

## **RULES AND REGULATIONS**

### **CHAPTER 15 – SPORTS GAMING LICENSE RULES, REGULATIONS AND STANDARDS**

#### **15.1 –IMPLEMENTATION PLAN**

##### **15.1.1. APPLICABILITY**

This Chapter 15, Sports Gaming License Rules, Regulations and Standards (“Rules”) contains the rules, regulations and standards that apply to the licensing requirements and conditions for Sports Gaming in Tennessee. The purpose of these Rules is to implement the Tennessee Sports Gaming Act, codified at T.C.A. § 4-51-301 *et seq*, as amended from time to time (“Sports Gaming Act”). Capitalized terms appearing herein shall have the meaning set forth in Section 15.1.2, below, or as defined by the Sports Gaming Act.

All Licensees and Registrants shall become familiar with and adhere to these Rules. The Board of Directors (“Board”) of the Tennessee Education Lottery Corporation (“TEL”) may amend these Rules in its sole discretion. Except in exigent circumstances, Licensees and Registrants shall be advised of proposed amendments prior to adoption and may have the ability to submit comment on any proposed changes. In the event of a conflict between the Sports Gaming Act, and these Rules, the Sports Gaming Act will govern.

All completed forms, documents, correspondence, data, and other information relating to the application or suitability process described within these Rules and provided to or obtained by the TEL or its Board, including, but not limited to the following:

1. Information required by the TEL or its Board pursuant to the Tennessee Sports Gaming Act or Rules promulgated thereunder;
2. The finances, earnings, revenue, or adjusted gross income of any Applicant, Licensee, or Registrant;
3. Any information related to the personal or financial investigation of any Applicant, Licensee, or Registrant, including criminal record or other background information from any source;
4. Information provided to the TEL or its Board by a governmental agency or informant or upon assurance by the TEL or its Board that the information will be treated as confidential; and
5. Any report prepared by the CEO, agents, or employees of the TEL pursuant to any audit, investigation, license recommendation, dispute, or hearing on any Applicant, Licensee, Registrant, or Person subject to finding of suitability

is deemed confidential and absolutely privileged and the confidentiality and privilege are not waived if the information and data are shared or have been shared with an authorized agent of any agency of the United States government; any state or any political subdivision of a state; or the government of any foreign country in connection with its regulatory, investigative, or enforcement authority, regardless of whether such information is shared or has been shared either before or after being provided or communicated to an agent or employee of the TEL or member of its Board.

Notwithstanding the foregoing, the TEL may disclose whether an applicant has submitted an application for a License or Registration and any Applicant, Licensee or Registrant waives any liability of the State of Tennessee, the TEL, its Board, or the Sports Wagering Advisory Council, or any representatives, agents, or employees thereof for any damages resulting from the disclosure or publication in any matter, except if made willfully and unlawfully.

#### **15.1.2. DEFINITIONS**

- A. “ACH” means Automated Clearing House, which is a network that connects all banking and financial institutions within the United States.
- B. “Adjusted Gross Income” means the total of all money paid to a Licensee as Bets minus the total amount paid out to winning Bettors over a specified period of time, which includes the cash equivalent of any merchandise or thing of value awarded as a prize. Player incentives to deposit or Bet (e.g., free plays, etc.), including, without limiting the foregoing, prizes, premiums, drawings, benefits, or tickets that are redeemable for money or merchandise or other promotional allowances, may not be deducted as losses from winnings. Additionally, cash or non-cash prizes awarded to Players in a contest or tournament are not deductible. Promotional consideration and discounts shall not be considered an amount paid out to winning Bettors when determining taxable adjusted gross income.
- C. “AML” means anti-money laundering.
- D. “Applicant” means an individual, group of individuals, or entity that applies for a License, Supplier or Vendor Registration, or finding of suitability in the state of Tennessee.
- E. “Bettor,” “Patron,” or “Player” means a person who is:
  - 1. Twenty-one (21) years of age or older;
  - 2. Physically present in this state when placing a Wager;
  - 3. Not prohibited from placing a Wager under Sports Gaming Act § 4-51-312;  
and

4. Not a Prohibited Participant.
- F. “Board” means Board of Directors of the Tennessee Education Lottery Corporation.
- G. “Bond” means a bond held in escrow for the purpose of maintaining adequate reserves to account for losses suffered by a Licensee and owed to Bettors and which cannot be released without consent of the TEL.
- H. “Cancelled Wager” means a Wager that has been cancelled due to an event or circumstance that prevents the Wager’s completion.
- I. “Cashless wagering system” or “CWS” means a host system whereby a Player maintains an electronic account on the host database that allows play through the use of a combination of two or more of the following for login: username, password, or personal identification number (PIN).
- J. “CEO” means the chief executive officer of the TEL.
- K. “Cheating” means, *inter alia*, improving the chances of winning or of altering the outcome of a Wager, Sports Gaming System, or Sporting Event by deception, interference, or manipulation or use of inside or non-public information or through use of any equipment, including software pertaining to or used in relation to the equipment, used for or in connection with a Wager, Sports Gaming System, or the Sporting Event on which Wagers are placed or are invited, including attempts and conspiracy to cheat.
- L. “Council” means Tennessee Education Lottery Corporation Sports Wagering Advisory Council.
- M. “Event Number” means a set of alpha and/or numeric characters that correspond to a Sporting Event or an event ancillary to a Sporting Event.
- N. “Global Risk Management” means management, consultation, instruction, or transmission of information relating to Interactive Sports Gaming by a Licensee or Registrant who also holds a license to conduct sports gaming in another Permissible Jurisdiction. The term includes: the management of risks associated with Interactive Sports Gaming involving a Sporting Event or any other Event for which a Wager may be accepted; the setting or changing of Bets or Wagers, cutoff times for Bets or Wagers, acceptance or rejection of Bets or Wagers, pooling or laying off of Bets or Wagers, lines, point spreads, odds or other activity relating to Betting or Wagering.
- O. “Institutional Investor” means (a) a bank as defined in Section 3(a)(6) of the Federal Securities Exchange Act; (b) an insurance company as defined in Section 2(a)(17) of the Investment Company Act of 1940, as amended; (c) an investment company registered under Section 8 of the Investment Company Act of 1940, as amended;

(d) an investment advisor registered under Section 203 of the Investment Advisors Act of 1940, as amended; (e) collective trust funds as defined in Section 3(c)(11) of the Investment Company Act of 1940, amended; (f) an employee benefit plan or pension fund that is subject to the Employee Retirement Income Security Act of 1974, as amended, excluding an employee benefit plan or pension fund sponsored by a publicly traded corporation affiliated with a Licensee; (g) a state or federal government pension plan; (h) a group comprised entirely of persons specified in (a) through (g); or (i) such other persons as the TEL or its Board may determine for reasons consistent with the public policies of the State of Tennessee.

- P. “Integrity Monitoring System” means a system of policies and procedures approved by the TEL through which a Licensee receives and sends reports from other Licensees to assist in identifying Unusual or Suspicious activity.
- Q. “Interactive Sports Gaming” means placing a Wager on a Sporting Event via the internet, on a mobile device or any other telecommunications device.
- R. “Internal Control Standards” mean the internal procedures, administration, and accounting controls designed by the Licensee to conduct sports gaming operations.
- S. “Key Personnel” means a principal, member of the board of directors or employee having the authority to act on behalf of a Licensee or Registrant whose judgment is being relied upon to manage and advance the business operations of a Licensee or Registrant in the State of Tennessee.
- T. “Layoff Wager” means a Wager placed by a Sports Gaming Operator with another Sports Gaming Operator for the purpose of offsetting Player Wagers.
- U. “License” means the authority to engage in Interactive Sports Gaming operations granted by the TEL Board pursuant to the Sports Gaming Act.
- V. “Licensee” means a Sports Gaming Operator approved by the TEL and operating pursuant to a License granted by the TEL Board.
- W. “Material Non-Public Information” means information that has not been disseminated publicly concerning an athlete, contestant, prospective contestant, or athletic team, including, without limitation, confidential information related to medical conditions or treatment, physical or mental health or conditioning, physical therapy or recovery, discipline, sanctions, academic status, education records, eligibility, playbooks, signals, schemes, techniques, game plans, practices, strategies, assessments, systems, drills, or recordings of practices or other athletic activities.
- X. “MICS” means the Minimum Internal Control Standards established by the TEL pursuant to Sports Gaming Act § 4-51-310.
- Y. “Minor” means a person who is less than twenty-one (21) years of age.

- Z. “Mobile Applications” means any interactive platform for use through the Internet, mobile device, or computer, which has been approved by the TEL for operation of Interactive Sports Gaming by a Sports Gaming Operator.
- AA. “Multi-Source Authentication” means a strong authentication procedure that requires more than one method of authentication to verify a Player’s identity through a combination of two or more independent credentials, including:
1. Information known only to the Player, such as a password, pattern or answers to challenge questions; and/or
  2. A Player’s biometric data, such as fingerprints, facial or voice recognition, to the extent it does not violate any privacy laws.
- BB. “Official League Data” means statistics, results, outcomes, and other data related to a Sporting Event obtained pursuant to an agreement between the Sports Gaming Operator and the relevant governing body of a sport or sports league, organization, or association whose corporate headquarters are based in the United States, or an entity expressly authorized by such governing body to provide such information to Licensees for purposes of live betting.
- CC. “Parlay Wager” means a single wager that incorporates two (2) or more individual bets for purposes of earning a higher payout of each bet incorporated if the wager wins.
- DD. “Patron Session” means a period of time when a Player is logged on to a Sports Gaming System.
- EE. “Permissible Jurisdiction” means any jurisdiction in which Global Risk Management or the Betting or Wagering on a Sporting Event is lawful or not otherwise expressly prohibited under the laws of that jurisdiction.
- FF. “Person” or “Persons” means an individual, a group of individuals, a trust, corporation, or other business entity.
- GG. “Prohibited Participant” means any individual: (1) who is prohibited from wagering pursuant to Sports Gaming Act § 4-51-312; (2) who is on any self-exclusion list or TEL exclusion list; (3) whose participation may undermine the integrity of the wagering or the Sporting Event (4); who is excluded from wagering for any other good cause, or (5) any person who makes or attempts to make a Wager as an agent or proxy on behalf of another for compensation (i.e., messenger betting)
- HH. “Prohibited Wager” means an attempted Wager on any sporting event or occurrence which is not permitted under the Sports Gaming Act or that the Board has prohibited by rule.

- II. “Proposition Wager” means a Wager made regarding the occurrence or nonoccurrence of an event or circumstance during a Sporting Event that does not directly affect the final outcome of the Sporting Event.
- JJ. “Registrant” means any provider or supplier approved for registration by the TEL Board as a Supplier or a Vendor.
- KK. “Registration” means approval from the TEL Board to serve as a Supplier or a Vendor for Interactive Sports Gaming in the State of Tennessee.
- LL. “Responsible Gaming Plan” means a Licensee’s policies, procedures, and processes for responsibly conducting Interactive Sports Gaming in the State of Tennessee.
- MM. “Sporting Event” or “Event” means a game or other sports or athletic competition or related occurrence or activity upon which a Wager may be placed, if so authorized by the TEL.
- NN. “Sports Gaming Account” means an account established by a Licensee for an individual Patron to use for Interactive Sports Gaming.
- OO. “Sports Gaming Act” means the Tennessee Sports Gaming Act, codified at T.C.A. §§ 4-51-301 *et seq*, as amended from time to time.
- PP. “Sports Gaming Operator” means a Licensee authorized by the TEL to offer and operate Interactive Sports Gaming activities.
- QQ. “Sports Gaming System” means any combination of hardware, software, data networks, and communications used to manage, administer, or control sports wagering that comprise the system used for the purpose of offering Interactive Sports Gaming by electronic means, including, but not limited to mobile applications or Internet sites accessed via a mobile device or computer.
- RR. “Supplier” means a type of vendor, as defined in the Sports Gaming Act § 4-51-302(27), that is a Registrant, as provided in Section 15.1.4(A)(2) of these Rules, who supplies geolocation services; sports gaming equipment, software, systems, or platforms; data; Global Risk Management services, Patron accounts management systems; payment processors and service providers with direct interface or interaction with Patron accounts or Sports Gaming Systems; who receives payment or compensation based on a revenue sharing agreement in which the person receives a percentage of the adjusted gross income of any Licensee; or who provides any similar services that are material to conducting Interactive Sports Gaming as determined by the TEL.

