

CALIFORNIA STATE LOTTERY
RETAILER COMPENSATION AND
INCENTIVE BONUS REGULATIONS

1. PURPOSE

These regulations are promulgated by the California State Lottery (Lottery) Commission to establish the compensation to be paid to game retailers.

2. COMPENSATION

a. Draw Games

- (1) The Lottery will compensate retailers for selling draw game tickets or shares as follows:
 - (a) 4½% of the retail sales price for each ticket issued from a self-service ticket dispensing machine.
 - (b) 6% of the retail sales price for each ticket issued from a Retailer Clerk terminal (RCT).
- (2) The retailer handling fee for issuing Fantasy 5 replay tickets will be \$.06 for each replay ticket issued from the retailer's draw game terminal, regardless of the type of terminal.

b. Scratchers®

- (1) Retailer compensation for selling Scratchers tickets is 6% of the retail sales price for each ticket sold by the retailer at his/her authorized Lottery game retailer location.
- (2) The retailer handling fee for issuing free Scratchers tickets is 6% of the retail sales price for each free Scratchers ticket issued by the retailer in response to the redemption of a valid Scratchers ticket with a "free ticket" prize.

3. INCENTIVE BONUS

- a. The Lottery may pay an incentive bonus to retailers based on attainment of sales volume or other objectives as approved by the Lottery director for any of the Lottery's games. Retailers who participate in and meet the objectives and requirements of an authorized incentive bonus program will receive a bonus payment according to these regulations and the terms

and conditions of the program.

- b. Retailers will be paid an incentive bonus of .5% on prizes as specified below.

(1) Draw Games

- (a) A retailer who sells a valid winning Fantasy 5 five of five ticket or a valid winning Daily Derby® grand prize ticket will receive a bonus payment equal to .5% of the value of the player's winnings.
- (b) A retailer who sells a valid winning SuperLotto Plus® jackpot prize ticket will receive a bonus payment equal to .5% of the annuitized jackpot value of the player's winnings, regardless of the payment option indicated on the winning ticket.
- (c) A retailer who sells a valid winning Mega Millions® grand/jackpot prize ticket will receive a bonus payment equal to .5%, up to a maximum of \$1 million, of the annuitized grand/jackpot value of the player's winnings.
- (d) The determination of what constitutes a valid winning ticket will be made solely by the Lottery in accordance with applicable law and Lottery regulations and procedures.

(2) Scratchers

- (a) A retailer who sells a valid Scratchers ticket resulting in a player's spinning the Big Spin® prize wheel will receive a bonus payment equal to .5% of the value of the prize won at the wheel.
- (b) A retailer who sells a valid Scratchers ticket resulting in the payment of an instant prize of \$1 million or more will receive a bonus payment equal to .5% of the value of that prize.
- (c) The determination of what constitutes a valid winning ticket will be made solely by the Lottery in accordance with applicable law and Lottery regulations and procedures.

(3) Promotions

- (a) This section applies to promotions for any Lottery game or games and/or the Big Spin TV show.
 - (b) A retailer who sells a Lottery game ticket in connection with an authorized Lottery promotion that results in a participant winning a promotional prize of \$1 million or more will receive a bonus payment of .5% of the value of the promotional prize.
 - (c) A retailer who sells a Lottery game ticket in connection with an authorized Lottery promotion that results in a participant's eligibility to spin the prize wheel on the Big Spin TV show will receive a bonus payment of .5% of the value of the resulting prize.
 - (d) Bonus payments provided in this section are subject to the director or his/her designee's approval of each promotion, and are subject to official promotion rules.
- c. Payment of Incentive Bonus
- (1) Any incentive bonus payment is contingent upon and subject to the following:
 - (a) The prize winner must have complied with all rules and regulations for the applicable game or promotion, and his/her ticket or entry must be determined a valid winning ticket or a valid winning promotion entry by the Lottery.
 - (b) The retailer must be current (i.e., not delinquent) in any payments(s) that he/she owes to the Lottery. If a retailer is delinquent in payments to the Lottery, the Lottery may deduct the total amount of the delinquency from any bonus payment.

4. CASHING BONUS

- a. For Scratchers, retailers will be paid a cashing bonus of 2% of the value of the prizes the retailer pays to players for cashing valid winning tickets with prize amounts of \$1 to \$599 on a single ticket.
- b. For draw games, retailers will be paid a cashing bonus of 3% of the value of each prize paid to players for cashing valid winning tickets with aggregate prize amounts from \$99 to \$599.

- c. The determination of what constitutes a valid winning ticket will be made solely by the Lottery in accordance with applicable law and Lottery regulations and procedures.

5. PAYMENT WHEN A GAME OR INCENTIVE BONUS PROGRAM IS TERMINATED

a. Termination of a Game or Promotion

- (1) The director may, at any time, announce a termination date for a lottery game, games, or promotion after which date no further tickets or shares may be sold.
- (2) If the lottery terminates a game, games, or promotion, retailers will be paid compensation and/or bonuses earned up to and including the last day of sale for the terminated game, games, or promotion.

b. Termination of an Incentive Bonus Program

- (1) The director may, at his or her discretion, terminate an incentive bonus program at any time.
- (2) If the director terminates an incentive program, retailers will receive any bonus payment owing, as provided in these regulations and in the terms and conditions for the incentive bonus program, through the termination date.

6. PILOT ALTERNATIVE COMPENSATION AGREEMENTS

The director may enter into alternative compensation agreements with Lottery retailers to accommodate pilot testing new business models aimed at the retention and recruitment of existing and new chain accounts and trade styles. The director shall notify the Chair of the Commission prior to entering into such pilot alternative compensation agreements. Such pilot alternative compensation agreements can be used to pay retailers different sales commissions, incentive bonuses and cashing bonuses than those specified in Sections 2, 3, 4 and 5 of these regulations.

7. GOVERNING LAW

These regulations are governed by the California State Lottery Act (Gov. Code sec. 8880.00, et seq.), state and federal law, Lottery regulations, procedures, directives, decisions, and instructions and the terms and conditions of the Lottery game retailer contract.

Approved by California Lottery Commission
February 28, 2007

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