

DEPARTMENT OF REVENUE

Colorado Lottery

1 CCR 206 - 1 RULES AND REGULATIONS

AMENDED RULE 14 MULTISTATE ON-LINE LOTTERY GAMES

BASIS AND PURPOSE OF AMENDED RULE 14

The purpose of amended RULE 14 is to provide details and requirements for all Colorado Lottery multistate on-line games conducted as a member of a multistate group, such as the sale of tickets, payment of prizes, method for selecting and validating winning tickets. The statutory basis for RULE 14 is found in C.R.S. 24-35-201(5) and (6), 24-35-204(3)(a) and (i), 24-35-208 (1)(a) and (i), and (2), 24-35-212 and 24-35-212.5.

14.1 Commission to Adopt Specific Guidelines for Multistate On-Line Lottery Games

Multistate on-line lottery games are authorized to be conducted under the following Rules and Regulations and such further instructions and directives the Director may issue in furtherance thereof.

- a. All multistate guidelines and board decisions must be approved by the Colorado Lottery (hereafter referred to as Lottery) and the Lottery Commission, prior to implementation within Colorado.
- b. The Director will be a voting member of the multistate board during the timeframe in which the Lottery shall be a member of the multistate group.
- c. If at any time the Lottery Director determines that any provisions of the multistate governing rules or of the multistate specific game playing rules do not sufficiently provide for the security and integrity necessary to protect the Lottery, the Director shall recommend to the Lottery Commission that the Lottery end its membership with the specified multistate group or game. Upon concurrence by the Lottery Commission, membership can end at any time.
- d. To the extent not inconsistent with such specific Rules and Regulations as may be adopted, the following general provisions under this Rule 14 shall apply to each Lottery on-line game conducted as a member of a multistate group.

14.2 Definitions

In addition to the definitions provided in Paragraph 1.2 of Rule 1, and unless the context in these Rules and Regulations otherwise requires:

- a. "MULTISTATE AGREEMENT" means the document made and entered into by the Party Lotteries, containing the mutual covenants agreed to by the Party Lotteries.
- b. "MULTISTATE ON-LINE GAME" means an individual lottery game as described in specific game playing rules which utilizes a computer system to administer plays and in which a player or the computer system selects a combination of digits, numbers, or symbols. The Lottery, in conjunction with all other participating multistate game members, will either conduct or oversee a drawing to determine the winning combination(s), used by all multistate game members, in accordance with the Specific Game Playing Rules for each multistate on-line game.

- c. "MULTISTATE ON-LINE GAME PRIZE" means an award for matching combinations as described in Specific Game Playing Rules. These awards are valid only for those multistate on-line tickets purchased at an authorized Lottery licensee.
- d. "MULTISTATE ON-LINE TICKET" means a computer-generated ticket issued by an on-line licensee to a player as a receipt for the combination of digits, numbers or symbols selected in a multistate on-line game. That ticket shall be the only acceptable evidence of the combination of digits, numbers or symbols selected. Multistate on-line tickets may be purchased only from Lottery authorized on-line licensees.
- e. "MULTISTATE BOARD" means the governing body of a specific multistate on-line game, which is comprised of the chief executive officer of each Party Lottery.
- f. "MULTISTATE GUIDELINES" means the statements of policy having authority over an activity in an individual multistate game.
- g. "PARTY LOTTERY" means a state lottery or lottery of a political subdivision or entity which has joined a multistate game and, in the context of the Product Group Rules, has joined in selling the specified multistate on-line game.
- h. "PRODUCT" means any multistate on-line game.
- i. "PRODUCT GROUP" means a group of lotteries which have joined together to offer a product pursuant to the terms of the Multistate Agreement and the Group's own rules.

14.3 Price of Tickets

The purchase price of each multistate on-line ticket shall be set forth in Specific Game Playing Rules.