- SS. “Suspicious Wagering Activity” means unusual wagering activity which cannot be explained; is in violation of the Sports Gaming Act or these Rules; is made or attempted to be made by an agent or proxy for compensation (i.e., messenger betting); or and may be indicative of match-fixing, the manipulation of an event, misuse of inside information, sports corruption, or other prohibited activity..
- TT. “TEL” or “Corporation” means the Tennessee Education Lottery Corporation.
- UU. “Ticket” means a printed record issued or an electronic record maintained by the Sports Gaming System that evidences a Wager.
- VV. “Unusual Wagering Activity” means abnormal wagering activity exhibited by Players and deemed by a Licensee as a potential indicator of Suspicious Wagering Activity. Unusual Wagering Activity may include, but is not limited to, the size of a Player’s Wager or increased wagering volume on a particular event or Wager type.
- WW. “Vendor” means a contractor, subcontractor, or independent contractor hired, or contracted with, by the TEL or by a Licensee or Supplier for the purpose of facilitating the business of the TEL or a Licensee or Supplier who provides goods or services that are material and ancillary to conducting Interactive Sports Gaming in the State of Tennessee and that must be approved for Registration as a Vendor as provided in Section 15.1.4(A)(3) of the Rules. For purposes of these Rules, “facilitating the business of the TEL” does not refer to lottery-related goods and/or services.
- XX. “Voided Wager” means a Wager voided by a Sports Gaming Operator for a specified Sporting Event or related Event.
- YY. “Voucher” means a printed wagering instrument, or digital representation thereof, used in a cashless wagering system that has a fixed dollar wagering value and is redeemable for cash or cash equivalents as approved by the TEL.
- ZZ. “Wager” or “Bet” means a sum of money or thing of value that is risked by a Bettor on the unknown outcome of one (1) or more Sporting Events, including, but not limited to, the form of fixed-odds betting, a future bet, live betting, a money line bet, pari-mutuel betting, parlay bet, pools, proposition bets, spread bet, or in any other form or manner as authorized by rule of the Board. Wager or Bet shall exclude any sum of money or thing of value risked on an unknown outcome pursuant to the Fantasy Sports Act, T.C.A. § 47-18-1601, *et seq.*



### 15.1.3 GENERAL RULES

- A. In order to accept a Wager in the State of Tennessee, a Sports Gaming Operator must obtain a License from the TEL. In order to serve as a Supplier or Vendor for Interactive Sports Gaming, Registration with the TEL must be approved in advance. Upon being awarded a License or being approved as a Registrant, each Licensee and Registrant agrees that it shall comply with all terms, conditions, obligations and requirements set forth in the Sports Gaming Act and the TEL's Rules, as they may be amended from time to time, as well as all other local, state, and federal laws, rules, and regulations.
- B. Each Licensee and Registrant shall agree to indemnify and to hold harmless the TEL, the Board, and the Council against any and all actions, claims, and demands of whatever kind or nature that the TEL may incur by reason of or in consequence of permitting them to operate as a Licensee or Registrant under the Sports Gaming Act.
- C. The TEL shall not be required to issue a License to, or approve Registration for, an Applicant unless and until it is satisfied that the Applicant meets the requirements for a License or Registration and is suitable and qualified to be licensed or registered to conduct or participate in all aspects of Interactive Sports Gaming in Tennessee. The burden of proving suitability and qualifications shall always be on the Applicant.
- D. Wagers may only be placed via the Internet, mobile device, or computer through Sports Gaming Systems operated by Licensees only within the geographic boundaries of the State of Tennessee.
- E. The server or other equipment used to accept Wagers shall be located within the boundaries of the State of Tennessee.
- F. Sports Gaming Operators may not directly or indirectly operate or supply kiosks, service stations, terminals, mobile devices, computers, or other devices or equipment for the purpose of Players establishing or accessing Sports Gaming Accounts at any physical location licensed to conduct business within the State of Tennessee.
- G. Players must be affirmatively identified by the Sports Gaming Operator as being 21 years of age or older and physically present in the State of Tennessee at the time the Wager is placed.
- H. Sports Gaming Operators shall submit by e-mail or written request to the TEL for approval at least 72 hours prior to offering an Event or Wager to the public. This notice must include (1) the name of the sports governing body in charge of administering the event and (2) a description of the policies and procedures regarding the Event and Wagering integrity.



- I. A Sports Gaming Operator shall not permit a Wager to be placed on the following:
  - 1. Injuries, penalties, or other such occurrences the Wager on which would be contrary to public policy, unfair to consumers, or deemed to violate Article XI, Section 5 of the Constitution of Tennessee;
  - 2. Individual actions, events, statistics, occurrences, or non-occurrences to be determined during a collegiate sporting event, including, without limitation, in-game Proposition Wagers on the performance or non-performance of a team or individual participant during a collegiate sporting event; and
  - 3. Amateur sports events, including all high school and youth league sports events, except for sports events that are approved by the TEL in which persons under age 18 make up a minority of the participants.
  - 4. Pre-determined Wagers, based on outcomes of fact(s) known by insiders, e.g., which quarterback will start in a given week.
- J. All Licensees and Registrants shall assist the TEL with safeguarding the integrity of Interactive Sports Gaming.
  - 1. Sports Gaming Operator Licensees shall maintain membership in the Global Lottery Monitoring System (GLMS) or other integrity monitoring association or have a contract with an integrity monitoring business as permitted by the TEL.
  - 2. All Licensees, Suppliers, and Vendors shall cooperate with investigations conducted by the TEL, law enforcement, other government agencies, and integrity-related investigations by sports governing bodies. At the request of TEL or law enforcement, Licensees shall provide and facilitate the provision of account-level betting information and data files relating to Persons placing Wagers. Such information may be supplied to sports governing bodies by the Licensee at the request of the TEL, if deemed necessary by the TEL, or to law enforcement.
  - 3. All Licensees shall immediately report to the TEL any information required pursuant to Section 15.1.7(K)(8).
- K. Registry of Ineligible Bettors
  - 1. The TEL shall develop and maintain an ineligibility registry of persons and categories of persons who are ineligible, under the Sports Gaming Act, to place a Wager in Tennessee on all Sporting Events or certain Sporting Events, and shall make the registry available to all Licensees. A Licensee's failure to refuse or exclude Wagers from ineligible Bettors may be grounds

for disciplinary action.

2. Each Licensee shall maintain the confidentiality of the ineligibility registry provided by the TEL.

L. Layoff Wagers

A Licensee may, in its discretion, accept a Layoff Wager from another Licensee that conforms with all federal and state law requirements. A Sports Gaming Operator placing a Layoff Wager shall inform the Sports Gaming Operator that the Layoff Wager is being made by or on behalf of a Sports Gaming Operator and disclose its identity to the licensed Sports Gaming Operator accepting the Layoff Wager.

M. Official League Data

A Sports Gaming Operator must use Official League Data for live betting unless it can demonstrate to the Board that the governing body of a sport or other authorized entity cannot provide a feed of Official League Data for live betting in accordance with commercially reasonable terms, as determined by the TEL or the Board.

N. Post Service Restrictions

1. No TEL employee who substantially participated in the regulation of sports gaming, TEL officer, member of the Board, or member of the Council may apply for a License, Registration, or finding of suitability, or represent any Licensee or Registrant, prospective Licensee or Registrant before the TEL for a period of two (2) years following termination of service to the TEL, the Board, or the Council. For purposes of this provision, “represent” shall mean to attend meetings, appear before or make any communication with the TEL on behalf of any Licensee or Registrant, prospective Licensee or Registrant.
2. No TEL employee who substantially participated in the regulation of sports gaming, TEL officer, or member of the Board may be employed in Tennessee by any Licensee or Registrant, prospective Licensee or Registrant for a period of two (2) years following termination of service to the TEL or the Board.

#### **15.1.4 LICENSING AND REGISTRATION**

The TEL shall grant the following type of License or approve the following types of Registration:

A. Sports Gaming Operator License

1. A Person who offers Interactive Sports Gaming to the public shall be considered a Sports Gaming Operator and shall be required to obtain a Sports Gaming Operator License.
2. The cost of a Sports Gaming Operator License shall be Seven Hundred Fifty Thousand and 00/100 Dollars (\$750,000) per year.
3. Applicants seeking to obtain a License shall complete the (i) Business Entity Disclosure Form; (ii) any Supplement thereto prepared by the TEL; and (iii) any additional forms required or requested by the TEL.
4. The direct or indirect owners of 5% or more voting interests and certain officers, directors, managers, general partners, trustees, and Key Personnel of the Applicant seeking to obtain a License, and any other individual associated with the Applicant in the sole and absolute discretion of the TEL or its Board shall complete the (i) Multijurisdictional Personal History Disclosure Form; (ii) any Supplement thereto prepared by the TEL; and (iii) any additional forms, documents, or information requested by the TEL or its Board. The individuals noted in this section are required to be found suitable.
5. An Institutional Investor may seek a waiver to own up to 25% of an Applicant for investment purposes only. The TEL or its Board may request any relevant information from the Institutional Investor to assist with its determination of whether a waiver shall be granted. The TEL or its Board, in its sole and absolute discretion, may deny, limit, or condition the waiver and may require a finding of suitability for any person affiliated with the Institutional Investor.
6. Applicants for a License that also perform functions or services identified as Supplier or Vendor activities are only required to obtain a License. A Supplier Registration or Vendor Registration does not authorize such Registrants to perform, provide, or engage in activities requiring a License.

B. Supplier Registration

1. A Person who supplies geolocation services; sports gaming equipment, software, systems, or platforms; data; Global Risk Management services; Patron accounts management systems; payment processors and service providers with direct interface or interaction with Patron accounts or Sports Gaming Systems; who receives payment or compensation based on a revenue sharing agreement in which the person receives a percentage of adjusted gross income of any Licensee; or who provides any similar services that are material to conducting Interactive Sports Gaming as determined by

the TEL shall be considered a Supplier and shall be required to obtain approval from the Board for Registration as a Supplier.

