

## **POLICY MANUAL**

### **CHAPTER 2 - RETAILER RULES AND REGULATIONS**

#### **2.01 APPLICABILITY OF THESE RULES**

The Retailer Rules and Regulations contain specific rules, regulations, procedures, instructions and directives that apply to Lottery Retailers (“Retailer”) as defined by The Alyce G. Clarke Mississippi Lottery Law, Senate Bill 2001 (First Extraordinary Session 2018 ("Act"). The Mississippi Lottery Corporation (“MLC”) will, from time to time, amend these Rules and Regulations and adopt new Rules and Regulations. When this occurs, all existing Retailers will be advised of these changes. By signing a Lottery Retailer Contract (“Retailer Contract”), each Retailer shall comply with all terms, conditions, obligations and requirements of Lottery Retailers set forth in these Rules and Regulations, as they may be amended from time to time. When and if a Retailer is unwilling to agree to amendments and revisions to these Rules and Regulations, the Retailer's sole recourse shall be to notify, in writing, the MLC, within twenty (20) calendar days of being advised by MLC of the changes, that the Retailer is voluntarily canceling its Retailer Contract. In the event of a conflict between the Act, the Retailer Rules and Regulations, and the Retailer Contract, the Act will govern the Retailer Rules and Regulations, and the Retailer Rules and Regulations will govern the Retailer Contract.

#### **2.02 DEFINITIONS**

Capitalized terms used herein shall have the meanings set forth in Appendix A attached hereto, unless otherwise defined in context.

#### **2.03 GENERAL RULES**

- A. At each respective Retailer Business Location listed in the Retailer Contract for which a Certificate of Authority has been issued, each Retailer shall sell Tickets, but only for those lottery games authorized by the MLC, in the MLC's sole discretion, to be sold at each such Retailer Business Location. The lottery games authorized by the MLC may include Instant Games, Drawing-Style Games, and any other games, which may be developed, distributed and sold under the authority of the MLC. For each of the MLC lottery games that the Retailer is authorized by MLC to sell, the Retailer shall abide by any and all Rules and Regulations adopted by MLC to govern each respective game.
- B. No Retailer may sell any Tickets at any location unless that Retailer has in effect a Retailer Contract issued in accordance with the Act, which has not been terminated, suspended, canceled or revoked. No Retailer shall sell any Tickets or Shares except from a Retailer Business Location listed in its Retailer Contract and as evidenced by the display of a Certificate of Authority for such Retailer Business Location;

however, in certain instances, the MLC may issue a temporary Certificate of Authority to specifically authorize the sale of Tickets from a temporary location.

- C. If the MLC issues a Certificate of Authority for more than one Retailer Business Location listed in the Retailer Contract, to the extent that it may be necessary for administrative or regulatory purposes, the Retailer Contract shall be deemed a separate contract for each such Retailer Business Location. In the event that the MLC and Retailer may enter into more than one Retailer Contract for any specific Retailer Business Location, whether at time of Retailer Contract renewal or otherwise, the most recently dated Retailer Contract shall amend, renew, replace, and restate any prior Retailer Contract in its entirety for each of the Retailer Business Locations listed therein.
- D. No Lottery Retailer can be engaged exclusively at any Retailer Business Location in the business of selling Tickets, nor sell Tickets from a mobile or residential location.
- E. For each Retailer Business Location at which Tickets are sold or to be sold, a Lottery Retailer Contract is required which lists the designated location as a Retailer Business Location. A Retailer applicant who desires to operate more than one (1) Retailer Business Location to sell Tickets must submit separate information for each such location in such form as the MLC may require. The MLC, in its sole discretion, may authorize the sale of Tickets for all, any or none of the MLC's lottery games, as defined in the Act, from each such respective location.
- F. No Retailer Contract is assignable or transferable, in whole or in part, to any person or entity. No Retailer Contract is transferable to any location(s) other than as specified in the Retailer Contract. See Section 2.13 below.
- G. An applicant or Retailer shall notify in writing the MLC of any change in the information in the applicant's or Retailer's most recent application for a Retailer Contract or renewal of a Retailer Contract. The applicant or Retailer shall notify the MLC of the change in the information within ten (10) days following the date of the change. Notwithstanding the preceding sentence, a corporate applicant or Retailer is not required to notify the MLC under this subsection of a transfer of ten percent (10%) or less of the corporate stock, directly or indirectly, unless the transfer results in (i) a change in ownership of a controlling equity interest in the Retailer or (ii) the addition or deletion of any of the owners holding more than ten percent (10%) of the Retailer, directly or indirectly.
- H. No Retailer shall sell a Ticket or Share at a price other than established by the MLC, unless authorized in writing by the President. No person other than a duly contracted Lottery Retailer shall sell Tickets or Shares, but this shall not be construed to prevent a person who may lawfully purchase Tickets or Shares from making a gift of Tickets or Shares to another person. Nothing shall be construed to prohibit the MLC from designating certain of its representatives and employees to

sell or give Tickets or Shares directly to the public.

