

# NORTH CAROLINA EDUCATION LOTTERY POLICIES AND PROCEDURES MANUAL

## CHAPTER 8 – SALES

### 8.03 – INSTANT TICKET GAME RULES

#### SCOPE

The Instant Game Rules and Regulations contain specific rules, regulations, procedures, instructions and directives which apply to Instant Games developed and offered for distribution and sale to the public by the North Carolina Education Lottery (“NCEL”). The NCEL will, from time to time, amend these Rules and Regulations and adopt new Rules and Regulations that pertain to all Instant Games as well as game specific items that will be incorporated into the Working Papers for each game. In the event of a conflict among the Act, the Instant Game Rules and Regulations, and the Retailer Contract, the Act will govern the Instant Game Rules and Regulations, and the Instant Game Rules and Regulations will govern the Retailer contract; however, to the extent not in conflict with the Act, the Working Papers will govern the Instant Game Rules and Regulations as to the specific Instant Game being produced for distribution; Further, however, to the extent not in conflict with the Act, any special rules, Draw Procedures or other Game Procedures adopted by the NCEL and uniformly announced to all Retailers for a specific Instant Game (such as for a sales contest), will govern the Working Papers and the Instant Game Rules and Regulations as to that game.

#### DEFINITIONS

Capitalized terms used herein shall have the meanings set forth in Chapter 8.00 unless otherwise defined in context.

#### GENERAL RULES

- A. If the NCEL, in its sole discretion, has authorized a Retailer to sell Tickets for Instant Games at one or more of its Retailer Business Locations, in addition to all provisions, terms and conditions of the Act, other Rules and Regulations, and the Retailer Contract, the Instant Game Rules and Regulations herein shall apply to all Instant Games. To the extent of any inconsistency with either the Retailer Contract or with the Retailer Rules and Regulations found in Chapter 8.01 of the NCEL Policies and Procedures Manual, the Instant Game Rules and Regulations shall govern the Instant Games.
- B. Each Retailer shall sell Instant Tickets for any and all Instant Games, as directed by the NCEL, at each of its Retailer Business Locations listed in the Retailer Contract for which the NCEL has authorized the sale of Tickets for Instant Games.
- C. Acceptance and Return of Instant Tickets:
  1. Each Retailer shall have a fiduciary duty and responsibility to preserve and account for all Instant Tickets accepted from the NCEL or its distributor, as well as cash proceeds from the sale of any lottery products.
  2. Any Instant Tickets not properly accounted for by the Retailer upon termination of the Retailer Contract, upon demand by the NCEL, or at the End of Game date for the corresponding Instant Game, regardless of the reason, shall be deemed to have been purchased by the Retailer.

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3. Retailers shall confirm receipt of all Packs of Instant Tickets delivered, at the time of delivery, through the Lottery Terminal provided by the NCEL. Failure to confirm Tickets upon receipt could result in the Retailer Contract being revoked. Retailers shall accept only complete Ticket orders assigned to them and will not be allowed to accept a part of the Ticket order delivered to them unless approved by the NCEL.
  4. The NCEL will accept full and partial Pack returns immediately following the termination, cancellation, suspension, revocation or non-renewal of a Retailer Contract with the NCEL. A maximum of four (4) sequential breaks in Ticket Number sequence per Pack will be allowed. The returned Instant Tickets must be collected by or delivered directly to a Lottery Sales Representative or any other employee designated by the Executive Director. Instant Tickets not returned will be charged to the Retailer, less appropriate Retailer Commissions.
  5. For special Instant Games which may have varying market appeal, as determined from time to time in the sole discretion of the Executive Director (such as seasonal, special interest and sports theme Instant Games), the NCEL may accept full and partial Pack returns prior to the announced End of Game. A maximum of four (4) sequential breaks in Ticket Number sequence per Pack will be allowed. The returned Instant Tickets must be collected by or delivered directly to a Lottery Sales Representative or any other employee designated by the Executive Director. Instant Tickets not returned will be charged to the Retailer, less appropriate Retailer Commissions.
  6. Prior to announcing the End of Game date for any particular Instant Game to the general public, the NCEL will notify Retailers of a prior date at which the NCEL expects the Retailer to cease selling Instant Tickets for that game. Thereafter, and on or before the End of Game date, the NCEL Sales Representative, or any other employee designated by the Executive Director, will pick up any full and partial Packs of Tickets for that game remaining with the Retailer. A maximum of four (4) sequential breaks in Ticket Number sequence per Pack will be allowed. Instant Tickets not returned will be charged to the Retailer, less appropriate Retailer Commissions.
  7. The foregoing notwithstanding, the NCEL may, from time to time, adopt rules limiting the return and acceptance of full and partial Packs for specific Instant Games as a condition of Retailer participation in sales contests.
- D. Missing Instant Tickets:
1. Only non-activated full packs of tickets may be declared under the “missing” status.
  2. For all incidents involving missing Instant Tickets to which the cause is not due to the NCEL, the Retailer shall be responsible for the NCEL’s administrative processing fee of \$10 per pack affected. The Administrative fee is not refundable, regardless of the recovery of the missing Instant Tickets.
  3. If Instant Tickets are missing during shipment to the Retailer, the Retailer shall report the missing Tickets to the NCEL within forty-eight (48) hours after delivery to be considered for

