## STATE OF VERMONT STATE LOTTERY COMMISSION LOTTERY RULES AND REGULATIONS

## LOTTERY POLICY

The Vermont Lottery Commission shall set policy for the operation of the Lottery. It will consider for action any recommendation for the changes in policy.

The Director shall implement the policy set by the Commission and recommend any changes thereto.

No Commissioner shall benefit personally other than as provided for by law as a result of their position on the Commission. In the event that it should appear that a Commissioner is benefiting from their position on the Commission, it would be discussed at a Commission meeting and the vote taken. Should the vote reflect that a further review is required, the matter would be turned over to the Attorney General's office to investigate any allegations. After the investigation has been completed, the Attorney General shall submit its findings to the Governor in writing. If a Commissioner is found to be in violation of this section and the Governor is satisfied with the Commission's findings, the Governor shall terminate such Commissioner's commission.

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#### DEFINITIONS

(1) "Act" means Title 31, Chapter 14, Part I, of the Vermont Statutes Annotated.

(2) "Agent" or "Sales Agent" means a person and their representative who has been licensed to sell lottery tickets under the Act.

(3) "Commission" means the State Lottery Commission as established by the Act.

(4) "Lottery" or "State Lottery" means the Lottery established and operated pursuant to the Act.

(5) "Person" shall include any natural person, corporation, municipality, the State of Vermont or any department, agency or subdivision of the State, and any partnership, unincorporated association or other legal entity.

(6) "Director" means the Director of the Vermont State Lottery.

(7) "Ticket" means a lottery ticket issued by the State lottery for sale to the general public.

(8) "Claim Center" means a place the winner of an instant prize greater than \$100.00 or and on-line prize greater than \$599.00 can go to fill out the appropriate forms in order to receive payment for the winning ticket.

(9) "Drop Box" is a container (box, jug, etc.) designated by the Lottery as a receptacle for non-winning tickets or any other form of entry as designated by the Lottery for the purpose of special promotions.

#### RULE NO. 2

#### LICENSE ELIGIBILITY AND APPLICATION

(1) The following organizations or persons are eligible for licensing:

- (a) Any bona fide religious, charitable, labor, fraternal, educational or veteran's organization which operates without profit to its members and which has been in existence continuously for a period of 3 years immediately before making application for the license.
- (b) State liquor stores and liquor agencies.
- (c) Operators of racetracks and other sporting arenas.
- (d) Town Clerk offices.
- (e) Any person or corporation holding a current valid business account number with the Vermont Tax Department.

(2) No license as an agent to sell lottery tickets shall be issued to any person to engage in business exclusively as a Lottery Agent.

(3) A person or corporation interested in obtaining a license as an agent shall file an application form as prescribed for appointment as a Lottery Sales Agent with the Commission.

(4) Before issuing such licenses, and agreement signed by the applicant must be on file with the Vermont Lottery. In issuing licenses, the Director shall consider such factors as:

- (a) The financial responsibility and security of the person and their business or activity.
- (b) The accessibility of their place of business or activity to the public.
- (c) The sufficiency of existing licensees to serve the public convenience.
- (d) The volume of expected sales.
- (e) The honesty and integrity of the applicant.

- (f) The veracity of the information supplied in the application for Lottery Sales Agent's License.
- (g) The applicant's indebtedness to the State.
- (h) The business experience and general fitness of the applicant.

(5) The following shall be ineligible for a lottery license:

- (a) Any person who has been convicted of a felony within five years of date of making application;
- (b) Any firm or corporation in which a person defined in (a) has a proprietary, equitable or credit interest of 5% or more;
- (c) Any organization in which a person defined in (a) is an officer, director or managing agent, whether compensated or not;
- (d) Any organization in which a person defined in (a) is to participate in the management or sales of lottery tickets or shares;
- (e) Any person who has not attained the age of majority. (18 years of age).
- (f) An agent's employee under the age of 18 may sell lottery tickets but may not purchase such tickets.

RULE NO. 3

### SPECIAL LICENSES

(1) A special license may be issued subject to such special conditions or limitations as the Director deems prudent and determines to be consonant with the dignity of the State, the general welfare of the people and the dignity and integrity of the Commission. These limitations or conditions include, but are not limited to:

(a) License period.

- (b) Hours or days of sale.
- (c) Location of sale.
- (d) Specific business or organization which may sell tickets.
- (e) Specific sporting, charitable, social or other special events where Lottery tickets may be sold.