- I. Lottery Tickets or Shares may be given by Retailers as a means of promoting goods or services to customers or prospective customers, subject to prior approval by the MLC.
- J. Retailers shall not condition the sale of Tickets upon the purchase of any other goods or services and shall not impose any other unauthorized restriction or condition upon the sale or redemption of Tickets. Neither Retailer nor its employees shall request or demand gratuities or other remuneration of any kind in exchange for the performance of any obligation required under the Retailer Contract or these Rules and Regulations.
- K. No Tickets shall be sold to Minors. Retailer shall establish such safeguards as are necessary to ensure that no sales are made or prizes paid to Minors, except as otherwise provided in the Act and Rules and Regulations. However, this does not prohibit the purchase of a Ticket by a person twenty-one (21) years of age or older for the purpose of making a gift to any person of any age. Retailers shall place any vending machine utilized for the purpose of dispensing Lottery Tickets only in locations on the premises of the Retailer Business Location that are within the view of such Retailer or an employee of same, and said vending machine shall bear a conspicuous label prohibiting its use by Minors.

No Retailer or any agent, associate, employee, representative or servant thereof shall sell a Ticket to any person unless the person submits any one (1) of the following forms of identification which establish the age of the person as twenty-one (21) years or older:

- 1) A valid and current Mississippi driver's license which contains a photograph of the person presenting the driver's license.
- 2) A valid and current driver's license of another state which contains a photograph of the person submitting the driver's license.
- 3) A valid and current special identification card issued by the State of Mississippi containing a photograph of the person submitting the identification card.
- 4) A valid and current passport or visa issued by the federal government or another country or nation that contains a permanently attached photograph of the person submitting the passport or visa.
- 5) A valid and current military or federal identification card issued by the federal government containing a photograph of the person submitting the identification card.

Each form of identification listed in items (1) through (5), above, of this subsection must on its face establish the age of the person as twenty-one (21) years of age or older, and there must be no reason to doubt the authenticity or correctness of the identification. No form of identification mentioned in items (1) through (5), above, of this subsection shall be accepted as proof of age if it is expired, defaced, mutilated or altered. If the driver's license, state special identification card or lawful identification submitted is a duplicate, the person shall submit additional identification which contains the name, date of birth and photograph of the person.

An educational institution identification card, check-cashing identification card, or employee identification card shall not be considered as lawful identification for the purposes of this subsection.

- L. Persons under the age of twenty-one (21) may handle or transport Tickets or Shares as part of or in the course of such person's employment; provided that the person is under the supervision of another employee who is at least twenty-one (21) years of age.
- M. Retailers shall not engage in the bulk sale of Tickets. For purposes of this subsection, "bulk sale" means the sale of all or nearly all of Retailer's Ticket inventory to a single buyer outside of the ordinary course of Retailers' business.
- N. Retailers shall not knowingly sell any Ticket and shall not pay any Prize to any member of the Board or any officer or employee of the MLC; to any Vendor or Retailer; or to any spouse, child, brother, sister or parent residing in the same household as the foregoing.
- O. Retailers shall not extend credit to the purchaser of Tickets and shall not accept a check, EBT cards, food stamps or WIC vouchers for the purchase of a Ticket. Retailers may accept only cash, credit cards, debit cards and prepaid debit/credit cards for the purchase of a Ticket. For the purpose of this subsection, "cash" means coins or notes.
- P. Retailers shall not sell Tickets by mail, e-mail, internet, telephone, fax or other similar method of communications. Retailers shall not offer for play any lottery games involving the use of a Video Lottery Terminal or any mobile or internet-based or monitor-based interactive game, or any simulated casino-style game, including video poker, video roulette, slot machines or video blackjack, or any variant of these prohibited games. Retailers shall not offer any lottery games to be played or sell Tickets by any method involving a Video Lottery Terminal or by any personal computer, tablet, smartphone, mobile device or other similar equipment or type of device. Retailers shall not allow any illegal lottery device (as defined in the Act) on the premises of its Retailer Business Location.
- Q. Retailers shall make the purchase of Tickets conveniently and readily accessible to their customers during the Retailers' normal business hours, unless circumstances

arise that are out of the control of the Retailer and could not have been avoided by the exercise of due care.

- R. The MLC shall provide Retailers with a Retailer Reference Manual. MLC policies in the Retailer Reference Manual may be updated from time to time. The policies on file with the MLC shall be the official versions of these policies.
- S. Retailers shall only accept from players official MLC Play Slips that are manually prepared.
- T. Retailers shall sell all Drawing-Style and/or Instant Games authorized by the MLC to be sold at the Retailer's Business Location.
- U. Retailers shall not sell Tickets or Shares in the State of Mississippi other than those issued to it by the MLC.
- V. Retailers shall not knowingly sell a Ticket or combination of Tickets to any person or entity, which would guarantee such purchaser a win or Prize.
- W. Retailer shall attend training sessions from time to time, as requested by the MLC.
- X. Retailer shall:
  - 1) Immediately report to the MLC's security department any knowledge of unlawful activities or other improprieties that concern the operations of the MLC or the MLC's lottery games;
  - 2) Immediately report all stolen Instant Tickets to the MLC's security department within twenty-four (24) hours of theft. The Retailer must provide MLC Security personnel with the Game name and Number, the Pack Number(s) and the exact range of Tickets stolen. In addition, the Retailer shall file a police report for the stolen Tickets within twenty-four (24) hours of theft. The Retailer shall mail or fax a copy of the police report and it should be received by MLC Security within fourteen (14) calendar days of the initial report of the theft to the MLC; and
  - 3) Fully cooperate with the MLC in the investigation of any stolen, altered, or counterfeit Tickets or other unlawful or improper activities affecting the operations of the MLC or the MLC's lottery games.
- Y. If more than one Retailer Business Location is to be covered by a Retailer Contract, each such location shall be listed in a Schedule I attached to the Retailer Contract. Locations may be added or deleted from Schedule I by mutual agreement of Retailer and MLC, effective upon the date of a revised Schedule I signed by both Retailer and MLC; however, MLC may cancel, deny, revoke, suspend, terminate, or refuse to renew the Retailer Contract with regard to any individual location(s) for any of the reasons set forth in Section 2.07 below.

