

NOTICES OF PROPOSED RULEMAKING

Unless exempted by A.R.S. § 41-1005, each agency shall begin the rulemaking process by first submitting to the Secretary of State's Office a Notice of Rulemaking Docket Opening followed by a Notice of Proposed Rulemaking that contains the preamble and the full text of the rules. The Secretary of State's Office publishes each Notice in the next available issue of the *Register* according to the schedule of deadlines for *Register* publication. Under the Administrative Procedure Act (A.R.S. § 41-1001 et seq.), an agency must allow at least 30 days to elapse after the publication of the Notice of Proposed Rulemaking in the *Register* before beginning any proceedings for making, amending, or repealing any rule. (A.R.S. §§ 41-1013 and 41-1022)

NOTICE OF PROPOSED RULEMAKING

TITLE 19. ALCOHOL, DOG AND HORSE RACING, LOTTERY, AND GAMING

CHAPTER 3. ARIZONA STATE LOTTERY COMMISSION

Editor's Note: The following Notice of Proposed Rulemaking was reviewed per Executive Order 2011-05 as issued by Governor Brewer. (See the text of the executive order on page 514.) The Governor's Office authorized the notice to proceed through the rulemaking process on October 4, 2011.

[R12-09]

PREAMBLE

1. Article, Part, or Section Affected (as applicable) Rulemaking Action

R19-3-201	Amend
R19-3-202	Amend
R19-3-202.01	New Section
R19-3-202.02	New Section
R19-3-202.03	New Section
R19-3-202.04	New Section
R19-3-202.05	New Section
R19-3-202.06	New Section
R19-3-203	Amend
R19-3-204	Amend
R19-3-204.01	New Section
R19-3-204.02	New Section
R19-3-204.03	New Section
R19-3-204.04	New Section
R19-3-205	Amend
R19-3-206	Amend
R19-3-207	Amend
R19-3-208	Amend
R19-3-209	Amend
R19-3-210	Amend
R19-3-211	Amend
R19-3-212	Amend
R19-3-213	Amend
R19-3-214	Amend
R19-3-215	Amend
R19-3-216	Amend
R19-3-217	Amend

2. Citations to the agency's statutory rulemaking authority to include the authorizing statute (general) and the implementing statute (specific):

Authorizing statutes: A.R.S. § 5-504(B) and after 6/30/12, A.R.S. § 5-554(B)

Implementing statutes: A.R.S. §§ 5-512 and 5-504(C) and after 6/30/12, A.R.S. §§ 5-562 and 5-554(C)

3. Citations to all related notices published in the Register as specified in R1-1-409(A) that pertain to the record of the proposed rules:

Notice of Rulemaking Docket Opening: 17 A.A.R. 2281, November 4, 2011

4. The agency's contact person who can answer questions about the rulemaking:

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Telephone: (480) 921-4481

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or

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Web site: The proposed rules are also available on the Lottery's web site at www.arizonalottery.com

5. An agency's justification and reason why a rule should be made, amended, repealed or renumbered, to include an explanation of the rulemaking:

Article 2, Retailers, prescribes the requirements and procedures for Arizona retail businesses that sell Lottery game products. The rules explain common retailer provisions such as: licensure requirements regarding the sale and payment of Lottery games, retailer conduct including the revocation, suspension or renewal of retailer licenses, hearing procedures, stolen tickets procedures, and Lottery-conducted compliance investigations. The Lottery is amending the rules to revise outdated provisions, strengthen requirements in the licensing and compliance processes, and to provide greater flexibility as the Lottery expands the retailer network and enhances product lines. Amendments have also been made as necessary to improve the clarity and understandability of the rules.

6. A reference to any study relevant to the rules that the agency reviewed and proposes either to rely on or not to rely on in its evaluation of or justification for the rules, where the public may obtain or review each study, all data underlying each study, and any analysis of each study and other supporting material:

None

7. A showing of good cause why the rulemaking is necessary to promote a statewide interest if the rulemaking will diminish a previous grant of authority of a political subdivision of this state:

Not applicable

8. The preliminary summary of the economic, small business, and consumer impact:

1. Identification of the proposed rulemaking.

The rules for Article 2, Retailers, describe various requirements and procedures for licensing retail businesses to sell Lottery game products. As the Lottery continues to develop strategies for increasing sales and distributions, it is important the retailer rules are able to support these future endeavors. The ability to implement new initiatives in a timely manner is essential to maximize revenue potential. These rules are intended to provide the Lottery with greater flexibility as the agency potentially expands the retailer base, product lines, promotions, and services. This rulemaking also revises outdated provisions, eliminates unnecessary provisions, reorganizes Sections to provide a more usable reference tool for retailers, and strengthens compliance requirements to help protect the player and the integrity of the Lottery. There is no specific conduct this rulemaking is designed to change.

2. Persons who will be directly affected by, bear the costs of, or directly benefit from the proposed rulemaking.

The Lottery anticipates this rulemaking will primarily impact the agency and approximately 2800 Lottery retailers. Representatives from the retail community will be included in reviewing the proposed rule changes.

3. Cost-benefit Analysis.

a. Probable costs and benefits to the implementing agency and other agencies directly affected by the implementation and enforcement of the proposed rulemaking, including the number of new full-time employees necessary to implement and enforce the proposed rules.

Costs to the Lottery related to this rulemaking include application/licensing expenses, product printing/distribution costs, and administrative costs associated with revenue collection, compliance, and customer service. All costs are

included within the agency's appropriated budget and retailers pay a license fee that allows the Lottery to recover costs for that service. Overall, this rulemaking is expected to benefit the Lottery as discussed below.

Product Provisions: As part of this rulemaking, the Lottery will establish a new instant tab license that will permit retailers to sell the instant tab product only. This benefits the Lottery by allowing for expansion of the retailer base and the potential to generate additional revenue for the state. Preliminary estimates indicate the Lottery could generate approximately \$13-\$14 million in sales, based on current instant tab sales levels for charitable organizations, and assuming approximately 250 licensed instant tab retailers. The Lottery will incur incremental administrative processing costs for retailers that apply for this new license, in addition to the printing and distribution of the instant tab product. Licensing expenses will be offset by the fee received from the applicant; printing and distribution expenses are expected to cost less than three cents per ticket and are included within the agency's appropriated budget. Unlike traditional retailers, those retailers holding an instant tab license will receive no Lottery sales representative support and will not be integrated into the Lottery's retailer accounting system. Consequently, the Lottery will not incur administrative accounting costs, sales representative time and travel costs, or on-line vendor contract costs as incurred with full-product retailers. The Lottery contracts with a distributor that will deliver instant tab tickets, invoice retailers, and remit payment to the Lottery. The distributor must also provide the Lottery with routine reports, including inventory status, orders received, orders shipped, and all related financial information. The Lottery does not anticipate any added expenses as a result of this new license; all costs will be covered within the existing budget from product revenues.

The Lottery may authorize retailers to sell Lottery tickets at a designated promotional event as established in R19-3-203(3). This will allow the Lottery to partner with retailers to conduct certain events, thereby expanding the Lottery's statewide presence without having to staff the event with Lottery personnel. The Lottery will conserve staff resources and retailers will have the opportunity to generate additional sales commissions, thus benefiting both the Lottery and its retail partners.

Compliance: The Lottery will also benefit from the strengthening of several compliance provisions. Paying a prize at less than winning value, advising a player that a winning ticket is not a winner, selling unactivated instant tickets on more than two occasions within a 12-month period, and selling tickets while suspended for insufficient funds have been included as reasons a retailer's license may be revoked. These prohibited actions can adversely affect players who may not receive full prize winnings or cannot be paid a prize because the ticket is not active in the Lottery's system. Retailers are given two occasions of selling unactivated tickets without penalty; this provides a "benefit of the doubt" for honest mistakes regarding activation procedures and is consistent with Lottery collection policies regarding insufficient funds. However, failing to activate instant ticket packs can also be used as a technique to delay billing for those packs; it is this behavior the rule is intended to deter. The rules currently prohibit a retailer from selling a ticket or paying a prize to oneself. This rule has been expanded to include playing the Lottery while on duty and failing to pay for the ticket prior to playing, in support of findings identified in the Lottery's 2010 Performance Audit.

In addition, the Lottery may now also take emergency action to suspend sales if a retailer sells a ticket to someone using an electronic benefits card, pays a prize at less than winning value, sells a ticket at greater than face value, or sells an altered or expired ticket. Revised compliance provisions serve to protect the integrity of the Lottery and the interests of players.

The rules include a new Section that governs retailer use of the Lottery logo and trademarks. This rule benefits the Lottery by ensuring consistent and appropriate use of Lottery logos and trademarks, which are items directly associated with the image of the agency.

This rulemaking revises the timing related to minimum sales requirements. It repeals the annual requirement for providing minimum sales criteria to each retailer and replaces it with providing notification to retailers a minimum of 30 days before the effective date of any change. The previous rule proved cumbersome to administer and was not an efficient use of staff resources, especially since minimum sales requirements may not vary from year to year. Retailers will be notified if sales requirements are adjusted to reflect changing Lottery costs. This will benefit the Lottery by reducing the administrative burden of routinely providing sales minimums, while still ensuring that retailers receive information as necessary.

Compensation: As part of this rulemaking, retailer compensation will become a function of Lottery Commission approval, as authorized by §§ A.R.S. 5-504(C)(7) and 5-554(C)(7), rather than detailed in rule. Retailer compensation rates of at least 5.5% but no more than 8% are currently authorized in A.R.S. §§ 5-505(A)(4) and 5-555(A)(4). Using the Lottery Commission to approve retailer compensation will provide greater flexibility to potentially apply variable rates in certain circumstances, consistent with the intent of statute. For instance, the Lottery could more easily implement various bonus or incentive rates to promote incremental sales. A variable rate structure may also provide the opportunity to implement commission rates based on achieving specific sales levels. At this point, the Lottery has no immediate intent to adjust the base commission rate of 6.5%, but the rule will also provide for flexibility in base rates if warranted. For example, a higher commission might be paid on instant tab sales since this product is more labor-intensive. Conversely, a lower rate might be justified for selling limited Lottery products, corresponding to the reduced effort required.

