



CONNECTICUT LOTTERY CORPORATION

RULES OF OPERATION

April 26, 2012

CONNECTICUT LOTTERY CORPORATION
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CONNECTICUT LOTTERY CORPORATION
Rules of Operation

Section 1. General Provisions

(a) President's Responsibilities. The President of the CLC shall be responsible for the day to day operation of the Lottery and will discharge all responsibilities assigned by the Board, which include the control, distribution, and safekeeping of all Lottery tickets and general supervision over the development and conduct of any additional Lottery Games which are established by the President with the advice and consent of the Board in conformity with the provisions of the Act.

(b) Games. The different types of Lottery games shall be established by the President with the advice and consent of the Board. For purposes of these rules, the types or categories of games shall be (1) instant; (2) on-line; (3) others, including any variations of these. Any game or type or category of game, once having been established may thereafter be discontinued in a similar manner provided reasonable notice of such intention is given at a regularly scheduled or special Board meeting. The President, at his discretion, may suspend operation of a game pending action to discontinue the game by the Board if it is in the best interest of the Lottery and the citizens of Connecticut. Except as otherwise provided herein, a discontinuation shall not affect the rights of those who purchased tickets prior to the effective date of termination.

(c) Official Rules Filed. The frequency and duration of Lottery games, the prices of tickets, the manner in which such games shall be conducted and played, as well as the manner in which winners are to be selected and prizes claimed and awarded shall be contained in the official Rules, approved by the Division for conformance to its regulations, for such Lottery games as specified by the President and presented to the Board for its advice and consent. All Rules shall be in writing and kept on file at the CLC and the Division offices in sufficient supply to assure distribution to any party requesting a copy.

The CLC may produce and distribute illustrative brochures and other materials designed to inform the general public as to the manner of participation in a game. This game information may also be printed on the ticket itself. However, in the event of any conflict, the Rules, as adopted and on file with the CLC, shall control.

(d) Emergencies. Notwithstanding the above, in the event of unforeseen problems which might reasonably cause substantial detriment to the public interest of the State of Connecticut, the CLC reserves the right to order an immediate suspension of the sales of any tickets or the conducting of any drawing relating to a particular game. Any such decision must be ratified by the Board, not later than at its next scheduled meeting. The CLC, with the advice and consent of the Board, will thereafter establish new rules relating to the manner in which any incidental drawings are to be conducted, winners to be determined, and the amount of any prizes to be awarded. In addition, if during the actual conduct of any drawing, a problem arises requiring immediate action, the President or his designee shall take such action as is necessary to protect the interests of the Lottery and the citizens of Connecticut.

(e) Prize Payout.

- (1) At least an average of forty-five percent (45%) of the total gross sales in any Lottery game shall be returned as prizes to holders of winning tickets.
- (2) The CLC may limit its liability in games with set payouts and may cause a cessation of sales of tickets of certain designation when such liability limit has been reached.

Section 2. Definitions, Constructions, Interpretations

(a) In applying the rules contained herein, the following definitions, constructions and interpretations shall apply:

- (1) Act. Public Act 96-212 and Chapter 229a of the Connecticut General Statutes.
- (2) Board. Board of Directors of the CLC or any duly constituted committee of the Board Directors.
- (3) CLC. Connecticut Lottery Corporation, as constituted pursuant to the Act, and its successors.
- (4) Claim Center. A Lottery sales Retailer or other entity designated by the President to process claims for Lottery winnings of specified denominations.
- (5) Compensation or Commissions. Payments to Lottery sales Retailers and claim centers for sales, processing, safekeeping, handling, and distribution of Lottery tickets and funds, or for other related services required by the CLC.
- (6) Delinquency. The failure by a Lottery sales Retailer to remit all moneys due and owing the CLC, as a result of the Retailer's Lottery ticket sales, upon the settlement date established for that Retailer.
- (7) Division. The Division of Special Revenue of the State of Connecticut, and its successors.
- (8) Drawing. That process as established in the Rules whereby winners in a Lottery game are conclusively determined.
- (9) Executive Director. The Executive Director of the Division of Special Revenue.
- (10) Finalist Drawing. A public drawing in which eligible tickets as established in the Official Rules for any Lottery game are randomly drawn to determine the finalist entrants who will participate in a grand prize drawing.
- (11) Grand Prize Drawing. A public drawing in which finalist entrants' names are randomly drawn to determine the winner of the grand prize as established in the Rules for any Lottery game.

- (12) High-tier Claim Center. A Lottery sales Retailer or other entity designated by the President to pay and process claims for Lottery winnings of up to \$5,000.00.
- (13) High-tier Prize. A prize of a value which pursuant to the Rules may only be paid at the CLC offices or High-tier Claim Center.
- (14) License or Lottery Sales Agent License. As used in these Rules, the term license shall mean:
- (a) Such permission to sell Lottery tickets subject to the Retailer Contract or other contractual agreement with the CLC; or
 - (b) Where the context requires, the actual document issued by the Division evidencing such permission.
- (15) Lottery. The Connecticut State Lottery conducted by the CLC pursuant to the Act, including such Lottery games as shall be from time to time authorized by the CLC.
- (16) Low-tier Prize. A prize of a value which pursuant to the Rules may be paid by a Lottery sales Retailer or a Lottery Claim Center.
- (17) Official Rules. The documents which contain the formalized methods of operation of the various Lottery games. The Rules are published and kept on file at the CLC and the Division.
- (18) On-Line Game. Any game in which a Lottery ticket is produced by a terminal which communicates with a central computer system.
- (19) Person.
- (a) Any individual, partnership, association, corporation, trust, or other form of business or legal entity authorized to do business in Connecticut.
 - (b) Any department, commission, agency, or instrumentality of state, county, or, municipal governments.
- (20) President. President and Chief Executive Officer of CLC having such powers and authority as determined by the Act, the Rules, the Board and the Bylaws of the CLC.
- (21) Principal Owner. An owner of ten percent (10%) or more of the equity in the business conducted by a Lottery sales Retailer.
- (22) Retailer or Lottery Retailer. A person who has been licensed by the Division to sell and redeem Lottery tickets as specified by the Division, and has contracted with the CLC to sell, promote and redeem Lottery tickets.

