

**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 offtrack 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 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 (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 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.

(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.

(Effective January 26, 1995)