14.4 Sale of Tickets

- a. On-line licensees shall make Lottery multistate on-line tickets available for sale to the public during Lottery normal hours of operation of the on-line gaming system that are within the licensee's normal business hours.
- b. An on-line licensee shall sell Lottery multistate on-line tickets only at the premises specified in the license.
- c. All retail multistate on-line ticket sales are final and the return of a Lottery Multistate on-line ticket after sale shall not be accepted by the on-line licensee, unless otherwise directed by the Director or as set forth in Paragraphs 14.5 of this Rule 14 or as may be set forth in Specific Game Playing Rules.
- d. The Lottery itself may sell Lottery multistate on-line tickets.

14.5 Cancellation of Tickets

A multistate on-line ticket cannot be cancelled in any way. Unless the Director is satisfied that a mutilated Lottery on-line ticket is genuine, no credit will be issued to the holder.

- a. If the on-line ticket is mutilated at the time of purchase, it must be returned to the licensee by the ticket holder within one (1) hour of purchase provided that the licensee is open, the on-line system is available for wagering and the on-line system has not converted to the next drawing period.

- b. Licensees must submit evidence of machine-damaged or non-printed ticket(s) to the Lottery for investigation to determine if credit should be issued. A ticket submitted to the Lottery by the licensee for credit becomes the property of the Lottery and the ticket is invalid and ineligible for a prize. Following an investigation of circumstances, the Director may issue a credit in the amount of the purchase price to the Licensee should the claim be deemed genuine.

14.6 Ownership of Tickets

- a. Until such time as the multistate on-line ticket is signed in the area designated, a Lottery multistate on-line ticket shall be a bearer instrument, owned by the physical possessor of such ticket.
- b. The Director shall only recognize as the true owner of a winning Lottery multistate on-line ticket the person whose signature appears upon the ticket in the area designated for said purpose.
- c. Each winning multistate on-line ticket must have placed thereon the signature of the owner in the area designated for such purpose. The Division may make payment based upon information submitted to it on an affidavit proving ownership.
- d. In the event there is an inconsistency in the information submitted on a claim form and as shown on the winning multistate on-line ticket, the Director shall request an investigation and withhold all winnings awarded to the ticket owner or holder until such time as the Director is satisfied that the proper person is being paid.
- e. The Director shall recognize only one (1) person as claimant of a multistate on-line ticket. A claim may be made in the name of an organization only if the organization possesses a Federal Employer Identification Number (FEIN) issued by the Internal Revenue Service and such number is shown on the claim form. Groups, family units, clubs or organizations without an FEIN shall designate one individual in whose name the claim is to be filed. If a claim is erroneously entered with multiple claimants, the claimants shall designate one of them as the individual recipient of the prize, or, if they fail to designate an individual recipient, the Director may designate any one of the claimants as the sole recipient. In either case, the claim shall then be considered as if it were originally entered in the name of the designated individual and payment of any prizes won shall be made to the single individual. Once a multistate on-line ticket is validated, it will not be returned to the winner, but remain the property of the Lottery.

14.7 Purchaser's Obligations

- a. In purchasing a multistate on-line ticket, the purchaser agrees to comply with all provisions of part 2 of article 35 of title 24, these Rules and Regulations, all final decisions of the Director, all instructions and directives established by the Director, all multistate group guidelines, which have been approved by the Lottery, and all multistate group Board decisions for the conduct of the multistate on-line games.
- b. It shall be the sole responsibility of the player to verify the accuracy of the game play or plays and other data printed on the ticket. The placing of plays is done at the player's own risk through the on-line licensee, who is acting on behalf of the player in entering the play or plays.