- (23) Retailer Bonus Drawing. A prize drawing which the CLC may conduct in conformity with the Rules among active Lottery sales retailers in good standing for the purpose of promoting ticket sales pursuant to a Retailer incentive program.
- (24) Retailer Contract or Lottery Retailer Contract. The agreement between the CLC and its Retailers establishing the CLC's requirements for selling Lottery products.
- (25) Retailer Incentive Bonus. An award paid to Lottery Retailers in good standing who sell tickets to certain winners as specified by the CLC.
- (26) Retailer Incentive Program. A method by which an award may be paid to active Lottery Retailers in good standing as established by the CLC from time to time.
- (27) Rules of Operation. These rules of the CLC, together with such additional rules, amendments and modifications thereto as shall from time to time be hereafter adopted, including emergency rules authorized pursuant hereto.
- (28) Settlement. The process by which the CLC receives the monetary amount equivalent to all tickets sold by a Retailer, minus prizes paid, authorized adjustments and Retailer's authorized compensation.
- (29) Subscription or Lottery Subscription. A contract under which the subscription purchaser is automatically entered in designated drawings for a specified period of time.
- (30) Ticket or Lottery Ticket. Ticket means any Lottery ticket approved for sale to the general public pursuant to these Rules.

Section 3. Purchasers

(a) General. One who participates in an authorized Lottery game by purchasing a ticket from a licensed Lottery Retailer or by lawfully receiving a ticket so purchased by another shall be deemed for the purposes of this rule a purchaser, and such purchaser agrees to abide by all provisions of these Rules and agrees further to the conditions of this Section.

(b) Official Rules. A purchaser shall be bound by the official Rules of the particular game as on file with the CLC and the Division.

(c) Claims.

- (1) Prizes may be claimed only in accordance with the official Rules or any emergency Rules as prescribed by the President with the advice and consent of the Board, if applicable.
- (2) To be valid, claims must be validated on CLC's Central On-line System within the following time periods:

- (a) Category 1, Instant: One Hundred Eighty (180) days from the official declared end of game.
 - (b) Category 2, On-line: One Hundred Eighty (180) days from the date of the drawing.
 - (c) Category 3, Others: As established by the official Rules.
- (3) Notwithstanding the provisions as described in subdivision (2) of this subsection, the time period allowed for presenting valid claims for any category of game may be changed for that game category by the President with the approval of the Board. For the purposes of this subsection, any change in the time period allowed for presenting valid claims shall be applied to the category of game as a whole and shall not be applied on an individual basis for individual claims.

(d) Assignment of Lottery Prizes.

- (1) The right of any person to a lottery prize that is paid in installments over time awarded pursuant to Section 12-568, or Section 12-812 of the general statutes, which shall not include any "Win For Life" type prize may be voluntarily assigned, in whole or in part, pursuant to the provisions of subsection (2) of this Section. For purposes of this Section, the term "assignee" is synonymous with "secured party," the term "assignor" is synonymous with "lottery prize winner," and "assignment" and "prize payment" means the payment that is directed to be paid to the secured creditor or assignee.
- (2) (a) No assignment of a lottery prize, in whole or in part, shall be valid unless it is executed pursuant to and approved in accordance with this subsection, unless otherwise prohibited pursuant to subsection (3) of this Section. Any such assignment shall entitle the assignee to receive, to the extent assigned, the lottery prize to which the assignor would be entitled. Such assignment shall be in writing and executed and acknowledged by both the assignor and assignee. Such assignment shall contain the lottery prize winner's (or assignor's) name, and social security number or tax identification number and the assignee's name and social security number or tax identification number. Such assignment shall be governed by the laws of the state of Connecticut. Such assignment shall be accompanied by an affidavit, signed and sworn to by the assignor before a proper authority, stating that the assignor: (1) is of sound mind and is not acting under duress; (2) has been advised by independent legal counsel and has received independent financial and tax advice concerning the assignment, from an independent certified public accountant or certified financial planner; (3) understands that he will not receive a lottery prize payment or portions thereof for the time period assigned; (4) has received a disclosure statement as provided in subsection (2) (b) of this Section; (5) at the time of the execution of the assignment, was informed in writing by the assignee that the assignor had the right to cancel the assignment within three (3) business days following the date on which the assignment was signed; (6) does not have any outstanding or unsatisfied judgments against him or is subject to any court order or judgment regarding delinquent child support or alimony obligations; and (7) releases the Connecticut Lottery Corporation, its directors, officers and employees from any further

liability to the assignor upon payment of any lottery prize pursuant to an assignment made in accordance with subsection (2).

- (b) The assignee shall provide to the assignor a separate one-page written disclosure statement in at least ten-point bold type setting forth: (1) the payments being assigned, by amount and payment dates; (2) the purchase price being paid for the assignment of such lottery prize; (3) the rate of discount to present value, assuming daily compounding and funding on the date of assignment; (4) the amount, if any, of any fees that will be charged to the assignor; and (5) in matters regarding the collateral assignment of a lottery prize, the loan amount, interest rate, default rate, and any prepayment penalties.
 - (c) Upon payment of an entry fee in an amount as determined by the court, an assignee shall submit the assignment to the Superior Court for the judicial district in which the assignor resides or where the Connecticut Lottery Corporation is located for review and approval by the court. The Connecticut Lottery Corporation shall be made a party to the court proceeding. If, upon review of the assignment and accompanying affidavit, the court determines that the requirements of subsection (2)(a) have been met, the court shall approve the assignment.
- (3) No person may assign a lottery prize if: (1) such person is liable for support under the provisions of Section 52-362d of the general statutes; (2) any person who does not assign any prize payments would be subject to an immediate income tax liability for the value of the entire prize rather than annual income tax liability for each installment when paid, as determined by a technical rule letter, revenue ruling or other public ruling of the Internal Revenue Service or State of Connecticut Department of Revenue Services; (3) a court of competent jurisdiction issues a published decision that any person who does not assign any prize payments would be subject to an immediate income tax liability for the value of the entire prize rather than annual income tax liability for each installment when paid; (4) the Connecticut Lottery Corporation receives such letter or ruling issued by the Internal Revenue Service or the State of Connecticut Department of Revenue Services or a published decision of a court of competent jurisdiction and the corporation files such letter, ruling or decision with the Secretary of the State; (5) the assignor's lottery payments are subject to any lien, judgment, offset, levy, attachment, execution, garnishment, or court ordered payment; or (6) the assignor is indebted to the State of Connecticut pursuant to Section 4a-12 of the general statutes.
- (4) (a) The Connecticut Lottery Corporation may establish a reasonable fee not to exceed \$500.00 for any administrative expenses associated with assignments made pursuant to subsection (2) of this Section, as well as the cost to the Connecticut Lottery Corporation of any processing fee that may be imposed by a private annuity provider. The amount of the fee shall reflect the direct and indirect costs of processing the assignments by said corporation.
 - (b) Within twenty (20) days of receipt of a certified copy of a court order required under subsection (2)(c), the Connecticut Lottery Corporation shall issue written confirmation to the assignor and assignee recognizing the assignment.

