

Licensing and Disclosure Regulations

Sec. 12-574-E1. General provisions

(a) Applicability. The rules and regulations contained herein shall apply to all persons or business organizations required to be licensed pursuant to Chapter 226 of the Connecticut General Statutes, with the exception of lottery sales agents, and to all persons or business organizations required to disclose pursuant to Chapter 226b of those statutes. The relevant provisions pertaining to the licensing of lottery sales agents, are found within the division's Administrative Regulations: Operation of a State Lottery. The Division does not discriminate on the basis of disability in the licensing, employment, administration of, or access to its programs, services, or activities.

(b) Licensing exemptions. The appropriate licensing authority may, on its own motion or upon application, exempt any person or business organization from the licensing requirements of Chapter 226 or any of the disclosure requirements of Chapter 226b. The appropriate licensing authority, in making its determination, shall consider whether the applicant seeking the exemption will exercise control in or over an activity which is ancillary to and not an integral part of any activity authorized under this chapter. The burden of proving that an exemption should be granted rests solely with the applicant. The licensing authority making the determination may limit or condition the terms of an exemption and such determination shall be final.

Sec. 12-574-E2. Definitions

The following definitions, constructions and interpretations of these rules and regulations, including all amendments thereto, shall apply to Sections 12-574-E1 through E7 inclusive; 12-584-1; 12-585-1; and 12-578-1:

(1) Act. Chapters 226 and 226b of the Connecticut General Statutes and all amendments thereto.

(2) Affiliate. A business organization, other than a shareholder in a publicly traded corporation, which may exercise control in or over an association, totalisator, concessionaire, or vendor licensee.

(3) Agent. Anyone to whom control or management terms, as defined herein, apply or any person or entity actually or ostensibly authorized to represent or act on behalf of any principal.

(4) Applicant. Any individual or business organization seeking to obtain a license from either the board or the division.

(5) Association. Any individual or business organization licensed to conduct a racing or jai alai meeting pursuant to Section 12-574 (a) of the Connecticut General Statutes or licensed to operate the off-track betting system pursuant to Section 12-572 of the Connecticut General Statutes.

(6) Board. The gaming policy board of the state of Connecticut as established by Section 12-557d of the Connecticut General Statutes.

(7) Business organization. A partnership, incorporated or unincorporated association, firm, corporation, trust or other form of business or legal entity other than a financial institution regulated by a state or federal agency which is not exercising control over an association licensee.

(8) Concessionaire. Any individual or business organization granted the right to operate an activity at a parimutuel or off-track betting facility for the purpose of making a profit, and which person or business organization receives or, in the exercise of reasonable business judgment, can be expected to receive more than \$25,000 or 25 percent of its gross annual receipts from such activity at the facility. By way of example and not limitation, parking contractors, restaurant or catering contractors, closed-circuit television contractors, handicappers, security services, contractual kennel owners and cleaning and maintenance contractors may be concessionaires. Notwithstanding the provisions of Section 12-574-E1 (b) of these regulations, those persons or business organizations requesting an exemption from the licensing requirements as concessionaires must submit satisfactory evidence to the division that they are within the dollar or percentage limit defined above.

(9) Control. The power to exercise authority over or direct the management and policies of a person or business organization.

(10) Division. The division of special revenue of the state of Connecticut and its duly authorized representatives.

(11) Facility. The total real estate, land and buildings of an association utilized for racing, OTB, or jai alai performances.

(12) Key executive and other control person. Any individual or business organization to which the terms "control," "management," "related," or "principal owner" apply.

(13) Licensee. Any individual or business organization licensed by either the board or the division to participate in any activity permitted under the act except as specifically excluded in Section 12-574-E1 (a).

(14) Major contractual services. Goods or services supplied to a licensee by a contractor who receives or, in the exercise of reasonable business judgment, can be expected to receive more than \$25,000 or 25 percent of its gross annual sales from the licensee. Where such a contractor actually supplies such goods and services at a facility [(as contrasted with simply delivering such goods to the facility or providing such services off the facility)] said contractor will be a concessionaire.

(15) Management. Any persons or entities having responsibility to manage, direct, or administer the affairs of a person or business organization. Management includes but is not limited to members of the board of directors of a corporation, officers in charge of principal business functions, or principal owners.

(16) Principal owner or principal stockholder. An owner or beneficial owner of more than ten percent of a licensee's debt or equity or ten percent of the voting interest of the licensee or an owner or beneficial owner who receives more than ten percent of income earned or distributed from a licensee. Excluded from this classification are financial institutions, insurance companies, or pension funds who are holders of the licensee's (or applicant's) debt, but who do not exercise control over such licensee (or applicant).

The division will not require holders of a licensee's debt which are financial institutions, insurance companies, or pension funds which are not exercising control over a licensee to be licensed.

(17) Privately-held corporations. Corporations that are other than publicly-traded corporations.

(18) Publicly-traded corporations. Corporations whose debt or equity securities are traded in a public market in a foreign or domestic stock exchange or in the over-the-counter market, and are required to file financial statements with the Securities and Exchange Commission.

(19) Related. Any person or business organization that has the ability to significantly influence the management or operating policies of a licensee (or applicant) to the extent that such licensee (or applicant) may be prevented from pursuing its own separate interests. These include, but are not limited to, affiliates, principal owners and close kin, management and close kin, parents and subsidiaries, and debt or equity method investors and investments.

(20) Totalisator. The system or equipment or services whereby tickets are printed as purchased and the purchase automatically recorded at a central place within the facility, the approximate odds at any particular time are quickly determined and flashed on an electronic display board for the public view, and the payoffs are correctly determined and flashed when the game or race is over.

(21) Vendor. A person or business organization awarded the primary contract by the state to provide facilities, goods, components, and services necessary to carry out the provisions of Sections 12-568 and 12-572 of the General Statutes.

Sec. 12-574-E3. Association licenses

(a) Generally.

Pursuant to Sections 12-574 (a) and 12-572 of the Connecticut General Statutes, no person or business organization may conduct a meeting at which racing or the exhibition of jai alai is permitted for any stake, purse or reward or operate the off-track betting system unless such person or business organization is licensed as an association licensee by the board.

(2) Applications for a license shall be made on forms supplied by the division and shall be filed with the executive director of the division.

(3) Each applicant shall file such information as may from time to time be required by the board and the division and as is hereinafter enumerated.

(4) In determining the licensability of an applicant or the continuing suitability of a licensee, the board will consider the following matters:

(A) Opportunity for the sport to develop properly within the marketing parameters established by the board.

(B) Extent of community support for the promotion and profitable continuance of the facility.

(C) The character and reputation of the persons identified with the undertaking.

(D) Financial ability of, and the resources available for the applicant to promote and operate a facility.

(E) The type, quality, and architecture of the facility proposed.

(F) The impact of competition with other legalized gambling activities in Connecticut.

(G) The impact of the proposed facility on the policies, public interest, and people of the state.

(H) The personal or business affiliations of applicant or the persons identified with applicant.

(b) Individual or sole proprietor. An applicant who is an individual person may be required to file as part of his application a class II occupational license application.

(c) Corporations.

(1) The majority of the membership of the board of directors of a corporate association licensee shall be residents of the state of Connecticut.

(2) A corporate applicant shall file as part of its application:

(A) A statement giving its name, trade name (if any), address and physical location, nature of business, date and location of incorporation, the name and address of an agent registered and authorized to receive service of process in any proceedings against applicant, and listing the other jurisdictions in which applicant does business and the nature of business conducted in such jurisdictions.

(B) Certified copies of the certificate of incorporation, bylaws, certificate of authorization (if a foreign corporation), any other instruments under which applicant is organized and doing business.

