

**QUESTIONNAIRE**  
**FOR FILING PROPOSED RULES WITH THE**  
**ARKANSAS LEGISLATIVE COUNCIL**

**DEPARTMENT/AGENCY** Department of Finance and Administration

**DIVISION** Office of the Arkansas Lottery

**DIVISION DIRECTOR** J. Eric Hagler, Executive Director

**CONTACT PERSON** Brent Standridge, Chief Legal Counsel

**ADDRESS** 124 West Capitol Ave., Ste. 1400, Little Rock, AR 72201

**PHONE NO.** (501) 683-2031 **FAX NO.** (501) 683-1878 **E-MAIL** brent.standridge@arkansas.gov

**NAME OF PRESENTER AT COMMITTEE MEETING** J. Eric Hagler, Brent Standridge

**PRESENTER E-MAIL** eric.hagler@arkansas.gov; brent.standridge@arkansas.gov

**INSTRUCTIONS**

- A. Please make copies of this form for future use.
- B. Please answer each question completely using layman terms. You may use additional sheets if necessary.
- C. If you have a method of indexing your rules, please give the proposed citation after "Short Title of this Rule" below.
- E. Submit two (2) copies of the Questionnaire and Financial Impact Statement attached to the front of two (2) copies of the proposed rule and required documents. Mail or deliver to:

Jessica C. Sutton  
 Administrative Rules Review Section  
 Arkansas Legislative Council  
 Bureau of Legislative Research  
 One Capitol Mall, 5th Floor  
 Little Rock, AR 72201

1. What is the short title of this rule?

Amendments to the OAL Operational and Retailer Rules

2. What is the subject of the proposed rule?

Subjects; see attached sheet

3. Is this rule required to comply with a federal statute, rule, or regulation? Yes ☐ No ☒

If yes, please provide the federal rule, regulation, and/or statute citation.

4. Was this rule filed under the emergency provisions of the Administrative Procedure Act?

Yes ☒ No ☐

If yes, what is the effective date of the emergency rule? 10/21/2022

When does the emergency rule expire? 2/21/2023

Will this emergency rule be promulgated under the permanent provisions of the Administrative Procedure Act? Yes ☒ No ☐

5. Is this a new rule? Yes ☒ No ☐ If yes, please provide a brief summary explaining the rule.

See attached summary of rules; adds Section 13 to the OAL operational rules which is a legislatively mandated rule requiring establishment and implementation of the Lottery Scholarship Trust Account as per Act 626 of 2021

Does this repeal an existing rule? Yes ☐ No ☒ If yes, a copy of the repealed rule is to be included with your completed questionnaire. If it is being replaced with a new rule, please provide a summary of the rule giving an explanation of what the rule does.

Is this an amendment to an existing rule? Yes ☒ No ☐ If yes, please attach a mark-up showing the changes in the existing rule and a summary of the substantive changes. Note: The summary should explain what the amendment does, and the mark-up copy should be clearly labeled "mark-up."

There are amendments to both the OAL operational rules and retailer rules as is set forth with specificity in the attached summary of rules

6. Cite the state law that grants the authority for this proposed rule? If codified, please give the Arkansas Code citation.

Ark. Code Ann. 23-115-207; Ark. Code Ann. 23-115-103(33)(A) & (B)

7. What is the purpose of this proposed rule? Why is it necessary?

As is set forth more fully in the attached summary of rules the proposed rules address matters occurring as a result of the abolition of the Arkansas Lottery Commission and establishing the Office of the Arkansas Lottery as a Division of the Department of Finance and Administration with an Executive Director as a result of 2015 legislation in addition to establishing the Arkansas Lottery Scholarship Trust Account and the creation or amendment of scholarships funded with net proceeds available as mandated by Act 626 of 2021.

8. Please provide the address where this rule is publicly accessible in electronic form via the Internet as required by Arkansas Code § 25-19-108(b).

Arkansas Secretary of State website for Arkansas Agency Administrative Rules  
[https://www.ark.org/rules\\_and\\_regs/index.php/rules/search](https://www.ark.org/rules_and_regs/index.php/rules/search)

9. Will a public hearing be held on this proposed rule? Yes ☒ No ☐ If yes, please complete the following:

Date: 10/05/2022

Time: 9:00 A.M.

Place: Office of the Arkansas Lottery, 124 West Capitol Ave., Ste. 300, Little Rock, AR 72201

10. When does the public comment period expire for permanent promulgation? (Must provide a date.)

10/14/2022

11. What is the proposed effective date of this proposed rule? (Must provide a date.)

10/21/2022

12. Please provide a copy of the notice required under Ark. Code Ann. § 25-15-204(a), and proof of the publication of said notice. Provided as attached

13. Please provide proof of filing the rule with the Secretary of State as required pursuant to Ark. Code Ann. § 25-15-204(e). Provided as attached

14. Please give the names of persons, groups, or organizations that you expect to comment on these rules? Please provide their position (for or against) if known.

No comments were received or made concerning these proposed rules including no comments at the 10/5/2022 public hearing

# FINANCIAL IMPACT STATEMENT

PLEASE ANSWER ALL QUESTIONS COMPLETELY

DEPARTMENT Department of Finance and Administration

DIVISION Office of the Arkansas Lottery

PERSON COMPLETING THIS STATEMENT Brent Standridge, Chief Legal Counsel

TELEPHONE NO. (501) 683-2031 FAX NO. (501) 683-1878 EMAIL: brent.standridge@arkansas.gov

To comply with Ark. Code Ann. § 25-15-204(e), please complete the following Financial Impact Statement and file two (2) copies with the Questionnaire and proposed rules.

SHORT TITLE OF THIS RULE Amendments to the OAL Operational and Retailer Rules

1. Does this proposed, amended, or repealed rule have a financial impact? Yes ☐ No ☒
2. Is the rule based on the best reasonably obtainable scientific, technical, economic, or other evidence and information available concerning the need for, consequences of, and alternatives to the rule?  
Yes ☒ No ☐
3. In consideration of the alternatives to this rule, was this rule determined by the agency to be the least costly rule considered? Yes ☒ No ☐

If an agency is proposing a more costly rule, please state the following:

a) How the additional benefits of the more costly rule justify its additional cost;

b) The reason for adoption of the more costly rule;

c) Whether the more costly rule is based on the interests of public health, safety, or welfare, and if so, please explain; and

d) Whether the reason is within the scope of the agency's statutory authority, and if so, please explain.

4. If the purpose of this rule is to implement a federal rule or regulation, please state the following:

a) What is the cost to implement the federal rule or regulation?

Current Fiscal Year

Next Fiscal Year

General Revenue \_\_\_\_\_  
Federal Funds \_\_\_\_\_  
Cash Funds \_\_\_\_\_  
Special Revenue \_\_\_\_\_  
Other (Identify) \_\_\_\_\_

General Revenue \_\_\_\_\_  
Federal Funds \_\_\_\_\_  
Cash Funds \_\_\_\_\_  
Special Revenue \_\_\_\_\_  
Other (Identify) \_\_\_\_\_

Total \$ 0.00

Total \$ 0.00

b) What is the additional cost of the state rule?

Current Fiscal Year

Next Fiscal Year

General Revenue \_\_\_\_\_  
Federal Funds \_\_\_\_\_  
Cash Funds \_\_\_\_\_  
Special Revenue \_\_\_\_\_  
Other (Identify) \_\_\_\_\_

General Revenue \_\_\_\_\_  
Federal Funds \_\_\_\_\_  
Cash Funds \_\_\_\_\_  
Special Revenue \_\_\_\_\_  
Other (Identify) \_\_\_\_\_

Total \$ 0.00

Total \$ 0.00

5. What is the total estimated cost by fiscal year to any private individual, entity and business subject to the proposed, amended, or repealed rule? Identify the entity(ies) subject to the proposed rule and explain how they are affected.

Current Fiscal Year

Next Fiscal Year

\$ 0

\$ 0

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6. What is the total estimated cost by fiscal year to state, county, and municipal government to implement this rule? Is this the cost of the program or grant? Please explain how the government is affected.

Current Fiscal Year

Next Fiscal Year

\$ 0

\$ 0

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7. With respect to the agency's answers to Questions #5 and #6 above, is there a new or increased cost or obligation of at least one hundred thousand dollars (\$100,000) per year to a private individual, private entity, private business, state government, county government, municipal government, or to two (2) or more of those entities combined?  
Yes ☐ No ☒

If YES, the agency is required by Ark. Code Ann. § 25-15-204(e)(4) to file written findings at the time of filing the financial impact statement. The written findings shall be filed simultaneously with the financial impact statement and shall include, without limitation, the following:

- (1) a statement of the rule's basis and purpose;
- (2) the problem the agency seeks to address with the proposed rule, including a statement of whether a rule is required by statute;
- (3) a description of the factual evidence that:
  - (a) justifies the agency's need for the proposed rule; and
  - (b) describes how the benefits of the rule meet the relevant statutory objectives and justify the rule's costs;
- (4) a list of less costly alternatives to the proposed rule and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;
- (5) a list of alternatives to the proposed rule that were suggested as a result of public comment and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;
- (6) a statement of whether existing rules have created or contributed to the problem the agency seeks to address with the proposed rule and, if existing rules have created or contributed to the problem, an explanation of why amendment or repeal of the rule creating or contributing to the problem is not a sufficient response; and
- (7) an agency plan for review of the rule no less than every ten (10) years to determine whether, based upon the evidence, there remains a need for the rule including, without limitation, whether:
  - (a) the rule is achieving the statutory objectives;
  - (b) the benefits of the rule continue to justify its costs; and
  - (c) the rule can be amended or repealed to reduce costs while continuing to achieve the statutory objectives.

## **SUBJECT OF PROPOSED RULES**

**\*ABOLITION OF LOTTERY COMMISSION: CREATION OF OAL AND EXECUTIVE DIRECTOR**

**\*REVIEW OF DIRECTOR'S DECISIONS**

**\*LOTTERY COURIERS AND COURIER SERVICES**

**\*ANONYMITY OF WINNERS IN EXCESS OF \$500K**

**\*RETAILER LOSS COVERAGE**

**\*DRAW COORDINATORS TO DEVELOP AND MAINTAIN RESPONSIBILITY FOR DRAWING ACTIVITIES**

**\*SALES AND REDEMPTION OF TICKETS MADE CONSISTENT WITH ARK. CODE ANN. §§23-115-402 and 23-115-403**

**\*ESTABLISHES THE LOTTERY SCHOLARSHIP TRUST ACCOUNT RULE AS REQUIRED BY 2021 LEGISLATION**

## SUMMARY OF PROPOSED RULES

### **\*ABOLITION OF LOTTERY COMMISSION: CREATION OF OAL AND EXECUTIVE**

**DIRECTOR:** By Act 218 of 2015 the Arkansas Lottery Commission was abolished and the Office of the Arkansas Lottery was created within the Management Services Division of the Department of Finance and Administration having an Executive Director appointed by the Governor. Throughout our operational and retailer rules we have deleted references to the Commission and Commissioners in the administrative rules and substituted in their place “Office of the Arkansas Lottery” or “OAL” and “Executive Director” to exercise the powers and functions which used to be exercised by the Lottery Commission or Commissioners.

**\*REVIEW OF DIRECTOR’S DECISIONS:** As the Commission was abolished, this means that there is no mechanism for review of the decisions of the Executive Director. The operational and retailer rules have proposed amendments to provide for judicial review of the Director’s decisions consistent with the Arkansas Administrative Procedures Act, Ark. Code Ann. §25-15-201 *et seq.* See proposed retailer rules 9.5.16 & 10.6; proposed operational rule 10.10. Proposed operational rules 10.13-10.15. address costs and fees regarding such an appeal.

**\*LOTTERY COURIERS AND COURIER SERVICES:** Proposed retailer and operational rules address Lottery Couriers and Courier Services (defined in proposed retailer rules 1.10, 1.22 & 6.1 and proposed operational rules 1.10 & 5.4) which have not been addressed heretofore.

These rules make clear that the Executive Director may authorize a retailer to contract with a lottery courier to deliver draw tickets (not instant or Fast Play tickets) to consumers via website or mobile application, or physical delivery of these tickets by mail or parcel delivery. Any fees associated with such services must be conspicuously posted such that the consumer has notice of any fees prior to any final purchase of tickets. Under proposed operational rule 5.5, such couriers must register with OAL and are restricted from being a lottery retailer. Under proposed operational rule 5.6 the Executive Director has the authority to terminate a retailer’s license for using courier services that are not complying with law or otherwise threaten the integrity of the Lottery.

**\*ANONYMITY OF WINNERS IN EXCESS OF \$500K:** Proposed operational rule 8.17 addresses winner anonymity and as an amendment makes it consistent with Ark. Code Ann. §23-115-404 *et seq.* (Act 889 of 2021) providing that a winner of a lottery prize in excess of \$500,000.00 may elect to remain anonymous for a period of time (6 months for elected officials and their close relatives and 3 years for the general public).

**\*RETAILER LOSS COVERAGE:** Proposed operational rule 4.4 addresses retailer loss coverage requiring retailers to be bonded through OAL’s self bond program, to pay bond fees, and to provide for termination of license, at the Executive Director’s discretion, if the retailer fails to adhere to the requirements of the self bond program.

**\*DRAW COORDINATORS TO DEVELOP AND MAINTAIN RESPONSIBILITY FOR DRAWING ACTIVITIES:** As draw managers are no longer used under the rules proposed operational rules 1.13, 4.1, & 4.7 establish draw coordinators to develop and maintain responsibility for drawing activities.

**\*SALES AND REDEMPTION OF TICKETS MADE CONSISTENT WITH ARK. CODE ANN. §§23-115-402 and 23-115-403:** Proposed retailer rule 5.2. (restrictions of sales of tickets) and proposed retailer 8.2. (restrictions of redemption of tickets) make the rules consistent with the above-noted Arkansas statutes by restricting the sales and redemption of tickets to certain individuals as has been established by the Legislature and further provides for ineligible player restrictions for vendors and their immediate family members.



**\*ESTABLISHES THE LOTTERY SCHOLARSHIP TRUST ACCOUNT RULE AS REQUIRED BY 2021 LEGISLATION.** Act 636 of 2021, and specifically Ark. Code Ann. §23-115-103(B) provides that OAL “shall promulgate rules to determine the manner in which the net proceeds are deposited and disbursed based on what is most financially prudent.” Consequently, OAL is proposing a new rule (Section 13, 13.1—13.9) to be added to its operational rules addressing how lottery proceeds are to be deposited and disbursed and has created a Lottery Scholarship Trust Account as required by the legislation.

This account was funded by the transfer of monies from the Education Trust Fund and the Arkansas Workforce/Concurrent Scholarship Trust Fund. Both the Act and the proposed rule provide for transferring and depositing of lottery proceeds for the funding of scholarships and provide that OAL shall follow the investment policy guidelines of the State Board of Finance in selecting a financial institution and managing the net proceeds from the lottery which are deposited in the Lottery Scholarship Trust Account.



J. ERIC HAGLER, EXECUTIVE DIRECTOR  
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[eric.hagler@arkansas.gov](mailto:eric.hagler@arkansas.gov)  
[MyArkansasLottery.com](http://MyArkansasLottery.com)

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October 7, 2022

**Re: STATEMENT IN SUPPORT OF REQUEST FOR ADOPTION OF OAL  
EMERGENCY OPERATIONAL AND RETAILER RULES UNDER THE  
ARKANSAS ADMINISTRATIVE PROCEDURE ACT**

Pursuant to Ark. Code Ann. §25-15-204(b)(1) if an agency finds that imminent peril to public health, safety, or welfare requires adoption of a rule upon less than thirty (30) days' notice and states in writing reasons for that finding, it may proceed without prior notice or hearing, or upon abbreviated notice and hearing, to adopt an administrative rule.

Upon approval from Governor Asa Hutchinson and Cabinet Secretary Walther, OAL filed proposed Operational and Retailer Rules with the Arkansas Secretary of State on September 14 and 15, 2022. Notice of the proposed Rules and the hearing date were published in the Arkansas Democrat Gazette on September 14, 15, and 16. On September 21, 2022, OAL notified the Bureau of Legislative Research that it was requesting placement on the Agenda for the Legislative Oversight Subcommittee for purposes of considering the proposed Rules.

Per published notice, a public hearing was conducted at the Office of the Arkansas Lottery Headquarters on October 5, 2022 @ 9:00 A.M. No public comments were received by the office and no comments were made at the public hearing.

On October 5, 2022, the proposed Rules were transmitted to the Arkansas Lottery Commission Legislative Oversight Committee for review. OAL has now been advised that Ark. Code Ann. §23-115-207(c)(1)(B) requires OAL to file proposed Rules with Legislative Council for review and approval at least thirty (30) days before the expiration of the public comment period, meaning that unless the proposed Rules are adopted as emergency Rules there would be a period delay before they could go into effect and there would be no way to accomplish same in time for the October committee meeting.

The Arkansas Lottery Commission was abolished by Act 218 of 2015 and the Office of the Arkansas Lottery was established as a Division of the Department of Finance and Administration. There have been no holistic revisions to the Rules of the Lottery since the abolition of the Arkansas Lottery Commission.

The Operational and Retailer Rules continue to reference the Lottery Commission in multiple sections. Heretofore, the Rules have not been amended to reflect the abolition of the Commission. Under the current Rules, the now abolished Lottery Commission is the entity empowered to take certain actions under the Rules; this creates a procedural gap as there is no Lottery Commission empowered to act.

Part of the Commission's authority under the current Rules is to review decisions of the Executive Director that are adverse to Retailers, vendors, or consumers. In essence, under the Operational and Retailer Rules as they now stand provide no procedural path for a review of a decision handed down by the Executive Director.

The proposed Operational and Retailer Rules are designed to specifically address procedural gaps and specifically provide for review of any such decision by a circuit court. The proposed Rules expressly provide for meaningful due process for parties who alleged that they are aggrieved by an adverse decision on the part of OAL. Most, if not all, other state agencies have such a procedure for court review of agency decisions. The proposed Rules need to be implemented immediately to correct this deficiency and provide the public with this safeguard.

Additionally, financial couriers (those who deliver lottery tickets for licensed Retailers) are seeking to operate in the State. One entity (licensed in April 2020) is already Operational under an agreement that is specific to the entity. Due to the desire of other entities to operate within the State of Arkansas, the proposed Rules set out an agency-wide standard agreement for the use of financial couriers. The proposed Rules need to be adopted immediately to provide a formal procedure regarding the use of financial couriers.

For the foregoing reasons, I am hereby requesting placement on the Agenda for the Arkansas Legislative Council on October 21, 2022 for consideration of the granting of emergency authorization for the implementation of the proposed Rules. In the interim, OAL will re-open the public comment period in order to comply with Ark. Code Ann. §23-115-207(c)(1)(B).

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'EH', with a long horizontal stroke extending to the right.

Eric Hagler  
Executive Director

## ~~Arkansas Scholarship Lottery~~

## 1. Section 1. Definitions.

1.6. 1.6 "Bar code validation" means a system which allows any winning lottery ticket, printed with computer readable bar codes for a prize amount as determined by the CommissionOAL, to be read electronically at any claim center or lottery retailer location and paid by the retailer regardless of where the player purchased the ticket.

[illegible]



- 1.7. 1.7** —“Certified Drawing” means a number selection event about which the ALCOAL and an independent certified public accountant attest that the drawing equipment functioned properly and that a random selection of a winning combination occurred.
- 1.8. 1.8** —“Claims Center” means the ALCOAL claims center located at the ALCOAL Main Office in Little Rock, Arkansas, or any other location authorized by the ALCOAL to validate and pay a winning ticket.
- 1.9** —“Commission” or “Commissioner” means the individual(s) appointed as members to the ALC under Arkansas Code Ann. § 23-115-201 et seq.
- 1.9. 1.10** —“Compensation” means any money or anything of value received or to be received as a claim for services, whether in the form of a retainer, fee, salary, expense, allowance, forbearance, forgiveness, interest, dividend, royalty, rent, or any other form of recompense or any combination thereof.
- 1.10. 1.11** —“Courier” or “Courier Service” means the delivery, conveyance, or assignment of any written, printed or published devices for consideration with the purpose of facilitating participation in the lottery.
- 1.11. 1.11** —“Debt” means a liquidated sum due and owing any claimant agency when the sum has accrued through contract, subrogation, tort, or operation of law regardless of whether there is an outstanding judgment for the sum; or sum that is due and owing any person and is enforceable by the State of Arkansas.
- 1.12. 1.12** —“Depository” means any entity, including a bank or state agency, performing activities or services in connection with the operation of the ALCOAL for the deposit and handling of lottery funds, the accounting for lottery funds, and the safekeeping of tickets.
- 1.13. 1.13** —“Draw Coordinator” means the party designated by the Director of Security for purposes of designing, developing, implementing, and maintaining draw procedures and drawing activities.
- 1.14. 1.14** —“Drawing” means the procedure used to select the winning numbers or combination of numbers in accordance with the game rules of the particular lottery game.
- 1.15. 1.14** —“Employee” means a person who is an employee of the ALCOAL unless the context clearly indicates otherwise.
- 1.16. 1.15** —“Executive Director” means the individual appointed by the ALCGovernor to initiate, operate, supervise, and administer the ALCOAL lottery games; the Executive Director serves in a dual role as a Director of the Department of Finance and Administration. Executive Director also includes any delegation of authority from the Executive Director to another OAL employee.

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1.28. 1.25 — "Online Terminal" (see also, "Terminal") means the electronic interface computer terminal through which a lottery retailer enters by scan, play slip, or manually the combination of digits, numbers, or symbols selected by a player or random number generator (aka, "Quick Pick") and by which online tickets are generated and claims are validated.

1.29. 1.26 — "Online Ticket" means a computer-generated ticket issued by a lottery retailer to a player as a receipt for the combination of digits, numbers, or symbols selected.

1.30. 1.27 — "Operational Rules" mean those rules adopted and published by the OAL setting forth the rules regarding the OAL's operations of the Arkansas Scholarship Lottery.

1.31. 1.28 — "Person" means an individual, association, corporation, club, trust, estate, society, governmental entity, company, joint stock company, receiver, trustee, assignee, referee, and anyone acting in a fiduciary or representative capacity, whether appointed by a court or otherwise, and any combination of human beings.

1.32. 1.28 — "Player" means any individual who purchases or is given a lottery game from a retailer or the ALCOAL.

1.33. 1.29 — "Prize" means any award, financial or otherwise, awarded by the ALCOAL.

1.34. 1.30 — "Random number generator" means a computer driven electronic device capable of producing numbers at random.

1.35. 1.31 — "Retailer License Application" means the document executed by the Lottery Retailer upon application for a license to sell lottery games and tickets; this document includes the type of retailer, including but not limited to special terms and conditions such as alternative forms of delivery as set forth herein in Section 1.10.

1.36. 1.32 — "Retailer Contract" means the document executed between the OAL and Lottery Retailer which sets forth the terms, conditions, and requirements between the parties.

1.37. 1.33 — "Retailer Rules" means the terms, conditions, requirements, and rules regarding Lottery Retailer activities and limitations, affirmative duties, and obligations.

1.38. 1.34 — "Share" means any intangible evidence in participation in a lottery.

1.39. 1.32 — "Terminal" (see also, "Online Terminal") means the electronic interface computer terminal through which a retailer enters by scan, play slip, or manually the combination of numbers or symbols selected by a player or random number generator (aka, "Quick Pick") and by which online tickets are generated and claims are validated.

1.40. 1.35 — "Ticket Bearer" means the person who has signed the ticket or has possession of the unsigned ticket.

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~~1.41.1.33~~ "Ticket Number" means the preprinted number found on the back of each ticket which identifies that particular ticket as one (1) of a series of tickets.

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~~1.42.1.34~~ "Ticket Pack Number" means the printed number or numbers appearing on the back of each ticket.

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~~1.43.1.35~~ "Ticket Vending Machine" ("TVM") means a player self-service machine that can:

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~~1.43.1.~~ (a) Sell both online tickets and instant tickets;

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~~1.43.2.~~ (b) Report real-time sales of both online tickets and instant tickets, low and empty bins, a full cash box, jammed tickets, diagnostic and error messages, and low paper stock, to the central system;

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~~1.43.3.~~ (c) Check and validate online tickets and instant tickets;

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~~1.43.4.~~ (d) Provide for either the cashing of online tickets and instant tickets via voucher, or other payment method provided to a player, which can be negotiated at retail or used on the TVM for a continued lottery play; and

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~~1.43.5.~~ (e) Provide for age control play as specified in Arkansas Code Annotated § 23-115-402(e)(1) and (2).

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~~1.44.1.36~~ "Unclaimed Prize" means the prize on a winning ticket for which no claim is made within the required time period after the drawing or winner selection event which made the ticket a winning ticket.

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~~1.45.1.37~~ "Unclaimed Prize Account" means the ~~ALCOAL~~ account to which unclaimed prizes are transferred.

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~~1.46.1.38~~ "Validation" means the process of determining whether an instant or online ticket presented for payment is a winning ticket.

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~~1.47.1.39~~ "Validation Number" means the multi-digit number found on the face of the ticket. There must be a validation number on each ticket.

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~~1.48.1.40~~ "Vendor" means a person who provides or proposes to provide goods or services to the ~~ALCOAL~~ under a procurement contract. "Vendor" does not include:

~~1.48.1.~~ (a) An employee of the ~~ALCOAL~~;

~~1.48.2.~~ (b) A retailer; or

~~1.48.3.~~ (c) A state agency or instrumentality.

~~1.49.1.41~~ "Working papers" means the programming parameters and specific details for each game, including the identification of the game, ticket price and prize structure.

~~1.50.1.42~~ "Website" means the ~~ALC's OAL's~~ lottery address at <http://myarkansaslottery.com/> or any ~~other website~~ other website that may be specified by the ~~ALC-OAL~~.

~~1.51.1.43~~ "Winner" means the holder of a lottery ticket determined to have the required match or the specific alignment of the play numbers, digits or symbols, the required sum of the play numbers or digits in accordance with the game rules for the specific game, or a redeemable prize amount indicated on its face.