- (c) The Connecticut Lottery Corporation its directors, officers and employees shall be discharged of any further liability to the assignor upon payment of any lottery prize pursuant to an assignment made in accordance with subsection (2) of this Section.
 - (d) The payment of moneys to the assignor by the assignee in consideration for the assignment of the prize payment or payments shall be made in full prior to the time when, under the terms of the assignment the Connecticut Lottery Corporation is required to make the first prize payment to the assignee.
 - (e) Any assignee of a lottery prize, by acceptance of the assignment of the lottery prize in accordance with this Section, agrees to be bound by these Rules of Operation. Any further assignments of lottery prizes shall be subject to the same restrictions and requirements as the initial assignment.
- (5) In addition to the provisions set forth above, an assignment of a lottery prize to be used as collateral to secure a loan pursuant to Title 42a of the General Statutes (Uniform Commercial Code) shall be subject to the following:
- (a) All security agreements, promissory notes, rights of the prize winner, and the rights of the secured creditor shall be determined in accordance with the laws of the State of Connecticut.
 - (b) In the event of a default under the loan or security agreement, the secured creditor's rights shall be limited to receiving the regular payments made by the Lottery, based on the assignor's right to receive a regular prize payment until the obligation has been paid in full or the prize has been paid in full, whichever occurs first. Notwithstanding Article 9 of the Commercial Code, the secured creditor shall not have the right to sell or assign its rights to payments to itself or to any other person. This Section shall not limit the secured creditors right to sell, assign or transfer the obligations of the debtor and related security interest to a third party.
 - (c) The assignor, pursuant to a court order of the court obtained in compliance with subsection (2) of this Section, may direct the lottery to make the prize payments, in whole or in part, directly to the secured creditor. A direction to the lottery to make a prize payment to a secured creditor shall not, in and of itself, constitute an assignment of the prize payment to the secured creditor.
 - (d) A copy of the security agreement, and an endorsed copy of the financing statement, shall be filed with the Connecticut Lottery Corporation.
 - (e) Notwithstanding the security interest granted a creditor, all lottery payments shall be made payable directly to the assignor, except in the event of a default under the security agreement or obligation it secures, payments may be sent directly to the secured creditor pursuant to an order of a court of competent jurisdiction determining that the payments are to be made directly to the secured creditor.

(f) Upon the termination or releases of the security interest, the secured creditor shall file an endorsed copy of the release or termination of the security interest with the Lottery.

(e) Withholding of Lottery Winnings. Upon receipt of notification from the Commissioner of Social Services that money is due from any person who has won a lottery prize as a result of a claim for support that has been assigned to the State pursuant to Section 17b-77 of the Connecticut General Statutes or is to be paid to the Commissioner of Administrative Services directly or through the Support Enforcement Division of the Superior Court, the CLC shall not pay any amount otherwise payable to such lottery prize winner unless the amount payable is first reduced by the amount of such claim for support owed to an individual for any portion of support which has not been assigned to the State and then by the amount of such claim for support owed to the State, provided that the CLC shall notify such lottery prize winner that (1) payment has been withheld as the result of the amount due for such support, and (2) he has the right to a hearing before a hearing officer designated by the Commissioner of Social Services if he contests the amount of the alleged claim for support. The CLC shall pay any amount so withheld in accordance with a final, non-appealable decision of the Commissioner of Social Services, the hearing officer or a court of competent jurisdiction upon appeal of a hearing officer's decision, as the case may be.

(f) Acceleration of Prizes for Deceased Winners. Upon the death of the winner of an annuitized lottery prize during the payment period, the CLC Board, in its sole discretion, upon written petition of the executor, administrator or other fiduciary of the estate of the deceased lottery winner (the "Estate"), may accelerate payment of all the remaining lottery proceeds to the Estate. Any such petition shall be filed within one (1) year of the date of death of the deceased lottery winner. If the CLC Board makes such a determination, then the CLC shall pay the Estate the present value of the future lottery payments that are to be accelerated. Such present value shall be determined (i) in accordance with the terms and provisions of the investment or contract rights of the CLC relating to such annuitized lottery prize, or (ii) by the CLC Board pursuant to applicable Rules of the CLC in effect from time to time. The CLC shall have no duty to consider acceleration of annuitized lottery prizes for the benefit of an Estate unless the CLC has the right to accelerate payment under its investment or contract rights relating to the particular annuitized lottery prize.

The CLC shall make payment to the executor, administrator, or other fiduciary of an Estate only upon receipt of a certified copy of an appropriate probate court order appointing such executor, administrator or other fiduciary. The CLC shall be relieved of any further responsibility or liability upon payment of installment prize payments or an accelerated lump sum payment made pursuant to this subsection, as the case may be, to the executor, administrator or other fiduciary of the Estate or the heirs, or distributees thereof named in the appropriate probate court order.

(g) Payment of Prizes to Minors.

