



FREQUENTLY ASKED QUESTIONS

About Retailer Contracts

General Information

Q How do I get a contract to sell Lottery products?

A You begin by getting an application packet from the Lottery. We supply you with many forms to fill out, and a checklist listing other documents you will need to provide. The Lottery contracts with business owners to sell Lottery products. We do not issue licenses as the Liquor Commission does.

Q How much does it cost to apply?

A It costs nothing to apply. If you are approved, however, you will have to pay some costs related to installing or maintaining phone lines. If you are approved to sell Video Lottery, you will also have to pay amusement taxes to the Oregon Department of Revenue (through the Lottery) for having Video Lottery Terminals. There are also costs associated with maintaining Lottery equipment. **Attached is a "fee schedule"** that lists all these costs. Some local jurisdictions (cities and counties) may also charge you a fee or tax for adding Lottery products to your business.

Q When can I apply?

A In most cases, your business must be open and operating before we will accept an application from you. If you are going to buy a business that already sells Lottery products, we may accept your application before the purchase closes. We will discuss your particular circumstances with you when you call.

Q What kind of investigation is involved?

A The Oregon State Police, Lottery Security Section conducts background investigations for the Lottery. We look into the criminal, civil, personal, and financial background of all applicants and all "Key Persons" associated with the business. We use computerized information, official records, personal interviews, etc. to gather information to determine whether an applicant qualifies for a Lottery contract under state law. The process can be intrusive. Please understand, everyone who applies must go through the same process and background investigation.

Q What are the rules?

A Lottery Retailers operate under Oregon Administrative Rules (OAR), Chapter 177, Oregon Revised Statutes (ORS) Chapter 461, and the Retailer Contract. The Administrative Rules and the Statutes deal with the criteria to become a retailer, and some of the requirements for maintaining your contract with the Lottery. There are other requirements which are contained within the contract itself. Before you get a Lottery contract, the Lottery will provide training to you and/or your key management staff. Your Field Application Representative is also available to help explain the rules and regulations. If you would like a copy of any of these rules now, please call and ask. We'll be happy to mail them to you.

Q What is a “Key Person”?

A “Key Persons” are defined in Administrative Rule. **You will find a complete Key Person Definition attached.** In brief, Key Persons includes owners, corporate officers and directors, some stockholders, family members, managers and others.

Q How long does it take to get a contract?

A This question is difficult to answer because there are so many variables. But generally it takes the Lottery somewhere between 45 and 90 days to process an application. This “clock” begins *after* you have turned in a *complete* application. If you are approved, it will take us additional time to provide you with training, install the appropriate phone lines, and schedule installation of the equipment. If you qualify, you may get a Temporary Contract that would allow you to start selling Lottery products sooner, but not everyone can apply for a Temporary Contract, and not everyone qualifies. We will discuss Temporary Contracts with you when you call.

We realize the answer to this question is very important to you, and if we could, we'd give you a concrete answer. There are just too many things that take varying amounts of time during the process to accurately predict when you will be able to start selling.

Q Who will help me with all these papers and answer all my questions?

A We have Field Application Representatives located throughout the state. We also have staff in the Salem office who are available to help you. The process to apply for a Lottery contract can be a little difficult, but we are ready and willing to help you. When you call to get started, we'll give you the name of the person or persons who will be responsible for helping you. But remember, you are welcome to call any of us, anytime!

Q Who do I call to get started?

A Everyone who is interested in getting a Lottery contract must call our Field Application Support Specialist. The phone numbers are listed at the end of this form. You are encouraged to read through the rest of these “faq’s” before making that call so that some of your questions will already be answered. We look forward to hearing from you and helping you through this process.

Types of Lottery Products

Q What is available for me to sell in my business?

A Nearly all types of businesses may sell “Traditional” Lottery products. The one stipulation is that no one may sell *only* Lottery products. You must, therefore, sell some other product(s) in your business. Traditional Lottery products are currently sold in convenience stores, major department stores, gas stations, gift shops, etc., as well as taverns and bars. Traditional Lottery products include all instant games such as Scratch-Its, and all on-line games such as MegaBucks and Keno. For complete information regarding products you may want to sell in your business, we will ask your local Field Sales Representative to get in touch with you. These Lottery professionals know all of our products well and can help you decide what you may want to sell in your business.

Only certain types of businesses qualify to sell Video Lottery. For details, please see the *Video Lottery* section.

Q Can I choose which products to sell?

A Sometimes you can. Determining the best product mix for your location will be a joint discussion between you and your Field Sales Representative.

Sales

Q How much money will I make?

A This answer depends on a lot of variables, of course. It will depend on what products you sell, the location of your business, etc. Your local Field Sales Representative can share some average sales figures with you for your area. Here is a list of Commission Rates for all types of Lottery products. In addition to Commissions, some Retailers are eligible for bonuses and incentives.