~~1.52.1.44~~ "Winner confidentiality" means confidentiality from public disclosure of an individual within the context and provisions set forth in A.C.A. §23-115-404 et seq. (2021).

~~1.53.~~ "Winner selection" means the drawing process used by the ~~ALCOAL~~ to select the winning numbers in online games.

~~1.54.1.45~~ "Winning Combination" means numbers or symbols chosen during the drawing process used by the ~~ALCOAL~~ to select the winning numbers in online games.

## ~~2. Section 2. Authority of Executive Director.~~

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

~~2.1.~~ (a) Cancel or postpone any promotion at any time;

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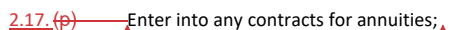
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2.18. (q) Hold copyrights, trademarks, and service marks and enforce ALC's OAL's rights with respect to them;

2.19. (r) Enter into written agreements with one or more states or sovereigns for the operation, participation in marketing, and promotion of a joint lottery or joint lottery games;

2.20. (s) Perform other duties and powers necessary or convenient to carry out and effectuate the purposes and provisions of the ALCOAL and those generally associated with a director of an entrepreneurial business enterprise; and

2.21. (t) Take any other action necessary for the efficient and effective operation of the lottery.

### 3. Section 3. Use of ALCOAL/Arkansas Scholarship Lottery Trademarks.

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

3.2. B. Any use of the lottery logo or other trademarked or copyright materials, other intellectual property, or copy in advertising or production of consumer articles requires a prior written request and execution of the retailer contract.

3.3. C. The Executive Director may exercise supervision over the quality of the materials produced under trademark licensing agreement and may require as a condition to continuation of the license, changes in quality of the goods or material produced.

3.4. D. The Executive Director ~~or his or her designee~~ may at any time terminate an agreement to license in the event that the licensee fails to meet the requirement of the agreement, or in the event that the continuation of the license is not considered to be in the best interest of ALCOAL or of the State of Arkansas.

3.5. E. The logo shall not be modified in any way, including a change in color without the express written approval from the Executive Director ~~or his or her designee~~ prior to its use.

### 4. Section 4. Draw Integrity.

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4.1. A. Subject to the approval of the Executive Director, the ALC'sOAL's Director of Security shall designate ~~a an OAL "Draw Coordinator" to develop and maintain responsibility for the~~ Drawing Manager activities. Lottery drawings shall be conducted pursuant to the procedures developed by the Drawing Manager Draw Coordinator in consultation with the Director of Security and as approved by the Executive Director. Drawing procedures shall include provisions for the substitution of back up drawing equipment or methods in the event primary drawing equipment malfunctions or fails for any reason and procedures for completing a drawing that is interrupted due to equipment malfunction or operator error.

4.2. B. The ALCOAL may use any type of equipment or method, including electronic or manual equipment and any variety of existing or future methods or equipment, for determining the winner or winning combination in any lottery game that involves a drawing.

4.3. C. The ALCOAL shall ensure the security and integrity of any electronic drawing equipment used to determine a winner or winning combinations. Any electronic connections to this equipment must be made by a secure method. The ALCOAL shall test the equipment as needed to ensure proper operation and lack of tampering or fraud. The ALCOAL shall have its random number generators, or any other computer-driven or computer-assisted device used for a drawing, statistically analyzed, tested, and certified by an independent, qualified statistician for integrity.

4.4. D. The ALCOAL shall ensure the security and integrity of any manual equipment used to determine a winner or winning combinations. ~~Any manual equipment used by the lottery to determine a winner or winning combinations must be inspected by an independent certified public accountant or the professional representative of an independent certified public accountancy organization and an employee or agent of the ALCOAL before and after the drawing.~~ The drawing and such inspections must be recorded on video and audio tape. Any drawing using manual equipment must be witnessed by an independent certified public accountant, a professional representative of an independent certified public accountancy organization or the applicable state entity.

4.5. E. The ALCOAL may use random number generators to determine winning numbers for lottery games.

4.6. F. Subject to the approval of the Executive Director, the ALC'sOAL's Director of Security shall establish procedures to ensure the physical security of the ALC'sOAL's drawing equipment and shall specify the individuals who shall have physical access to that equipment. Any random number generator, or any other computer-driven or computer-assisted device used by the ALCOAL to determine winners or winning combinations, shall be kept in a sealed enclosure within a secure area. Any person who enters the sealed enclosure must have permission from ALCOAL Security and be escorted by an ALCOAL Security Section officer or employee.

4.7. G. If, during a game drawing, an equipment failure or operator error causes an interruption in the selection of numbers or symbols, the Drawing Manager Draw Coordinator will declare a technical

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difficulty. Any number drawn prior to the declaration of a technical difficulty will stand and be deemed official when verified by the ~~Drawing Manager~~Draw Coordinator. The drawing will be completed as set forth in the ~~Drawing Manager~~Draw Coordinator's procedures.

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~~4.8. H.~~ The ~~Executive~~ Director will delay payment of all prizes if any evidence exists or there are grounds for suspicion of equipment malfunction, tampering, or fraud. In such event, the ~~ALCOAL~~ will not pay any prize until the ~~ALCOAL~~ completes an investigation and the ~~Executive~~ Director approves the drawing and authorizes payment. If the ~~Executive~~ Director does not approve the drawing, it will be void and the ~~ALCOAL~~ will conduct another drawing to determine the winner or the winning combinations.

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## ~~5. Section 5. Sale of Lottery Games and Shares.~~

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



**5.2. 5.2** Eligibility

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**5.2.1. A** Lottery games or tickets may only be sold to an individual who is eighteen (18) years old or older.

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**5.2.2. B** A lottery game or share may not be purchased by any:

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1. Commissioner, Commissioner's immediate family, or employee of the ALC;

2. Immediate family member of a Commissioner or employee of the ALC; or

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**5.2.2.1. 2** Individual under eighteen (18) years of age.

**4.1.1.1. 5.2.2.2.** An individual is not eligible to win a lottery prize while incarcerated in the Division of Correction, the Division of Community Correction, or a county or municipal jail or detention facility.

3. An officer, employee, agent, or subcontractor of an ALC vendor; or the immediate family of an officer, employee, agent, or subcontractor of an ALC vendor that has access to confidential information that may compromise the integrity of a lottery.

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**5.2.3. C** Nothing in this section shall be construed to prevent a person who lawfully purchases or possesses a lottery ticket or share from making a gift of such ticket or share to another person who could lawfully purchase or possess a lottery game.

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

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**5.4. 5.4** Courier Services. In the sole discretion of the Executive Director, a duly licensed OAL lottery Retailer may be allowed to contract with a third -party (non -lottery licensed) entity for the purpose of delivering lottery draw tickets purchased directly from the OAL Retailer by a Courier Service for delivery to individuals located within the borders of the State of Arkansas at the time of ticket order; and, to deliver winning tickets to those individuals as a "for profit" service. The amount of the fee associated with the courier service shall be clearly presented to the consumer prior to confirming the order, thereby allowing the consumer to forego the service (and the fee) if the fee is not acceptable to the consumer. The Retailer shall not sell (a) instant tickets and (b) Fast Play tickets via courier. The courier services shall only be performed via website and/or mobile application and shall not constitute physical delivery of lottery tickets other than by mail or parcel delivery. An OAL Retailer offering courier services per this section must (a.) notify OAL 10-days in advance of the offering or use of any courier service, and (b.) the OAL Retailer remains liable for any loss, fraud, destruction, or claim of any kind associated with the use of courier services in providing delivery to consumers. The Department of Finance and Administration, the Office of the Arkansas Lottery, its employees, and agents shall be held harmless for any dispute arising out of the

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use of a courier service for the delivery of lottery tickets and/or any fees assessed to the consumer associated with the use of the courier service. The Executive Director retains sole discretion regarding the use of a courier service by a Retailer.

5.5. Courier Registration. Any entity acting as a courier service for purposes of purchasing lottery tickets on behalf of a third party, shall be required to register with the Department of Finance and Administration — Office of the Arkansas Lottery, 30-days in advance of offering courier services. Couriers are specifically prohibited from applying for or maintaining an OAL licensed retailer license. These rules require a courier service to contractually partner with an OAL licensed retailer(s) with whom they will purchase tickets. Registration will serve as notice of operation of a courier service provider within the State of Arkansas, and does not constitute Licensure or regulation of courier services by the Department of Finance and Administration — Office of the Arkansas Lottery.

5.6. Authority to Suspend or Terminate Retailer License Utilizing Courier Services. The Executive Director shall have sole discretion to suspend or terminate any OAL licensed retailer whose use of a courier service constitutes an operational threat, threat of loss, consumer fraud, deception or any other factor deemed to negatively impact the appearance of game integrity, fairness, or reputational harm to OAL and the ASL game portfolio. A retailer may appeal the Executive Director's decision to suspend or terminate a retail license premised upon this section in the same manner as provided for herein regarding other forms of dispute resolution.

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

5.8. 5.5 Sales Are Final. The sale of all lottery tickets and shares is final and no ticket returns are to be accepted by the retailer. A player may not return a lottery ticket or share for a refund of the purchase price or exchange unless the specific game rule provides otherwise. Where a specific rule provides that the purchaser of a lottery ticket or share may cancel the purchase, the following is the procedure for cancellation:

5.8.1. (a) To cancel a purchase of a lottery ticket or share, the player must return it to the selling retailer on the day of purchase before wagers are disabled prior to the first drawing or other winner determination time as applicable.

5.8.2. (b) The player shall receive a refund from the retailer equal to the purchase amount of the lottery ticket or share.

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

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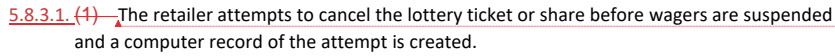
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~~5.8.3.3. (3)~~ The retailer mails the lottery ticket or share to the ALCOAL within two weeks from the date of purchase.

**5.10.5-7** — Future Drawings. A player may purchase a ticket or tickets for future consecutive drawings to the extent permitted by the **ALCOAL** for each lottery game. The player must specify at the time of purchase that the ticket or tickets include future consecutive drawings. However, no lottery games or shares may be sold after the commencement of a drawing. The date of the drawing shall be printed on all tickets except instant tickets.

**6. Section 6. Lottery Tickets or Shares.**

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

Updated 07.07.2022 JCH; JBS 10.11.2022



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

**6.3.1. (a)** The instant ticket was issued in an authorized manner;

**6.3.2. (b)** The instant ticket is not altered, mutilated, unreadable, reconstructed, or tampered with in any manner;

**6.3.3. (c)** The instant ticket is not counterfeit in whole or in part;

**6.3.4. (d)** The instant ticket is not stolen nor appears in any list of omitted instant tickets on file with the **ALC/OAL**;

**6.3.5. (e)** The instant ticket is complete and not blank or partially blank, miscut, misregistered, defective, or printed or produced in error;

**6.3.6. (f)** The instant ticket has the correct number of play symbols in the correct position.

**6.3.7.** The symbols must be present in their entirety, legible, right side up, and not reversed in any manner;

**6.3.8. (g)** The validation number of an apparent winning ticket appears on the **ALC's/OAL's** official list of validation numbers of winning instant tickets; and an instant ticket with that validation number has not been previously paid; and,

**6.3.9. (h)** The instant ticket passes all additional confidential validation requirements.

**6.4. 6.4** Online Games.

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

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

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7.1.5. (e) TVM must have an auxiliary power source for continuous electrical power.

7.2. 7-2 Procedures and Requirements. All ALCOAL retailers shall follow the following procedures and requirements to prevent the use of electronic or mechanical devices by an individual under eighteen (18) years of age:

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

7.2.2. (b) TVM machines must have an underage gambling notification prominently placed on the TVM directly above the currency acceptor. This notification shall state that it is against the law for an individual to play if under eighteen (18) years of age.

7.2.3. (c) The TVM must be placed in a location agreed upon by the ALCOAL and the retailer that is ~~in the direct line of sight of~~ within a work area staffed during all hours the retailer location is open to the public. The retailer shall agree, pursuant to the retailer contract, not to relocate the TVM without prior permission from the ALC-OAL.

7.2.4. (d) Each TVM shall be equipped with a remote control device capable of temporarily terminating the ability of the TVM to sell lottery products.

7.2.5. (e) All retailers using TVM machines to sell lottery products shall be trained in procedures related to the use, operation, and monitoring of the TVM and disabling the TVM either via remote control or other reasonable means if an individual under eighteen (18) years of age attempts to operate the unit or if the TVM is not being properly monitored.

7.2.6. (f) The TVM remote control shall be provided to the authorized agent responsible for monitoring underage play. The remote control may be used to activate an alarm when individuals who appear to be under the age of eighteen (18) are attempting to purchase lottery products or are loitering about the TVM.

7.2.7. (g) The TVM must be equipped with internal hinges and an alarm for notification of tilt or unauthorized access.

7.2.8. (h) Any retailer selling lottery products with a TVM shall not perform maintenance on the TVM and is required to notify the ALCOAL immediately in the event of a TVM malfunction.

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## 8. Section 8. Payment of Prizes.

### 8.1. 8.1 Procedures.

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

8.1.2. B. A legal owner of a prize of more than five hundred dollars (\$500) shall complete a claim form and submit the form with the winning ticket either in person at an ALCOAL claims center or by mail to the ALCOAL Main Office. Upon validation, a check shall be forwarded to the claimant in payment of the amount due. ALCOAL will deduct from the amount due any required federal and state income tax withholdings and any withholding required by Arkansas Code Ann. §23-115-1001 et seq. In the event that the claim is not validated, the claim shall be denied, and the claimant shall be promptly notified that the claim is denied.

8.1.3. C. The Executive Director may require claims of one million (\$1,000,000) dollars or more to be redeemed at the ALCOAL Main Office.

8.1.4. D. For any winning prize redeemed at the ALCOAL Main Office, payment will be made by check, with the exception of a prize that is merchandise.

8.1.5. E. The ALCOAL is not liable for any lost or misdirected winning tickets sent by mail.

8.1.6. F. The ALCOAL shall make available a list of all winning numbers for the fifty-two (52) previous weeks.

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

8.2.1. (a) Any individual under eighteen (18) years of age;

8.2.2. (b) Any individual incarcerated in:

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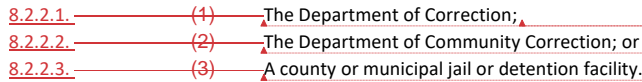
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8.2.4. (d) Any officer, employee, agent, or subcontractor of an ALCOAL vendor; or immediate family of the officer, employee, agent, or subcontractor of an ALCOAL vendor if that officer, employee, agent, or subcontractor has access to confidential information that may compromise the integrity of a lottery.

**8.3.1. (a)** To claim an online game prize, the claimant must submit the winning online ticket for validation at a lottery office or retailer on or before the 180<sup>th</sup> day after the winning drawing. If the ticket has remaining drawings, a continuation ticket will be issued. If mailed, the envelope containing both the ticket and claim form, if required, must be postmarked on or before the 180<sup>th</sup> day after the winning drawing.

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

Updated 07.07.2022 JCH; JBS 10.11.2022



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

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

**8.6.1. (a)** A copy of the trust document or instrument has been filed with the **ALCOAL** along with a notarized letter of direction from the settlor; and

**8.6.2. (b)** No written notice of revocation has been received by the **ALCOAL** before the settlor's death.

**8.6.3. (c)** Following a settlor's death and before any payment to a successor trustee, the **ALCOAL** shall obtain from the trustee a written agreement to indemnify and hold the **ALCOAL** harmless with respect to any claims that may be asserted against the **ALCOAL** arising from payment to or through the trust.

**8.6.4. (d)** Under an appropriate judicial order, an individual shall be paid the Lottery prize to which a winner is entitled.

**8.6.5. (e)** The **Executive** Director reserves the right to petition any court of competent jurisdiction to determine the proper payment of any prize winnings due to a deceased prize winner.

**8.6.6. (f)** If any lottery prize is properly owned by an individual under eighteen (18) years of age, such as through inheritance, it must be paid to the parent, guardian or custodian of such person under the Arkansas Uniform Transfers to Minors Act.

**8.7. 8.7 Issuance of Prizes to Multiple Owners.**

**8.7.1. A.** All individuals claiming ownership of the winning lottery ticket or share must complete and sign the **ALC's** request and release form. Each of the persons signing the form must indicate each **person's** proportionate share of the prize. Each person must receive at least \$1.00. At least one of the persons claiming ownership of the ticket or share must sign the ticket or share. That **person's** signature must also appear on the request and release form. If a winning ticket or share is mailed to the **ALCOAL** with multiple signatures on it, the **Executive** Director will mail the request and release form to the claimants. A deceased signatory who dies before signing the

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~~8.10.4.~~ ~~(d)~~ Any lottery prize which has already been paid.

~~8.11.~~ ~~8.11~~ Investigations. At the discretion of the ~~Executive~~ Director, the ~~ALCOAL~~ may conduct an investigation to aid in the determination of the rightful owner(s) prior to payment of any prize.

~~8.12.~~ ~~8.12~~ Determinations. The ~~Director's~~ ~~Executive Director's~~ decisions regarding the determination of a winning lottery ticket or share, or the determination of the rightful owner or owners of a prize, or of any other dispute or matter arising from payment or awarding of prizes are final and binding on all parties. The ~~Executive~~ Director shall make the final decision on whether any prize is paid, or any annual prize payment is made. All prizes shall be paid within a reasonable time after they are validated, unless the ~~Executive~~ Director delays a prize payment. The ~~Executive~~ Director may, at any time, delay any prize payment in order to review the validity of a prize claim, or review a change of circumstances relative to the prize awarded, the payee, or the claim, or review any other relevant matter that may come to the ~~Director's~~ ~~Executive Director's~~ attention. For any prize requiring annual payments, all payments after the first payment shall be made on the anniversary date of the first payment in accordance with the type of prize awarded. Any delayed annual payment will be brought up to date immediately when payment is authorized by the ~~Executive~~ Director.

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

~~8.13.1.~~ ~~(a)~~ The ~~ALCOAL~~ shall set off against any prize the sum of any debt in excess of one hundred dollars (\$100.00) owed to the State of Arkansas or to persons on whose behalf the State and its claiming agencies act.

~~8.13.2.~~ ~~(b)~~ Notice of any prize subject to a valid lien from the State of Arkansas will be sent to the winner by certified mail, return receipt requested, of the action and the reason the prizes were withheld.

~~8.13.3.~~ ~~(c)~~ However, if the winner appears and claims prizes in person, the ~~ALCOAL~~ shall notify the winner at that time by hand delivery of the action.

~~8.13.4.~~ ~~(d)~~ If the winner does not protest the withholding of the prizes in writing within thirty (30) days of receipt of the notice, the ~~ALCOAL~~ shall pay the prizes to the claimant agency.

~~8.13.5.~~ ~~(e)~~ If the winner protests the withholding of the prizes within thirty (30) days of receipt of the notice, the ~~ALCOAL~~ shall:

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winning lottery ticket or share or in accordance with the information set forth on any winning lottery ticket or share, any claim form, including but not limited to a winner claim form, request to divide prize form, beneficiary designation form, and relinquishment of ownership interest form.

**8.17. 8.16 Disclosure of Winners.**

**8.17.1. A.** The ALCOAL may use the name, address, and likeness of a winner in any ALCOAL promotional campaign, advertisement, or press release. A winner who receives a prize or prize payment from the ALCOAL grants the ALCOAL, its agents, officers, employees, and representatives the right to use, publish in print or by means of the Internet, and reproduce the winner's winner's name, address, physical likeness, photograph, portraits, statements made by the winner, and use audio sound clips and video or film footage of the winner for the purpose of promoting the ALC and its games. OAL and its games. Provided however, that a winner in an amount in excess of \$500,000.00 shall be provided the option of electing confidentiality pursuant to the provisions set forth in A.C.A. §23-115-404 et seq. (2021).

**8.17.2. B.** If the ALCOAL, its agents, officers, employees, and representatives deem it suitable for advertising, promotional or publicity use, or press use, a winner further grants the ALCOAL the right to use and reproduce the winner's winner's likeness in print either alone or in any combination with other persons. Examples of permitted uses include but are not limited to: radio, television, newspapers, posters, billboards, commercials, magazines, print advertisements, and the ALC web site. OAL web site. Provided however, that a winner in an amount in excess of \$500,000.00 shall be provided the option of electing confidentiality pursuant to the provisions set forth in A.C.A. §23-115-404 et seq. (2021).

**8.17.3. C.** Each winner releases the State of Arkansas, its agents, officers, employees, and representatives, the ALCOAL, its Executive Director, agents, officers, employees, and representatives from any liability arising out of any blurring, distortion, alteration, or use in composite form whether intentional or otherwise, that may occur, or be produced in the printing and production process towards the completion of any finished product. A winner waives any right to inspect or approve the finished products, whether it is for a promotional campaign, advertising, or publicity.

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

**9. Section 9. Advertising and Promotions.**

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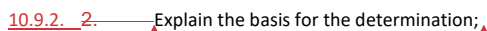
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10.9.3. 3. Explain the information necessary to file an appeal and the time periods in which an appeal must be filed with the Commissioners OAL; and

10.9.4. 4. Inform the complainant that he or she may request a hearing before the Commissioners office, or in lieu of a hearing, may request that an appeal may be decided upon the written materials presented for the appeal.

2. K. A complainant aggrieved by a decision of the Director may request a hearing before Office of the Commissioners, subject to the provisions of paragraph (M) below, within fifteen (15) days of the written determination by the Director. The complainant must be granted a hearing before the Commissioners or its designee as soon as practicable but not later than sixty (60) days after the written determination of the Director.

10.10. L. The Commissioners, pursuant to the power granted to it in Arkansas Lottery may Code Ann. § 23-115-205, may authorize its Legal Committee to hear and dispose of administrative appeals from the Director, as the Committee deems appropriate, including, but not limited to, designating one of its members to consider an act on an appeal on behalf of the Commissioners. Therefore, references herein to "Commissioners" shall be read to take this delegation of authority into account that decision to the Pulaski County (AR) Circuit Court. (A.C.A. §23-115-209(a) (2015))

10.11. M. The Commissioners circuit court shall adepthear appeals from administrative orders of the office, and based upon the record of the proceedings before the Director. Based upon the record, the Commissioners may office, may reverse a decision the administrative order of the Director office only if the appellant person appealing the administrative order, proves the decision administrative order to be:

1. In violation of constitutional or statutory provisions;

2. In excess of the statutory authority of the Director;

3. In excess of the authority granted to the Director by the Commissioners;

4. Made upon unlawful procedure;

5. Affected by other error of law;

10.11.1. 6. Clearly erroneous in view of the reliable, probative, and;

10.11.2. Procured by fraud;

10.11.3. A result of substantial evidence of misconduct by the whole record office; or

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7. ~~Arbitrary or capricious or characterized by abuse of discretion or clearly unwarranted exercise of discretion.~~

10.11.4. N. ~~Contrary to the United States Constitution, the Arkansas Constitution, or A.C.A. §23-115-209(b)(1-4) (2015)~~

10.12. ~~The Commissioners circuit court may remand an appeal to the Director for office to conduct further consideration or investigation hearings (A.C.A. §23-115-209(c) (2015))~~

Q. ~~The Commissioners' determination must be in writing and must:~~

1. ~~Be sent by United States Postal Service certified mail, a commercial overnight delivery service or hand delivered to the appellant; and~~

2. ~~Explain the basis for the Commissioner's determination.~~

P. ~~A determination from the Commissioners is final and non-appealable.~~

10.13. Q. ~~A person who appeals the award of a contract, including without limitation a major procurement contract, is liable for all costs of appeal and defense if the appeal is denied or the contract award upheld. (A.C.A. §23-115-209(d)(1) (2015))~~

10.14. ~~If upon the motion of the office the circuit court finds the appeal to have been frivolous, the cost of appeal and defense shall include without limitation the following expenses of the office resulting from institution of the appeal:~~

~~10.14.1. Court costs;~~

~~10.14.2. Bond;~~

~~10.14.3. Legal fees; and~~

~~10.14.4. Loss of income. A.C.A. §23-115-209(d)(2)(A-D) (2015)~~

10.15. ~~A person appealing the award of a contract may be entitled to the reasonable costs incurred in connection with the contract solicitation, including without limitation bid preparation costs. A.C.A. §23-115-209(d)(3)~~

10.16. ~~This Section on Consumer Complaints is not applicable to:~~

10.16.1. ~~1. Complaints relating to retailers;~~

10.16.2. ~~2. Petition for Declaratory Order from the Commissioners; Administrative Appeal;~~

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10.16.3. 3. A claim in contract or tort against the ALCOAL, its Commissioners, employees or agents;

10.16.4. 4. Any retailer, vendor, or applicant for a contract or retailer license aggrieved by an action of the ALCOAL.

## 11. Section 11. Powers.

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

## 12. Section 12. Notices.

12.1.A. The following notices must be posted in a conspicuous manner at any site where lottery games or shares are sold:

12.1.1. 4. Game information, including participant eligibility requirements, the beginning and end date of the promotions, when and how winners will be selected and when and how prizes will be awarded, if available;

12.1.2. 2. Phone Number for the ALCOAL where a Player can call during normal ALCOAL business hours to report any problems with the purchasing or redeeming of lottery games and shares; and

12.1.3. 3. Other contact information for the ALCOAL including the physical address where claims can be redeemed or mailed.