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Making retailer compensation a function of the Lottery Commission will allow for timely introduction of any future retailer promotions or rate adjustments. The Lottery will benefit from the ability to implement more timely promotional initiatives, the potential to increase sales, and the ability to structure compensation that corresponds more closely with product requirements. In FY11, the overall retailer compensation rate was 6.7% of sales. This overall percentage is not expected to change significantly with the implementation of a variable rate structure.

Other Agencies/FTE: The rules have no identifiable impact on other agencies. The Lottery does not anticipate the need to hire any additional full-time employees; current staff resources will be used to implement the proposed rules.

b. Probable costs and benefits to a political subdivision of this state directly affected by the implementation and enforcement of the proposed rulemaking.

This rulemaking will not have any identifiable economic impact on political subdivisions of the state.

c. Probable costs and benefits to businesses directly affected by the proposed rulemaking, including any anticipated effect on the revenues or payroll expenditure of employers who are subject to the proposed rulemaking.

Businesses impacted by these rules are existing Lottery retailers or retail establishments that choose to apply for a license to sell Lottery products. Lottery retailers are also the only small businesses impacted by this rulemaking. Costs to retailers include application/licensing fees and administrative costs associated with selling Lottery products. These costs are recovered by the commission retailers earn on each sale. The rules are expected to benefit retailers, both large and small, as outlined below.

General: The existing rules are cumbersome and not user-friendly for Lottery personnel or retailers. As part of these rule amendments, R19-3-202 and R19-3-204 were broken into smaller Sections and reorganized. In R19-3-205, equipment requirements were simplified by eliminating unnecessary text and consolidating provisions. These changes improve the understandability of the rules and make it a more useful reference document for retailers and Lottery staff.

Licensing: Retailers will benefit from certain application provisions that have been revised or eliminated. An application for license will no longer require expected sales volume, specific information related to financial solvency, or information related to pending litigation or judgments. The Lottery has not found these provisions useful in practice and the agency has sufficient methods in place to verify financial stability to protect the Lottery's interests. Similarly, the provision that allowed an expired license to be renewed within one year of expiration has been removed. The Lottery actively works with retailers on renewals, making this rule unnecessary. Retailers are no longer required to post a copy of the Lottery license in a conspicuous place. This will benefit certain retailers that have limited store space and found it problematic to comply with this rule. Retailers must continue to post the authorized Lottery retailer decal provided by the Lottery and retain a copy of the license on the premise, but are no longer required to display the license. The proposed amendments more accurately reflect actual practice and will help simplify licensing procedures for retailers.

A new provision, R19-3-202.04(D), explains that a retailer may voluntarily surrender its license. Although this has always been an option, it was not always evident to retailers, resulting in questions to the Lottery. The rule benefits retailers by clarifying there is no set time period that a retailer must agree to sell Lottery products or retain a Lottery license.

Small Businesses: All retailers must submit a licensing fee, but small retailers may derive a slightly greater benefit from reduced licensing requirements since these retailers typically have fewer administrative resources available.

Product Provisions: Retailers will benefit from the ability to conduct periodic promotional events authorized by the Lottery in R19-3-203(3). Retailers earn \$.065 per each \$1 transaction; conducting specific promotional events provides retailers with the opportunity to earn additional commissions on sales generated at the event.

Retailers with a business establishment not conducive to selling all Lottery products will have the option to obtain an instant tab license. The instant tab product provides certain businesses, such as age-controlled establishments, with the opportunity to generate incremental revenue with a Lottery product more suitable to their business environment. Initial estimates indicate these retailers as a whole could generate between \$13-14 million in instant tab sales annually. This equates to approximately \$845,000-\$910,000 in additional revenue to retailers, assuming the base retailer compensation rate of 6.5%. These licensees will have to comply with fewer licensing requirements; they will not have to provide evidence of financial solvency or an authorization agreement for fund transfers. Retailers holding an instant tab license will remit payments to the Lottery's authorized distributor and the distributor assumes any financial risk. The Lottery still retains authority under R19-3-213 with respect to sales of Lottery game products. In the event of a dispute regarding an instant tab ticket, the remedy would be replacement of the disputed ticket with a ticket or tickets of equivalent price from any current game. This is consistent with existing procedures for the Lottery's instant scratch games and on-line games.

As established in R19-3-205, retailers holding a charitable organization or instant tab license may use Lottery-authorized vending machines to sell the instant tab product. Although prize redemptions must be sight-validated by the retailer, sales can be conducted through a product vending machine. This benefits retailers who may not always have sufficient staff resources available to perform sales transactions. All retailers are still required to establish safeguards

and have the machines visible to retail personnel to prevent operation by anyone under the age of 21. The requirement that the vending machine must be operational during the retailer's regular business hours has been added as a condition for using a Lottery product vending machine. This helps ensure that sales potential from these machines is maximized.

Small Businesses: Small retailers are more likely to benefit from the ability to conduct promotional events authorized by the Lottery or the option to obtain an instant tab license. Although all retailers will benefit from the opportunity to earn additional commissions, it would likely have a greater financial impact for a smaller business. Similarly, the ability to sell instant tab tickets using a Lottery product vending machine will benefit all retailers, but should especially benefit small businesses that are more likely to have limited staffing resources.

Compliance: The rules have been amended to enhance various compliance requirements. The reasons a retailer's license may be revoked have been expanded to include paying a prize at less than winning value, informing a player that a winning ticket is not a winner, playing while on duty, failing to pay for the ticket prior to playing, selling unactivated instant tickets on more than two occasions within a 12-month period, or selling tickets while suspended for insufficient funds. The list of conditions under which the Lottery may take emergency action to suspend a retailer's sales has also been strengthened. These additional circumstances include selling a ticket to a person using an electronic benefits card, selling an altered or expired ticket, selling a ticket at greater than face value, or paying less than the full prize value. These actions are now a cause for license revocation in order to deter conduct of this nature. The amendments serve to protect the Lottery and players and will only impact retailers who violate these conditions.

As part of this rulemaking, R19-3-215(D) has been amended to prohibit a retailer from charging a fee when choosing to pay a prize by money order. This form of payment is sometimes used when the retailer does not have sufficient funds to pay the player at the time of redemption. In some instances, retailers have been charging the player for the cost of the money order; this practice deprives the player of their full prize value. Absorbing any fees associated with money orders represents a minimal business cost to the retailer. A retailer also has the option of referring prize winnings from \$101 up to \$599 to a Lottery office for redemption.

The Lottery's obligation for providing minimum sales requirements to retailers has been revised from annually to a minimum of 30 days prior to any change. Newly licensed retailers will receive this information as part of a standard retailer information packet. This has a neutral impact on retailers since the rule only changes the timing for distribution of this information. Retailers may benefit from the knowledge this requirement will remain the same unless notified differently. Although no longer detailed in rule, the Lottery will continue to provide resources to assist retailers in achieving minimum sales requirements.

Small Businesses: The impact on small businesses should also be neutral. All retailers are expected to adhere to compliance requirements in the interest of protecting the Lottery and Lottery players. However, the Lottery will continue to provide resources to assist small businesses when possible. For instance, Lottery sales representatives can devote additional time to small retailers to facilitate sales growth.

Compensation: Retailers currently earn 6.5% for each transaction and are eligible for an additional .5% based on meeting specified performance criteria. Lottery statute provides for retailer compensation rates of at least 5.5% but no more than 8%. Retailers may benefit from the opportunity to earn additional compensation through the potential implementation of various commissions, bonuses, or incentives. The Lottery currently has no plans to adjust the base rate for full product retailers, so the expected impact is either neutral or positive for these retailers. A lower commission might conceivably be implemented in the future for a select group of retailers (i.e. those that only sell limited Lottery products), but this would be commensurate with the comparative effort involved. Conversely, a higher rate may be justified for Lottery products that are more labor-intensive, such as instant tab tickets.

A more flexible compensation structure will acknowledge the efforts of retailers by allowing superior performance to be rewarded. The goal of this strategy is to provide an incentive for retailers to excel, not to penalize retailers. All retailers will be treated equitably and receive proper notification before the implementation of any new rate or rates. The rules provide for retailer notification at least 30 days prior to any change in compensation. Retailers would be informed of any new commissions, bonuses, or incentives via various communication channels, including electronic messages on all Lottery terminals, a mailed letter of notification, and through the assigned sales representative. Full-product retailers will also continue to be eligible to receive an additional commission for meeting performance criteria. In FY11, retailers earned almost \$39 million in Lottery game commissions, with an overall compensation rate of 6.7%

Small Businesses: The possible implementation of various commission, bonus, or incentive rates is expected to either benefit small retailers or have no impact. These retailers will continue to earn the standard base commission and may have the opportunity to earn incremental commissions as a result of specific promotions.

4. Probable impact on private and public employment in businesses, agencies, and political subdivisions of the state directly affected by the proposed rulemaking.

This rulemaking is not expected to have any identifiable economic impact on private and public employment.

5. Probable cost and benefit to private persons and consumers who are directly affected by the proposed rulemaking.

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There are no costs to consumers or the general public associated with the adoption of these rules. Consumers who are also Lottery players will potentially benefit from enhanced product or service offerings and strengthened compliance provisions.

6. Probable effect on state revenues.

Revenue generated from Lottery game sales and retailer license fees are deposited into the Lottery Fund. In FY11, total game sales were \$583.5 million and approximately \$80,000 was collected in license fees. There may be a moderate increase of about \$11,000 in license revenues as a result of offering the instant tab license; however, the fees only allow the Lottery to recover the cost of providing the service.