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waiver of the administrative fee. (A POLICE REPORT IS NOT REQUIRED FOR MISSING INSTANT TICKETS).

##### E. Stolen Instant Tickets:

1. For all incidents involving stolen Instant Tickets, the Retailer shall be responsible for the NCEL's administrative processing fee of \$10 per pack affected. The administrative fee is not refundable, regardless of the recovery of the stolen Instant Tickets.
2. The Retailer shall report all stolen Instant Tickets to the NCEL Security Division within twenty-four (24) hours of discovery. **In addition, the Retailer shall notify the police of the stolen Tickets within twenty-four (24) hours and forward a copy of the police report to the NCEL Security Division within fourteen (14) calendar days of the initial report of the theft. If a copy of the police report is not received by the NCEL Security Division within the specified time period, the Retailer shall be responsible for the entire value of the activated pack(s) of Instant Tickets reported as stolen.**
3. In addition to the administrative fee(s), for Packs that have been activated, the Retailer shall be responsible for the cost of the Instant Tickets based upon the percentage of validation up to the time when the Retailer notified the NCEL regarding the theft, minus any applicable Commissions. In the event that some or all of the stolen Activated Packs are recovered, the Retailer may be reimbursed for any charged tickets on a pro rata basis. The Retailer must have a valid Retailer Contract with the NCEL, be an active Retailer, and be current on all funds due to the NCEL in order to qualify for any reimbursement for stolen Instant Tickets.

##### F. Damaged Instant Tickets:

1. For all incidents involving damaged Instant Tickets to which the cause is not due to the NCEL, the Retailer shall be responsible for the NCEL's administrative processing fee of \$10 per pack affected. The Administrative fee is not refundable, regardless of the recovery of the damaged Instant Tickets.
2. If Instant Tickets are damaged during shipment to the Retailer, the Retailer shall report the damage to the NCEL within forty-eight (48) hours after delivery to be considered for waiver of the administrative fee. (A POLICE REPORT IS NOT REQUIRED FOR DAMAGED INSTANT TICKETS.)
3. The Retailer shall be credited for Activated Instant Tickets damaged after delivery and returned to the NCEL, less any applicable Commissions. The Retailer shall be responsible for all Instant Tickets that have not been returned to the NCEL.
4. In addition to the administrative fee(s), for Instant Tickets that have been destroyed and cannot be returned to the NCEL, the Retailer shall be responsible for the cost of the Instant Tickets based upon the percentage of validation up to the time when the Retailer notified the NCEL regarding the destroyed tickets.

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##### INSTANT GAME RULES

###### A. Sale of Instant Tickets:

1. Only Retailers who have entered into a Retailer Contract with the NCEL, and have been approved by the NCEL, in the NCEL's sole discretion, for the sale of Instant Games, are authorized to sell Instant Tickets. Instant Tickets may only be sold:
  - a. At the Retailer Business Location(s) listed in the Retailer Contract for which the NCEL has authorized the sale of Tickets for Instant Games; and
  - b. At the Retailer Business Location where each Instant Ticket Pack is assigned by the NCEL and accepted by the Retailer.
2. Each Instant Ticket shall sell for the retail sales price authorized by the Executive Director and stated in the individual Working Papers.

###### B. Determination of Prize Winner:

1. The Play Symbols shall be used by a player to determine eligibility for Instant Game prizes. Qualifying Play Symbols are stated in the Working Papers.
2. A player's eligibility to win a prize is subject to the Ticket validation requirements provided in subsection (C) below.
3. For each individual Instant Game, the player shall uncover the Play Area on the front of the Ticket to reveal the Play Symbols. Eligibility to win a prize is based on the approved Play Style as stated in the Working Papers.