- Z. Retailers shall not sell previously scratched non-winning Tickets, whether individually or in bulk. For purposes of this subsection, "sell" shall mean any transaction in which the retailer receives or would have received a monetary or other benefit or any value in consideration or in exchange for a non-winning Ticket(s).

## **2.04 OTHER RETAILER OBLIGATIONS AND AGREEMENTS**

- A. By entering into the Retailer Contract, the Retailer:
- 1) Acknowledges that the MLC has made no representations or warranties as to whether Retailer may or may not be prohibited from engaging in the sale of Tickets by reason of any controlling federal statute, rule or regulation; and
  - 2) Represents and warrants to the MLC that it is not prohibited from entering into the Retailer Contract or engaging in the sale of Tickets by any deed, lease, contract, charter, bylaw or other restriction; and
  - 3) Represents and warrants to the MLC that Retailer fully satisfies all requirements for a "Retailer" as defined in the Act; and
  - 4) Agrees and acknowledges that failure by Retailer to comply with any of the terms or provisions of the Retailer Contract, including the provisions of the Act and the Rules and Regulations, shall constitute a breach of the Retailer Contract; and
  - 5) Agrees and acknowledges that Retailer shall be liable for all costs incurred by the MLC in enforcing the Retailer Contract and in collecting any amounts due to the MLC from Retailer hereunder, including court costs and attorneys' fees; and
  - 6) Agrees and acknowledges that it shall defend, protect and hold harmless the State of Mississippi, the MLC, the Board, and any and all officers, directors, employees and designees thereof, from and against all claims, suits or actions arising from any willful or negligent act or omission of Retailer or its officers, directors and employees while performing its obligations under the Retailer Contract; and
  - 7) Agrees and acknowledges that it is responsible for any loss or property damage to the MLC or its Vendors which results from a willful or negligent act or omission of Retailer or which results from the failure on the part of Retailer to secure, maintain and administer any such property in accordance with sound management practices; and

- 8) Agrees and acknowledges that it is responsible for making or having made, and bearing all costs associated therewith, any and all necessary or appropriate modifications to its facilities which are reasonably requested by the MLC to facilitate the installation, operation and maintenance of any lottery related equipment, including Lottery Terminals and display monitors.
- B. Retailer shall not subcontract any of its duties or obligations under the Retailer Contract.
- C. Retailer shall exercise control and supervision over its employees selling Tickets and shall be fully responsible and liable for their conduct, as it relates to the sale of Tickets. Retailer shall provide instructions to its employees concerning the Act, the Rules and Regulations and the Retailer Contract.
- D. Retailer at its own cost shall maintain any and all bank accounts required by the MLC.
- E. Retailer shall not sell Tickets or hold itself out as a Lottery Retailer if the Retailer Contract is no longer in force for any reason, whether by virtue of suspension, termination, denial, revocation, cancellation or non-renewal.
- F. Retailer shall return to the MLC all Tickets, goods, materials, and lottery equipment delivered to the Retailer pursuant to the Retailer Contract upon cancellation, denial, termination, suspension, revocation or non-renewal of the Retailer Contract or upon demand by the MLC.
- G. Retailer shall not use a MLC insignia, logo, trademark, service mark or name of any MLC lottery game in an advertisement without the prior written authorization of the President in each instance.
- H. Retailer shall not display or publish lottery related material, which may be considered derogatory or adverse to the operation or dignity of the MLC or the State of Mississippi. Retailer shall remove immediately any such materials from the Retailer Business Location upon the request of the MLC.
- I. Retailer shall accurately complete, timely return, and otherwise comply with any and all information update requests or other forms required by the MLC from time to time during the term of the Retailer Contract.
- J. Retailer shall perform its obligations under the Retailer Contract solely as an independent contractor of the MLC, and not as an agent, partner, joint venture or employee of the MLC or the State of Mississippi.
- K. Notices.

- 1) Retailer shall notify the MLC in writing at least twenty (20) calendar days in advance of any of the following changes:
    - a. Voluntary cancellation of the Retailer Contract by Retailer pursuant to Section 2.07 below; or
    - b. The change in any Retailer Business Location(s) listed in the Retailer Contract; or
    - c. The change in the designated separate bank account from which payments are to be made (see Section 2.12 below); or
    - d. The change in ownership of Retailer's business at any Retailer Business Location in the event that the new owner has applied to become a Retailer at such location pursuant to Section 2.13 below.
  - 2) Retailer shall notify the MLC in writing no more than ten (10) calendar days after the occurrence of any of the following changes:
    - a. The change in any of the information submitted to MLC in the Retailer's most recent application, including ownership changes, pursuant to Section 2.03(G) above; or
    - b. The death or incapacity of owner(s), partner(s), sole proprietor, etc.; or
    - c. Any change causing Retailer no longer to satisfy fully all requirements of a "Retailer" as defined in the Act. Specifically, without limitation, Retailer shall submit such notice if, at any time during the term of the Retailer Contract, Retailer or any of its owners are convicted of, or enter a plea of guilty or nolo contendere, to a criminal offense prohibited by the Act, have violated any provisions of the Act, the Rules and Regulations or the Retailer Contract, or have assessed against them a tax delinquency, within ten (10) calendar days of the occurrence of such event.
- L. No waiver by either the MLC or the Retailer of any term or provision of the Retailer Contract, or of any default hereunder, shall affect such party's rights thereafter to enforce such term or provision or to exercise any right or remedy in the event of any other default, whether or not similar.
- M. The invalidity or unenforceability of any term or provision of the Retailer Contract shall not affect or diminish the validity or enforceability of the remaining provisions contained therein.