(1) If the person entitled to a prize, or any portion thereof, or any winning ticket, is a minor and such prize or portion thereof is five thousand dollars (\$5,000.00) or less, the President shall direct payment of the prize by delivery of a check or draft to both parents or such parent who has legal custody of the minor child, or to such guardian or spouse as provided in § 45-49 of the Connecticut General Statutes, upon obtaining a release in conformity with Connecticut General Statute § 45a-631.

- (2) If the person entitled to a prize or any winning ticket is under eighteen (18) years of age and such prize exceeds five thousand dollars (\$5,000.00), the legal guardian of the person under eighteen (18) years of age shall petition the probate court for the district wherein such minor resides that a guardian be appointed for said minor's estate. Upon a valid binding appointment of a guardian of the estate of the minor child, the President shall direct payment of the prize by delivery of a check or draft to said guardian. If the minor is not a resident of the state of Connecticut, the prize money shall be distributed pursuant to Connecticut General Statute § 45a-635.
- (3) In all cases where the person entitled to a prize, or any winning ticket, is a minor, the CLC shall require an affidavit from the donor of such prize, or winning ticket, stating that the prize, or winning ticket, has been the subject of a gift from the donor to the minor donee and that the price of such winning ticket was not provided by the minor from funds under such minor's control.

(h) Ownership of Tickets.

- (1) Name on Ticket. Until such time as a name is placed on the back of a Lottery ticket, the ticket shall be owned by its physical possessor. When a name is placed on the back of a Lottery ticket, then, except as may be otherwise provided under subdivision (2) of this subsection (h), the person whose name appears on the back of the ticket shall be its owner and entitled to any prize which may be attributable to said ticket so long as CLC records do not indicate said ticket has been previously paid, canceled or is otherwise invalid pursuant to these Rules. Where a person's nickname appears on the ticket, the CLC may make any prize money check attributable to such ticket payable to the person's legal name.
- (2) Multiple Claimants. Where more than one person is entitled to a prize, where possible, the names of all claimants should appear on the back of the winning ticket(s). Where this is not possible, the name of at least one such claimant must appear on the back of the ticket, and the existence of the other claimants must be indicated. For example words to the effect of "etc.," "et al.," "and others," or other similar language shall be sufficient indication; and at the time of claiming the prize a list of all claimants must be submitted. The CLC shall be discharged of all liability upon payment to those persons indicated on the back of the ticket or on such list, so submitted. If a ticket is owned in unequal shares, the CLC may pay any prize attributable to such ticket in such unequal proportion. Where, however, payment to multiple claimants or in unequal shares represents an unreasonable administrative burden upon the CLC, then the CLC reserves the right to make payment to one claimant to be designated by the multiple claimants and such payment to said designated person shall discharge the CLC from all liability for the payment of said prize to such multiple claimants.

(i) Discharge of Liability. The CLC shall be discharged of all liability upon payment to the person determined by the CLC to be entitled to the prize pursuant to the Official Rules of the game and these Rules.

(j) Sales Final. All ticket sales are final and irrevocable. It shall be the purchaser's responsibility to verify the accuracy of their ticket(s) at the time of purchase.

(k) Interrupted Games.

- (1) In the event a particular game or drawing must be prematurely terminated or interrupted for whatever reason, purchasers shall abide by those emergency Rules adopted by the President pursuant to Section 1(d) of these Rules.
- (2) Where a drawing is interrupted before all the numbers, colors, symbols, names or tickets required to determine a winner are drawn, those numbers, colors, symbols, names or tickets drawn before the interruption will stand, and the remaining required numbers, colors, symbols, or tickets will be drawn following the removal of the cause of such interruption.

(l) Validation and Verification of Claims.

- (1) Claiming of Prizes. All prizes shall be claimed in the manner and form prescribed in the Official Rules. All claims presented shall be verified in accordance with the Rules. Any claimant whose claim is not validated or denied shall be promptly notified.
- (2) Disclosure. Failure of a winner to disclose upon the CLC's request the particular location and date a ticket was purchased as well as any other relevant information requested by the CLC may result in the forfeiture of any prize which may otherwise have been payable.
- (3) Missing Ticket. Prizes shall be awarded only upon presentation of a valid winning ticket except that the President may authorize payment in the absence of such a ticket if:
 - (a) The claimant provides sufficient information to allow the CLC to verify the initial purchase as well as the ownership of the missing ticket; and
 - (b) No competing claims are presented or the time has expired within which any other claim would have to be honored pursuant to subsection (c) (2) of this Section.
- (4) Mutilated Tickets. Valid winning mutilated tickets whose numbers and other identifying criteria are legible and verifiable by the CLC shall be honored for payment. Illegible tickets will be treated as missing tickets under subdivision (m)(3) of this Section.
- (5) Altered or Counterfeit Tickets. Any person who forges or counterfeits any Lottery ticket, or who alters any number or symbol on such ticket, or who offers for sale or sells any such forged, counterfeit or altered ticket, knowing it to be such, or who presents such forged, counterfeit or altered ticket for payment with intent to defraud the CLC, the State of Connecticut or any person participating in any such Lottery game shall be guilty of a Class A misdemeanor.

(m) Subscriptions. Purchasers shall be bound by any Rules adopted by the President with the advice and consent of the Board relating to sales of Lottery tickets by subscription. Such Rules shall establish the method of application for and issuance of a subscription in any game and shall also relate to payment of prizes and eligibility for prizes. A subscription is not effective until confirmed in

writing by return mail by the CLC. All such subscription sales shall be both final and non-cancelable except that the CLC reserves the right to discontinue any particular type or category of game. In the event of such discontinuation, the President may offer the subscriber the choice of: (1) a refund of the amount of money which represents the unused portion of the subscription; or (2) equivalent participation in a replacement game, if any, or another existing game.

(n) President's Decisions. In the event of any occurrence not covered by these Rules, purchasers shall abide by the decisions of the President who shall make such decision in the best interests of the Lottery and the State of Connecticut.

(o) Sales Prohibitions. No Lottery ticket shall be purchased by, and no prize shall be paid to any Board member, officer, or employee of the CLC or to any spouse, domestic partner, child, brother, sister, or parent residing as a member of the same household in the principal place of abode of any of the foregoing persons.