2. The cost of this Registration shall be Ten Thousand and 00/100 Dollars (\$10,000) per year, plus all costs incurred by the TEL of any additional investigation necessary for Registration and finding of suitability of any Person related thereto.
3. Applicants seeking Registration as a Supplier shall complete the Business Entity Disclosure Form; (ii) any Supplement thereto prepared by the TEL; and (iii) any additional forms requested or required by the TEL.
4. The direct or indirect owners of 5% or more voting interests and certain officers, directors, managers, general limited partners, trustees, and Key Personnel of the Applicant seeking Registration as a Supplier, and any other individual associated with the Applicant in the sole and absolute discretion of the TEL or its Board of an Applicant seeking to obtain this Registration shall complete the (i) Multijurisdictional Personal History Disclosure Form; (ii) any Supplement thereto prepared by the TEL; and (iii) any additional forms, documents, or information requested by the TEL or its Board. The individuals noted in this section are required to be found suitable.
5. An Institutional Investor may seek a waiver to own up to 25% of an Applicant for investment purposes only. The TEL or its Board may request any relevant information from the Institutional Investor to assist with its determination of whether a waiver shall be granted. The TEL or its Board, in its sole and absolute discretion, may deny, limit, or condition the waiver and may require a finding of suitability for any person affiliated with the Institutional Investor.
6. Applicants for a Supplier Registration that also perform functions or services identified as Vendor activities are only required to be registered as a Supplier. A Registration does not authorize a Supplier to perform, provide, or engage in activities requiring a License.

C. Vendor Registration

1. A Person who provides goods or services that are material and ancillary to conducting Interactive Sports Gaming in the State of Tennessee, and who are not otherwise classified as a Licensee or Registrant, shall be considered a Vendor and shall be required to obtain approval from the Board for Registration as a Vendor. Examples of services requiring Vendor registration include “Know Your Customer” services, payment processors that do not qualify as Supplier Registrants, contractors for goods or services relating to sports betting conducted in Tennessee, lobbyists, brand developers, and affiliated marketers.

Any Person who provides non-material or general goods or services indirect to the conduct of Interactive Sports Gaming shall not be required to obtain Registration as a Vendor, unless the Person receives payment or compensation tied to player activity for goods and services relating to Interactive Sports Gaming in the State of Tennessee.

Any Person engaged in the following activities are presumed to provide non-material or general goods and services and are not required to obtain Registration as a Vendor, unless determined otherwise by the TEL: (1) media or advertising platforms or channels, such as social media, Internet search engines, billboards, print or digital media, or television or radio; (2) contracts with Licensees for brand sponsorships and promotions; (3) insurance companies and insurance agencies; (4) professional legal, accounting and financial services; (5) utility and telecommunication companies; (6) non-profit charitable corporations or organizations, provided that no consideration is received for the contribution; and (7) professional entertainers and/or celebrity promoters.

2. The cost of Vendor Registration shall be Five Hundred and 00/100 Dollars (\$500), which includes the cost of an initial investigation. Vendor shall be responsible for all costs incurred by the TEL of any further investigation necessitated by the findings of the initial investigation. The Vendor Registration shall be valid for three (3) years.
3. Applicants seeking approval for Registration as a Vendor shall complete a Vendor Registration Application Form.
4. The direct or indirect owners of 5% or more voting interests and certain officers, directors, managers, general limited partners, trustees, and Key Personnel of the Applicant seeking Registration as a Vendor, and any other individual associated with the Applicant in the sole and absolute discretion of the TEL or its Board may be required to complete additional forms or be subject to a finding of suitability at the discretion of the TEL.

#### **15.1.5 APPLICATION PROCESS**

- A. An Application for any type of License or Registration related to Interactive Sports Gaming shall be on forms provided by the TEL (in its sole discretion) and be in accordance with requirements of the Sports Gaming Act.
- B. The Application for a Sports Gaming Operator License or Registration as a Supplier shall, at a minimum, include the following:

1. The Applicant's legal name, including any DBA, if applicable, and form of business entity;
2. The mailing address of the Applicant and, if a business entity, its state of formation, and the location of its principal place of business;
3. The names, addresses, taxpayer identification numbers, and dates of birth of each direct or indirect owner of 5% or more voting interests and certain officers, directors, managers, general limited partners, trustees, and Key Personnel of the Applicant, along with three years of income tax returns for same;
4. The names, addresses, employer identification numbers, social security numbers, and dates of birth, as applicable, of each individual, group of individuals, trust or business entity associated with an Applicant, including, but not limited to, a holding company, parent company, or subsidiary company of the Applicant that has the ability to control the activities of the Applicant or elect a majority of the board of directors or select the manager or general partner of the Applicant (excluding any bank or other licensed lending institution that holds a mortgage or other lien acquired in the ordinary course of business);
5. The names, addresses, employer identification numbers, social security numbers, and dates of birth, as applicable, of each individual, group of individuals, trust, or entity associated with an Applicant that directly or indirectly holds a five percent (5%) or greater beneficial or proprietary interest in the Applicant's business operation, or that the TEL otherwise determines has the ability to control the Applicant;
6. For Sports Gaming Operator License Applicants, information, documentation, and assurances as may be required to establish by clear and convincing evidence that the applicant has sufficient business ability and sports gaming experience to create and maintain a successful, efficient Interactive Sports Gaming operation;
7. For Sports Gaming Operator License Applicants, a description of the proposed internal controls and security systems to be used in conducting sports wagering or processing sports wagering transactions, as may be applicable;
8. The number of employees expected to be employed by the Licensee or Registrant in the State of Tennessee;
9. For Sports Gaming Operator License Applicants, the estimated privilege tax revenue to be generated by the Sports Gaming Operator for the first three (3) years of operation;

10. The estimated economic benefit to the State of Tennessee of the proposed License or Registration. The estimate may include, but not be limited to, the following: projected amount of annualized gross revenue; estimated new capital investment for the project; scientific or market research performed by the Applicant or its contractors; and such other information as may be requested by the TEL;
11. A copy of the Applicant's certificate of good standing and authorization to conduct business in the state of Tennessee;
12. A list of jurisdictions where the Applicant has (i) applied for a sports wagering or gaming license; (ii) been issued a sports wagering or gaming license; (iii) been the subject of a law enforcement or government subpoena, cease and desist letter, attorney general or government legal opinion, or other correspondence regarding any non-routine law enforcement or government investigation concerning conduct related to gambling operations (including casino gaming, horse racing, dog racing, pari-mutuel, lottery, sports betting, daily fantasy sports, etc.) in any jurisdiction, or (iv) had any sports wagering or gaming license denied, suspended, or revoked, and the status and copies of such documents relating to (iii) or (iv);
13. Upon request by the TEL, letters of reference from law enforcement agencies having jurisdiction in the Sports Gaming Operator License Applicant's place of residence and principal place of business. The letters of reference must indicate that such law enforcement agencies do not have any pertinent information concerning the applicant, or if such law enforcement agency does have information pertaining to the applicant, must specify what the information is;
14. Upon request by the TEL, if the Sports Gaming Operator License Applicant has conducted gaming operations in a jurisdiction which permits such activity, letters of reference from the regulatory body that regulates sports wagering that specify the standing of the Sports Gaming Operator License Applicant with the regulatory body; provided, however, that if no such letters are received within sixty (60) days of the request therefor, the Sports Gaming Operator License Applicant may submit a statement under oath that the Sports Gaming Operator License Applicant is or was, during the period such activities were conducted, in good standing with the governing body;
15. Notice and a description of certain civil judgments obtained against the Applicant, or any Persons subject to a finding of suitability, including those pertaining to antitrust or security regulation laws of the federal government, of the State of Tennessee or of any other state, jurisdiction, province, or country;



16. Description of any bankruptcy, insolvency, or liquidation actions filed by or against the Applicant, or any Persons subject to a finding of suitability;
  17. The TEL will have compiled a national or, as applicable, international criminal history and background report on the Sports Gaming Operator License and Supplier Applicant or any person subject to a finding of suitability (reviews on individuals shall include fingerprint submissions), conducted by the TBI, or other U.S. or international law enforcement agency, or the TEL security staff or other private security firm, as authorized by the TEL. Said report shall include review of whether the Sports Gaming Operator License and Supplier Applicant or any Person subject to a finding of suitability, has engaged in gaming activity in any jurisdiction in which such activity is illegal. Any costs associated with said criminal history review and report exceeding the costs of the annual application and license or registration fee shall be the responsibility of the Sports Gaming Operator License and Supplier Applicant;
  18. For Sports Gaming Operator License Applicants, a Responsible Gaming Plan; and
  19. Any other information the TEL considers necessary and appropriate to determine by clear and convincing evidence the competency, law abiding nature, suitability, honesty and integrity of Applicant or Persons subject to a finding of suitability.
- C. As required by the Sports Gaming Act, each Sports Gaming Operator License Applicant shall submit ancillary documentation necessary for the TEL to assess fully the Applicant's operations and compliance with the Sports Gaming Act. Each Sports Gaming Operator License Applicant shall submit with its application, made under oath, the following:
1. Applicant's plan to provide data files, in a format approved by the TEL, to the TEL in order for the TEL to confirm Applicant's calculation of the privilege tax to be paid each month;
  2. Applicant's most recent report addressing its Sports Gaming System's integrity and security assessment performed by an independent testing laboratory or an independent firm approved by the TEL with all costs of such assessment borne by the Applicant;
  3. Applicant's methodology and process for preventing the placing of Wagers by a Minor;
  4. Applicant's methodology and process for permitting individuals to exclude themselves from being able to place Wagers; maintenance of the Sports

- Gaming Operator's self-exclusion list; and preventing the placing of Wagers by individuals on the Sports Gaming Operator's self-exclusion list;
5. Applicant's methodology and process for preventing the placing of Wagers by Prohibited Participants;
  6. Applicant's plan and policy governing the acceptance of Wagers and making payouts (i.e., House Rules), which must be approved by the TEL;
  7. Applicant's Responsible Gaming Plan;
  8. Applicant's system for monitoring and reporting Unusual Wagering Activity and Suspicious Wagering Activity;
  9. Applicant's internal controls for all aspects of its Interactive Sports Gaming operation;
  10. A customer service plan for responding to public and patron inquiries and questions originating from the State of Tennessee or relating to sports gaming operations in the State of Tennessee.
  11. A list of key personnel, employees, contractors, or other agents or representatives assigned to customer service for the State of Tennessee. The list must include the name, home address, date of birth, location where customer service occurs, and title and summary of duties and responsibilities.
  12. Documentation of Applicant's expected use of geolocation services to prevent Wagers from outside the State of Tennessee;
  13. Documentation describing Applicant's AML system including handling of payouts of \$10,000 or more, structuring of multiple wagers within a 24-hour period, and a log of Wagers of \$5,000 or more; and
  14. A diagram illustrating the process flow and supporting documentation regarding the affiliation between Applicant and its Suppliers and Vendors.
- D. Any Applicant shall notify the TEL in writing of any material change to its application within ten (10) business days of the change. Notwithstanding the foregoing, an Applicant shall immediately notify the TEL if there is any change in ownership of 5% or more of voting rights interests, officer, director, general partner, manager, trustee, or Key Personnel of the Applicant, its parent, holding, intermediary, or subsidiary (whether or not wholly owned). A finding of suitability may be required as a result of any change reported.

- E. For a Sports Gaming Operator License, Applicant shall submit a nonrefundable application fee of Fifty Thousand Dollars (\$50,000) due at the time the initial or renewal application is submitted. Failure to submit the \$50,000 application fee shall cause the application to be rejected or cause a delay in the processing of an application. Upon approval of the application, the \$50,000 application fee shall be applied to the Sports Gaming Operator's licensing fee of Seven Hundred Fifty Thousand Dollars (\$750,000), which shall be paid in full within ten (10) days of approval of the License or prior to expiration of the annual renewal period, which shall be one (1) year from the date of the issuance of the License.

For a Supplier Registration, Applicant shall submit a nonrefundable registration fee of Ten Thousand Dollars (\$10,000) with the initial or renewal application. Any amount owed from any additional investigation necessitated for approval as a Registrant shall be paid prior to approval or renewal of the Registration.

