)~~c. THE REASON FOR THE MARKET SUSPENSION, THE REASONS WHY THE IMPLEMENTATION OF THE PROCEDURE SET FORTH IN 7.6 (17) (N) WOULD HAVE BEEN INSUFFICIENT;

~~(IV)~~d. THE RESULTS OF THE RELATED DUE DILIGENCE INVESTIGATION CONDUCTED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR;
AND

~~(V)~~e. A PROPOSAL FOR SETTLING THE MARKET.

UPON SATISFACTORY REVIEW AND WRITTEN AUTHORIZATION FROM THE DIRECTOR, THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL SETTLE THE MARKET.

~~(R)~~ AN ENTIRE MARKET MAY ONLY BE VOIDED, UPON APPLICATION TO THE DIRECTOR OR DIRECTOR'S DESIGNEE, WHERE THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR DEMONSTRATES TO THE SATISFACTION OF THE DIRECTOR THAT A MATERIAL AND IRREPARABLE TECHNOLOGICAL BREAKDOWN OF THE EXCHANGE WAGERING SYSTEM OCCURRED, AND THAT, DUE TO THE NATURE THEREOF AND CIRCUMSTANCES PRESENT,

~~(K)~~ IT WOULD PROVE INSUFFICIENT FOR THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR TO IMPLEMENT THE PROCEDURE SET FORTH IN EITHER 7.6 (17) (41N), OR IN (42O) OR (43P) ABOVE. IN APPROVING ANY SUCH APPLICATION, THE DIRECTOR MAY IMPOSE REASONABLE AND NECESSARY CONDITIONS TO ENSURE THE INTEGRITY OF THE EXCHANGE WAGERING SYSTEM.

~~(S)~~xv. EXCEPT AS PROVIDED IN (I) BELOW, ONCE AN UNMATCHED WAGER IS CONFIRMED BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR AS HAVING BEEN MATCHED TO AN IDENTICALLY OPPOSING FORM A BACK OR A LAY WAGER IN A GIVEN MARKET ON THE EXCHANGE, AND A MATCHED WAGER IS THEREBY FORMED, SUCH MATCHED WAGER SHALL BE FINAL AND SHALL NOT BE CANCELED.

~~(I)~~ THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL ONLY CANCEL A MATCHED WAGER, OR PART OF A MATCHED WAGER, IF SUCH CANCELLATION IS ORDERED BY THE DIRECTOR OR, WHERE IN ITS SOLE DISCRETION, THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR DETERMINES THAT:

i.

~~(A)j.~~ THERE IS A TECHNOLOGICAL FAILURE OF THE EXCHANGE WAGERING SYSTEM AND THE ENTIRE MARKET, WITHIN WHICH THE EXCHANGE WAGER WAS MADE, MUST AS A RESULT BE VOIDED IN ACCORDANCE WITH 7.6 (17) (N), OR

~~(B)~~ THERE IS GOOD CAUSE TO SUSPECT THAT A PERSON PLACING A WAGER WAGER THROUGH THE EXCHANGE WAGERING SYSTEM HAS ACTED IN VIOLATION OF THE TERMS AND CONDITIONS ENTERED INTO WITH THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR AT THE TIME SUCH PERSON'S EXCHANGE WAGERING ACCOUNT WAS ESTABLISHED, OR AT THE TIME

a) THE TERMS THEREOF WERE AMENDED; OR THE TERMS THEREOF WERE AMENDED; OR

~~(C)ii.~~ IT IS IN THE INTEREST OF MAINTAINING THE INTEGRITY AND FAIRNESS IN A PARTICULAR MARKET; OR

~~(D)iii.~~ HUMAN ERROR, BY THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR, OCCURRED IN THE RECORDING OF THE EXCHANGE WAGER.

~~(H)b.~~ IN THE EVENT THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR CANCELS A MATCHEDBACK OR A LAY WAGER AS AUTHORIZED BY THIS SECTION, THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR SHALL PROMPTLY SUBMIT A WRITTEN REPORT DETAILING THE ACTION TAKEN AND THE REASONS IN SUPPORT OF SUCH ACTION TO THE DIVISION.

~~SUBJECT TO APPROVAL OF THE DIRECTOR, BOTH AS TO TYPE AND AMOUNT, THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR MAY IMPOSE AND COLLECT A SURCHARGE OR SURCHARGES ASSOCIATED WITH EXCHANGE WAGERING ACCOUNTS AND EXCHANGE WAGERS. PERMISSIBLE SURCHARGES SHALL INCLUDE, BUT NOT BE LIMITED TO, SURCHARGES IN CONNECTION WITH THE SUBMISSION OF EXCHANGE WAGERS TO THE LICENSED INTERNET SPORTS BETTING OPERATOR OR SPORTS BETTING OPERATOR FOR PROCESSING, AND THE ASSESSMENT OF A SURCHARGE ON ANY EXCHANGE WAGERING ACCOUNT HOLDER'S WINNINGS.~~