



IOWA LOTTERY AUTHORITY
13001 UNIVERSITY AVENUE
CLIVE, IOWA 50325

LICENSING TERMS AND CONDITIONS

February 2018

The provisions of Iowa Code chapter 99G, 531 Iowa Administrative Code, and any other applicable statutory or regulatory provisions are herein incorporated by reference. If a provision in this document conflicts with an applicable statutory or regulatory provision, the statutory or regulatory provision preempts the conflicting provision in this document. All retailers should familiarize themselves with applicable statutes and regulations. To view these statutes and regulations, go to http://www.ialottery.com/Legal/Legal_main.asp.

SECTION A – GENERAL TERMS AND CONDITIONS

- 1. SCOPE.** By accepting an Iowa lottery license, a retailer agrees to be bound by these terms and conditions. The requirements contained in Section “A” are applicable to all retailers. The requirements in “B” through “E” are applicable only to retailers selling the particular product described in each of these sections. Retailers are responsible for reading the terms and conditions and training their employees that sell lottery tickets to follow them.
- 2. AMENDMENTS.** These terms and conditions may be unilaterally amended by the lottery by providing the retailer with 14 days’ written notice of amendment.
- 3. TERM OF LICENSE.** A license is valid until it is terminated by a change of circumstances, is surrendered by the licensee, or until it is revoked or suspended by the lottery.
- 4. TRANSFER OF LICENSE PROHIBITED.** Lottery licenses may not be transferred to any other person or entity and do not authorize the sale of lottery products at any location other than the licensed premises specified on the license.
- 5. REPORTING CHANGES IN CIRCUMSTANCES OF THE RETAILER.** Every transfer of ownership or change of more than 10% ownership, any address change for a licensed business, every change of business structure of a licensed business (such as from a sole proprietorship to a corporation), any change in the name of a business, any suspension, loss, or revocation of an Iowa business license, any suspension, or any criminal conviction (other than minor traffic offenses) of an owner, officer, partner, director, member, or member manager of a licensee must be reported to the lottery prior to the change. The licensee shall provide the lottery with notice required by this provision on the form provided by the lottery for this purpose. If a change involves the addition or deletion of one or more existing owners or officers, the licensee shall notify the lottery and submit any documentation the lottery may require. All changes will be reviewed by the lottery to determine if the existing license should be continued, or whether a new license must be issued. All changes must be reported to the Security Department of the Iowa Lottery.

6. DISPLAY OF LICENSE. Retailers shall display the lottery license in an area visible to the general public wherever tickets are being sold. Retailers must immediately report loss or damage to a license to the Vice President of Security at the lottery.

7. LICENSEE DISCIPLINE. A retailer's license may be revoked, suspended, terminated or limited by the lottery if a retailer provides the lottery with false information on its retailer application or related materials, fails to comply with any applicable law or administrative rule, these terms and conditions, or verbal or written instructions given by the Lottery to the retailer. Except as outlined below, the range of sanction for any violation may consist of verbal warning, written notice of violation, posting of a bond, license suspension, license revocation, or other sanction or combination thereof, to be exercised at sole discretion of the lottery.

Sale of tickets to persons under the age of twenty-one (21) may result in the suspension of a retailer's license.

- First violation may result in a seven-day suspension;
- Second occurrence of the same violation within a one-year period may result in a thirty day suspension;
- Third occurrence of the same violation within a one-year period may result in a one-year suspension.

7. PERSONS AUTHORIZED TO SELL TICKETS. Lottery tickets may be sold only on the licensed premises, by a licensed retailer through a Lottery approved vending machine or kiosk, or by employees of the retailer who are authorized to sell lottery tickets. If the retailer is a nonprofit organization, members of the organization may also sell lottery tickets if authorized by the organization. The retailer is responsible for the conduct of its employees and members, which is within the scope of the retailer's lottery license.

8. PURCHASERS MUST BE 21. Tickets shall not be sold to persons under the age of 21.

9. METHOD OF SALE. Tickets shall be sold in person, across the counter, through lottery approved vending machines or kiosks, or through other lottery approved methods. Retailers may not sell tickets over the telephone, through the mail, or on the Internet.