A percentage of Lottery game revenue is returned to the state to fund various beneficiary programs as specified in A.R.S. §§ 5-522 and 5-572. The Lottery returned \$146.3 million to state beneficiaries in FY11. Preliminary estimates indicate the Lottery could generate approximately \$13-\$14 million and return about \$2.9-\$3.1 million to the state annually if the instant tab product were expanded to non-traditional retail establishments. However, any decision to expand this product line will be made in conjunction with the Governor's Office. Although an exact amount cannot be calculated, the state will also benefit from any incremental revenue retailer's generate as a result of conducting promotional events or participating in specified Lottery compensation programs.

7. Less intrusive or less costly alternative methods of achieving the purpose of the proposed rulemaking.

The agency believes there are no alternative or less costly methods for achieving the purpose of the rulemaking. Retailers will have reduced requirements with respect to the licensing process, which minimizes the burden on potential applicants, while still providing the Lottery with sufficient administrative licensing information. Similarly, revising the timing for providing minimum sales requirements to retailers will lessen the administrative burden for the Lottery. Strengthened retailer compliance requirements serve to protect the interests of the Lottery and player; these benefits outweigh any inconvenience. The Lottery is not requesting additional financial or personnel resources to achieve the purpose of the proposed rules.

9. The agency's contact person who can answer questions about the economic, small business and consumer impact statement:

Name: Pam DiNunzio
Address: Arizona State Lottery
4740 E. University Drive
Phoenix, AZ 85034
Telephone: (480) 921-4489
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E-mail: pdinunzio@azlottery.gov

10. The time, place, and nature of the proceedings to make, amend, repeal, or renumber the rules, or if no proceeding is scheduled, where, when, and how persons may request an oral proceeding on the proposed rules:

Date: March 16, 2012
Time: 10:00 a.m.
Location: Arizona Lottery
4740 E. University Drive
Phoenix, AZ 85034
Nature: Oral Proceeding

The close of record is 5:00 p.m. on March 16, 2012 for written comments and the end of the oral proceeding for verbal comments. Written comments should be directed to the person listed in item 9.

11. All agencies shall list other matters prescribed by statute applicable to the specific agency or to any specific rule or class of rules. Additionally, an agency subject to Council review under A.R.S. §§ 41-1052 and 41-1055 shall respond to the following questions:

None

a. Whether the rule requires a permit, whether a general permit is used and if not, the reasons why a general permit is not used:

The implementing statutes of the Lottery require a licensing process rather than a general permit.

b. Whether a federal law is applicable to the subject of the rule, whether the rule is more stringent than federal law and if so, citation to the statutory authority to exceed the requirements of federal law:

Not applicable

c. Whether a person submitted an analysis to the agency that compares the rule's impact of the competitiveness of business in this state to the impact on business in other states:

No analysis submitted.

12. A list of any incorporated by reference material as specified in A.R.S. § 41-1028 and its location in the rules:

None

13. The full text of the rules follows:

TITLE 19. ALCOHOL, DOG AND HORSE RACING, LOTTERY, AND GAMING

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ARTICLE 2. RETAILERS

Section

- R19-3-201. Definitions
- R19-3-202. Retailer's Application ~~and~~ for License
- R19-3-202.01. Prerequisites to Issue or Renew a License
- R19-3-202.02. Time-frame for Licensure
- R19-3-202.03. Denial of License Application
- R19-3-202.04. Duration and Renewal of License
- R19-3-202.05. Display of License and Point-of-sale Material
- R19-3-202.06. Use of Lottery Logo and Trademark
- R19-3-203. Direct and Promotional Sales ~~by Lottery~~
- R19-3-204. Revocation, Suspension, or Renewal Denial of Retailer's License
- R19-3-204.01. Procedure for Requesting a Hearing
- R19-3-204.02. Lottery Determination of Need for Emergency Action
- R19-3-204.03. Appealing a Final Administrative Decision of the Lottery
- R19-3-204.04. Surrender of Lottery Equipment and Property Upon Revocation
- R19-3-205. Lottery-issued Equipment
- R19-3-206. Retailer Training
- R19-3-207. Compliance Investigations
- R19-3-208. Penalties
- R19-3-209. Notice and Service
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- R19-3-214. Payments to Lottery
- R19-3-215. Prize Validation and Payment
- R19-3-216. Distribution and Return of Instant Tickets
- R19-3-217. Unaccounted for and Stolen Instant Scratch Tickets

ARTICLE 2. RETAILERS

R19-3-201. Definitions

In this Article, unless the context otherwise requires:

1. "Act" means A.R.S. Title 5, Chapter 5, Article 1 and beginning July 1, 2012, means A.R.S. Title 5, Chapter 5.1, Article 2.
2. "Activated" means the process taken by retailers to make a pack of instant scratch tickets valid for sale to the general public.
3. "Chapter" means 19 A.A.C. 3.
- ~~2-4.~~ "Charitable Organization" means an organization including not more than one auxiliary, to which the United States Internal Revenue Service has issued a letter of determination of the organization's tax-exempt status, and the organization has operated for charitable purposes in Arizona for at least two years.
- ~~3-5.~~ "Controlling agent" means a stockholder, director, officer, managerial employee, or other person directly or indirectly controlling or operating the retailer's business.
6. "Controlling person" means a person over the age of 21 accountable for the Lottery license.
- ~~4-7.~~ "Flare" means the board or placard that accompanies each package of instant tab tickets and that has printed on or

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affixed to it the following information:

- a. Game name,
 - b. Serial number,
 - c. Ticket count,
 - d. Prize structure, and
 - e. Cost per play.
- 5-8. "Instant scratch ticket" means an instant game ticket where the protective covering is made of latex or another substance that is scratched off.
- 6-9. "Instant tab ticket" means an instant game ticket where the protective covering is a perforated paper tab that is opened. Instant tab ticket is the brand name for Arizona Lottery pull tabs.
- 7-10. "License" means:
- a. "Full product license" means a license to sell ~~any product~~ the products authorized by the Lottery.
 - b. "Charitable organization license" means a license issued to a qualified charitable organization to sell only instant tab tickets.
 - c. "Instant tab license" means a license to sell only instant tab tickets.
11. "Limited license" means a license issued by the Lottery that restricts the type of Lottery products sold, methods of selling, methods of validating Lottery products, or the type of applicant that qualifies for a Lottery license.
12. "Local premise manager" means a person who resides in Arizona that manages or is responsible for the operation of a premise or a number of premises.
13. "Minor" means an individual under the age of 18.
14. "On-line ticket" means a ticket purchased through a network of Lottery-authorized equipment linked to a central computer that records the wagers.
- 8-15. "Partial pack of tickets" means less than a complete pack of consecutively numbered and connected tickets. ~~If a pack is broken into individual tickets, each individual ticket is considered a partial pack.~~
- 9-16. "Premises Premise manager" means the contact representative for a specific premise of a business or charitable organization.
17. "Pull tab" means an instant game ticket where the protective covering is a perforated paper tab that is opened to reveal the predetermined winning and non-winning symbols.
18. "Raffle" means the selling of numbered tickets, where each ticket has an equal chance of winning a prize in a random drawing held after the completion of all ticket sales.
- 10-19. "Retailer" means a licensed provider of sales and redemptions services for Lottery products. A retailer may hold a full product license, a charitable organization license, an instant tab license, or ~~both~~ a combination of licenses.
20. "Retailer bonus" means a sum of money credited to the retailer in addition to the retailer commission for specific actions or efforts in selling or validating Lottery products.
21. "Retailer commission" means a retailer incentive designed to maximize the sale of Lottery products by establishing a specific percent of the sales price of each ticket sold as payment for services in selling Lottery tickets.
22. "Retailer compensation" means all types of cash and noncash compensation to the retailer for selling Lottery tickets.
23. "Retailer compensation profile" means the written document in which the Lottery Commission authorizes the Director to issue an order that contains all the fundamentals required by these rules for retailer compensation including commission, bonus, and incentive compensation to be credited to Lottery retailers.
24. "Retailer incentive" means cash and non-cash methods to motivate action by the Lottery retailer to stimulate sales.
25. "Sales benchmark" means sales objectives established by the Lottery based upon previous performance.
- 11-26. "Ticket" means one or more Lottery game plays.
- 12-27. "Validation" means confirmation of a winning Lottery ticket.

R19-3-202. Retailer's Application ~~and~~ for License

~~A. A person interested in obtaining~~ The applicant shall provide the following to apply for a license to sell Lottery tickets ~~shall:~~

1. Submit to the Director a verified application on forms prescribed by the Director containing the following information:
 - a. The applicant's name, and if different, the trade name of the business premise, address of the physical location of the place of business, the mailing address if different, and phone number;
 - b. The applicant's current transaction privilege tax license number issued under A.R.S. § 42-5005 and federal taxpayer identification number issued by the Internal Revenue Service and recorded on Form W-9;
 - c. Certification that the applicant's business location complies with the Americans with Disabilities Act;
 - d. Marketing and sales information on the forms provided by the Lottery. The information required includes ~~expected volume of sales~~, number of cash registers, hours of operation, products presently offered for sale, and approximate daily volume of customers entering the place of business;
 - e. Evidence ~~that the applicant's~~ the applicant operates a business with other products or services ~~are not exclusively~~

