

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

CHAPTER 3. ARIZONA STATE LOTTERY COMMISSION

ARTICLE 2. RETAILERS

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ARTICLE 2. RETAILERS

R19-3-201. Definitions

In this Article, unless the context otherwise requires:

1. “Act” means A.R.S. Title 5, Chapter 5.1, 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 Arizona Administrative Code, Title 19, Chapter 3.
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.
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 at least 21 years of age accountable for the Lottery license.
7. “Flare” means the board or placard that accompanies each package of instant tab tickets and that has printed on or affixed to it the following information:
 - a. Game name,
 - b. Serial number,
 - c. Ticket count,
 - d. Prize structure, and
 - e. Cost per play.

8. “Instant scratch ticket” means an instant game ticket where the protective covering is made of latex or another substance that is scratched off.
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.
10. “License” means:
 - a. “Full product license” means a license to sell 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.
15. “Partial pack of tickets” means less than a complete pack of consecutively numbered and connected tickets.
16. “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.
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 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.
26. "Ticket" means one or more Lottery game plays.

27. "Validation" means confirmation of a winning Lottery ticket.

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

All applicants shall provide the Director with the following to apply for a license to sell Lottery tickets:

1. 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 access to the applicant's business complies with the Americans with Disabilities Act;
 - d. Marketing and sales information on the forms provided by the Lottery. The information required includes the number of cash registers, hours of operation, products presently offered for sale, and the approximate daily volume of customers entering the place of business;
 - e. Evidence the applicant operates a business with other products or services unrelated to lottery products or services concerning lotteries;
 - f. Financial relationship and any outstanding debt owed to the state of Arizona, any of its political subdivisions, or the United States government;

- g. Evidence the applicant for a full product license is financially solvent. The evidence may include either of the following:
 - i. Evidence the applicant has established business credit, has a record of meeting its business debts as they became due for the three years immediately preceding the date of application, and does not have outstanding legal actions, judgments, or tax liens; or
 - ii. Personal guarantee, in writing, of applicant's Lottery account signed by a guarantor and the guarantor's spouse, if community property is being used to guarantee the account, or by the guarantor only, if guarantor provides proof that the guarantee is based on sole and separate property.
 - h. An Electronic Funds Transfer Authorization agreement showing a valid bank account number for the full product applicant from which the Lottery will withdraw any amounts due.
2. If the applicant does business as a sole proprietorship or partnership:
- a. The name, home address, and home phone number of each owner or partner, including spouse if community property owner, unless applicant provides proof that the business is sole property separate from the community; and
 - b. Written authorization and tax identification number for the business entity and Social Security number of each applicant in order to obtain a credit check from a credit reporting agency.
3. If the applicant does business as a limited liability partnership ("LLP") or a limited liability company ("LLC"):
- a. The name, home address, and home phone number of each partner or member; and

- b. Written authorization and a tax identification number to perform a credit check.
4. If the applicant does business as a corporation:
 - a. The name, corporate address, and corporate phone number of each officer and director; and the name, home address, and home phone number of the responsible local premise manager who is the contact representative for the applicant's corporate location in Arizona; and
 - b. Written authorization and a tax identification number to perform a credit check.
5. If the applicant does business as a charitable organization:
 - a. A copy of the organization charter or formation, documentation of current membership status in the organization, and, if applicable, the authorization of the auxiliary;
 - b. The name, home address, and home phone number of each officer and local premise manager, or if an auxiliary, of each officer and local premise manager of the auxiliary;
 - c. A letter of determination issued in the organization's name by the United States Internal Revenue Service verifying the organization's tax-exempt status; and
 - d. Evidence the charitable organization has maintained a premise within the state of Arizona for the two years immediately preceding the date of application.
6. If the Lottery licenses an applicant under (1)(g)(ii), the guarantor shall provide a written authorization to perform a credit check. If the guarantee is based on community property, the guarantor and guarantor's spouse shall provide written authorization for the Lottery to perform a credit check.

7. An application fee of \$45.00 and an additional credit check fee of \$22 if the applicant does business as a corporation, limited liability company, limited liability partnership, or a partnership.
8. If the applicant is a business with more than one currently licensed location, the application fee for the new location shall be pro-rated at \$1.25 per month from the application date until the date the other licenses are due for renewal under R19-3-202.04(B)(3).

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 obtained through the application, credit check, 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 commissioners, 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 A.R.S. 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 or deficient 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 or managers 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 at least 21 years of age.