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

12.2.1. 4. Game and Promotion information including whether or not a game has been postponed or cancelled;

12.2.2. 2. Game rules including participant eligibility requirements, the beginning and end date of the promotions, when and how winners will be selected and when and how prizes will be awarded, if applicable;

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12.2.3. 3. ~~Approximate top prize odds and overall odds of winning each prize if those odds can be determined with reasonable accuracy at the outset, otherwise, the written rules will state that the odds of winning a prize cannot be determined in advance and set forth those factors that ultimately will determine the odds;~~

12.2.4. 4. ~~Information on how and where to file consumer complaints;~~

12.2.5. 5. ~~Information-information concerning the identification and treatmentsigns of a compulsiveproblem gambling disorder;and access to a source who can answer questions from affected consumers and provide a list of resources upon request.~~

12.2.6. 6. ~~All rules, regulations and orders promulgated or issued by the ALCOAL; and contact information for the ALCOAL.~~

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

12.3.1. 4. ~~ApproximateFor instant games only, approximate top prize odds and overall odds of winning each prize if those odds can be determined with reasonable accuracy at the outset;~~

12.3.2. 2. ~~For all games, Gambling hotline number; and~~

12.3.3. 3. ~~Any other information that the ALCOAL deems relevant for that particular game.~~

### 13. Net Proceeds and Funding Scholarships

13.1. By Act 636 of 2021, the Arkansas Legislature amended the Arkansas Scholarship Lottery Act and established procedures and funding requirements for the creation or amendment of scholarships funded with net revenue available. The Office of the Arkansas Lottery (OAL) was charged with promulgating rules to determine the manner in which the net proceeds from the lottery are deposited and disbursed based on what is most financially prudent. The provisions in this Section of the Operational Rules of the Arkansas Scholarship Lottery are adopted pursuant thereto.

13.2. The OAL shall establish the Lottery Scholarship Trust Account to fund the Arkansas Academic Challenge Scholarship Program, the Arkansas Workforce Challenge Scholarship Program, the Arkansas Concurrent Challenge Scholarship Program, and any other scholarship funded with net proceeds from the lottery at a financial institution into which the OAL shall transfer:

13.2.1. Excess funding returned to the OAL under Ark. Code Ann. §6-85- 212(d)(2)(B)(i) from the previous academic year; and

13.2.2. Net proceeds remaining in Lottery Scholarship Trust Account from the previous academic year after the OAL:

13.2.2.1. Transfers funds requested by the Division of Higher Education; and,

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- 13.2.2.2. Deposits the amount necessary into the Scholarship Shortfall Reserve Trust Account to maintain an amount equal to twenty million dollars (\$20,000,000).
- 13.3. On or before the fifteenth day of each month, the OAL shall deposit the net proceeds from the OAL into the Lottery Scholarship Trust Account at one or more financial institutions.
- 13.4. The OAL shall follow the investment policy guidelines of the State Board of Finance in selecting a financial institution and managing the net proceeds from the OAL deposited into the Lottery Scholarship Trust Account.
- 13.5. The funds transferred by the OAL into the Lottery Scholarship Trust Account for the Arkansas Academic Challenge Scholarship Program, the Arkansas Workforce Challenge Scholarship Program, the Arkansas Concurrent Challenge Scholarship Program and any other scholarship program shall be used for:
- 13.5.1. The Arkansas Academic Challenge Scholarship Program;
- 13.5.2. The Arkansas Workforce Challenge Scholarship Program;
- 13.5.3. The Arkansas Concurrent Challenge Scholarship Program;
- 13.5.4. Any other scholarship funded with net proceeds from the OAL; and,
- 13.5.5. Any management fees charged by the financial institution to manage the trust account.
- 13.6. The Director of the Division of Higher Education shall certify to the OAL the amount of net proceeds from the OAL needed to fund scholarships awarded to recipients for each semester of the academic year based on the contents of the Lottery Scholarship Trust Account at the end of the immediately preceding fiscal year.
- 13.7. The OAL shall transfer the funds requested by the Director of Division of Higher Education into one or more trust accounts at one or more financial institutions maintained by Division of Higher Education.
- 13.8. Annually, the Division of Higher Education shall transfer to the OAL the unused funds from the previous academic year, if any, that were transferred by the OAL to fund the Arkansas Academic Challenge Scholarship Program, Ark. Code Ann. §6-85-201 et seq., the Arkansas Workforce Challenge Scholarship Program, Ark. Code Ann. §6-85-301 et seq., the Arkansas Concurrent Challenge Scholarship Program, Ark. Code Ann. §6-85- 401 et seq., and any other scholarship program.
- 13.9. Ark. Code Ann. §23-115-802 (b) and (c), concerning the amount deposited into the Scholarship Shortfall Reserve Trust Account and loans made to the Division of Higher Education for the Arkansas Academic Challenge Scholarship Program, shall be administered as follows pursuant to the OAL's operational rules:
- 13.9.1. An amount equal to four percent (4%) of the total amount of net proceeds disbursed during the preceding fiscal year in the form of scholarships and grants for higher education shall be deposited from lottery proceeds each year until the amount in the account equals twenty million dollars (\$20,000,000); thereafter, only the amount necessary to maintain the account in an amount equal to twenty million dollars (\$20,000,000) shall be deposited into the account. Any amount in the account exceeding twenty million dollars (\$20,000,000) shall be considered net proceeds and shall be deposited annually into one or more trust accounts at one or more financial institutions by July 1st of each year.
- 13.9.2. If net proceeds in any year are not sufficient to meet the amount allocated for scholarships under the Arkansas Academic Challenge Scholarship Program, Ark. Code Ann. §6-85-201 et seq., the account may be drawn upon to meet the deficiency."

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Department of Finance and Administration

Office of the Arkansas Lottery

Operational Rules

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

**1. Definitions**

- 1.1. "Act" means the Arkansas Scholarship Lottery Act (Act 606 of 2009).
- 1.2. "Administrative order" means the final disposition of the Department of Finance & Administration - Office of the Arkansas Lottery in any matter other than a claim in contract or tort, including without limitation bid protests and retailer licensing in which the Department of Finance & Administration - Office of the Arkansas Lottery is required by law to make its determination after notice and a hearing.
- 1.3. "OAL" or "Office" means the Department of Finance & Administration - Office of the Arkansas Lottery.
- 1.4. "Applicant" means a natural person, corporation, partnership, unincorporated association, or other legal entity.
- 1.5. "Banks" means and includes all commercial banks, mutual savings banks, savings and loan associations, credit unions, trust companies, and any other type or form of banking institution who are authorized to do business in the state of Arkansas and that are designated to perform banking institution functions, activities, or service in connection with the operations of OAL for the deposit and handling of lottery funds, the accounting of the funds and the safekeeping of records.
- 1.6. "Bar code validation" means a system which allows any winning lottery ticket, printed with computer readable bar codes for a prize amount as determined by the OAL, to be read electronically at any claim center or lottery retailer location and paid by the retailer regardless of where the player purchased the ticket.
- 1.7. "Certified Drawing" means a number selection event about which the OAL and an independent certified public accountant attest that the drawing equipment functioned properly and that a random selection of a winning combination occurred.
- 1.8. "Claims Center" means the OAL claims center located at the OAL Main Office in Little Rock, Arkansas, or any other location authorized by the OAL to validate and pay a winning ticket.
- 1.9. "Compensation" means any money or anything of value received or to be received as a claim for services, whether in the form of a retainer, fee, salary, expense, allowance, forbearance, forgiveness, interest, dividend, royalty, rent, or any other form of recompense or any combination thereof.
- 1.10. "Courier" or "Courier Service" means the delivery, conveyance, or assignment of any written, printed or published devices for consideration with the purpose of facilitating participation in the lottery.
- 1.11. "Debt" means a liquidated sum due and owing any claimant agency when the sum has accrued through contract, subrogation, tort, or operation of law regardless of whether there is an outstanding judgment for the sum; or sum that is due and owing any person and is enforceable by the State of Arkansas.
- 1.12. "Depository" means any entity, including a bank or state agency, performing activities or services in connection with the operation of the OAL for the deposit and handling of lottery funds, the accounting for lottery funds, and the safekeeping of tickets.
- 1.13. "Draw Coordinator" means the party designated by the Director of Security for purposes of designing, developing, implementing, and maintaining draw procedures and drawing activities.



- 1.14. "Drawing" means the procedure used to select the winning numbers or combination of numbers in accordance with the game rules of the particular lottery game.
- 1.15. "Employee" means a person who is an employee of the OAL unless the context clearly indicates otherwise.
- 1.16. "Executive Director" means the individual appointed by the Governor to initiate, operate, supervise, and administer the OAL lottery games; the Executive Director serves in a dual role as a Director of the Department of Finance and Administration. Executive Director also includes any delegation of authority from the Executive Director to another OAL employee.
- 1.17. "Game" means any individual or lottery game authorized by the OAL pursuant to the Act including but not limited to instant games and online games.
- 1.18. "Immediate family" means the father, mother, sister, brother, husband, wife, child, grandmother, grandfather, grandchild, father-in-law, mother-in-law, sister-in-law, brother-in-law, son-in-law, daughter-in-law, stepchild, grandmother -in-law, grandfather -in-law, step grandchild, or any individual acting as parent or guardian.
- 1.19. "Instant Game" means a game in which a ticket is purchased and upon removal of a latex covering or other covering on the front or back of the ticket or the opening of the sealed ticket, the ticket bearer determines his or her winnings, if any, which are payable upon presentation to a lottery retailer, claims center or another entity approved by the OAL.
- 1.20. "Instant Ticket" (aka, "Scratch Card") means a printed card or slip purchased for participation in an instant game.
- 1.21. "Investigation" shall mean any investigation by any law enforcement agency or OAL Security Investigators regarding the theft, loss, destruction, alteration, or fraudulent activity surrounding the sale, presentation for payment, or validation of any lottery ticket sold by Retailer.
- 1.22. "Legal Owner" means the individual(s) whose name(s) appear on the ticket or share in the space designated for "Name" or in the absence of such entry the bearer of the ticket or share.
- 1.23. "Lottery" or "Lottery Game" means the public gaming system or games established and operated by OAL.
- 1.24. "Lottery Retailer" or "Retailer" means any person licensed by the OAL to sell and dispense instant tickets and materials or lottery games.
- 1.25. "Lottery Ticket" or "Ticket" means tickets or other tangible evidence of participation used in lottery games pursuant to the Act.
- 1.26. "Office of the Arkansas Lottery" ("OAL") ("the OAL") means the division of the Department of Finance and Administration that is charged with operations, oversight, compliance, and financial review of the offering and sales of lottery games within the State of Arkansas.
- 1.27. "Online Game" means a state or multi -state lottery game in which a player pays a fee to a lottery retailer and selects or uses a computer terminal to select a combination of digits, numbers, or symbols, the type and amount of play, and the drawing date, and receives a computer -generated ticket with those selections printed on it.
- 1.28. "Online Terminal" (see also, "Terminal") means the electronic interface computer terminal through which a retailer enters by scan, play slip, or manually the combination of numbers or symbols selected by a player or random number generator (aka, "Quick Pick") and by which online tickets are generated and claims are validated.
- 1.29. "Online Ticket" means a computer -generated ticket issued by a lottery retailer to a player as a receipt for the combination of digits, numbers, or symbols selected.
- 1.30. "Operational Rules" mean those rules adopted and published by the OAL setting forth the rules regarding the OAL's operations of the Arkansas Scholarship Lottery.



- 1.31. "Person" means an individual, association, corporation, club, trust, estate, society, governmental entity, company, joint stock company, receiver, trustee, assignee, referee, and anyone acting in a fiduciary or representative capacity, whether appointed by a court or otherwise, and any combination of human beings.
- 1.32. "Player" means any individual who purchases or is given a lottery game from a retailer or the OAL.
- 1.33. "Prize" means any award, financial or otherwise, awarded by the OAL.
- 1.34. "Random number generator" means a computer driven electronic device capable of producing numbers at random.
- 1.35. "Retailer License Application" means the document executed by the Lottery Retailer upon application for a license to sell lottery games and tickets; this document includes the type of retailer, including but not limited to special terms and conditions such as alternative forms of delivery as set forth herein in Section 1.10.
- 1.36. "Retailer Contract" means the document executed between the OAL and Lottery Retailer which sets forth the terms, conditions, and requirements between the parties.
- 1.37. "Retailer Rules" means the terms, conditions, requirements, and rules regarding Lottery Retailer activities and limitations, affirmative duties, and obligations.
- 1.38. "Share" means any intangible evidence in participation in a lottery.
- 1.39. "Terminal" (see also, "Online Terminal") means the electronic interface computer terminal through which a retailer enters by scan, play slip, or manually the combination of numbers or symbols selected by a player or random number generator (aka, "Quick Pick") and by which online tickets are generated and claims are validated.
- 1.40. "Ticket Bearer" means the person who has signed the ticket or has possession of the unsigned ticket.
- 1.41. "Ticket Number" means the preprinted number found on the back of each ticket which identifies that ticket as one (1) of a series of tickets.
- 1.42. "Ticket Pack Number" means the printed number or numbers appearing on the back of each ticket.
- 1.43. "Ticket Vending Machine" ("TVM") means a player self-service machine that can:
  - 1.43.1. Sell both online tickets and instant tickets;
  - 1.43.2. Report real-time sales of both online tickets and instant tickets, low and empty bins, a full cash box, jammed tickets, diagnostic and error messages, and low paper stock, to the central system;
  - 1.43.3. Check and validate online tickets and instant tickets;
  - 1.43.4. Provide for either the cashing of online tickets and instant tickets via voucher, or other payment method provided to a player, which can be negotiated at retail or used on the TVM for a continued lottery play; and
  - 1.43.5. Provide for age control play as specified in Arkansas Code Annotated § 23-115- 402(e)(1) and (2).
- 1.44. "Unclaimed Prize" means the prize on a winning ticket for which no claim is made within the required time period after the drawing or winner selection event which made the ticket a winning ticket.
- 1.45. "Unclaimed Prize Account" means the OAL account to which unclaimed prizes are transferred.
- 1.46. "Validation" means the process of determining whether an instant or online ticket presented for payment is a winning ticket.
- 1.47. "Validation Number" means the multi -digit number found on the face of the ticket. There must be a validation number on each ticket.
- 1.48. "Vendor" means a person who provides or proposes to provide goods or services to the OAL under a procurement contract. "Vendor" does not include:
  - 1.48.1. An employee of the OAL;
  - 1.48.2. A retailer; or
  - 1.48.3. A state agency or instrumentality.



- 1.49. "Working papers" means the programming parameters and specific details for each game, including the identification of the game, ticket price and prize structure.
- 1.50. "Website" means the OAL's lottery address at <http://myarkansaslottery.com/> or any other website that may be specified by the OAL.
- 1.51. "Winner" means the holder of a lottery ticket determined to have the required match or the specific alignment of the play numbers, digits or symbols, the required sum of the play numbers or digits in accordance with the game rules for the specific game, or a redeemable prize amount indicated on its face.
- 1.52. "Winner confidentiality" means confidentiality from public disclosure of an individual within the context and provisions set forth in A.C.A. §23-115-404 et seq. (2021).
- 1.53. "Winner selection" means the drawing process used by the OAL to select the winning numbers in online games.
- 1.54. "Winning Combination" means numbers or symbols chosen during the drawing process used by the OAL to select the winning numbers in online games.
2. **Authority of Executive Director.**

Notwithstanding the authority and duties listed in Arkansas Code Ann. § 23-115-302 or other such responsibilities and duties designated by the Department of Finance and Administration, the Executive Director of the OAL may:

  - 2.1. Cancel or postpone any promotion at any time;
  - 2.2. Contract with and license retailers for the sale of lottery games and shares;
  - 2.3. Direct the distribution of on-line terminals, ticket stock, and supplies shipped directly from the manufacturer or supplier to an authorized retailer;
  - 2.4. Determine the price paid for all lottery games and shares;
  - 2.5. Determine the types of online and instant games to be offered for sale at retailers, including any necessary game rules for the proper administration of the games;
  - 2.6. Establish a procedure for the disposition of unsold lottery games;
  - 2.7. Develop and determine the working papers of each lottery game;
  - 2.8. Announce the time for the end of sales prior to the drawings for each type of online game;
  - 2.9. Designate the type of equipment to be used for each online game;
  - 2.10. Establish procedures to randomly select the winning combinations for each type of online game, and require the presence of an independent accountant or other third party to witness all pre- and post - drawing tests, and the drawing or winner selection;
  - 2.11. Determine the location, times, and days of prize drawings and promotions;
  - 2.12. Determine the manner and frequency of online game drawings;
  - 2.13. Establish game rules and procedures governing the conduct of drawings for each
  - 2.14. instant and online game;
  - 2.15. Investigate and conduct hearings pursuant to a consumer complaint;
  - 2.16. Make the final decision on whether any prize is paid, or any annual prize payment is made;
  - 2.17. Enter into any contracts for annuities;
  - 2.18. Hold copyrights, trademarks, and service marks and enforce OAL's rights with respect to them;
  - 2.19. Enter into written agreements with one or more states or sovereigns for the operation, participation in marketing, and promotion of a joint lottery or joint lottery games;
  - 2.20. Perform other duties and powers necessary or convenient to carry out and effectuate the purposes and provisions of the OAL and those generally associated with a director of an entrepreneurial business enterprise; and
  - 2.21. Take any other action necessary for the efficient and effective operation of the lottery.
3. **Use of OAL/Arkansas Scholarship Lottery Trademarks.**



- 3.1. Lottery retailers may use, and display the lottery logo, trademark, and other advertising materials without charge to the user or compensation to OAL for its use.
- 3.2. Any use of the lottery logo or other trademarked or copyright materials, other intellectual property, or copy in advertising or production of consumer articles requires a prior written request and execution of the retailer contract.
- 3.3. The Executive Director may exercise supervision over the quality of the materials produced under trademark licensing agreement and may require as a condition to continuation of the license, changes in quality of the goods or material produced.
- 3.4. The Executive Director may at any time terminate an agreement to license in the event that the licensee fails to meet the requirement of the agreement, or in the event that the continuation of the license is not considered to be in the best interest of OAL or of the State of Arkansas.
- 3.5. The logo shall not be modified in any way, including a change in color without the express written approval from the Executive Director prior to its use.
4. **Draw Integrity**
  - 4.1. Subject to the approval of the Executive Director, the OAL's Director of Security shall designate an OAL "Draw Coordinator" to develop and maintain responsibility for the Drawing activities. Lottery drawings shall be conducted pursuant to the procedures developed by the Draw Coordinator in consultation with the Director of Security and as approved by the Executive Director. Drawing procedures shall include provisions for the substitution of back up drawing equipment or methods in the event primary drawing equipment malfunctions or fails for any reason and procedures for completing a drawing that is interrupted due to equipment malfunction or operator error.
  - 4.2. The OAL may use any type of equipment or method, including electronic or manual equipment and any variety of existing or future methods or equipment, for determining the winner or winning combination in any lottery game that involves a drawing.
  - 4.3. The OAL shall ensure the security and integrity of any electronic drawing equipment used to determine a winner or winning combinations. Any electronic connections to this equipment must be made by a secure method. The OAL shall test the equipment as needed to ensure proper operation and lack of tampering or fraud. The OAL shall have its random number generators, or any other computer -driven or computer -assisted device used for a drawing, statistically analyzed, tested, and certified by an independent, qualified statistician for integrity.
  - 4.4. The OAL shall ensure the security and integrity of any manual equipment used to determine a winner or winning combinations. Any manual equipment used by the lottery to determine a winner or winning combinations must be inspected by an independent certified public accountant or the professional representative of an independent certified public accountancy organization and an employee or agent of the OAL before and after the drawing. The drawing and such inspections must be recorded on video and audio tape. Any drawing using manual equipment must be witnessed by an independent certified public accountant, a professional representative of an independent certified public accountancy organization or the applicable state entity.
  - 4.5. The OAL may use random number generators to determine winning numbers for lottery games.
  - 4.6. Subject to the approval of the Executive Director, the OAL's Director of Security shall establish procedures to ensure the physical security of the OAL's drawing equipment and shall specify the individuals who shall have physical access to that equipment. Any random number generator, or any other computer -driven or computer -assisted device used by the OAL to determine winners or winning combinations, shall be kept in a sealed enclosure within a secure area. Any person who enters the sealed enclosure must have permission from OAL Security and be escorted by an OAL Security Section officer or employee.





- 4.7. If, during a game drawing, an equipment failure or operator error causes an interruption in the selection of numbers or symbols, the Draw Coordinator will declare a technical difficulty. Any number drawn prior to the declaration of a technical difficulty will stand and be deemed official when verified by the Draw Coordinator. The drawing will be completed as set forth in the Draw Coordinator's procedures.
- 4.8. The Executive Director will delay payment of all prizes if any evidence exists or there are grounds for suspicion of equipment malfunction, tampering, or fraud. In such event, the OAL will not pay any prize until the OAL completes an investigation and the Executive Director approves the drawing and authorizes payment. If the Executive Director does not approve the drawing, it will be void and the OAL will conduct another drawing to determine the winner or the winning combinations.

## **5. Sale of Lottery Games and Shares**

- 5.1. Generally. Any person who buys or accepts a lottery game or otherwise participates in the lottery agrees to be bound by all laws, rules, regulations, and policies of that particular lottery game and OAL including the Act. All players or persons purchasing or possessing any lottery ticket or share must comply with and are bound by all applicable laws, rules, and procedures and any additional terms and conditions found on the ticket or share itself. In the event of a conflict between the OAL's rules and additional terms and conditions found on the back of a ticket or share, the rules control.
- 5.2. Eligibility
  - 5.2.1. Lottery games or tickets may only be sold to an individual who is eighteen (18) years old or older.
  - 5.2.2. A lottery game or share may not be purchased by any
    - 5.2.2.1. Individual under eighteen (18) years of age.
    - 5.2.2.2. An individual is not eligible to win a lottery prize while incarcerated in the Department of Correction, the Department of Community Correction, or a county or municipal jail or detention facility.
  - 5.2.3. Nothing in this section shall be construed to prevent a person who lawfully purchases or possesses a lottery ticket or share from making a gift of such ticket or share to another person who could lawfully purchase or possess a lottery game.
- 5.3. Sales Locations. Lottery games or shares may only be sold by a lottery retailer at the location listed in the retailer contract. The Executive Director may also designate its agents or employees to sell lottery tickets or shares directly to the public, either in person or through electronic means at any location authorized by the lottery.
- 5.4. Courier Services. In the sole discretion of the Executive Director, a duly licensed OAL lottery Retailer may be allowed to contract with a third -party (non -lottery licensed) entity for the purpose of delivering lottery draw tickets purchased directly from the OAL Retailer by a Courier Service for delivery to individuals located within the borders of the State of Arkansas at the time of ticket order; and, to deliver winning tickets to those individuals as a "for profit" service. The amount of the fee associated with the courier service shall be clearly presented to the consumer prior to confirming the order, thereby allowing the consumer to forego the service (and the fee) if the fee is not acceptable to the consumer. The Retailer shall not sell (a) instant tickets and (b) Fast Play tickets via courier. The courier services shall only be performed via website and/or mobile application and shall not constitute physical delivery of lottery tickets other than by mail or parcel delivery. An OAL Retailer offering courier services per this section must (a.) notify OAL 10-days in advance of the offering or use of any courier service, and (b.) the OAL Retailer remains liable for any loss, fraud, destruction, or claim of any kind associated with the use of courier services in providing delivery to consumers. The Department of Finance and Administration, the Office of the Arkansas Lottery, its employees, and agents shall be held harmless for any dispute arising out of the use of a courier service for the delivery of lottery tickets and/or any fees assessed to the consumer





associated with the use of the courier service. The Executive Director retains sole discretion regarding the use of a courier service by a Retailer.

- 5.5. Courier Registration. Any entity acting as a courier service for purposes of purchasing lottery tickets on behalf of a third party, shall be required to register with the Department of Finance and Administration — Office of the Arkansas Lottery, 30-days in advance of offering courier services. Couriers are specifically prohibited from applying for or maintaining an OAL licensed retailer license. These rules require a courier service to contractually partner with an OAL licensed retailer(s) with whom they will purchase tickets. Registration will serve as notice of operation of a courier service provider within the State of Arkansas, and does not constitute Licensure or regulation of courier services by the Department of Finance and Administration — Office of the Arkansas Lottery.
- 5.6. Authority to Suspend or Terminate Retailer License Utilizing Courier Services. The Executive Director shall have sole discretion to suspend or terminate any OAL licensed retailer whose use of a courier service constitutes an operational threat, threat of loss, consumer fraud, deception or any other factor deemed to negatively impact the appearance of game integrity, fairness, or reputational harm to OAL and the ASL game portfolio. A retailer may appeal the Executive Director's decision to suspend or terminate a retail license premised upon this section in the same manner as provided for herein regarding other forms of dispute resolution.
- 5.7. Price. Unless authorized to do so in writing by the Executive Director, a person shall not sell a ticket or share at a price other than established by the Executive Director. The Executive Director may designate its agents or employees to sell or give lottery games or shares directly to the public.
- 5.8. Sales Are Final. The sale of all lottery tickets and shares is final and no ticket returns are to be accepted by the retailer. A player may not return a lottery ticket or share for a refund of the purchase price or exchange unless the specific game rule provides otherwise. Where a specific rule provides that the purchaser of a lottery ticket or share may cancel the purchase, the following is the procedure for cancellation:
  - 5.8.1. To cancel a purchase of a lottery ticket or share, the player must return it to the selling retailer on the day of purchase before wagers are disabled prior to the first drawing or other winner determination time as applicable.
  - 5.8.2. The player shall receive a refund from the retailer equal to the purchase amount of the lottery ticket or share.
  - 5.8.3. If a lottery ticket or share cannot be cancelled because the OAL's central computer system does not record the cancellation in a timely manner due to a mechanical or electronic transmission malfunction, credit may still be given to the retailer provided the following steps are taken:
    - 5.8.3.1. The retailer attempts to cancel the lottery ticket or share before wagers are suspended and a computer record of the attempt is created.
    - 5.8.3.2. The retailer calls the Retailer Services Hotline and gives the lottery ticket or share's identifying number to the operator, and
    - 5.8.3.3. The retailer mails the lottery ticket or share to the OAL within two weeks from the date of purchase.
- 5.9. Tickets or Shares. Notwithstanding any other rule, tickets or shares cannot be cancelled under any circumstances.
- 5.10. Future Drawings. A player may purchase a ticket or tickets for future consecutive drawings to the extent permitted by the OAL for each lottery game. The player must specify at the time of purchase that the ticket or tickets include future consecutive drawings. However, no lottery games or shares may be sold after the commencement of a drawing. The date of the drawing shall be printed on all tickets except instant tickets.