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- would be grounds for suspension or revocation of a license granted by the state of Arizona;
2. An applicant, a director or officer of a corporation, member of a limited liability company, or charitable organization shall not have had a business license required by statute in Arizona or any other state suspended or revoked within the last 12 months;
 3. An applicant, a director or officer of a corporation, member of a limited liability company, or charitable organization shall not have had a Lottery license denied or revoked at the address and location of the applicant's place of business for reasons other than noncompliance with the Americans with Disabilities Act, and shall not have sold Lottery products without being licensed within one year of the person's date of application;
 4. An applicant for a full product license shall have demonstrated financial solvency based on the information provided in the application, credit search, or pending litigation, if any, or tax liens, if any.
- C.** The Lottery shall not issue a license to an applicant if any of the following applies:
1. The applicant is a minor, a partnership or LLP in which one of the partners is a minor, an LLC in which one of the members is a minor, or a corporation in which a corporate officer, director, or manager of Lottery sales is a minor;
 2. The organization is an adult-oriented business as defined in A.R.S. § 13-1422 or displays sexually explicit material in violation of A.R.S. § 13-3507;
 3. The applicant provides deferred presentment services defined in A.R.S. § 6-1251; or
 4. The applicant has sold an Arizona Lottery product without a license, or operated gaming machines or equipment that are required to be licensed, without a license.
- D.** Residency requirement. To obtain a license, an applicant shall be one of the following:
1. A resident of Arizona;
 2. A corporation incorporated in Arizona or authorized to do business in Arizona;
 3. A limited liability company authorized to do business in Arizona in which a member or manager resides in Arizona;
 4. A partnership in which at least one of the general partners resides in Arizona;
 5. A limited liability partnership in which at least one of the partners resides in Arizona; or
 6. A charitable organization authorized to do business in Arizona.
- E.** Time frame for licensure:
1. The Director shall finish an administrative completeness review within 15 days from the date of receipt of the application and fee prescribed in subsection (A).
 - a. The Director shall issue a notice of administrative completeness to the applicant if no deficiencies are found in the application.
 - b. If the application is incomplete or the fee is not submitted, the Director shall provide the applicant with a written notice that includes a comprehensive list of the missing information. The 15-day time frame for completion of the administrative completeness review is suspended from the date the notice of incompleteness is sent until the applicant provides the Director with all missing information.
 - c. If the Director does not provide the applicant with notice regarding administrative completeness, the application shall be deemed complete 15 days after receipt by the Director.
 2. An applicant with an incomplete application shall submit all of the missing information within 20 days of service of the notice of incompleteness.
 3. If an applicant fails to submit a complete application within the time allowed, the Director shall close the applicant's file. An applicant whose file is closed and who later wishes to obtain a license shall apply again according to this Section.
 4. From the date on which the administrative completeness review of an application is finished, the Director shall complete a substantive review of the applicant's qualifications in no more than 75 days.
 - a. If an applicant is found to be ineligible, the Director shall issue a written notice of denial to the applicant.
 - b. If an applicant is found to be eligible for a full product license or a charitable organization license, the Director shall issue a license to the applicant permitting the applicant to engage in business as a retailer under the terms of this Chapter.
 - c. If the Director finds deficiencies during the substantive review of an application, the Director shall issue a written request to the applicant for additional information.
 - d. The 75-day time frame for substantive review is suspended from the date of a written request for additional information until the date that all information is received.
 - e. If the applicant and the Director mutually agree in writing, the 75-day substantive review time frame may be extended once for no more than 18 days.
 5. For the purpose of A.R.S. § 41-1072 et seq., the Director establishes the time frames for a license to sell Lottery tickets:
 - a. Administrative completeness review time frame: 15 days.
 - b. Substantive review time frame: 75 days.
 - c. Overall time frame: 90 days.
 6. If the Director does not provide the applicant with written notice granting or denying a license within the overall

time frame, the Director shall refund the applicant's application fee within 30 days after the expiration of the overall time frame or the time frame extension.

F. Display of license and point of sale material.

1. A license issued under this Chapter shall be signed by the Director or the Director's designated representative. A retailer shall post the license or a copy of the license held by the retailer in a conspicuous place on the premises where the retailer sells Lottery products.
2. A retailer shall prominently display its license, the Americans with Disabilities Act Notice, Arizona Problem Gambling Helpline toll-free telephone number, and the Authorized Retailer Notice.
3. A retailer holding a charitable organization license shall prominently display the flare for each instant tab game currently on sale at or near the point of sale.
4. A violation of this subsection is grounds for disciplinary action according to the provisions of R19-3-204.

G. As a condition of licensure, each retailer shall agree to release, indemnify, defend, and hold harmless, the Lottery, its directors, officers, and employees, from and against any and all liability, damage, cost, claim, loss, or expense, including, without limitation, reasonable attorney's fees and disbursements, resulting from or arising by reason of loss of use, temporary or permanent cessation of Lottery equipment, or terminal operations. This should not be construed in any way to affect the rights of the retailer to recover for losses caused by any third party.

H. Duration and renewal of license.

1. A license issued under this Chapter shall expire three years from the license issuance date by operation of law.
2. A retailer may renew a license to sell Lottery tickets by submitting to the Director a verified application for renewal of the current license on forms prescribed by the Director containing the information required in R19-3-202(A), (B), and (D). By filing an application for renewal, a retailer holding a full product license authorizes the Lottery to collect a \$45.00 renewal fee by an electronic transfer of funds from the bank account from which the Lottery regularly bills the retailer. A retailer holding a charitable organization license shall submit cash, check, or a money order with its renewal application.
 - a. An application for renewal of a Lottery license received by the Director or deposited in the United States mail postage prepaid on or before the renewal date, shall authorize the retailer to continue to operate until actual issuance of the renewal license.
 - b. The Director may refuse to renew a license according to the provisions of R19-3-204.
 - e. A retailer holding more than one license may elect to renew all licenses on the same date. If more than one license is renewed under this subsection, the application fee shall be pro-rated at \$1.25 per month from the license expiration date until the next renewal date of the other licenses held by the same retailer.
3. A license issued under this Chapter that has expired by operation of law for failure to renew may be activated and renewed within one year of its expiration by filing the required application of renewal and payment of the application renewal fee provided for in this Chapter. If a license has been suspended for one or more years for failure to renew, a new application for license must be made and a new license issued according to this Chapter.
4. A license issued under this Chapter is subject to termination by the Director according to the provisions of this Chapter before the expiration date.

R19-3-202.01. Prerequisites to Issue or Renew a License

- A. Evidence the applicant is of good character and reputation. The Lottery may find that a person lacks good character and reputation if it determines the person has committed any act which, if committed by a licensed retailer, would be grounds for suspension or revocation of a license granted by the state of Arizona.**
- B. An applicant, a director or officer of a corporation, member of a limited liability company, or charitable organization shall not have had a business license required by statute in Arizona or any other state suspended or revoked within the last 12 months.**
- C. An applicant, a director or officer of a corporation, member of a limited liability company, or charitable organization shall not have had a Lottery license denied or revoked at the address and location of the applicant's place of business for reasons other than noncompliance with the Americans with Disabilities Act, and shall not have sold Lottery products without being licensed within one year of the person's date of application.**
- D. An applicant for a full product license shall have demonstrated financial solvency based on the information provided in the application, credit search, or pending litigation, if any, or tax liens, if any.**
- E. An applicant shall be one of the following to fulfill residency requirements:**
 - 1. A resident of Arizona.**
 - 2. A corporation incorporated in Arizona or authorized to do business in Arizona.**
 - 3. A limited liability company authorized to do business in Arizona in which a member or manager resides in Arizona.**
 - 4. A partnership in which at least one of the general partners resides in Arizona.**
 - 5. A limited liability partnership in which at least one of the partners resides in Arizona, or**
 - 6. A charitable organization authorized to do business in Arizona.**
- F. As a condition of licensure, each retailer shall agree to release, indemnify, defend, and hold harmless, the Lottery, its com-**

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missioners, officers, and employees, from and against any and all liability, damage, cost, claim, loss, or expense, including, without limitation, reasonable attorney's fees and disbursements, resulting from or arising by reason of loss of use, temporary or permanent cessation of Lottery equipment, or terminal operations. This should not be construed in any way to affect the rights of the retailer to recover for losses caused by any third party.

R19-3-202.02. Time-frame for Licensure

- A.** For the purpose of A.R.S. §§ 41-1072 through 41-1079, the Director establishes the time-frames for a license to sell Lottery tickets:
1. Administrative completeness review time-frame: 15 days.
 2. Substantive review time-frame: 75 days.
 3. Overall time-frame: 90 days.
- B.** The Director shall finish an administrative completeness review within 15 days from the date of receipt of the application and fees prescribed in R19-3-202.
1. The Director shall issue a notice of administrative completeness to the applicant if no deficiencies are found in the application.
 2. If the application is incomplete or the fee is not submitted, the Director shall provide the applicant with a written notice that includes a comprehensive list of the missing information.
 3. The 15-day time-frame for the administrative completeness review is suspended from the date the notice of incompleteness is sent until the applicant provides the Director with all missing information.
 4. If the Director does not provide the applicant with notice regarding administrative completeness, the application shall be deemed complete 15 days after receipt by the Director.
- C.** An applicant shall respond to a request for missing information within 20 days of notice of incompleteness.
- D.** If an applicant fails to submit a complete application within the time allowed, the Director may close the applicant's file. An applicant whose file is closed and who later wishes to obtain a license shall apply again according to R19-3-202.
- E.** From the date on which the administrative completeness review of an application is finished, the Director shall complete a substantive review of the applicant's qualifications in no more than 75 days.
1. If an applicant is found to be ineligible, the Director shall issue a written notice of denial to the applicant.
 2. If an applicant is found to be eligible for a license, the Director shall issue a license to the applicant permitting the applicant to engage in business as a retailer under the terms of this Chapter.
 3. If the Director finds deficiencies during the substantive review of an application, the Director shall issue a written request to the applicant for additional information.
 4. The 75-day time-frame for substantive review is suspended from the date of a written request for additional information until the date that all information is received.
 5. If the applicant and the Director mutually agree in writing, the 75-day substantive review time-frame may be extended once for no more than 18 days.
- F.** If the Director does not provide the applicant with written notice granting or denying a license within the overall time-frame, the Director shall refund the applicant's application fee within 30 days after the expiration of the overall time-frame or the time-frame extension.