10. CREDIT PROHIBITED. Tickets shall not be sold to players on credit card charge, or any other form of credit. Tickets may be purchased with a debit card.

11. PRICE. Tickets shall be sold at the price designated by the lottery. Retailers shall not sell tickets for a greater amount than the amount specified by the lottery. Retailers shall not charge players sales tax, or a processing or service fee. Retailers may sell tickets for a lesser amount for promotion purposes, but only if authorized in advance by the lottery.

12. DEFECTIVE TICKETS. Instant-scratch tickets and pull-tab tickets that are erroneous or mutilated when initially received by a retailer for sale shall be immediately returned to the lottery for credit. After confirmation of delivery, the retailer is responsible for the condition and

security of the tickets and for any losses resulting from tickets that become lost, stolen, or damaged.

13. TIME OF SALES. Instant-scratch, pull-tab, lotto, and InstaPlay games may only be sold during regular business hours, when the lottery computer system is operational.

14. CLAIMS SERVICE. Retailers must provide claims services during regular business hours whenever the lottery's computer system is operational.

Retailers shall verify there is a signature on any ticket(s) submitted for checking or validation. Retailers shall pay the full amount of any valid claimed prize.

Retailers shall not charge a fee or discount the prize amount when cashing a winning ticket.

Retailers shall provide claim forms to players for prizes over \$600. Prizes in excess of \$600, disputed prizes, and other prizes, which may be specified by the lottery, must be claimed at a Regional Lottery Office or Lottery Headquarters as appropriate.

Claim service requirements pertaining to specific lottery products are detailed in Sections "B" through "E".

16. SALES REQUIREMENTS. The Lottery shall determine, in its sole discretion, the allocation of lottery equipment, including but not limited to kiosks, terminals, or vending machines, and the terms of a retailer's use of the same. The lottery may specify minimum sales quotas which must be met to sell Lottery products or possess a Lottery provided kiosk, terminal or vending machine. If a minimum sales quota is established, the quota will be provided to the retailer in writing. Retailers may be required to sell all lottery products as a condition of obtaining a license to sell a specific product.

17. SALES INSTRUCTIONS. Retailers shall comply with all lottery instructions regarding ticket sales and related topics. Sales shall be made in a knowledgeable, courteous and responsible manner. Retailers and employees may be required to attend training sessions. Retailers are also responsible for ensuring all of their employees are properly trained and instructed on the rules for selling lottery products.

18. SALES TO DISABLED. Retailers must comply with applicable laws, including but not limited to the Iowa Civil Rights Act and the Americans with Disabilities Act, relating to access by disabled players. Retailers are responsible for ensuring that the retail facility is compliant with applicable law, including a lack of barriers for disabled players from the parking lot to the point of purchase of Lottery products.

19. COMPLIANCE WITH LAWS AND RULES. Retailers shall comply with all applicable federal, state and local laws and rules when acting pursuant to a lottery license. These laws and rules include, without limitation, laws prohibiting discrimination in employment and in providing lottery services, the lottery's enabling legislation, the administrative rules and specific game rules of the lottery, and laws prohibiting the sale of gambling products.

20. RETAILER COMPENSATION. The lottery, with board approval, shall set the base amount of retailer compensation. The base amount of compensation shall be specified in this document. The lottery may increase the total amount of retailer compensation by implementing sales incentive programs.

21. PAYMENT TO LOTTERY. Retailers are required to pay for lottery tickets or shares by means of an electronic funds transfer from the retailer's account. In its sole discretion, the lottery may allow a retailer to make payments by another method if the retailer can show that the electronic funds transfer system imposes a significant hardship on the retailer or if the lottery determines that the retailer's payment history justifies use of an alternative payment method. Any payment made to the lottery by an applicant for a license or by a licensed retailer either by a check which is dishonored or by an electronic funds transfer (EFT) which is not paid by the depository shall be grounds for immediate denial of the application for a license or for the suspension or revocation of an existing license. The lottery may assess a surcharge and interest up to the maximum allowed by applicable state law for each dishonored check or EFT. The lottery may also alter the payment terms of a retailer's license and require a retailer to reimburse the lottery for costs, including but not limited to attorney fees and court costs, which occur as a result of a dishonored check or EFT. The retailer may also be required to post a bond. The retailer agrees that the venue for any legal action will be Polk County, Iowa.

