

Figure: 16 TAC §401.160(h)

| <b>TEXAS LOTTERY COMMISSION RETAILER REGULATORY VIOLATIONS AND RELATED PENALTIES</b> |  |   |                       |                                    |
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| <b>No.</b>   | <b>DESCRIPTION OF VIOLATION</b>  | <b>1st OCCURRENCE</b>   | <b>2nd OCCURRENCE</b> | <b>3rd OCCURRENCE</b>              |
| <b>1st Tier Violations</b>   |  |   |                       |                                    |
| 1.   | Licensee engages in telecommunication or printed advertising that the director determines to have been false, deceptive or misleading. | Warning Letter (Notification in writing to the licensee of the detected violation, including a warning that future violations will result in more severe administrative penalties including Suspension and/or revocation of the license.) | 10-90 day Suspension  | 30-90 day Suspension to Revocation |
| 2.   | Licensee conditions redemption of a lottery prize upon the purchase of any other item or service.                                      | Warning Letter  | 10-90 day Suspension  | 30-90 day Suspension to Revocation |
| 3.   | Licensee imposes a restriction upon the redemption of a lottery prize not specifically authorized by the director.                     | Warning Letter  | 10-90 day Suspension  | 30-90 day Suspension to Revocation |
| 4.   | Licensee fails to follow instructions and procedures for the conduct of any lottery game, lottery special event or promotion.          | Warning Letter  | 10-90 day Suspension  | 30-90 day Suspension to Revocation |

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| 5.  | Licensee and/or its employee(s) exhibit discourteous treatment including, but not limited to, abusive language toward customers, commission employees or commission vendors.  | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 6.  | Licensee fails to establish or maintain reasonable security precautions regarding the handling of lottery tickets and other materials.  | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 7.  | Licensee fails to deface a validated ticket.  | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 8.  | Licensee sells a draw game ticket for a draw that has already taken place.  | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 9.  | Licensee fails to follow validation procedures, including, but not limited to, paying a claim without validating the ticket, failing to pay a valid prize after validating a customer's winning ticket, or retaining a customer's winning ticket that has not been validated. | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 10. | Licensee violates any directive or instruction issued by the director of Lottery Operations.  | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 11. | Licensee violates any express term or condition of its license not specifically set forth in this subchapter.   | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 12. | Licensee sells a scratch ticket from a game that has closed after the date designated for the end of the game.  | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 13. | Licensee refuses to refund or properly cancel a Pick 3 or Daily 4 ticket.   | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |

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| 14. | Licensee fails to return an exchange ticket to a prize claimant claiming a prize on a multi-draw ticket if an exchange ticket is produced by the licensee's terminal.  | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 15. | Licensee fails to keep accurate and complete records of all tickets that have not been sold from confirmed, active, and settled packs.   | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 16. | Licensee fails to meet any requirement under §401.368, Lottery Ticket Vending Machines rule, if the licensee has been supplied with a self-service lottery ticket vending machine by the commission.   | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 17. | Licensee fails to take readily achievable measures within the allowed time period to comply with the barrier removal requirements regarding the ADA.   | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 18. | Licensee fails to prominently post license.  | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 19. | Licensee sells tickets that were assigned to another licensed location.  | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |
| 20. | Licensee knowingly sells a ticket or pays a lottery prize to another person who is: (A) an officer or an employee of the commission; (B) an officer, member, or employee of a lottery operator; (C) an officer, member, or employee of a contractor or subcontractor that is excluded by the terms of its contract from playing lottery games; (D) the spouse, child, brother, sister, or parent of a person described by (A), (B), or (C) above who resides within the same household as that person. | Warning Letter | 10-90 day Suspension | 30-90 day Suspension to Revocation |

**2nd Tier Violations**

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| 21. | Licensee endangers the security and/or integrity of the lottery games operated by the commission.   | 10-90 day<br>Suspension<br>to Revocation | 30-90 day<br>Suspension<br>to Revocation | Revocation |
| 22. | Licensee intentionally or knowingly sells a ticket at a price the licensee knows is greater than the price set by the executive director.   | 10-90 day<br>Suspension to<br>Revocation | 30-90 day<br>Suspension to<br>Revocation | Revocation |
| 23. | Licensee charges a fee for lottery ticket purchases using a debit card, <u>requires an additional purchase with a debit card,</u> and/or requires a minimum dollar amount for debit card purchases of only lottery tickets.   | 10-90 day<br>Suspension<br>to Revocation | 30-90 day<br>Suspension<br>to Revocation | Revocation |
| 24. | Licensee sells tickets at a location that is not licensed.  | 10-90 day<br>Suspension to<br>Revocation | 30-90 day<br>Suspension to<br>Revocation | Revocation |
| 25. | Licensee intentionally or knowingly sells a ticket by extending credit or lends money to enable a person to buy a ticket.   | 10-90 day<br>Suspension to<br>Revocation | 30-90 day<br>Suspension to<br>Revocation | Revocation |
| 26. | Licensee intentionally or knowingly sells a ticket and accepts anything for payment not specifically allowed under the State Lottery Act.   | 10-90 day<br>Suspension to<br>Revocation | 30-90 day<br>Suspension to<br>Revocation | Revocation |
| 27. | Licensee sells tickets over the telephone or <u>internet,</u> <u>or</u> via mail order <u>sales;</u> [ <del>sales,</del> ] <u>or</u> establishes or promotes a group purchase or pooling arrangement under which tickets are purchased on behalf of the group or pool and any prize is divided among the members of the group or pool, and the licensee intentionally or knowingly: (A) uses any part of the funds solicited or accepted for a purpose other than purchasing tickets on behalf of the group or pool; or (B) retains a share of any prize awarded as | 10-90 day<br>Suspension to<br>Revocation | 30-90 day<br>Suspension to<br>Revocation | Revocation |