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.
 - 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

- A. The Lottery may sell Lottery tickets at its main office, or any branch it establishes in the state.
- 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 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, which could be punished by jail time or imprisonment;
 - 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 under 21 years of age;
 - 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;
 - 4. The retailer fails to maintain minimum sales requirements or does not follow the guidelines established by the Lottery. The Lottery shall provide minimum sales requirements to retailers at least 30 days prior to the effective change date;
 - 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;
11. The retailer does not make purchase or redemption of Lottery tickets convenient and readily accessible to the public;
12. The retailer provides to the Lottery a statement, representation, warranty, or certificate that the Lottery determines is false, incorrect, incomplete, or omits relevant information;
13. The retailer's actions cause two payments to be returned to the Lottery for insufficient funds in a 12-month period;
14. The retailer becomes insolvent, unable or unwilling to pay debts, or is declared bankrupt;
15. The retailer, or officer, director, partner, LLC member or manager, controlling agent, or local premise manager of the retailer:
 - a. 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
 - b. Is the subject of a civil order, judgment, or decree of a federal or state authority for misrepresentation, consumer fraud, or any other fraud;
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;
17. The retailer adds a minor as an owner, partner, or officer of the business;
18. The retailer, or an officer, employee, or agent of the retailer does any of the following:

- a. Plays any Lottery game while working,
 - b. Fails to purchase or validate the ticket from another on-duty employee or through a Lottery product vending machine, or
 - c. Fails to pay for the ticket prior to playing the Lottery game.
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;
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 not authorized by the Lottery;
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;
22. The retailer fails to display the Authorized Retailer Notice, which includes the Americans with Disabilities Act Notice and Arizona Problem Gambling Helpline toll-free telephone number;
23. The retailer fails to report a change event defined in R19-3-210;
24. The retailer fails to comply or cooperate with an investigation concerning Arizona state laws, Lottery regulations, or denies access to Lottery personnel;
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 within public view near the point of sale;
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. An investigation of a violation of Lottery rules may be initiated by action of the Director or by a written complaint of any person.

1. An investigation initiated by a written complaint shall be investigated within 30 days of receiving the complaint.

2. During an investigation the Director may temporarily suspend a license under an emergency action, or impose specific conditions on a retailer.

C. An action to suspend or revoke a license shall be initiated by a notice of action to the retailer. Notice may be made by mail, hand-delivery, or electronic mail with a copy by regular mail. Notice to the retailer is effective notice if it is sent to the address in the application or the last address provided under R19-3-210.

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 or manager, 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.
- 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 factual and legal 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 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.

1. A retailer shall locate the equipment at a site approved by the Lottery and shall not move the equipment from that site without prior approval from the Lottery.
2. A retailer shall ensure electrical service to the equipment location is installed according to the specifications established by the Lottery. The cost of electrical service shall be the responsibility of the retailer.

3. A retailer shall cooperate with the Lottery to the extent reasonable and practicable to accomplish any modifications to the equipment or systems in a timely and economical fashion.
 4. The Lottery shall not be liable for damages of any kind due to interruption or failure of any Lottery-issued or authorized equipment.
 5. 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.
 6. A retailer shall exercise diligence and care to prevent damage to the Lottery-issued equipment and other property of the Lottery, or property of Lottery contractors.
 7. A retailer shall maintain the Lottery-issued equipment and accessories in a clean and orderly condition.
 8. A retailer shall minimize equipment downtime by notifying the Lottery or its contractor immediately of any equipment failure, malfunction, damage, or accident.
 9. A retailer shall make the equipment available for repair, adjustment, or replacement at all times during the retailer's regular business hours.
 10. 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.
 11. A retailer shall install and use only approved Lottery paper stock specifically assigned to the retailer.
- C. Retailers may sell tickets using an authorized Lottery product vending machine in accordance with the Act and this Chapter.

1. A retailer shall establish loss prevention policies to ensure Lottery product vending machines are not operated by persons under 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 visible to retail personnel and easily accessible to players.
3. A retailer 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. Training may take place at a retailer's place of business.
- B.** A retailer holding a full product license shall ensure 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.
- D.** A retailer holding a full product license shall provide all employees operating Lottery equipment with copies of the procedures 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 all employees or volunteers selling instant tab tickets 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.
- B. A retailer shall allow investigations 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 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. This documentation shall be easily accessible to the Lottery-authorized investigator for examination or audit.

