

**Operational Rules
Arkansas Scholarship Lottery**

FILED
REGISTER DIV.
10 AUG 27 AM 8:53
CHARLETT CANNELL
SECRETARY OF STATE
STATE OF ARKANSAS
BY _____

Preface: The purpose of these rules is to establish the policies and procedures regulating the conduct and operation of the Arkansas Scholarship Lottery; to make certain that the lottery is operated with dignity and integrity; and to ensure that the citizens of Arkansas maintain trust and confidence in the Arkansas Lottery Commission (ALC). These rules are promulgated under the authority of Arkansas Code Ann. § 23-115-205.

Section 1. Definitions.

- 1.1 "Act" means the Arkansas Scholarship Lottery Act (Act 606 of 2009).
- 1.2 "Administrative order" means the final disposition of the Arkansas Lottery Commission in any matter other than a claim in contract or tort, including without limitation bid protests and retailer licensing in which the Arkansas Lottery Commission is required by law to make its determination after notice and a hearing.
- 1.3 "ALC" means the Arkansas Lottery Commission as created by the Act.
- 1.4 "Applicant" means a natural person, corporation, partnership, unincorporated association, or other legal entity.
- 1.5 "Banks" means and includes all commercial banks, mutual savings banks, savings and loan associations, credit unions, trust companies, and any other type or form of banking institution who are authorized to do business in the state of Arkansas and that are designated to perform banking institution functions, activities, or service in connection with the operations of ALC for the deposit and handling of lottery funds, the accounting of the funds and the safekeeping of records.
- 1.6 "Bar code validation" means a system which allows any winning lottery ticket, printed with computer readable bar codes for a prize amount as determined by the Commission, to be read electronically at any claim center or lottery retailer location and paid by the retailer regardless of where the player purchased the ticket.
- 1.7 "Certified Drawing" means a number selection event about which the ALC and an independent certified public accountant attest that the drawing equipment functioned properly and that a random selection of a winning combination occurred.

- 1.8** "Claims Center" means the ALC claims center located at the ALC Main Office in Little Rock, Arkansas, or any other location authorized by the ALC to validate and pay a winning ticket.
- 1.9** "Commission" or "Commissioner" means the individual(s) appointed as members to the ALC under Arkansas Code Ann. § 23-115-201 et seq.
- 1.10** "Compensation" means any money or anything of value received or to be received as a claim for services, whether in the form of a retainer, fee, salary, expense, allowance, forbearance, forgiveness, interest, dividend, royalty, rent, or any other form of recompense or any combination thereof.
- 1.11** "Debt" means a liquidated sum due and owing any claimant agency when the sum has accrued through contract, subrogation, tort, or operation of law regardless of whether there is an outstanding judgment for the sum; or sum that is due and owing any person and is enforceable by the State of Arkansas.
- 1.12** "Depository" means any entity, including a bank or state agency, performing activities or services in connection with the operation of the ALC for the deposit and handling of lottery funds, the accounting for lottery funds, and the safekeeping of tickets.
- 1.13** "Drawing" means the procedure used to select the winning numbers or combination of numbers in accordance with the game rules of the particular lottery game.
- 1.14** "Employee" means a person who is an employee of the ALC unless the context clearly indicates otherwise.
- 1.15** "Director" means the individual appointed by the ALC to initiate, operate, supervise, and administer the ALC lottery games.
- 1.16** "Game" means any individual or particular type of lottery game authorized by the ALC pursuant to the Act including but not limited to instant games and online games.
- 1.17** "Immediate family" means the father, mother, sister, brother, husband, wife, child, grandmother, grandfather, grandchild, father-in-law, mother-in-law, sister-in-law, brother-in-law, son-in-law, daughter-in-law, stepchild, grandmother-in-law, grandfather-in-law, step grandchild, or any individual acting as parent or guardian.
- 1.18** "Instant Game" means a game in which a ticket is purchased and upon removal of a latex covering or other covering on the front or back of the ticket or the opening of the sealed ticket, the ticket bearer determines his or her winnings, if

any, which are payable upon presentation to a lottery retailer, claims center or another entity approved by the ALC.

- 1.19 "Instant Ticket" means a printed card or slip purchased for participation in an instant game.
- 1.20 "Legal Owner" means the individual(s) whose name(s) appear on the ticket or share in the space designated for "Name" or in the absence of such entry the bearer of the ticket or share.
- 1.21 "Lottery" or "Lottery Game" means the public gaming system or games established and operated by ALC.
- 1.22 "Lottery Retailer" or "Retailer" means any person licensed by the ALC to sell and dispense instant tickets and materials or lottery games.
- 1.23 "Lottery Ticket" or "Ticket" means tickets or other tangible evidence of participation used in lottery games pursuant to the Act.
- 1.24 "Online Game" means a state or multi-state lottery game in which a player pays a fee to a lottery retailer and selects or uses a computer terminal to select a combination of digits, numbers, or symbols, the type and amount of play, and the drawing date, and receives a computer-generated ticket with those selections printed on it.
- 1.25 "Online Terminal" means the electronic computer terminal through which a lottery retailer enters the combination of digits, numbers, or symbols selected by a player and by which online tickets are generated and claims are validated.
- 1.26 "Online Ticket" means a computer-generated ticket issued by a lottery retailer to a player as a receipt for the combination of digits, numbers, or symbols selected.
- 1.27 "Person" means an individual, association, corporation, club, trust, estate, society, governmental entity, company, joint stock company, receiver, trustee, assignee, referee, and anyone acting in a fiduciary or representative capacity, whether appointed by a court or otherwise, and any combination of human beings.
- 1.28 "Player" means any individual who purchases or is given a lottery game from a retailer or the ALC.
- 1.29 "Prize" means any award, financial or otherwise, awarded by the ALC.
- 1.30 "Random number generator" means a computer driven electronic device capable of producing numbers at random.