(C) The name, legal residence, mailing address, social security number, date and place of birth, a ten-year employment history, and the office held by each officer of the applicant, of each member of the board of directors of the applicant, and of stockholders holding five percent or more of the applicant's stock.

(D) A statement showing the classes and numbers of shares of stock authorized, issued, and outstanding; designating the market value and vote per share; and giving a current list of the names, addresses, and numbers of shares held for all holders of outstanding shares.

(E) Where the beneficial owner of any stock is other than the owner or subscriber of record an explanation of such beneficial ownership including the name of the owner or subscriber, the name of the beneficial owner and the conditions under which the owner or subscriber holds and votes or has subscribed for such stock.

(F) A statement explaining in full detail all stock equivalents which are authorized, issued, and exercisable to include a list of participant names, addresses, and amount of holdings.

(G) Copies of filings by the applicant with the Securities and Exchange Commission and any state agency regulating transactions of securities or business offerings as required and applicable for the preceding twelve month period.

(H) An explanation of any suspensions from trading or other action taken against any of applicant's securities or business offerings.

(3) Where a shareholder of five percent or more of the applicant's stock is a privately-held corporation, all of the information required of a corporate applicant under this subsection (c) must be supplied for the shareholder. Where a shareholder is a business organization other than a corporation all of the information required of a business organization applicant under subsection (d) below must be supplied for that shareholder. Notwithstanding the provisions above of this subdivision (3), however, application for an association affiliate license shall fulfill the requirements of this subdivision (3) for shareholders which qualify as affiliates.

(d) Applicant other than an individual or corporation.

(1) An applicant which is neither an individual person nor a corporation must file as part of its application:

(A) A statement giving its name, trade name (if any), address and physical location, nature of business, date and location of organization, the name and address of an agent registered and authorized to receive services of process in any proceedings against applicant, and listing the other jurisdiction in which applicant does business and the nature of business conducted in such jurisdictions.

(B) Certified copies of all instruments under which applicant is organized and doing business and of the certificate of authorization, if applicable for a foreign business organization.

(C) The name, legal residence, mailing address, social security number, date and place of birth, a ten-year employment history, the office held within the business organization, the percentage of ownership held, and a listing of three personal references for each business organization participant who owns five percent or more of applicant's equity.

(D) Copies of filings by the applicant with the Securities and Exchange Commission and any state agency regulating transactions of securities or business offerings as required and applicable for the preceding twelve month period.

(E) An explanation of any suspensions from trading or other action taken against any of applicant's securities or business offerings.

(2) Where a participant in the applicant which owns five percent or more of applicant's equity is a corporation other than a publicly traded corporation, all of the information required of a corporate applicant under subsection (c) above must be supplied for that participant. Where a participant is a business organization other than a corporation, all of the information required of a business organization applicant under this subsection (d) must be

supplied for that participant. Application for an association affiliate license shall fulfill the requirements of this subdivision (2) for participants which qualify as affiliates.

(e) Requirements of all applicants. In addition to the information requested under subsections (b), (c) and (d) of this section applicants must also supply the following in their applications:

(1) Tax information. Applicant's Federal Identification Number, applicant's Connecticut Tax Registration Number, or a copy of applicant's application for a Connecticut Tax Registration Number, complete copies of applicant's most recent federal and state income tax returns and any amendments thereto and a statement explaining any outstanding tax delinquencies or unresolved disputes involving the applicant.

(2) Financial statements. A copy of the applicant's certified financial statements for the preceding fiscal year including copies of the management representation and lawyer's contingency letters provided to applicant's certified public accountant for the most recently completed financial audit. If certified financial statements are unavailable, a copy of the preceding fiscal year's financial statements attested to under oath.

(3) Venture cost and cost allocation. A statement giving the acquisition or construction cost of the legalized gambling venture including a detailed allocation of the cost to include such items as buildings, land, equipment, contracts, inventory, intangible items, etc. Copies of all appraisal documents, maps, plans, blueprints, deeds, detailed inventory listing, titles, guarantees affidavits, leases, agreements, etc. which form the basis for the cost must be included with this statement.

(4) Sources and amounts of funding.

(A) A statement detailing the sources and amounts of funding of such cost including:

- (i) Sales or offers to sell stocks, bonds, or other securities.
- (ii) Investment by owners.
- (iii) Loans, notes, mortgages, installment sales.
- (iv) Sale and lease-back.
- (v) Other.

(B) Written copies of all financing documents indicating the names and addresses of the parties involved, the terms of financing/funding/capitalization, and the conditions of applicable payment or repayment.

(5) Acquisition documents.

(A) An index to and copies of all proposed acquisition documents and a certification by counsel that the division has been provided with a copy of all such documents.

(B) Within seven (7) days after acquisition is complete, an index to and copies of all fully executed acquisition documents and a certification by counsel that the division has been provided with a copy of all such executed documents.

(6) Budgets and pro forma financial statements.

(A) Detailed budgets and pro forma financial statements for the first five years of operation compared in the case of an acquisition of a pre-existing facility, to the last completed fiscal year of operation of the facility.

(B) Footnotes to the pro forma statements which will indicate, if applicable, changes in expenses, prices, projected growth, and the projected number of operating performances to be requested.

(C) (i) A five-year cash flow forecast by fiscal year to include available cash projections, detailed sources of such cash and applications of cash including capital acquisitions, interest and debt payments, dividends, draws, and distributions.

(ii) Such a detailed cash flow forecast by the month for the first complete fiscal year.

(D) A five-year projection of detailed dark period costs by fiscal year including the method or source of funds to cover such costs and indicating the duration of the anticipated dark period.

(E) A statement detailing any contingent liabilities, such as pending litigation, unresolved collective bargaining issues, regulatory rulings and decisions under consideration, etc., which may have a material effect on such operations.

(7) Major contractual services.

(A) The names and addresses of every person or business organization which provides (or will provide) major contractual services, as defined in these regulations, indicating the nature of such services rendered or to be rendered and equipment or property provided or to be provided.

(B) Relative to such contractual services disclosed in subparagraph (A) immediately above, copies of all pertinent written agreements or statements explaining the substance of oral agreements or understandings including the names and addresses of the parties with whom made and also stating whether such parties are related through control, family, or business association with the applicant, its partners, associates, officers, directors, and principal owners.

(8) Leases and use agreements. If any land, buildings, or equipment which constitute the facility will not be owned by the applicant, a statement providing the names and addresses of the owners of the land, buildings, or equipment, including copies of the agreements entered into for the use of the property; and indicating whether such owners are related through control, family, or business association with the applicant, its partners, associates, officers, directors, or holders of equity or debt.

(9) Concessionaires and other operations. A statement providing complete details relating to ownership, management use or control of all concessions and other operations (fast foods, parking, restaurant, bar, and other revenue producing activities which take place at the facility and are a direct part of the facility's licensed operations) that will not be owned or managed by the applicant, including copies of all pertinent written agreements or statements explaining the substance of oral contracts and understandings, including the names and addresses of the party or parties with whom made, and also stating whether such party or parties are related through control, family or business association with the applicant, its partners, associates, officers, directors, and principal owners.

(10) Control. If applicant is directly or indirectly controlled by another person or business organization, a statement showing how such control is exercised and the extent of the control.

(11) Related party transactions.

(A) If any of the partners, associates, officers, directors, or principal owners of the applicant or licensee are related through family, or business association to any other person or business organization doing business with it or any legalized gambling entity and if the annual value of such goods or services supplied is or, in the exercise of reasonable business judgment, can be expected to be at least \$25,000 or twenty-five percent of such related party's gross annual receipts, a statement containing the names and addresses of the related parties, and a full description of the goods provided or services rendered indicating the dollar value and, where known, the percentage of business such represents. If a fee or other consideration was or is to be paid or received for these transactions, the value and recipient of such must be indicated in this statement.