## **2.05 RETAILER SELECTION CRITERIA**

- A. Retailer selection criteria established by the MLC are designed to comply with all requirements of the Act, to provide clear and objective guidelines to Retailer applicants and to maximize the participation of Retailers in the State of Mississippi. The MLC shall consider factors including, but not limited to the Retailer applicant's financial responsibility, integrity, and reputation; the location and security of the applicant's place of business or activity; and the Retailer applicant's conformity with applicable law and the code, ordinances, rules and regulations of any governmental body of the State of Mississippi.
- B. Applicants will be eligible to become Retailers if:
- 1) The applicant returns a completed application form; and
  - 2) The applicant provides a listing of all proprietors, partners, corporate officers and shareholders of closely held corporations holding more than ten percent (10%) of the ownership interest in the applicant, directly or indirectly; and
  - 3) The applicant provides a certification of compliance with the provisions of the Act; and
  - 4) The applicant provides a notarized consent form from each proprietor, partner, corporate officer or shareholder of closely held corporations holding more than ten percent (10%) of the ownership interest, directly or indirectly, thereby allowing the MLC to investigate criminal, financial and tax status; and
  - 5) The applicant is not reported as delinquent in filing or payment of taxes by the United States Internal Revenue Service or the Mississippi Department of Revenue; and
  - 6) The applicant, including all proprietors, partners, corporate officers or shareholders holding more than ten percent (10%) of the ownership interest, directly or indirectly, have not been convicted of a criminal offense prohibited by the Act; and
  - 7) The applicant, including all proprietors, partners, corporate officers or shareholders holding more than ten percent (10%) of the ownership interest, directly or indirectly, either:
    - a. Meets an acceptable level of creditworthiness as assessed through an independent credit agency or in the MLC's sole discretion, based upon the current or prior payment history with the MLC; or
    - b. Provides a financial security deposit or other credit enhancement acceptable to the MLC; and

- 8) The applicant submits the required application fee for each Retailer Business Location; and
- 9) The applicant establishes a separate bank account in the name of the Retailer as "Trustee for the Mississippi Lottery Corporation" for lottery proceeds and provides the banking information to the MLC which enables collection of the lottery proceeds by way of Electronic Funds Transfer (EFT); and
- 10) The applicant has one (1) or more individuals from each Retailer Business Location attend and successfully complete the training program prescribed by the MLC; and
- 11) After a visit to each proposed Retailer Business Location by a Lottery Sales Representative, the MLC determines that all information provided by the Retailer appears accurate and that each such retail establishment sells products other than Tickets, and is not a mobile or residential location.
- 12) Retailer signs a Retailer Contract or Retailer Contracts, in form and content satisfactory to the MLC, which list all proposed Retailer Business Locations.
- 13) For an applicant, including all proprietors, partners, corporate officers or shareholders holding more than ten percent (10%) of the ownership interest, directly or indirectly, that has ever held a like position or ownership interest in any MLC Retailer which has or has had an outstanding unpaid balance owing to the MLC, the applicant:
  - a. Must satisfy in full any legally enforceable outstanding balance which was not paid to the MLC when due; and
  - b. May be required, in the MLC's sole discretion, to provide a financial security deposit or other credit enhancement acceptable to the MLC.

The foregoing notwithstanding, the MLC may deny a Retailer Contract to any Retailer applicant in accordance with Section 2.07 of the Retailer Rules and Regulations.

- C. All Retailer applicants will be informed within reasonable time periods of their failure to comply with any of the provisions in Section 2.05(B), above, as well as specific details of the non-compliance. The MLC will assist the Retailer applicant on a "best efforts" basis to resolve any outstanding issue.
- D. Retailers failing to meet the creditworthiness criteria as referenced in 2.05.B(7)(a) that are unable to or fail to post the financial security deposit or other credit enhancement facility referenced in 2.05.B(7)(b), above, but that meet all other eligibility requirements to sell all Lottery Games, may be offered, at the sole

discretion of the MLC, the opportunity to sell Instant and Drawing-Style Tickets subject to limitations on the extension of credit.

- E. Notwithstanding the criteria in Section 2.05(B), above, the MLC, in its sole discretion, may authorize exceptions to the listed criteria and authorize a Retailer to sell Tickets for Lottery Games when the Retailer does not meet all the criteria. The intent of this provision is to allow the MLC to ensure that: (1) Lottery Games and Lottery Terminals are available in all geographic areas of the state, are represented in a variety of trade styles, and are available to support marketing initiatives with specific Retailers; and (2) administrative difficulties for Retailer applicants are avoided (e.g., consent forms would not necessarily need to be required from all corporate officers in a large multi-state conglomerate).