- 1.31** "Share" means any intangible evidence in participation in a lottery.
- 1.32** "Ticket Bearer" means the person who has signed the ticket or has possession of the unsigned ticket.
- 1.33** "Ticket Number" means the preprinted number found on the back of each ticket which identifies that particular ticket as one (1) of a series of tickets.
- 1.34** "Ticket Pack Number" means the printed number or numbers appearing on the back of each ticket.
- 1.35** "Ticket Vending Machine" ("TVM") means a player self-service machine that can:
- (a) Sell both online tickets and instant tickets;
 - (b) Report real-time sales of both online tickets and instant tickets, low and empty bins, a full cash box, jammed tickets, diagnostic and error messages, and low paper stock, to the central system;
 - (c) Check and validate online tickets and instant tickets;
 - (d) Provide for either the cashing of online tickets and instant tickets via voucher, or other payment method provided to a player, which can be negotiated at retail or used on the TVM for a continued lottery play; and
 - (e) Provide for age control play as specified in Arkansas Code Annotated § 23-115-402(e)(1) and (2).
- 1.36** "Unclaimed Prize" means the prize on a winning ticket for which no claim is made within the required time period after the drawing or winner selection event which made the ticket a winning ticket.
- 1.37** "Unclaimed Prize Account" means the ALC account to which unclaimed prizes are transferred.
- 1.38** "Validation" means the process of determining whether an instant or online ticket presented for payment is a winning ticket.
- 1.39** "Validation Number" means the multi-digit number found on the face of the ticket. There must be a validation number on each ticket.
- 1.40** "Vendor" means a person who provides or proposes to provide goods or services to the ALC under a procurement contract. "Vendor" does not include:
- (a) An employee of the ALC;

- (b) A retailer; or
- (c) A state agency or instrumentality.

- 1.41** "Working papers" means the programming parameters and specific details for each game, including the identification of the game, ticket price and prize structure.
- 1.42** "Website" means the ALC's lottery address at <http://myarkansaslottery.com/> or any other website that may be specified by the ALC.
- 1.43** "Winner" means the holder of a lottery ticket determined to have the required match or the specific alignment of the play numbers, digits or symbols, the required sum of the play numbers or digits in accordance with the game rules for the specific game, or a redeemable prize amount indicated on its face.
- 1.44** "Winner selection" means the drawing process used by the ALC to select the winning numbers in online games.
- 1.45** "Winning Combination" means numbers or symbols chosen during the drawing process used by the ALC to select the winning numbers in online games.

Section 2. Authority of Director.

Notwithstanding the authority and duties listed in Arkansas Code Ann. § 23-115-302 or other such responsibilities and duties designated by the Commissioners, the Director of the ALC may:

- (a) Cancel or postpone any promotion at any time;
- (b) Contract with and license retailers for the sale of lottery games and shares;
- (c) Direct the distribution of on-line terminals, ticket stock, and supplies shipped directly from the manufacturer or supplier to an authorized retailer;
- (d) Determine the price paid for all lottery games and shares;
- (e) Determine the types of online and instant games to be offered for sale at retailers, including any necessary game rules for the proper administration of the games;
- (f) Establish a procedure for the disposition of unsold lottery games;
- (g) Develop and determine the working papers of each lottery game;

- (h) Announce the time for the end of sales prior to the drawings for each type of online game;
- (i) Designate the type of equipment to be used for each online game;
- (j) Establish procedures to randomly select the winning combinations for each type of online game, and require the presence of an independent accountant or other third party to witness all pre- and post-drawing tests, and the drawing or winner selection;
- (k) Determine the location, times, and days of prize drawings and promotions;
- (l) Determine the manner and frequency of online game drawings;
- (m) Establish game rules and procedures governing the conduct of drawings for each instant and online game;
- (n) Investigate and conduct hearings pursuant to a consumer complaint;
- (o) Make the final decision on whether any prize is paid or any annual prize payment is made;
- (p) Enter into any contracts for annuities;
- (q) Hold copyrights, trademarks, and service marks and enforce ALC's rights with respect to them;
- (r) Enter into written agreements with one or more states or sovereigns for the operation, participation in marketing, and promotion of a joint lottery or joint lottery games;
- (s) Perform other duties and powers necessary or convenient to carry out and effectuate the purposes and provisions of the ALC and those generally associated with a director of an entrepreneurial business enterprise; and
- (t) Take any other action necessary for the efficient and effective operation of the lottery.

Section 3. Use of ALC/Arkansas Scholarship Lottery Trademarks.

- A. Lottery retailers may use, and display the lottery logo, trademark, and other advertising materials without charge to the user or compensation to ALC for its use.