R19-3-208. Penalties

- A. The Director shall assess a civil penalty against a retailer for any of the following acts:
 - 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 using a public assistance voucher issued by any public entity or an electronic benefits transfer card issued by the Arizona Department of Economic Security.
- B. The Director shall, on the written complaint of any person, or upon receipt of information indicating a retailer has committed an act listed in subsection (A), investigate the act or acts. 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 the retailer has committed such an act. A violation of an act listed in subsection (A) is a civil penalty in the amount of:
 - 1. Up to \$300 for the first violation within a 12-month period;

2. More than \$300 and up to \$500 for the second violation within a 12-month period; and
 3. 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 reported as a change event under R19-3-210.

R19-3-210. Reportable Events

A. A retailer shall report the following events to the Lottery in writing a minimum of 10 business days before the event:

1. Change in business location of the licensed premise;
2. Sale of ownership, merger, or acquisition of the licensed entity;
3. 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 or manager 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.
4. 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 (3);
5. Divorce or legal separation action filed by a sole proprietor or partner licensed as a retailer, or retailer's spouse;

6. Retailer or guarantor becomes insolvent, files bankruptcy, or a receivership is ordered;
7. Change in bank account from which the Lottery's electronic funds transfers are made; or
8. Revocation, suspension, or other action against a charitable organization's letter of determination of tax-exempt status.

B. A retailer shall report to the Lottery in writing the death of a sole proprietor or partner licensed as a retailer within 10 business days after the death occurs.

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 authorized by the Lottery.

1. If there is a change of ownership as reportable in R19-3-210(1) through (3) or R19-3-210(B), change of business location, or a criminal charge as reportable in R19-3-210(4), 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. 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.** 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.** More than one retailer commission, bonus, or other incentive may run concurrently.
- D.** 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 website. A technological problem or failure that either prevents the posting of the retailer commission, bonus, or other incentive on the Lottery website or that

temporarily or permanently prevents the use of all or part of the website 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.
- B.** The Director may require a retailer to sell any one or combination of Lottery game products based on the retailer's license.
- C.** A retailer shall not make any representation to a player 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 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 only use selection slips, materials, or methods authorized by the Lottery to generate plays selected 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 Lottery tickets for the seven-day period ending at the close of business on the previous Saturday.
2. The amount due 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 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 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 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 shall notify the Lottery of any bank account changes a minimum of 10 business days before the effective date of the change.
5. If a retailer's payment 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 retailer's Lottery-issued equipment 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 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 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 Lottery-authorized equipment.
- C.** A retailer 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 a retailer holding a full product license determine 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 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. 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. Provide a copy of the written police report to the Lottery,
2. Cooperate in any investigation and prosecution of the theft,
3. Sign an affidavit providing the details as known by the retailer, and
4. Maintain and report current game, pack, and ticket inventory.

C. If a retailer holding a full product license sustains a loss from stolen tickets, the retailer's insurance is the loss payee.

- D.** If 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 as follows:
1. The Lottery shall credit all charges against the account of the retailer for the stolen tickets if the Lottery determines 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 for the stolen tickets if the Lottery determines the theft was from an employee, manager, officer, director, or a relative with access to Lottery tickets.
 3. Each retailer 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 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 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.

Retailers and Employees Notice

The Security Department of the Arizona Lottery keeps track of all activities that involve the Lottery, which includes draw games, Scratchers® tickets and instant tab tickets. If suspicious activity is detected, the Arizona Lottery Security Unit will initiate an investigation that could lead to local police involvement, arrests, and convictions.

Persons involved in the **THEFT** or **FRAUDULENT USE** of Lottery tickets may be **CRIMINALLY PROSECUTED**.

FOLLOW THESE SIMPLE RULES:

- Retailers and their employees are not allowed to play any of the Lottery games (Scratchers or Draw Games) while working.
- Retailers and their employees are not allowed to validate their own tickets (Scratchers or Draw Games).
- Retailers and their employees must purchase their tickets from an on-duty employee and must pay for the tickets prior to playing the games (Scratchers or Draw Games).
- Retailers are advised to follow Arizona Lottery recommended policies and procedures for the receipt, activation, validation, and final disposition of Lottery tickets.

LOTTERY FRAUD IS A CRIME

If you witness or suspect any violation of Arizona Lottery rules or regulations, please contact Arizona Lottery Security at (480-921-4486).