(p) Unclaimed Prizes. The CLC shall retain for the holder of a winning ticket any prize which that holder has not claimed. If the prize remains unclaimed at the expiration of the appropriate time period set forth in subsection (c) (2) of Section 3, such prize shall revert to an unclaimed prize. Unclaimed prize money from one game or type or category of game may be retained as additional revenue for the state, used to increase sales, or returned to Lottery players in a manner designed to increase sales.

(q) Substitute Prizes. The President may in his discretion substitute the equivalent cash value for a non-cash prize.

(r) Mistaken Number. In cases where the winning Lottery number has been erroneously transmitted to or by the media, no payments will be made on the mistaken number but only on the number as officially drawn and on record at the CLC.

(s) Entrants for Finalist Drawing.

(1) The CLC will make timely and reasonable efforts to secure eligible entrants for a Lottery finalist drawing. In the event that an entrant is excluded from a drawing through negligence or oversight on the part of a Retailer, the CLC or any authorized depository of a Retailer or CLC, such entrant may be included in the next appropriate drawing. The CLC will not be responsible for the negligence of the original holder of an eligible entry.

(2) An entrant for a Grand Prize Drawing who, in the opinion of the CLC, is unable to participate personally in such drawing, may appoint a proxy or may have a proxy appointed by the CLC to participate in such drawing for said entrant. Where the CLC is unable to locate a Grand Prize Drawing entrant, the President may appoint a proxy to represent that unlocated entrant in the drawing. Any prize money to which said entrant may become entitled as a result of the grand prize drawing will be held by the CLC pursuant to the provisions of Chapter 32 Part III of the Connecticut General Statutes.

- (3) If, in a Lottery drawing, a ticket is drawn which has no name placed on the space provided for same, no rights to any prizes or further participation in finalist or grand prize drawings shall arise from such ticket. The blank ticket shall be voided and another ticket drawn in its place.
- (4) If, in a Lottery drawing, a ticket is drawn on which a name or address is illegible the ticket shall be declared void after all reasonable efforts have been made to ascertain the name and address of such illegible signatory. The voided ticket will be replaced by a spare ticket pursuant to these Rules or the Official Rules governing said drawing.

(t) Fraudulent Purchases. Where a Retailer purchases tickets, and the Retailer fails to make a timely and complete settlement; or where a third person receives tickets from a Retailer not intending to pay for such tickets or only intending to pay for them should they include winners, and the Retailer fails to make a timely and complete settlement; the CLC may invalidate such tickets.

Section 4. Instructions

From time to time the CLC or its President may issue Retailers and Claim Centers written instructions and material concerning the details of the administration of the various Lottery games. These instructions and material may include, but not be limited to, the provision of forms and Rules to be utilized in the ticket claiming, redemption and settlement process; the establishment of beginning and ending sale dates for individual games; the establishment of Retailer settlement dates; the terms of any Retailer incentive program; and matters relating to the integrity and security of the various Lottery games. Such instructions may include, but not be limited to, the following forms: manuals, bulletins and notices. Such instructions may be delivered to all such Retailers and claim centers as may be affected by such instructions by first class mail or equivalent, by personal service, or by computer terminal, as the circumstances then appertaining may permit. Such instructions shall become effective only upon reasonable notice in view of the circumstances surrounding their issuance and shall apply equally to all of the same class affected by such instructions. Copies of these instructions and material shall be filed and maintained at the CLC offices and available for inspection at all times during normal business hours.

Section 5. Lottery Sales Retailer

(a) Requirements for Licensing. Any person desiring to become a Lottery sales Retailer shall make application for a Lottery agent license to the CLC. No Lottery sales Retailer may sell any Lottery products without a Division approved license.

(b) Retailer Qualifications. The CLC will contract with qualified licensed persons to become a Lottery sales Retailer. In determining whether to enter into a Retailer Contract with a person licensed by the Division the CLC shall consider the following factors:

- (1) Financial responsibility of the Retailer applicant. In this connection, the CLC may conduct an investigation into the credit worthiness of the applicant utilizing the services of a credit reporting agency. The CLC may require that the applicant post and maintain a surety bond at applicant's sole expense in an amount determined by the CLC to adequately protect the CLC against any monetary loss resulting from applicant's prospective activities as a Lottery sales Retailer;
- (2) Security of the particular business premises designated in the application as a Lottery sales location;
- (3) Accessibility of the designated premises to the general public along with the volume of business generated;
- (4) Proximity to other businesses operating as Lottery Retailers and whether such other Retailers are sufficient to serve the public convenience;
- (5) Actual volume of Lottery ticket sales which in the opinion of the CLC can be anticipated at such premises. In this regard the CLC may rely upon its own staff experience and know-how as well as any other available professional expertise;
- (6) Such other information as the CLC may deem pertinent to entering into a Retailer contract with a licensed applicant.

(c) Corporate Applicants. In the event the licensed applicant is a corporation, limited liability company, limited liability partnership, limited partnership, trust, or other legal form of business entity authorized to do business in the State of Connecticut, the CLC may require that its principal owner, and/or a natural person connected with said applicant and acceptable to the CLC, assume in writing, joint and several liability with said applicant. In the event such Retailer shall thereafter be adjudicated a delinquent Retailer pursuant to these Rules, the CLC may avail itself of any appropriate collection procedures against said business (i.e. corporate) licensee or natural person or both.

(d) Change of Operations. A Lottery Sales Retailer contract shall not be assigned, transferred or sold. Changes in the ownership, location, or name of a Retailer's business may only be made in accordance with the following provisions:

- (1) When the ownership of the Retailer's business enterprise is to be transferred, if the proposed transferee wishes to continue Lottery sales in connection with such enterprise, said transferee must submit an application for a new Lottery sales Agent license to the CLC in advance of such transfer, which application shall be forwarded to Division for review and approval. Upon receipt of a license from Division the CLC shall then determine, pursuant to these Rules, whether to enter into a new Retailer contract. Provision must be made at closing for the resolution of any obligations owed the CLC as a result of the transferor's Lottery business. Failure to do so, may result in the CLC's refusal to authorize the transferee to sell lottery until such time as the transferor's obligations to the CLC are satisfied. This subsection

shall also apply when there is any change in the parties who comprise the ownership of a Retailer's business or when there is a forty-nine (49%) percent or greater change in the ownership of any Retailer.