22. INDEMNIFICATION OF LOTTERY. The retailer and its successors and assignees shall defend, protect, indemnify and hold harmless the lottery, the State of Iowa, and all employees thereof from and against all claims, liabilities, damages, expenses or actions arising from any act or omission, including willful or negligent acts or omissions, of the retailer or the retailer's employees or agents while performing under the authority of a lottery license. This includes, but is not limited to, claims, liabilities, damages, expenses or actions that are alleged to be in whole or in part caused by the action or inaction of the State of Iowa, the lottery, or their employees, agents, officers, or board members.

23. INSPECTION OF PREMISES. Retailers shall allow the lottery to enter without prior notice upon the licensed premises in order to inspect lottery materials, Lottery self-service kiosks, Pull-tab Vending Machines (PTVMs), tickets, terminals, videos, video monitors, official notices, related records, and the premises. The lottery reserves the right to determine kiosk, PTVM, terminal and video monitor placements, to request that a kiosk, PTVM, terminal or video monitor be moved to a different location if the current location of the kiosk, PTVM, terminal or video monitor is unacceptable, and to remove an kiosk, PTVM, terminal or video monitor in the sole discretion of the lottery.

24. RECORDS MAINTAINED BY RETAILER. All books and records pertaining to the retailer's lottery activities shall be available to the lottery for inspection and copying during the normal business hours of the retailer and between 8 a.m. and 5 p.m., Monday through Friday. All books and records pertaining to the retailer's lottery activities are subject to seizure by the lottery without prior notice at any time. The lottery or the Auditor of the State of Iowa may audit such records at any time at no cost to the lottery or the State.

25. IDENTIFICATION OF WINNING TICKETS. Retailers and retail employees shall not attempt to identify winning tickets until a signed ticket is presented for checking or validation by a player.

26. SECURITY ISSUES. Retailers and retailer employees shall cooperate fully with the lottery in any lottery investigation, including without limitation an investigation into damaged, missing, lost, or stolen tickets. This includes cooperation with any lottery investigation, and provision of any records, video, audio, or materials requested by Lottery staff. Retailers shall immediately notify the lottery's Security Department, if tickets or lottery property are stolen, lost, or damaged, or if lottery or lottery vendor equipment is damaged.

Retailers shall immediately notify the lottery's Security Department if the retailer, or any owner, officer, partner, director, member, or member manager is convicted of any criminal offense, other than minor traffic offenses. This includes, but is not limited to, conviction of any illegal gambling activity, false statements, perjury, theft, fraud, or any felony.

27. TITLE TO TICKETS. Title to tickets and risk of loss passes to the retailer at the time of delivery. The lottery is not responsible for lost, damaged or stolen tickets after delivery.

28. TITLE TO PROPERTY. Unless otherwise indicated by the lottery in writing, all property furnished to the retailer to facilitate the sale of tickets is owned by the lottery or a lottery contractor. Any such property shall be returned upon request. Such property may be used only in conjunction with ticket sales. Retailers are responsible for all damages to such property beyond reasonable wear and tear.

29. VENDING MACHINES AND KIOSKS. Vending machines and kiosks must be placed in an accessible high-traffic area that is easily monitored by the retailer for security and age compliance purposes. Retailers must keep machines fully stocked and in working order during business hours. Retailers are required to perform minor preventive maintenance. If a machine malfunctions, the retailer must call for service using the designated toll-free number.

30. VALIDATION DEVICES. Retailers are required to have a ticket validation device. Retailers are required to provide one electrical outlet to support the validation device. See the Terminal Specification Sheet for specific information regarding these requirements. The retailer is responsible for the cost of these requirements except as described on the Terminal Specification Sheet. Select retailers will also have units at which players may check their own tickets.