- B. Any use of the lottery logo or other trademarked or copyright materials, other intellectual property, or copy in advertising or production of consumer articles requires a prior written request and execution of the retailer contract.
- C. The Director may exercise supervision over the quality of the materials produced under trademark licensing agreement and may require as a condition to continuation of the license, changes in quality of the goods or material produced.
- D. The Director or his or her designee may at any time terminate an agreement to license in the event that the licensee fails to meet the requirement of the agreement, or in the event that the continuation of the license is not considered to be in the best interest of ALC or of the State of Arkansas.
- E. The logo shall not be modified in any way, including a change in color without the express written approval from the Director or his or her designee prior to its use.

Section 4. Draw Integrity.

- A. Subject to the approval of the Director, the ALC's Director of Security shall designate a Drawing Manager. Lottery drawings shall be conducted pursuant to the procedures developed by the Drawing Manager in consultation with the Director of Security and as approved by the Director. Drawing procedures shall include provisions for the substitution of back up drawing equipment or methods in the event primary drawing equipment malfunctions or fails for any reason and procedures for completing a drawing that is interrupted due to equipment malfunction or operator error.
- B. The ALC may use any type of equipment or method, including electronic or manual equipment and any variety of existing or future methods or equipment, for determining the winner or winning combination in any lottery game that involves a drawing.
- C. The ALC shall ensure the security and integrity of any electronic drawing equipment used to determine a winner or winning combinations. Any electronic connections to this equipment must be made by a secure method. The ALC shall test the equipment as needed to ensure proper operation and lack of tampering or fraud. The ALC shall have its random number generators, or any other computer-driven or computer-assisted device used for a drawing, statistically analyzed, tested, and certified by an independent, qualified statistician for integrity.
- D. The ALC shall ensure the security and integrity of any manual equipment used to determine a winner or winning combinations. Any manual equipment used by the lottery to determine a winner or winning combinations must be inspected by an independent certified public accountant or the professional representative of an independent certified public accountancy organization and an employee or

agent of the ALC before and after the drawing. The drawing and such inspections must be recorded on video and audio tape. Any drawing using manual equipment must be witnessed by an independent certified public accountant, a professional representative of an independent certified public accountancy organization or the applicable state entity.

- E. The ALC may use random number generators to determine winning numbers for lottery games.
- F. Subject to the approval of the Director, the ALC's Director of Security shall establish procedures to ensure the physical security of the ALC's drawing equipment and shall specify the individuals who shall have physical access to that equipment. Any random number generator, or any other computer-driven or computer-assisted device used by the ALC to determine winners or winning combinations, shall be kept in a sealed enclosure within a secure area. Any person who enters the sealed enclosure must have permission from ALC Security and be escorted by an ALC Security Section officer or employee.
- G. If, during a game drawing, an equipment failure or operator error causes an interruption in the selection of numbers or symbols, the Drawing Manager will declare a technical difficulty. Any number drawn prior to the declaration of a technical difficulty will stand and be deemed official when verified by the Drawing Manager. The drawing will be completed as set forth in the Drawing Manager procedures.
- H. The Director will delay payment of all prizes if any evidence exists or there are grounds for suspicion of equipment malfunction, tampering, or fraud. In such event, the ALC will not pay any prize until the ALC completes an investigation and the Director approves the drawing and authorizes payment. If the Director does not approve the drawing, it will be void and the ALC will conduct another drawing to determine the winner or the winning combinations.

Section 5. Sale of Lottery Games and Shares.

- 5.1 Generally.** Any person who buys or accepts a lottery game or otherwise participates in the lottery agrees to be bound by all laws, rules, regulations and policies of that particular lottery game and ALC including the Act. All players or persons purchasing or possessing any lottery ticket or share must comply with and are bound by all applicable laws, rules, and procedures and any additional terms and conditions found on the ticket or share itself. In the event of a conflict between the ALC's rules and additional terms and conditions found on the back of a ticket or share, the rules control.

5.2 Eligibility.

- A. Lottery games or tickets may only be sold to an individual who is eighteen (18) years old or older.
- B. A lottery game or share may not be purchased by any:
 - 1. Commissioner, Commissioner's immediate family, or employee of the ALC;
 - 2. Immediate family member of a Commissioner or employee of the ALC; or
 - 3. An officer, employee, agent, or subcontractor of an ALC vendor; or the immediate family of an officer, employee, agent, or subcontractor of an ALC vendor that has access to confidential information that may compromise the integrity of a lottery.
- C. Nothing in this section shall be construed to prevent a person who lawfully purchases or possesses a lottery ticket or share from making a gift of such ticket or share to another person who could lawfully purchase or possess a lottery game.

5.3 Sales Locations. Unless authorized, lottery games or shares may only be sold by a lottery retailer at the location listed in the retailer contract. The Director may also designate its agents or employees to sell lottery tickets or shares directly to the public, either in person or through electronic means at any location authorized by the lottery.

5.4 Price. Unless authorized to do so in writing by the Director, a person shall not sell a ticket or share at a price other than established by the Director. The Director may designate its agents or employees to sell or give lottery games or shares directly to the public.

5.5 Sales Are Final. The sale of all lottery tickets and shares is final and no ticket returns are to be accepted by the retailer. A player may not return a lottery ticket or share for a refund of the purchase price or exchange unless the specific game rule provides otherwise. Where a specific rule provides that the purchaser of a lottery ticket or share may cancel the purchase, the following is the procedure for cancellation:

- (a) To cancel a purchase of a lottery ticket or share, the player must return it to the selling retailer on the day of purchase before wagers are disabled prior to the first drawing or other winner determination time as applicable.
- (b) The player shall receive a refund from the retailer equal to the purchase amount of the lottery ticket or share.