(2) A Retailer desiring to move its Lottery business from one location to another must make proper application on forms provided by the CLC and receive all required approvals from the Division.

(3) A Retailer wishing to change its name must make proper application on forms provided by the CLC and receive all required license approvals from the Division.

(e) Termination of Retailer Contract. The CLC may immediately terminate, or refuse to renew any Retailer contract if a Retailer:

(1) Violates a provision of the Act, CLC instructions or these Rules; or

(2) Retains an employee involved in the sale of Lottery tickets who has been convicted of a criminal offense related to the security or integrity of the Lottery; or

(3) Retains an employee involved in the sale of Lottery tickets who has been convicted of a gambling-related offense, false statements, false swearing or perjury in this or any other jurisdiction; or

(4) Commits fraud, misrepresentation or deceit; or

(5) Provides false or misleading information to the CLC; or

(6) Acts in a manner prejudicial to the security or integrity, or the public confidence in the security or integrity, of the CLC; or

(7) Conducts business for the sole purpose of selling Lottery tickets; or

(8) Is delinquent in the payment of any federal, state or local taxes owed by it; or

(9) Changes any Retailer business location for which the CLC has issued a Retailer contract; or

(10) Fails to accurately or timely account for proceeds or prizes from the sale of Lottery tickets; or

(11) Fails to accurately or timely account for Lottery tickets received from CLC; or

(12) Fails to comply with any term(s) of the Retailer contract; or

(13) Fails to maintain a minimum level of sales, as established by CLC from time to time; or

(14) Substantially changes the ownership (more than 49%) of Retailer without prior written notice to, and consent of the CLC; or

- (15) Files for or is placed in bankruptcy, receivership, insolvency or similar proceedings or fails to pay its debts as they become due; or
- (16) Contracts with any other person or entity for Lottery goods or services without the prior written approval of the CLC; or
- (17) Fails to maintain the designated account from which electronic funds transfer (EFT) payments are to be made; or
- (18) Fails to authorize the CLC to initiate EFT transactions to and from such designated account; or
- (19) Fails to have sufficient funds available to pay amounts due the CLC in such designated account on the dates specified by the CLC; or
- (20) Fails to sell and redeem Lottery tickets in accordance with these Rules, or instructions of the CLC.

(f) Appeal of Termination of Contract. Retailer shall be entitled to appeal its contract suspension or termination if requested in writing within fourteen (14) days after the suspension or termination, before the President or his designee.

(g) Insufficient Lottery Sales. In the case of an Retailer who makes no Lottery sales within any thirty (30) day period, the CLC may deem such Retailer's contract to be void and may cancel such contract after mailing notice of such action to Retailer's last known address without granting the Retailer a hearing unless the Retailer so requests.

Section 6. Lottery Sales

(a) Categories of Sales. The CLC in its discretion, shall determine the categories of tickets as follows: category 1-instant; category 2-on-line; and category 3-others, which, for the convenience of the public, a Retailer shall be allowed to sell, and such determination shall be final. A Retailer shall sell and redeem all categories of tickets unless otherwise instructed by the CLC.

(b) Sales Restricted to Premises. The sale of Lottery tickets by a Retailer at other than his licensed premises is prohibited, except in instances where a "Special License" is issued to said Retailer by the Division.

(c) Multiple Locations. Any Retailer who desires to sell Lottery tickets at more than one address or location must hold a separate license for each location. Any category 1 instant tickets as described in subsection (a) of this Section, allocated for one licensed location, shall be sold at that licensed location only.

(d) Limitations on Sales.

- (1) All ticket sales shall be final.
- (2) Only duly licensed Lottery sales Retailers or their designated employees may sell Lottery tickets, however, persons who may lawfully purchase Lottery tickets may make a gift of Lottery tickets to another.
- (3) Lottery tickets may not be sold for less than or greater than the price established by the President. This shall not preclude a person who has purchased Lottery tickets from providing those tickets to his customers as gifts or promotional consideration as permitted by law.
- (4) No tickets shall be sold to any person under eighteen (18) years of age; however, minors may receive Lottery tickets as gifts.

Section 7. Obligations of Retailers

(a) Conditions of Retail Contract Upon Acceptance. The issuance of a contract by the CLC to any person as a Lottery sales Retailer shall constitute acceptance by the Retailer of the following conditions:

- (1) **Fiduciary Relationship.** A Retailer shall assume, in the sale of Lottery tickets and the receipt of revenue therefrom, a fiduciary relationship with the CLC. All monies received by Lottery sales Retailers from the sale of Lottery tickets shall constitute a trust fund. The sales Retailer, or in the case of a corporation, the natural person(s) guarantor, shall be personally liable for all such Lottery ticket proceeds which shall be kept separate and apart from all other funds and assets in a separate bank account and shall not be commingled with any other funds, assets or bank accounts of the Lottery sales Retailer.
- (2) **Laws and Regulations.** A Retailer shall agree to be bound by the provisions of the Act, and all Rules and instructions of the CLC, and all regulations duly promulgated by the Division.
- (3) **CLC Rules and Instructions.** A Retailer shall conduct the sale and exchange of Lottery tickets pursuant to the CLC's Rules and instructions for any game. These may include but are not limited to restrictions as to hours of ticket sale and redemption, the approval of the location of Lottery equipment and material on the premises, and the imposition of a minimum required sales level.
- (4) **Safeguard Tickets.** A Retailer shall assume responsibility for and safeguard any tickets and equipment entrusted to said Retailer's care and shall prevent unauthorized sale or issuance of any tickets. A Retailer shall be responsible for any such unauthorized sale or issuance of tickets which may nonetheless occur.