(B) If any of the partners, associates, officers, directors, or principal owners of the applicant are related through control, family ownership, or business association to any other person or business organization through which the applicant provided or is to provide or received or is to receive mortgages, loans, leases, realty, or equipment (including totalisator) and if the annual value of such items provided or received is or, in the exercise of reasonable business judgment, can be expected to be at least \$25,000 or 25 per cent of such person's or business organization's gross annual receipts, a statement containing the names and addresses of the persons or business organizations providing or receiving the aforementioned items, the names and addresses of the related parties, and a full description of the items provided or received indicating the dollar value. If a fee or other consideration was or is to be paid or received, the value and recipient of such must be indicated in this statement.

(12) Interests in other gambling activities. If applicant now has or has ever had any interest in or connection with a legalized gambling entity, has ever applied for a license relating to legalized gambling, has had a license application denied, has held a license, or had a license suspended or revoked whether within or without the state of Connecticut, a statement fully disclosing:

- (A) The names and addresses of the involved persons or business organizations;
- (B) The nature of the interest or connection including the dates of such;
- (C) The name under which such legalized gambling activity was conducted;
- (D) A complete description of the legalized gambling activity and the licensing procedures; and

(E) Any administrative findings of violation relating to gambling on the part of such legalized gambling entity.

(13) Bankruptcies. If voluntary proceedings in bankruptcy have ever been instituted by or if involuntary proceedings in bankruptcy have ever been brought against the applicant, a full disclosure concerning the persons or business organizations involved, identifying the court and the proceeding by dates and file number, and stating the facts upon which the proceedings were based and the disposition of the matter.

(14) Contingent liabilities. A statement disclosing all current material (more than \$100,000) litigation, unsatisfied judgments, decrees, orders, and other liabilities including but not limited to

tax assessments, surety or guarantorships, providing such details as dates, principal parties thereto, factual and legal basis; and explaining the impact such may have upon the applicant's operations if the applicant is rendered an unfavorable decision.

(15) Insurance. A copy of comprehensive liability insurance policies or binders naming the state of Connecticut, the board, and the division as additional insureds and including coverage for premises liability, operations liability, products liability, contractual liability, unknown hazards liability, property damage liability, and vehicle liability. Such coverage shall be under terms and in an amount approved by the board and the division.

(16) Surety. Evidence of surety coverage in an amount sufficient to cover such possible damages as the board and the division shall determine might result from embezzlement, fraud, theft, forgery, misrepresentation, falsification of parimutuel records and operations, and for all taxes, fines, fees, revenues, or other monies which may be due or which under statute may revert to the state from parimutuel operations or otherwise from the association such surety shall be in form approved by the board and the division and may include bonds, pledged securities, restricted accounts, or other approved devices.

(17) Managers and supervisors. A statement listing the names and positions or titles of the applicant's managerial and supervisory personnel for the operation of the facility.

(f) New facilities.

(1) In addition to the information requested above applicants seeking a license for a new facility must submit as part of their application:

(A) Detailed specifications, surveys, studies and analyses by competent and qualified experts to ascertain such factors as proposed attendance, traffic flow, income, environmental impact, or any other matters necessary for the board to make a determination with respect to the matter of the application in accordance with the provisions of the act.

(B) Detailed plans, maps, specifications and surveys of the proposed facility and location.

(C) Written verification of the appropriate officials of the relevant federal, state, and municipal agencies that the proposed facility is in compliance with all required standards including those of the building and fire codes and standards for zoning, wetlands, environmental, and related permits or that an application has been filed and approval is pending.

(2) The specifications of the facility shall be subject to board approval and the board may order, at applicant's expense, a reasonable expert examination of them. The construction of any facility shall be subject to inspection by the board and the division who may employ such inspectors, at applicant's expense, as they deem necessary for that purpose.

(g) Applicant as lessee. A license shall not be issued to an applicant if the applicant leases its facility or any part thereof from a person or business organization who would be unable to secure an association license under subsections (a) (4) (c) and (a) (4) (H) of this section. In addition to the information required under subsection (e) (8) of this section, applicant shall supply, as the case may require, that information required of an association applicant under subsections (b), (c) and (d) of this section for such lessor. Acquisition of an association affiliate license by such lessor shall fulfill the requirement of its subsection.

(h) Conditions of licensure.

(1) If a license is granted, the applicant agrees to abide by and comply with the provisions of the act and any rules and regulations as the division with the advice and consent of the board has adopted or may hereafter adopt.

(2) If a license is granted, it will become the duty of the applicant/licensee to file with the board or the division such reports and financial data as may be required by the act or by such rules and regulations as the division with the advice and consent of the board has adopted or may hereafter adopt and to make such payments as may be required by said act or rules and regulations. This duty shall continue for the entire duration of the license.

(3) All exhibits, statements, reports, papers, data, etc. submitted pursuant to an application for an association license shall be current, accurate, and complete. Applicant shall immediately provide the division with a full description of any significant operational change in any of the information submitted as part of its application.

(4) Any license which may be granted to an applicant is predicated upon the information contained in its application which applicant verifies under oath. For any material false or misleading statement or answer in the application, said application may be denied, or if license has already been granted, the licensee may be fined or such license may be suspended or revoked or any combination thereof.

(5) All partners, trustees, shareholders, and other owners (including beneficial owners) of the applicant/licensee as disclosed under this section must be qualified under the act and these rules for appropriate licensure, either affiliate or occupational. Where such a party fails to be or

to remain so qualified, any ownership in the association held by such party (including beneficial ownership) must be divested by that party no later than sixty days after an order from the board or the executive director. The association applicant/licensee shall include appropriate provisions in its organizational instruments to effect such divestiture. Nothing in this subdivision shall be deemed to limit the application of any other provision of these rules or of any provision of the act.

(i) Nontransferability. No license shall be transferable or assignable in any manner or particular.

(j) Duration of licensure. Association licenses issued by the board need not be renewed, however, holders of such licenses shall file statements revising application information as material changes in such information occur. If such information is to be disclosed pursuant to the provisions of Section 12-584 of the Connecticut General Statutes and Section 12-584-1 of these rules it need not be resubmitted. Failure to provide timely updates may violate these regulations and may subject the licensee to the penalty provisions contained herein.

(k) Certification. The license application shall be signed and attested to under oath before a notary public or Commissioner of the Superior Court by the applicant if applicant is an individual person, by all general partners if applicant is a partnership, or by an officer duly authorized by the board of directors if applicant is a corporation. A corporate applicant shall attach to its application a certified copy of the minutes or resolution of the board of directors specifically authorizing that officer to sign for the corporation. Said minutes or resolution shall be signed by the secretary of the corporation and the corporate seal shall be affixed thereto.

Sec. 12-574-E4. Affiliate, Totalisator, concessionaire, and vendor licenses

(a) Type of license.

(1) Association affiliate license. Any affiliate, as that term is defined in these regulations, of an association must obtain an association affiliate license from the board.

(2) Totalisator license. Any person or business organization that will provide totalisator equipment or services to any association licensee for the operation of a parimutuel system must obtain a totalisator license from the executive director.

(3) Concessionaire license. Any concessionaire, as such term is defined in these regulations, must obtain a concessionaire license from the executive director.

(4) Vendor license. Any vendor, as such term is defined in these regulations, must obtain a vendor license from the executive director.

(5) Affiliate of totalisator, concessionaire or vendor license. Any affiliate, as that term is defined in these regulations, of a totalisator, concessionaire, or vendor licensee must obtain the appropriate affiliate license from the division.