31. TICKET DISPENSERS. Retailers will display tickets only in ticket dispensers or containers approved by the lottery.

32. DISPLAY OF ADVERTISING MATERIALS. Retailers shall display a door decal and place brochures or similar items provided by the lottery, which are designed to provide information regarding lottery games, near the point at which tickets are sold. Retailers shall display point-of-sale material provided by the lottery in a manner that is readily seen by and available to the public. Retailers may advertise and use or display other appropriate promotional and point-of-sale material. The lottery may require the removal of objectionable material or the discontinuance of objectionable advertising that may have an adverse impact on the lottery.

SECTION B – INSTANT-SCRATCH GAMES

- 1. INSTANT-SCRATCH GAMES DEFINED.** Instant-scratch games include scratch tickets that have a rub-off covering which is removed to identify winning tickets.
- 2. RETAILER COMPENSATION.** Retailers shall receive a 5.5% sales commission on the sale price of tickets sold by the retailer. If a retailer is eligible for the Gold Star Program, they will earn 7% sales commission on the sale price of all tickets sold. The lottery reserves the right to make the final determination of Gold Star Program eligibility.
- 3. SALES REMITTANCE.** Packs of tickets shall be sold to retailers at the full retail price. The default method for the lottery to charge retailers for tickets sold is when 70% of guaranteed prizes from the pack have been paid, or 45 days following delivery, whichever is earlier, unless the lottery and the retailer have agreed to other terms – settled upon delivery, for example. Retailers will be credited for sales commissions after the tickets have been settled. Payment will occur weekly on a net basis as of the close of business on Saturday and will be transferred to the lottery by electronic funds transfer each week on the day specified by the lottery.
- 4. CLAIMS SERVICE.** Retailers shall verify there is a signature on any ticket(s) submitted for checking or validation.
 - Retailers must pay all prizes up to \$100.
 - Retailers may pay prizes from \$101 to \$600 if sufficient funds are available.
 - Prizes over \$600 must be redeemed at a lottery office.

Unless otherwise agreed to by the player, payment shall be made in cash, money order, or by the retailer's check, without any reduction for fees or taxes. Payment must be made regardless of where the ticket was purchased. Retailers shall obtain and mutilate each ticket paid. The lottery will reimburse the retailer for all valid prize claims paid.

- 5. UNSOLD TICKETS.** The lottery may allow partial or full credit for returned tickets as part of a special promotion or specific game. If credit will not be given, the lottery will specifically notify retailers of this restriction.
- 6. LAST TOP PRIZE CLAIMED.** When the last top prize in a game has been claimed, the lottery will send an electronic message to the retailer terminal instructing the retailer to cease selling the game and to return the tickets to the lottery sales representative the next time the sales representative calls on the retailer.

SECTION C – ON-LINE LOTTO GAMES (LOTTO)

- 1. DEFINED.** Lotto games are computerized games that are played through terminals linked to the lottery's computer system, which may include self-service kiosks.

2. RETAILER COMPENSATION. Retailers shall receive a sales commission of 5.5% of the sale price of tickets sold.

- High Tier Prize Sales Bonus. Awards retailers for selling a specific prize as outlined in the Retailer Compensation program.
- Peak Sales Bonus. Provides retailers with additional sales commission when specified jackpots exceed the level outlined in the Retailer Compensation program.
- Ticket Allowance. Credits retailers 0.1% of sales of all on-line games added to the sales commission rate for tickets that are damaged or produced in error as outlined in the Retailer Compensation program.
- Total base compensation. The total base compensation before bonuses is comprised of the sales commission and the ticket allowance for a total of 5.6%.

3. SALES REMITTANCE. Retailers shall remit the proceeds from the sale of tickets along with the weekly service charge. Retailers will be credited for sales commissions. Settlement will be made weekly on a net basis and will be computed as of the close of business on Saturday. Payment will be made by electronic funds transfer on the day specified by the lottery.