14.8 Persons Ineligible to Purchase Tickets

- a. No person under the age of eighteen (18) may purchase Lottery multistate on-line tickets.
- b. No Lottery multistate on-line ticket may be purchased by, and no prize shall be paid to, any of the following as set forth in C.R.S. 24-35-209:

1. Any member of the Commission;
2. Any employee of the Lottery, except when authorized by the Lottery Director for investigative purposes. In no event shall such employee be entitled to payment of any prize;
3. Any officer, director or employee of any supplier of Colorado Lottery multistate on-line ticket materials or equipment, or the subcontractors thereof which have participated, in any manner, in the supplying of Colorado Lottery multistate on-line ticket materials or equipment, except when authorized by the Director for investigative purposes. But, in no event shall any such persons be entitled to payment of any prize;
4. Any vendor precluded by its contract with the Lottery;
5. Any person who operates drawing equipment during a multistate lottery drawing or officially witnesses a drawing;
6. Any member of the immediate family as defined in Rule 1-Definitions, of items 1., 2., 3., 4. and 5. above.

14.9 Drawings and End of Sales Prior to Drawings

- a. The manner and frequency of drawings shall be as set forth in Specific Game Playing Rules.
- b. Drawings shall be conducted at a location and on days and at times to be announced.
- c. The Director shall determine for each type of multistate on-line game the draw break or time for the end of sales prior to the drawings in accordance with the multistate guidelines. On-line terminals will not process orders for multistate on-line tickets for that drawing after the time established by the Director.
- d. An auditor, as required in C.R.S 24-35-208 (2)(d), will observe each multistate drawing and document compliance or non-compliance to drawing procedures required by the multistate group Board and the Lottery as described in the Lottery's drawing guidelines.
- e. The auditor must submit a report after each drawing that documents compliance or non-compliance to established drawing procedures as described in the drawing guidelines. The report must include each discrepancy detected, if any, during the drawing procedure and recommendations, if any that may strengthen the integrity of the drawings. The report will become a part of the Lottery's drawing work papers. Reports that include a discrepancy and/or a recommendation must be distributed to the Lottery Commission, the Director, the Lottery Security Director and the Lottery Controller.
- f. All drawing equipment used shall be examined by the auditor located at the multistate drawing site immediately prior to, but no sooner than thirty (30) minutes before, a drawing and immediately after, but no later than thirty (30) minutes following the drawing.

14.10 Validation Requirements

- a. To be a valid winning multistate on-line ticket, all of the following conditions must be met:
 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.
 2. The ticket shall be intact.

3. The ticket shall not be mutilated, altered or tampered with in any manner.
 4. The ticket shall not be counterfeit or an exact duplicate of another winning ticket.
 5. The ticket must have been issued by a Colorado authorized on-line licensee in an authorized manner.
 6. The ticket must not have been stolen.
 7. The ticket must not have been previously paid.
 8. The ticket shall pass all other confidential security checks of the Lottery.
- b. Any ticket failing any validation requirement listed in Section (a) above is invalid and ineligible for a prize. If a court of competent jurisdiction determines that a claim based on a ticket which has failed to validate solely because of subsection (a) (7) of this section is valid, the claim shall be paid as a prize pursuant to Paragraphs 14.11 of this Rule 14 and Specific Game Playing Rules. The licensee that paid such ticket erroneously shall indemnify the Lottery for payment of the prize and from any other claim, suit or action based on that ticket.
- c. The Director may pay the prize for a multistate on-line ticket that is partially mutilated or is not intact if the multistate on-line ticket can still be validated by the other validation methods and requirements.
- d. In the event a defective multistate on-line ticket, pursuant to paragraph 14.5 of this rule 14, is purchased, the only responsibility or liability of the Lottery or the on-line licensee shall be the replacement of the defective multistate on-line ticket with another multistate on-line ticket (or a ticket of equivalent sales price from any other current Lottery game) or refund of the purchase price.