(b) Application.

(1) Application for a license shall be made on forms supplied by the division and shall be filed with the executive director of the division.

(2) Each applicant shall file such information as may from time to time be required by the division and as is hereinafter enumerated.

(3) In granting a license to any applicant the licensing authority will consider the applicant's financial standing and credit; the character, reputation, and criminal record of applicant or the persons identified with it, applicant's previous employment or business history, other gambling interests, business or personal affiliations, ownership of assets, and such other information as it deems pertinent to the issuance of such license in accordance with the provisions of the act.

(c) Hidden ownership.

(1) Notwithstanding anything in these regulations which may indicate the contrary, hidden ownership of an affiliate licensee is prohibited. All share holders, bondholders, partners, associates, or other owners of an affiliate (either board or executive director licensed) as defined herein shall be individual persons, and no such ownership by business organizations shall be permitted. For example, an arrangement which would produce an affiliate of an affiliate is forbidden. Similarly no separation of legal and beneficial or equitable ownership of an affiliate shall be allowed. Ownership shall be held in the name of said shareholders, bondholders, partners, associates, or other owners. Bearer instruments and nominees shall not be used in holding such ownership interests. Any noncomplying ownership must be divested from the affiliate licensee within sixty days after an order to do so from the authority which granted its license. Affiliate licensees shall adopt appropriate amendments to their organizational instruments to permit compliance with this section.

(2) Subdivision (1) above of this subsection shall not apply to publicly traded corporations which hold debt or equity securities of an affiliate licensee.

(d) Individual or sole proprietor. An applicant who is an individual person may be required to file as part of his application a class II occupational license application.

(e) Corporations.

(1) A corporate applicant shall file as part of its application:

(A) A statement giving its name, trade name (if any), address and physical location, nature of business, date and location of incorporation, the name and address of an agent registered and authorized to receive services of process in any proceedings against applicant, and listing the other jurisdictions in which applicant does business and the nature of business conducted in such jurisdictions.

(B) Certified copies of the certificate of incorporation, bylaws, certificate of authorization (if a foreign corporation), and any other instruments under which applicant is organized and doing business.

(C) The name, legal residence, mailing address, social security number, date and place of birth, a ten-year employment history, and the office held by each officer of the applicant, of each member of the board of directors of the applicant, and of stockholders holding five percent or more of the applicant's equity.

(D) A statement showing the classes and numbers of shares of stock authorized, issued, and outstanding; designating the market value and vote per share; and giving a current list of the names, addresses, and numbers of shares held for all holders of outstanding shares.

(E) Where the beneficial owner of any stock is other than the owner or subscriber of record an explanation of such beneficial ownership including the name of the owner or subscriber, the name of the beneficial owner and the conditions under which the owner or subscriber holds and votes or has subscribed for such stock.

(F) A statement explaining in full detail all stock equivalents which are authorized, issued, and exercisable to include a list of participant names, addresses, and amount of holdings.

(G) Copies of filings by the applicant with the Securities and Exchange Commission and any state agency regulating transactions of securities or business offerings as required and applicable for the preceding twelve month period.

(H) An explanation of any suspensions from trading or other action taken against any of applicant's securities or business offerings.

(2) Subject to the provisions of subsection (c) above, where a shareholder of five percent or more of the applicant's stock is a corporation, other than a publicly traded corporation, all of the information required of a corporate applicant under this subsection (e) must be supplied for that shareholder. Where a shareholder is a business organization other than a corporation all of the information required of a business organization applicant under subsection (f) below must be supplied for that shareholder. Application for the relevant affiliate license shall fulfill the requirements of this subdivision for shareholders which qualify as affiliates.

(f) Applicant other than an individual or corporation.

(1) An applicant which is neither an individual person nor a corporation must file as part of its application:

(A) A statement giving its name, trade name (if any), address and physical location, nature of business, date and location of organization, the name and address of an agent registered and authorized to receive services of process in any proceedings against applicant; and listing the other jurisdictions in which applicant does business and the nature of business conducted in such jurisdictions.

(B) Certified copies of all instruments under which applicant is organized and doing business and of the certificate of authorization, if applicable for a foreign business organization.

(C) The name, legal residence, mailing address, social security number, date and place of birth, a ten-year employment history, the office held within the business organization, the percentage of ownership held, and a listing of three personal references for each business organization participant who owns five percent or more of applicant's equity.

(D) Copies of filing by the applicant with the Securities and Exchange Commission and any state agency regulating transactions of securities or business offerings as required and applicable for the preceding twelve month period.

(E) An explanation of any suspensions from trading or other action taken against any of applicant's securities or business offerings.

(2) Subject to the provisions of subsection (c) above, where a participant in the applicant which owns five percent or more of applicant's equity is a corporation other than a publicly traded corporation all of the information required of a corporate applicant under subsection (e) above must be supplied for that participant. Where a participant is a business organization other

than a corporation, all of the information required of a business organization applicant under this subsection (f) must be supplied for that participant. Application for an association affiliate license shall fulfill the requirements of this subdivision for participants which qualify as affiliates.

(g) Requirements for all applicants. In addition to the information requested under subsections (d), (e) and (f) of this section applicants must also supply the following in their applications:

(1) Tax information. Applicant's Federal Identification Number, applicant's Connecticut Tax Registration Number, or a copy of applicant's application for a Connecticut Tax Registration Number, complete copies of applicant's most recent federal and state income tax returns, and any amendments thereto and a statement explaining any outstanding tax delinquencies or unresolved disputes.

(2) Financial statements. A copy of the applicant's financial statements for the preceding fiscal year including, where they exist, copies of the management representation and lawyer's contingency letters provided to applicant's certified public accountant for the most recently completed financial audit. If certified financial statements are unavailable, a copy of the preceding fiscal year's financial statements attested to under oath.

(3) Major contractual services.

(A) The names and addresses of every person or business organization which provides (or will provide) major contractual services, as defined in these regulations to applicant for purposes of its licensed activity indicating the nature of such services rendered or to be rendered and equipment or property provided or to be provided.

(B) Relative to such contractual services disclosed in subparagraph (A) immediately above, copies of all pertinent written agreements or statements explaining the substance of oral agreements or understandings including the names and addresses of the parties with whom made and also stating whether such parties are related through control, family, or business association with the applicant, its partners, associates, officers, directors, and principal owners.

(4) Control. If applicant is directly or indirectly controlled by another person or business organization, a statement showing how such control is exercised and the extent of the control.

(5) Related party transactions.

(A) If any of the partners, associates, officers, directors, or principal owners of the applicant are related through control, family or business association to any other person or business organization doing business with any legalized gambling entity by providing or receiving goods or services and if the annual value of such goods or services supplied is at least \$25,000 or represents at least 25 percent of such related party's gross annual receipts, a statement containing the names and addresses of the related parties, and a full description of the goods provided or services rendered indicating the dollar value and, where known, the percentage of business such represents. If a fee or other consideration was or is to be paid or received for these transactions, the value and recipient of such must be indicated in this statement.

(B) If any of the partners, associates, officers, directors, or principal owners of the applicant are related through control, family ownership, or business association to any other person or business organization through which the applicant provided or is to provide or received or is to receive mortgages, loans, leases, realty, or equipment, and if the annual value of such items provided or received is at least \$25,000 or represents at least 25 percent of such person's or business organization's gross annual receipts, a statement containing the names and addresses of the persons or business organizations providing or receiving the aforementioned items, the names and addresses of the related parties, and a full description of the items provided or received indicating the dollar value. If a fee or other consideration was or is to be paid or received, the value and recipient of such must be indicated in this statement.