For Traditional Games (all games other than Video Lottery), the compensation you receive depends on the volume of Lottery product sold at your business every week. The following rates apply, generally. Please refer to the Retailer Contract for specific details.

<u>Amount Sold per Week</u>	<u>Compensation - Percent of Gross Sales</u>
Up to \$1,000	5.0%
\$1,001 to \$2,000	7.0%
\$2,001 to \$3,000	7.5%
\$3,001 to \$4,000	8.0%
\$4,001 to \$5,000	8.5%
\$5,001 to \$6,000	9.0%
\$6,001 to \$7,000	9.5%
\$7,001 and up	10.0%

For Video Lottery, the percentage retailers receive is calculated on a percentage of *net* receipts. Again, the following rates apply generally. Please refer to the Retailer Contract for specifics.

At the time a Retailer Contract is signed, the retailer must choose in writing either Option A -4 Tier Option or Option B –3 Tier Option.

Option A

<u>Net Receipts per Year</u>	<u>Compensation - Percent of Net Receipts</u>
Up to \$175,000.00	27.50%
\$175,000.00to \$475,000.00	23.00%
\$475,000.00 to \$800,000.00	14.00%
\$800,000.00 and up	11.00%

Option B

<u>Net Receipts per Year</u>	<u>Compensation-Percent of Net Receipts</u>
Up to \$600,000.00	22.00%
\$600,000.00 to \$1,800,000.00	17.50%
\$1,800,000.00 and up	11.00%

Video Lottery

Q What kind of businesses can sell Video Lottery?

A There are a variety of businesses that *may* qualify to sell Video Lottery: taverns, restaurants, bars or lounges, and delis, for example. Here are the basic qualifications: First and foremost to qualify, you must have a license from the Liquor Commission that allows you to sell and serve alcoholic beverages for consumption on the premises. You must also have an area where minors are not permitted. This would be where Video Lottery Terminals would be placed by the Lottery. This area must be posted as prohibited to minors by either the Liquor Commission or the Lottery. And finally, you must be a business that is normally associated with on premise consumption of food & alcoholic beverages.

The Application Packet

Q What kind of forms do I need to fill out?

A There will be several forms in your application packet. Some of them ask questions about your business (restaurant, store, etc.), some ask questions about who owns the business (the sole proprietor, the corporation, the LLC, etc), and some ask questions about Key Persons personally. **Attached is a copy of a sample checklist.** This list will tell you generally what forms the Lottery will ask you to fill out. It will also tell you generally what other documents we will want from you. When you actually apply for a contract, your Field Application Representative will “personalize” a checklist for you specifically so you’ll know exactly which forms and documents you need.

Q Why does the Lottery want to know so much about me personally?

A There are statutes and administrative rules that set the criteria. These laws direct the Lottery to look at, among other things, your financial responsibility, your criminal background, your business history, and even persons with whom you associate.

Personal Disclosure forms will ask you for such personal information as your residence history and information regarding your spouse. The Lottery is directed by law to be careful about who we contract with. We do not contract with people who could potentially damage the Lottery’s reputation or integrity. Looking into your personal history helps us keep the “bad apples” out of the business.

Q Do I have to be fingerprinted?

A If you are applying to sell Video Lottery, all Key Persons associated with your business must be fingerprinted. We need two fingerprint cards for each person. We submit one set of prints to the State of Oregon, and one to the Federal government. If you are not applying to sell Video Lottery, you do not need to be fingerprinted.

Q Where do I get fingerprinted?

A There are lots of options here. You can contact your local police department or sheriff’s office. You can contact the Oregon State Police. You can make an appointment at the Lottery office in Salem. And finally, your Field Application Representative can take your prints. Please be aware that the science of fingerprints is pretty exacting. If you submit a set of fingerprints that is smudged, doesn’t show complete prints, or is otherwise inadequate, we will have to ask you to redo them.

Some agencies charge you to take prints, and some do not. Check as many options as you like to find the one that best meets your needs.

Q The checklist says some documents have to be notarized. Where do I get that done?

A Again, you have a few options. Many banks will notarize documents for their own customers. Some local government offices will also provide this service (some charge, some don’t). The Lottery has notary public’s in the Salem office. And, your Field Application Representative will be able to notarize these documents for you. *Do not sign any document that requires notarization until you are directed to do so by the notary!*

Miscellaneous

Q Do I buy the equipment I need to sell Lottery products?

A No. The Lottery owns the Video Lottery Terminals and other pieces of equipment necessary to sell Lottery products. You may have to purchase ticket dispensers, signs, etc. The Lottery will provide ticket stock for Video Lottery Terminals, play slips, ribbons, informational brochures, and other supplies free of charge.