14.11 Payment of Prizes

- a. The prize amounts or total amount of prize money allocated to the prize categories for multistate on-line games shall be set forth in Specific Game Playing Rules.
1. In the event the prize expense is less than the Lottery Commission approved "Aggregate Prize Fund" for a specific game, the Director or designee may authorize the difference to be used to increase Lottery prize amounts or pay additional prizes for that game within the current fiscal year, within the multistate guidelines.
- b. The holder of a winning multistate on-line ticket in the amount of \$150.00 or less may take the ticket to any licensee location during the licensee's normal business hours and game operation hours for validation and payment.
- c. The holder of a winning multistate on-line ticket in the amount of \$151.00 to \$599.00 may take the ticket to any licensee location during the licensee's normal business hours and game operation hours. Licensees have the option of validating winning tickets in the amount of \$151.00 to \$599.00. All prizes shall be paid by the licensee upon presentation and validation of the ticket pursuant to instructions on the back of the multistate on-line ticket.
- d. Any winning multistate ticket in any amount may be mailed or presented to a Lottery claims center for payment. The prizes shall be paid by the Lottery upon presentation and validation of the ticket pursuant to instructions on the back of the multistate ticket.

- e. The holder of a prize-winning ticket of \$600.00 or more shall complete all of the information detailed on the Colorado Lottery claim form and submit the completed form and ticket by mail or in person to the Lottery. The Colorado Lottery shall pay the prize to the owner of the ticket upon validation. In the event that the intercept program reveals an outstanding obligation for a winner of a prize, the prize will not be awarded until the intercept obligation is paid as set forth in 24-35-212.5.
 - 1. A prizewinner, or a prizewinner's legally authorized representative, shall sign the winning multistate ticket and complete a claim form that is available from any licensee, Lottery Claim Center or the Colorado Lottery website. The claim form shall incorporate the following information:
 - i. Verification that the prizewinner is not a person disqualified by law or by these Rules and Regulations to claim or otherwise accept a prize from the Lottery;
 - ii. Notification that the prizewinner's name, city of residence and prize amount are public information. This same notification is given to one signing on behalf of an multistate ticket owner under a disability that prevents the prizewinner from signing in his/her own behalf;
 - iii. The Lottery is not liable for any loss caused by a misrepresentation by the multistate ticket owner or the person claiming the prize on the winner's behalf.
 - 2. The claim form may contain any other provision that the Lottery Director may deem necessary and proper to promote the public interest and trust or security and efficient operation of the Lottery.
 - 3. Payment for a winning ticket will not occur unless all of the requirements on the claim form and winning ticket have been met or an acknowledgement that the information is unknown or unavailable. There is no obligation or duty of the Lottery, its employees or licensees, to make any inquiry of the truthfulness of information that appears on the claim form before payment to the claimant.
- f. Payment of prizes shall be made to the claimant in person or by mail to the address provided by the claimant.
- g. All prizes shall be paid within a reasonable time after they are awarded and after the claims are validated by the Lottery.
- h. The Lottery Director may delay any payment in order to review a change of circumstances relative to the prize awarded, the payee, the claim, or any other matter that may have come to their attention. All delayed payments will be paid to date immediately upon the Lottery Director's confirmation that the payee is entitled to such payment.
- i. The Lottery Director's decision shall be final and binding upon all participants in the game with respect to the payment of all prizes.
- j. The Lottery Director reserves the right to require a claimant to disclose the location or person from whom the claimant purchased the ticket.
- k. A prize must be claimed no later than 180 days after the drawing for which the multistate on-line ticket was purchased. Any person who fails to claim a prize which is held by the Lottery or its designee during the one hundred eighty (180) day claim period shall forfeit all rights to the prize and the amount of the prize shall remain in the Lottery Fund. Prizes claimed by mail must be

documented as received at Lottery Headquarters by the 180th day after the announced end of game date.

- l. Payment of any prize shall be made to the owner of the multistate ticket or their designee. All liability of the State, its officers and employees, and the Commission shall terminate upon payment.
- m. In the event that a claim is filed on behalf of a legal entity other than the owner of the ticket for a prize payable for life, the legal entity shall designate an officer or director of that legal entity as the person on whose life such prize is to be paid and shall execute an agreement evidencing such designation. The specific requirements for payment will be detailed in the game rule and/or Specific Drawing Guidelines.
- n. In the event that the intercept program reveals an outstanding obligation for a winner of a prize, the prize will be awarded based upon C.S.R. 24-35-212(5) and 24-35-212.5.