- (5) Surrender of Equipment. A Retailer shall agree that in the event of the suspension or termination of his contract, the CLC or other party designated by the President may enter upon the appropriate premises and remove any equipment or other materials which had been previously installed or delivered to facilitate the operation of any segment of the contracted or licensed activity.
- (6) Training Sessions. A Retailer or his designated employees shall participate in any training sessions deemed necessary for the proper and efficient operation of any equipment relating to the sale of Lottery tickets and the employment of appropriate sales techniques.
- (7) Financial Records. In accordance with a written request of the President, a Retailer shall permit inspection of the financial books and records relating to its business operation and allow the performance of an audit upon those books or records as it pertains to Lottery sales or activities. Such audit shall be conducted only by persons clearly authorized by the President. A Retailer shall also, upon request, furnish any other papers or information required for the purposes of this Section.
- (8) Inspection of Premises. A Retailer shall permit physical inspection of its premises during normal business hours upon the request of any CLC representative, for the purpose of determining whether the Retailer is functioning in a manner consistent with the act, these Rules, and the instructions of the CLC.
- (9) License Displayed. A Retailer shall display its Lottery license in a location approved by the Division and the CLC. In addition, an authorized Lottery Retailer decal shall be displayed on a prominent public window or other easily observable place on the exterior of said Retailer's premises.
- (10) License in Good Standing. A Retailer agrees to maintain a license issued by Division throughout the term of any Retailer Contract with CLC.
- (11) Costs of Enforcement. The Retailer shall be responsible for all costs and expenses incurred by the CLC in the enforcement of any requirements under the Act, these Rules, or instructions of the CLC or the Retailer Contract. Such costs shall include court costs and reasonable attorneys' fees.

Section 8. Employees

(a) Permitted. A licensed Lottery sales Retailer may utilize the services of its employees in the activities authorized under such Retailer's license and contract. Any employee of a Lottery sales Retailer under eighteen (18) years of age may sell lottery tickets as part of his/her employment under the Retailer's license. The Retailer shall assume full responsibility for the activities and their consequences of such employees. The CLC reserves the right to order that an employee not be engaged in the sale or exchange of Lottery tickets. Any such determination of non-eligibility shall be final and must be complied with promptly.

(b) Person in Charge. Where the Retailer will not be directly involved in the sale or exchange of Lottery tickets, the Retailer shall notify the CLC of a designated employee who shall be the person in charge and responsible for managing the Retailer's Lottery business. Such person in charge shall be subject to the approval of the CLC. A Retailer shall notify the CLC in writing within fifteen (15) days whenever said person in charge is replaced.

(c) Retailer Strictly Liable. In any proceedings initiated by the Division or the CLC against a Retailer, it shall be no defense that an employee of that Retailer acted contrary to an order of the Retailer or that the Retailer did not participate in any violations. A Lottery sales Retailer shall be held strictly liable for any violations of the Act, these Rules, the instructions of the CLC and the Regulations of the Division.

(d) Instant Ticket Selling Machines (ITSM). Retailers using ITSM's shall be responsible for ensuring that persons under eighteen (18) years of age do not access any ITSM installed in such Retailer's premises. The Lottery sales Retailer is responsible for ensuring that the ITSM is placed in the direct line of sight of a Retailer's employee with a remote shut-off device, which shall disable the ITSM should a person under eighteen (18) years of age attempt to access the machine. The Retailer shall ensure that the ITSM has a full supply of instant tickets properly loaded in the ITSM. The Retailer shall remove all monies from the machine when required and deposit monies in its designated Lottery account. The Retailer shall settle for ITSM sales, as each pack is sold, through the on-line system.

Section 9. Retailer Compensation

(a) Active Retailers. The Corporation, through its President and pursuant to §12-813 of the Connecticut General Statutes, shall pay a retailer a commission in accordance with Chapter 229a of the Connecticut General Statutes. Any change to commissions paid to a retailer, which change is initiated by the Board, shall be approved by no less than two-thirds of the full membership of the Board, provided that a Public Hearing on the matter is held within ninety days of the vote. The President is authorized to approve and implement a Retailer Incentive Program and/or Retailer Incentive Bonus.

(b) Terminated Retailers. A Retailer whose contract is terminated shall not be entitled to sales commissions, Retailer Incentive Bonuses, or bonus drawing prizes awarded on or after the date of such termination.

Section 10. Settlements

(a) Settlement Instructions. A Lottery Retailer shall receive and sell Lottery tickets and return the proceeds less Retailer compensation and other adjustments, including coupons, in the manner and in accordance with the timetable established by instructions from the CLC. These instructions may be distinct regarding different categories of games. When tickets are validated on the on-line system, Retailers may discard redeemed tickets as instructed by the CLC.

(b) Retailer Reports. The CLC shall establish the form and contents of any reports which Retailers must employ in the sale of Lottery tickets and which must be included with the Retailer's settlement.

(c) Termination Requirements. A Retailer whose Lottery business is terminated shall render a complete settlement to the CLC immediately upon termination.

(d) Interim Settlements. Whenever the CLC deems it to be in the best interests of the State of Connecticut generally, and the operation of the state lotteries in particular, Retailers may be required to make interim settlements, that is, at times or dates other than those which may be established pursuant to these Rules and instructions of the CLC.

Section 11. Accountability

(a) Retailer's Responsibility. Lottery tickets before sale remain exclusively the property of the CLC held in trust by the Retailer. Risk of loss shall be upon the Retailer, and tickets that cannot be accounted for by the Retailer (either by the cash equivalent or the return of unsold tickets) on the Retailer settlement return date or designated interim settlement date shall be deemed sold by the Retailer and the monies representing their purchase price must be remitted by the Retailer with the settlement.

(b) Stolen or Lost Tickets, Cash.

(1) Reimbursement. The President in his discretion may waive the payment of, or shall promptly reimburse the Retailer for, the amount of cash paid for such unsold tickets otherwise payable under subsection (a) above if:

(a) The tickets were stolen from the Retailer's premises in an armed robbery, burglary, or forced entry of which the Retailer promptly notified the local police and the CLC; investigation by police authorities and the CLC confirms the validity of the Retailer's claim; any instant tickets stolen were tickets issued to that location and such tickets were not settled by the Retailer; no prizes were paid on the stolen tickets; and the loss is not covered by insurance. Verification of the number of unsold stolen tickets will be determined by analyses performed by the CLC; or

(b) The loss was due to an act of God and the loss was reported to the appropriate local authorities and the CLC, and the loss was not covered by insurance.