(6) Interest in other gambling activities. If applicant now has or has ever had any interest in or connection with a legalized gambling entity, has ever applied for a license relating to legalized gambling, has had a license application denied, has held a license, or had a license suspended or revoked, whether within or without the state of Connecticut, a statement fully disclosing:

(A) The names and addresses of the involved persons or business organizations;

(B) The nature of the interest or connection including the dates of such;

(C) The name under which such legalized gambling activity was conducted;

(D) A complete description of the legalized gambling activity and the licensing procedures; and

(E) Any administrative findings of violation relating to gambling on the part of such legalized gambling entity.

(7) Bankruptcies. If voluntary proceedings in bankruptcy have ever been instituted by or

if involuntary proceedings in bankruptcy have ever been brought against the applicant, a full disclosure concerning the persons or business organizations involved, identifying the court and the proceeding by dates and file number, and stating the facts upon which the proceedings were based and the disposition of the matter.

(8) Contingent liabilities. A statement disclosing all current, material (more than \$100,000) litigation, unsatisfied judgments, decrees, orders, and other liabilities including but not limited to tax assessment, surety or guarantorships; providing such details as dates, principal parties thereto, factual and legal basis; and explaining the impact such may have upon the applicant's operations if the applicant is rendered an unfavorable decision.

(9) Managers and supervisors. A statement listing the names and positions or titles of the applicant's managerial and supervisory personnel for the operation of the licensed activity.

(h) Applicant owner of facility. If applicant owns or will own any of the land or buildings which constitute the facility and provides such to the association, applicant must provide as part of its application:

(1) Cost and cost allocation. A statement giving the acquisition or construction cost of said land or buildings including a detailed allocation of the cost to include such items as buildings, land, equipment, contracts, inventory, intangible items etc. Copies of all appraisal documents, maps, plans, blueprints, deeds, detailed inventory listing, titles, guarantees, affidavits, leases, agreements, etc. which form the basis for the cost must be included with this statement.

(2) Sources and amounts of funding.

(A) A statement detailing the sources and amounts of funding of such cost including:

(i) Sales or offers to sell stocks, bonds, or other securities.

(ii) Investment by owners.

(iii) Loans, notes, mortgages, installment sales.

(iv) Sale and lease-back.

(v) Other.

(B) Written copies of all financing documents indicating the names and addresses of the parties involved, the terms of financing/funding capitalization, and the conditions of applicable payment or repayment.

(3) Acquisition documents.

(A) An index to and copies of all proposed acquisition documents and a certification by counsel that the division has been provided with a copy of all such documents.

(B) Within seven (7) days after acquisition is complete, an index to and copies of all fully executed acquisition documents and a certification by counsel that the division has been provided with a copy of all such executed documents.

(i) Conditions of licensure.

(1) (A) If a license is granted, the applicant agrees to abide by and comply with the provisions of the act and any rules and regulations as the division with the advice and consent of the board has adopted or may hereafter adopt.

(2) If a license is granted, it will become the duty of the applicant/licensee to file with the board or the division such reports and financial data as may be required by the act or by such rules and regulations as the division with the advice and consent of the board has adopted or may hereafter adopt and to make such payments as may be required by said act or rules and regulations. This duty shall continue for the entire duration of the license.

(3) All exhibits, statements, reports, papers, data, etc. submitted pursuant to an application for a license shall be current, accurate, and complete. Applicant shall immediately provide the division with a full description of any significant operational change in any of the information submitted as part of its application.

(4) Any license which may be granted to an applicant is predicated upon the information contained in its application which applicant verifies under oath. For any material false or misleading statement or answer in an application, said application may be denied, or if a license has already been granted, the license may be fined or such license may be suspended or revoked or any combination thereof.

(5) All partners, trustees, shareholders, and other owners (including beneficial owners) of the applicant/licensee as disclosed under this section must be qualified under the act and these rules for appropriate licensure, either affiliate or occupational. Where such a party fails to be or to remain so qualified, any ownership held by such party including beneficial ownership) must be divested by that party not later than sixty days after an order from the board or the executive director. The applicant/licensee shall include appropriate provisions in its organizational instruments to effect such divestiture. Nothing in this subdivision shall be deemed to limit the

application of any other provision of these rules or of any provision of the act.

(j) Nontransferability. No license shall be transferable or assignable in any manner or particular.

(k) Duration of licensure and renewals.

(1) Any license granted by the executive director shall be effective for not more than one year. Totalisator, concessionaire, vendor, and their affiliate licenses shall expire on the thirty-first day of August of each year. Previously licensed applicants or applicants for renewal shall provide currently updated application material but will not be required to resubmit historical data which is already available to the division.

(2) Association affiliate licenses issued by the board need not be renewed however, holders of such licenses shall file statements revising application information as material changes in such information occur. If such information is to be disclosed pursuant to the provisions of Section 12-584 of the Connecticut General Statutes and Section 12-584-1 of these rules it need not be resubmitted. Failure to provide timely updates may result in penalty to such licensee or its allied association licensee.

(l) Certification. The license application shall be signed and attested to under oath before a notary public or Commissioner of the Superior Court by the applicant if applicant is an individual person, by all general partners if a applicant is a partnership, or by an officer duly authorized by the board of a directors if applicant is a corporation. A corporate applicant shall attach to its application a certified copy of the minutes or resolution of the board of directors specifically authorizing that officer to sign for the corporation. Said minutes or resolution shall be signed by the secretary of the corporation and the corporate seal shall be affixed thereto.

Sec. 12-574-E5. Occupational licenses

(a) Generally. No person may participate in this state in any activity permitted under Chapter 226 of the Connecticut General Statutes OR PUBLIC ACT 96-212 as an employee of an association, concessionaire, vendor, totalisator or affiliate licensee unless such person is licensed as a class I, class II or class III occupational licensee by the executive director. Greyhound owners and trainers must also obtain occupational licenses from the executive director.

An applicant's background will be investigated, and applicants will be required to supply information as to name, legal residence, address, social security number, date and place of birth, past employment, previous or current involvement in the gambling industry, personal references, and any criminal record.

(b) Class I: noncontrol persons. Noncontrol persons will be required to certify on their applications their noncontrol status. Additionally, the licensed entity employing such persons shall submit a statement to the division certifying the noncontrol status of such employees.

(c) Class II: control persons. Whether located in or out of this state, no officer, director, partner, trustee or owner of a business organization licensed by either the board or the division may continue in such capacity unless such officer, director, partner, trustee or owner is licensed as an occupational licensee by the executive director.

An occupational license shall also be obtained by any shareholder, key executive, agent, or other person connected with any association, concessionaire, vendor, totalisator, or affiliate licensee, who in the judgment of the executive director will exercise control in or over any such licensee. Such person shall apply for a license not later than thirty days after the executive director requests him in writing to do so. The general manager, assistant general manager, and mutual manager of an association as well as the player's manager of a jai alai fronton and the racing secretary of a race track shall be presumed to be control persons, and in this regard said positions will be determined by function and not necessarily solely by title.

An applicant's background will be investigated, and applicants will be required to supply:

(1) Applicant's name, legal residence, address, social security number, date and place of birth, past and present marital status.

(2) Names, addresses, dates of birth, and occupations of immediate family members.

(3) Past military history.

(4) A ten year employment history including salaries and other compensation and percentage of ownership both debt or equity in the employing business indicated.

(5) A statement indicating all business organizations of which the applicant is or has been an officer, director, partner, trustee, owner, principal stockholder, or other controlling person within the past ten years including salaries and other compensation and percentage of ownership both debt or equity in the business organization indicated. Information describing bankruptcies of any such business organizations must also be provided.