(2) A seasonal license may be issued. Said license must be an existing and active agent number and location and the seasonal license will exist only for a predetermined length of time and will be reviewed annually.

(3) The license fee described hereinafter may be waived by the Director if the period of the license does not exceed 30 days.

(4) Agents holding special licenses are subject to all rules promulgated by the Commission.

RULE NO. 4

#### LICENSE REVOCATION

(1) The license is evidence of any agency revocable at will by the Director. The Director may revoke, without notice or a hearing, the license of any agent who violates this Act or any rules or regulations promulgated pursuant to this Act. However, if the Director does revoke a license without notice and an opportunity for a hearing, the Director shall by appropriate notice, afford the person whose license has been revoked an opportunity for a hearing within 30 days after the revocation order has been issued. As a result of any such hearing, the Director may confirm his action in revoking the license, or he may order the restoration of such license. The decision of the Director may be appealed to the Commission. Such appeal must be in writing and must be submitted within 15 days of the Director's decision.

(2) The agent's license may be immediately suspended, revoked or rejected for any of the following causes, or any combination of the same:

- Whenever the agent's application for a license contains knowingly false or misleading information.
- (b) Whenever the agent violates any of the provisions of the Act or the Rules, instructions and directives of the Director of the State Lottery Commission.
- (c) Whenever an agent commits any act which seriously impairs his reputation for honesty and integrity.
- (d) Whenever the agent fails to maintain a reasonable level of sales as determined by the Director.
- (e) Whenever the agent does not display Lottery point-of-sale material in a manner which can be readily seen by the public or fails to make handout materials readily available to the public.
- (f) Whenever the agent is delinquent in making required accounting or fails to pay on a timely basis all monies owed to the state.
- (g) Whenever the agent has been convicted of a crime as specified in Rule No. 2.
- (h) Whenever the agent has been convicted for bookmaking or other forms of illegal gambling.
- Whenever the agent has been found guilty of any fraud or misrepresentation.
- (j) Whenever the agent fails to take reasonable security precautions with regard to the handling of Lottery tickets and other materials.
- (k) Whenever the Director finds that the agent's experience, character and general fitness are such that their participation as an

agent is inconsistent with the public interest, convenience, and necessity.

(3) Upon termination of an agent's license for any reason, the agent shall meet their assigned Lottery Field Representative on a date designated by the Director for the purpose of rendering his final Lottery accounting. Upon the failure of any agent to render their account on or before the designated date, the Field Representative shall immediately notify the Lottery Director.

(4) Upon notice of revocation the agent shall surrender immediately to the Director or their designee their agent's license and other lottery materials supplied to him by the Director.

## RULE NO. 5

### HEARINGS ON REVOCATION OF LICENSE

(1) The Director or Director's designee shall hold hearings required by law and any such person entitled to a hearing before the Director may request such a hearing.

- (2) The request for a hearing shall:
  - (a) Be in writing, signed by the petitioner or attorney in behalf of the petitioner and include the petitioner's mailing address;
  - (b) Specify the rules, action or matter on which the hearing is requested and indicate what relief is desired.

(3) A petition or request to the Director for hearing or other relief, unless otherwise required by law or these rules, must be received by the Director within 20 days after the date of receipt of the notice by the petitioner of revocation of an agent's license.

(4) The Director shall issue an order or directive fixing the date, time and place at which time hearing will be held, and shall give at least five business days' notice to the petitioner and other parties thereto by serving copies of such order or directive upon them personally or by registered mail or give such other notice as may be agreed upon and requested by all the parties.

(5) When the cause is reached for argument at a hearing and the petitioner without sufficient reason fails to appear, such failure may be treated as a withdrawal of the petition or request and the Director may dismiss the petition. The hearing may be adjourned to a future date or other just and proper action taken at the discretion of the Director given the above circumstances.

(6) When the director designates a person other than himself as hearing officer, that person's recommended report and decision containing recommended findings of facts and conclusions of law shall be filed with the Director and mailed to the parties of record, and all parties of record shall have ten days in which to file exceptions, objections and replies hereto, after which the Director shall adopt, review or modify the recommended report and decision.

(7) If the hearing with the Director does not render a decision to restore the agent's license, the agent or agent's attorney may request in writing within 15 days of the Director's decision, a hearing with the Commission. The Commission must schedule within 30 days of the receipt of the petition a hearing. The Commission shall give at least 5 business days' notice to the petitioner and other parties thereto by serving copies of such order upon them personally or by registered mail. The Commission's decision shall be final and binding upon both parties.