For a Vendor Registration, Applicant shall submit a nonrefundable registration fee of Five Hundred Dollars (\$500) with the initial or renewal application. Any amount owed from any additional investigation necessitated for approval as a Registrant shall be paid prior to approval or renewal of the Registration.

Failure to pay any application, license, registration, renewal, or additional necessary fees shall cause the application or renewal to be rejected.

- F. Once an Application for a License, Registration, or finding of suitability is submitted, it cannot be withdrawn without approval of TEL or the Board. If the withdrawal is approved, application fees, license fees, registration fees, background or investigative fees or costs, or any other fees or costs related to the application or renewal will not be refunded.
- G. Any Applicant shall complete such additional forms or provide such additional information as may be requested by TEL.

#### **15.1.6 APPROVAL OR DENIAL OF AN APPLICATION**

- A. In accordance with the Sports Gaming Act, the following individuals shall not apply for or obtain a License, Registration, or a finding of suitability:
1. Any employee, officer or Board member of the TEL;
  2. A member of the Tennessee Education Lottery Corporation Sports Wagering Advisory Council;
  3. A greater than 5% owner or employee of any professional, collegiate, or Olympic sports team;

4. A coach, referee or official of, or player for, a collegiate, professional, or Olympic sports team or sport;
  5. A Person who is a member or employee of any governing body of a sports team, league, or association;
  6. A Person having the ability to directly affect the outcome of a Sporting Event; and
  7. Any other category of persons, established by rule of the Board, who, if licensed, would affect the integrity of sports wagering in Tennessee.
- B. At the discretion of the Board, Applicants may not be issued a License, approved for Registration, approved for renewal, or found suitable if they have been charged or convicted of any felony, gambling-related offense, or any other offense(s) that impacts the suitability of any Applicant to be issued a License, approved for Registration, approved for renewal, or finding of suitability.
- C. In all other cases, the Board shall have sole discretion to approve, condition, or deny an application for a License or Registration, renewal, or finding of suitability.
- D. In determining whether or not an Applicant is suitable and in determining whether or not to approve or to deny an application for a License, Registration, renewal, or finding of suitability, the TEL may consider the following factors as they are applicable and relate to the Applicant:
1. Whether the Applicant is proposing an Interactive Sports Gaming operation that will have a positive impact through increased revenues to the State of Tennessee and its residents;
  2. Whether the Applicant possesses adequate funds or has secured adequate financing to commence and maintain an Interactive Sports Gaming operation or serve as a Supplier;
  3. Whether the Applicant has the financial stability, integrity, and responsibility to conduct Interactive Sports Gaming or serve as a Supplier or a Vendor for Interactive Sports Gaming;
  4. Whether the Applicant has sufficient business ability and experience to create and maintain a successful Interactive Sports Gaming operation or serve as a Supplier or a Vendor for Interactive Sports Gaming;
  5. Whether the Sports Gaming Operator License Applicant has proposed adequate measures for security of any Sports Gaming System, server, or components thereof;

6. Whether the Applicant has satisfied the requirements for a License or Registration;
7. Whether the Sports Gaming Operator License Applicant has demonstrated that its proposed Interactive Sports Gaming operation will be conducted in accordance with the Sports Gaming Act and all other applicable local, state, and federal laws;
8. Whether the Applicant has been convicted of or plead guilty to a disqualifying offense, as established by the Sports Gaming Act;
9. The past and present compliance of the Applicant, its affiliates, or affiliated companies relating to gaming operations or activities in any other jurisdiction, including, but not limited to, whether the Applicant has a history of non-compliance with the gaming requirements or prohibitions of any jurisdiction;
10. If the Applicant has been arrested, charged with, convicted of, pleaded guilty to, or forfeited bail concerning any criminal offense under the laws of any jurisdiction, other than for a minor traffic offense;
11. If the Applicant has filed, or had filed against it, a proceeding for bankruptcy, liquidation, or insolvency or has ever been involved in any formal process to adjust, defer, suspend, or otherwise work out the payment of any debt;
12. If the Applicant has been served with a complaint, lien, or other notice filed with any public body regarding a payment of any tax or obligation required under any law in any jurisdiction, where the Applicant has been in breach for one or more years;
13. If the Applicant is or has been a defendant in litigation involving its business practices that would call into question its suitability to be licensed or registered;
14. Whether the Sports Gaming Operator Applicant has submitted a Responsible Gaming Plan that meets the TEL's requirements;
15. If awarding a License or approving a Registration would undermine the public's confidence in the Interactive Sports Gaming industry in the State of Tennessee;
16. If the Sports Gaming Operator License Applicant is a member of Global Lottery Monitoring System (GLMS) or other integrity monitoring association or has a contract with an integrity monitoring business as permitted by the TEL;

17. If the Applicant meets other prescribed standards for the issuance of a License, approval of a Registration, renewal, or finding of suitability; and
18. Such other factors as may be determined by the TEL or its Board in its sole discretion.

E. Completed Applications

1. Upon receipt of an application, the TEL shall commence to review it for completeness and submit the requisite information to the designated investigative unit to conduct the criminal history review and report. In the event the review of the application reveals a deficiency, the TEL shall notify in writing the contact of record for the Applicant.
2. Upon receipt of a notice of deficiency, the Applicant shall have twenty (20) business days to provide the information requested by the TEL, unless another time is agreed upon, in writing, between the parties.
3. Upon a determination that the application is complete, the TEL shall notify the Applicant in writing, which may include e-mail notice, that the application has been deemed complete. The TEL shall approve or deny the application within ninety (90) calendar days of it declaring the application complete.

Despite this determination, the TEL may continue to request additional information from Applicant. If, as a result of the investigation into the background of the Applicant or its affiliated persons or entities, a sufficient amount of additional information is required to be provided, the TEL shall notify the Applicant in writing at the time of the request for additional information that it is suspending or revoking its determination of application completeness.

4. In the event the TEL suspends its determination of completeness, such suspension shall remain in place until such time as the additional requested information is provided by Applicant. The imposition of a suspension of completeness will result in a resetting of the timeframe for the TEL to approve or to deny the application.

F. Sports Gaming Operator License and Supplier Registration Applicant Background Investigations

1. Once it is determined that the preliminary application requirements have been received, the TEL or its designated agent(s) shall initiate an investigation into the backgrounds of the Applicant's direct or indirect owner of 5% or more voting interests and certain officers, directors,

managers, general limited partners, trustees, and Key Personnel of the Applicant, excluding authorized Institutional Investors.

2. The TEL shall conduct a comprehensive due diligence investigation of the Applicant to assess whether a License shall be awarded or Registration approved. The investigation will focus on integrity, background, responsibility, financial stability and suitability, criminal history, reputation, character, and ability to perform scope of services.
3. Criminal history background investigations shall include the submission of fingerprints to the Tennessee Bureau of Investigation and Federal Bureau of Investigation, or any other foreign government agency, public or private, deemed to be appropriate by the TEL. Applicant or any persons subject to a finding of suitability will be required to disclose the following information and include a description of the circumstances, dates, location, nature of violation, disposition, and status.
  - a. Whether the Applicant or any Persons subject to a finding of suitability have been arrested, charged, or convicted of a criminal offense in any jurisdiction, excluding minor traffic violations, such as parking tickets, speeding, etc.
  - b. Whether the Applicant or any Persons subject to a finding of suitability, have been subject to any disciplinary action or non-routine investigation by any administrative, governmental, law enforcement, or regulatory body; and
  - c. Whether the Applicant or any Persons subject to a finding of suitability have been charged with a violation of any statute, rule, regulation, or ordinance of any administrative, regulatory, or other governmental body.
4. Applicant's financial stability and suitability review shall include the following information:
  - a. Whether the Applicant or any Persons subject to a finding of suitability have been in default of paying any taxes, fees, or other obligations owed to the state of Tennessee, any local governmental entity in Tennessee, or the federal government;
  - b. A report of the financial activities and stability of the Applicant and any Person subject to a finding of suitability, including a review of bank statements, business and personal income and disbursement schedules, tax returns, or other documentation satisfactory to the TEL that demonstrates by clear and convincing evidence that the Applicant has sufficient business ability and experience to establish



and maintain a successful Interactive Sports Gaming operation or business; and

- c. A report of the ability of the Applicant and any Person subject to a finding of suitability to meet ongoing operating expenses necessary for the maintenance of continuous and stable Interactive Sports Gaming operations or business and for Licensees, the ability to pay, as and when owed, winning Wagers and all state and federal taxes.

G. Audit Requirements

Upon Application for a Sports Gaming Operator's License, and at annual renewal thereafter, each Licensee or Applicant shall submit to the TEL an audit of the financial statements of the Licensee's or Applicant's Interactive Sports Gaming operations in Tennessee prepared by a Certified Public Accountant in accordance with generally accepted accounting principles and applicable state and federal law.

If a Licensee or Applicant has audited financial statements prepared at the parent company level, the Licensee shall include with its audited consolidated financial statements, an audited supplemental schedule of the Operator's Interactive Sports Gaming financial statements in Tennessee.

Notwithstanding the foregoing, a Licensee shall provide the TEL with its audited financial statements within six (6) months of the close of its fiscal year.

H. Sports Gaming System Requirements

1. A Sports Gaming System must address, at a minimum, the following functions:
  - a. Wagering management;
  - b. Sports Gaming Account management;
  - c. Location requirements for placing Wagers;
  - d. Verification of all system, data, and software-related components and time synchronization;
  - e. Reporting and security requirements;
  - f. Ability to report and detect abnormal betting patterns and Unusual, Suspicious, or illegal wagering activities; and
  - g. Preventing the acceptance of Wagers from Prohibited Participants.

2. A Sports Gaming System shall maintain all transactional wagering data for a period of five (5) years.
3. A Sports Gaming System shall record the following information for each Wager made and store it to transmit to the TEL upon request:
  - a. Description of Event;
  - b. Event number;
  - c. Wager selection;
  - d. Type of Wager;
  - e. Amount of Wager;
  - f. Date and time of Wager;
  - g. Unique Wager identifier(s);
  - h. Player identification number;
  - i. Current Wager status (i.e., active, cancelled, unredeemed, pending, etc.);
  - j. Redemption and/or Ticket expiration period, if applicable;
  - k. Relevant location information;
  - l. The results of the Wager;
  - m. Amount won; and
  - n. Date and time winning Wager was paid to Player.
4. A Sports Gaming System that issues and/or redeems a Voucher shall record the following information:
  - a. Amount of Voucher;
  - b. Date, time, and location of issuance;
  - c. Unique Voucher identifier;
  - d. Expiration period for the Voucher;

- e. Player identification number assigned to the Voucher; and
  - f. Date, time, and location of redemption of Voucher, if applicable.
5. A Sports Gaming System that offers live betting shall be capable of the following:
- a. The accurate and timely update of odds for live betting Wagers;
  - b. The ability to notify the Player of any change in odds that is not beneficial to the Player after a Wager is attempted;
  - c. The ability for the Players to confirm the Wager after notification of the odds change; and
  - d. The ability to freeze or suspend the offering of Wagers when necessary.
6. When a Wager is voided or cancelled, the system shall clearly indicate that the transaction was voided or cancelled, render the transaction nonredeemable, and make an entry in the system indicating the voiding or cancellation of the Wager. A Sports Gaming Operator cannot rescind a Wager posted in the Sports Gaming System without advance approval from the TEL.
7. A Sports Gaming System shall prevent past purchasing and modifications of Wagers (including voiding or cancellation of Wagers) after the outcome of an event is known, except as approved by the TEL.
8. In the event a Player has a pending Wager and then the Player self-excludes, the account balance on settled wagers shall be returned to the Player in accordance with the Sports Gaming Operator's internal controls.
9. A Sports Gaming System shall be capable of verifying that all components of the Sports Gaming System are the authentic, approved versions used to offer, record, and process Wagers to ensure there have been no unauthorized modifications. The Sports Gaming System must be able to detect if any system component is determined to be invalid in the event of an authentication failure.
10. A Sports Gaming System shall have controls in place to review the accuracy and timeliness of any data feeds used to offer or settle wagers. In the event that an incident or error occurs that results in a loss of communication with data feeds used to offer or redeem wagers, such error shall be recorded in a log capturing the date and time of the error, the nature of the error, and a

description of its impact on the system's performance. Such information shall be maintained for a minimum period of two (2) years.