(c) If a lottery ticket or share cannot be cancelled because the ALC's central computer system does not record the cancellation in a timely manner due to a mechanical or electronic transmission malfunction, credit may still be given to the retailer provided the following steps are taken:

- (1) The retailer attempts to cancel the lottery ticket or share before wagers are suspended and a computer record of the attempt is created.
- (2) The retailer calls the Retailer Services Hotline and gives the lottery ticket or share's identifying number to the operator, and
- (3) The retailer mails the lottery ticket or share to the ALC within two weeks from the date of purchase.

5.6 Tickets or Shares. Notwithstanding any other rule, tickets or shares cannot be cancelled under any circumstances.

5.7 Future Drawings. A player may purchase a ticket or tickets for future consecutive drawings to the extent permitted by the ALC for each lottery game. The player must specify at the time of purchase that the ticket or tickets include future consecutive drawings. However, no lottery games or shares may be sold after the commencement of a drawing. The date of the drawing shall be printed on all tickets except instant tickets.

5.8 Player Error. The ALC is not liable for lottery tickets or shares that are purchased in error. It is the responsibility of the player to verify at the time of purchase that he/she in fact received what was requested and to rectify any discrepancy immediately. If a defective ticket is purchased, the only responsibility or liability of the ALC is the replacement of the defective ticket with another unplayed ticket or tickets of equivalent sale price from any other current game.

Section 6. Lottery Tickets or Shares.

6.1 Bearer Instrument. Except for a lottery ticket or share claimed jointly in accordance with the provisions of this rule, until such time as a name of an individual or individuals is imprinted or placed upon a lottery ticket or share in the area designated for "Name," the ticket or share is a bearer instrument and is owned by the bearer of the ticket or share. When a name or names is placed on the ticket or share in the designated place, the ticket or share ceases to be a bearer instrument and only the individual whose name appears in that area is the legal owner of the ticket or share. Only an individual or individuals may own a ticket or share and claim a prize.

6.2 Ticket Validation Requirements. Any lottery games or shares not passing all the validation requirements in this section and the specific validation requirements contained in the rules for its specific game are invalid and ineligible for any prize. Once validated, a lottery retailer must deface the lottery game in the manner prescribed by the Director or his designee.

6.3 Instant Tickets. An instant ticket must meet all of the following requirements in order to be considered valid and payable:

- (a) The instant ticket was issued in an authorized manner;
- (b) The instant ticket is not altered, mutilated, unreadable, reconstructed, or tampered with in any manner;
- (c) The instant ticket is not counterfeit in whole or in part;
- (d) The instant ticket is not stolen nor appears in any list of omitted instant tickets on file with the ALC;
- (e) The instant ticket is complete and not blank or partially blank, miscut, misregistered, defective, or printed or produced in error;
- (f) The instant ticket has the correct number of play symbols in the correct position. The symbols must be present in their entirety, legible, right-side up, and not reversed in any manner;
- (g) The validation number of an apparent winning ticket appears on the ALC's official list of validation numbers of winning instant tickets; and an instant ticket with that validation number has not been previously paid; and,
- (h) The instant ticket passes all additional confidential validation requirements.

6.4 Online Games.

A. An instant online ticket must meet all of the following requirements in order to be considered valid:

- 1. All printing on the ticket shall be present in its entirety, be legible, and correspond, using the computer validation file, to the combination and date printed on the ticket. The ticket is not valid unless the ticket number and other information are recorded in the ALC computer and transaction master file;
- 2. The ticket shall be intact;

3. The ticket shall not be altered, mutilated, unreadable, reconstructed, or tampered with in any manner;
 4. The ticket shall not be counterfeit or an exact duplicate of another winning ticket;
 5. The ticket shall have been issued by an authorized retailer in an authorized manner;
 6. The ticket shall not have been stolen or canceled;
 7. The ticket shall not have been previously paid; and
 8. The ticket shall pass all other confidential security checks of ALC.
- B. The Director may replace an invalid online ticket with an online ticket for a future drawing of the same game. The Director at his or her discretion may pay the prize for a ticket that is partially mutilated or is not intact if the online ticket can still be validated by the other validation requirements.

Section 7. Sale of Tickets or Shares by use of Electrical or Mechanical Devices.

7.1 Ticket Vending Machines (TVM). The ALC may sell lottery tickets or shares by use of Ticket Vending Machines with the following specifications:

- (a) TVM must be capable of dispensing instant ticket games, online games, and other related materials and information;
- (b) TVM must be capable of validating a player's age, using a government-issued form of identification;
- (c) TVM must be capable of accepting U.S. currency and accumulating player credits;
- (d) TVM must have a method of immediate machine deactivation to monitor potential underage play; and
- (e) TVM must have an auxiliary power source for continuous electrical power.