*Amended 8/13/20*

- F. The President is authorized to temporarily waive any requirement of these Rules and Regulations and issue Certificate(s) of Authority and execute a Retailer Contract with a Retailer applicant on a provisional basis subject to the following conditions:
- 1) The Retailer applicant has filed a complete Retailer application with the MLC; and,
  - 2) The Retailer applicant is currently an authorized lottery retailer in another state; and,
  - 3) The President, in consultation with the General Counsel, determines that the state in which the applicant is licensed as a lottery retailer has substantially similar requirements as those of the Act and these Rules and Regulations; and,
  - 4) The Retailer applicant furnishes or the MLC otherwise obtains a letter or other certification from a lottery in whose state the applicant is currently licensed confirming that the Retailer applicant is in good standing in that state and currently in compliance with all applicable law and regulations and current on all financial obligations to said lottery; and,
  - 5) The Retailer applicant, if a sole proprietor, or an officer of the applicant authorized to act on its behalf otherwise, executes an affidavit satisfactory to the President specifically confirming that it is not prohibited from being a Retailer under the Act or these Rules and Regulations; and,
  - 6) The Retailer applicant shall nevertheless be required to undergo and cooperate with all investigations required by the Act and these Rules and Regulations. If at any time a Retailer applicant granted a Retailer Contract under this temporary waiver provision is discovered to be ineligible to be a Retailer, such Retailer Contract and any associated Certificate(s) of

Authority shall immediately be terminated and the Retailer shall be prohibited from further lottery sales until compliance with the Act and these Rules and Regulations can be shown. The term of any Retailer Contract entered into under this temporary waiver provision and of any associated Certificate(s) of Authority shall not exceed one (1) year and shall not be extended unless the Retailer has satisfied all background investigations and is in compliance with all other requirements of the Act, these Rules and Regulations, and MLC practice. Nothing in this section requires the MLC to execute a Retailer Contract or issue any Certificate(s) of Authority to any Person on a temporary waiver basis.

- G. By signing a Retailer Contract, the Retailer shall be subject to the Act and Rules and Regulations, and, in particular, those Rules and Regulations governing the specific lottery games which the MLC has authorized the Retailer to sell.

## **2.06 APPLICATION AND RETAILER FEES; BOND**

- A. Applications submitted to the MLC for each Retailer Business Location, including applications for a change of ownership of an existing Retailer Business Location, must be accompanied by a cashier's check, money order or business check (personal checks are not acceptable) in the amount of \$80.00 for a single Retailer Business Location, plus \$15.00 for each additional Retailer Business Location intended to be included by a Retailer Contract.
- B. A Retailer shall pay a fee of \$20.00 for each Retailer Business Location per week to cover the cost of all services provided by the MLC. This fee shall be included automatically in the settlement process and collected by EFT. This fee may be waived in the discretion of the MLC in accordance with uniform minimum sales criteria and other criteria, which may be established by the MLC from time to time.
- C. Each Retailer shall post a letter of credit or a bond with the MLC using a surety acceptable to the MLC in an amount not to exceed twice the average Ticket sales of the Retailer for the period within which the Retailer is required to remit lottery proceeds to the MLC. The amount of a Retailer's initial letter of credit or bond shall be \$8,000.00 per Retailer Business Location, subject to later adjustment by the MLC. This subsection does not apply to Tickets which are prepaid by the Retailers.
- D. All Lottery Retailer Contracts may be renewable at the discretion of the MLC unless canceled, denied, terminated, suspended or revoked. The MLC at its discretion may charge a renewal fee applicable to all Retailers.

## **2.07 TERMINATION, CANCELLATION, SUSPENSION AND REVOCATION OF THE RETAILER CONTRACT**

- A. The Retailer Contract may be canceled by Retailer at any time upon twenty (20) calendar days' prior written notice to the MLC.

- B. If the President or President's designee(s) determine, in his/her sole discretion, that cancellation, denial, revocation, suspension or termination of the Retailer Contract is in the best interest of the MLC, the State of Mississippi or the public welfare, the President or President's designee(s) may at any time cancel, deny, revoke, suspend or terminate the Retailer Contract upon written notice to Retailer; provided, however, Retailer shall first be entitled to a hearing on such cancellation, denial, revocation, suspension or termination in accordance with the Act and the Rules and Regulations; provided, further, that the President or President's designee(s) may temporarily suspend Retailer's rights under the Retailer Contract without prior notice, pending any prosecution, hearing or investigation, in accordance with the Act and the Rules and Regulations.
- C. In addition to the foregoing, for any one or more of the following reasons, the President may immediately cancel, deny, revoke, suspend, terminate, or refuse to renew a Retailer Contract if the Retailer or any of its owners:
- 1) Violates a provision of the Act, the Rules and Regulations, the code, ordinances, rules or regulations of any governmental body of the State of Mississippi, or any applicable law; or
  - 2) Is or has been, or retains an employee involved in the sale of Tickets who is or has been, convicted of a criminal offense related to the security or integrity of the MLC or a lottery in any other jurisdiction; or
  - 3) Is or has been, or retains an employee involved in the sale of Tickets who is, or has been, convicted of a felony or a criminal offense involving illegal gambling activity, false statements, false swearing or perjury in the State of Mississippi or any other jurisdiction; or
  - 4) Commits fraud, deceit or misrepresentation; or
  - 5) Provides false or misleading information to the MLC; or
  - 6) Acts in a manner prejudicial to the security or integrity, or the public confidence in the security or integrity, of the MLC; or
  - 7) Conducts business for the sole purpose of selling Tickets; or
  - 8) Is delinquent in the payment of any federal, state or local taxes owed by it; or
  - 9) Changes any Retailer Business Location for which MLC has issued a Certificate of Authority under the Retailer Contract; or
  - 10) Fails to accurately or timely account for proceeds or Prizes from the sale of