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

## **6. Lottery Tickets or Shares**

- 6.1. Bearer Instrument. Except for a lottery ticket or share claimed jointly in accordance with the provisions of this rule, until such time as a name of an individual or individuals is imprinted or placed upon a lottery ticket or share in the area designated for "Name," the ticket or share is a bearer instrument and is owned by the bearer of the ticket or share. When a name or names is placed on the ticket or share in the designated place, the ticket or share ceases to be a bearer instrument and only the individual whose name appears in that area is the legal owner of the ticket or share. Only an individual or individuals may own a ticket or share and claim a prize.
- 6.2. Ticket Validation Requirements. Any lottery games or shares not passing all the validation requirements in this section and the specific validation requirements contained in the rules for its specific game are invalid and ineligible for any prize. Once validated, a lottery retailer must deface the lottery game in the manner prescribed by the Executive Director.
- 6.3. Instant Tickets. An instant ticket must meet all of the following requirements in order to be considered valid and payable:
  - 6.3.1. The instant ticket was issued in an authorized manner;
  - 6.3.2. The instant ticket is not altered, mutilated, unreadable, reconstructed, or tampered with in any manner;
  - 6.3.3. The instant ticket is not counterfeit in whole or in part;
  - 6.3.4. The instant ticket is not stolen nor appears in any list of omitted instant tickets on file with the OAL;
  - 6.3.5. The instant ticket is complete and not blank or partially blank, miscut, misregistered, defective, or printed or produced in error;
  - 6.3.6. The instant ticket has the correct number of play symbols in the correct position.
  - 6.3.7. The symbols must be present in their entirety, legible, right -side up, and not reversed in any manner;
  - 6.3.8. The validation number of an apparent winning ticket appears on the OAL's official list of validation numbers of winning instant tickets; and an instant ticket with that validation number has not been previously paid; and,
  - 6.3.9. The instant ticket passes all additional confidential validation requirements.
- 6.4. Online Games
  - 6.4.1. An instant online ticket must meet all of the following requirements in order to be considered valid:
    - 6.4.1.1. All printing on the ticket shall be present in its entirety, be legible, and correspond, using the computer validation file, to the combination and date printed on the ticket. The ticket is not valid unless the ticket number and other information are recorded in the OAL computer and transaction master file;
    - 6.4.1.2. The ticket shall be intact;
    - 6.4.1.3. The ticket shall not be altered, mutilated, unreadable, reconstructed, or tampered with in any manner;
    - 6.4.1.4. The ticket shall not be counterfeit or an exact duplicate of another winning ticket;
    - 6.4.1.5. The ticket shall have been issued by an authorized retailer in an authorized manner;
    - 6.4.1.6. The ticket shall not have been stolen or canceled;
    - 6.4.1.7. The ticket shall not have been previously paid; and



6.4.1.8. The ticket shall pass all other confidential security checks of OAL

6.4.2. The Executive Director may replace an invalid online ticket with an online ticket for a future drawing of the same game. The Executive Director at his or her discretion may pay the prize for a ticket that is partially mutilated or is not intact if the online ticket can still be validated by the other validation requirements.

**7. Share of Tickets or Shares by use of Electrical or Mechanical Devices**

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

7.1.1. TVM must be capable of dispensing instant ticket games, online games, and other related materials and information;

7.1.2. TVM must be capable of validating a player's age, using a government -issued form of identification;

7.1.3. TVM must be capable of accepting U.S. currency and accumulating player credits;

7.1.4. TVM must have a method of immediate machine deactivation to monitor potential underage play; and

7.1.5. TVM must have an auxiliary power source for continuous electrical power.

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

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

7.2.2. TVM machines must have an underage gambling notification prominently placed on the TVM directly above the currency acceptor. This notification shall state that it is against the law for an individual to play if under eighteen (18) years of age.

7.2.3. The TVM must be placed in a location agreed upon by the OAL and the retailer that is within a work area staffed during all hours the retailer location is open to the public. The retailer shall agree, pursuant to the retailer contract, not to relocate the TVM without prior permission from the OAL.

7.2.4. Each TVM shall be equipped with a remote-control device capable of temporarily terminating the ability of the TVM to sell lottery products.

7.2.5. All retailers using TVM machines to sell lottery products shall be trained in procedures related to the use, operation, and monitoring of the TVM and disabling the TVM either via remote control or other reasonable means if an individual under eighteen (18) years of age attempts to operate the unit or if the TVM is not being properly monitored.

7.2.6. The TVM remote control shall be provided to the authorized agent responsible for monitoring underage play. The remote control may be used to activate an alarm when individuals who appear to be under the age of eighteen (18) are attempting to purchase lottery products or are loitering about the TVM.

7.2.7. The TVM must be equipped with internal hinges and an alarm for notification of tilt or unauthorized access.

7.2.8. Any retailer selling lottery products with a TVM shall not perform maintenance on the TVM and is required to notify the OAL immediately in the event of a TVM malfunction.

**8. Payment of Prizes**

8.1. Procedures

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



payment of the amount due if the claim is validated. In the event that the claim is not validated, the claimant shall be promptly notified that the claim is denied.

- 8.1.2. A legal owner of a prize of more than five hundred dollars (\$500) shall complete a claim form and submit the form with the winning ticket either in person at an OAL claims center or by mail to the OAL Main Office. Upon validation, a check shall be forwarded to the claimant in payment of the amount due. OAL will deduct from the amount due any required federal and state income tax withholdings and any withholding required by Arkansas Code Ann. §23-115-1001 et seq. In the event that the claim is not validated, the claim shall be denied, and the claimant shall be promptly notified that the claim is denied.
- 8.1.3. The Executive Director may require claims of one million (\$1,000,000) dollars or more to be redeemed at the OAL Main Office.
- 8.1.4. For any winning prize redeemed at the OAL Main Office, payment will be made by check, with the exception of a prize that is merchandise.
- 8.1.5. The OAL is not liable for any lost or misdirected winning tickets sent by mail.
- 8.1.6. The OAL shall make available a list of all winning numbers for the fifty-two (52) previous weeks.
- 8.2. Restrictions on Eligibility of Prizes. The following are not eligible to redeem any lottery prize:
  - 8.2.1. Any individual under eighteen (18) years of age;
  - 8.2.2. Any individual incarcerated in:
    - 8.2.2.1. The Department of Correction;
    - 8.2.2.2. The Department of Community Correction; or
    - 8.2.2.3. A county or municipal jail or detention facility.
  - 8.2.3. If the amount of the prize exceeds five hundred dollars (\$500.00), an employee of the OAL or their immediate family members living in the same household as the employee;
  - 8.2.4. Any officer, employee, agent, or subcontractor of an OAL vendor; or immediate family of the officer, employee, agent, or subcontractor of an OAL vendor if that officer, employee, agent, or subcontractor has access to confidential information that may compromise the integrity of a lottery.
- 8.3. Time Period for Redemption. The Executive Director may at any time alter the time periods for redemption of a lottery prize. If a valid claim is not made for a cash lottery prize within the applicable period, the cash lottery prize constitutes an unclaimed lottery prize. A holder of a winning ticket must claim the prize within the following time periods:
  - 8.3.1. To claim an online game prize, the claimant must submit the winning online ticket for validation at a lottery office or retailer on or before the 180th day after the winning drawing. If the ticket has remaining drawings, a continuation ticket will be issued. If mailed, the envelope containing both the ticket and claim form, if required, must be postmarked on or before the 180th day after the winning drawing.
  - 8.3.2. To claim a scratch-off/instant game prize, the claimant must submit the winning scratch-off/instant ticket for validation at a claims center or retailer on or before the 90th day after the official end of game. If mailed, the envelope containing both the ticket and claim form, if required, must be postmarked on or before the 90th day after the end of the game sales date.
- 8.4. Tax Liability. Proceeds of a lottery prize are subject to federal and Arkansas state income tax. Each United States resident who is to receive a payment of winnings greater than \$600 shall furnish to the OAL the information required on the Internal Revenue Service Form W-2G (or any other form required by the IRS) including but not limited to the winner's name, address, and social security number. This disclosure is mandatory and the authority for such disclosure is 42 USC 405(c) (2) (C), 26 CFR 31.3402(q)-1(e), and Arkansas Code Ann. § 23-115-403. A winner's social security number will only be used for the purpose of



transmitting the prize amount to the appropriate taxing authorities and identifying individuals subject to Debt Set Off procedures set forth in Section 8.13.

- 8.5. **Prizes Non-Assignable.** A lottery prize, any portion of a lottery prize, or any right of any individual to a lottery prize is not assignable, except that the payment of any prize drawn may be paid to the estate of a deceased prize winner pursuant to an appropriate judicial order.
- 8.6. **Prizes Payable after Death.** A lottery prize or any portion of a lottery prize remaining unpaid at the death of a lottery prize winner shall be paid to the estate of the deceased lottery prize winner or to the trustee of a trust established by the deceased lottery prize winner as settlor if:
  - 8.6.1. A copy of the trust document or instrument has been filed with the OAL along with a notarized letter of direction from the settlor; and
  - 8.6.2. No written notice of revocation has been received by the OAL before the settlor's death.
  - 8.6.3. Following a settlor's death and before any payment to a successor trustee, the OAL shall obtain from the trustee a written agreement to indemnify and hold the OAL harmless with respect to any claims that may be asserted against the OAL arising from payment to or through the trust.
  - 8.6.4. Under an appropriate judicial order, an individual shall be paid the Lottery prize to which a winner is entitled.
  - 8.6.5. The Executive Director reserves the right to petition any court of competent jurisdiction to determine the proper payment of any prize winnings due to a deceased prize winner.
  - 8.6.6. If any lottery prize is properly owned by an individual under eighteen (18) years of age, such as through inheritance, it must be paid to the parent, guardian or custodian of such person under the Arkansas Uniform Transfers to Minors Act.
- 8.7. **Issuance of Prizes to Multiple Owners**
  - 8.7.1. All individuals claiming ownership of the winning lottery ticket or share must complete and sign the OAL's request and release form. Each of the persons signing the form must indicate each person's proportionate share of the prize. Each person must receive at least \$1.00. At least one of the persons claiming ownership of the ticket or share must sign the ticket or share. That person's signature must also appear on the request and release form. If a winning ticket or share is mailed to the OAL with multiple signatures on it, the Executive Director will mail the request and release form to the claimants. A deceased signatory who dies before signing the request and release form will be presumed to have an ownership interest equal to that of the other signatories. In the event there is a deceased signatory, the Executive Director may withhold payment for 60 days from the date of validation to allow co -owners the opportunity to seek a declaratory ruling from a court.
  - 8.7.2. Upon the signatures of the request and release form, the Executive Director will issue to each individual claiming a share of the prize amount a check for the portion of the prize amount claimed by each multiple owner, the total not to exceed the total prize amount. However, the Executive Director reserves the right to issue a single prize check to an individual whose name appears on the ticket or share instead of multiple prize checks to the owners of the ticket or share if the number of persons claiming a share of the prize exceeds 100 people. The OAL shall pay multiple winners of a lottery prize only at the OAL claims center in Little Rock. Retailers are not authorized to pay multiple winners who share a single prize.
- 8.8. **Relinquishment of Interest.** When a person who has signed a lottery ticket or share wishes to relinquish the person's ownership interest in the lottery ticket or share, that person must sign the OAL's release of ownership form relinquishing the person's ownership interest. In no event will a person be permitted to relinquish ownership interest once it is determined that the person owes any indebtedness pursuant to Section 8.13 of this Section or other legal attachment has taken place. Once the OAL receives the release of ownership form, it is irrevocable.



- 8.9. Conflicting Information or Discrepancies. If there is conflicting information or discrepancies between the names on a winning lottery ticket or share and the names on a claim form, the OAL may withhold prize payment until the conflicting information is resolved to the OAL's satisfaction. Discrepancies include but are not limited to names or addresses scratched out or erased, or unreadable or altered names or addresses. If there is a determination that more than one (1) claimant is entitled to a particular lottery prize, the sole remedy of the claimants is the award to each of them of an equal share in the lottery prize.
- 8.10. Non-Payable. The following will not be honored or paid by the OAL or any retailers:
- 8.10.1. Tickets or shares which are stolen, counterfeit, altered, fraudulent, unissued, produced or issued in error, unreadable, not received, or not recorded by the OAL within applicable deadlines;
  - 8.10.2. Tickets or shares lacking in captions that conform and agree with the play symbols as appropriate to the particular lottery involved;
  - 8.10.3. Tickets or shares not in compliance with rules and public or confidential validation and security tests of the OAL appropriate to the particular lottery involved; or
  - 8.10.4. Any lottery prize which has already been paid.
- 8.11. Investigations. At the discretion of the Executive Director, the OAL may conduct an investigation to aid in the determination of the rightful owner(s) prior to payment of any prize.
- 8.12. Determinations. The Executive Director's decisions regarding the determination of a winning lottery ticket or share, or the determination of the rightful owner or owners of a prize, or of any other dispute or matter arising from payment or awarding of prizes are final and binding on all parties. The Executive Director shall make the final decision on whether any prize is paid, or any annual prize payment is made. All prizes shall be paid within a reasonable time after they are validated unless the Executive Director delays a prize payment. The Executive Director may, at any time, delay any prize payment in order to review the validity of a prize claim, or review a change of circumstances relative to the prize awarded, the payee, or the claim, or review any other relevant matter that may come to the Executive Director's attention. For any prize requiring annual payments, all payments after the first payment shall be made on the anniversary date of the first payment in accordance with the type of prize awarded. Any delayed annual payment will be brought up to date immediately when payment is authorized by the Executive Director.
- 8.13. Set off for Debts Owed to the State. The following provisions shall apply to the payment of any prizes in excess of Five Hundred Dollars (\$500.00):
- 8.13.1. The OAL shall set off against any prize the sum of any debt in excess of one hundred dollars (\$100.00) owed to the State of Arkansas or to persons on whose behalf the State and its claiming agencies act.
  - 8.13.2. Notice of any prize subject to a valid lien from the State of Arkansas will be sent to the winner by certified mail, return receipt requested, of the action and the reason the prizes were withheld.
  - 8.13.3. However, if the winner appears and claims prizes in person, the OAL shall notify the winner at that time by hand delivery of the action.
  - 8.13.4. If the winner does not protest the withholding of the prizes in writing within thirty (30) days of receipt of the notice, the OAL shall pay the prizes to the claimant agency.
  - 8.13.5. If the winner protests the withholding of the prizes within thirty (30) days of receipt of the notice, the OAL shall:
    - 8.13.5.1. File an action in interpleader in the circuit court of the county where the winner resides;
    - 8.13.5.2. Pay the disputed sum into the registry of that court; and
    - 8.13.5.3. Give notice to the claimant agency and winner of the initiation of the action.
  - 8.13.6. Any liens submitted for collection by the OAL shall be ranked and collected in the following order:
    - 8.13.6.1. Taxes due the state;



- 8.13.6.2. Delinquent child support;
- 8.13.6.3. Medicaid reimbursement; and
- 8.13.6.4. All other judgments and liens in order of the date entered or perfected.
- 8.13.7. Any list of debt from a claimant agency to the OAL must be updated and electronically submitted to the OAL during the first week of every calendar quarter. The OAL is not obligated to retain the lists beyond that quarter or deduct debts for lists that are not current. The claimant agency shall pay to the OAL for any and all costs incurred by the OAL for the setting off of debts.
- 8.14. Prize Claim Option Final. If a prize winner is given an option regarding the method of prize payment any payment method selected becomes final and may not be revoked or changed.
- 8.15. Prize allocation. Prize money allocated to the first prize category shall be divided equally by the number of purchased game plays winning a first prize.
- 8.16. Discharge from Liability. The State of Arkansas, its agents, officers, employees and representatives, the OAL, its Executive Director, agents, officers, employees, and representatives are discharged of all liability upon payment of a prize or any one installment thereof to the holder of any winning lottery ticket or share or in accordance with the information set forth on any winning lottery ticket or share, any claim form, including but not limited to a winner claim form, request to divide prize form, beneficiary designation form, and relinquishment of ownership interest form.
- 8.17. **Disclosure of Winners**
  - 8.17.1. The OAL may use the name, address, and likeness of a winner in any OAL promotional campaign, advertisement, or press release. A winner who receives a prize or prize payment from the OAL grants the OAL, its agents, officers, employees, and representatives the right to use, publish in print or by means of the Internet, and reproduce the winner's name, address, physical likeness, photograph, portraits, statements made by the winner, and use audio sound clips and video or film footage of the winner for the purpose of promoting the OAL and its games. Provided however, that a winner in an amount in excess of \$500,000.00 shall be provided the option of electing confidentiality pursuant to the provisions set forth in A.C.A. §23-115-404 et seq. (2021);
  - 8.17.2. If the OAL, its agents, officers, employees, and representatives deem it suitable for advertising, promotional or publicity use, or press use, a winner further grants the OAL the right to use and reproduce the winner's likeness in print either alone or in any combination with other persons. Examples of permitted uses include but are not limited to: radio, television, newspapers, posters, billboards, commercials, magazines, print advertisements, and the OAL web site. Provided however, that a winner in an amount in excess of \$500,000.00 shall be provided the option of electing confidentiality pursuant to the provisions set forth in A.C.A. §23-115-404 et seq. (2021);
  - 8.17.3. Each winner releases the State of Arkansas, its agents, officers, employees, and representatives, the OAL, its Executive Director, agents, officers, employees, and representatives from any liability arising out of any blurring, distortion, alteration, or use in composite form whether intentional or otherwise, that may occur, or be produced in the printing and production process towards the completion of any finished product. A winner waives any right to inspect or approve the finished products, whether it is for a promotional campaign, advertising, or publicity;
- 9. **Advertising and Promotions**
  - 9.1. The OAL may engage in shared expense and other co -promotional activities with private or public enterprise including utilizing donated prizes, goods, services, direct payments, or reduced fees which are intended to increase ticket sales, increase public goodwill or reduce the costs or expenses of the OAL.
- 10. **Consumer Complaints**
  - 10.1. If a ticket purchaser or ticket holder files a written complaint with the Executive Director relating to the sale of a ticket, payment of a prize, conducting of a promotion or other activity relating to the OAL or an





OAL product, the Executive Director shall forward the complaint to appropriate staff for further review. Any such complaint shall be filed in a reasonable amount of time after complainant becomes aware of the facts upon which the complaint is based.

- 10.2. All matters contained in this policy that call for action of the Executive Director may be executed by a designee appointed by the Executive Director.
- 10.3. The complaint will be reviewed to determine its validity and to determine if the information provided is sufficient. Although the burden may shift on a particular matter, the complainant has the burden of going forward and of proof. If the review of the complaint indicates that additional information is necessary for an appropriate response, the complainant may be required to provide additional information, including but not limited to:
  - 10.3.1. The name, address, and telephone number of the complainant and the name address and telephone number of the complainant's legal counsel, if any;
  - 10.3.2. A detailed statement of facts supporting the complainant's position;
  - 10.3.3. A detailed statement outlining the reason(s) for the complaint, including any law or other authority upon which the complainant relies;
  - 10.3.4. The name(s), address(es), and telephone number(s) of witness(es) who may need a subpoena to appear;
  - 10.3.5. Any other relevant information the OAL may reasonably prescribe; and
  - 10.3.6. The evidence, clearly identified, to be considered by the Executive Director.
- 10.4. The complainant will be notified in writing if more information is needed and will be afforded a reasonable time to respond. If any information requested is not provided within the prescribed time period, or if the information submitted fails to present a claim for which relief may be granted, the complaint may be dismissed by the Executive Director. In his discretion, upon receipt of sufficient information, the Executive Director may schedule a hearing rather than issuing a decision on the written material submitted. If a hearing is denied, the complainant may request reconsideration.
- 10.5. The request for reconsideration for a hearing must be in writing and must be submitted to OAL within thirty (30) days of the date of the determination or dismissal.
- 10.6. The Executive Director may require, or the complainant may request a conference in an attempt to expedite the orderly conduct of the hearing or the settlement of the complaint prior to the scheduled hearing. A complainant may represent his or her own interest or may be represented by an attorney at law licensed to practice law in the State of Arkansas. Other than the complainant or the attorney representing complainant, no person or organization may represent the interests of a complainant.
- 10.7. If a complainant fails to appear at a hearing after due notice, the Executive Director may dismiss, continue, or decide the matter. Upon timely application and proper notice, the Executive Director may grant a motion for a continuance or other change in the date, time and place of the hearing.
- 10.8. The hearing need not be conducted or controlled by either the Arkansas Rules of Evidence or the Arkansas Rules of Civil Procedure. The hearing will be conducted to the extent and fashion deemed appropriate by the Executive Director. Unless objection or exception is made, sustained and duly noted on the record, all evidence appearing in the record shall be deemed to have been properly admitted for consideration. All hearings will be recorded by a certified court reporter. If a complainant desires the testimony be transcribed into a transcript or files an appeal, the complainant shall order directly from the reporter an original and one copy, both of which are the financial responsibility of the complainant ordering the transcript. The original transcript shall be filed by the reporter directly with the OAL.
- 10.9. Any decision of the Executive Director regarding a ticket purchaser or holder's written complaint, including decisions regarding denial or dismissal of a complaint without a hearing or decisions made after hearing all of the testimony, facts and evidence presented, must:





- 10.9.1. Be in writing and sent by United States Postal Service certified mail, a commercial overnight delivery service or hand-delivered to the complainant as soon as practicable;
- 10.9.2. Explain the basis for the determination;
- 10.9.3. Explain the information necessary to file an appeal and the time periods in which an appeal must be filed with the OAL; and
- 10.9.4. Inform the complainant that he or she may request a hearing before the office, or in lieu of a hearing, may request that an appeal may be decided upon the written materials presented for the appeal.
- 10.10. A complainant aggrieved by a decision of the Office of the Arkansas Lottery may appeal that decision to the Pulaski County (AR) Circuit Court. (A.C.A. §23-115-209(a) (2015)
- 10.11. The circuit court shall hear appeals from administrative orders of the office, and based upon the record of the proceedings before the office, may reverse the administrative order of the office only if the person appealing the administrative order proves the administrative order to be:
  - 10.11.1. Clearly erroneous;
  - 10.11.2. Procured by fraud;
  - 10.11.3. A result of substantial misconduct by the office; or
  - 10.11.4. Contrary to the United States Constitution, the Arkansas Constitution, or A.C.A. §23-115-209(b)(1-4) (2015)
- 10.12. The circuit court may remand an appeal to the office to conduct further hearings (A.C.A. §23-115-209(c) (2015)
- 10.13. A person who appeals the award of a contract, including without limitation a major procurement contract, is liable for all costs of appeal and defense if the appeal is denied or the contract award upheld. (A.C.A. §23-115-209(d)(1) (2015)
- 10.14. If upon the motion of the office the circuit court finds the appeal to have been frivolous, the cost of appeal and defense shall include without limitation the following expenses of the office resulting from institution of the appeal:
  - 10.14.1. Court costs;
  - 10.14.2. Bond;
  - 10.14.3. Legal fees; and
  - 10.14.4. Loss of income. A.C.A. §23-115-209(d)(2)(A-D) (2015)
- 10.15. A person appealing the award of a contract may be entitled to the reasonable costs incurred in connection with the contract solicitation, including without limitation bid preparation costs. A.C.A. §23-115-209(d)(3)
- 10.16. This Section on Consumer Complaints is not applicable to:
  - 10.16.1. Complaints relating to retailers;
  - 10.16.2. Petition for Declaratory Order from the Administrative Appeal;
  - 10.16.3. A claim in contract or tort against the OAL, its employees or agents;
  - 10.16.4. Any retailer, vendor, or applicant for a contract or retailer license aggrieved by an action of the OAL.
11. **Powers**
  - 11.1. All powers not specifically defined in these rules are reserved to the OAL under the Act
12. **Notices**
  - 12.1. The following notices must be posted in a conspicuous manner at any site where lottery games or shares are sold:



- 12.1.1. Game information, including participant eligibility requirements, the beginning and end date of the promotions, when and how winners will be selected and when and how prizes will be awarded, if available;
- 12.1.2. Phone Number for the OAL where a Player can call during normal OAL business hours to report any problems with the purchasing or redeeming of lottery games and shares; and
- 12.1.3. Other contact information for the OAL including the physical address where claims can be redeemed or mailed.
- 12.2. The website for the Arkansas Scholarship Lottery shall be the central location for all information concerning the Arkansas Scholarship Lottery and the OAL. The following notices or information must be posted:
  - 12.2.1. Game and Promotion information including whether or not a game has been postponed or cancelled;
  - 12.2.2. Game rules including participant eligibility requirements, the beginning and end date of the promotions, when and how winners will be selected and when and how prizes will be awarded, if applicable;
  - 12.2.3. Approximate top prize odds and overall odds of winning a prize if those odds can be determined with reasonable accuracy at the outset, otherwise, the written rules will state that the odds of winning a prize cannot be determined in advance and set forth those factors that ultimately will determine the odds;
  - 12.2.4. Information on how and where to file consumer complaints;
  - 12.2.5. information concerning the signs of problem gambling and access to a source who can answer questions from affected consumers and provide a list of resources upon request.
  - 12.2.6. All rules, regulations and orders promulgated or issued by the OAL; and contact information for the OAL.
- 12.3. The following notices will be provided on the backs of all lottery games, if practicable:
  - 12.3.1. For instant games only, approximate top prize odds and overall odds of winning a prize if those odds can be determined with reasonable accuracy at the outset;
  - 12.3.2. For all games, Gambling hotline number; and
  - 12.3.3. Any other information that the OAL deems relevant for that particular game.
- 13. Net Proceeds and Funding Scholarships**
  - 13.1. By Act 636 of 2021, the Arkansas Legislature amended the Arkansas Scholarship Lottery Act and established procedures and funding requirements for the creation or amendment of scholarships funded with net revenue available. The Office of the Arkansas Lottery (OAL) was charged with promulgating rules to determine the manner in which the net proceeds from the lottery are deposited and disbursed based on what is most financially prudent. The provisions in this Section of the Operational Rules of the Arkansas Scholarship Lottery are adopted pursuant thereto.
  - 13.2. The OAL shall establish the Lottery Scholarship Trust Account to fund the Arkansas Academic Challenge Scholarship Program, the Arkansas Workforce Challenge Scholarship Program, the Arkansas Concurrent Challenge Scholarship Program, and any other scholarship funded with net proceeds from the lottery at a financial institution into which the OAL shall transfer:
    - 13.2.1. Excess funding returned to the OAL under Ark. Code Ann. §6-85- 212(d)(2)(B)(i) from the previous academic year; and
    - 13.2.2. Net proceeds remaining in Lottery Scholarship Trust Account from the previous academic year after the OAL:
      - 13.2.2.1. Transfers funds requested by the Division of Higher Education; and,



- 13.2.2.2. Deposits the amount necessary into the Scholarship Shortfall Reserve Trust Account to maintain an amount equal to twenty million dollars (\$20,000,000).
- 13.3. On or before the fifteenth day of each month, the OAL shall deposit the net proceeds from the OAL into the Lottery Scholarship Trust Account at one or more financial institutions.
- 13.4. The OAL shall follow the investment policy guidelines of the State Board of Finance in selecting a financial institution and managing the net proceeds from the OAL deposited into the Lottery Scholarship Trust Account.
- 13.5. The funds transferred by the OAL into the Lottery Scholarship Trust Account for the Arkansas Academic Challenge Scholarship Program, the Arkansas Workforce Challenge Scholarship Program, the Arkansas Concurrent Challenge Scholarship Program and any other scholarship program shall be used for:
- 13.5.1. The Arkansas Academic Challenge Scholarship Program;
  - 13.5.2. The Arkansas Workforce Challenge Scholarship Program;
  - 13.5.3. The Arkansas Concurrent Challenge Scholarship Program;
  - 13.5.4. Any other scholarship funded with net proceeds from the OAL; and,
  - 13.5.5. Any management fees charged by the financial institution to manage the trust account.
- 13.6. The Director of the Division of Higher Education shall certify to the OAL the amount of net proceeds from the OAL needed to fund scholarships awarded to recipients for each semester of the academic year based on the contents of the Lottery Scholarship Trust Account at the end of the immediately preceding fiscal year.
- 13.7. The OAL shall transfer the funds requested by the Director of Division of Higher Education into one or more trust accounts at one or more financial institutions maintained by Division of Higher Education.
- 13.8. Annually, the Division of Higher Education shall transfer to the OAL the unused funds from the previous academic year, if any, that were transferred by the OAL to fund the Arkansas Academic Challenge Scholarship Program, Ark. Code Ann. §6-85-201 et seq., the Arkansas Workforce Challenge Scholarship Program, Ark. Code Ann. §6-85-301 et seq., the Arkansas Concurrent Challenge Scholarship Program, Ark. Code Ann. §6-85- 401 et seq., and any other scholarship program.
- 13.9. Ark. Code Ann. §23-115-802 (b) and (c), concerning the amount deposited into the Scholarship Shortfall Reserve Trust Account and loans made to the Division of Higher Education for the Arkansas Academic Challenge Scholarship Program, shall be administered as follows pursuant to the OAL's operational rules:
- 13.9.1. An amount equal to four percent (4%) of the total amount of net proceeds disbursed during the preceding fiscal year in the form of scholarships and grants for higher education shall be deposited from lottery proceeds each year until the amount in the account equals twenty million dollars (\$20,000,000); thereafter, only the amount necessary to maintain the account in an amount equal to twenty million dollars (\$20,000,000) shall be deposited into the account. Any amount in the account exceeding twenty million dollars (\$20,000,000) shall be considered net proceeds and shall be deposited annually into one or more trust accounts at one or more financial institutions by July 1st of each year.
  - 13.9.2. If net proceeds in any year are not sufficient to meet the amount allocated for scholarships under the Arkansas Academic Challenge Scholarship Program, Ark. Code Ann. §6-85-201 et seq., the account may be drawn upon to meet the deficiency.