4. CLAIMS SERVICE. Retailers shall verify there is a signature on any ticket(s) submitted for checking or validation.

- Retailers must pay all prizes up to \$100.
- Retailers may pay prizes from \$101 to \$600 if sufficient funds are available.
- Prizes over \$600 must be redeemed at a lottery office.

Unless otherwise agreed to by the player, payment shall be made in cash, money order, or by the retailer's check, without any reduction for fees or taxes. Payment must be made regardless of where the ticket was purchased. Retailers shall obtain and mutilate each ticket paid. The lottery will reimburse the retailer for all valid prize claims paid.

5. METHODS OF PLAY. Plays may be entered manually using the touch screen or by means of a preprinted playslip provided by the lottery. Facsimiles of playslips or other materials, which are not provided by the lottery, shall not be used. Plays must be marked on the playslip by hand; machine printed playslips shall not be used. The retailer shall not allow any device to be connected to a terminal to enter plays, except as may be approved by the lottery. Plays generated by a lottery-approved application and displayed on electronic devices such as iPads, smartphones, and other electronic devices are acceptable. Unapproved playslips or other devices may be seized by the lottery.

6. METHOD OF SALE. All offers to buy and to sell lotto game tickets shall be made only at the terminal, which may include self-service kiosks, and only by methods authorized by the lottery. The retailer shall not enter into any special agreements with players to facilitate the purchase of large quantities in a manner outside the normal method of play. A retailer shall not directly and

knowingly sell a ticket or combination of tickets to any person or entity, which would guarantee such a purchaser a jackpot or top prize win.

7. TERMINAL LOCATION. Once initially placed, the retailer may not move a terminal without the consent of the lottery.

8. TERMINAL OPERATION. Retailers shall operate terminals in a responsible manner and shall immediately notify the Retailer Hotline of any out-of-order condition in the terminal. Retailers shall replace paper stock and repair paper jams, but retailers shall not perform any mechanical or electrical work on the terminal. All paper stock must be lottery-approved paper stock. Retailers may not share, trade, or transfer lottery-approved paper stock, even among jointly owned stores.

9. ELECTRICAL REQUIREMENTS. Retailers must provide, at their own expense, the electrical requirements as specified in the Terminal Specification Sheet. Retailers must pay all electrical charges associated with running the terminal and other lottery equipment. Electrical service to the terminal and lottery equipment must be provided 24 hours per day.

10. COMMUNICATION SYSTEM REQUIREMENTS. The lottery will install a communication system in the retailer's business establishment for the operation of the terminal. The initial communication system needed for operation of the terminal shall be installed at the lottery's expense; however, any costs associated with relocation of the system for the retailer's convenience shall be paid by the retailer.

11. WEEKLY SERVICE CHARGE. Retailers are required to pay a weekly service charge as set by the lottery.

12. WINNING NUMBERS. Retailers shall produce a winning numbers report upon request of a player.

13. PLAYSLEIPS AND BROCHURES. For lotto games, retailers will make how-to-play brochures and play slips available for each game.

14. REPORTS. The lottery may require retailers to maintain and deliver to the lottery any transaction or report produced by the terminal.

15. DAMAGED TICKETS OR TICKETS PRODUCED IN ERROR. Refer to Section C.2. Ticket Allowance.

SECTION D – PULL-TAB GAMES.

1. PULL-TAB TICKETS DEFINED. Pull-tab tickets are lottery tickets that are played by exclusively opening tabs to reveal if a prize was won.

2. RETAILER COMPENSATION. Retailers shall receive a sales commission of 5% of the sale price of tickets sold.

3. SALES REMITTANCE. Pull-tab tickets shall be sold to the retailer at the retail purchase price less the sales commission and the value of the guaranteed low-end prizes in the game. Guaranteed low-end prizes are prizes that uniformly appear in each unit of tickets. Settlement shall be computed weekly as of the close of business on Saturday of the delivery week and shall be transferred to the lottery by electronic funds transfer on the date specified by the lottery.

4. CLAIMS SERVICE. Retailers shall verify there is a signature on any ticket(s) submitted for checking or validation.

- Prizes up to and including \$600 must be paid by the retailer who sold the ticket.
- Prizes over \$600 must be redeemed at any lottery office.