11. Licensees and Supplier Registrants shall provide the TEL with access to Wagering systems, transactions, and related data as deemed necessary and in a manner required by the TEL.
  12. A Sports Gaming System shall provide a mechanism for the TEL to query and export, in a format required by the TEL, all Sports Gaming System data.
  13. A Sports Gaming System must be reviewed, tested, and approved by a recognized independent testing laboratory that is preapproved by the TEL.
  14. Additional system specifications may be specified by the TEL through the issuance of technical bulletins.
- I. For a Sports Gaming Operator License Applicant's Minimum Internal Control Standards (MICS) and Security Systems Requirements, see Rules Section 15.3.
- J. Geolocation Requirements

The TEL shall approve technical specifications for geolocation systems and any specific requirements related to geolocation.

The Geolocation system shall, at a minimum:

1. Detect the physical location of a Player attempting to access any Sports Gaming System and monitor and block unauthorized attempts to place a wager using the Sports Gaming System;
  2. Ensure that a Player is continually located within the geographic boundary of Tennessee when the Wager is initiated and received; and
  3. Not rely solely upon IP addresses to determine location when a mobile or Internet connection is being used to place a Wager.
- K. Responsible Gaming Plan

Each Licensee shall adopt a Responsible Gaming Plan and submit such plan to the TEL at the time of application. The plan must be approved by the TEL prior to the commencement of Interactive Sports Gaming operations, and an annual report must be provided to the TEL showing that the plan goals were met. Licensees shall maintain the plan for as long as the Licensee accepts Wagers in the State of Tennessee. Licensees shall resubmit their Responsible Gaming Plan for approval within ten (10) days of any changes to the plan.

The Responsible Gaming Plan shall include, at a minimum, the following:

1. Plan goals, statement of policy and commitment, procedures, and deadlines for implementation;
2. A process for Players to make a request to restrict themselves from placing Wagers with the Licensee and for the Licensee to prevent Players from making Wagers. For each Person who makes such a self-exclusion request, Licensees shall provide the Person responsible gaming resources;
3. A method to allow the self-exclusion request to be shared with the TEL and other Licensees;
4. A self-limitation program where Players have the option to set limits on money and time spent betting, deposit limits, session time limits, and account cool off;
5. A plan for making responsible gaming information available and legible on the Licensee's website(s), mobile app(s), or other platforms for Interactive Sports Gaming. At a minimum, a problem gambling helpline telephone number that provides information about responsible gaming and services must be provided;
6. A plan for providing comprehensive responsible gaming training to employees who may interact with Players from the State of Tennessee, including annual or periodic refresher training. Training should equip the trainee to respond to circumstances in which Player account activity may indicate signs that are consistent with gambling addiction;
7. Procedures to prevent underage gambling, including age affirmation mechanisms that utilize, at a minimum, month, date, and year of birth that will apply before the Person can gain access to any Sports Gaming System where Players can engage in Interactive Sports Gaming. A Sports Gaming Operator may use information obtained from third parties to verify that a person is authorized to open an account, place Wagers, and make deposits and withdrawals;
8. A process to provide Players with information about their play. This includes history, money spent, games played, net wins/losses, limits history, and any other relevant information;
9. A process to provide Players with updates during play about time and money spent and account balances in cash, not credits;
10. A clear and conspicuous display on the website indicating that it is unlawful for a person under twenty-one (21) years of age to engage in Interactive

Sports Gaming in the State of Tennessee;

11. Procedures to prohibit a Person who places Wagers with the Licensee from establishing more than one active Sports Gaming Account with the Licensee; and
12. Procedures to permit a Person that places Wagers with the Licensee to terminate their Sports Gaming Account at any time, for any reason, and without penalty.

L. Final Approval

1. If the Board determines that the applicable Application requirements set forth in the Sports Gaming Act and these Rules have been met to its satisfaction, the TEL shall issue a Sports Gaming Operator License or approve the Registration of a Supplier or Vendor, as applicable.
2. A Sports Gaming Operator License shall be issued for one (1) year and require a nonrefundable application or License renewal fee of Fifty Thousand Dollars (\$50,000) and an annual License fee of Seven Hundred Fifty Thousand Dollars (\$750,000). For each License application approved, the application fee then shall be credited to the annual License fee, and the Licensee shall send the balance of the annual fee to the TEL within ten (10) business days of approval of a License. There shall be an automatic License revocation for non-payment of the License fees after thirty (30) days of approval of a License.

A Supplier Registration shall be issued for one (1) year and require a nonrefundable Registration fee of Ten Thousand Dollars (\$10,000), which shall be paid at the time of Application and annually thereafter. The Supplier shall pay all amounts owed for any required additional investigation prior to approval of the Registration. There shall be an automatic revocation of the Supplier Registration for non-payment of Registration or additional investigation fees after thirty (30) days of approval of a Registration.

A Vendor shall be Registered for three (3) years and require a nonrefundable Registration fee of Five Hundred Dollars (\$500), which shall be paid at the time of Application and every three years thereafter.

3. No Licensee shall be permitted to accept Wagers unless and until it has completed any and all testing and received approval of its Sports Gaming System by a qualified independent testing laboratory approved by the TEL and in accordance with its internal controls that must meet the MICS provided in these Rules, along with all other requirements that must be reviewed and approved by the TEL.

4. Once the Applicant is approved as a Licensee or Registrant, each Licensee, Registrant, and Person receiving a finding of suitability has a continuing duty and obligation to immediately inform the TEL of any material change in status or applicable information that, if known by the TEL, could disqualify the Licensee or Registrant from holding the License or being approved for Registration.

#### **15.1.7 MAINTENANCE OF LICENSE OR REGISTRATION**

In order to maintain its License or Registration, a Licensee or Registrant is required to maintain certain requirements, conditions, and programs. Failure to maintain these requirements, conditions, and programs may result in the suspension or revocation of a License or Registration or imposition of a fine.

##### **A. Reserve Requirements - Licensees**

1. Licensees shall obtain a bond in the amount of Five Hundred Thousand Dollar (\$500,000) in order to conduct sports wagering in the State of Tennessee.

The bond may be used to fund the reserve. The company issuing the bond shall be financially rated A or better by a nationally recognized rating agency and duly licensed, admitted, and authorized to transact business in the State of Tennessee.

Licensees shall provide the original bond to the TEL. The bond shall be renewable annually and shall list the TEL as obligee of the bond. The bond may not be cancelled without a minimum of thirty (30) days prior written notice to the TEL.

2. Licensees also shall maintain a reserve in the form of cash, cash equivalents, irrevocable letter of credit, in addition to the above-referenced bond, of not less than the amount necessary to ensure the ability to cover the outstanding liability related to the patron accounts.

The outstanding liability shall be the sum of the following amounts:

- a. Amounts held by the Licensee for Sports Gaming Patron Accounts;
- b. Aggregate amounts accepted by the Licensee as Wagers on Sporting Events with outcomes that have not been determined; and
- c. Amounts owed but unpaid by the Licensee on winning wagers.



Licensees must receive TEL approval in order to remove, release or withdraw funds for non-patron purposes.

3. Licensees shall calculate their reserve requirements each day. In the event a Licensee determines that its reserve is not sufficient to cover the calculated requirement, the Licensee, within twenty-four (24) hours, must notify the TEL of this occurrence and indicate the steps the Licensee has taken to remedy any deficiency. All reserve funds must be held with a financial institution that is federally insured by the FDIC or NCUA and lawfully operating in Tennessee.

B. Insurance Requirements – Licensees

1. Licensees shall provide the TEL with certificates of insurance prior to approval of the License and with each renewal application. The company issuing the insurance shall be financially rated A or better by a nationally recognized rating agency and duly licensed, admitted, and authorized to transact business in the State of Tennessee.
2. Subject to paragraph 3, below, Licensees shall maintain the following types and amounts of insurance while they are an approved Licensee to conduct Interactive Sports Gaming activities in the State of Tennessee:
  - a. Cyber Liability insurance in the amount of Ten Million Dollars (\$10,000,000);
  - b. General Liability insurance in the amount of One Million Dollars (\$1,000,000) per occurrence, and Two Million Dollars (\$2,000,000) aggregate;
  - c. Errors and omissions insurance in the amount of Fifteen Million Dollars (\$15,000,000); or
  - d. Such other types and amounts of insurance that are reasonably required and are mutually agreed upon by the TEL and Licensee in writing.
3. Licensees that are unable to obtain the coverage amounts specified in paragraph 2 above, must maintain coverage in the maximum amounts allowable by the issuing insurance company. Such Licensees must provide a notarized statement or letter from their insurance agent or broker stating that Licensee was unable to obtain required insurance coverage after diligent effort and the reason for the deficiency. Licensee should provide the TEL with a detailed plan of how it

intends to compensate for the deficiency in insurance coverage, which plan must be approved by the TEL in its sole discretion.

C. Periodic Audits

1. Licensees shall annually submit to the TEL an audit of the financial transactions and condition of the Licensee's Interactive Sports Gaming operations in the State of Tennessee prepared by a Certified Public Accountant in accordance with generally accepted accounting principles and applicable state and federal law.
2. Licensees shall establish and maintain books, records, and documents (including electronic storage media) in accordance with generally accepted accounting principles and practices which sufficiently and properly reflect all revenues and expenditures of funds associated with Interactive Sports Gaming.
3. Licensees shall retain all records, financial records, supporting documents, statistical records, and any other documents (including electronic storage media) pertinent to their Interactive Sports Gaming Operations for a minimum period of five (5) years from their creation.
4. Books and records pertaining to Interactive Sports Gaming in the State of Tennessee shall be subject to inspection, review, and audit by the TEL at any time within the sole discretion of the TEL.

D. Financial Reporting and Financial Data Requirements

1. The Sports Gaming System must have the ability to deliver all requested data either by report or data file to the TEL while achieving compliance with standards of integrity, security, and control required by the TEL.
2. The Sports Gaming System shall be required to generate reports necessary to record all the components of the Adjusted Gross Income calculation over a specific period, and include the cash equivalent of any merchandise or thing of value awarded as a prize as deemed necessary by the TEL. Such reports shall distinguish information by type and status where applicable and shall meet the TEL's MICS.
3. All data required must be available in report formats, as well as database formats, approved by the TEL. All Licensees shall provide requested data to be utilized by TEL's central accounting and reporting system.
4. All required reports shall be generated by the Sports Gaming System, even if the period specified contains no data to be presented. The report generated

shall indicate all required information and contain an indication of “No Activity” or similar message if no data appears for the period specified.

5. The Sports Gaming System shall, at a minimum, generate daily reports for each gaming day in order to calculate the Adjusted Gross Income to ensure the integrity of operations related to operating Interactive Sports Gaming.
6. The TEL may periodically prescribe a set of standard reporting forms and instructions to be used by each Licensee for filing daily, weekly, monthly, and/or quarterly reports.