Department of Finance and Administration

Office of the Arkansas Lottery

Retailer Rules

Arkansas Lottery Commission

Preface: The purpose of these rules is to proscribe the procedures for licensing and administering the statewide network of lottery retailers. These rules are issued pursuant to the authority vested in the ALC OAL under Ark. Code Ann. §§ 23-115-601 et seq., and 23-115-207, and the Arkansas Administrative Procedures Act, §§ 25-15-201, et seq.

Section 1. Definitions

1.1 "Act" means the Arkansas Scholarship Lottery Act (Act 606 of 2009).

1.2 "ALC" means the Arkansas Lottery Commission as created by the Act.

1.2 1.3 "Applicant" means any person applying for a contract with the ALC for the purpose of selling lottery games to the public, a natural person, corporation, partnership, unincorporated association, or other legal entity applying for a contract with the OAL for the purpose of selling lottery games.

1.3 1.4 "Application" means the forms, documents, or other information that the ALC OAL requires an applicant to submit to the ALC in order OAL to apply for or maintain a retailer contract.

1.4 "Banks" means and includes all commercial banks, mutual savings banks, savings and loan associations, credit unions, trust companies, and any other type or form of banking institution who are authorized to do business in the state of Arkansas and that are designated to perform banking institution functions, activities, or service in connection with the operations of OAL for the deposit and handling of lottery funds, the accounting of the funds and the safekeeping of records.

1.5 "Bar code validation" means a system which allows any winning lottery ticket, printed with computer readable bar codes for a prize amount as determined by the OAL, to be read electronically at any claim center or lottery retailer location and paid by the retailer regardless of where the player purchased the ticket.

1.6 "Claim Center" means the OAL Claim Center located at the OAL Main Office in Little Rock, Arkansas, or any other location authorized by the OAL to validate and pay a winning ticket.

1.7 1.5 "Compensation" means money or anything of value received or to be received as a claim for services, whether in the form of a retainer, fee, salary, expense, allowance, forbearance, forgiveness, interest, dividend, royalty, rent, or any other form of recompense or any combination thereof.

1.6 "Director" means the director of the ALC.

1.8 "Courier" or "Courier Service" (see also, "Lottery Courier" and "Lottery Courier Service") means the delivery, conveyance, or assignment of any written, printed, or published devices for consideration with the purpose of facilitating participation in the lottery.

1.9 "Debt" means a liquidated sum due and owing any claimant agency when the sum has accrued through contract, subrogation, tort, or operation of law regardless of whether there is an outstanding judgment for the sum; or sum that is due and owing and person and is enforceable by the State of Arkansas.

1.10 "Depository" means any entity, including a bank, or state agency, performing activities or services in connection with the operation of the OAL for the deposit and handling of lottery funds, and the safekeeping of tickets.

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1.11 "Executive Director" means the individual appointed by the Governor to initiate, operate, supervise, and administer the OAL lottery games; the Executive Director serves in a dual capacity as a Director of the Department of Finance and Administration.

1.12 ~~1.7~~ "Game" means any individual or ~~particular~~ type of lottery authorized by the ~~ALC~~ OAL pursuant to the Act including without limitation instant tickets and online game tickets.

1.13 ~~1.8~~ "Immediate Family" means the father, mother, sister, brother, husband, wife, child, grandmother, grandfather, grandchild, father-in-law, mother-in-law, sister-in-law, brother-in-law, daughter-in-law, son-in-law, stepchild, grandmother-in-law, grandfather-in-law, step grandchild, or any individual acting as parent or guardian.

1.14 ~~1.9~~ "Instant Game" means a game in which a ticket is purchased and upon removal of a latex covering or other covering on the front of the ticket or the opening of the sealed ticket, the ticket bearer determines his or her winnings, if any, which are payable upon presentation to a retailer or to the ~~ALC~~ OAL for payment.

1.15 ~~1.10~~ "Instant Ticket" means a printed card or slip purchased for participation in an instant game.

1.16 "Legal Owner" means the individual(s) whose name(s) appear on the ticket or share in the space designated for "Name" or in the absence of such entry the bearer of the ticket or share.

1.17 ~~1.11~~ "License" means an authorization granted by the ~~ALC~~ OAL to a person to sell lottery games, including without limitation the execution of a contract between the ~~ALC~~ OAL and the person relating to obligations and terms for operating as a retailer.

1.18 "Lottery or "Lottery Game" means the public gaming system or games established and operated by OAL.

1.19 "Lottery Courier" or "Lottery Courier Service" (see also, "Courier" and "Courier Service") means the delivery, conveyance, or assignment of any written, printed, or published devices for consideration with the purpose of facilitating participation in the lottery.

1.20 ~~1.12~~ "Lottery Proceeds" includes without limitation;

120.1 ~~(a)~~ Unsold instant tickets received by a retailer;

120.2 ~~(b)~~ Cash proceeds of the sale of any lottery products;

120.3 ~~(c)~~ Net of allowable sales ~~ALCs~~; and

120.4 ~~(d)~~ Credit for lottery prizes paid to winners by retailers.

1.21 "Lottery Retailer" or "Retailer" means any person licensed the OAL to sell and dispense instant tickets and materials or lottery games.

1.22 "Lottery Ticket" or "Ticket" means tickets or other tangible evidence or participation used in lottery games pursuant to the Act.

1.23 "Office of the Arkansas Lottery " or "OAL" or "Office" means the Department of Finance and Administration – Office of the Arkansas Lottery.

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~~1.24 1.13~~ "Online Game" means a lottery game in which a player pays a fee to a retailer and selects or requests a randomly generated (Quick Pick) combination of digits, numbers, or symbols, the type and amount of play, and the drawing date, and receives a computer-generated ticket with those selections printed on it.

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~~1.25 1.14~~ "Online Terminal" (see also "Terminal") means the electronic computer terminal through which a retailer enters manually or by play slip the combination of digits, numbers, or symbols selected by a player or by random number generator (Quick Pick).

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~~1.26 1.15~~ "Online Ticket" means a computer-generated ticket issued by a retailer to a player as a receipt for the combination of digits, numbers, or symbols a player has selected by him or herself or through a Quick Pick.

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~~1.27~~ "Operational Rules" mean those rules adopted and published by the OAL setting forth the rules regarding the OAL's operations of the Arkansas Scholarship Lottery.

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~~1.28 1.16~~ "Person" means any individual, combination of individuals, corporation, partnership, unincorporated association, or other legal entity.

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~~1.29 1.17~~ "Preliminary background check" means a completed Arkansas State Police check.

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~~1.30 1.18~~ "Prize" means any award, financial or otherwise, awarded by the ALC ~~OAL~~.

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~~1.31 1.20~~ "Responsible Person" means an individual who has the authority to enter into a contract with the ~~ALC OAL~~ on behalf of themselves or any applicant

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~~1.32 1.19~~ "Retailer" means a person who is licensed by the ~~ALC OAL~~ to sell lottery games.

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~~1.33~~ "Retailer License Application" means the document executed by the Lottery Retailer upon application for a license to sell lottery games and tickets; this document includes the type of retailer, including but not limited to special terms and conditions such as alternative forms of delivery as set forth herein in Section 1.8.

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~~1.34~~ "Retailer Contract" means the document executed between the OAL and Lottery Retailer which sets forth the terms, conditions, and requirements between the parties.

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~~1.35~~ "Retailer Rules" means those rules adopted and published by OAL setting forth the rules regarding OAL's licensing and administration of the statewide network of lottery retailers.

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~~1.36 1.21~~ "Share" means any intangible evidence of participation in a lottery.

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~~1.37~~ "Terminal" (see also, "Online Terminal") means the electronic interface computer terminal through which a retailer enters by scan, play slip, or manually the combination of numbers or symbols selected by a player or random number generator (aka, "Quick Pick") and by which online tickets are generated and claims are validated.

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~~1.38 1.22~~ "Ticket" means any tangible evidence issued by a lottery to prove participation in a lottery.

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~~1.39~~ "Ticket Bearer" means the person who has signed the ticket or has possession of the unsigned ticket.

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~~1.40~~ "Ticket Number" means the preprinted number found on the back of each ticket which identifies that ticket as one (1) of a series of tickets.

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~~1.41~~ "Ticket Pack Number" means the printed number or numbers appearing on the back of each ticket.

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~~1.42~~ "Ticket Vending Machine" ("TVM") means a player self-service machine that can:

1.42.1 Sell both online tickets and instant tickets;

1.42.2 Report real-time sales of both online tickets and instant tickets, low and empty bins, a full cash box, jammed tickets, diagnostic and error messages, and low paper stock, to the central system;

1.42.3 Check and validate online tickets and instant tickets;





- 1.42.4 Provide for either the cashing of online tickets and instant tickets via voucher, or other payment method provided to a player, which can be negotiated at retail or used on the TVM for a continued lottery play; and
- 1.42.5 Provide for age control play as specified in Arkansas Code Annotated § 23-115- 402(e)(1) and (2).
- 1.43 "Validation" means the process of determining whether an instant or online ticket presented for payment is a winning ticket.
- 1.44 "Validation Number" means the multi -digit number found on the face of the ticket. There must be a validation number on each ticket.
- 1.45 "Website" means the OAL's lottery address at <http://myarkansaslottery.com> or any other website that may be specified by the OAL.
- 1.46 "Winner" means the holder of a lottery ticket determined to have the required match or the specific alignment of the play numbers, digits or symbols, the required sum of the play numbers or digits in accordance with the game rules for the specific game, or a redeemable prize amount indicated on its face.
- 1.47 "Winner confidentiality" means confidentiality from public disclosure of an individual within the context and provisions set forth in A.C.A. §23-115-404 et seq. (2021).

## 2. Section 2- General Policies.

- 2.1 Application. These rules shall apply to the administration of the statewide network of lottery retailers as licensed and regulated by the ~~ALE OAL~~. In any decision made under these rules, the ~~ALE OAL~~ shall take into account the particularly sensitive nature of the state lottery and shall act to promote and ensure security, honesty, fairness, and integrity in the operation and administration of the lottery and the objectives of raising net lottery proceeds for the benefit of educational programs and purposes.
- 2.2 Administrative Hearings. ~~All~~ administrative hearings held under these rules shall be held in accordance with the Arkansas Administrative Procedure Act, Arkansas Code § 25-15-201 et seq.
- 2.3 Authority of Executive Director. ~~The Executive Director~~ may:
- 2.3.1 ~~(a)~~ Contract with retailers for the sale of lottery games and shares;
- 2.3.2 ~~(b)~~ Establish a communication or line fee, if determined to be a necessary business expense;
- 2.3.3 ~~(c)~~ Investigate and conduct hearings pursuant to a retailer dispute;
- 2.3.4 ~~(d)~~ Establish procedures for the collection of and penalties of retailer accounts;

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~~2.3.5 (e)~~ Set fidelity fund and ~~surety~~ bond amounts for retailers; and

~~2.3.6 (f)~~ Take any other action necessary to carry out and implement the Arkansas Scholarship Act, § 23-15-101 et seq., and any other rule, procedure, directive or order promulgated or issued by the ~~ALC OAL~~.

### ~~3 Section 3. Application.~~

~~3.1 3.1~~ General. Retailers must meet the statutory and regulatory requirements for licensing, the security and integrity standards of the ~~ALC OAL~~ and promote the best interest of the Arkansas Scholarship Lottery.

~~3.2 3.2~~ Application. A person interested in obtaining a license must submit an application to the ~~ALC OAL~~ on a form supplied for that purpose by the ~~ALC OAL~~. The retail sales application shall be designed to solicit sufficient relevant information from an applicant to permit the ~~ALC OAL~~ to evaluate the applicant and the sales location as required by the Act and regulations for issuance of a license by the ~~ALC OAL~~.

~~3.3 3.3~~ Application Fee. An applicant for a retailer license shall be charged the following fees:

~~3.3.1 (a)~~ Initial Application Fee -- \$100;

~~3.3.2 (b)~~ Change of Ownership Fee -- \$100;

~~3.3.3 (c)~~ Additional Store Location Fee -- \$25.00;

~~3.3.4 (d)~~ Change of Location Fee -- \$25.00;

~~3.3.5 (e)~~ Change of Responsible Person Fee -- \$50.00;

~~3.3.6 (f)~~ Renewal Fee -- \$50.00.

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~~3.4~~ ~~3.4~~ Disclosure. ~~The Executive~~ Director may require any degree or type of disclosure necessary of the applicant or any other person in order to assure the security and integrity of the lottery including the source of funds, financing, and business income used for the purchase and operation of the applicant's business, the name and address of the owner or owners of the sales location, a copy of all agreements whereby the applicant is entitled to possession of the sales location and the names and addresses of owners, officers, directors or trustees who oversee or direct the operation of the business. If the parent company, general partner, limited partner, joint venturer, stockholder, member or manager of a limited liability company is itself a corporation, trust, association, subsidiary, partnership, joint venture or limited liability company, then the ~~Executive~~ Director may require that the applicant provide disclosure for such entity as if such entity were a responsible person itself. ~~An applicant must~~ disclose to the ALC all information required by the ~~Executive~~ Director.

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### 3.5 Qualifications/Criteria.

~~A~~ ~~3.4.1~~ In making a determination regarding a licensing application, the ~~Executive~~ Director shall consider the following, including without limitation:

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~~3.4.1.1~~ ~~4~~ The applicant's financial responsibility;

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~~3.4.1.2~~ ~~2~~ Security of the applicant's place of business or activity;

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~~3.4.1.3~~ ~~3~~ Accessibility to the public including compliance with the Americans with Disabilities Act;

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~~3.4.1.4~~ ~~4~~ The applicant's integrity; and

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~~3.4.1.5~~ ~~5~~ The applicant's reputation.

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~~3.4.2B~~ The applicant for a retailer license shall be current in filing all applicable tax returns to the State of Arkansas and in payment of all taxes, interest, and penalties owed to the State of Arkansas, excluding items under formal appeal under applicable statutes. ~~Information regarding~~ the applicant's tax filing status will be supplied to the ~~ALC OAL~~ by the Department of Finance and Administration.

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~~3.4.3C~~ The ~~Executive~~ Director shall not select as a retailer any person who:

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3.4.3.1 ~~4~~. Has been convicted of a criminal offense related to the security or integrity of a lottery in this or any other jurisdiction;

3.4.3.2 ~~2~~. Has been convicted of:

3.4.3.2.1a ~~1~~. any illegal gambling activity, false statements, false swearing, or perjury in this or any other jurisdiction; or

3.4.3.2.2b ~~2~~. any crime punishable by more than one (1) year of imprisonment or a fine of more than one thousand dollars (\$1,000) or both. This subdivision shall not apply if the person's civil rights have been restored and at least five (5) years have elapsed from the date of the completion of the sentence without a subsequent conviction of such a crime.

3.4.3.2.3 ~~3~~. Has been found to have violated the Act or any rule, policy, or procedure of the ~~ALC OAL~~, unless at least ten (10) years has passed since the violation or the ALC finds the violation both minor and unintentional in nature;

3.4.3.2.4 ~~4~~. Is a vendor or an employee or agent of a vendor doing business with the ~~ALC OAL~~;

3.4.3.2.5 ~~5~~. Is a member of the immediate family of a member of the ~~ALC OAL~~ of the Arkansas Scholarship Lottery;

3.4.3.2.6 ~~6~~. Has made a statement of material fact to the ~~ALC OAL~~ knowing the statement to be false;

3.4.3.2.7 ~~7~~. Is engaged exclusively in the business of selling tickets or shares;

3.4.2.2.8 ~~8~~. Is under 18 years of age; or

3.4.3.2.9 ~~9~~. Is a corporation or other form of business that is not authorized to do business in Arkansas.

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~~3.5~~ ~~3.6~~ Prohibitions. An applicant shall not provide a gift or compensation to the ~~Executive~~ Director, an ~~ALC OAL~~ member or ~~ALC OAL~~ employee, or the immediate family member of the ~~Executive~~ Director, ~~ALC OAL~~ member or ~~ALC OAL~~ employee.

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~~3.6~~ ~~3.7~~ Background Check. An applicant for a retailer license is subject to a background check including a credit check and a criminal history check conducted by the Arkansas State Police and the Federal Bureau of Investigation. Issuance of a retailer license is dependent on passing the required background checks. The applicant shall sign a consent to the release of information for all checks.

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~~3.7~~ ~~3.8~~ Waiver. In submitting an application, the applicant expressly waives any claim against the State of Arkansas, its agents, officers, employees, and representatives, and the ~~ALC OAL~~ its ~~Executive~~ Director, agents, officers, employees, and representatives for damages that may result. Each applicant also accepts any risk of adverse public notice, embarrassment, criticism, damages, or claims which may result from any disclosure or publication by a third party of any public information on file with the ~~ALC OAL~~.

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#### ~~4~~ ~~Section 4.~~ ~~Retailer License.~~

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~~4.1~~ Non-transferability of license. A retailer license is not transferable and shall not be sold, given or assigned to any person. In the event of the proven incapacity, death, receivership, bankruptcy or assignment for benefit of creditors of any retailer, upon approval of the ~~Executive~~ Director, the license may be transferred to a court appointed or court confirmed guardian, executor or administrator, receiver, trustee, or assignee for the benefit of creditors, who may continue to operate the activity under the license, subject to the provisions of these rules.

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~~4.1.1 (a)~~ The person to whom a license is transferred hereunder must be otherwise qualified to hold a license.

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~~4.1.2 (b)~~ The license following transfer shall be void upon that person ceasing to hold such a court appointed or court confirmed position.

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~~4.1.3 (c)~~ The ~~Executive~~ Director may condition the transfer of any license under this section upon the posting of a bond or cash in lieu of a bond in such terms and conditions as the ~~Executive~~ Director may require.

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~~4.2~~ ~~4.2~~ License Term and Renewal. A retailer's license remains in full force and effect until the termination date indicated upon the license, but in no case more than two ~~(2)~~ years from the date of the issuance of the license. The ~~Executive~~ Director may implement a program to issue licenses

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biennially, if in his or her discretion, it provides more efficient customer service to retailers and cost savings in the administration of the program. ~~To request renewal of a retailer license, every licensed retailer shall file a renewal application and shall pay a renewal fee as set forth in Section 3.3 of these rules. A license shall not be issued or renewed until the retailer contract is signed.~~

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~~4.3-4.3~~ Inspection. ~~A license grants the ALC the irrevocable authority to inspect the location where games may be sold or any other location under the control of the retailer where the Executive Director may have good cause to believe ALC materials and/or games are stored or kept.~~

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4.4-Retailer Loss Coverage. ~~A retailer shall be assessed an annual fee of up to one hundred dollars (\$100) per sales location to be deposited into the ALC's OAL's fidelity fund. A retailer is required to post an appropriate bond as determined by the ALC OAL.~~

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All retailers shall be bonded through ~~ALC's OAL's~~ Self-Bond Program, and shall pay a \$100.00 bond fee for each Retailer location. The bond shall be renewed annually for each Retailer location. The ~~ALC Director~~ OAL Executive Director may increase or decrease the annual bond fee as warranted by the annual amount of defaulted obligations. In any event, the bond fee shall not be less than \$75.00 or more than \$200.00.

A retailer's failure to abide by its financial obligations to the ~~ALC OAL~~ per the Retailer Contract shall constitute a default. ~~ALC OAL~~ will pay a retailer's defaulted obligation from the pool of self-bond fees. Upon said payment, retailer shall be obligated to reimburse ~~ALC OAL~~ for the full amount of the defaulted obligation immediately. ~~ALC OAL~~ may institute any and all legal actions authorized by law to collect a defaulted obligation from a retailer.

~~ALC OAL~~ may suspend a retailer's authority to sell Lottery Tickets for any period in which a retailer does not pay the bond required under this section or a defaulted obligation. A retailer's authority to sell Lottery Tickets may be reinstated upon payment of an outstanding bond or defaulted obligation. A retailer's failure to pay the bond or defaulted obligation may result in termination of its license.

At the end of each fiscal year, the ~~Director~~ Executive Director may authorize inclusion of all or a portion of the unused bond fees in the revenues of OAL for the fiscal year.

The ~~Director~~ Executive Director may also allow a retailer to deposit and maintain with the ~~ALC OAL~~ securities that are interest bearing or accruing. The securities shall be held in trust in the name of ~~the commission OAL~~. Securities eligible are limited to:

4.4.1 ~~(A)~~ Certificates of deposit in an amount fully insured by the Federal Deposit

Insurance Corporation issued by solvent banks or savings associations organized and existing under the laws of this state or under the laws of the United States;

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4.4.2 ~~(B)~~ United States Government bonds, notes, and bills for which the full faith and credit of the United States Government is pledged for the payment of principal and interest; or

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4.4.3 ~~(C)~~ Federal agency securities by an agency or instrumentality of the United States Government.

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4.5 ~~4.5~~ Change in Application Information. A license is valid only for the information contained in the application. Any change to the information submitted in the application including change of business name, change of location, change of ownership, or change of status of background check may make the license invalid.

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4.6 ~~4.6~~ Provisional License. A provisional license temporarily authorizes a lottery retailer to conduct the sale of tickets pending processing of the general license or application renewal.

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4.6.1 A. The Executive Director may issue a provisional license to an applicant for a license after receipt of a person's fully completed lottery retailer's application, the authorization of a complete personal background check, and completion of a preliminary background check. The provisional license shall expire at the time of issuance of the license or forty-five (45) days from the date the provisional license is issued, whichever occurs first. The provisional license may be extended by the Executive Director for one (1) additional forty-five (45) day period of time.

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4.6.2 B. If the ownership of an existing lottery retailer location changes, the Executive Director may issue a provisional license to the new owner. The provisional license shall expire seven (7) working days from the date of issuance if the Executive Director has not received the new owner's fully completed lottery retailer's application and authorization of a complete personal background check. If the required materials have been timely received by the Executive Director and a preliminary background check has been completed, the provisional license shall expire at the time of issuance of the general license or forty-five (45) days from the date the provisional license is issued, whichever occurs first.

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4.6.3 C. EFT Transfers: If the Lottery enters into a temporary retailer contract with the applicant, the contract will require the applicant to pay the amount due the ALC from the sale of lottery tickets or shares by electronic funds transfer (EFT). In most instances, amounts due the ALC will be collected via EFT at the end of the fourth day after the close of the ALC business week. The applicant must establish an account for deposit of money from the sale of lottery games and shares with a financial institution that has the capability of making EFT draws.