#### RULE NO. 6

#### CONDITIONS OF LICENSING

Upon issuance of a license the agent agrees to the following conditions:

(1) To be bound by and comply with the Act and any rules, instructions and directives of the State and State Lottery Commission. An agent shall hold the State and the State Lottery Commission harmless for any liability that results from their agents failure to comply with such act, rules, instructions or directives; (2) To make tickets conveniently available for sale to the public during normal business hours;

(3) To actively promote the sale of all Vermont Lottery products the agent is authorized to sell;

(4) To maintain authorized displays, drop boxes and other materials used in conjunction with sales in accordance with instructions issued by the State Lottery Commission;

(5) To accept responsibility for all instant tickets accepted from the State Lottery or its Field Representatives. All unsold instant tickets and receipts from sales, less the amount retained as commission, and paid out to winners of prizes of <u>\$100.00</u> or less shall be returned to the Lottery or its Field Representatives by the stated deadline. Tickets not returned by the deadline shall be considered to have been sold. At the discretion of the Director, unsold instant tickets from a previously closed out game may be repurchased from an agent;

(6) To maintain current and accurate records of all operations in conjunction with sales in conformity with rules, instructions and directives of the Lottery. The records shall be available to representatives of the Lottery upon request for inspection and audit;

(7) Not to sell tickets at any price greater than that price stated on the ticket;

(8) To immediately report the loss or theft of any Lottery tickets consigned to the agent and their lot numbers to the Lottery and to local law enforcement authorities. (See Rule No. 12).

(9) To redeem winning instant tickets, claim forms must be filed with the commission for winning instant tickets over \$100.00 and on-line tickets over \$599.00. A \$2.00 claim fee will be paid to the agent filing the properly completed claim form.

#### LICENSE TO BE DISPLAYED

(1) Every licensed agent shall display the proper license when asked to do so by any Lottery representative or state or local police.

(2) In addition, the "Authorized Lottery Agent" decal shall be mounted on a prominent public window of the agent's premises.

## RULE NO. 8

#### NONTRANSFERABILITY OF LICENSE

The lottery shall be notified in writing at least 30 days prior to any proposed business change or substantial change in ownership thereof. A substantial change in ownership under this rule means a transfer of 50% or more of the equity of any business licensed pursuant to these rules. If the business to which a license is issued changes its business location or business name, or if the ownership of the business changes, that license terminates as of the date of the change, and a new application for a license shall be made. Every change of business location, business name, or change in ownership shall be reported in writing to the Director at least 30 days prior to the change.

The Director shall also be notified if any change in ownership results in ownership by a person or legal entity prohibited by Rule No. 2.

#### RULE NO. 9

#### LICENSE FEE

(1) The Lottery shall charge a nonrefundable license fee of \$10.00 for each license issued.

(2) A new license fee shall not be charged if a business to which a license is issued changes its location or business name, but does not change substantially in ownership.

(3) As a condition of the license fee for on-line agents the Vermont Lottery Commission agrees to install a telephone line for the operation of the computer terminal at no expense to the agent. Any costs incurred in the change of location of a terminal shall be borne by the agent.

## RULE NO. 10

## BONDING OF AGENTS

The State Lottery Commission may require a surety bond from any agent in such amount as it may determine so as to avoid any monetary loss to the State because of an agent's activities in the sale of tickets. The bond, if required, is a condition of becoming or continuing as an agent. The Lottery may require a financial statement revealing the financial condition of any person or organization seeking to become or continue as an agent. In lieu of any surety bond which the Lottery may require, it <u>may</u> seek any other guarantee or surety consistent with the Act, including the acquisition of a blanket bond.

## RULE NO. 11

#### LICENSE EXPIRATION AND RENEWAL

An agent's license remains in full force and effect until such time as the agent terminates their relationship with the Lottery; or until the license is terminated by a change of ownership; or until the license is terminated by the Lottery for cause.

## RULE NO. 12

## LOST, STOLEN, DAMAGED TICKETS

(1) Stolen or lost tickets are considered void and shall not be eligible to win a prize. Whenever tickets are stolen or lost while in the possession of a Lottery agent, the agent will pay the Lottery for all such tickets less 5% commission. Agents will be responsible for filing claims with their insurance companies in the event that tickets are lost or stolen while in their possession. (2) The agent is responsible for reporting said event to the Lottery and local law enforcement authorities within 48 hours and must pay for the tickets on settlement date.