###### C. Ticket Validation Requirements:

1. Each Instant Ticket shall be validated according to validation procedures prior to payment of a prize.
2. Each Instant Ticket shall comply with all of the following:
  - a. The Ticket shall not be stolen or appear on any list of omitted Tickets on file with the NCEL.
  - b. The Ticket shall not be counterfeit or forged, in whole or in part.
  - c. The Ticket shall not be mutilated, altered, unreadable, reconstituted, or tampered with in any manner.
  - d. The Ticket shall have been issued by the NCEL in an authorized manner.

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- e. The Ticket shall have been received or recorded by the NCEL by applicable redemption deadlines.
  - f. The Ticket shall pass the confidential validation and security tests appropriate to the applicable Play Style.
  - g. The Validation Number of an apparent winning Ticket shall appear on the NCEL's official file of Validation Numbers of winning Tickets. A Ticket with that Validation Number shall not have been paid previously.
  - h. The Ticket shall be intact, and not miscut, and have exactly one Play Symbol and exactly one Caption in each of the rub-off spots, exactly one Pack Number, exactly one Ticket Number, exactly one Retailer Validation Code, and exactly one Validation Number on the Ticket.
  - i. The Game Number, Pack Number, Ticket Number, and Validation Number must be present in their entirety and be fully legible. The Validation Number shall correspond, using the NCEL's codes, to the Play Symbols on the Ticket.
  - j. The Play Symbols, Caption, Validation Number, Retailer Validation Code, Pack Number, and Ticket Number must be right side up and not reversed in any manner.
  - k. The Ticket must not be blank or partially blank, mis-registered, defective, or printed or produced in error.
  - l. Each of the Play Symbols on the Instant Game Ticket must be exactly one of those described in that Instant Game's Working Papers and each of the Captions must be exactly one of those described in the same Working Papers.
  - m. Each of the Play Symbols on the Ticket must be printed in the correct symbol font and correspond precisely to the artwork on file at the NCEL. Each of the Captions must be printed in the Caption font and must correspond precisely to the artwork on file at the NCEL. The Retailer Validation Code must be printed in the Retailer Validation Code font and must correspond precisely to the artwork on file at the NCEL. The Validation Number must be printed in the Validation Number font and must correspond precisely to the artwork on file at the NCEL.
  - n. The display printing must be regular in every respect and correspond precisely with the artwork on file at the NCEL.
3. Any Ticket not passing all of the validation tests and requirements is void and ineligible for any prize and shall not be paid. The Executive Director may, at Executive Director's exclusive determination, reimburse the player for the cost of the void Ticket.
  4. If a defective Ticket is purchased, the NCEL's only liability shall be reimbursement for the cost of the void Ticket.

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##### D. Ticket Responsibility:

1. A Ticket is a bearer instrument until signed on the back by the Ticket holder.
2. The NCEL shall not be responsible for lost, stolen, or destroyed Tickets.
3. The NCEL shall not be responsible for erroneous or mutilated Tickets.
4. The NCEL shall not be responsible for Tickets claimed by a player in error for a lower prize at a Retailer.
5. The NCEL shall not pay prizes to any Claimant who purchases a Ticket from an unauthorized Retailer.
6. The NCEL shall not pay prizes to any Claimant based upon a fraudulent ticket.
7. The NCEL shall pay a prize to only one individual or entity unless a multiple ownership form is completed.

##### E. Disputed Ticket:

If a dispute arises between the NCEL and a Ticket Claimant concerning whether the Ticket is a winning Ticket and if the Ticket prize has not been paid, the Executive Director may, exclusively at his/her determination, reimburse the Claimant for the cost of the disputed Ticket. This shall be the Claimant's exclusive remedy.

##### F. End of Game and Prize Claim Period:

1. The Executive Director, at any time, may establish the End of Game date for an individual Instant Game or series of Instant Games.
2. The NCEL Sales Representatives will be directed to contact all Retailers in order to have the Retailers properly account for and return for credit the unsold Instant Tickets from each discontinuing Instant Game on or before the corresponding End of Game date. Instant Tickets not returned will be charged to the Retailer.
3. Instant Game prizes shall be redeemed or claimed no later than the end of the NCEL's business day (local standard time), as posted by the NCEL, on the ninetieth (90<sup>th</sup>) calendar day after the End of Game date of the individual Instant Game. If the 90<sup>th</sup> calendar day falls on a day in which the NCEL is not open for business, the ticket must be claimed by the end of the NCEL's next business day.
4. When the End of Game date for an individual Instant Game or series of Instant Games has been established, the NCEL sales and marketing department shall prepare and distribute an End of Game flyer to all NCEL Retailers announcing the names of Instant Games which are ending, End of Game date, and last day to redeem date.