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4.6.4 D. Termination: At the Executive Director's sole discretion, the Executive Director may immediately terminate a temporary retailer contract if the Executive Director determines that continuing to contract with the applicant is not in the best interest of the Lottery including, but not limited to, when:

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4.6.4.1 1. The applicant provided false or misleading material information, or the applicant made a material omission in the application for a retailer contract;

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~~4.6.4.2 2.~~ The applicant is arrested or convicted of felony during the term of the temporary retailer contract;

~~4.6.4.3 3.~~ An EFT payment is rejected for non-sufficient funds (NSF), or the applicant fails to provide timely information to the ~~ALC OAL~~ regarding any change of the applicant's EFT bank account;

~~4.6.4.4 4.~~ Any other reason contained in the contract or these rules that provides a basis for termination of a retailer contract; or

~~4.6.4.5 5.~~ When the ~~Executive~~ Director concludes that continuing to contract with the applicant may pose a threat to the fairness, honesty, integrity, or security of the ~~ALC OAL~~ and its games.

#### ~~4.7 4.7~~ Promotional License.

~~4.7.1 A.~~ The ~~Executive~~ Director may issue a promotional license for a marketing promotion for a period not exceeding ninety (90) days for ~~the sale of~~ lottery games.

~~4.7.2 B.~~ The ~~Executive~~ Director may establish financial and criminal history or other criteria for the issuance of a promotional license based on the duration of the promotion and the variety and quantity of tickets to be sold by the applicant.

~~4.7.3 C.~~ The ~~Executive~~ Director may waive any license fees or charges in issuing a promotional license and may establish procedures to streamline payments by promotional retailers to the lottery.

~~4.7.4 D.~~ Any retailer issued a promotional license must apply for and be issued a provisional/general license in order to continue to sell lottery tickets after the expiration of his/her promotional license.

~~4.8 4.8~~ Chain Retailers.—The ~~ALC OAL~~ may treat more than one (1) retail location with identical owners as one (1) chain retailer. Each retail location shall be issued a separate retailer number or numbers and a unique "Retailer License". The ~~Executive~~ Director may issue one (1) billing statement for all retail locations or separate billing statements for each retail location. If the chain retailer wishes to add a new retail location, the chain retailer will not be required to undergo a new background investigation.

### ~~5 Section 5.~~ Retailer Compensation.

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~~5.1~~ **5.1** A retailer shall receive commissions as compensation from the ~~ALC OAL~~ as follows:

~~5.1.1~~ **(a)** Base Instant and Online Games commission: ~~Five percent~~ (5%) of each one dollar (\$1.00) sold;

~~5.1.2~~ **(b)** Cashing commission: ~~One percent (1%)~~ of each one dollar (\$1.00) redeemed, up to the cashing limit of five hundred dollars (\$500.00);

~~5.1.3~~ **(c)** Selling commission: ~~One percent (1%)~~ of a prize amount of ten thousand dollars (\$10,000) or more on each ticket validated and paid to a player. ~~The selling commission shall not exceed fifty thousand dollars (\$50,000);~~

~~5.1.4~~ **(d)** Other commissions: ~~Up to ten percent (10%)~~ on special games, as designated by the ~~Executive~~ Director.

## **6 Section 6. Lottery Couriers**

~~6.1~~ In the sole discretion of the Executive Director, OAL may authorize a duly licensed OAL Retailer to enter a contract with a third-party (non-lottery licensed) entity for the purpose of delivering OAL draw game tickets to consumers via website or mobile application. Authorization shall require the "Lottery Courier Addendum" as an integrated term of conditions to the Retailer License Agreement. Retailer acknowledges that they have been provided with a copy of the OAL Operational Rules which further set out the specific details, requirements, and limitations on the use of Lottery Couriers, as well as the additional terms and conditions set forth in the OAL Retailer License Agreement.

## **7 6 Retailer Duties and Responsibilities**

~~7.1~~ **6.1** This section contains duties to be performed by the retailer in addition to any duties and responsibilities that may be described in the retailer contract. ~~The duties herein are not meant to be exclusive. Other duties and requirements for retailers may be contained elsewhere in these rules or in the Act.~~

~~7.2~~ **6.2** Notices. The retailer must notify the ~~ALC OAL~~ if the following occurs:

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- ~~7.2.1 (a) Within fifteen (15) days of a material change in the qualifications of an applicant;~~ **Formatted:** List Paragraph, Left, Outline numbered + Level: 3 + Numbering Style: 1, 2, 3, ... + Start at: 1 + Alignment: Left + Aligned at: 2.13" + Indent at: 2.63"  
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- ~~7.2.2 (b) Immediately for loss, theft, or destruction of any lottery property including but not limited to instant tickets, ticket dispensers or play terminals;~~ **Formatted:** Font: +Body (Calibri), 10 pt  
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- ~~7.2.3 (c) Within thirty (30) days prior to a change of ownership or responsible person;~~ **Formatted:** Font: +Body (Calibri), 10 pt  
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- ~~7.2.4 (d) Within thirty (30) days prior to a change of sales location;~~ **Formatted:** List Paragraph, Left, Outline numbered + Level: 3 + Numbering Style: 1, 2, 3, ... + Start at: 1 + Alignment: Left + Aligned at: 2.13" + Indent at: 2.63"  
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- ~~7.2.5 (e) Within ten (10) days prior if the type of business undergoes a substantial change;~~ **Formatted:** Font: +Body (Calibri), 10 pt  
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- ~~7.2.6 (f) Within thirty (30) days prior to a change of business structure. A change of business structure shall mean the change from one form of business organization to another, such as from sole proprietorship to partnership or corporation.~~ **Formatted:** Font: +Body (Calibri), 10 pt  
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- ~~7.2.7 (g) Within fifteen (15) days prior to a change of bank account information;~~ **Formatted:** List Paragraph, Left, Outline numbered + Level: 3 + Numbering Style: 1, 2, 3, ... + Start at: 1 + Alignment: Left + Aligned at: 2.13" + Indent at: 2.63"  
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- ~~(h) Within thirty (30) days prior to a cancellation of retailer's surety bond; or~~ **Formatted:** Font: +Body (Calibri), 10 pt
- ~~(i) 7.2.8 Immediately upon receiving damaged or misprinted lottery tickets.~~ **Formatted:** List Paragraph, Left, Outline numbered + Level: 3 + Numbering Style: 1, 2, 3, ... + Start at: 1 + Alignment: Left + Aligned at: 2.13" + Indent at: 2.63"
- ~~7.3 6.3 Games. The retailer must perform the following duties as a condition of their license:~~ **Formatted:** Font: +Body (Calibri), 10 pt, Not Bold  
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~~7.3.1 (a)~~ ~~Stock Equipment:~~ Keep all lottery equipment on the retailer's premises stocked with a variety of tickets, play slips, computer-generated tickets, and any other ~~ALC OAL~~ product required to be sold.

~~7.3.2 (b)~~ ~~Perform Minor Maintenance:~~ Replace ribbons, ticket stock, and clear paper jams as may be required for any of the equipment provided by the ~~ALC OAL~~ for the sale of lottery games.

~~7.3.3 (c)~~ ~~Maintain Paper Stock:~~ Install and use only approved lottery paper stock which has been specifically assigned for the retailer when selling lottery games.

~~7.3.4 (d)~~ ~~Sell Games:~~ Sell all lottery games offered by the ~~ALC OAL~~ during the retailer's normal business hours.

~~7.3.5 (e)~~ ~~Display:~~ Retailer must display and maintain all point-of-sale material as well as any advertising material as requested by the ~~ALC OAL~~ within the sales location.

~~7.3.6 (f)~~ ~~Redeemed tickets:~~ As directed by the ~~ALC OAL~~, deface all tickets redeemed for a prize.

~~7.3.7 6.4~~ Prizes.

~~7.3.7.1 A.~~ A retailer shall immediately pay a valid winning ticket upon presentment up to the required amount of five hundred dollars (\$500.00). A payment may be made in cash or by check or money order, at the discretion of the retailer. Payments are subject to the same NSF policies as payments to the ~~ALC OAL~~. In the event of exceptional circumstances, a retailer may delay payment of a cash slip for a period of time not to exceed twenty-four (24) hours from the time the player initially submits the cash slip to the retailer for payment. "Exceptional

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circumstances” means rare and unforeseen circumstances beyond the reasonable control of the retailer. ▲

7.3.7.2 ~~B.~~ Within forty-eight (48) hours from the time the player initially submitted the cash slip to the retailer for payment, the retailer must submit to the ~~ALC OAL~~ a written report of the delay of payment and the exceptional circumstances that required the delay. ▲

7.3.7.3 ~~C.~~ The ~~Executive~~ Director may review claims of exceptional circumstances and whether delayed payment was appropriate under the circumstances. Upon the ~~Executive~~ Director’s request, the retailer must provide the ~~Executive~~ Director with evidence supporting a claim of exceptional circumstances. If a retailer fails to comply with a request or fails to adequately support a claim of exceptional circumstances, the ~~Executive~~ Director shall find that the delay was not appropriate and send a written notice to the retailer. ▲

7.3.7.4 ~~D.~~ If the ~~Executive~~ Director finds that the delay was not appropriate, the retailer’s delay of payment shall be considered a failure to perform contract duties or requirements, and the ~~ALC OAL~~ may take appropriate action including termination of the retailer contract. Any appeal of the ~~Executive~~ Director’s decision must be conducted pursuant to Section ~~8.5, 9.5~~ of these rules. ▲

7.4 ~~6.5~~ Financial – Lottery Proceeds: ▲

7.4.1 ~~A.~~ Fiduciary Duty: ▲

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7.4.1.1 ~~4.~~ All proceeds from the sale of tickets or shares constitute a trust fund until paid to the ~~ALC OAL~~ either directly or through the ~~ALC's OAL's~~ authorized representative.

7.4.1.2 ~~2.~~ A retailer and officers of a retailer's business have a fiduciary duty to preserve and account for retail lottery proceeds, and retailers are personally liable for all lottery proceeds.

7.4.1.3 ~~3.~~ Sales proceeds and unused instant tickets must be delivered to the ~~ALC OAL~~ or its authorized collection representative upon demand.

7.4.2 ~~B.~~ Deposits/Accounts.

7.4.2.1 ~~1.~~ All retailers are required to place all lottery proceeds due to the ~~ALC OAL~~ in accounts in institutions insured by the Federal Deposit Insurance Corporation not later than the close of the next banking day after the date of their collection by the retailer until the date they are paid to the ~~ALC OAL~~. At the time of the deposit, lottery proceeds are the property of the ~~ALC OAL~~.

7.4.2.2 ~~2.~~ Retailers shall establish a single separate electronic funds transfer account for the purpose of:

7.4.2.2.1 ~~a.~~ Receiving moneys from ticket or share sales;

7.4.2.2.2 ~~b.~~ Making payments to the ~~ALC OAL~~; and

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~~7.4.2.2.3~~ ~~C.~~ Receiving payments for the ~~ALC OAL~~.

~~7.4.2.3~~ ~~3.~~ Unless authorized in writing by the ~~ALC OAL~~, each retailer shall establish a separate bank account for lottery proceeds that shall be kept separate and apart from all other funds and assets and shall not be commingled with any other funds or assets.

~~7.4.2.3.1~~ ~~C.~~ Failure to Comply. If the ~~ALC OAL~~ determines that a retailer failed to comply with subsection ~~(B)(1)~~ ~~7.4.2.1~~ of this section three (3) times within any consecutive twenty-four (24) month period, the ~~ALC OAL~~ may pursue business closure against the retailer under Section ~~9-10~~ of these rules.

## 8 ~~Section 7.~~ ~~Retailer Prohibitions.~~

~~8.1~~ ~~7.1~~ Sale of Tickets of Shares.

~~8.1.1~~ ~~A.~~ Tickets and shares shall be sold only by the retailer at the location address stated on the retailer license issued by the ~~ALC OAL~~.

~~8.1.2~~ ~~B.~~ Tickets may not be sold for more or less than the amount set by the ~~ALC OAL~~.

~~8.1.3~~ ~~C.~~ Tickets may not be sold by an individual under eighteen (18) years of age.

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~~8.8 7.8~~ Gifts. A retailer shall not provide a gift or compensation to the Executive Director, an ~~ALC OAL~~ member or an ~~ALC OAL~~ employee, or the immediate family member of the Executive Director, ~~ALC OAL~~ member or ~~ALC OAL~~ employee.

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## ~~9 Section 8.~~ Cancellation, Suspension, Revocation, Denial, or Termination

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~~9.1 8.1~~ Generally. If upon approval of the ~~ALC OAL~~, the Executive Director or his or her designee determines that cancellation, denial, revocation, suspension, or rejection of renewal of a retailer license is in the best interest of the Arkansas Scholarship Lottery, the public welfare, or the State of Arkansas, the Executive Director or his or her designee may cancel, suspend, revoke, or terminate, after notice and a right to a hearing, a retailer license issued hereunder.

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~~9.2 8.2~~ Temporary Suspension. The retailer license may be temporarily suspended by the Executive Director or his or her designee without ~~commission approval or~~ prior notice pending a hearing.

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~~9.3 8.3~~ Reasons. A retailer license may be suspended, revoked, or terminated by the Executive Director or his or her designee for any one (1) or more of the following reasons:

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~~(a) 9.3.1~~ Commission of a violation of the Act or a rule of the ~~ALC OAL~~;

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~~9.3.2 (b)~~ Failure to accurately or timely account for tickets, lottery games, revenues, or prizes as required by the ~~ALC OAL~~;

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~~9.3.3 (c)~~ Commission of any fraud, deceit, or misrepresentation;

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~~9.3.4 (d)~~ Insufficient sales;

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~~9.3.5 (e)~~ Conduct prejudicial to public confidence in a lottery;

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~~9.3.6 (f)~~ The retailer's filing for or being placed in bankruptcy or receivership;

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- 9.3.7 ~~(g)~~ Any material ~~change~~changes as determined in the sole discretion of the ~~ALC OAL~~ in any matter considered by the ~~ALC OAL~~ in executing the license with the retailer; **Formatted**  
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- 9.3.8 ~~(h)~~ The closure of the retailer's business; or **Formatted:** Font: +Body (Calibri), 10 pt  
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- 9.3.9 ~~(i)~~ Failure to meet any of the objective criteria established by the ~~ALC OAL~~ **Formatted**  
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- 9.4 ~~8.4~~ Removal of ~~ALC OAL~~ Material. If a retailer fails to meet any of the objective criteria established by the ~~ALC OAL~~, the ~~Executive~~ Director or his or her designee may remove instant tickets, online ticket stock, and any and all property of the ~~ALC OAL~~ from the retail location. **Formatted**  
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- 9.5 ~~8.5~~ Administrative Hearing. Any retailer or applicant aggrieved ("Aggrieved Party") by an administrative decision by the ~~Executive~~ Director may appeal that decision. **Formatted**  
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- 9.5.1 ~~A~~ Time for Filing: The aggrieved party must file a notice of appeal within twenty (20) days of the decision by sending a notice of appeal to both the ~~Executive~~ Director and the ~~ALC OAL~~ Staff Attorney at the ~~ALC OAL~~ Main Office. **Formatted**  
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- 9.5.2 ~~B~~ The ~~Executive~~ Director, or a Hearing Officer designated by him or her, shall have the exclusive authority to decide all appeals. **Formatted**  
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- 9.5.3 ~~C~~ After submittal of a timely appeal and prior to issuance of a written decision, the aggrieved party shall be afforded an opportunity to discuss with the ~~Executive~~ Director the issues giving rise to the appeal. **Formatted**  
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- 9.5.4 ~~D~~ If the appeal is not resolved by mutual agreement, the ~~Executive~~ Director or Hearing Officer shall issue a written decision within thirty (30) calendar days after the appeal was filed. The decision shall include a statement of the ~~Executive~~ Director's or Hearing Officer's decision, with supporting rationale. If the ~~Executive~~ Director or Hearing Officer fails to issue a decision within this time limit, the **Formatted**  
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aggrieved party may proceed as if the Executive Director or Hearing Officer had issued an adverse decision.

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9.5.5 ~~E~~ The Executive Director or Hearing Officer shall furnish a copy of the decision to the aggrieved party by certified mail, return receipt requested, or by any other method that provides written evidence of delivery, such as hand delivery by courier, express mail or overnight express courier.

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9.5.6 ~~F~~ In lieu of a written decision, the Executive Director may, in his or her sole discretion, within thirty (30) calendar days after the appeal is filed, give written notice to the aggrieved party that the protest shall be resolved by a hearing conducted by the Executive Director or Hearing Officer. ~~Notwithstanding the foregoing, the Commission may at any time on its own motion direct that a appeal be resolved by a hearing conducted by the Executive Director or Hearing Officer.~~

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9.5.7 ~~G~~ All hearings conducted under this section shall be conducted by the Executive Director or by a Hearing Officer designated by the Executive Director. ~~The decision as to whether the Executive Director or a Hearing Officer will conduct the hearing shall be in the sole discretion of the Executive Director. The Hearing Officer's actions, decisions, and orders shall be deemed to be on behalf of the Executive Director and effective as though taken by the Executive Director, subject to the appeals procedures as hereinafter provided.~~

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9.5.8 ~~H~~ If the Executive Director determines under Subsection ~~F 9.5.6~~ that a hearing will be used to resolve an appeal, the hearing shall be held within thirty (30) calendar days following the Executive Director's determination. ~~A notice which will set forth the time, date, and location of the hearing will be sent to the party or parties at least seven (7) calendar days before the date set for such hearing.~~

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9.5.9 ~~I~~ In connection with the hearing, the Executive Director or Hearing Officer may:

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~~9.5.9.1 4.~~ Conduct the hearing in an informal manner without formal rules of evidence or procedure;

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~~9.5.9.2 2.~~ Require each party to state, either orally or in writing, its position concerning the factual and legal issues involved in the hearing;

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~~9.5.9.3 3.~~ Require each party to produce for examination those relevant witnesses and documents under its control;

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~~9.5.9.4 4.~~ Rule on motions and other procedural items pending before him or her, including without limitation the methods, scope, and extent of discovery available to the parties;

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~~9.5.9.5 5.~~ Regulate the course of the hearing and conduct of the participants, including the imposition of reasonable time limits;

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~~9.5.9.6 6.~~ Establish time limits for submission of motions or memoranda;

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~~7. Take official notice of any material fact not appearing in evidence in the record, if the fact is among the traditional matters of which judicial notice can be taken;~~

~~8. Administer oaths or affirmations;~~

~~9. Issue subpoenas; and~~

~~10. Join any necessary parties to the hearing.~~



9.5.10 ~~J~~ The hearing shall be conducted before a court reporter. The aggrieved party shall procure, at his or her own cost and own initiative, the court reporting services (including the preparation of the transcript) for such hearing. ~~7~~ The original transcript of any such proceedings shall be submitted to the Executive Director or Hearing Officer as soon as the transcript is available, and in no event later than five (5) calendar days following the conclusion of the hearing, and shall be made a part of the record.

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9.5.11 ~~K~~ Any party may appear and be represented with or without counsel at the hearing.

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9.5.12 ~~L~~ If a Hearing Officer conducts the hearing, he or she shall make a written recommendation containing the Hearing Officer's ruling, in the form of a proposed decision, to the Executive Director, within thirty (30) calendar days after receiving an original transcript of the hearing. ~~7~~ If a proposed decision is received by the Executive Director, he or she must render a decision in writing and deliver the decision to the parties within thirty (30) calendar days after receiving the proposed decision from the Hearing Officer.

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9.5.13 ~~4~~ If the Executive Director receives a recommendation in a proposed decision from a Hearing Officer, he or she may:

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9.5.13.1 ~~a~~ Accept, modify, or reject the Hearing Officer's recommendation in whole or in part;

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9.5.13.2 ~~b~~ Return the matter to the Hearing Officer with instruction;

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9.5.13.3 ~~c~~ Make any other appropriate disposition; or

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9.5.13.4 ~~d~~ Issue a "no action" response;

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9.5.14 ~~2.~~ If the Executive Director issues a "no action" response, then the determination in the proposed decision of the Hearing Officer will be deemed to be accepted by the Executive Director.

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9.5.15 ~~M.~~ If the Executive Director conducts the hearing, he or she must render a decision in writing and deliver the decision to the petitioner within thirty (30) calendar days after receiving an original transcript of the hearing.

9.5.15.1 ~~N.~~ The Executive Director's decision and any proposed decision made by a Hearing Officer shall be sent to the aggrieved party by certified mail, return receipt requested, or any other method by which a written business record of delivery is kept, such as hand delivery by courier, express mail or overnight express courier.

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9.5.16 ~~O.~~ An aggrieved party may appeal a decision of the Director or Hearing Officer to the Commission. Any appeal from a decision of the Director or Hearing Officer must be filed with the Chair of the 24 Commission at the ALC headquarters within five (5) business days after the receipt of such decision to be considered timely. A party aggrieved by a decision of the Office of the Arkansas Lottery may appeal that decision to the Pulaski County (AR) Circuit Court.

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~~P.~~ Notice of any appeal shall also be filed with Director and the Staff Attorney of the ALC by delivery by hand or courier to the headquarters of the ALC.

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~~Q.~~ An appeal must be in writing and shall contain the following:

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~~1.~~ Copy of the decision of the Director or Hearing Officer; and

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~~2.~~ The basis for the precise factual or legal error in the decision of the Director or Hearing Officer from which the appeal is taken.

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~~R. The Commission may review the record without a hearing or oral argument and issue a written decision on behalf of the ALC. The Commissioners, pursuant to the power granted to them in Arkansas Code Ann. §23-115-205, may authorize its Legal Committee to hear and dispose of administrative appeals from the Director as the Committee deems appropriate, including, but not limited to, designating one of its members to consider an act on an appeal on behalf of the Commission. Therefore, references herein to "Commissioners" or "Commission" shall be read to take this delegation of authority into account.~~

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~~S. The Commission may in its sole discretion:~~

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~~1. Conduct its own review or investigation;~~

~~2. Conduct a de novo review in whole or in part; or~~

~~3. Allow oral argument, in the manner and under procedures that the Commission deems appropriate under the circumstances.~~

~~T. A copy of the Commission's written decision will be sent to the aggrieved party by certified mail, return receipt requested, or any other method by which a written business record of delivery is kept, such as hand delivery by courier, express mail or overnight express courier. The original written decision shall be retained by the ALC. The written decision of the Commission will be final, and no further appeal to the ALC will be allowed.~~

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~~U. Any adverse final decision of the Commission issued under this section shall be subject to judicial review pursuant to Ark. Code Ann. § 23-115-209 by any person or entity who was a party to the or (d).~~

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9.5.17 The circuit court shall hear appeals from administrative orders of the OAL based upon the record of the proceedings before the office.

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may reverse the administrative order of the office only if the person appealing the administrative order proves the administrative order to be: (a) clearly erroneous; (b) procured by fraud; (c) a result of substantial misconduct by the OAL; or (d) contrary to the United States Constitution, the Arkansas Constitution, or this chapter.

9.5.18 The circuit court may remand an appeal to the OAL to conduct further hearings.

9.5.19 If upon motion of the OAL the circuit court finds the appeal to have been frivolous, the costs of appeal and defense shall include without limitation the following expenses of the office resulting from institution of the appeal: (a) court costs, (b) bond, (c) legal fees, (d) loss of income.

9.5.20 An appeal may be made from the circuit court to the appropriate appellate court, as provided by law.

9.5.21 ~~These rules provide the exclusive procedure for a retailer or applicant appealing an administrative decision of the OAL Executive Director.~~

## **Section 9. Business Closure.**

### **10.9.4 Authority Notice**

10.1A ~~Arkansas Code § 23-115-607 authorizes the Executive Director to close the business of a retailer if the retailer fails to comply with § 23-115-605 (b) and Section 6.5 subsection 7.4.2.3.1 of these Rules three (3) times within any consecutive twenty-four (24) month period.~~

10.2B ~~The Executive Director shall give notice to the retailer that the third delinquency in complying with Section 6.5-subsection 7.4.2.3.1 may result in the closure of the business. The notice shall be in writing and delivered to the retailer by either U.S. Postal Service or hand delivery.~~

10.3C ~~If the Executive Director determines that the business will be closed, the Executive Director shall notify the retailer by certified mail or hand delivery that the business will be closed within five (5) business days from the date of receipt of the notice.~~

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10.4.9.2 ~~2~~ Avoiding Closure. ~~A~~ A retailer may avoid closure of the business by:

10.4.1 ~~(a)~~ ~~A~~ Remitting the delinquent lottery proceeds; or

10.4.2 ~~(b)~~ ~~A~~ Entering into a written payment agreement approved by the ~~Executive~~ Director to satisfy the lottery proceeds delinquency.

10.5.9.3 ~~3~~ Administrative Hearing.

10.5.1 ~~A~~ ~~A~~ A retailer may request an administrative hearing concerning the decision of the ~~Executive~~ Director to close the retailer's business.

10.5.2 ~~B~~ ~~A~~ Within five (5) business days after the delivery or attempted delivery of the notice required by ~~Section 9-1 subsection 10.2~~, the retailer may file a written protest, signed by the retailer or his or her authorized agent, with the ~~Executive~~ Director stating the reasons for opposing the closure of the business and requesting an administrative hearing.

10.5.3 ~~C~~ ~~A~~ A retailer may request that an administrative hearing be held:

10.5.3.1 ~~1~~ ~~A~~ In person; ~~A~~

10.5.3.2 ~~2~~ ~~A~~ By telephone; ~~A~~

10.5.3.3 ~~3~~ ~~A~~ Upon written documents furnished by the retailer; or ~~A~~

10.5.3.4 ~~4~~ ~~A~~ Upon written documents and any evidence to be produced by the Retailer at an administrative hearing. ~~A~~

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10.5.4 ~~D.~~ The ~~Executive~~ Director may determine whether an administrative hearing at which testimony is to be presented will be conducted in person or by telephone.