(2) Non-reimbursements. Where tickets are lost, stolen, or otherwise disappear other than as under subdivision (1) above of this subsection, the Retailer shall be held responsible for the full cost of tickets as determined by the CLC. The Retailer shall not be entitled to any prizes which may have been included in said tickets.

(3) Cash. Cash received by the Lottery sales Retailer from the sale of Lottery tickets is solely the responsibility of the Retailer.

Section 12. Proceeds, CLC Property

Unsold tickets, as well as the proceeds generated from the sale of Lottery tickets, less any on-line system validated prizes paid and the authorized Retailer compensation, shall conclusively constitute and remain property of the CLC while entrusted to the care of the Retailer. Proceeds shall mean monies from sales both actual and as presumed pursuant to these Rules. Failure of a Retailer to promptly remit said tickets or proceeds on the due date as established by the CLC or on any interim settlement date as required by the CLC, shall constitute the embezzlement of CLC property.

Section 13. Retailer Delinquencies

(a) Collection Agents. The President may designate any person or entity as a Collection Agent to collect or receive settlements and delinquencies. Such Collection Agent shall be bonded in an amount established by the President as sufficient to protect and save harmless the CLC against any loss.

(b) CLC's Determination, Notice to Retailer. If the CLC determines that a settlement is improper in that all monies due and owing the CLC have not been remitted, or that a Retailer has failed to render a timely settlement, the Retailer shall be so notified and afforded a reasonable period of time as determined by the CLC within which to render a proper settlement.

(c) Sales Suspension. If the period of time stated under subsection (b) above of this Section should expire without full satisfaction of the amount owed, and the Retailer fails to produce evidence from which a valid defense may be inferred, no additional Lottery materials or tickets will be delivered to the Retailer, and any Lottery equipment on the Retailer's premises will be rendered inoperative pending an opportunity for a hearing to be afforded said Retailer within three (3) business days of the receipt by the CLC of said Retailer's written request for same.

(d) Finding of Delinquency, Penalties.

- (1) If the period of time stated under subsection (b) above of this Section should expire without full satisfaction by the Retailer of the amount owed, the President may then render a written finding of delinquency which shall charge the delinquent Retailer:
 - (a) The amount due but unremitted as of the stated past settlement date;
 - (b) A delinquency assessment equal to ten percent of the amount due and unremitted or ten (\$10.00) dollars, whichever amount is greater;
 - (c) Interest at the rate of one and one half (1.5%) percent of the amount due for each month or fraction of a month computed from the date the settlement was due to the date of payment.

- (2) The President may waive all or part of the penalties provided under subdivision (1) above of this subsection when it is proven to his satisfaction that the failure to pay the monies due to the CLC within the time allowed was due to reasonable cause and was not intentional or due to neglect.

(e) Opportunity for Hearing, Notice. Included conspicuously in the notice of delinquency shall be a notice informing the Retailer that its sales are suspended and informing the Retailer of its right to contest the finding at a delinquency hearing before the President or his designee. The notice shall establish a date and time for the hearing which shall not be later than seven (7) calendar days from the date of the notice. The notice shall further inform the Retailer that failure to appear at this hearing will result in a conclusive presumption of delinquency. A request for a continuance by a Retailer will be granted only once in extraordinary circumstances, and then for not more than seven (7) calendar days. To this end, the President may require a statement, under oath, from the Retailer explaining these extraordinary circumstances.

(f) Delinquency Assessment Hearing. At a delinquency assessment hearing, the following shall be received into evidence: (1) the Retailer's settlement, if any; (2) the depository and CLC reports; (3) the initial notification of indebtedness; (4) the finding of delinquency; (5) the Retailer's past record regarding late settlements; and (6) any other relevant testimony or documents. The Retailer may then present any testimony, documents or other evidence designed to establish that the alleged delinquency is incorrect in any or all respects. At the conclusion of the hearing and based upon the evidence presented therein, the President is authorized to affirm, modify, or rescind the delinquency assessment. The Retailer shall be formally notified, in writing, of the President's decision in this regard.

(g) Delinquency Assessment Modification. If the President decides to modify the delinquency assessment, he may, as a condition to the modification or the reinstatement of the Retailer contract, require that the Retailer:

- (1) Remit the full amount due and owing pursuant to the terms of the modified assessment; or enter into a payment schedule pursuant to the terms of the modified assessment;
- (2) Thereafter post a bond in such form and amount as the CLC determines is required to protect and save harmless the CLC from any future loss.

(h) Delinquency Assessment Affirmance. If the President affirms the finding of delinquency, he shall issue in writing a formal finding of delinquency assessment. Thereafter, the CLC may employ collection Agents for the purpose of collecting the delinquency assessment. In this regard, the President may request of the Executive Director of the Division that a warrant be prepared and signed, and directed to any sheriff, deputy sheriff, constable or designated collection Agent for distraint upon any property (real, personal, tangible or intangible) owned by the Retailer, in whole or in part, and located in the State of Connecticut. There shall be attached to the warrant an itemized bill, certified by the Executive Director as a true statement of the full amount due from the Retailer.

Such warrant shall be considered equivalent to an execution issued in accordance with Chapter 906 of the Connecticut General Statutes. Such warrant shall be levied on any applicable property and sale made pursuant to such warrant as provided for an execution under Chapter 906 of the Connecticut General Statutes.

Section 14. Application of Rules and CLC Instructions

In the event of any inconsistency between these Rules and the instructions of the CLC, the Rules shall take precedence. In the event of any inconsistency between either these Rules or the instructions of the CLC, with the Act, or the Division Regulations, first the Act and then the Regulations of the Division shall take precedence.

History:

- September 20, 1996 – Adoption of Rules of Operation
- September 25, 1997 – Amendment to Rules of Operation Section 3(d) Assignment of Lottery Prizes
- May 20, 2009 – Amendment to Rules of Operation Section 9(a) Retailer Compensation
- August 2, 2009 – Amendment to Rules of Operation Section 3(c) Claims
- April 26, 2012 – Amendment to Rules of Operation - Deletion of Section 3(i) Prizes Payable for Life