E. Escrow Account

Licensees shall maintain an escrow account, designating the TEL as sole beneficiary, with a financial institution that is federally insured by the FDIC or NCUA and lawfully operating in Tennessee. This escrow account shall be separate from all other operating accounts of the Licensee to ensure the security of funds due to the TEL for payment of the privilege tax.

F. Payment of Privilege Tax

Licensees must timely pay the privilege tax imposed under the Sports Gaming Act. The privilege tax shall be equal to twenty percent (20%) of a Licensee’s Adjusted Gross Income. The privilege tax for a month shall be transferred to the TEL on the fifth business day of the following month from the escrow account. A report showing Adjusted Gross Income and privilege tax amount calculations shall be submitted electronically to the TEL on the same day.

G. System Integrity and Security Assessment

1. Licensees shall, prior to commencing operations and annually thereafter at a time mutually agreed upon by the Sports Gaming Operator and the TEL, perform a system integrity and security assessment of Sports Gaming Systems conducted by an independent professional selected by the Licensee and subject to approval of the TEL.
2. The independent professional’s report on the assessment shall be submitted to the TEL and shall, at a minimum, include:
  - a. The scope of review;
  - b. Name and company affiliation of the individual(s) who conducted the assessment;
  - c. Date of assessment;

- d. Findings;
- e. Recommended corrective action, if applicable; and
- f. The Licensee's response to the findings and recommended corrective action.

H. Prohibition on Wagers by and Payouts to Minors

- 1. Licensees shall not permit Wagers to be placed by Minors. Each Licensee shall maintain a system through which it verifies that Wagers are not made by Minors. This system shall be approved by the TEL.
- 2. Licensees shall provide the TEL information about its methodology for verifying the age of a Bettor. Licensee shall notify TEL of any changes to its methodology or if there is a change of any Supplier or Vendor that provides age verification services to the Licensee.
- 3. Licensees shall prohibit any Minor from collecting payouts or winnings from Interactive Sports Gaming.

I. Prohibited Participants

- 1. Licensees shall confidentially maintain the list provided by the TEL of persons who, pursuant to the Sports Gaming Act, are not permitted to Wager on Sporting Events. Licensees shall not permit Wagers to be placed by Prohibited Participants. Licensees shall maintain a system through which it verifies that Wagers are not made by Prohibited Participants.
- 2. Licensees shall provide the TEL information about its methodology for determining whether or not a Player is ineligible due to his/her inclusion in one or more classes of Prohibited Participants as enumerated in the Sports Gaming Act. Licensee shall notify TEL of any changes to its methodology.
- 3. Licensees shall prohibit any person who is included in a class of individuals ineligible to place a Wager pursuant to the Sports Gaming Act from collecting payouts or winnings from Interactive Sports Gaming.

J. Integrity Monitoring.

- 1. Licensees shall have controls in place to identify Unusual and Suspicious Wagering Activity and report such activity to the TEL according to the Integrity Monitoring System procedures approved by the TEL.
- 2. All Integrity Monitoring System procedures shall provide for the sharing of information with each Licensee.

3. Licensees shall review such reports and notify other Licensees of whether or not they have experienced similar activity in the manner approved by the TEL. Licensees shall comply with specific reporting requirements as designated in the MICS.
4. If a Licensee finds that previously reported Unusual Wagering Activity rises to the level of Suspicious Wagering Activity or identifies Suspicious Wagering Activity at the outset, they shall immediately notify the TEL.
5. Licensees reporting on Suspicious Wagering Activities shall be permitted to suspend Wagering on Events related to the report, but may only void or cancel related Wagers after TEL approval.
6. Integrity Monitoring Systems shall provide the TEL with remote access or other approved mechanism which shall provide at a minimum:
  - a. All reports of Unusual Wagering Activity;
  - b. If the Unusual Wagering Activity was subsequently determined to be Suspicious Wagering Activity;
  - c. All reports deemed Suspicious Wagering Activity at the outset; and
  - d. The actions taken according to the Integrity Monitoring System procedures approved by the TEL.
7. Notwithstanding the other provisions of this section, all information and data received pursuant to administering the Sports Gaming Act related to Unusual or Suspicious Wagering Activity shall be considered confidential. Such data and information may not be revealed in whole or in part except upon the lawful order of a court of competent jurisdiction, or, with any law enforcement entities, regulatory agencies, governing authorities, integrity monitoring organizations or other organization necessary to facilitate integrity monitoring, as approved by TEL, or accredited sports governing bodies as required by the Sports Gaming Act or TEL.

K. Participation in Investigations

1. Each Licensee and Registrant shall cooperate in good faith with investigations conducted by the TEL, sports governing bodies, and law enforcement agencies.
2. Licensees shall provide or facilitate provision of account-level betting information and data files relating to persons placing wagers and any other information necessary for investigations conducted by the TEL or law

enforcement.

3. The TEL shall investigate, and each Licensee or Registrant shall cooperate with such investigation, upon information and belief that a Licensee or Registrant has failed to comply with the requirements outlined in the Sports Gaming Act or these Rules.
4. During normal business hours, the TEL and its agents may enter the premises of any facility of a Licensee or third party that is utilized by the Licensee to operate and conduct Interactive Sports Gaming business in the State of Tennessee for the purpose of inspecting equipment, books, and records kept as required by the Sports Gaming Act or these Rules, to ensure that the Licensee is in compliance with the Sports Gaming Act or these Rules, or to make any other inspection as necessary to enforce the Sports Gaming Act or these Rules. Failure to admit the TEL or its agents after presentation of credentials shall be grounds for disciplinary action.
5. The TEL and its agents, including its law enforcement representatives, shall be able to demand access and inspect business records of any Licensee or Registrant without the requirement to obtain a subpoena. Failure to provide access to the TEL or its agents after presentation of credentials shall be grounds for disciplinary action.
6. Each Licensee and Registrant shall maintain all records relating to the conduct of Interactive Sports Gaming in the State of Tennessee for a period of five (5) years.
7. The TEL may investigate any of the following activities:
  - a. Acceptance of Wagers from Minors;
  - b. Acceptance of Wagers from individuals ineligible to place Wagers in Tennessee;
  - c. Acceptance of Wagers from persons not physically located in Tennessee;
  - d. Transmission of material non-public information for the purpose of wagering on a Sporting Event or to influence a Wager;
  - e. Abnormal betting activity, Unusual Wagering Activity, Suspicious Wagering Activity, or patterns that may indicate concerns on the integrity of the Sporting Event;
  - f. Federal or state money laundering violations;

- g. Criminal, civil, administrative or disciplinary proceedings or non-routine government or law enforcement investigations against the Licensee or Registrant;
  - h. Offering, accepting, or extending credit to a Player;
  - i. Directly advertising or promoting Interactive Sports Gaming to Minors;
  - j. Offering or accepting a Wager on amateur sports events not approved by the TEL, including high school and youth league sports events;
  - k. Offering or accepting any Wager prohibited by the Board;
  - l. Upon receiving information and belief that a Licensee has engaged in or facilitated illegal or Suspicious Wagering Activity;
  - m. Any complaints of illegal activity; and
  - n. Any other complaints, activity, and/or conduct that may affect the integrity of Interactive Sports Gaming in the State of Tennessee.
8. Licensees shall immediately report to the TEL any information relating to:
- a. Criminal or disciplinary proceedings or non-routine government or law enforcement investigations commenced against the Licensee in connection with its operations in any jurisdiction;
  - b. Unusual or Suspicious Wagering Activity or wagering activities or patterns that may indicate a concern with the integrity of a Sporting Event;
  - c. Any known or reasonably should have been known potential or actual breach of a sports governing body's internal rules and codes of conduct pertaining to sports wagering;
  - d. Conduct that corrupts, is intended to corrupt, or unduly influences the betting outcome of a Sporting Event for purposes of financial gain, including match fixing; and
  - e. Suspicious or illegal wagering activities, including Cheating; the use of funds derived from illegal activity; suspicious activities reported to the federal government pursuant to AML laws and regulations; Wagers made in violation of any federal or state law or regulation; Wagers to conceal or launder funds derived from illegal activity;



- using agents or proxies who are compensated to place Wagers; and using false identification.
- f. Accepting Wagers from an agent or proxy compensated for placing a Wager on behalf of another (i.e., messenger betting).
  - g. Placing any unauthorized Layoff Wagers within or outside of the State of Tennessee.
9. Licensees also must report information relating to conduct described in subsection 8(b)-(d), above, to the relevant sports governing body and provide written notice of its communications to the sports governing body to the TEL. With respect to any information provided by a Licensee to a sports governing body, a sports governing body may only use such information for integrity purposes and shall maintain the confidentiality of such information, unless disclosure is required by the Tennessee Sports Gaming Act, TEL, other law, court order, or unless the Licensee consents to disclosure; provided that the sports governing body may make disclosures upon notice to TEL that the TEL determines are necessary to permit the sports governing body to conduct and resolve integrity-related investigations.
10. Licensees shall share with the TEL, upon request by the TEL, in real time and at the account level, information regarding a Bettor, amount and type of Wager, the time the Wager was placed, the location of the Wager, including the internet protocol address if applicable, the outcome of the Wager, and records of abnormal, Unusual, or Suspicious Wagering activity. Information shared under this subsection shall be submitted in the form and manner as requested by the TEL.
11. If a sports governing body has notified the TEL that real-time information sharing for Wagers placed on its Sporting Events is necessary and desirable, and the TEL determines in its sole discretion that real-time information sharing is necessary, Licensees shall share the same information with the sports governing body or its designee with respect to Wagers on its Sporting Events. Such information may be provided in anonymized form and may be used by a sports governing body solely for integrity purposes.
- L. Manner in Which Interactive Sports Gaming May be Advertised, Marketed, and Promoted
- 1. Licensees shall provide all advertising, marketing, and promotional materials developed by or on behalf of the Licensee by a Supplier or Vendor to the TEL in advance of publication or dissemination for review and approval in accordance with guidelines issued by the TEL; Suppliers or Vendors who advertise, market, or offer promotions on behalf of more than

one Licensee or without affiliation to any Licensee shall provide materials to the TEL in advance of publication or dissemination for review and approval in accordance with guidelines issued by the TEL;

2. Licensees and Registrants shall not directly advertise or promote Interactive Sports Gaming to Minors;
3. Advertising, marketing, and promotional materials shall include a responsible gaming message, which includes, at a minimum, the TEL approved problem gambling helpline number and an assistance and prevention message, except as otherwise permitted by the TEL for certain mediums (e.g., social media messages). Specifically, Licensees shall:
  - i. Include the logo and gambling hotline number for the Tennessee REDLINE, a 24/7 addiction treatment and recovery hotline provided by the Tennessee Association of Alcohol, Drug and other Addiction Services (TAADAS). Logos will be provided to the Licensee by the TEL.
  - ii. In areas where space limitations create an issue for use of a logo, copy can be used to communicate the phone number.
  - iii. Tennessee REDLINE should be listed first on material developed specifically for Tennessee, however, Licensees are encouraged to list numerous options which may include several national resources.
4. Licensees and Registrants shall communicate the legal age to participate (21 years old and above) on any website, mobile app, and other mediums or forms of advertising, marketing, and promotions, except as otherwise permitted by the TEL for certain mediums (e.g., social media message);
5. Licensees and Registrants shall strictly comply with all state and federal standards to make neither false or misleading claims nor to create a suggestion that the probabilities of winning or losing with Interactive Sports Gaming are different than those actually experienced;
6. Advertisements, marketing, or promotions shall not contain images, symbols, celebrity/entertainer endorsements, and/or language designed to appeal specifically to those under 21 years old;
7. Advertisements, marketing, and promotions shall not feature anyone who is or appears to be below 21 years old or imply that Minors may engage in Interactive Sports Gaming;
8. Licensees and Registrants shall not advertise in media outlets (including

social media) that appeal primarily to those under the age of 21;