Tickets; or

- 11) Fails to accurately or timely account for Tickets received from the MLC; or
- 12) Fails to comply with any term of the Retailer Contract; or
- 13) Fails to maintain a minimum level of sales, as established by the MLC from time to time; or
- 14) Substantially changes the ownership of Retailer without prior written notice to, or consent of, the MLC; or
- 15) Files for or is placed in bankruptcy, receivership, insolvency or similar proceedings or fails to pay its debts as they become due; or
- 16) Resides in the same household as any director, officer or employee of the MLC; or
- 17) Is a Vendor or an employee or agent of any Vendor doing business with the MLC; or
- 18) Contracts with any person or entity other than the MLC for lottery goods or services without the prior written approval of the MLC; or
- 19) Fails to meet any of the objective criteria established by the MLC pursuant to the Act; or
- 20) Is subjected to any material change, as determined in the sole discretion of the MLC, in any matter considered by the MLC in entering this Retailer Contract; or
- 21) Fails to consistently pay Prizes to Claimants or issues a non-sufficient funds (NSF) Prize check or money order; or
- 22) Fails to maintain the designated account from which Electronic Funds Transfers (EFT) payments are to be made, withdraws the authorization for the MLC to initiate EFT transactions to and from such designated account, or fails to have sufficient funds available in such designated account on the dates specified by the MLC; or
- 23) Is or has been, or retains an employee involved in the sale of Tickets who is, or has been, convicted of any criminal offense involving the unlawful selling or providing a product or substance to a minor in Mississippi or any other jurisdiction.

D. Any request for a hearing shall be made in accordance with the Act and the Rules and Regulations.

## 2.08

### PAYMENT OF PRIZES

- A. During normal business hours, each Retailer is required to immediately validate (through the MLC Lottery Terminal) and pay Prizes up to \$599.99 for any winning Ticket from all lottery games that the Retailer is authorized by MLC to sell. Retailers are encouraged to pay in cash, but they may pay Mid-Tier Prizes (Prizes of \$20.01 - \$599.99) with a business check or money order, if this is disclosed in advance of validation to the Claimant. Retailers are prohibited from charging Claimants for any method of payment including money orders.
- B. For Instant Games and Drawing-Style Games, Retailers must establish that the Ticket is a winning Ticket by using the MLC validation system. If the Retailer does not receive the appropriate authorization to pay from the MLC's validation system and the Ticket does not meet all the validation requirements as set forth in either the Instant Game Rules and Regulations or the Drawing-Style Game Rules and Regulations, the Ticket should be returned unpaid to the Claimant.
- C. After validating and paying a winning Instant Ticket, the Retailer shall deface and retain the Instant Ticket until he/she has reconciled his/her accounting records; thereafter he/she must properly dispose of or retain the Instant Ticket for promotional purposes.
- D. Retailers should never pay a Prize for Drawing-Style Game Tickets that the MLC's validation system indicates are "previously paid". Retailers that honor previously paid Drawing-Style Game Tickets shall be held financially liable for them.
- E. For High-Tier Prizes (Prizes of \$600.00 or more), Retailers shall provide Claimants with a MLC Winner Claim Form and, when requested, assist the Claimant in completing the Winner Claim Form or direct them to the nearest MLC Headquarters or Claim Center.
- F. A Retailer shall not charge any player or Claimant a fee for validating a winning Ticket, paying a winning Ticket, verifying a non-winning Ticket, or for cashing a check or money order issued by the same Retailer for payment of a Prize.
- G. If a Claimant of a winning Ticket is less than twenty-one (21) years of age, the Prize must be claimed by an adult member of the person's family or a legal representative of the person on behalf of such person.
- H. Retailer employees claiming High-Tier Prizes (Prizes of \$600.00 or more) must complete a Winner Claim Form. Retailer employees must mark the appropriate box in the Winner Claim Form to indicate that the Claimant is an employee of a Retailer Business Location. Retailer employees who fail to complete the Winner Claim Form correctly and truthfully may subject the Retailer and/or Retailer Business Location to administrative action by the MLC, including, but not limited to, suspension, revocation or termination of the Retailer Contract.

## **2.09 MINIMUM SALES REQUIREMENTS**

- A. The MLC has sole discretion to establish minimum sales requirements in order for a Retailer to continue selling Tickets at one or more of its Retailer Business Location(s).
- B. The MLC has sole discretion to establish minimum sales requirements and other such criteria (i.e., number of stores), for a Retailer to be designated a Corporate Retailer Account.