7.2 Procedures and Requirements. All ALC retailers shall follow the following procedures and requirements to prevent the use of electronic or mechanical devices by an individual under eighteen (18) years of age:

- (a) No individual under eighteen (18) years of age shall use a TVM for any purpose, including but not limited to, the purchase of lottery tickets or shares from the ALC;

- (b) TVM machines must have an underage gambling notification prominently placed on the TVM directly above the currency acceptor. This notification shall state that it is against the law for an individual to play if under eighteen (18) years of age.
- (c) The TVM must be placed in a location agreed upon by the ALC and the retailer that is in the direct line of sight of a work area staffed during all hours the retailer location is open to the public. The retailer shall agree, pursuant to the retailer contract, not to relocate the TVM without prior permission from the ALC.
- (d) Each TVM shall be equipped with a remote control device capable of temporarily terminating the ability of the TVM to sell lottery products.
- (e) All retailers using TVM machines to sell lottery products shall be trained in procedures related to the use, operation, and monitoring of the TVM and disabling the TVM either via remote control or other reasonable means if an individual under eighteen (18) years of age attempts to operate the unit or if the TVM is not being properly monitored.
- (f) The TVM remote control shall be provided to the authorized agent responsible for monitoring underage play. The remote control may be used to activate an alarm when individuals who appear to be under the age of eighteen (18) are attempting to purchase lottery products or are loitering about the TVM.
- (g) The TVM must be equipped with internal hinges and an alarm for notification of tilt or unauthorized access.
- (h) Any retailer selling lottery products with a TVM shall not perform maintenance on the TVM and is required to notify the ALC immediately in the event of a TVM malfunction.

Section 8. Payment of Prizes.

8.1 Procedures.

- A. A legal owner may present the winning ticket for a prize not exceeding five hundred dollars (\$500) to any retailer, an ALC approved claim office, the ALC Main Office or may mail the signed ticket to the ALC for payment. Prizes shall be paid during the normal business hours of the retailer. If the claim cannot be validated, the claimant must fill out an ALC claim form and mail or present to the ALC the completed form with the disputed ticket. A check shall be forwarded to the claimant for payment of the amount due if the claim is validated. In the event

that the claim is not validated, the claimant shall be promptly notified that the claim is denied.

- B. A legal owner of a prize of more than five hundred dollars (\$500) shall complete a claim form and submit the form with the winning ticket either in person at an ALC claims center or by mail to the ALC Main Office. Upon validation, a check shall be forwarded to the claimant in payment of the amount due. ALC will deduct from the amount due any required federal and state income tax withholdings and any withholding required by Arkansas Code Ann. §23-115-1001 et seq. In the event that the claim is not validated, the claim shall be denied and the claimant shall be promptly notified that the claim is denied.
- C. The Director may require claims of one million (\$1,000,000) dollars or more to be redeemed at the ALC Main Office.
- D. For any winning prize redeemed at the ALC Main Office, payment will be made by check, with the exception of a prize that is merchandise.
- E. The ALC is not liable for any lost or misdirected winning tickets sent by mail.
- F. The ALC shall make available a list of all winning numbers for the fifty-two (52) previous weeks.

8.2 Restrictions on Eligibility of Prizes. The following are not eligible to redeem any lottery prize:

- (a) Any individual under eighteen (18) years of age;
- (b) Any individual incarcerated in:
 - (1) The Department of Correction;
 - (2) The Department of Community Correction; or
 - (3) A county or municipal jail or detention facility.
- (c) Any Commissioner or employee of the ALC or their immediate family members;
- (d) Any officer, employee, agent, or subcontractor of an ALC vendor; or immediate family of the officer, employee, agent, or subcontractor of an ALC vendor if that officer, employee, agent, or subcontractor has access to confidential information that may compromise the integrity of a lottery.

8.3 Time Period for Redemption. The Director may at any time alter the time periods for redemption of a lottery prize. If a valid claim is not made for a cash lottery prize within the applicable period, the cash lottery prize constitutes an

unclaimed lottery prize. A holder of a winning ticket must claim the prize within the following time periods:

- (a) To claim an online game prize, the claimant must submit the winning online ticket for validation at a lottery office or retailer on or before the 180th day after the winning drawing. If the ticket has remaining drawings, a continuation ticket will be issued. If mailed, the envelope containing both the ticket and claim form, if required, must be postmarked on or before the 180th day after the winning drawing.
- (b) To claim a scratch-off/instant game prize, the claimant must submit the winning scratch-off/instant ticket for validation at a claims center or retailer on or before the 90th day after the official end of game. If mailed, the envelope containing both the ticket and claim form, if required, must be postmarked on or before the 90th day after the official end of the game.

8.4 Tax Liability. Proceeds of a lottery prize are subject to federal and Arkansas state income tax. Each United States resident who is to receive a payment of winnings greater than \$600 shall furnish to the ALC the information required on the Internal Revenue Service Form W-2G (or any other form required by the IRS) including but not limited to the winner's name, address, and social security number. This disclosure is mandatory and the authority for such disclosure is 42 USC 405(c) (2) (C), 26 CFR 31.3402(q)-1(e), and Arkansas Code Ann. § 23-115-403. A winner's social security number will only be used for the purpose of transmitting the prize amount to the appropriate taxing authorities, and identifying individuals subject to Debt Set Off procedures set forth in Section 8.13.

8.5 Prizes Non-Assignable. A lottery prize, any portion of a lottery prize, or any right of any individual to a lottery prize is not assignable, except that the payment of any prize drawn may be paid to the estate of a deceased prize winner pursuant to an appropriate judicial order.