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|     | compensation for establishing or promoting the group purchase or pooling arrangement.  |  |  |            |
| 28. | Licensee intentionally or knowingly alters or forges a ticket.   | 10-90 day<br>Suspension to<br>Revocation | 30-90 day<br>Suspension to<br>Revocation | Revocation |
| 29. | Licensee intentionally or knowingly influences or attempts to influence the selection of a winner of a lottery game.   | 10-90 day<br>Suspension to<br>Revocation | 30-90 day<br>Suspension to<br>Revocation | Revocation |
| 30. | Licensee intentionally or knowingly claims a lottery prize or a share of a lottery prize by means of fraud, deceit, or misrepresentation; or aids or agrees to aid another person or persons to claim a lottery prize or a share of a lottery prize by means of fraud, deceit, or misrepresentation.   | 10-90 day<br>Suspension to<br>Revocation | 30-90 day<br>Suspension to<br>Revocation | Revocation |
| 31. | Licensee intentionally or knowingly tampers with, damages, defaces, or renders inoperable any vending machine, electronic computer terminal, or other mechanical device used in a lottery game, or fails to exercise due care in the treatment of commission property.   | 10-90 day<br>Suspension to<br>Revocation | 30-90 day<br>Suspension to<br>Revocation | Revocation |
| 32. | Licensee: (A) induces another person to assign or transfer a right to claim a prize; (B) initiates or accepts an offer to sell the right to claim a prize; (C) initiates or accepts an offer of compensation from another person to claim a lottery prize; or (D) purchases, for anything of value, a lottery ticket from a person who is not a licensed lottery retailer. | 10-90 day<br>Suspension to<br>Revocation | 30-90 day<br>Suspension to<br>Revocation | Revocation |
| 33. | Licensee intentionally or knowingly makes a statement or entry that the person knows to be false or misleading on a required report.   | 10-90 day<br>Suspension to<br>Revocation | 30-90 day<br>Suspension to<br>Revocation | Revocation |

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| 34.                        | Licensee fails to maintain or make an entry the licensee knows is required to be maintained or made for a required report.  | 10-90 day<br>Suspension to<br>Revocation | 30-90 day<br>Suspension to<br>Revocation | Revocation |
| 35.                        | Licensee knowingly refuses to permit the director of the Lottery Operations Division, the executive director, commission, the lottery operator, the employees or agents of the lottery operator, or the state auditor to examine the agent's books, records, papers or other objects, or refuses to answer any question authorized under the State Lottery Act. | 10-90 day<br>Suspension to<br>Revocation | 30-90 day<br>Suspension to<br>Revocation | Revocation |
| 36.                        | Licensee intentionally or knowingly makes a material and false or incorrect, or deceptive statement, written or oral, to a person conducting an investigation under the State Lottery Act or a commission rule.   | 10-90 day<br>Suspension to<br>Revocation | 30-90 day<br>Suspension to<br>Revocation | Revocation |
| 37.                        | Licensee commits an offense of conspiracy as defined in the State Lottery Act.  | 10-90 day<br>Suspension to<br>Revocation | 30-90 day<br>Suspension to<br>Revocation | Revocation |
| 38.                        | Licensee sells or offers for sale any interest in a lottery of another state or state government or an Indian tribe or tribal government, including an interest in an actual lottery ticket, receipt, contingent promise to pay, order to purchase, or other record of the interest.  | 10-90 day<br>Suspension to<br>Revocation | 30-90 day<br>Suspension to<br>Revocation | Revocation |
| <b>3rd Tier Violations</b> |   |  |  |            |
| 39.                        | Licensee intentionally or knowingly sells or offers to sell a ticket to a person that the licensee knows is younger than 18 years.  | Revocation                               | n/a                                      | n/a        |
| 40.                        | Licensee incurs four (4) notices of nonsufficient fund transfers or non-transfer of funds within a 12-month period.   | Revocation                               | n/a                                      | n/a        |

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| 41. | Licensee fails to pay the full amount of money owed to the commission after a nonsufficient funds transfer or non-transfer of funds to the commission's account. | Revocation | n/a | n/a |
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