10.5.5 ~~E.~~ A retailer who requests an administrative hearing based upon written documents is not entitled to any other administrative hearing before the rendering of the administrative decision.

10.5.6 ~~F.~~ The administrative hearing shall be conducted by a Hearing Officer appointed by the ~~Executive~~ Director. The Hearing Officer shall set the time and place for a hearing and give the retailer notice of the hearing.

10.5.7 ~~G.~~ At the administrative hearing, the retailer may be represented by an authorized representative and present evidence in support of his or her position.

10.5.8 ~~H.~~ The administrative hearing shall be held within fourteen (14) calendar days of receipt by the ~~Executive~~ Director of the request for hearing.

10.5.9 ~~I.~~ The administrative hearing and determinations made by the Hearing Officer under this ~~subsection 13.C. 10.5~~ are subject to the Arkansas Administrative Procedure Act, § 25-15-201 et seq.

10.5.10 ~~J.~~ The defense or defenses to the closure of a business under this section are:

10.5.10.1 ~~1.~~ Written proof that the retailer remitted the delinquent lottery proceeds due; or

10.5.10.2 ~~2.~~ That the retailer has entered into a written payment agreement, approved by the ~~Executive~~ Director, to satisfy the lottery proceeds delinquency.

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10.5.11 ~~K.~~ The decision of the Hearing Officer shall be in writing with copies delivered to the retailer and the ~~Executive~~ Director by the United States Postal Service or by hand delivery.

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10.6.9.4 Judicial Relief.

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10.6.1 ~~A.~~ If the decision of the Hearing Officer under ~~Section 9.3~~ subsection 10.5 is to affirm the closure of the business, the decision shall be submitted in writing and delivered by the United States Postal Service or by hand to the retailer.

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10.6.2 ~~B.~~ The retailer may seek judicial relief from the decision by filing suit within twenty (20) calendar days of the date of the decision.

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10.6.3 ~~C.~~ Jurisdiction for a suit under this section to contest a determination of the ~~Executive~~ Director shall be in Pulaski County Circuit Court, where the matter shall be tried de novo.

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10.6.3.1 ~~1.~~ If the Circuit Court finds that the business closure order was appropriately issued by the ~~Executive~~ Director, the Circuit Court shall issue an injunction against the retailer prohibiting the further operation of the business.

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10.6.3.2 ~~2.~~ If a business subject to an injunction issued by the Circuit Court as provided in this subchapter continues in operation, upon conviction, any person responsible for the decision to operate the business after the issuance of the injunction shall be guilty of a Class A misdemeanor.

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10.6.4 ~~D.~~ An appeal may be made from the Circuit Court to the appropriate appellate court, as provided by law.

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10.6.5 ~~E.~~ The procedures established by this section are the sole methods for seeking relief from a written decision to close the business of a retailer for failure to comply with § 23-115-605(b) and Section 6.5 subsection 7.4 of these rules.

10.6.6 ~~F.~~ The decision to close the business of a retailer shall be final either:

10.6.6.1 ~~4.~~ If the retailer fails to request an administrative hearing under Section 9.3 subsection 10.5.1 or fails to seek judicial relief under this section; or

10.6.6.2 ~~2.~~ Upon the final decision of a circuit court or an appellate court.

10.6.7 ~~G.~~ It is unlawful for a business to continue in operation after a business closure order is issued that is upheld on appeal under this subchapter or not appealed by the retailer under this Section 9.3 subsection 10.6.4.

10.6.8 ~~H.~~ Upon conviction, any person responsible for the decision to operate the business in violation of these rules shall be guilty of a Class A misdemeanor.

10.7.5 ~~Procedure for Closure.~~

10.7.1 ~~A.~~ If a retailer fails to timely seek administrative or judicial review of a business closure decision or if the business closure decision is affirmed after administrative or judicial review, the Executive Director shall direct the Department of Finance and Administration to affix a written notice to all entrances of the business that:

10.7.1.1 ~~4.~~ identifies the business as being subject to a business closure order; and

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10.7.1.2 ~~2.~~ States that the business is prohibited from further operation.

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10.7.2 ~~B.~~ The Executive Director may also direct that the business be locked or otherwise secured so that it may not be operated.

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10.8 ~~9.6~~ Revocation and Suspension of Business License.

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10.8.1 ~~A.~~ The closure of a business under this section shall be grounds for the suspension or revocation of any business license granted under the laws of the State of Arkansas, excluding professional licenses.

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10.8.2 ~~B.~~ After the decision to close the retailer's business becomes final, the Executive Director shall contact the appropriate administrative body responsible for granting licenses to operate the business and report the closure of the business.

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**11 Section 10. Powers,**

**11.1** All powers not specifically defined in these Rules are reserved to the **Executive** Director and the **ALC OAL** under the Act.

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Department of Finance and Administration

Office of the Arkansas Lottery

Retailer Rules

Preface: The purpose of these rules is to prescribe the procedures for licensing and administering the statewide network of lottery retailers. These rules are issued pursuant to the authority vested in the OAL under Ark. Code Ann. §§ 23-115-601 et seq., and 23-115-207, and the Arkansas Administrative Procedures Act, §§ 25-15-201, et seq.

**1. Definitions**

- 1.1. "Act" means the Arkansas Scholarship Lottery Act (Act 606 of 2009).
- 1.2. "Applicant" means a natural person, corporation, partnership, unincorporated association, or other legal entity applying for a contract with the OAL for the purpose of selling lottery games.
- 1.3. "Application" means the forms, documents, or other information that the OAL requires an applicant to submit to the OAL to apply for or maintain a retailer contract.
- 1.4. "Banks" means and includes all commercial banks, mutual savings banks, savings and loan associations, credit unions, trust companies, and any other type or form of banking institution who are authorized to do business in the State of Arkansas and that are designated to perform banking institution functions, activities, or service in connection with the operations of OAL for the deposit and handling of lottery funds, the accounting of the funds and the safekeeping of records.
- 1.5. "Bar code validation" means a system which allows any winning lottery ticket, printed with computer readable bar codes for a prize amount as determined by the OAL, to be read electronically at any claim center or lottery retailer location and paid by the retailer regardless of where the player purchased the ticket.
- 1.6. "Claim Center" means the OAL Claim Center located at the OAL Main Office in Little Rock, Arkansas, or any other location authorized by the OAL to validate and pay a winning ticket.
- 1.7. "Compensation" means any money or anything of value received or to be received as a claim for services, whether in the form of a retainer, fee, salary, expense, allowance, forbearance, forgiveness, interest, dividend, royalty, rent, or any other form of recompense or any combination thereof.
- 1.8. "Courier" or "Courier Service" (see also, "Lottery Courier" and "Lottery Courier Service") means the delivery, conveyance, or assignment of any written, printed, or published devices for consideration with the purpose of facilitating participation in the lottery.
- 1.9. "Debt" means a liquidated sum due and owing any claimant agency when the sum has accrued through contract, subrogation, tort, or operation of law regardless of whether there is an outstanding judgment for the sum; or sum that is due and owing any person and is enforceable by the State of Arkansas.
- 1.10. "Depository" means any entity, including a bank or state agency, performing activities or services in connection with the operation of the OAL for the deposit and handling of lottery funds, the accounting for lottery funds, and the safekeeping of tickets.
- 1.11. "Executive Director" means the individual appointed by the Governor to initiate, operate, supervise, and administer the OAL lottery games; the Executive Director serves in a dual capacity as a Director of the Department of Finance and Administration.
- 1.12. "Game" means any individual or type of lottery authorized by the OAL pursuant to the Act including without limitation instant tickets and online game tickets.
- 1.13. "Immediate Family" means the father, mother, sister, brother, husband, wife, child, grandmother, grandfather, grandchild, father-in-law, mother-in-law, sister-in-law, brother-in-law, daughter-in-law, son-



in-law, stepchild, grandmother-in-law, grandfather-in-law, step grandchild, or any individual acting as parent or guardian.

- 1.14. "Instant Game" means a game in which a ticket is purchased and upon removal of a latex covering or other covering on the front of the ticket or the opening of the sealed ticket, the ticket bearer determines his or her winnings, if any, which are payable upon presentation to a retailer or to the OAL for payment.
- 1.15. "Instant Ticket" means a printed card or slip purchased for participation in an instant game.
- 1.16. "Legal Owner" means the individual(s) whose name(s) appear on the ticket or share in the space designated for "Name" or in the absence of such entry the bearer of the ticket or share.
- 1.17. "License" means an authorization granted by the OAL to a person to sell lottery games, including without limitation the execution of a contract between the OAL and the person relating to obligations and terms for operating as a retailer.
- 1.18. "Lottery" or "Lottery Game" means the public gaming system or games established and operated by OAL.
- 1.19. "Lottery Courier" or "Lottery Courier Service" (see also, "Courier" and "Courier Service") means the delivery, conveyance, or assignment of any written, printed, or published devices for consideration with the purpose of facilitating participation in the lottery.
- 1.20. "Lottery Proceeds" includes without limitation:
  - 1.20.1. Unsold instant tickets received by a retailer;
  - 1.20.2. Cash proceeds of the sale of any lottery products;
  - 1.20.3. Net of allowable sales; and
  - 1.20.4. Credit for lottery prizes paid to winners by retailers.
- 1.21. "Lottery Retailer" or "Retailer" means any person licensed by the OAL to sell and dispense instant tickets and materials or lottery games.
- 1.22. "Lottery Ticket" or "Ticket" means tickets or other tangible evidence of participation used in lottery games pursuant to the Act.
- 1.23. "Office of the Arkansas Lottery" or "OAL" or "Office" means the Department of Finance and Administration – Office of the Arkansas Lottery.
- 1.24. "Online Game" means a lottery game in which a player pays a fee to a retailer and selects or requests a randomly generated (Quick Pick) combination of digits, numbers, or symbols, the type and amount of play, and the drawing date, and receives a computer-generated ticket with those selections printed on it.
- 1.25. "Online Terminal" (see also, "Terminal") means the electronic interface computer terminal through which a retailer enters by scan, play slip, or manually the combination of digits, numbers, or symbols selected by a player or by random number generator (Quick Pick) and by which online tickets are generated and claims validated.
- 1.26. "Online Ticket" means a computer-generated ticket issued by a retailer to a player as a receipt for the combination of digits, numbers, or symbols a player has selected by him or herself or through a Quick Pick.
- 1.27. "Operational Rules" mean those rules adopted and published by the OAL setting forth the rules regarding the OAL's operations of the Arkansas Scholarship Lottery.
- 1.28. "Person" means any individual, combination of individuals, corporation, partnership, unincorporated association, or other legal entity.
- 1.29. "Preliminary background check" means a completed Arkansas State Police check.
- 1.30. "Prize" means any award, financial or otherwise, awarded by the OAL.
- 1.31. "Responsible Person" means an individual who has the authority to enter into a contract with the OAL on behalf of themselves or any applicant.
- 1.32. "Retailer" means a person who is licensed by the OAL to sell lottery games.



- 1.33. "Retailer License Application" means the document executed by the Lottery Retailer upon application for a license to sell lottery games and tickets; this document includes the type of retailer, including but not limited to special terms and conditions such as alternative forms of delivery as set forth herein in subsection subsections 1.8, 1.33.
- 1.34. "Retailer Contract" means the document executed between the OAL and Lottery Retailer which sets forth the terms, conditions, and requirements between the parties.
- 1.35. "Retailer Rules" means those rules adopted and published by OAL setting forth the rules regarding OAL's licensing and administration of the statewide network of lottery retailers.
- 1.36. "Share" means any intangible evidence of participation in a lottery.
- 1.37. "Terminal" (see also, "Online Terminal") means the electronic interface computer terminal through which a retailer enters by scan, play slip, or manually the combination of numbers or symbols selected by a player or random number generator (aka, "Quick Pick") and by which online tickets are generated and claims are validated.
- 1.38. "Ticket" means any tangible evidence issued by a lottery to prove participation in a lottery.
- 1.39. "Ticket Bearer" means the person who has signed the ticket or has possession of the unsigned ticket.
- 1.40. "Ticket Number" means the preprinted number found on the back of each ticket which identifies that ticket as one (1) of a series of tickets.
- 1.41. "Ticket Pack Number" means the printed number or numbers appearing on the back of each ticket.
- 1.42. "Ticket Vending Machine" ("TVM") means a player self-service machine that can:
- 1.42.1. Sell both online tickets and instant tickets;
  - 1.42.2. Report real-time sales of both online tickets and instant tickets, low and empty bins, a full cash box, jammed tickets, diagnostic and error messages, and low paper stock, to the central system;
  - 1.42.3. Check and validate online tickets and instant tickets;
  - 1.42.4. Provide for either the cashing of online tickets and instant tickets via voucher, or other payment method provided to a player, which can be negotiated at retail or used on the TVM for a continued lottery play; and
  - 1.42.5. Provide for age control play as specified in Arkansas Code Annotated § 23-115- 402(e)(1) and (2).
- 1.43. "Validation" means the process of determining whether an instant or online ticket presented for payment is a winning ticket.
- 1.44. "Validation Number" means the multi -digit number found on the face of the ticket. There must be a validation number on each ticket.
- 1.45. "Website" means the OAL's lottery address at <http://myarkansaslottery.com>/or any other website that may be specified by the OAL.
- 1.46. "Winner" means the holder of a lottery ticket determined to have the required match or the specific alignment of the play numbers, digits or symbols, the required sum of the play numbers or digits in accordance with the game rules for the specific game, or a redeemable prize amount indicated on its face.
- 1.47. "Winner confidentiality" means confidentiality from public disclosure of an individual within the context and provisions set forth in A.C.A. §23-115-404 et seq. (2021).
2. **General Policies**
- 2.1. Application. These rules shall apply to the administration of the statewide network of lottery retailers as licensed and regulated by the OAL. In any decision made under these rules, the OAL shall take into account the particularly sensitive nature of the state lottery and shall act to promote and ensure security, honesty, fairness, and integrity in the operation and administration of the lottery and the objective of raising net lottery proceeds for the benefit of educational programs and purposes.



- 2.2. Administrative Hearings. All administrative hearings held under these rules shall be held in accordance with the Arkansas Administrative Procedure Act, Arkansas Code § 25-15-201 et seq.
- 2.3. Authority of Executive Director. The Executive Director may:
  - 2.3.1. Contract with retailers for the sale of lottery games and shares;
  - 2.3.2. Establish a communication or line fee, if determined to be a necessary business expense;
  - 2.3.3. Investigate and conduct hearings pursuant to a retailer dispute;
  - 2.3.4. Establish procedures for the collection of and penalties of retailer accounts;
  - 2.3.5. Set fidelity fund and bond amounts for retailers; and
  - 2.3.6. Take any other action necessary to carry out and implement the Arkansas Scholarship Act, § 23-15-101 et seq., and any other rule, procedure, directive, or order promulgated or issued by the OAL.
3. **Application**
  - 3.1. General. Retailers must meet the statutory and regulatory requirements for licensing, the security and integrity standards of the OAL and promote the best interest of the Arkansas Scholarship Lottery.
  - 3.2. Application. A person interested in obtaining a license must submit an application to the OAL on a form supplied for that purpose by the OAL. The retail sales application shall be designed to solicit sufficient relevant information from an applicant to permit the OAL to evaluate the applicant and the sales location as required by the Act and regulations for issuance of a license by the OAL.
  - 3.3. Application Fee. An applicant for a retailer license shall be charged the following fees:
    - 3.3.1. Initial Application Fee – \$100;
    - 3.3.2. Change of Ownership Fee -- \$100;
    - 3.3.3. Additional Store Location Fee -- \$25.00;
    - 3.3.4. Change of Location Fee -- \$25.00;
    - 3.3.5. Change of Responsible Person Fee -- \$50.00;
    - 3.3.6. Renewal Fee -- \$50.00.
  - 3.4. Disclosure. The Executive Director may require any degree or type of disclosure necessary of the applicant or any other person in order to assure the security and integrity of the lottery including the source of funds, financing, and business income used for the purchase and operation of the applicant's business, the name and address of the owner or owners of the sales location, a copy of all agreements whereby the applicant is entitled to possession of the sales location and the names and addresses of owners, officers, directors or trustees who oversee or direct the operation of the business. If the parent company, general partner, limited partner, joint venturer, stockholder, member or manager of a limited liability company is itself a corporation, trust, association, subsidiary, partnership, joint venture or limited liability company, then the Executive Director may require that the applicant provide disclosure for such entity as if such entity were a responsible person itself. An applicant must disclose to the OAL all information required by the Executive Director.
    - 3.4.1. In making a determination regarding a licensing application, the Executive Director shall consider the following, including without limitation:
      - 3.4.1.1. The applicant's financial responsibility;
      - 3.4.1.2. Security of the applicant's place of business or activity;
      - 3.4.1.3. Accessibility to the public including compliance with the Americans with Disabilities Act;
      - 3.4.1.4. The applicant's integrity; and
      - 3.4.1.5. The applicant's reputation.
    - 3.4.2. The applicant for a retailer license shall be current in filing all applicable tax returns to the State of Arkansas and in payment of all taxes, interest, and penalties owed to the State of Arkansas, excluding items under formal appeal under applicable statutes. Information regarding the



applicant's tax filing status will be supplied to the OAL by the Department of Finance and Administration.

3.4.3. The Executive Director shall not select as a retailer any person who:

3.4.3.1. Has been convicted of a criminal offense related to the security or integrity of a lottery in this or any other jurisdiction;

3.4.3.2. Has been convicted of:

3.4.3.2.1. any illegal gambling activity, false statements, false swearing, or perjury in this or any other jurisdiction; or

3.4.3.2.2. any crime punishable by more than one (1) year of imprisonment or a fine of more than one thousand dollars (\$1,000) or both. This subdivision shall not apply if the person's civil rights have been restored and at least five (5) years have elapsed from the date of the completion of the sentence without a subsequent conviction of such a crime.

3.4.3.2.3. Has been found to have violated the Act or any rule, policy, or procedure of the OAL unless at least ten (10) years has passed since the violation or the OAL finds the violation both minor and unintentional in nature;

3.4.3.2.4. Is a vendor or an employee or agent of a vendor doing business with the OAL;

3.4.3.2.5. Is a member of the immediate family of a member of the OAL or the Arkansas Scholarship Lottery;

3.4.3.2.6. Has made a statement of material fact to the OAL knowing the statement to be false;

3.4.3.2.7. Is engaged exclusively in the business of selling tickets or shares;

3.4.3.2.8. Is under 18 years of age; or

3.4.3.2.9. Is a corporation or other form of business that is not authorized to do business in Arkansas.

3.5. Prohibitions. An applicant shall not provide a gift or compensation to the Executive Director, an OAL member or OAL employee, or the immediate family member of the Executive Director, OAL member or OAL employee.

3.6. Background Check. An applicant for a retailer license is subject to a background check including a credit check and a criminal history check conducted by the Arkansas State Police and the Federal Bureau of Investigation. Issuance of a retailer license is dependent on passing the required background checks. The applicant shall sign a consent to the release of information for all checks.

3.7. Waiver. In submitting an application, the applicant expressly waives any claim against the State of Arkansas, its agents, officers, employees, and representatives, and the OAL, its Executive Director, agents, officers, employees, and representatives for damages that may result. Each applicant also accepts any risk of adverse public notice, embarrassment, criticism, damages, or claims which may result from any disclosure or publication by a third party of any public information on file with the OAL.

#### **4. Retailer License**

4.1. Non-transferability of license. A retailer license is not transferable and shall not be sold, given or assigned to any person. In the event of the proven incapacity, death, receivership, bankruptcy or assignment for benefit of creditors of any retailer, upon approval of the Executive Director, the license may be transferred to a court appointed or court confirmed guardian, executor or administrator, receiver, trustee, or assignee for the benefit of creditors, who may continue to operate the activity under the license, subject to the provisions of these rules.

4.1.1. The person to whom a license is transferred hereunder must be otherwise qualified to hold a license.

4.1.2. The license following transfer shall be void upon that person ceasing to hold such a court appointed or court confirmed position.





- 4.1.3. The Executive Director may condition the transfer of any license under this section upon the posting of a bond or cash in lieu of a bond in such terms and conditions as the Executive Director may require.
- 4.2. License Term and Renewal. A retailer's license remains in full force and effect until the termination date indicated upon the license, but in no case more than two (2) years from the date of the issuance of the license. The Executive Director may implement a program to issue licenses biennially, if in his or her discretion, it provides more efficient customer service to retailers and cost savings in the administration of the program. To request renewal of a retailer license, every licensed retailer shall file a renewal application and shall pay a renewal fee as set forth in Section 3.3 of these rules. A license shall not be issued or renewed until the retailer contract is signed.
- 4.3. Inspection. A license grants the OAL the irrevocable authority to inspect the location where games may be sold or any other location under the control of the retailer where the Executive Director may have good cause to believe OAL materials and/or games are stored or kept.
- 4.4. Retailer Loss Coverage. A retailer shall be assessed an annual fee of up to one hundred dollars (\$100) per sales location to be deposited into the OAL's fidelity fund. A retailer is required to post an appropriate bond as determined by the OAL.

All retailers shall be bonded through OAL's Self-Bond Program, and shall pay a \$100.00 bond fee for each Retailer location. The bond shall be renewed annually for each retailer location. The OAL Executive Director may increase or decrease the annual bond fee as warranted by the annual amount of defaulted obligations. In any event, the bond fee shall not be less than \$75.00 or more than \$200.00.

A retailer's failure to abide by its financial obligations to the OAL per the Retailer Contract shall constitute a default. OAL will pay a retailer's defaulted obligation from the pool of self-bond fees. Upon said payment, retailer shall be obligated to reimburse OAL for the full amount of the defaulted obligation immediately. OAL may institute any and all legal actions authorized by law to collect a defaulted obligation from a retailer.

OAL may suspend a retailer's authority to sell Lottery Tickets for any period in which a retailer does not pay the bond required under this section or a defaulted obligation. A retailer's authority to sell Lottery Tickets may be reinstated upon payment of an outstanding bond or defaulted obligation. A retailer's failure to pay the bond or defaulted obligation may result in the termination of its license. OAL may suspend a retailer's authority to sell Lottery Tickets for any period in which a retailer does not pay the bond required under this section or a defaulted obligation. A retailer's authority to sell Lottery Tickets may be reinstated upon payment of an outstanding bond or defaulted obligation. A retailer's failure to pay the bond or defaulted obligation may result in the termination of its license.

At the end of each fiscal year, the Executive Director may authorize inclusion of all or a portion of the unused bond fees in the revenues of the OAL for the fiscal year.

The Executive Director may also allow a retailer to deposit and maintain with the OAL securities that are interest bearing or accruing. The securities shall be held in trust in the name of the OAL. Securities eligible are limited to:

- 4.4.1. Certificates of deposit in an amount fully insured by the Federal Deposit Insurance Corporation issued by solvent banks or savings associations organized and existing under the laws of this state or under the laws of the United States;



- 4.4.2. United States Government bonds, notes, and bills for which the full faith and credit of the United States Government is pledged for the payment of principal and interest; or
- 4.4.3. Federal agency securities by an agency or instrumentality of the United States Government.
- 4.5. Change in Application Information. A license is valid only for the information contained in the application. Any change to the information submitted in the application including change of business name, change of location, change of ownership, or change of status of background check may make the license invalid.
- 4.6. Provisional License. A provisional license temporarily authorizes a lottery retailer to conduct the sale of tickets pending processing of the general license or application renewal.
  - 4.6.1. The Executive Director may issue a provisional license to an applicant for a license after receipt of a person's fully completed lottery retailer's application, the authorization of a complete personal background check, and completion of a preliminary background check. The provisional license shall expire at the time of issuance of the license or forty-five (45) days from the date the provisional license is issued, whichever occurs first. The provisional license may be extended by the Executive Director for one (1) additional forty-five (45) day period of time.
  - 4.6.2. If the ownership of an existing lottery retailer location changes, the Executive Director may issue a provisional license to the new owner. The provisional license shall expire seven (7) working days from the date of issuance if the Executive Director has not received the new owner's fully completed lottery retailer's application and authorization of a complete personal background check. If the required materials have been timely received by the Executive Director and a preliminary background check has been completed, the provisional license shall expire at the time of issuance of the general license or forty-five (45) days from the date the provisional license is issued, whichever occurs first.
  - 4.6.3. EFT Transfers: If the Lottery enters into a temporary retailer contract with the applicant, the contract will require the applicant to pay the amount due the OAL from the sale of lottery tickets or shares by electronic funds transfer (EFT). In most instances, amounts due the OAL will be collected via EFT at the end of the fourth day after the close of the OAL business week. The applicant must establish an account for deposit of money from the sale of lottery games and shares with a financial institution that has the capability of making EFT draws.
  - 4.6.4. Termination: At the Executive Director's sole discretion, the Executive Director may immediately terminate a temporary retailer contract if the Executive Director determines that continuing to contract with the applicant is not in the best interest of the Lottery including, but not limited to, when:
    - 4.6.4.1. The applicant provided false or misleading material information, or the applicant made a material omission in the application for a retailer contract;
    - 4.6.4.2. The applicant is arrested or convicted of felony during the term of the temporary retailer contract;
    - 4.6.4.3. An EFT payment is rejected for non-sufficient funds (NSF), or the applicant fails to provide timely information to the OAL regarding any change of the applicant's EFT bank account;
    - 4.6.4.4. Any other reason contained in the contract or these rules that provides a basis for termination of a retailer contract; or
    - 4.6.4.5. When the Executive Director concludes that continuing to contract with the applicant may pose a threat to the fairness, honesty, integrity, or security of the OAL and its games.
- 4.7. Promotional License.
  - 4.7.1. The Executive Director may issue a promotional license for a marketing promotion for a period not exceeding ninety (90) days for lottery games.