(3) The agent responsible for the tickets must be able to provide the Lottery with the lot numbers of said tickets, as well as such information as deemed necessary by the lottery to appropriately process a Vermont Lottery Commission affidavit.

(4) In the case of theft, should the lottery tickets be recovered by the police, the agent is not liable for payment and will be issued a credit by the Lottery for the tickets recovered.

(5) Stolen tickets shall be removed from the pool in question and shall not be entitled to any prize.

(6) In the case of mutilated tickets, an agent may be issued a credit for a mutilated ticket provided that the Lottery finds it to be a valid claim. In any event a mutilated or altered ticket is invalid and not eligible to win a prize.

(7) Where an agent has been issued a credit for recovered stolen tickets or mutilated tickets, he must agree to hold the Lottery harmless.

(8) If, in the judgment of the Director, there are extenuating circumstances involved that situation will be evaluated on an individual basis.

RULE NO. 13

#### SALE BY LOTTERY DIRECTLY

The State Lottery may sell tickets at any selling point it establishes in the State.

RULE NO. 14

## SALE, INSPECTION, COMPENSATION, DEPOSITORIES AND TICKET PURCHASES

(1) All tickets, accepted by an agent from the Lottery or its authorized representatives, are deemed to have been purchased by the agent, unless returned to the Lottery at or prior to the official closing of the particular game account.

(2) No lottery ticket may be sold by a licensed Vermont Lottery agent unless the ticket has first been issued to the agent by the Vermont Lottery Commission.

(3) Tickets shall be sold only on the premises at the specific location named in the license or attachments thereto.

(4) An agent shall allow inspection of his premises at any time upon reasonable request of authorized inspectors of the Lottery. The inspections may be made without prior notice to the agent.

(5) An agent is entitled to a 5% commission for tickets sold.

(6) All licensed agents shall be entitled to a bonus prize not to exceed 1% of the prize of a claimed winning ticket they sell (\$500.00 or higher). The maximum amount payable under this rule is \$30,000. A \$2.00 claim filing fee will be paid to an agent for properly filing the claim form called for in Rule No. 6 (9).

(7) The Director may, with the approval of the Commission, award additional cash prizes or other incentives from time to time to sales agents.

(8) An agent shall deposit into their EFT account on a timely basis all monies received from the sale of tickets less the amount of commissions, fees and such sums of money retained as compensation and paid out to winners of instant prizes of \$100.00 or less and on-line winners of \$599.00 or less. The agent shall file with the Lottery, or its Field Representative reports of receipts and transactions in the sale of tickets and payment to winners in such form and containing such information as the Lottery may require. In this connection, an agent shall refer to directives and instructions to authorized agents made available by the Lottery.

#### SUBSCRIPTION LOTTERY TICKETS

(1) The Director of the Lottery, with the approval of the Commission, shall be authorized to prepare subscription lottery tickets for sale to the public. Subscription tickets shall be sold on a semi-annual (26 weeks) and annual (52 weeks) basis. The Director shall determine the price of subscription tickets and at the Director's discretion, with the consent of the Commission may discount the cost to the public of a subscription series. The duration of the eligibility of each subscription ticket shall be printed on the ticket.

(2) In the event that a Lottery game for which subscription tickets have been sold is discontinued, the Lottery shall, at the discretion of the Director, issue to all subscription ticket holders tickets for an active lottery at comparable value or cash refunds for the period of subscription beyond the termination date of the game.

(3) Subscriptions can be sold to non-Vermont residents. The Lottery can accept telephone orders with valid credit cards. All receipts will be shipped by common carrier.

RULE NO. 16

## INSTANT LOTTERY TICKETS

(1) The director of the Lottery, with the approval of the Commission, shall be authorized to prepare instant lottery tickets for sale to the public.

(2) The duration of any instant lottery game shall be determined by the Director and announced in appropriate directives.

(3) Printed on each ticket shall be a series of numbers or symbols concealed from view. According to the procedures as announced with each instant game, matching or adding the proper symbols or numbers when revealed shall entitle the bearer of a valid ticket to the prizes indicated on the ticket and in accordance with the prize structure previously announced in appropriate directives. No weekly drawing shall be required to determine the winner of the instant lottery tickets. However, drawings may be held to determine winners of prizes in any instant lottery game.