14.12 Lost or Stolen Tickets

The Director reserves the right to hold any prize, pending the findings of an investigation, when the multistate on-line ticket presented for validation has been reported stolen or lost. At the Director's discretion, multistate on-line tickets, which are determined to be stolen, will not be paid.

14.13 Payment of Annuity Prizes upon the Death of the Prize Winner

In the event of the death of a Lottery winner during the payment period, the multistate group's Finance & Audit Committee, in its sole discretion, upon the petition of the estate of the Lottery winner (the 'Estate') to the Lottery, and subject to federal, state, or district applicable laws, may accelerate the payment of all of the remaining lottery proceeds to the Estate. If the Finance & Audit committee makes such a determination, then securities and/or cash held to fund the deceased Lottery winner's annuitized prize may be distributed to the Estate. The identification of the securities to fund the annuitized prize shall be at the sole discretion of the Finance & Audit Committee.

14.14 Assignment of Prizes

The winner of an annuitized or installment payment prize in any multistate on-line game being paid in annuitized or installment payments who desires to assign the right to unpaid future annuitized or installment payments must comply with C.R.S 24-35-212 (1) (b) and (1.5).

14.15 Annuity Payments

The multistate group shall act as an agent for the Party Lotteries jointly operating games requiring annuitized payments and shall purchase investments for the benefit of the Party Lotteries who receive valid claims for each prize paid as an annuity. The investment purchase process shall be handled according to the multistate group's guidelines (solicitation of bids, selection of investment, premium payment, etc.). The investment so purchased shall be held in the trust account for the benefit of each Party Lottery for eventual distribution to a prizewinner.

14.16 Audit of Lottery Contributions To The Multistate Group

The Lottery is responsible for verifying all multistate group prize fund and reserve allocations, interest earnings and expenditures received or paid on behalf of the Lottery. The Lottery's fiscal department will perform analytical procedures on the multistate group's audited financial statements annually as set forth

in recommendation #2 of the June 30, 2003 financial audit. If anything of concern surfaces by applying these procedures, the Lottery Director and the Lottery Controller will be notified.

14.17 Interest Earnings

- a. The Director shall request the multistate group to distribute all interest earned on the unreserved account on a quarterly basis. If the interest earned on the unreserved account is immaterial, the Director may postpone the distribution request until the end of the fiscal year.
- b. At the end of each fiscal year, the multistate group shall prepare a schedule of revenues and expenses resulting in the multistate group's net income for the fiscal year. The revenues will include all investment earnings, except the interest earned on the unreserved account. The net income will be available to be distributed to each Party Lottery in accordance with procedures as set forth by the multistate group. The Director of each Party Lottery shall request the remittance of their proportionate share of net income following the close of the fiscal year.

14.18 Use of Coupons, Lottery Bucks and Free Tickets

- a. Coupons, Lottery Bucks, and free tickets (hereafter referred to as "coupons") are marketing tools used by the Lottery for promotions.
- b. In the event the Lottery uses a promotional partner to distribute coupons, the promotional partner must ensure all coupons are issued to the consumer or public and any unused coupons are returned to the Lottery.
- c. At no time may coupons be sold, used to purchase goods or services, pay-off Lottery debts, reimburse a licensee(s) for any loss or used for licensee compensation. Coupons may be used for prizes and/or promotion gifts to consumers and retail employees to promote the Lottery as long as the expense of these are debited to the appropriate budget line.
- d. The Lottery Director may deem it proper to authorize the use of bar coded coupons to promote Lottery products. In the event such use is authorized, licensees shall comply with all requirements and restrictions specified on the coupon and shall redeem and exchange said bar coded coupons for Lottery tickets only and not for cash.

14.19 On-Line Licensee Commission

Each licensee shall be entitled to receive a commission of Six Percent (6%) for each on-line Lottery ticket lawfully sold or disbursed by said licensee. In addition to said commission, the Director may provide such additional compensation to licensees as is set forth in Specific Game Playing Rules.