(6) If applicant now has or has ever had an interest in or connection with a legalized gambling entity, has ever applied for a license relating to legalized gambling, has had a license application denied, has ever held a license, or had a license suspended or revoked, whether

within or without the state of Connecticut, a statement fully disclosing:

- (A) The names and addresses of the involved persons or business organizations;
- (B) The nature of the interest or connection including the dates of such;
- (C) The name under which such legalized gambling activity was conducted;
- (D) A complete description of the legalized gambling activity and the licensing

procedures; and

- (E) Any administrative findings of violation relating to gambling.

(7) A statement disclosing and explaining licensure in any other regulated industry including but not limited to liquor, real estate, accountancy, law, medicine, pharmacy, securities, gambling or firearms.

(8) A detailed statement of financial position indicating all assets and liabilities and net worth.

(9) A detailed statement showing all assets pledged.

(10) A detailed statement showing income from all sources.

(11) Disclosure of bank accounts, securities accounts, and depositories.

(12) Complete copies of the applicant's most recent federal, state and municipal tax returns.

(13) A statement of compliance with the disclosure provisions of the act and these rules and regulations and an explanation of any noncompliance.

(14) A statement explaining any bankruptcy within the past six years and currently material (more than \$100,000) outstanding litigation and disclosable contingent liabilities providing such details as dates, names of principal parties, basis, and potential impact on applicant's financial position in the event of an unfavorable decision.

(15) (A) If the applicant is related through control, or family, or business association to any individual or business organization doing business with any legalized gambling entity by providing or receiving goods or services, a statement giving the names and addresses of the related individuals and a full description of the goods or services rendered indicating the dollar value and, where known, the percentage of business such represents. If a fee or other consideration was or is to be paid or received for these transactions, the value and recipient of such must be indicated.

(B) If any of the officers, directors, or controlling equity positions of the gambling entity are related through control, family ownership, or business association to any individual or business organization which has provided to or received from the applicant any mortgages, loans, leases, realty, buildings, or equipment, a statement containing the names and addresses of the individuals or business organizations providing or receiving the aforementioned items, indicating the names and addresses of the related individuals, and fully describing the items provided or received including dollar value. If a fee or other consideration was or is to be paid or received for these transactions, the value and recipient of such must be indicated.

(16) A statement explaining any outstanding tax delinquencies or unresolved disputes involving the applicant within the last five years.

(17) Except where otherwise prohibited by law, an explanation of any conviction of a crime other than a minor traffic violation; of any questioning or testimony by or before a law enforcement agency, commission, or committee, a court, or grand jury in the investigation of a crime involving gambling violations or a felony; and of any felony conviction of a member of applicant's household or other person who has a beneficial interest in applicant's interest in the legalized gambling venture. Testimony given as a witness in ordinary proceedings before an administrative agency regulating legalized gambling need not be disclosed under this subdivision.

(d) Class III: nonmanagement related persons. Notwithstanding the provisions of subsection (b), above, a partner, trustee, shareholder or owner (including beneficial owners) of a business organization licensed by either the board or the division who in the judgment of the executive director does not substantially participate in the operation, management, or policy making decisions of the licensed business organization may be licensed as a class III occupational licensee.

(1) The class III license applicant's background will be subject to an investigation which shall consist of:

(A) A Connecticut criminal history search through the Connecticut State Police Bureau of Identification;

(B) A federal criminal history search;

(C) A review and examination of disclosure information; and

(D) Such other investigation as may be deemed appropriate.

(2) The applicant shall file on such forms as may be required for licensure under subsection (b) above and shall supply all informational requests cited therein. The applicant shall

provide an affidavit or statement made under penalty of perjury of nonsubstantial involvement in the licensed business organization. In addition, similar affidavits or statements made under penalty of perjury shall be required from the licensed business organization invested in by the applicant certifying as to the applicant's nonsubstantial involvement except as an investor with said licensed business organization.

(3) Any partner, trustee, shareholder or owner of a licensed business organization who applies for a class II occupational license may be issued a conditional class III occupational license to be valid only until such time as the comprehensive background investigation is completed.

(4) The class III occupational licensee may share in the distributions of the business organization, but shall not substantially participate in its operation, management or policy making decisions.

(e) Conditions of licensure.

(1) If a license is granted, the applicant agrees to abide by and comply with the provisions of the act and any rules and regulations as the division with the advice and consent of the board has adopted or may hereafter adopt.

(2) If a license is granted, it will become the duty of the applicant/licensee to file with the board and the division such reports and financial data as may be required by the act or by such rules and regulations as the division with the advice and consent of the board has adopted or may hereafter adopt and to make such payments as may be required by said act or rules and regulations. This duty shall continue for the entire duration of the license.

(3) All exhibits, statements, reports, papers, data, etc. submitted pursuant to an application for an occupational license shall be current, accurate, and shall be complete. Applicant or licensee shall immediately provide the division with a full description of any significant operational change in any of the information submitted as part of its application.

(4) Any license which may be granted to an applicant is predicated upon the information contained in its application which applicant verifies under oath. For any material false or misleading statement or answer in an application, said application may be denied, or if a license has already been granted, the licensee may be fined or such license may be suspended or revoked or any combination thereof.

(5) Fingerprints and photographs shall be required of all applicants for an occupational license.

(f) License Denials. The division shall deny an application for an occupational license to any applicant who is disqualified on the basis of the following criteria:

(1) (A) Failure of the applicant to provide information, documentation and assurances requested by the division, or the failure of the applicant to reveal any fact material to qualification, or the supplying of information which is untrue or misleading as to a material fact pertaining to the qualification criteria; provided, however, that these disqualification provisions may not apply if the applicant failed to reveal one misdemeanor conviction, if such conviction did not occur within the 10 year period immediately preceding application for licensure or the conviction was the subject of a judicial order of expungement or sealing.

(2) The conviction of the applicant, or of any person who is required to be licensed, of any offense in any jurisdiction which would be a felony including classes A, B, C, D and unclassified felonies, under the Connecticut General Statutes as amended.

(3) Any other offense under Connecticut, or other state or federal law which would be inimical to gaming operations; including, but not limited to the following:

- (A) Assault in the third degree
- (B) Assault of a victim sixty or older in the third degree
- (C) Fraudulent use of automatic teller machines
- (D) Bad checks
- (E) Coercion
- (F) Commercial bribery
- (G) Computer crime in the fourth degree
- (H) Credit card crimes
- (I) Criminal impersonation
- (J) Criminal simulation
- (K) Cruelty to persons
- (L) Defrauding secured party
- (M) Disclosure of a bid or proposal
- (N) Diversion from state of benefit of labor of employees
- (O) Failure to appear in the second degree
- (P) False statements

- (Q) Falsely reporting an incident
- (R) Forgery in the third degree
- (S) Forgery of symbols of value
- (T) Intimidation based on bigotry or bias
- (U) Larceny in the fourth, fifth or sixth degree
- (V) Manufacture or possession of burglar's tools
- (W) Money laundering in the fourth degree
- (X) Possession of controlled substance
- (Y) Possession, sale, etc. of gambling devices or records
- (Z) Professional gambling
 - (AA) Prostitution
 - (BB) Reckless endangerment in the first and second degree
 - (CC) Rigging of contests
 - (DD) Sexual assault in the fourth degree
 - (EE) Unlawful use of slugs in coin machines
 - (FF) Stalking in the second degree
 - (GG) Tampering with private communications
 - (HH) Threatening
 - (II) Transmission of gambling information
 - (JJ) Unlawful discharge of firearms and other firearm related misdemeanors
 - (KK) Unlawful entry of coin machines
 - (LL) Unlawful restraint in the second degree
 - (MM) Wiretapping

Provided, however, that these disqualification provisions may not apply if conviction did not occur within the 10 year period immediately preceding application for licensure or any conviction has been the subject of a judicial order of expungement or sealing; and provided further that the requirements of Section 46a-80 of the Connecticut General Statutes are first followed.