8.6 Prizes Payable after Death. A lottery prize or any portion of a lottery prize remaining unpaid at the death of a lottery prize winner shall be paid to the estate of the deceased lottery prize winner or to the trustee of a trust established by the deceased lottery prize winner as settlor if:

- (a) A copy of the trust document or instrument has been filed with the ALC along with a notarized letter of direction from the settlor; and
- (b) No written notice of revocation has been received by the ALC before the settlor's death.
- (c) Following a settlor's death and before any payment to a successor trustee, the ALC shall obtain from the trustee a written agreement to indemnify and

hold the ALC harmless with respect to any claims that may be asserted against the ALC arising from payment to or through the trust.

- (d) Under an appropriate judicial order, an individual shall be paid the Lottery prize to which a winner is entitled.
- (e) The Director reserves the right to petition any court of competent jurisdiction to determine the proper payment of any prize winnings due to a deceased prize winner.
- (f) If any lottery prize is properly owned by an individual under eighteen (18) years of age, such as through inheritance, it must be paid to the parent, guardian or custodian of such person under the Arkansas Uniform Transfers to Minors Act.

8.7 Issuance of Prizes to Multiple Owners.

- A. All individuals claiming ownership of the winning lottery ticket or share must complete and sign the ALC's request and release form. Each of the persons signing the form must indicate each person's proportionate share of the prize. Each person must receive at least \$1.00. At least one of the persons claiming ownership of the ticket or share must sign the ticket or share. That person's signature must also appear on the request and release form. If a winning ticket or share is mailed to the ALC with multiple signatures on it, the Director will mail the request and release form to the claimants. A deceased signatory who dies before signing the request and release form will be presumed to have an ownership interest equal to that of the other signatories. In the event there is a deceased signatory, the Director may withhold payment for 60 days from the date of validation to allow co-owners the opportunity to seek a declaratory ruling from a court.
- B. Upon the signatures of the request and release form, the Director will issue to each individual claiming a share of the prize amount a check for the portion of the prize amount claimed by each multiple owner, the total not to exceed the total prize amount. However, the Director reserves the right to issue a single prize check to an individual whose name appears on the ticket or share instead of multiple prize checks to the owners of the ticket or share if the number of persons claiming a share of the prize exceeds 100 people. The ALC shall pay multiple winners of a lottery prize only at the ALC claims center in Little Rock. Retailers are not authorized to pay multiple winners who share a single prize.

- 8.8 Relinquishment of Interest.** When a person who has signed a lottery ticket or share wishes to relinquish the person's ownership interest in the lottery ticket or share, that person must sign the ALC's release of ownership form relinquishing the person's ownership interest. In no event will a person be permitted to relinquish ownership interest once it is determined that the person owes any

indebtedness pursuant to Section 8.13 of this Section or other legal attachment has taken place. Once the ALC receives the release of ownership form, it is irrevocable.

- 8.9 Conflicting Information or Discrepancies.** If there is conflicting information or discrepancies between the names on a winning lottery ticket or share and the names on a claim form, the ALC may withhold prize payment until the conflicting information is resolved to the ALC's satisfaction. Discrepancies include, but are not limited to: names or addresses scratched out or erased, or unreadable or altered names or addresses. If there is a determination that more than one (1) claimant is entitled to a particular lottery prize, the sole remedy of the claimants is the award to each of them of an equal share in the lottery prize.
- 8.10 Non-Payable.** The following will not be honored or paid by the ALC or any retailers:
- (a) Tickets or shares which are stolen, counterfeit, altered, fraudulent, unissued, produced or issued in error, unreadable, not received, or not recorded by the ALC within applicable deadlines;
 - (b) Tickets or shares lacking in captions that conform and agree with the play symbols as appropriate to the particular lottery involved;
 - (c) Tickets or shares not in compliance with rules and public or confidential validation and security tests of the ALC appropriate to the particular lottery involved; or
 - (d) Any lottery prize which has already been paid.
- 8.11 Investigations.** At the discretion of the Director, the ALC may conduct an investigation to aid in the determination of the rightful owner(s) prior to payment of any prize.
- 8.12 Determinations.** The Director's decisions regarding the determination of a winning lottery ticket or share, or the determination of the rightful owner or owners of a prize, or of any other dispute or matter arising from payment or awarding of prizes are final and binding on all parties. The Director shall make the final decision on whether any prize is paid or any annual prize payment is made. All prizes shall be paid within a reasonable time after they are validated, unless the Director delays a prize payment. The Director may, at any time, delay any prize payment in order to review the validity of a prize claim, or review a change of circumstances relative to the prize awarded, the payee, or the claim, or review any other relevant matter that may come to the Director's attention. For any prize requiring annual payments, all payments after the first payment shall be made on the anniversary date of the first payment in accordance with the type of

prize awarded. Any delayed annual payment will be brought up to date immediately when payment is authorized by the Director.