R19-3-202.03. Denial of License Application

The Lottery shall not issue a license to an applicant if any of the following applies:

1. The applicant is a minor, a partnership or LLP in which one of the partners is a minor, an LLC in which one of the members is a minor, or a corporation in which a corporate officer, director, or manager of Lottery sales is a minor;
2. The organization is an adult-oriented business as defined in A.R.S. § 13-1422 or displays sexually explicit material in violation of A.R.S. § 13-3507;
3. The applicant has sold a Lottery product without a license, or operated gaming machines or equipment that are required to be licensed, without a license; or
4. The applicant fails to have a controlling person over the age of 21.

R19-3-202.04. Duration and Renewal of License

- A.** A license issued under this Chapter shall expire three years from the license issuance date by operation of law.
- B.** A retailer may renew a license to sell Lottery tickets by submitting to the Director a verified application for renewal of the current license on forms prescribed by the Director containing the information required in R19-3-202 and R19-3-202.01. By filing an application for renewal, a retailer holding a full product license authorizes the Lottery to collect a \$45.00 renewal fee by an electronic transfer of funds from the bank account from which the Lottery regularly bills the retailer. A retailer holding a charitable organization license or instant tab license shall submit cash, check, or a money order with its renewal application.
1. An application for renewal of a Lottery license received by the Director or deposited in the United States mail postage prepaid on or before the renewal date shall authorize the retailer to continue to operate until actual issuance of the renewal license.

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2. The Director may refuse to renew a license according to the provisions of R19-3-204.
3. A retailer holding more than one license may elect to renew all licenses on the same date. If more than one license is renewed under this subsection, the application fee shall be pro-rated at \$1.25 per month from the license expiration date until the next renewal date of the other licenses held by the same retailer.

C. A license issued under this Chapter is subject to termination by the Director according to the provisions of this Chapter.

D. A retailer may voluntarily surrender a license unless an investigation or action has been initiated against the retailer.

R19-3-202.05. Display of License and Point-of-sale Material

A. A retailer shall conspicuously display to the public that it is a licensed Lottery retailer. A retailer may do this by:

1. Posting the Lottery license in a prominent place on the premises; or
2. Posting the authorized Lottery retailer decal in a prominent place in public view, and retaining a copy of the license on the premise, available upon request.

B. A retailer shall prominently display the Americans with Disabilities Act Notice and Arizona Problem Gambling Helpline toll-free telephone number.

C. A retailer holding a charitable organization license or instant tab license shall prominently display the flare for each instant tab game currently on sale at or near the point of sale.

D. A violation of this subsection is grounds for disciplinary action according to the provisions of R19-3-204.

R19-3-202.06. Use of Lottery Logo and Trademark

A. A retailer may not use the logos, trademarks, or other advertising materials of the Lottery without prior written permission or authorization of the Lottery, except for materials provided to the retailer by the Lottery.

B. A retailer shall not display or publish on the licensed premises material which may be considered derogatory or adverse to the operation or dignity of the Lottery or the state of Arizona. A retailer shall remove any such materials from the licensed premise upon request of the Lottery.

R19-3-203. Direct and Promotional Sales by Lottery

A. The Lottery may sell Lottery tickets at its main office, or any branch it establishes in the state, or any promotional event.

B. The Lottery may sell Lottery tickets at any promotional event.

C. The Lottery may authorize a licensed retailer to sell Lottery tickets at an auxiliary premise for a limited promotional event.

R19-3-204. Revocation, Suspension, or Renewal Denial of Retailer's License

A. A license may be revoked, suspended, or denied renewal by the Director for any of the following reasons:

1. The retailer violates a provision of the ~~criminal~~ laws of the state of Arizona, or the United States, or the regulations of the Lottery, which could be punished by jail time or imprisonment, ~~revocation or suspension of a Lottery license, or involves moral turpitude;~~
2. The retailer offers to sell a Lottery ticket, sells a Lottery ticket, or pays a prize on any winning Lottery ticket to a person younger than 21 years old;
3. The retailer sells a Lottery ticket in any transaction to a person using a public assistance voucher issued by any public entity or an electronic benefits transfer card issued by the Arizona Department of Economic Security to purchase the Lottery ticket or sells a Lottery ticket to a person during the same transaction in which the person uses a public assistance voucher issued by any public entity or an electronic benefits card issued by the Department of Economic Security to purchase any goods in addition to the Lottery ticket;
4. The retailer ~~does not meet the~~ fails to maintain minimum sales requirements or does not follow the guidelines specified in writing by the Director established by the Lottery. The Lottery shall provide minimum sales requirements and guidelines to each retailer annually: to retailers at least 30 days prior to the effective change date; The Lottery may also post this information on the Lottery's web site for review. The minimum sales requirements and guidelines shall include:
 - a. The formula used to determine the minimum sales requirements and guidelines for the specified time period;
 - b. Resources available to assist retailers in achieving minimum sales requirements and guidelines; and
 - e. The process the Lottery will initiate if a retailer fails to achieve the minimum sales requirements or follow the specified guidelines.
5. The retailer commits an act that impairs the retailer's reputation for honesty and integrity;
6. The retailer sells a ticket at a price greater than face value;
7. The retailer pays less than the full prize value of the ticket at validation;
8. The retailer advises a player that a winning ticket presented for validation was not a prize winner;
9. The retailer sells tickets not activated for sale on three or more occasions within any 12-month period;
10. The retailer sells a ticket while license is suspended for insufficient funds;
- 6-11. The retailer does not make purchase or redemption of Lottery tickets convenient and readily accessible to the public;
- 7-12. The retailer provides to the Lottery a statement, representation, warranty, or certificate that the Lottery determines is

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false, incorrect, incomplete, or omits relevant information;

- ~~8-13.~~ The retailer's actions cause two payments to be returned to the Lottery for insufficient funds in a 12-month period;
- ~~9-14.~~ The retailer becomes insolvent, unable or unwilling to pay debts, or is declared bankrupt;
- ~~10-15.~~ The retailer, or an officer, director, partner, LLC member of the LLC, controlling agent, or local premise manager of the retailer:
- Is convicted of a felony, felony theft that is designated as a misdemeanor, misdemeanor theft, embezzlement, or a crime involving gambling or fraudulent schemes and artifices; or
 - Is the subject of a civil order, judgment, or decree of a federal or state authority for misrepresentation, consumer fraud, or any other fraud;
- ~~11-16.~~ Facts are discovered which, if known at the time the retailer's license was issued or renewed, would have been grounds to deny licensure;
- ~~12-17.~~ The retailer adds a minor as an owner, partner, or officer of the business;
- ~~13-18.~~ The retailer, or an officer, employee, or agent of the retailer ~~sells a ticket or pays a prize to oneself, to any entity either wholly owned or partially owned by the retailer, or any entity with 10 percent or more of the same shareholders, partners, or members of the LLC as the retailer;~~ does any of the following:
- Plays any Lottery game while working.
 - Fails to purchase or validate the ticket from another on-duty employee or through a Lottery product vending machine, or
 - Fails to pay for the ticket prior to playing the Lottery game.
- ~~14-19.~~ The retailer, or an officer, employee, or agent of the retailer sells any Lottery product for consideration other than U.S. currency, check, credit card, debit card or, if a player requests, the exchange of a winning Lottery ticket;
- ~~15-20.~~ The retailer, or an officer, employee, or agent of the retailer sells a Lottery ticket by telephone, mail, fax, on the internet, or on premises ~~other than the one listed on the retailer's license~~ not authorized by the Lottery;
- ~~16-21.~~ The retailer, or an officer, employee, or agent of the retailer sells an altered Lottery ticket, an expired Lottery ticket, or a Lottery ticket after the announced end of the game;
- ~~17-22.~~ The retailer fails to display the ~~license;~~ Authorized Retailer Notice, which includes the Americans with Disabilities Act Notice; and Arizona Problem Gambling Helpline toll-free telephone number; ~~or Authorized Retailer Notice;~~
- ~~18-23.~~ The retailer fails to report a change event defined in R19-3-210;
- ~~19-24.~~ The retailer fails to comply or cooperate with an investigation concerning Arizona state laws, Lottery regulations, or denies access to Lottery personnel;
- ~~20.~~ The retailer sells a ticket at a price greater than face value;
- ~~21-25.~~ The retailer holding a charitable organization license or instant tab license fails to prominently display the flare for each instant tab game currently on sale at or near the point of sale; ~~or~~
- ~~22-26.~~ The retailer holding a charitable organization license no longer qualifies as a charitable organization or its letter of determination of tax-exempt status is suspended or revoked; ~~or~~
- ~~27.~~ The retailer fails to comply with the rules governing its license.
- B.** ~~The Director may on the Director's own motion, and shall on an allegation of a violation of a provision of the laws of the state of Arizona, the regulations of the Lottery, or the written complaint of any person, investigate an act of a retailer within 30 days after receiving the information. The Director may temporarily suspend a license under an emergency action, and impose specific conditions on a retailer during the suspension and commence an action to permanently revoke a license issued under this Article if the retailer is found to have committed an act or omission listed in subsection (A). An investigation of a violation of Lottery rules may be initiated by action of the Director or by a written complaint of any person.~~
- An investigation initiated by a written complaint shall be investigated within 30 days of receiving the complaint.
 - During an investigation the Director may temporarily suspend a license under an emergency action, or impose specific conditions on a retailer.
- C.** ~~The Lottery shall mail or hand-deliver~~ An action to suspend or revoke a license shall be initiated by a notice of action to the retailer to suspend or revoke a license. Notice may be made by mail, hand-delivery, or electronic mail with a copy by regular mail. Written notice Notice to the retailer is effective notice if it is sent ~~or hand-delivered~~ to the address in the application or the last address provided under R19-3-210.
- D.** ~~Emergency action.~~
- ~~The Director may disable a retailer's on-line terminal, suspend sales of Lottery games, or remove tickets if the public welfare is threatened pending a proceeding for revocation, suspension, or denial of renewal, in the following circumstances:~~
 - ~~The retailer's bank account has insufficient funds when the Lottery's regularly scheduled electronic transfer of the retailer's account is returned by the bank as insufficient funds or closed account and the retailer does not immediately pay the insufficiency;~~
 - ~~The retailer fails to comply or cooperate with an investigation concerning Arizona state laws or Lottery regulations;~~