Q Who is responsible for maintenance and repair of the equipment.

A The retailer is generally responsible for keeping equipment clean and presentable. You are also responsible for minor things like changing paper, clearing jams, etc. The Lottery has a full staff of Service Technicians to provide preventative maintenance and repair service. We also have a Hot Line staff who can sometimes help retailers or their employees fix minor problems over the phone. There is no charge by the Lottery for ordinary service. The retailer may be responsible for repair costs if damage was due to negligence or willful acts.

Q Do I need to do any construction or any electrical work to have the machines put in?

A Yes. First, you need to provide an area that allows for 24 square feet per Video Lottery Terminal. You need to ensure that Video Lottery Terminals will be restricted from view by persons outside your age-restricted area (this could entail darkening windows, installing doors or curtains or other barriers, etc.). You will need a dedicated phone line. (This is a private phone line with no other function than transmitting Lottery information. The Lottery will arrange to have this phone line installed in your business.) You will need dedicated electrical power (a dedicated 20 amp, 120 VAC circuit). You will be responsible for the installation of electrical power and obtaining all necessary permits required by state and local government.

Lottery games that are sold in your business must be accessible to people who use wheelchairs. You can read about these requirements in the Administrative Rules. Also, when you get an application packet, you will find additional and specific information on these requirements. Generally, you will need to provide Handicapped Accessible parking, appropriate access aisles and ramps, and enough maneuvering room based on Federal standards.

Q How many Video Lottery Terminals can I get?

A The Lottery requires each Video Lottery retailer to have a minimum amount of floor space per each Video Lottery terminal. A retailer with less than 360 square feet of retail floor space is not eligible to receive any Video Lottery terminals for that business. A retailer with 360 square feet of retail floor space may receive up to three Video Lottery terminals. For each 120 square feet over the required minimum square footage of 360 square feet, a retailer may be eligible for one additional Video Lottery Terminal up to the maximum number of terminals permitted under Oregon Law.

Q How do players get their prizes if they win?

A Retailers are responsible for paying **all** Video Lottery prizes, and for paying Traditional game prizes up to \$600.00. For Traditional game prizes over \$600.00, players will need to go to the Lottery office in Salem to claim their prizes. When you attend Lottery training, you will learn how to validate prize and cash slips presented to you by players.

Q What hours can I sell Lottery products to my customers?

A Traditional Lottery from 5 a.m. to 2:30 a.m.
VideoLottery from 7a.m. to 2:30 a.m.

Q How does the money work?

A The Lottery will require you to establish a bank account from which we can transfer funds electronically (called an "EFT" account). You will be responsible for putting the State's share of money into this account on a weekly basis. You will have access to reports that will tell you exactly how much money needs to be in the account.

Application Process

- Step 1: Call Sandy Long** at 503-540-1136 (toll free at 1-800-766-6789). Sandy is the Field Application Support Specialist for Retail Contracts. Sandy will get some information from you, enter information in our data base, and will contact your local Field Application Representative who will get in touch with you.
- Step 2: Your local Field Application Representative will call you to arrange a meeting.** It may take a few days or even a week before you get this call. Please understand, there are many people who are interested in getting a contract to sell Lottery products. Your Field Application Representative has a busy schedule to juggle, full of appointments with people who are just as eager as you to get going! Your Field Application Representative will call you as soon as possible! He or she will come to your place of business, or make other arrangements to meet elsewhere. In some cases you may have to wait for a couple of weeks for an appointment as our Field Application Representatives are responsible for large geographical areas.
- Step 3: Your Field Application Representative will supply you an application packet.** He or she will go over the forms with you, and will give you a checklist that tells you what other documents you'll need to give us. He or she will also happily answer whatever questions you have at this point. We will then leave you to complete the application.
- Step 4: Call your Field Application Representative** when you have completed the application to schedule another appointment. Again, he or she will come to your business or ask you to meet elsewhere. Again, you may have to wait for an appointment because of the Field Application Representative's prior commitments. When you meet, the Field Application Representative will go over the application packet with you to ensure that it is complete. We will not accept an application packet that is incomplete! If you need to find additional documents or get more information, your Field Application Representative will likely leave the entire application with you until you have all of the documents and information.
- Step 5:** Once your application is complete, **your Field Application Representative will accept your application.** He or she will take the application, and will spend a little more time to go through it, making sure the "i's" are dotted and the "t's" are crossed, and will fill out a couple of forms.
- Step 6: Your Field Application Representative will then submit your application to Retail Contracts at the main Lottery office in Salem.** Here we will date stamp it as received, verify and enter some information in our data base, and then forward it to the Lottery Security Section.
- Step 7: The Lottery Security Section will conduct a background investigation.** When originally assigned to a Detective, they are given 30 days to complete the investigation. Depending on how many people are involved with your application, and whether there are any civil, criminal, or other issues, the investigation may not take 30 days, or could take longer. Detectives are located throughout the state, so please keep in mind that there will be another few days necessary here for the mail, for review by managers, etc. The Lottery Security Section will make a recommendation on your application and will return it to Retail Contracts.
- Step 8:** If we are going to **approve your application** for a contract, we will ask the Director to sign your Retailer Contract. We will refer you to the right people here at the Lottery to get you set up for training, to get the phone line installed in your business, and to get you set up for equipment installation. We will let you know who to talk to about these issues when the time comes.