8.13 Set off for Debts Owed to the State. The following provisions shall apply to the payment of any prizes in excess of Five Hundred Dollars (\$500.00):

- (a) The ALC shall set off against any prize the sum of any debt in excess of one hundred dollars (\$100.00) owed to the State of Arkansas or to persons on whose behalf the State and its claiming agencies act.
- (b) Notice of any prize subject to a valid lien from the State of Arkansas will be sent to the winner by certified mail, return receipt requested, of the action and the reason the prizes were withheld.
- (c) However, if the winner appears and claims prizes in person, the ALC shall notify the winner at that time by hand delivery of the action.
- (d) If the winner does not protest the withholding of the prizes in writing within thirty (30) days of receipt of the notice, the ALC shall pay the prizes to the claimant agency.
- (e) If the winner protests the withholding of the prizes within thirty (30) days of receipt of the notice, the ALC shall:
 - (1) File an action in interpleader in the circuit court of the county where the winner resides;
 - (2) Pay the disputed sum into the registry of that court; and
 - (3) Give notice to the claimant agency and winner of the initiation of the action.
- (f) Any liens submitted for collection by the ALC shall be ranked and collected in the following order:
 - (1) Taxes due the state;
 - (2) Delinquent child support; and
 - (3) All other judgments and liens in order of the date entered or perfected.
- (g) Any list of debt from a claimant agency to the ALC must be updated and electronically submitted to the ALC during the first week of every calendar quarter. The ALC is not obligated to retain the lists beyond that quarter or deduct debts for lists that are not current. The claimant agency shall pay

to the ALC for any and all costs incurred by the ALC for the setting off of debts.

- (h) The ALC and any claimant agency shall incur no civil or criminal liability for good faith adherence to this section.

8.14 Prize Claim Option Final. If a prize winner is given an option regarding the method of prize payment any payment method selected becomes final and may not be revoked or changed.

8.15 Prize allocation. Prize money allocated to the first prize category shall be divided equally by the number of purchased game plays winning a first prize.

8.15 Discharge from Liability. The State of Arkansas, its agents, officers, employees and representatives, the ALC, its Director, agents, officers, employees, and representatives are discharged of all liability upon payment of a prize or any one installment thereof to the holder of any winning lottery ticket or share or in accordance with the information set forth on any winning lottery ticket or share, any claim form, including but not limited to a winner claim form, request to divide prize form, beneficiary designation form, and relinquishment of ownership interest form.

8.16 Disclosure of Winners.

- A. The ALC may use the name, address, and likeness of a winner in any ALC promotional campaign, advertisement, or press release. A winner who receives a prize or prize payment from the ALC grants the ALC, its agents, officers, employees, and representatives the right to use, publish in print or by means of the Internet, and reproduce the winner's name, address, physical likeness, photograph, portraits, statements made by the winner, and use audio sound clips and video or film footage of the winner for the purpose of promoting the ALC and its games.
- B. If the ALC, its agents, officers, employees, and representatives deem it suitable for advertising, promotional or publicity use, or press use, a winner further grants the ALC the right to use and reproduce the winner's likeness in print either alone or in any combination with other persons. Examples of permitted uses include but are not limited to: radio, television, newspapers, posters, billboards, commercials, magazines, print advertisements, and the ALC web site.
- C. Each winner releases the State of Arkansas, its agents, officers, employees, and representatives, the ALC, its Director, agents, officers, employees, and representatives from any liability arising out of any blurring, distortion, alteration, or use in composite form whether intentional or otherwise, that may occur, or be produced in the printing and production process towards the completion of any finished product. A winner waives any right to inspect or approve the finished products, whether it is for a promotional campaign, advertising, or publicity.

- D. Limitation: If the ALC uses the address of a winner, the address shall not contain the street or house number of the winner.

Section 9. Advertising and Promotions.

The ALC may engage in shared expense and other co-promotional activities with private or public enterprise including utilizing donated prizes, goods, services; direct payments or reduced fees which are intended to increase ticket sales, increase public goodwill or reduce the costs or expenses of the ALC.

Section 10. Consumer Complaints.

- A. If a ticket purchaser or ticket holder files a written complaint with the Director relating to the sale of a ticket, payment of a prize, conducting of a promotion or other activity relating to the ALC or an ALC product, the Director shall forward the complaint to appropriate staff for further review. Any such complaint shall be filed in a reasonable amount of time after complainant becomes aware of the facts upon which the complaint is based.
- B. All matters contained in this policy that call for action of the Director may be executed by a designee appointed by the Director.
- C. The complaint will be reviewed to determine its validity and to determine if the information provided is sufficient. Although the burden may shift on a particular matter, the complainant has the burden of going forward and of proof. If the review of the complaint indicates that additional information is necessary for an appropriate response, the complainant may be required to provide additional information, including but not limited to:
1. The name, address, and telephone number of the complainant and the name address and telephone number of the complainant's legal counsel, if any;
 2. A detailed statement of facts supporting the complainant's position;
 3. A detailed statement outlining the reason(s) for the complaint, including any law or other authority upon which the complainant relies;
 4. The name(s), address(es), and telephone number(s) of witness(es) who may need a subpoena to appear;
 5. Any other relevant information the ALC may reasonably prescribe; and
 6. The evidence, clearly identified, to be considered by the Director.