## **2.10 MERCHANDISING**

- A. Unless the MLC agrees otherwise in writing, each Retailer shall offer to its customers all available lottery games and Tickets which the MLC has authorized the Retailer to sell at any given Retailer Business Location. The Retailer shall use the Ticket dispensers and/or vending machines provided by the MLC for the sale of Instant Tickets. The Retailer shall place such dispensers, vending machines, and any Lottery Terminals provided by the MLC in a prominent location in the Retailer's establishment near the cash register or checkout area that is within view of the Retailer's employee.
- B. Each Retailer shall prominently display, in an area visible to the Retailer's customers at each Retailer Business Location authorized by the MLC, the Certificate of Authority for such Retailer Business Location issued to it by the MLC. Retailer shall return each such Certificate of Authority to the MLC immediately upon any termination, denial, cancellation, suspension, revocation or non-renewal of the Retailer Contract. Additionally, the Retailer shall prominently post at each public entrance to their Retailer Business Location signage required by the Act and issued by the MLC informing customers of a toll-free telephone number for a Mississippi or national organization providing information and referral services regarding compulsive or problem gambling.
- C. In accordance with instructions issued from time to time by the MLC, the Retailer shall:
  - 1) Maintain displays, notices and materials supplied by, or on behalf of, the MLC; and
  - 2) Prominently display and maintain such signage and point-of-sale materials as may be supplied by, or on behalf of, the MLC to be used in conjunction with Ticket sales, including door decals, game posters, display Tickets, danglers, change mats, lighted interior signs, banners, odds of winning, and any other items provided by, or on behalf of the MLC.

## **2.11 SETTLEMENT AND RETAILER INVOICING**

- A. The accounting period for purposes of preparing Retailer invoices shall be from Sunday at 12:00:00 a.m. through Saturday at 11:59:59 p.m.
- B. All Packs of Instant Tickets settled in an accounting period and all sales of Drawing-Style Games lottery products occurring within the accounting period will be invoiced to the Retailer. The Retailer invoice will be available through the MLC Lottery Terminal after 5:00 a.m. on the Sunday immediately following the end of the accounting period.

### *Amended 9/25/19*

- C. For Instant Games, all Ticket Packs settled during the accounting period (Sunday at 12:00:00 a.m. through Saturday at 11:59:59 p.m.) will be included in the Retailer invoice for that accounting period. The MLC has the discretion to designate a specific time period after the pack has been activated to settle the pack. Ticket Packs will be settled twenty-one (21) days following activation of the pack, or when 75% of Low Tier Prizes in the pack have been validated, or upon manual change of pack status to “settled,” whichever occurs first. The time period for settling packs may be modified at the discretion of the MLC in accordance with uniform criteria established by the MLC from time to time. Notwithstanding the foregoing, in order to protect the best interest of the MLC, Ticket sales proceeds and unused instant tickets shall be immediately delivered to the MLC or its authorized collection representative upon demand by the President at any time.
- D. The Retailer invoice will provide a calculation of the Proceeds due the MLC during the accounting period. The Proceeds will be equal to the retail value of Settled Packs of Instant Game Tickets, plus the retail value of Drawing-Style Game Ticket sales, less applicable sales Commissions, less any validations of winning Tickets by the Retailer, plus service fees, plus or minus any adjustments to the Retailer account as approved by the MLC.
- E. For purposes of calculating the Retailer invoice, free Ticket Prizes validated by the Retailer shall have the same value as the applicable retail value of a free Ticket provided to the Claimant.
- F. The Retailer Commission shall be six percent (6%) of all Ticket sales for Instant Games, and Drawing-Style Games.
- G. Whenever any person who receives proceeds from the sale of lottery Tickets in the capacity of a lottery Retailer becomes insolvent, or dies insolvent, the proceeds due the MLC from such person or his or her estate shall have preference over all debts or demands.

## **2.12 BANKING, DEPOSITS AND PAYMENT REQUIREMENTS**

- A. Each Retailer and officers of each Retailer shall have a fiduciary duty to preserve and account for all proceeds from the sale of Tickets collected by it and shall be responsible and personally liable for all such proceeds. Unless otherwise authorized and directed by MLC, each Retailer is required to establish a separate bank account (i.e., separate and apart from and not commingled with other funds and assets) and in the name of the Retailer as "Trustee for the Mississippi Lottery Corporation" in an institution insured by the Federal Deposit Insurance Corporation (FDIC), and to provide the MLC with authorization to transfer lottery proceeds from this account using EFT. All proceeds from the sale of Tickets and all other funds due the MLC shall constitute a trust fund in favor of the MLC from the time of sale until paid to the MLC, and such proceeds are required by law to be deposited daily into the above noted separate bank account no later than the close of the next banking day after the date of their collection by the Retailer until the date they are paid over to the MLC. All deposits and transfers of lottery proceeds shall be made in accordance with the Act and the Rules and Regulations.
- B. Lottery proceeds due the MLC as calculated on the invoice for an accounting period will be transferred from the Retailer's bank account to the MLC on the designated transfer day.
- C. On the designated transfer day, if all net lottery proceeds as detailed on the Retailer invoice, are not in the separate Retailer bank account, the Retailer will be deemed to be in default due to non-sufficient funds (NSF). A \$25.00 fee will be charged to the Retailer account for each NSF default. Each time an NSF default occurs, the MLC will immediately contact the Retailer and proceed as follows:
- 1) If the NSF default is the first one within a one hundred eighty (180) day period, the MLC shall require the Retailer to deposit the required funds into the separate lottery account and provide notice to the MLC of funds availability to enable an automated clearing house (ACH) debit using EFT. If the Retailer fails to deposit the required funds to cover the NSF amount, the Retailer's Lottery Terminal operation and Instant Ticket deliveries may be immediately suspended; and
  - 2) If the NSF default is the second one within a one hundred eighty (180) day period, the MLC shall immediately suspend the Retailer's Lottery Terminal operation and Instant Ticket deliveries until the Retailer pays the overdue amounts; and
  - 3) If the NSF default is the third or more within a one hundred eighty (180) day period, the MLC may immediately suspend the Retailer Contract for up to an additional thirty (30) days, with a review of the Retailer's account prior to reactivation. The MLC may require, in its sole discretion, a security deposit or other credit enhancement as a condition of reactivation.