(4) The pursuit by the applicant or any person who is required to be licensed, of economic gain in an occupational manner or context which is in violation of the criminal or civil public policies of this state, if such pursuit creates a reasonable belief that the participation of such person in legalized gaming operations would be inimical to the policies of the division. Occupational manner or context shall be defined as the systematic planning, administration, management or execution of an activity for financial gain;

(5) the identification of the applicant or any person who is required to be licensed as a career offender or a member of a career offender cartel or an associate of a career offender or career offender cartel in such a manner which creates a reasonable belief that the association is of such a nature as to be inimical to the policy of the division and to gaming operations. For purposes of this section, career offender shall be defined as any person whose behavior is pursued in an occupational manner or context for the purpose of economic gain, utilizing such methods as are deemed criminal violations of the public policy of this state. A career offender cartel shall be defined as any group of persons who operate together as career offenders;

(6) contumacious defiance by the applicant or any person who is required to be licensed of any legislative investigatory body or other official investigatory body of any state or of the United States when such body is engaged in the investigation of crimes relating to gaming, official corruption, or organized crime activity;

(7) financial unsoundness of an applicant, including excessive debt, that may enhance the chances of unfair practices or activities, when such applicant's financial difficulties are considered in relation to the position being applied for and that position's responsibilities.

(g) Deferment. If an applicant for an occupational license has criminal charge(s) pending for any crime as described in subsection (f)(2) of this section, the Division may defer decision on the application until a reasonable time after final disposition.

(h) Nontransferability. No license shall be transferable or assignable in any manner or particular.

(i) Duration of licensure and renewals. Any license granted by the executive director shall be effective for not more than one year. Class I occupational licenses for noncontrol persons shall expire on the close of the 31st day of December of the year of the date of such license approval. Class II and class III occupational licenses shall expire on the close of the 31st day of August of each year. Each applicant for renewal shall provide currently updated application material but will not be required to resubmit historical data which is already available to the division.

(j) Certification. The license application shall be signed and attested to under oath before a notary public or Commissioner of the Superior Court by the applicant.

Sec. 12-574-E6. Regulation of licensees, penalties

(a) Association licensees.

(1) The board shall have the right to deny any application for a license for good cause, and the action of the board shall be final subject to subsection (e) (4) below of this section.

(2) If a license is granted, the board shall have the authority to fine said licensee in an amount not to exceed seventy-five thousand dollars, and suspend or revoke its license after a hearing held in accordance with Chapter 54 of the Connecticut General Statutes for good cause for any one of the following reasons:

(A) If a licensee makes any material false or misleading statement in any information filed with the board or the division.

(B) If a licensee fails to meet its financial obligations in a substantial manner.

(C) If the licensee or its affiliates violate the provisions of the act or the rules and regulations adopted pursuant thereto.

(D) If there has been a material change in the character and reputation of the person identified with the undertaking which the board determines is not in the best interests of the legalized gambling industry and the state of Connecticut.

(E) If the licensee fails to conduct performances during any day of its meeting without good cause.

(b) Association affiliate licenses.

(1) The board shall have the right to deny any application for a license for good cause, and the action of the board shall be final subject to subsection (e) (4) below of this section.

(2) If a license is granted, the board shall have the authority to fine said licensee in an amount not to exceed seventy-five thousand dollars, and suspend or revoke its license after a hearing held in accordance, with Chapter 54 of the Connecticut General Statutes for good cause for any one of the following reasons:

(A) If a licensee makes any material false or misleading statement in any information filed with the board or the division.

(B) If a licensee fails to meet its financial obligations in a substantial manner.

(C) If the licensee violates the provisions of the act or the rules and regulations adopted pursuant thereto.

(D) If there has been a material change in the character and reputation of the persons identified with the licensee which the board determines is not in the best interests of the legalized gambling industry and of the state of Connecticut.

(3) In accordance with Section 12-574(m) of the Connecticut General Statutes and Section 12-574-E6(a)(2)(C) of these Rules of Licensing and Disclosure, the board may impose authorized penalties upon an association licensee for violations of the provisions of the act or the regulations promulgated thereunder by such association licensee's affiliate.

(c) Totalisator, concessionaire, vendor, and their affiliate licensees.

(1) The executive director or his designee may reject for good cause an application for a license.

(2) If a license is granted, the executive director shall have the authority for good cause to fine said license in an amount not to exceed two thousand five hundred dollars and he or any unit head authorized by him may suspend or revoke any license issued by the executive director after a hearing held in accordance with Chapter 54 of the Connecticut General Statutes for good cause for any one of the following reasons:

(A) If a licensee makes any material false or misleading statement in any information filed with the board or the division.

(B) If a licensee fails to meet its financial obligations in a substantial manner.

(C) If the licensee or its affiliates violate the provisions of the act or the rules and regulations adopted pursuant thereto.

(D) If there has been a material change in the character and reputation of the persons identified with the undertaking which the board determines is not in the best interests of the legalized gambling industry and state of Connecticut.

(d) Occupational licensees.

(1) The executive director or his designee may reject, for good cause, an application for a license.

(2) If a license is granted:

(A) The stewards or judges of a meeting shall have the authority to impose upon class I occupational licensees for good cause for infractions within their jurisdiction a fine of up to five hundred dollars and to suspend for good cause for infractions within their jurisdiction for not more than sixty days the license of a class I occupational licensee under their jurisdiction following a hearing. Notwithstanding the foregoing, the division through its executive director,

reserves the right to assume initial jurisdiction of any matter coming within the purview of the stewards or judges of a meeting.

(B) The executive director shall have the authority, for good cause, to fine any occupational licensee in an amount not to exceed two thousand five hundred dollars and he or any unit head authorized by him may suspend or revoke any occupational license after a hearing held in accordance with Chapter 54 of the Connecticut General Statutes, for good cause, for any one of the following reasons:

(i) If a licensee makes any material false or misleading statement in any information filed with the board or the division.

(ii) If the licensee violates the provisions of the act or the rules and regulations adopted pursuant thereto.

(iii) If there has been a material change in the character and reputation of the licensee which the executive director determines is not in the best interest of the state of Connecticut.

(C) If the board or the executive director finds that public health, safety, or welfare imperatively requires emergency action, and incorporates a finding to that effect in its order, summary suspension of a license may be ordered pending proceedings for revocation or other action. These proceedings shall be promptly instituted and determined by the board or the executive director.

(e) Right of petition and appeal.

(1) Any class I occupational licensee aggrieved by the imposition of a penalty by the stewards or judges of a meeting may petition the division for a hearing de novo conducted in accordance with Chapter 54 of the Connecticut General Statutes. The petition shall be submitted in writing to the division within three (3) days of official notice of the stewards' or judges' decision. The taking of a petition to the division shall automatically stay any penalty imposed by the stewards or judges.

(2) Any applicant aggrieved by the action of the executive director concerning an application for a license is entitled to a hearing before the executive director held in accordance with Chapter 54 of the Connecticut General Statutes. The aggrieved party may demand such a hearing or the executive director, on his own motion, may require that such a hearing be held. The executive director may permit a decision of his regarding a license application to be appealed directly to the board without the holding of an evidentiary hearing before him. The board reserves the right, however, to remand such a direct appeal to the executive director for an evidentiary hearing.