- e. The retailer, or corporate officer, director, partner, LLC member, or premises manager is charged with a felony, felony theft that is designated as a misdemeanor, misdemeanor theft, or a crime involving gambling or fraudulent schemes and artifices.
 - 2. A retailer who receives a Notice of Intent to Revoke a Retailer's License with a finding of emergency action shall:
 - a. Immediately cease all sales of Lottery products, and
 - b. Surrender the license and all other Lottery property and products upon request by the Director's representative.
 - 3. If the retailer fails to settle the financial account and surrender the license and all other Lottery property and products, the Director shall take steps allowed by law to secure payment and return of Lottery products and property.
 - 4. The Director shall notify the retailer in writing within five days of taking an emergency action that an expedited hearing or informal conference may be obtained before the Office of Administrative Hearings under R2-19-103 and R2-19-110.
- E.** Procedure for hearings. A retailer may request a hearing before the Office of Administrative Hearings regarding a revocation, suspension, or license denial. The procedures and requirements set forth in A.R.S. Title 41, Chapter 6, Article 10 apply to hearings under this subsection.
- F.** Procedure for filing an appeal of a final administrative decision:
- 1. An appeal to the Lottery Commission is deemed an optional motion for rehearing:
 - a. A Notice of Appeal to the Lottery Commission shall be filed within 10 days of receipt of the final administrative decision. The Notice shall contain:
 - i. A copy of the Director's final administrative decision, and
 - ii. The alleged factual or legal error in the final administrative decision from which the appeal is taken.
 - b. A person appealing the decision of the Director may file a written brief stating the position on the appeal within 30 days after receipt of the decision being appealed.
 - e. The Lottery may file a response brief within 15 days after receipt of the appellant's brief.
 - d. The Lottery Commission may rule based on the written briefs, or if requested, may provide for oral argument.
 - e. The Lottery Commission shall make its ruling on the appeal on the record.
 - f. A final decision of the Lottery Commission is subject to judicial review under A.R.S. Title 12, Chapter 7, Article 6.
 - 2. A decision of the Director accepting, modifying, or rejecting the recommended decision of the Administrative Law Judge is a final administrative decision subject to judicial review under A.R.S. Title 12, Chapter 7, Article 6.
- G.** Revocation of a license.
- 1. A retailer who receives a notice of the final administrative decision revoking the license shall:
 - a. Immediately cease all sales of Lottery products, and
 - b. Surrender the license and all other Lottery property and products upon request of the Director's representative.
 - 2. If the retailer fails to settle the financial account and surrender the license and all other Lottery property and products, the Director shall take all steps allowed by law to secure payment and the return of Lottery products and property.

R19-3-204.01 Procedure for Requesting a Hearing

- A.** A retailer may request a hearing on any notice to revoke or suspend a Lottery license.
- B.** The hearing shall be held before the Office of Administrative Hearings. The procedures and requirements set forth in A.R.S. Title 41, Chapter 6, Article 10 apply to hearings under this subsection.
- C.** The Director may accept, modify, reject, or allow the recommended decision of the Administrative Law Judge to become final by expiration of time. This is a final administrative decision of the Lottery.

R19-3-204.02. Lottery Determination of Need for Emergency Action

- A.** The Director may determine the need for emergency action to disable a retailer's Lottery-issued equipment, suspend sales of Lottery games, or remove tickets if the public welfare is threatened pending a proceeding for revocation, suspension, or denial of renewal, in the following circumstances:
 - 1. The retailer's bank account has insufficient funds when the Lottery's regularly-scheduled electronic transfer of the retailer's account is returned by the bank as insufficient funds or closed account and the retailer does not immediately pay the insufficiency;
 - 2. The retailer fails to comply or cooperate with an investigation concerning Arizona state laws or Lottery regulations;
 - 3. The retailer, or officer, director, partner, LLC member, controlling agent, or local premise manager is charged with a felony, felony theft that is designated as a misdemeanor, misdemeanor theft, embezzlement, or a crime involving gambling or fraudulent schemes and artifices;
 - 4. The retailer sells a Lottery ticket in any transaction to a person using a public assistance voucher issued by any public entity or an electronic benefits transfer card issued by the Arizona Department of Economic Security;
 - 5. The retailer sells an altered or expired ticket;
 - 6. The retailer sells a ticket at a price greater than face value; or
 - 7. The retailer pays less than the full prize value of the ticket at validation.

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- B.** A retailer who receives a Notice of Intent to Revoke a Retailer's License with a finding of emergency action shall:
 - 1. Immediately cease all sales of Lottery products, and
 - 2. Surrender the license and all other Lottery property and products upon request by the Director's representative.
- C.** The Director shall notify the retailer in writing within five days of taking an emergency action that an expedited hearing or informal conference may be obtained before the Office of Administrative Hearings under R2-19-103 and R2-19-110.
- D.** If the retailer fails to settle the financial account and surrender the license and all other Lottery property and products, the Director shall take steps allowed by law to secure payment and return of Lottery property and products.

R19-3-204.03 Appealing a Final Administrative Decision of the Lottery

- A.** An optional motion for rehearing may be made to the Lottery Commission by filing a Notice of Appeal to the Lottery Commission within 10 days of receipt of the final administrative decision.
 - 1. The notice shall contain:
 - a. A copy of the Director's final administrative decision, and
 - b. The alleged factual or legal error in the final administrative decision from which the appeal is taken.
 - 2. A person appealing the decision of the Director may file a written brief stating the position on the appeal within 30 days after receipt of the decision being appealed.
 - 3. The Lottery may file a response brief within 15 days after receipt of the appellant's brief.
 - 4. The Lottery Commission may rule based on the written briefs, or if requested, may provide for oral argument.
 - 5. The Lottery Commission shall make its ruling on the appeal on the record.
 - 6. A decision of the Lottery Commission is a final administrative decision subject to judicial review under A.R.S. Title 12, Chapter 7, Article 6.
- B.** A direct appeal of a final decision of the Director under R19-3-204.01(C) may be taken for judicial review pursuant to A.R.S. Title 12, Chapter 7, Article 6.

R19-3-204.04 Surrender of Lottery Equipment and Property Upon Revocation

- A.** A retailer who receives a final administrative decision revoking the license shall:
 - 1. Immediately cease all sales of Lottery products; and
 - 2. Surrender the license and all other Lottery equipment, property, and products upon request of the Director's representative.
- B.** If the retailer fails to settle the financial account and surrender the license and all other Lottery property and products, the Director shall take all steps allowed by law to secure payment and the return of Lottery property and products.

R19-3-205. Lottery-issued Equipment

- A.** Retailers holding a charitable organization license ~~with~~ or instant tab license shall not be issued Lottery equipment to sell or validate Lottery products, but may use an authorized Lottery product vending machine in accordance with subsection (C).
- B.** Retailers holding a full product license shall only sell or validate Lottery products using authorized Lottery-issued equipment ~~in accordance with the Act and this Chapter.~~
 - ~~1. Equipment location. A retailer holding a full product license shall:~~
 - ~~a.1. Locate A retailer shall locate the equipment at a site approved by the Lottery ~~within the place of business~~ and shall not move the equipment from that site without prior approval from the Lottery.~~
 - ~~b.2. Ensure that A retailer shall ensure electrical service to the equipment location is installed according to the specifications established by the Lottery. ~~The retailer holding a full product license shall pay monthly charges for electrical service~~ The cost of electrical service shall be the responsibility of the retailer.~~
 - 2. ~~Equipment conversion:~~
 - a. ~~If the Lottery deems it necessary, the Lottery shall modify its on-line or instant gaming system by:~~
 - ~~i. Changing equipment or accessories, or~~
 - ~~ii. Converting to another on-line or instant gaming system.~~
 - ~~b.3. A retailer holding a full product license shall assist shall cooperate with the Lottery to the extent reasonable and practicable to accomplish a modification of the on-line or instant gaming system any modifications to the equipment or systems in a timely and economical fashion.~~
 - ~~3-4. The Lottery shall not be liable for damages of any kind due to interruption or failure of any Lottery-issued or authorized equipment.~~
 - 4. ~~Equipment care. A retailer holding a full product license shall at all times:~~
 - ~~a.5. Operate A retailer shall operate the Lottery-issued equipment and accessories only in the ordinary course of its Lottery business and only according to the requirements established by the Lottery; ~~and,~~~~
 - ~~b.6. Exercise A retailer shall exercise diligence and care to prevent failures and malfunctions of, and damage to the Lottery-issued equipment and other property of the Lottery, or property of Lottery contractors.~~
 - 5. ~~Equipment maintenance. A retailer holding a full product license shall:~~
 - ~~a.7. Maintain A retailer shall maintain the Lottery-issued equipment and accessories in a clean and orderly condition.~~

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- b. Replace paper stock in the equipment as necessary, and
- e. Minimize equipment downtime by:
- i. ~~8. Notifying~~ A retailer shall minimize equipment downtime by notifying the Lottery or its contractor immediately of any equipment failure, malfunction, damage, or accident; ~~and~~
- ii. ~~9. Making~~ A retailer shall make the equipment available for repair, adjustment, or replacement at all times during the retailer's regular business hours ~~of the retailer holding a full product license.~~
- 6. Equipment supplies. A retailer holding a full product license shall:
- a. ~~10. Order~~ A retailer shall order and use equipment supplies exclusively from the Lottery or its designated contractor. The Lottery shall furnish equipment supplies, at no cost, to the retailer ~~holding a full product license; and~~
- b. ~~Maintain a sufficient inventory of Lottery equipment supplies.~~
- 11. A retailer shall install and use only approved Lottery paper stock specifically assigned to the retailer.
- C. Retailers holding a full product license may sell tickets using its an authorized Lottery product vending machine in accordance with the Act and this Chapter.
 - 1. A retailer ~~holding a full product license~~ shall establish safeguards to ensure ~~that~~ Lottery product vending machines are not operated by persons under ~~the legal~~ 21 years of age to purchase Lottery tickets.
 - 2. The Lottery product vending machine shall remain operational during the retailer's regular business hours and be placed in an area ~~of the store that~~ visible to retail personnel and easily accessible to players.
 - a. ~~Is visible to store personnel and players, and~~
 - b. ~~Is easily accessible to players.~~
 - 3. A retailer ~~holding a full product license~~ shall maintain an adequate supply of instant scratch or instant tab tickets for the Lottery product vending machine.