- 4) If more than thirty (30) days lapse before a NSF default is paid by the Retailer, regardless of the number of occurrences within a 180-day period, the MLC, in its sole discretion, may require a security deposit or other credit enhancement prior to reactivation.
  - 5) Notwithstanding any of the above, the MLC, in its sole discretion, may require a security deposit or other credit enhancement for a Retailer who no longer meets the MLC's acceptable level of creditworthiness as assessed through an independent credit agency and/or based upon the current or prior payment history with the MLC.
- D. Failure of a Retailer, including all sole proprietors, partners, corporate officers, or shareholders holding more than ten percent (10%) of the ownership interests, directly or indirectly, to pay a delinquent account shall constitute cause for the MLC, in its sole discretion, to terminate, cancel, suspend, or revoke:
- 1) The delinquent Retailer Contract; and
  - 2) Any other non-delinquent Retailer Contract also held by the same Retailer; and
  - 3) Any other non-delinquent Retailer Contract for which there is a common ownership interest exceeding ten percent (10%), directly or indirectly, in both the delinquent and the non-delinquent Retailer Contracts held by the same natural person or legal entity, whether a person, partnership, corporation, officer or other owner.
- E. Failure of a Retailer, or its principal officers or owners who hold a greater than ten percent (10%) ownership interest, directly or indirectly, to pay a delinquent Retailer account, shall constitute a material factor in the decision whether to grant the Retailer, or its principal officers or owners who hold a greater than ten percent (10%) ownership interest, directly or indirectly, a Retailer Contract for a different Retailer Business Location, or for a Retailer account under a different name or corporate entity.

## **2.13 CHANGE OF OWNERSHIP**

- A. Retailer Contracts are not assignable. For purposes of a Lottery Retailer Contract, any of the following will be deemed to be an impermissible assignment of the Retailer Contract which may result in the Retailer Contract for that Retailer Business Location being suspended or revoked: the change in ownership of a controlling equity interest in the Retailer; or the addition or deletion of any of the owners holding more than ten percent (10%) of the equity interest of the Retailer, directly or indirectly; or the sale of all or substantially all of the assets of the Retailer; or a change in the location of the Retailer's business or in the nature of the business of the Retailer.

Notwithstanding the foregoing, the transfer or sale of an equity interest in a Retailer or Retailer applicant shall not be deemed an impermissible assignment if the equity interest is being transferred or sold to a current owner of an equity interest of more than ten percent (10%) of the Retailer or Retailer applicant, directly or indirectly, prior to the transfer or sale and if no new Federal Employer Identification Number (FEIN) is required for the Retailer or Retailer applicant; provided, however, that the remaining owner(s) of an equity interest of more than 10% of the Retailer or Retailer applicant, directly or indirectly, shall comply with the notice procedures set forth in this Section 2.13A and must be in compliance with the selection criteria in Section 2.05, above.

Any proposed new owner must file a new application for a Retailer Contract no less than twenty (20) days before any proposed business or location change or change in ownership. If the required prior written notice is provided to the MLC and the conditions set forth in Section 2.13B, an interruption of Lottery Terminal operations may possibly be avoided.

B. Whenever the ownership of a Retailer Business Location, which has been authorized by the MLC to sell Tickets is changed to a different Retailer or Retailer applicant, the MLC may, in its sole discretion, allow the Retailer Business Location to sell Tickets for all Lottery Games if the following conditions are satisfied by the Retailer or Retailer applicant:

- 1) The MLC is given timely notice of the proposed transfer; and
- 2) The acquiring Retailer or Retailer applicant has filed an application for a Retailer Contract, has met all of the criteria established by the MLC and has been approved by the MLC as a Lottery Retailer; and
- 3) The selling Retailer has made complete financial settlement with the MLC, to the MLC's satisfaction, for that Retailer Business Location sold or transferred.
- 4) All prior outstanding balances at the Retailer location have been paid. At the discretion of the President, or designee, the applicant shall be given the opportunity to post a financial security deposit.

If required to post a financial security deposit, and failing to do so, the MLC will deny the application to become an authorized Retailer at said location.

C. Whenever the ownership of a Retailer Business Location, which has been authorized by the MLC to sell Tickets is changed to a different Retailer or Retailer applicant, without the MLC's knowledge and approval, the Retailer shall continue to be liable for the successor owner's MLC transactions as if the successor owner were an agent of the Retailer, unless and until timely written notice from Retailer on or before such transfer is delivered to MLC specifically requesting cessation of

MLC sales at the transferred Retailer Business Location(s). The President may adopt from time to time any appropriate and necessary procedures to verify the ownership of a Retailer and/or any Retailer Business Location to ensure that Tickets in fact are sold only by Retailers under an approved Retailer Contract, all in accordance with the Act and the Rules and Regulations.