(3) Any person or business organization fined by the executive director any licensee whose license is suspended or revoked by the executive director or an authorized unit head, or any applicant aggrieved by the action of the executive director concerning an application for a license may appeal to the board in accordance with Section 12-574 (j) of the Connecticut General Statutes not later than fifteen days after the mailing or hand delivery by division personnel of the decision.

(4) Any person or business organization aggrieved by an action of the board may appeal such decision to the Superior Court in accordance with Section 4-183 of the Connecticut General Statutes.

Sec. 12-574-E7. Conditional licenses; limitations on outstanding licenses

(a) Temporary licenses. Notwithstanding anything to the contrary in the administrative regulations of the division, the executive director or his designee may issue temporary class I occupational licenses subject to the following conditions:

(1) Temporary licenses shall not be issued for a period greater than seven (7) days, however, they may be renewed at the discretion of the executive director or his designee for successive periods of not greater than seven (7) days, for good cause, and upon the written request of the temporary licensee.

(2) Before a temporary license may be issued, an application for license must be filed.

(3) A temporary license may be revoked or suspended without cause upon notice to the temporary licensee.

(4) A temporary license shall not be valid unless a preliminary security clearance is obtained before the end of the next state business day following the issuance of the temporary license.

(b) Durational licenses. Notwithstanding anything to the contrary in the administrative regulations of the division, where the circumstances require, and where the executive director determines that it shall be in the best interest of the state of Connecticut and the legalized gambling industry, the executive director at his discretion may issue durational totalisator, concessionaire, and occupational licenses subject to the following conditions:

- (1) Durational licenses shall not be issued for a period greater than ninety (90) days; however, they may be renewed for good cause.
- (2) Before a durational license may be issued, an application for license must be filed.
- (c) Limitation on outstanding licenses. In the interest of the public safety and convenience either the board or the executive director may at their discretion limit the number of outstanding licenses in a particular category.
- (d) Conditional licenses. The power to license includes the power to attach reasonable conditions to the grant of a license. Where the board or executive director finds that it shall be in the best interests of the state of Connecticut, of the public safety and convenience, and of the legalized gambling industry, the board or the executive director may attach reasonable conditions to a license which they are authorized to grant. A conditional license may be issued pending final action on a license application. Such a license becomes automatically void upon disapproval of the application].

Sec. 12-584-1. Disclosure of financial information

(a) Filing requirements. On or before April fifteenth of each year, each association, association affiliate, totalisator, concessionaire, vendor, and totalisator /concessionaire/vendor affiliate licensee shall file with the division:

(1) Certified financial statements for the prior calendar year or fiscal year, prepared in accordance with generally accepted accounting principles.

(2) The names and addresses of every shareholder, person, or business organization having a financial, property, leasehold, ownership or beneficial interest in such licensee (except that, in the case of owners or holders of publicly held securities of a publicly traded corporation, only the names and addresses of those owning or holding five percent or more of such publicly held securities need be disclosed).

(3) The names and addresses of every person or business organization which provides contractual services, equipment, or property related to any of the activities authorized under Chapter 226 of the Connecticut General Statutes, and the nature of such services rendered and equipment or property provided.

(4) Copies of all state and federal tax returns filed by such licensee for the next preceding calendar year or taxable year, except that if any state or federal tax return has not been filed with the state or federal government on or before said April fifteenth, such licensee may file such return with the division at the same time he or it files such return with the state or federal government.

(b) Disclosure by shareholders and interested persons and business organizations. With the advice and consent of the board the executive director may require any shareholder, person, or business organization disclosed under subdivision (2) of subsection (a) above to file with the division on or before April fifteenth of each year:

(1) A statement of financial position to be submitted under oath on forms provided by the division;

(2) A statement of interest in any other gambling activity within or with out the state of Connecticut; and

(3) Copies of state and federal tax returns filed by such shareholder, person, or business organization for the next preceding calendar year or taxable year, except that if any state or federal tax return has not been filed with the state or federal government on or before said April fifteenth, such shareholder, person, or business organization may file such return with the division at the same time he or it files such return with the state or federal government.

(c) Filing frequency. The executive director shall not require such filings as above more than once a year except that the executive director may require additional filings or additional information to ensure the integrity of legalized gambling, pursuant to a vote of at least four members of the board in favor of such requirement.

(d) Failure to comply.

(1) Failure by any licensee to comply with the requirements of this section shall constitute grounds for the licensing authority:

(A) To suspend or revoke such license;

(B) If the executive director, to impose a fine of not more than two thousand five hundred dollars;

(C) If the board, to impose a fine of not more than seventy-five thousand dollars;

(D) To rescind the applicable contract if licensee is a vendor;

(E) To impose any combination of these penalties.

(2) Failure of any shareholder, person, or business organization identified in subsection (b) of this section to comply with the requirements of this section shall constitute grounds for the

authority which issued the license to the allied licensee:

(A) To suspend or revoke such licensee;

(B) If the executive director, to impose a fine of not more than two thousand five hundred dollars or, such licensee;

(C) If the board, to impose a fine of not more than seventy-five thousand dollars on such licensee; and

(D) To impose any combination of these penalties. In the case of a shareholder who fails to comply with the requirements of this section, the division shall notify the shareholder and the licensee which issued the shares of such failure. Upon receipt of such notice, the shareholder shall immediately offer such shares to the licensee for purchase and the licensee shall purchase the shares not later than sixty days after they are so offered. Each corporate licensee shall adopt appropriate amendments or additions to any existing corporate bylaws or other organizational instruments to permit compliance with this section.

(e) Right of appeal. Any licensee aggrieved by an action of the executive director under this section shall have the right to appeal such action to the board, and such appeal must be taken within fifteen days of mailing or hand delivery by division personnel of official notice of action by the executive director. Any licensee aggrieved by a decision of the board under this section shall have the right to appeal such decision pursuant to Section 4-183 of the General Statutes.

Sec. 12-585-1. Division investigation expenses

(a) Paid by party under investigation. All reasonable expenses outside the ordinary budgeted expenses of the division incurred by or on behalf of the division for any investigation of a person or business organization in connection with an initial application or contract, the application for transfer of ownership in whole or in part of an existing licensed facility, the assignment of an existing contract, or the addition of or change in any member of a board of directors, officer, shareholder or bondholder of any such person or business organization shall be paid to the division by the person or business organization under investigation. All funds received by the division under the provisions of this subsection shall be paid into the general fund.

(b) Frequency of billing. Every such person or business organization shall be billed for investigation expenses on a quarterly basis or at the conclusion of the investigation as determined by the executive director.

(c) Failure to comply. Failure on the part of the person or business organization to remit payment within fifteen days after receipt of an invoice from the division shall constitute grounds to refuse to grant approval of the request of the person or business organization, for which such investigation was undertaken, or in the case of a licensee, failure to remit payment within fifteen days shall, in addition, constitute grounds for the licensing authority:

(1) To suspend or revoke such license;

(2) If the executive director, to impose a fine of not more than two thousand five hundred dollars;

(3) If the board, to impose a fine of not more than seventy-five thousand dollars;

(4) To rescind the applicable contract and

(5) To impose any combination of these penalties.

Sec. 12-578-1. Registration and license fees

Registration and license fees shall be in accordance with the schedule provided in Section 12-578 of the General Statutes. Such fees are nonrefundable.

Statement of purpose: It is the intent of these Rules of Licensing and Disclosure to establish the requirement for licensure of participants in the legalized gambling industry in Connecticut; to establish the requirements for annual disclosure by such participants as qualify under Section 12-584 of the Connecticut General Statutes; to declare the conditions under which said licenses are granted and disclosure conducted; and to set forth penalties for the violation of these Rules of Licensing and Disclosure as prescribed in the General Statutes.