- 4.7.2. The Executive Director may establish financial and criminal history or other criteria for the issuance of a promotional license based on the duration of the promotion and the variety and quantity of tickets to be sold by the applicant.
- 4.7.3. The Executive Director may waive any license fees or charges in issuing a promotional license and may establish procedures to streamline payments by promotional retailers to the lottery.
- 4.7.4. Any retailer issued a promotional license must apply for and be issued a provisional/general license in order to continue to sell lottery tickets after the expiration of his/her promotional license.
- 4.8. Chain Retailers. The OAL may treat more than one (1) retail location with identical owners as one (1) chain retailer. Each retail location shall be issued a separate retailer number or numbers and a unique "Retailer License". The Executive Director may issue one (1) billing statement for all retail locations or separate billing statements for each retail location. If the chain retailer wishes to add a new retail location, the chain retailer will not be required to undergo a new background investigation.
- 5. **Retailer Compensation**
  - 5.1. A retailer shall receive commissions as compensation from the OAL as follows:
    - 5.1.1. Base Instant and Online Games commission: Five percent (5%) of each one dollar (\$1.00) sold;
    - 5.1.2. Cashing commission: One percent (1%) of each one dollar (\$1.00) redeemed, up to the cashing limit of five hundred dollars (\$500.00);
    - 5.1.3. Selling commission: One percent (1%) of a prize amount of ten thousand dollars (\$10,000) or more on each ticket validated and paid to a player. The selling commission shall not exceed fifty thousand dollars (\$50,000);
    - 5.1.4. Other commissions: Up to ten percent (10%) on special games, as designated by the Executive Director.
- 6. **Lottery Couriers**
  - 6.1. In the sole discretion of the Executive Director, OAL may authorize a duly licensed OAL Retailer to enter a contract with a third-party (non-lottery licensed) entity for the purpose of delivering OAL draw game tickets to consumers via website or mobile application. Authorization shall require the "Lottery Courier Addendum" as an integrated term of conditions to the Retailer License Agreement. Retailer shall acknowledge that they have been provided with a copy of the OAL Operational Rules which further set out the specific details, requirements, and limitations on the use of Lottery Couriers, as well as the additional terms and conditions set forth in the OAL Retailer License Agreement.
- 7. **Retailer Duties and Responsibilities**
  - 7.1. This section contains duties to be performed by the retailer in addition to any duties and responsibilities that may be described in the retailer contract. The duties herein are not meant to be exclusive. Other duties and requirements for retailers may be contained elsewhere in these rules or in the Act.
  - 7.2. Notices. The retailer must notify the OAL if the following occurs:
    - 7.2.1. As soon as practicable, but no later than ten (10) days of a material change in the qualifications of an applicant;
    - 7.2.2. Immediately for loss, theft, or destruction of any lottery property including but not limited to instant tickets, ticket dispensers or play terminals;
    - 7.2.3. As soon as practicable, but no later than thirty (30) days prior to a change of ownership or responsible person;
    - 7.2.4. As soon as practicable, but no later than ten (10) days prior to a change of sales location;
    - 7.2.5. As soon as practicable, but no later than thirty (30) days prior if the type of business undergoes a substantial change;



- 7.2.6. As soon as practicable, but no later than thirty (30) days prior to a change of business structure. A change of business structure shall mean the change from one form of business organization to another, such as from sole proprietorship to partnership or corporation.
- 7.2.7. As soon as practicable, but no later than ten (10) days prior to a change of bank account information;
- 7.2.8. Immediately upon receiving damaged or misprinted lottery tickets.
- 7.3. Games. The retailer must perform the following duties as a condition of their license:
  - 7.3.1. Stock Equipment: Keep all lottery equipment on the retailer's premises stocked with a variety of tickets, play slips, computer-generated tickets, and any other OAL product required to be sold.
  - 7.3.2. Perform Minor Maintenance: Replace ribbons, ticket stock, and clear paper jams as may be required for any of the equipment provided by the OAL for the sale of lottery games.
  - 7.3.3. Maintain Paper Stock: Install and use only approved lottery paper stock which has been specifically assigned for the retailer when selling lottery games.
  - 7.3.4. Sell Games: Sell all lottery games offered by the OAL during the retailer's normal business hours.
  - 7.3.5. Display: Retailer must display and maintain all point-of-sale material as well as any advertising material as requested by the OAL within the sales location.
  - 7.3.6. Redeemed tickets: As directed by the OAL, deface all tickets redeemed for a prize.
  - 7.3.7. Prizes.
    - 7.3.7.1. A retailer shall immediately pay a valid winning ticket upon presentment up to the required amount of five hundred dollars (\$500.00). A payment may be made in cash or by check or money order, at the discretion of the retailer. Payments are subject to the same NSF policies as payments to the OAL. In the event of exceptional circumstances, a retailer may delay payment of a cash slip for a period of time not to exceed twenty-four (24) hours from the time the player initially submits the cash slip to the retailer for payment. "Exceptional circumstances" means rare and unforeseen circumstances beyond the reasonable control of the retailer.
    - 7.3.7.2. Within forty-eight (48) hours from the time the player initially submitted the cash slip to the retailer for payment, the retailer must submit to the OAL a written report of the delay of payment and the exceptional circumstances that required the delay.
    - 7.3.7.3. The Executive Director may review claims of exceptional circumstances and whether delayed payment was appropriate under the circumstances. Upon the Executive Director's request, the retailer must provide the Executive Director with evidence supporting a claim of exceptional circumstances. If a retailer fails to comply with a request or fails to adequately support a claim of exceptional circumstances, the Executive Director shall find that the delay was not appropriate and send a written notice to the retailer.
    - 7.3.7.4. If the Executive Director finds that the delay was not appropriate, the retailer's delay of payment shall be considered a failure to perform contract duties or requirements, and the OAL may take appropriate action including termination of the retailer contract. Any appeal of the Executive Director's decision must be conducted pursuant to Section 9 of these rules.
- 7.4. Financial – Lottery Proceeds
  - 7.4.1. Fiduciary Duty
    - 7.4.1.1. All proceeds from the sale of tickets or shares constitute a trust fund until paid to the OAL either directly or through the OAL's authorized representative.
    - 7.4.1.2. A retailer and officers of a retailer's business have a fiduciary duty to preserve and account for retail lottery proceeds, and retailers are personally liable for all lottery proceeds.



7.4.1.3. Sales proceeds and unused instant tickets must be delivered to the OAL or its authorized collection representative upon demand.

**7.4.2. Deposits/Accounts.**

7.4.2.1. All retailers are required to place all lottery proceeds due to the OAL in accounts in institutions insured by the Federal Deposit Insurance Corporation not later than the close of the next banking day after the date of their collection by the retailer until the date they are paid to the OAL. At the time of the deposit, lottery proceeds are the property of the OAL.

7.4.2.2. Retailers shall establish a single separate electronic funds transfer account for the purpose of:

7.4.2.2.1. Receiving moneys from ticket or share sales;

7.4.2.2.2. Making payments to the OAL; and

7.4.2.2.3. Receiving payments for the OAL.

7.4.2.3. Unless authorized in writing by the OAL, each retailer shall establish a separate bank account for lottery proceeds that shall be kept separate and apart from all other funds and assets and shall not be commingled with any other funds or assets.

7.4.2.3.1. Failure to Comply. If the OAL determines that a retailer failed to comply with subsection 7.4.2.1 of this section three (3) times within any consecutive twenty-four (24) month period, the OAL may pursue business closure against the retailer under Section 10 of these rules.

**8. Retailer Prohibitions**

**8.1. Sale of Tickets or Shares.**

8.1.1. Tickets and shares shall be sold only by the retailer at the location address stated on the retailer license issued by the OAL.

8.1.2. Tickets may not be sold for more or less than the amount set by the OAL.

8.1.3. Tickets may not be sold by an individual under eighteen (18) years of age.

8.1.4. Tickets may not be sold to any individual under eighteen (18) years of age. Any retailer who knowingly sells a lottery game or permits the playing of a lottery game to a person under eighteen (18) years of age is guilty of a violation under Arkansas Code Ann. §23-115-901.

8.1.5. Tickets or shares may not be sold after commencement of drawing for that particular lottery or after the end date of that game as announced by the Executive Director.

8.2. Prizes. A retailer may not charge a player to either play a lottery game, nor charge any fees or impose any requirements to redeem a valid winning ticket. A retailer must not pay to the winner a prize amount more than the prize established by the game.

8.3. Retailer Conduct. A retailer may not exchange books, lottery tickets or paper ticket stock with any other retailer. A retailer must sell tickets in book, page or numerical order and may not play instant lottery tickets using any other method other than fair chance or any method that is contrary to the principle that every ticket has an equal and random chance of winning.

8.4. Inducements to Play. A retailer shall not induce persons to play lottery games by extending credit or by providing financial assistance, alcohol, or any other compensation.

8.5. Trademark. A retailer may not use the logo, trademark, or other advertising materials of the OAL without prior written permission or authorization of the OAL unless the materials have been provided to the Retailer by the OAL.

8.6. False promises. A retailer must not conduct false or misleading advertising, in any form about the OAL or lottery games including, but not limited to, claiming the odds of winning a lottery game are different at the retailer's business than at any other retailer's business.

8.7. Contracting for Goods or Services. A retailer shall not contract with any person other than the OAL for Arkansas Scholarship Lottery products or services except with the written approval of the OAL.



8.8. Gifts. A retailer shall not provide a gift or compensation to the Executive Director, an OAL member or an OAL employee, or the immediate family member of the Executive Director, OAL member or OAL employee.

**9. Cancellation, Suspension, Revocation, Denial, or Termination**

9.1. If upon approval of the OAL, the Executive Director or his or her designee determines that cancellation, denial, revocation, suspension, or rejection of renewal of a retailer license is in the best interest of the Arkansas Scholarship Lottery, the public welfare, or the State of Arkansas, the Executive Director or his or her designee may cancel, suspend, revoke, or terminate, after notice and a right to a hearing, a retailer license issued hereunder.

9.2. Temporary Suspension. The retailer license may be temporarily suspended by the Executive Director or his or her designee without prior notice pending a hearing.

9.3. Reasons. A retailer license may be suspended, revoked, or terminated by the Executive Director or his or her designee for any one (1) or more of the following reasons:

9.3.1. Commission of a violation of the Act or a rule of the OAL;

9.3.2. Failure to accurately or timely account for tickets, lottery games, revenues, or prizes as required by the OAL;

9.3.3. Commission of any fraud, deceit, or misrepresentation;

9.3.4. Insufficient sales;

9.3.5. Conduct prejudicial to public confidence in a lottery;

9.3.6. The retailer's filing for or being placed in bankruptcy or receivership;

9.3.7. Any material changes as determined in the sole discretion of the OAL in any matter considered by the OAL in executing the license with the retailer;

9.3.8. The closure of the retailer's business; or

9.3.9. Failure to meet any of the objective criteria established by the OAL.

9.4. Removal of OAL Material. If a retailer fails to meet any of the objective criteria established by the OAL, the Executive Director or his or her designee may remove instant tickets, online ticket stock, and any and all property of the OAL from the retail location.

9.5. Administrative Hearing. Any retailer or applicant aggrieved ("Aggrieved Party") by an administrative decision by the Executive Director may appeal that decision.

9.5.1. Time for Filing: The aggrieved party must file a notice of appeal within twenty (20) days of the decision by sending a notice of appeal to both the Executive Director and the OAL Staff Attorney at the OAL Main Office.

9.5.2. The Executive Director, or a Hearing Officer designated by him or her, shall have the exclusive authority to decide all appeals.

9.5.3. After submittal of a timely appeal and prior to issuance of a written decision, the aggrieved party shall be afforded an opportunity to discuss with the Executive Director the issues giving rise to the appeal.

9.5.4. If the appeal is not resolved by mutual agreement, the Executive Director or Hearing Officer shall issue a written decision within thirty (30) calendar days after the appeal was filed. The decision shall include a statement of the Executive Director's or Hearing Officer's decision, with supporting rationale. If the Executive Director or Hearing Officer fails to issue a decision within this time limit, the aggrieved party may proceed as if the Executive Director or Hearing Officer had issued an adverse decision.

9.5.5. The Executive Director or Hearing Officer shall furnish a copy of the decision to the aggrieved party by certified mail, return receipt requested, or by any other method that provides written evidence of delivery, such as hand delivery by courier, express mail or overnight express courier.



- 9.5.6. In lieu of a written decision, the Executive Director may, in his or her sole discretion, within thirty (30) calendar days after the appeal is filed, give written notice to the aggrieved party that the protest shall be resolved by a hearing conducted by the Executive Director or Hearing Officer.
- 9.5.7. All hearings conducted under this section shall be conducted by the Executive Director or by a Hearing Officer designated by the Executive Director. The decision as to whether the Executive Director or a Hearing Officer will conduct the hearing shall be in the sole discretion of the Executive Director. The Hearing Officer's actions, decisions, and orders shall be deemed to be on behalf of the Executive Director and effective as though taken by the Executive Director, subject to the appeals procedures as hereinafter provided.
- 9.5.8. If the Executive Director determines under subsection 9.5.6 that a hearing will be used to resolve an appeal, the hearing shall be held within thirty (30) calendar days following the Executive Director's determination. A notice which will set forth the time, date, and location of the hearing will be sent to the party or parties at least seven (7) calendar days before the date set for such hearing.
- 9.5.9. In connection with the hearing, the Executive Director or Hearing Officer may:
- 9.5.9.1. Conduct the hearing in an informal manner without formal rules of evidence or procedure;
  - 9.5.9.2. Require each party to state, either orally or in writing, its position concerning the factual and legal issues involved in the hearing;
  - 9.5.9.3. Require each party to produce for examination those relevant witnesses and documents under its control;
  - 9.5.9.4. Rule on motions and other procedural items pending before him or her, including without limitation the methods, scope, and extent of discovery available to the parties;
  - 9.5.9.5. Regulate the course of the hearing and conduct of the participants, including the imposition of reasonable time limits;
  - 9.5.9.6. Establish time limits for submission of motions or memoranda;
- 9.5.10. The hearing shall be conducted before a court reporter. The aggrieved party shall procure, at his or her own cost and own initiative, the court reporting services (including the preparation of the transcript) for such hearing. The original transcript of any such proceedings shall be submitted to the Executive Director or Hearing Officer as soon as the transcript is available, and in no event later than thirty (30) calendar days following the conclusion of the hearing, and shall be made a part of the record.
- 9.5.11. Any party may appear and be represented with or without counsel at the hearing.
- 9.5.12. If a Hearing Officer conducts the hearing, he or she shall make a written recommendation containing the Hearing Officer's ruling, in the form of a proposed decision, to the Executive Director, within thirty (30) calendar days after receiving an original transcript of the hearing. If a proposed decision is received by the Executive Director, he or she must render a decision in writing and deliver the decision to the parties within thirty (30) calendar days after receiving the proposed decision from the Hearing Officer.
- 9.5.13. If the Executive Director receives a recommendation in a proposed decision from a Hearing Officer, he or she may:
- 9.5.13.1. Accept, modify, or reject the Hearing Officer's recommendation in whole or in part;
  - 9.5.13.2. Return the matter to the Hearing Officer with instruction;
  - 9.5.13.3. Make any other appropriate disposition; or
  - 9.5.13.4. Issue a "no action" response.
- 9.5.14. If the Executive Director issues a "no action" response, then the determination in the proposed decision of the Hearing Officer will be deemed to be accepted by the Executive Director.





9.5.15. If the Executive Director conducts the hearing, a decision must be rendered and delivered to the petitioner within thirty (30) calendar days after receiving the original transcript of the hearing.

9.5.15.1. The decision or any proposed decision made by either a Hearing Officer or the Executive Director shall be sent to the aggrieved party by certified mail, return receipt requested, or any other method by which a written business record of delivery is kept, such as a hand-delivery, express mail or overnight carrier.

9.5.16. A party aggrieved by a decision of the Office of the Arkansas Lottery may appeal that decision to the Pulaski County (AR) Circuit Court.<sup>1</sup>

9.5.17. The circuit court shall hear appeals from administrative orders of the OAL, based upon the record of the proceedings before the office, may reverse the administrative order of the office only if the person appealing the administrative order proves the administrative order to be: (a) clearly erroneous; (b) procured by fraud; (c) a result of substantial misconduct by the OAL; or (d) contrary to the United States Constitution, the Arkansas Constitution, or this chapter.<sup>2</sup>

9.5.18. The circuit court may remand an appeal to the OAL to conduct further hearings.<sup>3</sup>

9.5.19. If upon the motion of the OAL the circuit court finds the appeal to have been frivolous, the costs of appeal and defense shall include without limitation the following expenses of the office resulting from institution of the appeal: (a) court costs, (b) bond, (c) legal fees, (d) loss of income.

9.5.20. An appeal may be made from the circuit court to the appropriate appellate court, as provided by law.

9.5.21. These rules provide the exclusive procedure for a retailer or applicant appealing an administrative decision of the OAL Executive Director.

#### **10. Business Closure. Authority - Notice**

10.1. Arkansas Code § 23-115-607 authorizes the Executive Director to close the business of a retailer if the retailer fails to comply with § 23-115-605 (b) and subsection 7.4.3.2.1 of these Rules three (3) times within any consecutive twenty-four (24) month period.

10.2. The Executive Director shall give notice to the retailer that the third delinquency in complying with subsection 7.4.3.2.1 may result in the closure of the business. The notice shall be in writing and delivered to the retailer by either U.S. Postal Service or hand delivery.

10.3. If the Executive Director determines that the business will be closed, the Executive Director shall notify the retailer by certified mail or hand delivery that the business will be closed within five (5) business days from the date of receipt of the notice.

10.4. Avoiding Closure. A retailer may avoid closure of the business by:

10.4.1. Remitting the delinquent lottery proceeds; or

10.4.2. Entering into a written payment agreement approved by the Executive Director to satisfy the lottery proceeds delinquency.

10.5. Administrative Hearing.

10.5.1. A retailer may request an administrative hearing concerning the decision of the Executive Director to close the retailer's business.

10.5.2. Within five (5) business days after the delivery or attempted delivery of the notice required by subsection 10.2, the retailer may file a written protest, signed by the retailer or his or her authorized agent, with the Executive Director stating the reasons for opposing the closure of the business and requesting an administrative hearing.

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<sup>1</sup> A.C.A. §23-115-209(a) (2015)

<sup>2</sup> A.C.A. §23-115-209(b)(1-4) (2015)

<sup>3</sup> A.C.A. §23-115-209(d)(1) (2015)





- 10.5.3. A retailer may request that an administrative hearing be held:
  - 10.5.3.1. In person;
  - 10.5.3.2. By telephone;
  - 10.5.3.3. Upon written documents furnished by the retailer; or
  - 10.5.3.4. Upon written documents and any evidence to be produced by the retailer at an administrative hearing.
- 10.5.4. The Executive Director may determine whether an administrative hearing at which testimony is to be presented will be conducted in person or by telephone.
- 10.5.5. A retailer who requests an administrative hearing based upon written documents is not entitled to any other administrative hearing before the rendering of the administrative decision.
- 10.5.6. The administrative hearing shall be conducted by a Hearing Officer appointed by the Executive Director. The Hearing Officer shall set the time and place for a hearing and give the retailer notice of the hearing.
- 10.5.7. At the administrative hearing, the retailer may be represented by an authorized representative and present evidence in support of his or her position.
- 10.5.8. The administrative hearing shall be held within fourteen (14) calendar days of receipt by the Executive Director of the request for hearing.
- 10.5.9. The administrative hearing and determinations made by the Hearing Officer under this subsection 10.5 are subject to the Arkansas Administrative Procedure Act, § 25-15-201 et seq.
- 10.5.10. The defense or defenses to the closure of a business under this section are:
  - 10.5.10.1. Written proof that the retailer remitted the delinquent lottery proceeds due; or
  - 10.5.10.2. That the retailer has entered into a written payment agreement, approved by the Executive Director, to satisfy the lottery proceeds delinquency.
- 10.5.11. The decision of the Hearing Officer shall be in writing with copies delivered to the retailer and the Executive Director by the United States Postal Service or by hand delivery.
- 10.6. Judicial Relief.
  - 10.6.1. If the decision of the Hearing Officer under Section 10 is to affirm the closure of the business, the decision shall be submitted in writing and delivered by the United States Postal Service or by hand to the retailer.
  - 10.6.2. The retailer may seek judicial relief from the decision by filing suit within twenty (20) calendar days of the date of the decision.
  - 10.6.3. Jurisdiction for a suit under this section to contest a determination of the Executive Director shall be in Pulaski County Circuit Court, where the matter shall be tried de novo.
    - 10.6.3.1. If the Circuit Court finds that the business closure order was appropriately issued by the Executive Director, the Circuit Court shall issue an injunction against the retailer prohibiting the further operation of the business.
    - 10.6.3.2. If a business subject to an injunction issued by the Circuit Court as provided in this subchapter continues in operation, upon conviction, any person responsible for the decision to operate the business after the issuance of the injunction shall be guilty of a Class A misdemeanor.
  - 10.6.4. An appeal may be made from the Circuit Court to the appropriate appellate court, as provided by law.
  - 10.6.5. The procedures established by this section are the sole methods for seeking relief from a written decision to close the business of a retailer for failure to comply with § 23-115-605(b) and subsection 7.4 of these rules.
  - 10.6.6. The decision to close the business of a retailer shall be final either:



- 10.6.6.1. If the retailer fails to request an administrative hearing under subsection 10.5.1 or fails to seek judicial relief under this section; or
- 10.6.6.2. Upon the final decision of a circuit court or an appellate court.
- 10.6.7. It is unlawful for a business to continue in operation after a business closure order is issued that is upheld on appeal under this subchapter or not appealed by the retailer under this subsection
- 10.6.4.
- 10.6.8. Upon conviction, any person responsible for the decision to operate the business in violation of these rules shall be guilty of a Class A misdemeanor.
- 10.7. Procedure for Closure.
  - 10.7.1. If a retailer fails to timely seek administrative or judicial review of a business closure decision or if the business closure decision is affirmed after administrative or judicial review, the Executive Director shall direct the Department of Finance and Administration to affix a written notice to all entrances of the business that:
    - 10.7.1.1. Identifies the business as being subject to a business closure order; and
    - 10.7.1.2. States that the business is prohibited from further operation.
  - 10.7.2. The Executive Director may also direct that the business be locked or otherwise secured so that it may not be operated.
- 10.8. Revocation and Suspension of Business License.
  - 10.8.1. The closure of a business under this section shall be grounds for the suspension or revocation of any business license granted under the laws of the State of Arkansas, excluding professional licenses.
  - 10.8.2. After the decision to close the retailer's business becomes final, the Executive Director shall contact the appropriate administrative body responsible for granting licenses to operate the business and report the closure of the business.
- 11. **Powers**
  - 11.1. All powers not specifically defined in these Rules are reserved to the Executive Director and the OAL under the Act.



**STATE OF ARKANSAS  
BUREAU OF  
LEGISLATIVE RESEARCH**

Marty Garrity, Director  
Kevin Anderson, Assistant Director  
for Fiscal Services  
Matthew Miller, Assistant Director  
for Legal Services  
Jessica Whittaker, Assistant Director  
for Research Services

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**Memorandum**

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**TO:** Members, ALC – Executive Subcommittee

**CC:** Marty Garrity, Director, Bureau of Legislative Research;  
Rebecca Miller-Rice, Administrator, Administrative Rules Review Section,  
Legal Services Division

**FROM:** Jason Kearney, Legislative Attorney, Administrative Rules Review Section,  
Legal Services Division

**DATE:** October 12, 2022

**SUBJECT:** Legal Authorization for the emergency promulgation of amendments to the  
Office of the Arkansas Lottery’s Operational Rules and Retailer Rules

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The Department of Finance and Administration’s Office of the Arkansas Lottery (“OAL”) seeks legislative review and approval of its emergency promulgation of amendments to its Operational Rules and Retailer Rules. Pursuant to Arkansas Code Annotated § 23-115-205(a)(26), OAL has all powers necessary or convenient to its usefulness in carrying out the Arkansas Scholarship Lottery Act, Ark. Code Ann. § 23-115-101 through 1102, that are not in conflict with the Arkansas Constitution or the United States Constitution, including without limitation the power to adopt and amend rules necessary to carry out and implement the office’s powers and duties, organize and operate the office, regulate the conduct of lotteries in general, and any other matters necessary or desirable for the efficient and effective operation of lotteries for the convenience of the public. *See also* Ark. Code Ann. § 23-115-205(a)(2) (concerning the power to adopt, amend, and repeal rules for the regulation of its affairs and the conduct of its business, to prescribe the duties of officers and employees of the office, and to perform other matters as the office determines).

Further rulemaking powers are enumerated in Arkansas Code Annotated § 23-115-207(a), which provides that OAL may adopt rules regulating the conduct of lotteries

in general, including without limitation: the types of lotteries to be conducted; the sale price of tickets or shares and the manner and method of sale; the number and amount of prizes; the method and location of selecting or validating winning tickets or shares; the manner and time of payment of prizes, including without limitation lump-sum payments or installments over a period of years; the manner of payment of prizes to the holders of winning tickets or shares; the frequency of lotteries and drawings or selection of winning tickets or shares; the means of conducting drawings; the method to be used in selling tickets or shares; the manner and amount of compensation to retailers; and any other matters necessary, desirable, or convenient toward ensuring the efficient and effective operation of lotteries, the continued entertainment and convenience of the public, and the integrity of the lotteries. Additionally, OAL may adopt rules requiring the publication on a ticket or share of the odds of winning a particular lottery game. *See* Ark. Code Ann. § 23-115-207(b). Finally, Ark. Code Ann. § 23-115-612 provides that OAL may promulgate rules necessary for the implementation and enforcement of Subchapter 6 of the Arkansas Scholarship Lottery Act, concerning retailers.

Proposed amendments to this rule are also based, in part, upon Acts 636 and 889 of 2021. Act 636 of 2021, sponsored by Senator Jimmy Hickey, Jr., amended the Arkansas Academic Scholarship Program – Part 2, and established procedures and funding requirements for the creation or amendment of scholarships funded with net revenue available. As amended by Act 636 of 2021, § 4, Arkansas Code Annotated § 23-115-103(15)(B) provides that OAL shall promulgate rules to determine the manner in which the net proceeds from the state lottery are deposited and disbursed based on what is most financially prudent. Act 889 of 2021, sponsored by Senator Larry Teague, allowed a lottery winner to remain confidential.