9. Advertisements shall not be placed with such intensity and frequency that they represent saturation of that medium or become excessive;
10. Advertisements, marketing, or promotions shall not contain claims or representations that Interactive Sports Gaming will guarantee an individual's social, financial, or personal success;
11. Advertisements, marketing, or promotions shall not be placed before any audience where the majority of the participants is presumed to be below the age of 21 or that targets potentially vulnerable persons, including self-excluded Bettors;
12. Advertisements, marketing, or promotions shall not imply that chances of winning increase the more one participates in or the more one spends on Interactive Sports Gaming;
13. For Bettors who have self-excluded, Licensees and any Registrant acting on behalf of a Licensee shall discontinue targeted advertising and marketing to their mobile devices through direct messaging or text, e-mail, or through other contact information collected during the initial sign-up;
14. Advertisements, marketing, or promotions shall not be placed on any website or printed page or medium exclusively devoted to responsible gaming;
15. Advertisements, marketing, or promotions shall neither contain nor imply lewd or indecent language, images, nor actions;
16. Advertisements, marketing, and promotions shall reflect generally accepted contemporary standards of good taste;
17. All direct advertising, marketing, or promotions via e-mail or text message must allow the option to unsubscribe;
18. Licensees and Registrants shall respect user privacy and comply with all applicable legal privacy requirements, including those governing consent;
19. Licensees and Registrants will provide the requirements of this section to advertising, marketing, and promotions personnel, contractors, agents, and agencies and ensure compliance herewith; and
20. Failure to adhere to any of the above may be grounds for disciplinary action.

M. Maintenance of a Self-Exclusion List

1. Licensees shall develop and maintain a system to allow persons who have made a determination to prohibit or restrict themselves from being able to place a Wager. Such self-exclusion list shall be made available to the TEL upon written request to Licensee.
2. Licensees shall submit a monthly report to the TEL that includes the number of persons who requested to exclude themselves from the ability to participate in Interactive Sports Gaming on their Sports Gaming System.
3. Any Person may request placement on the list of self-excluded persons, and the Person during any period of voluntary exclusion may not collect any winnings or recover any losses resulting from any Interactive Sports Gaming.
4. Licensees shall notify a Sports Gaming Account holder via e-mail, certified or registered mail, or other method approved by the TEL, whenever his or her Sports Wagering Account has been closed or placed in a suspended mode. Such notification shall include the restrictions placed on the Sports Gaming Account and any further course of action needed to remove the restriction.

N. Reporting Requirements

Licensees shall report to the TEL:

1. No later than January 15th of each year:
  - a. The total amount of Wagers received from Players in the State of Tennessee for the immediately preceding calendar year;
  - b. The Adjusted Gross Income of the Licensee in the State of Tennessee for the immediately preceding calendar year;
  - c. The aggregate annual payout of the Licensee for the immediately preceding calendar year; and
  - d. Any additional information required by the TEL in the public interest or necessary to maintain the integrity of Interactive Sports Gaming in the State of Tennessee.
2. Immediately, any information relating to:
  - a. The name, home address, and date of birth of any new officer, director, general partner, manager, trustee, or Key Personnel of the Applicant, its parent, holding, intermediary, or subsidiary (whether

or not wholly owned). The individual may be required to submit an application for finding of suitability and must do so within thirty (30) days of notice from the TEL to submit;

- b. Potential purchase or sale, transfer, assignment, gift or donation, or other disposal or acquisition of 5% or more ownership. The transaction may require an application and findings of suitability and cannot occur, unless the ownership is of a publicly-traded entity not otherwise considered a change in control, until advance approval is given by the TEL; and
- c. The resignation, termination, removal, or departure of any new officer, director, general partner, manager, trustee, or Key Personnel of the Applicant, its parent, holding, intermediary, or subsidiary (whether or not wholly owned)

O. House Rules

- 1. Licensees shall adopt comprehensive House Rules which shall be submitted to the TEL for approval with the initial application for a License. Amendments to the House Rules must be submitted to the TEL for prior approval.
- 2. At a minimum, the House Rules shall address the following items:
  - a. A method for the calculation and payment of winning wagers;
  - b. The effect of schedule changes;
  - c. The method of notifying players of odds or proposition changes;
  - d. Acceptance of Wagers at terms other than those posted;
  - e. The method of contacting the Licensee for questions and complaints;
  - f. A description of Prohibited Participants and others who may be restricted from placing a Wager;
  - g. The method(s) of funding a Wager; and
  - h. A description of all types of Wagers that may be accepted.
- 3. House Rules shall include a provision prohibiting the structuring of Bets to avoid federal currency transactional reporting thresholds.

4. House Rules shall place Players on notice that Wagers are subject to AML standards, including triggers and requirements for filing of Currency Transaction Reports and Suspicious Activity Reports.
5. Minimum and maximum Wagers must be referenced in House Rules and subject to TEL approval.
6. House Rules shall be conspicuously accessible on the Licensee's websites and mobile applications.
7. Copies of the House Rules shall be made readily available, upon request, to Players.

P. Internal Controls

Licensees shall develop internal controls according to the requirements and specifications found in the MICS in Section 15.3 and industry standards. At a minimum, the internal controls shall address the following items regarding the Sports Gaming System, in addition to the MICS:

1. Safeguarding assets and revenues;
2. Safeguarding Sports Gaming Accounts;
3. Requirements for internal and independent audits of the Licensee;
4. User access controls for all Interactive Sports Gaming personnel;
5. Segregation of duties among all Interactive Sports Gaming personnel;
6. Automated and manual risk management procedures;
7. Procedures for identifying and reporting fraud, Cheating, and Suspicious or Unusual Wagering Activity;
8. Procedures for identifying and preventing Minors from engaging in Interactive Sports Gaming;
9. Procedures to prevent Wagering by Prohibited Participants;
10. Description of its AML compliance standards;
11. Description of all types of Wagers available to be offered by the Sports Gaming System;
12. Description of all integrated third-party hardware, software, or systems;

13. A monitoring system to identify irregularities in volume or odds and swings that could signal Unusual or Suspicious Wagering Activity that should require further investigation; and
14. Wager or attempt to Wager over any maximum Wager threshold set by the Licensee that qualifies as Unusual or Suspicious Wagering.

**Q. Geolocation System**

1. Licensees shall keep its geolocation system up to date, including integrating the latest solutions in real time that can detect the use of remote desktop software, rootkits, virtualization, or any other programs identified by the TEL having the ability to circumvent geolocation measures.
2. At least every ninety (90) days, Licensees shall provide the TEL evidence that the geolocation system is updated to the latest solution.
3. The integrity of the geolocation system shall be reviewed regularly, but no less than every ninety (90) days, by the Licensee to ensure it detects and mitigates existing and emerging location fraud risks.
4. Licensees acknowledge that the TEL may issue additional geolocation requirements in the form of technical bulletins.

**R. Player Complaints**

Licensees shall investigate each Player complaint and provide a response to the Player within ten (10) business days. For complaints that cannot be resolved to the satisfaction of the Player; that are related to a Player's Sports Gaming Account; relate to the settlement of Wagers; or involve any Unusual or Suspicious Wagering Activity or illegal activity, a copy of the complaint and Licensee's response, including all relevant documentation, shall be provided to the TEL.

**15.1.8 RULES GOVERNING SPORTS GAMING ACCOUNTS**

- A. Interactive Sports Gaming shall only be engaged in by Players who have established a Sports Gaming Account with an approved Licensee.
- B. The information necessary to initially create a Sports Gaming Account shall be recorded and maintained for a period of five (5) years. The information includes, but is not limited to:
  1. The Player's legal name;



2. The Player's date of birth;
  3. The Player's residential address (other than a post office box);
  4. The Player's phone number(s);
  5. An active e-mail account for the Player;
  6. The Player's social security number ("SSN") or equivalent for a foreign Player (who places a Wager within Tennessee), such as a passport or taxpayer identification number. The Player may enter only the last four digits of a SSN if other factors are sufficient to determine the entire nine-digit SSN within a reasonable time.
  7. Verification that the Player is not a Prohibited Participant; and
  8. The document number of the government-issued identification credentials entered, or other methodology for remote, Multi-Source Authentication, which may include third-party and governmental databases, as approved by the TEL.
- C. Licensees shall record the Player's acceptance of the terms and conditions and privacy policy and acknowledgment that the information provided is accurate and the Player is prohibited from allowing any other person to access or use the Player's Sports Gaming Account.
- D. If a Licensee determines that the information provided by a Player to make a deposit or process a withdrawal is inaccurate or incapable of verification; fails to verify the identity of the Player; or the Player violates the policies and procedures of the Licensee, the Licensee shall, within ten (10) calendar days, require the submission of additional information from the Player that can be used to remedy any violation or failure to verify the identity of the Player or funds deposit or withdrawal information of the Player. If such information is not provided or does not result in verification of the Player's identity or deposit or withdrawal information, the Licensee shall:
1. Immediately suspend the Player's Sports Gaming Account and not allow the Player to place Wagers;
  2. Retain any winnings attributable to the Player;
  3. Refund the balance of deposits made to the account to the source of such deposit or by issuance of a check; and
  4. Deactivate the account.

- E. Licensees shall notify the Player of the establishment of the Sports Gaming Account by e-mail, text message, or first-class mail. Once a Sports Gaming Account is created, a secure personal identification (e.g., a unique username) for the player authorized to use the Sports Gaming Account shall be established that is reasonably designed to prevent the unauthorized access to, or use of, the Sports Gaming Account by any individual other than the Player for whom the Sports Gaming Account is established.
- F. A Player shall have only one (1) Sports Gaming Account for each Licensee.
- G. A Sports Gaming Account may be funded using:
  - 1. Debit cards;
  - 2. Electronic bank transfers, including such transfers through third parties;
  - 3. Online and mobile payment systems that support online money transfers;
  - 4. Winnings or payouts; and
  - 5. Any other means approved by the TEL or the Board.
- H. Funds may be withdrawn from a Player's Sports Gaming Account as follows:
  - 1. Wagers;
  - 2. Cashier's check, wire transfer, or money order by the Licensee made payable to the Player and issued directly or delivered to the Player's address on file with Licensee;
  - 3. Credits to the Player's debit card;
  - 4. Electronic bank transfers, including transfers through third parties;
  - 8. Online and mobile payment systems that support online money transfers; or
  - 6. Any other means approved by the TEL.
- I. A player's request for withdrawal of funds (i.e., deposited and cleared funds and funds won) shall be completed within a reasonable timeframe unless there is a pending unresolved Player dispute or investigation prompted by a Player dispute or the TEL. Funds for withdrawal may be withheld from withdrawal until the funding transaction clears or the chargeback period ends.