R19-3-206. Retailer Training

- A. A retailer holding a full product license shall participate in training provided by the Lottery in the operation of Lottery equipment and sale of Lottery products, ~~which~~ Training may take place at a retailer's place of business.
- B. A retailer holding a full product license shall ensure ~~that~~ all employees selling Lottery products or operating Lottery equipment are properly trained in these areas and have access to all materials provided by the Lottery relating to the sales and promotion of Lottery products and the operation of Lottery equipment.
- C. A retailer holding a full product license shall be responsible for: any compensation and other associated costs payable to employees for participation in Lottery training courses and instruction.
 - 1. ~~Any compensation payable to employees for participation in Lottery training courses and instruction, and~~
 - 2. ~~All other costs associated with employee training.~~
- D. A retailer holding a full product license shall provide all employees operating Lottery equipment with copies of the procedures ~~manuals~~ manual, bulletins, and technical materials furnished to the retailer by the Lottery or its contractors.
- E. A retailer holding a charitable organization license or instant tab license shall ensure ~~that~~ all employees ~~and~~ or volunteers selling instant tab tickets ~~have received proper training provided by the Lottery~~ are properly trained.

R19-3-207. Compliance Investigations

- A. A retailer shall comply with all provisions of the Act and this Chapter. The Lottery may conduct inspections to verify compliance and, if necessary, order an audit or investigation of the business ~~for verification.~~
- B. A retailer shall allow investigations ~~during the retailer's regular business hours~~ by authorized Lottery investigators during the retailer's regular business hours to determine whether the retailer is complying with the provisions of the Act and this Chapter.
- C. A retailer shall keep all ~~invoices, records, bills and other papers and documents~~ documentation relating to the purchase, sale, and validation of Lottery products that are kept in the normal course of business for tax purposes for three years. ~~These records and papers~~ This documentation shall be easily accessible to the Lottery-authorized investigator for examination or audit. ~~The retailer may use non paper types of storage, such as microfiche and the retailer may store records at a central location.~~

R19-3-208. Penalties

- A. The Director shall assess a civil penalty against a retailer for any of the following acts ~~of the retailer~~:
 - 1. Offering to sell or selling a Lottery ticket to any person who is under 21 years of age; or
 - 2. Selling a Lottery ticket in any transaction to a person ~~who uses either~~ using a public assistance voucher issued by any public entity or an electronic benefits transfer card issued by the Arizona Department of Economic Security ~~to purchase the ticket or share; or~~
 - 3. ~~Selling a Lottery ticket during the same transaction in which a person uses either a public assistance voucher issued by any public entity or an electronic benefits transfer card issued by the Arizona Department of Economic Security to purchase any goods in addition to the Lottery ticket.~~
- B. The Director shall, on the written complaint of any person, ~~and shall~~ or upon receipt of information indicating ~~that~~ a retailer has committed an act listed in subsection (A), investigate ~~an~~ the act ~~of the retailer listed in subsection (A) or acts.~~

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The Director shall give notice to the retailer as provided in A.R.S. §§ 41-1092.03 and 41-1092.04 of imposition of a civil penalty if the Director finds that the retailer has committed such an act ~~listed in subsection (A)~~. ~~The civil penalty for a violation of an act listed in subsection (A) is a civil penalty in the amount of:~~

1. ~~In an amount up to~~ Up to \$300 for the first violation within a 12-month period;
2. ~~In an amount more than~~ More than \$300 and up to \$500 for the second violation within a 12-month period; and
3. ~~In an amount more than~~ More than \$500 and up to \$1,000 for the third violation within a 12-month period.

- C. A retailer against whom a penalty is assessed shall pay the penalty to the Lottery by the 31st day after the retailer receives notice of imposition of the civil penalty, if the retailer does not request a hearing as provided in subsection (D).
- D. A retailer may request a hearing regarding imposition of a civil penalty. The procedures and requirements set forth in A.R.S. Title 41, Chapter 6, Article 10 apply to hearings under this subsection.
- E. A decision of the Director accepting, modifying, or rejecting the recommended decision of the Administrative Law Judge is a final administrative decision subject to judicial review under A.R.S. Title 12, Chapter 7, Article 6.
1. If the retailer decides not to seek judicial review of the Director's final administrative decision, the retailer shall pay the civil penalty to the Lottery by the 36th day after the retailer receives the Director's decision.
 2. If the retailer decides to seek judicial review of the Director's final administrative decision, the retailer shall pay the civil penalty to the Lottery by the 36th day after the date of the Superior Court's decision.
 3. If the retailer decides to appeal the Superior Court's decision, the retailer shall pay the civil penalty to the Lottery by the 36th day after the date of the decision on appeal.
 4. A retailer shall pay interest at the rate provided in A.R.S. § 44-1201 from the date final judgment assessing a civil penalty is entered until satisfaction of the judgment.

R19-3-209. Notice and Service

Service shall be deemed made by the Lottery for any notice, decision, order, subpoena, or other process when the document or a copy is delivered to the retailer, premise manager, guarantor, or the attorney of record, or is deposited as certified mail in the United States Postal Service, addressed to the retailer or guarantor at the address listed on the application for license or as ~~notified~~ reported as a change event under R19-3-210.

R19-3-210. Reportable Events

A retailer shall report the following events to the Lottery in writing at least a minimum of 10 business days before the event or as otherwise specified in this Section:

1. Change in business location of the licensed premise;
2. Sale of ownership of the business, merger, or acquisition of the licensed entity;
3. Death of a retailer holding a full product license sole proprietor or partner licensed as a retailer within 10 business days after the death occurs;
4. Addition or removal of a partner in a partnership or a limited liability partnership; Addition, removal, or change of address or phone number of the following persons:
 - a. A partner in a partnership or a limited liability partnership;
 - b. A member in a limited liability company;
 - c. An officer holding the position or functional equivalent of president, secretary, or treasurer of a corporation; or
 - d. A controlling agent, local premise manager, or designated corporate contact representative.
5. Substantial change in ownership of a non-public corporation with unencumbered assets of less than \$100,000 by a transfer of stock (equity) that removes a shareholder that holds 10% or more of a corporation or adds a shareholder that holds 10% or more of a corporation A charge of felony, felony theft that is designated as a misdemeanor, misdemeanor theft, embezzlement, or a crime involving gambling or fraudulent schemes and artifices that is brought against any person listed in subsection 4;
6. ~~Merger or acquisition of the licensed entity;~~
7. ~~Addition or removal of a member in a limited liability company;~~
8. ~~Addition or removal of a controlling agent, premise manager, or designated corporate contact representative;~~
- 9-6. ~~Divorce or legal separation action filed by an individual retailer holding a full product license a sole proprietor or partner licensed as a retailer, or retailer's spouse, if the licensed entity is a sole proprietorship or a partnership;~~
- 10-7. ~~Retailer or guarantor becomes insolvent, files bankruptcy, or a receivership is ordered;~~
11. ~~Retailer or guarantor files bankruptcy;~~
12. ~~Retailer is sued for a monetary judgment;~~
- 13-8. ~~Change in bank account from which the Lottery's electronic funds transfers are made; or~~
14. ~~Change in mailing address or phone number of retailer or guarantor;~~
15. ~~The applicant, a director or officer of a corporation, a member of a limited liability company, or a local premise manager is charged with a felony, felony theft designated as a misdemeanor, misdemeanor theft, embezzlement, or a crime involving gambling; or~~

~~16.9.~~ Revocation, suspension, or other action against a charitable organization's letter of determination of tax-exempt status.

R19-3-211. Change of Ownership or Business Location

A license is not assignable or transferable. A license authorizes the entity described in the application to sell Lottery tickets only at the specific premise ~~stated on the license~~ authorized by the Lottery.

1. If there is a change of ownership, as reportable in R19-3-210(1) through (4), change of business location, or for changes listed in R19-3-210(1) through R19-3-210(7) a criminal charge as reportable in R19-3-210(5), the retailer shall:
 - a. Surrender the license to the Director on the date of the event;
 - b. Not sell any additional Lottery tickets; and
 - c. Not allow the sale of Lottery products under a subcontract.
2. If the retailer does not notify the Lottery of a change in ownership or business location at least 10 business days before the change, the retailer may not receive credit for any activated partial packs of tickets.
3. The new owner shall apply for a license according to R19-3-202.

R19-3-212. Retailer Compensation

~~A. The Lottery shall pay a retailer holding a full product license commission of six and one-half percent of the price of each Lottery ticket sold. Retailer compensation shall be set within the statutory limits by a retailer compensation profile ordered by the Lottery Commission. Each retail compensation profile shall contain the following information:~~

1. Retailer compensation profile number;
2. Specific type of retailer compensation: commission, bonus, or other incentive;
3. The retailer group to which the retailer commission, bonus, or other incentive applies;
4. Criteria required to qualify for the commission, bonus, or other incentive;
5. Duration of the retailer commission, bonus, or other incentive;
6. Targeted games, if any; and
7. Special features, if any.

~~B. In addition to the compensation specified in subsection (A), the Lottery shall pay an incentive of up to one-half percent on the price of each ticket sold by a retailer holding a full product license who meets specifications established in writing by the Director. The written specifications shall be provided to the retailer holding a full product license before the incentive program begins. The category of retailer commissions, bonuses, or other incentives shall be one or more of the following:~~

1. Full product license basic commission rate,
2. Limited license basic commission rate,
3. Sales benchmark rate,
4. Game product rate,
5. Promotional incentive or bonus rate,
6. Temporary incentive or bonus rate, or
7. Alternate incentive or bonus rate.