- D. The complainant will be notified in writing if more information is needed and will be afforded a reasonable time to respond. If any information requested is not provided within the prescribed time period, or if the information submitted fails to present a claim for which relief may be granted, the complaint may be dismissed by the Director. In his discretion, upon receipt of sufficient information, the Director may schedule a hearing rather than issuing a decision on the written material submitted. If a hearing is denied, the complainant may request reconsideration.
- E. The request for reconsideration for a hearing must be in writing, and must be submitted to ALC within thirty (30) days of the date of the determination or dismissal.
- F. The Director may require or the complainant may request a conference in an attempt to expedite the orderly conduct of the hearing or the settlement of the complaint prior to the scheduled hearing. A complainant may represent his or her own interest or may be represented by an attorney at law licensed to practice law in the State of Arkansas. Other than the complainant or the attorney representing complainant, no person or organization may represent the interests of a complainant.
- G. If a complainant fails to appear at a hearing after due notice, the Director may dismiss, continue, or decide the matter. Upon timely application and proper notice, the Director may grant a motion for a continuance or other change in the date, time and place of the hearing.
- H. The hearing need not be conducted or controlled by either the Arkansas Rules of Evidence or the Arkansas Rules of Civil Procedure. The hearing will be conducted to the extent and fashion deemed appropriate by the Director. Unless objection or exception is made, sustained and duly noted on the record, all evidence appearing in the record shall be deemed to have been properly admitted for consideration.
- I. All hearings will be recorded by a certified court reporter. If a complainant desires the testimony be transcribed into a transcript or files an appeal, the complainant shall order directly from the reporter an original and one copy, both of which are the financial responsibility of the complainant ordering the transcript. The original transcript shall be filed by the reporter directly with the ALC.
- J. Any decision of the Director regarding a ticket purchaser or holder's written complaint, including decisions regarding denial or dismissal of a complaint without a hearing or decisions made after hearing all of the testimony, facts and evidence presented, must:

1. Be in writing and sent by United States Postal Service certified mail, a commercial overnight delivery service or hand-delivered to the complainant as soon as practicable;
 2. Explain the basis for the determination;
 3. Explain the information necessary to file an appeal and the time periods in which an appeal must be filed with the Commissioners; and
 4. Inform the complainant that he or she may request a hearing before the Commissioners, or in lieu of a hearing, may request that an appeal may be decided upon the written materials presented for the appeal.
- K. A complainant aggrieved by a decision of the Director may request a hearing before the Commissioners, subject to the provisions of paragraph (M) below, within fifteen (15) days of the written determination by the Director. The complainant must be granted a hearing before the Commissioners or its designee as soon as practicable but not later than sixty (60) days after the written determination of the Director.
- L. The Commissioners, pursuant to the power granted to it in Arkansas Code Ann. §23-115-205, may authorize its Legal Committee to hear and dispose of administrative appeals from the Director, as the Committee deems appropriate, including, but not limited to, designating one of its members to consider an act on an appeal on behalf of the Commissioners. Therefore, references herein to "Commissioners" shall be read to take this delegation of authority into account.
- M. The Commissioners shall adopt the record of the proceedings before the Director. Based upon the record, the Commissioners may reverse a decision of the Director if the appellant proves the decision to be:
1. In violation of constitutional or statutory provisions;
 2. In excess of the statutory authority of the Director;
 3. In excess of the authority granted to the Director by the Commissioners;
 4. Made upon unlawful procedure;
 5. Affected by other error of law;
 6. Clearly erroneous in view of the reliable, probative, and substantial evidence of the whole record; or
 7. Arbitrary or capricious or characterized by abuse of discretion or clearly unwarranted exercise of discretion.

- N. The Commissioners may remand an appeal to the Director for further consideration or investigation.
- O. The Commissioners' determination must be in writing and must:
 - 1. Be sent by United States Postal Service certified mail, a commercial overnight delivery service or hand delivered to the appellant; and
 - 2. Explain the basis for the Commissioner's determination.
- P. A determination from the Commissioners is final and non-appealable.
- Q. This Section on Consumer Complaints is not applicable to:
 - 1. Complaints relating to retailers;
 - 2. Petition for Declaratory Order from the Commissioners;
 - 3. A claim in contract or tort against the ALC, its Commissioners, employees or agents;
 - 4. Any retailer, vendor, or applicant for a contract or retailer license aggrieved by an action of the ALC.

Section 11. Powers.

All powers not specifically defined in these rules are reserved to the ALC under the Act.

Section 12. Notices.

- A. The following notices must be posted in a conspicuous manner at any site where lottery games or shares are sold:
 - 1. Game information, including participant eligibility requirements, the beginning and end date of the promotions, when and how winners will be selected and when and how prizes will be awarded, if available;
 - 2. Phone Number for the ALC where a Player can call during normal ALC business hours to report any problems with the purchasing or redeeming of lottery games and shares; and
 - 3. Other contact information for the ALC including the physical address where claims can be redeemed or mailed.

B. The website for the Arkansas Scholarship Lottery shall be the central location for all information concerning the Arkansas Scholarship Lottery and the ALC. The following notices or information must be posted:

1. Game and Promotion information including whether or not a game has been postponed or cancelled;
2. Game rules including participant eligibility requirements, the beginning and end date of the promotions, when and how winners will be selected and when and how prizes will be awarded, if applicable;
3. Approximate odds of winning each prize if those odds can be determined with reasonable accuracy at the outset, otherwise, the written rules will state that the odds of winning a prize cannot be determined in advance and set forth those factors that ultimately will determine the odds;
4. Information on how and where to file consumer complaints;
5. Information concerning the identification and treatment of a compulsive gambling disorder;
6. All rules, regulations and orders promulgated or issued by the ALC; and contact information for the ALC.

C. The following notices will be provided on the backs of all lottery games, if practicable:

1. Approximate odds of winning each prize if those odds can be determined with reasonable accuracy at the outset;
2. Gambling hotline number; and
3. Any other information that the ALC deems relevant for that particular game.