## RULE NO. 17

## ON-LINE LOTTERY TICKETS

(1) On-line lottery games shall be of the daily, weekly or bi-weekly drawing variety and shall be sold at a price to be determined by the Commission. Tickets shall be imprinted with the amount of the wager or price of the ticket as well as the drawing date or dates. All ticket sales must be made through an official on-line terminal.

(2) Tickets shall be sold only be licensed, on-line Lottery agents pursuant to the regulations set forth in the Agent Agreement and Application For Sale of On-Line Lottery Tickets.

(3) No Lottery agent shall be entitled to sell on-line lottery game tickets unless the agent has first signed the Agent Agreement and Application for Sale of On-Line Tickets.

RULE NO. 18

## PRIZE STRUCTURE

(1) The prize pool shall be no less that 50% of gross receipts.

- (2) The prize pool shall be used to:
  - (a) Pay winning ticket holders.
  - (b) Pay special prizes or bonuses as specified by the Director, with the approval of the Commission.

(3) The Director shall determine the distribution of the prize pool, and after approval from the Commission shall announce the prize structure in appropriate directives. (4) Prizes which are unclaimed for a period of one year from the official ending date of a game or the drawing date on the ticket shall revert to the Prize Pool.

### RULE NO. 19

## DRAWINGS

(1) From time to time drawings may be used to award prizes. When the field of finalists is drawn, a later date shall be set for the final drawing. This date will be at least 30 days later unless circumstances make an earlier date preferable. Verified finalists shall be invited to attend or send representatives or have the Lottery represent them at the drawing. The Lottery, upon verification of winners, will pay them the amounts specified at the drawing.

(2) Drawings shall be held in public and be open to representatives of the media.

(3) Open mechanical devices in full view of the public shall be employed to determine winning numbers/finalists.

(4) The Lottery may award prizes of cash or merchandise as door prizes at drawings.

(5) The Director shall determine the procedures for each drawing and announce them in appropriate directives prior to the drawing.

(6) No individual will be eligible for more than one entry in a final drawing.

RULE NO. 20

## PRIZE PAYMENT AND CLAIMING OF PRIZES

(1) All instant prizes of \$100.00 or less shall be paid directly by Instant Sales Agents, and all on-line tickets up to \$599.00 shall be paid directly by the On-Line Sales Agents. The claimant shall present the winning ticket to the agent, fill out their name and address on the back of the ticket, and show identification. The agent, after examining the ticket and confirming that it has not been altered and verifying that the ticket is a valid winning ticket shall pay the claimant or their continued authorized agent directly.

(2) All other prizes will be paid centrally by the Lottery, either at Lottery Headquarters or by means of a mailed-in claim form from a claim center. The Claimant shall visit an authorized claim center with identification and the winning ticket. At the claim center, a claim form will be filled out and signed by the claim center clerk and the claimant or their authorized agent. The claimant shall receive a copy of the claim form as a receipt. The winning ticket and a copy of the claim form will be sent to Lottery Headquarters for verification. When the ticket is verified as a winning ticket, the prize will be sent to the claimant.

(3) Prize payment warrants will be made out to only a single payee.

(4) Lottery clubs, charitable organizations, corporations, and other persons shall be eligible to purchase lottery tickets. However, in the case of prizes for life, such persons shall be entitled only to the minimum guaranteed prize.

(5) Cash prizes must be claimed within one year. Unclaimed prize money shall be retained by the Lottery for one year after the date the prize was won.

(6) All prizes paid shall be exempt from all state, county, municipal and local taxes.

RULE NO. 21

#### ELIGIBILITY TO BUY

(1) Lottery tickets may only be sold to persons who have reached the age of majority (18 years of age).

(2) Tickets may be purchased by, but no prize paid to any of the following persons:

(a) Any member of the Commission or any officer or other person employed by the Commission or by the Lottery to include any officer and employees of any advertising or public relations agency or any consultant employed by the Lottery.

(b) Any person residing as a member of the same household in the principal place of residence of any such persons above.

RULE NO. 22

## SEVERABILITY OF PROVISIONS

The provisions of any rules or regulations contained herein are severable. If any provision of a rule or regulation is invalid, or if any application thereof to any person or circumstance is invalid, the invalidity shall not affect other provisions or applications which can be given effect without the invalid provision or application.