- J. All adjustments to a Player's Sports Gaming Account for individual amounts of five hundred dollars (\$500.00) or less shall be periodically reviewed by Key Personnel and included in the Licensee's internal controls. All other adjustments shall be authorized by Key Personnel prior to being entered.
- K. Licensees shall not allow the transfer of funds or credits between Players.
- L. Each transaction with respect to a Sports Gaming Account between a Player and Licensee, except the placement or settlement of a Wager, must be confirmed by e-mail, telephone, text message, or other means agreed upon by the Player and Licensee. Licensees shall provide an account statement with details to a Player on demand, which shall include account activity for at least the six (6) months preceding twenty-four (24) hours prior to the request. In addition, Licensees shall, upon request, be capable of providing to a Player a summary statement of all Player activity during the past twelve (12) months.
- M. Licensees shall suspend Wagers from being made and immediately re-verify a Player's identification upon reasonable suspicion that the Player's identification or Sports Gaming Account has been compromised.
- N. Licensees shall offer a readily-accessible method for a Player to close his or her Sports Gaming Account. Any balance remaining in a Player's Sports Gaming Account closed by a Player shall be refunded pursuant to the Licensee's internal controls, within ten (10) business days of notice from the Player to the Licensee.
- O. Sports Gaming Systems shall employ a mechanism that can detect and prevent any player-initiated Interactive Sports Gaming or withdrawal activity that would result in a negative balance of a Sports Gaming Account.
- P. A Player's Sports Gaming Account shall be disabled after three (3) failed log-in attempts and require Multi-Source Authentication to recover or reset a password or username.
- Q. A Licensee shall employ a mechanism that places a Sports Gaming Account in a suspended mode in the following situations:
  - 1. When requested by the Player for a specified period of time as a self-exclusion or limiting measure, which shall not be less than seventy-two (72) hours;
  - 2. When required by the TEL;
  - 3. Upon the Licensee's determination or notice from a trustworthy source that a Player is a Prohibited Participant; or
  - 4. When the Licensee knows or has reason to know of any of the following:

- a. Illegal activity;
  - b. A negative account balance;
  - c. Five (5) failed ACH deposit attempts within a 24-hour period; or
  - d. A violation of the terms and conditions has taken place on a Player's Sports Gaming Account.
- R. When a Sports Wagering Account is in a suspended mode, the Player shall be prevented from:
  - 1. Wagering;
  - 2. Depositing funds, unless the reason for the deposit is to clear a negative balance that resulted in suspended mode;
  - 3. Withdrawing funds, unless the reason for the suspended mode would not prohibit a withdrawal;
  - 4. Making changes to the Sports Gaming Account; and
  - 5. Removing the Sports Gaming Account from the Sports Gaming System.
- S. A suspended Sports Gaming Account may be restored as follows:
  - 1. Upon expiration of the time period established by the Player;
  - 2. When permission is granted by the TEL;
  - 3. When the Player is no longer a Prohibited Participant; or
  - 4. When the Licensee has lifted the suspended status.

#### **15.1.9 RULE GOVERNING CAPPED PAYOUT**

The aggregate annual payout of each Licensee shall not exceed 90%.

#### **15.1.10 RULES GOVERNING PARLAY AND PROPOSITION WAGERS**

- A. Parlay Wagers
  - 1. Proposition plays and future Bets can be parlayed.

2. Event outcomes that are directly connected can be parlayed, e.g., moneyline and the point spread of the same Sporting Event.
3. Teasers and Pleasers (type of Parlay Wagers) are allowed if approved by the TEL and addressed in the Licensee's House Rules.

**B. Proposition Wagers**

1. Wagers on individual actions, events, statistics, occurrences, or non-occurrences to be determined during a collegiate Sporting Event are prohibited.
2. In-game Proposition Wagers on the performance or non-performance of a collegiate team are prohibited.
3. Proposition Wagers can be placed on events related to Sporting Events upon approval by the TEL.
4. Proposition Wagers cannot be placed on any type of possible injury.
5. Various forms of Proposition Wagers are allowed if approved by the TEL and addressed in the Licensee's House Rules.

**15.1.11 RULES GOVERNING GLOBAL RISK MANAGEMENT**

The TEL shall be provided with information regarding an intent by a Licensee to utilize Global Risk Management, including a copy of the written agreement for those services. The TEL may reject the use of such services for any reason deemed reasonable in the preservation of the integrity of the Sports Gaming Act.

The following are permissible services which a Sports Gaming Operator or Supplier licensed by a regulatory authority in another jurisdiction may perform in the State of Tennessee:

1. Setting, modifying, or providing risk management advice as it relates to betting odds, point spreads, and lines");
2. Deciding when a Sporting Event should be removed as an option from the list of Interactive Sports Gaming options authorized by the TEL and offered by the Licensee;

3. Determining when the Interactive Sports Gaming action by Players on a particular Sporting Event should be rejected;
4. Determining when it would be desirable to place Layoff Wagers with another licensed Sports Gaming Operator in the State of Tennessee; or
5. Using their special expertise to manage the risks associated with Interactive Sports Gaming in the State of Tennessee.

#### **15.1.12 TENNESSEE EDUCATION LOTTERY CORPORATION SPORTS WAGERING ADVISORY COUNCIL**

The Council shall have the following duties and responsibilities:

1. Advise the Board of best practices with respect to Interactive Sports Gaming;
2. Provide administrative and technical assistance to the TEL;
3. Upon the request of the Board, three members (3) of the Council, as selected by the Board Chair, shall serve as a hearing panel in disputes between Players and Sports Gaming Operators in accordance with the Dispute Resolution Regulations, Rules Section 15.2; and
4. Carry out any other duties as prescribed by the Board.

#### **15.1.13 RENEWAL OF LICENSE**

- A. A Sports Gaming Operator License or Supplier Registration shall be subject to renewal each year on or around the anniversary date of the final approval of the License or Supplier Registration, as applicable, by the TEL Board. Each renewal term of the License and Supplier Registration shall be for one (1) year. A Vendor Registration shall be subject to renewal every three years on or around the anniversary date of the final approval of the Vendor's application for Registration by the TEL Board.
- B. At least sixty (60) days prior to the expiration of the License or Registration term, each Licensee and Registrant shall submit a renewal application form to the TEL. A Licensee shall pay a renewal application fee of Fifty Thousand Dollars (\$50,000). Prior to issuance of the renewal License, the Licensee shall pay in full the Seven Hundred Fifty Thousand Dollars (\$750,000) License fee, to which the renewal application fee of Fifty Thousand Dollars (\$50,000) shall be credited.

- C. At the time the renewal application is filed, a Supplier Registrant shall pay the renewal application fee of Ten Thousand Dollars (\$10,000) and the Vendor Registrant shall pay the renewal application fee of Five Hundred Dollars (\$500).
- D. Each renewal term is subject to an investigation of a Licensee or Registrant. Such investigation shall be in a form and manner as determined by the TEL in its sole discretion.

#### **15.1.14 CHANGE OF OWNERSHIP**

- A. The issuance of a License or approval of a Registration is not a property right and the holder of a License or recipient of a Registration approval obtains no vested rights therein. A License or Registration is not transferrable. If the control of an entity changes, a new License or Registration is required.
- B. A change of control of a Licensee or Registrant shall be deemed to have occurred in the following situations:
  - 1. The Applicant, Licensee, or Registrant enters into any oral or written agreement to perform as follows:
    - a. Sells, transfers, assigns, gifts or donates, or otherwise disposes of more than fifty percent (50%) of its ownership interests;
    - b. Sells more than fifty percent (50%) of the voting stock of a corporation that controls the Applicant, Licensee, or Registrant;
    - c. Sells, transfers, assigns, gifts or donates, or otherwise disposes of all or substantially all of the Applicant's, Licensee's, or Registrant's assets, other than those bought and sold in the ordinary course of business;
    - d. Sells an interest in all or substantially all of an Applicant's, Licensee's, or Registrant's assets, to an individual, group of individuals, or entity not already determined by the TEL to have met the qualifications of a Licensee or Registrant, as applicable.
- C. Licensee or Registrant shall give immediate notice to the TEL of any proposed change of ownership. The TEL, upon receipt of such notice, shall require the Person seeking controlling interest in the Licensee or Registrant and any Persons requiring a finding of suitability to submit a new Application.
- D. Upon receipt of notice of an Application for a new License or Registration due to a pending change of control, the TEL shall perform its standard investigation of the



Person seeking controlling interest in the Licensee or Registrant, together with all relevant Persons requiring a finding of suitability.

- E. While the TEL investigates a change of control, the License or Registration shall remain with the existing Licensee or Registrant, as applicable. In the event the change of control occurs prior to the approval of the TEL, the License or Registration shall be suspended until such time as the TEL approves the change of control.
- F. A change of control of a Licensee or Registrant shall not be permitted or effective unless and until approved by the Board, in its sole discretion.

#### **15.1.15 DENIAL, SUSPENSION, REVOCATION OF OR REFUSAL TO RENEW LICENSE OR REGISTRATION**

The TEL Board may deny, suspend, or revoke a License or Registration if evidence satisfactory to the TEL exists that the Applicant, Licensee, or Registrant committed any of the following disqualifying offenses:

- A. The Applicant, Licensee, or Registrant knowingly made a false statement of a material fact to the TEL or its Board;
- B. The Applicant, Licensee, or Registrant has been suspended or denied from operating a gambling game, gaming device, gaming operation, sports wagering, or Interactive Sports Gaming, or had a license revoked by any governmental authority responsible for the regulation of gaming activities in any jurisdiction;
- C. The Applicant, Licensee, or Registrant has been convicted of or pled guilty to a felony or misdemeanor in any jurisdiction that could affect the suitability of the Applicant, Licensee, or Registrant, as determined by the Board;
- D. The Applicant, Licensee, or Registrant has been convicted of or pled guilty to a gambling-related offense, or a theft, embezzlement, or fraud offense;
- E. The Applicant, Licensee, or Registrant or Person subject to a finding of suitability is a company or individual who has had direct or indirect ownership interest or served as an officer, director, or key executive in a business entity that has been arrested, charged, indicted, convicted, or received notice of civil or criminal investigation or threat of prosecution for illegal or offshore sports gaming activities that serviced the United States or otherwise accepted wagers in violation of state or federal law from individuals located in the United States;
- F. If the Applicant, Licensee, or Registrant has not demonstrated by clear and convincing evidence to the satisfaction of the TEL financial suitability and

responsibility sufficient to adequately meet the requirements of the proposed business for which a License or Registration is obtained;

- G. If a Licensee fails to remit the privilege tax or if any Applicant fails to remit the balance of its application, license, or investigative fees when due;
- H. If the Applicant, Licensee, or Registrant is not the true owner of the business or is not the sole owner and has not disclosed on the application the existence or identity of other persons who have an ownership interest in the business;
- I. If the Applicant, Licensee, or Registrant, without notice and consent of the TEL (which the TEL may withhold, condition, or delay in its sole discretion for any or no reason):
  - 1. Sells more than five percent (5%) of its voting ownership interests, except if a publicly-traded company;
  - 2. Fails to seek a finding of suitability for any Person who is an officer, director, general partner, manager, trustee, or Key Personnel of the Applicant, Licensee, or Registrant or when notified by the TEL that an application for a finding of suitability is required;
  - 3. Sells, transfers, assigns, gifts or donates, or otherwise disposes of all or substantially all of the Applicant's, Licensee's, or Registrant's assets, other than those bought and sold in the ordinary course of business; or
  - 4. Sells an interest in all or substantially all of an Applicant's, Licensee's, or Registrant's assets, to an individual, group of individuals, or entity not already determined by the TEL to have met the qualifications of a Licensee or Registrant, as applicable.
- J. If a Licensee or Registrant, or any Person affiliated with the Licensee or Registrant, commits any violation of the Sports Gaming Act, these Rules, or any other applicable local, state, or federal law or regulation.

#### **15.1.16 REINSTATEMENT OF LICENSE**

[Refer to Dispute Resolution Regulations, Policy 15.2]