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5. When the End of Game date for an individual Instant Game or series of Instant Games has been established, the NCEL legal department shall prepare and publish, beginning on or before the End of Game date, a newspaper ad or a legal notice announcing the names of the Instant Games which are ending, the End of Game date for each such Instant Game, and the last date upon which prizes for each such Instant Game may be redeemed or claimed.

#### **G. Governing Law:**

In purchasing a Ticket, the customer or player agrees to comply with, and abide by, the Act, other applicable North Carolina laws, all Rules and Regulations and final decisions of the NCEL, and all procedures and instructions established by the NCEL or the Executive Director for the conduct of the game.

#### **H. Purchase and Prize restrictions:**

No Instant Game Ticket may be purchased by and no prize shall be paid to any member of the Commission; any officer or employee of the NCEL; or any spouse, child, brother, sister, or parent residing as a member of the same household in the principal place of residence of any such person. Nor shall any Ticket be purchased by and no prize shall be paid to any officer, employee, agent, or subcontractor of any Vendor, or any spouse, child, brother, sister, or parent residing as a member of the same household in the principal place or residence of any such person.

#### **I. Taxes and Setoffs:**

In accordance with the Act and other applicable laws:

1. All prizes are subject to applicable federal and state withholdings, and state and federal income taxes; and
2. Prizes of \$600.00 and above are subject to Debt Setoff collection by claimant agencies.

#### **J. Game report:**

Following the time period in which prizes may be claimed after the End of Game date, the NCEL shall prepare a report that shows, at a minimum, the total number of Tickets sold and the number of prizes awarded in the game. The report shall be made available for public inspection.

#### **K. Coordination of Instant Game Rules and On-Line Game Rules:**

If and when there is an issue or topic relevant to the Instant Game Rules and Regulations, which is addressed in the On-Line Game Rules and Regulations, but which is not addressed in the Instant Ticket Game Rules and Regulations, then the provisions of the On-Line Game Rules and Regulations shall apply equally to the Instant Games for such issue or topic; however, in no case shall an Instant Game winner be allowed the option to receive in a lump sum the cash value

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equivalency in lieu of an annuitized prize unless that option is specifically provided for in the respective Instant Game Working Papers.

##### **ANNUITY PRIZE AWARD ASSOCIATED WITH AN INSTANT TICKET**

This section only applies to individual Instant Games that offer top prize awards consisting of annuity prize payments. The payment term and amount of the annuity prize payments shall be established by the NCEL. The prize award of the annuity prize payments under this section shall be known as an “Annuity Prize Award.” For these Instant Games offering an Annuity Prize Award, the NCEL may offer the prize winner an opportunity to elect a discounted lump sum prize amount in lieu of the Annuity Prize Award. The discounted lump sum amount shall be established by the NCEL and shall be known as the “Cash-Option Prize Award.” The prize winner of these Instant Games winning the top prize award shall only select one form of payment, either the Annuity Prize Award or the Cash-Option Prize Award. The prize winner has sixty (60) days from the claim date to elect the prize award option, but no payment shall be issued to the prize winner until the prize winner specifies, in writing, his/her selection of either the Annuity Prize Award or the Cash-Option Prize Award. If the NCEL does not receive written certification by the prize winner within the sixty (60) day period, the NCEL shall designate that the prize winner has selected the Annuity Prize Award and will issue the first regular annuity payment to the prize winner within thirty (30) days following the sixty (60) day expiration. Unless otherwise provided in the Rules and Regulations, no payment of an Annuity Prize Award shall be accelerated beyond the normal dates of payment.

##### **WIN-FOR-LIFE PRIZE AWARD ASSOCIATED WITH AN INSTANT TICKET**

This section only applies to individual Instant Games that offer a top prize award or bonus prize award consisting of scheduled prize payments based upon the remaining life term of the prize winner, and shall be known as “Win-For-Life Prize Award.” Each Win-For-Life Prize Award includes guaranteed minimum prize payments of a specified term and amount. The scheduled prize payments and the Guaranteed portion of the Win-For-Life Prize Award shall be determined by the NCEL for each Instant Game. Prize winners of the Win-For-Life Prize Award must be a natural person who is at least eighteen (18) years of age. Proper identification shall be required to verify the prize winner’s age. If the prize winner is one natural person and does not live beyond the term of the Guaranteed portion of the Win-For-Life Prize Award, the remaining scheduled payments under the Guaranteed portion of the Win-For-Life Prize Award will be paid to the prize winner’s estate. If the prize winner is one natural person and lives beyond the term established for the Guaranteed portion of the Win-For-Life Prize Award, the prize winner may be required to provide an annual affidavit verifying that the prize winner is living, and such other information as requested by the NCEL. Legal entities such as corporations, partnerships, trusts and estates, are only eligible to claim the Guaranteed portion of the Win-For-Life Prize Award. For purposes of this section, “legal entities” shall not include an individual natural person. Multiple individuals on one winning ticket are only eligible to win the proportionate share of the Guaranteed portion of the Win-For-Life Prize award. The Win-For-Life Prize Award and the associated benefits thereon will not be awarded to legal entities and multiple individuals claiming under one winning ticket.