Unless otherwise agreed to by the player, payment shall be made in cash, money order, or by the retailer's check, without any reduction for fees or taxes. Retailers shall obtain and mutilate each ticket paid.

SECTION E – INSTAPLAY GAMES.

1. DEFINED. InstaPlay games are instant tickets printed on lotto terminal paper with play symbols that are not concealed by a removable covering.

2. RETAILER COMPENSATION. Retailers shall receive a sales commission of 5.5% of the sale price of tickets sold.

- Ticket Allowance. Credits retailers 0.1% of sales of all on-line games added to the sales commission rate for tickets that are damaged or produced in error as outlined in the Retailer Compensation program.
- Total base compensation. The total base compensation is comprised of the sales commission and the ticket allowance for a total of 5.6%.

3. SALES REMITTANCE. Retailers shall remit the proceeds from the sale of tickets along with the weekly service charge. Retailers will be credited for sales commissions. Settlement will be made weekly on a net basis and will be computed as of the close of business on Saturday. Payment will be made by electronic funds transfer on the day specified by the lottery.

4. CLAIMS SERVICE. Retailers shall verify there is a signature on any ticket(s) submitted for checking or validation.

- Retailers must pay all prizes up to \$100.
- Retailers may pay prizes from \$101 to \$600 if sufficient funds are available.
- Prizes over \$600 must be redeemed at a lottery office.

Unless otherwise agreed to by the player, payment shall be made in cash, money order, or by the retailer's check, without any reduction for fees or taxes. Payment must be made regardless of where the ticket was purchased. Retailers shall obtain and mutilate each ticket paid. The lottery will reimburse the retailer for all valid prize claims paid.

5. METHODS OF PLAY. Plays will be generated through the lotto terminal, upon request of the player.

6. METHOD OF SALE. All offers to buy and to sell InstaPlay game tickets shall be made only at the terminal or through a lottery approved vending machine or kiosk, and only by methods authorized by the lottery. The retailer shall not enter into any special agreements with players to facilitate the purchase of large quantities in a manner outside the normal method of play. A retailer shall not directly and knowingly sell a ticket or combination of tickets to any person or entity, which would guarantee such a purchaser a top prize or progressive prize win.

7. SALE OF PREPRINTED INSTAPLAY TICKETS PROHIBITED. Retailers shall not print InstaPlay tickets in advance of a player's in-person request to do so. Retailers are prohibited from selling or reselling InstaPlay tickets that are generated prior to a player's in-person request at the retailer counter for an InstaPlay ticket. This prohibition applies regardless of whether or not the InstaPlay ticket was generated in error by the retailer.

8. TERMINAL LOCATION. Once initially placed, the retailer may not move a terminal without the consent of the lottery.

9. TERMINAL OPERATION. Retailers shall operate terminals and lottery approved vending machines and kiosks in a responsible manner and shall immediately notify the Retailer Hotline of any out-of-order conditions in the machines. Retailers shall replace paper stock and repair paper jams, but retailers shall not perform any mechanical or electrical work on the terminals, vending machines, or kiosks. All paper stock must be lottery-approved paper stock. Retailers may not share, trade, or transfer lottery-approved paper stock, even among jointly owned stores.

10. ELECTRICAL REQUIREMENTS. Retailers must provide, at their own expense, the electrical requirements as specified in the Terminal Specification Sheet. Retailers must pay all electrical charges associated with running the terminal and other lottery equipment. Electrical service to the terminal and lottery equipment must be provided 24 hours per day.

11. COMMUNICATION SYSTEM REQUIREMENTS. The lottery will install a communication system in the retailer's business establishment for the operation of the terminal. The initial communication system needed for operation of the terminal shall be installed at the lottery's expense; however, any costs associated with relocation of the system for the retailer's convenience shall be paid by the retailer.

12. WEEKLY SERVICE CHARGE. Retailers are required to pay a weekly service charge as set by the lottery.

13. REPORTS. The lottery may require retailers to maintain and deliver to the lottery any transaction or report produced by the terminal or a lottery approved vending machine.