~~C. A retailer holding a charitable organization license shall receive a commission of 20 percent of the price of each instant tab ticket purchased as reflected in the price of each instant tab ticket sold to the retailer. This commission rate applies only to instant tab tickets and is in lieu of compensation authorized in subsections (A) and (B). More than one retailer commission, bonus, or other incentive may run concurrently.~~

~~D. The Lottery shall not pay a retailer a commission on sales transactions that are prohibited by any state or federal statute or rule. Promotion bonuses or incentives may be held during a designated period, specific days of the week, specific hours of the day, or a combination thereof.~~

~~E. The Commission shall approve and the Director shall distribute a schedule of available retailer compensation to licensed retailers at least 30 days prior to its effective date and shall post it on the Lottery web site. A technological problem or failure that either prevents the posting of the retailer commission, bonus, or other incentive on the Lottery web site or that temporarily or permanently prevents the use of all or part of the web site does not preclude the authorization of the retailer compensation.~~

R19-3-213. Ticket Sales to Players

A. A retailer shall sell only the type of Lottery products authorized by its Lottery-issued license.

~~1-B.~~ The Director may require a retailer to sell any one or ~~any~~ combination of Lottery game products based on the retailer's license.

~~2. The Director may require a retailer holding a full product license to sell instant tickets as a condition of selling on-line tickets.~~

~~B. A retailer holding a full product license shall only sell or validate Lottery products using authorized Lottery-issued equipment in accordance with the Act and this Chapter.~~

~~C. Other than informing a player of publicly available game odds, a~~ A retailer shall not make any representation to a player

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regarding a likelihood to win, a guaranteed return on a percentage of purchases, or better chances or odds of winning.

- D. On-line tickets.
1. All on-line ticket sales are final. If a retailer holding a full product license accepts a returned on-line ticket from a player or generates an on-line ticket that is refused by the player and the retailer does not resell the ticket, the Lottery shall deem the on-line ticket to be owned by the retailer.
 2. A retailer holding a full product license shall not devote more than 15 consecutive minutes of sales to an on-line game purchase by any single player if other customers are waiting to make a purchase.
 3. A retailer holding a full product license shall ~~not permit the only use of facsimiles or copies of selection slips, or other materials, that are not printed or approved by the Lottery or methods authorized by the Lottery to generate plays selected by the player. Plays may be entered by using the Lottery equipment touch screen or by using a selection slip provided by the Lottery and hand-marked by the player.~~
- E. Instant scratch tickets.
1. All instant scratch ticket sales are final.
 2. A retailer holding a full product license shall sell instant scratch tickets within each pack in sequential order.
 3. A retailer holding a full product license shall not sell an instant scratch ticket after the announced end of game.
- F. All instant tab ticket sales are final.

R19-3-214. Payments to Lottery

- A. Money collected from the sale of Lottery tickets by retailers holding a full product license are trust monies required to be collected for the benefit of the state and shall be paid to the Lottery according to subsection (B).
- B. A retailer holding a full product license shall pay for ticket sales in the following manner:
1. Pay to the Lottery each Friday, by an electronic funds transfer, the amount due from the sale of ~~its~~ Lottery tickets for the seven-day period ending at the close of business on the previous Saturday.
 2. The amount due ~~from a retailer holding a full product license~~ for on-line tickets means the retailer's gross on-line sales revenue, minus any promotional tickets, prize winnings paid out by the retailer, the retailer's sales commission, and plus or minus any accounting or prize adjustments.
 3. The amount due ~~from a retailer holding a full product license~~ for instant scratch tickets is based on billing for instant ticket packs issued to a retailer with billing occurring 45 days after a pack is activated, or after 85% of winning tickets in the pack are validated, whichever occurs first, minus any promotional tickets, returned tickets, prize winnings paid out by the retailer, the retailer's sales commission, and plus or minus any accounting or prize adjustments.
 4. The retailer ~~holding a full product license~~ shall deposit funds in a timely manner into a bank account from which the electronic funds transfer will be made to the Lottery.
 - a. The retailer ~~holding a full product license~~ shall provide the Lottery with an electronic funds transfer authorization showing a valid bank account number from which the amounts due the Lottery will be transferred, and
 - b. The retailer ~~holding a full product license~~ shall notify the Lottery of any bank account changes within 10 business days before the effective date of the change.
 5. If ~~a retailer's~~ payment ~~from a retailer holding a full product license~~ is returned to the Lottery for any reason, the retailer shall deliver a certified check, cashier's check, or money order, or make a direct deposit for the amount due to the Lottery's bank account within 24 hours of notification. Additionally, if the retailer's payment is returned to the Lottery:
 - a. The Director may require that the ~~Lottery~~ retailer's Lottery-issued equipment ~~at a retailer holding a full product license~~ be disabled;
 - b. The Director may revoke, suspend, or deny renewal of the retailer's license according to R19-3-204;
 - c. The Director may require ~~the~~ payment for instant scratch tickets upon activating the pack for sale; and
 - d. The Director may require the return of the retailer's current inventory of instant scratch tickets and suspend further delivery of instant scratch tickets.
- C. A retailer holding a charitable organization license or instant tab license shall pay the Lottery's authorized representative for instant tab tickets.

R19-3-215. Prize Validation and Payment

- A. A retailer holding a full product license shall provide prize validation and payment services for instant scratch tickets or on-line tickets to any Lottery claimant regardless of where the ticket was purchased.
- B. A retailer holding a full product license shall pay all winning prizes for instant scratch tickets or on-line tickets up to and including \$100, and may pay all winning prizes from \$101 up to and including \$599.
1. A winning instant scratch ticket shall satisfy the validation criteria in R19-3-705 and R19-3-706 and have a proper validation receipt issued by the ~~terminal~~ Lottery-authorized equipment.
 2. A winning on-line ticket shall satisfy the validation criteria in R19-3-406 and R19-3-407 and have a proper validation receipt issued by the ~~terminal~~ Lottery-authorized equipment.
- C. A retailer ~~holding a charitable organization license~~ selling instant tab tickets shall pay all winning prizes for tickets sold at

its location.

1. A winning instant tab ticket shall satisfy the validation criteria in R19-3-705(A) and (B)(1) through (8), and contain the necessary play, prize, and win symbol captions that enable visual confirmation of a prize.
 2. Prizes shall not be paid by the Lottery or by another retailer.
- D. Prizes shall be paid by cash, check, money order, or if requested by the player, by Lottery tickets. If a retailer pays a prize with a money order, any associated fees shall be paid by the retailer.

R19-3-216. Distribution and Return of Instant Tickets

- A. The Lottery or its authorized representative shall distribute instant scratch tickets and accept returned instant scratch tickets as follows:
1. Distribute to each retailer holding a full product license the quantity of tickets on which the Lottery and the retailer agree, based on the retailer's anticipated sales volume.
 2. Collect full and partial packs of tickets during a game if the Lottery and ~~the a~~ a retailer holding a full product license determine ~~that~~ the retailer's sales for a specific game are minimal.
 3. Collect full and partial packs of tickets when a game is ended. The Lottery shall announce the ending date of a game and communicate this information to all retailers holding a full product license in a timely manner.
 4. Credit to ~~the a~~ a retailer holding a full product license, in the billing period following the receipt of the Lottery-authorized returned tickets, the net dollar value of any unopened full packs and any partial packs of tickets.
- B. The Lottery or its authorized representative shall distribute instant tab tickets and shall not accept returns of instant tab tickets.

R19-2-217. Unaccounted for and Stolen Instant Scratch Tickets

- A. All Lottery tickets issued to a retailer holding a full product license shall be the property of the retailer until their return is acknowledged by the Lottery. The Lottery is not responsible for lost tickets.
- B. ~~The a~~ a retailer holding a full product license shall report stolen Lottery tickets to the local law enforcement agency and the Lottery Investigations unit within one hour from the time the theft occurs or the theft first could have been discovered. The retailer shall:
1. ~~The retailer holding a full product license shall provide~~ Provide a copy of the written police report to the Lottery;
 2. ~~The retailer holding a full product license shall cooperate~~ Cooperate in any investigation and prosecution of the theft;
 3. ~~The retailer holding a full product license shall sign~~ Sign an affidavit providing the details as known by the retailer; and
 4. ~~The retailer holding a full product license shall maintain~~ Maintain and report current game, pack, and ticket inventory.
- C. If ~~the a~~ a retailer holding a full product license sustains a loss from stolen tickets, the retailer's insurance is the loss payee.
- D. If ~~the a~~ a retailer holding a full product license has insufficient insurance to pay for the retailer's loss and the retailer complies with subsection (B), the Lottery will credit the retailer's account for stolen instant tickets ~~that are stolen~~ as follows:
1. The Lottery shall credit all charges against the account of the retailer ~~holding a full product license~~ for the stolen tickets if the Lottery determines ~~that~~ the theft was from a source not associated with the retailer or by an unknown party.
 2. The Lottery shall credit 50% of the charges against the account of the retailer ~~holding a full product license~~ for the stolen tickets if the Lottery determines ~~that~~ the theft was from an employee, manager, officer, director, or a relative with access to Lottery tickets.
 3. Each retailer ~~holding a full product license~~ is limited to no more than two stolen ticket credit requests within any 12-month period.
- E. The Lottery shall not issue a credit for stolen tickets if the Lottery finds ~~that the a~~ a retailer holding a full product license was negligent or did not enforce reasonable loss-prevention procedures to protect tickets, ticket processing, and ticket accounting.
- F. If a prize claim is made against a ticket that has been reported as stolen or a ticket unaccounted for by ~~the a~~ a retailer holding a full product license, the Lottery shall hold the prize money in trust pending the findings of an investigation by an appropriate law enforcement agency.