For each Instant Game offering the Win-For-Life Prize Award, the NCEL may, at its sole discretion, offer the prize winner an opportunity to elect a discounted lump sum prize amount in lieu of the Win-For-Life Prize Award or Guaranteed portion of the Win-For-Life Prize Award (as applicable to legal entities and multiple individuals). The NCEL’s decision to offer the discounted lump sum will be made before the specified game goes on sale and will be applicable to all prize winners for that game. If offered, the

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discounted lump sum amount will be established by the NCEL based upon the Guaranteed portion of the Win-For-Life Prize Amount and shall be known as the “Cash-Option Prize Award.” The prize winner of these Instant Games winning the top prize award shall only select one form of payment, either the Win-For-Life Prize Award (or Guaranteed portion of the Win-For-Life Prize Award as applicable to legal entities and multiple individuals) or the Cash-Option Prize Award (if offered by the NCEL). If the NCEL offers the cash-option for a particular game, the prize winner has sixty (60) days from the claim date to elect the prize award option, but no payment shall be issued to the prize winner until the prize winner specifies, in writing, his/her selection of either the Win-For-Life Prize Award (or Guaranteed portion of the Win-For-Life Prize Award as applicable to legal entities and multiple individuals) or the Cash-Option Prize Award. If the NCEL does not receive written certification by the prize winner within the sixty (60) day period, the NCEL shall designate that the prize winner has selected the Win-For-Life Prize Award (or Guaranteed portion of the Win-For-Life Prize Award as applicable to legal entities and multiple individuals) and will issue the first regular payment to the prize winner within thirty (30) days following the sixty (60) day expiration. Unless otherwise provided in the Rules and Regulations, no payment of a Win-For-Life Prize Award (or Guaranteed portion of the Win-For-Life Prize Award as applicable to legal entities and multiple individuals) shall be accelerated beyond the normal dates of payment.

The annual payment schedule for each prize will be established based on the payment option selection date.

#### **GRAND PRIZE DRAWING RULES**

This section shall not apply to individual Instant Games that do not provide for a Grand Prize Drawing.

- A. Eligibility for a Grand Prize Drawing shall be determined by, but not limited to, a direct entry in a Grand Prize Drawing or an entry into a Preliminary Drawing as provided in the Draw Procedures established by the NCEL. The Executive Director shall determine any prizes to be awarded and the method of payment that shall be stated in the Draw Procedures.
- B. Unless otherwise noted in a particular Instant Game, “Entry,” “Drawing” or other like play symbol designating a player’s eligibility to enter to the preliminary and/or Grand Prize Drawing shall not be deemed as a prize with any value.
- C. Preliminary Drawings and Grand Prize Drawings shall be conducted at times and places and pursuant to the methods stated in the Draw Procedures.
- D. An entry in a Preliminary Drawing or Grand Prize Drawing submitted by a player in accordance with the applicable Draw Procedures is eligible to be included in a drawing as provided in the Draw Procedures.
- E. Entries in Preliminary Drawing or Grand Prize Drawing shall be delivered to the address designated in the Draw Procedures no later than the last day of the time frame specified in the Draw Procedures.
- F. The number of Preliminary Drawing and Grand Prize Drawing winners selected to advance or to win a prize shall be specified in the Draw Procedures. The odds of winning an entry into these

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drawings for a prize of a specific amount need not be uniform throughout the game and are subject to change by the Executive Director.

- G. Each Grand Prize Drawing finalist shall submit a completed Claim Form and the winning Ticket to the NCEL within the required claim filing period. Failure to submit these items within the claim filing period and failure to have a Valid Ticket shall be cause for ineligibility to the Grand Prize Drawing.
- H. Each Grand Prize Drawing finalist will be notified by the NCEL of the date of his/her appearance at the Grand Prize Drawing.
- I. If a dispute arises between the NCEL and a Ticket Claimant concerning whether the Ticket is a winning Ticket and if the Ticket prize has not been paid, the Executive Director may exclusively at his/her determination, reimburse the Claimant for the cost of the disputed Ticket. This shall be the Claimant's exclusive remedy.