If we are going to **deny your application** for a contract, we will send you a letter explaining why, and explaining how you can appeal our decision.

We know that you have more questions now, and will have even more questions when you get your application packet, more still when your application is in process, and even more still once you get a Lottery contract. Many of your questions will be answered throughout the process. Hopefully, this Q & A answers some of your questions.

Thank you for your interest in the Oregon Lottery. We look forward to working with you in the future!

Required Fees and Monthly Charges

• Lottery telephone line installation	\$634.00 ^{1,2}
• Relocate VSC, Oregon's Imagine Terminal, Lottery To Go™ telephone line	\$145.00 ³
• Draw Game monthly telephone line-related charge	\$65.00
• Video monthly telephone line-related charge	\$105.00
• Annual Department of Revenue amusement device tax (per VLT)	\$135.00 ⁴

Replacement/Repair Charges:

• Keno monitor	\$400.00
• Keno monitor wall mount	\$100.00
• Keno monitor remote control	\$40.00
• Lottery To Go™ lock set	\$49.19
• Lottery To Go™ key	\$5.00
• Lottery To Go™ T-Bar	No Charge
• Lottery To Go™ FOB (Remote Control)	\$26.19
• Main door/cash door lock(s) change	\$39.00
Key (each)	\$5.50
• Scratch-its SM dispenser lock and key	\$7.50 ⁵
Additional key	\$4.50
• Play Station	\$400.00
• 16 Bin ITVM remote control	\$39.00

Notes:

¹There may be additional telephone line installation charges if the retailer location is in an area where the required telephone facilities are not available. Facilities are not present in every area of the state and may require that the telephone company install additional hardware and/or perform additional telephone cable work and central office work. Each of these cases is unique and charges will vary. The retailer will pay actual costs.

²If a retailer causes a delay of the telephone line installation which extends 30 days or more past the "Telco Due Date," the retailer may be assessed an additional \$500 charge. The retailer will only be assessed this charge if the telephone company assesses the Lottery this charge. The "Telco Due Date" is the date that the telephone company is contractually bound to have the line in place and active. The Lottery will inform the retailer, or the retailer's employee or representative, of the "Telco Due Date" as soon as the Lottery receives the date from the telephone company.

³Actual costs may vary. Telephone line relocation fees are calculated on time and materials.

⁴Additional Department of Revenue Amusement Device Taxes will be charged when net sales reach the following levels:

\$104,000.00: **an additional \$50.00 per VLT.**
\$260,000.00: **an additional \$75.00 per VLT.**

⁵Additional Locksmith charges are not included.

Revised Fee Schedule 11/03/09

KEY PERSON DEFINITIONS

(7) “**Key person**” means:

(a) **Corporations:** For any corporation, including a subsidiary of a parent corporation:

(A) **Stockholders:** Any stockholder of a corporation who owns 10% or more of the outstanding stock in such corporation.

(B) **Directors:** Any director of a corporation who owns or controls 3% or more of the voting stock in such corporation.

(C) **Officers:** Any officer of a corporation.

(b) **Private Clubs:** For a private club as described in ORS 471.175(8):

(A) The treasurer.

(B) Any officers, directors, or trustees who oversee or direct the operation of the food, beverage, Lottery, or other gambling-related activities of the private club, and

(C) Each manager in charge of the food, beverage, Lottery, or other gambling-related activities of the private club.

The provisions of paragraphs (7)(a)(A), (B), and (C) of this rule do not apply to private clubs.

(c) **Trusts:** The trustee and all persons entitled to receive income or benefit from the trust.

(d) **Associations:** The members, officers, and directors.

(e) **Partnerships and Joint Ventures:** All of the general partners, limited partners, or joint ventures.

(f) **Limited Liability Companies:** Any manager of the limited liability company, and any members of the limited liability company whose investment commitment or membership interest is 10% or more in the limited liability company.

(g) **Layered Ownership:** If the parent company, general partner, limited partner, joint venturer, stockholder, member or manager of a limited liability company is itself a corporation, trust, association, subsidiary, partnership, joint venture or limited liability company, then the Director may require that the applicant provide disclosure for such entity as if such entity were a key person itself.

(h) **Family Members:** Immediate family members as required in ORS 461.300(2)(b)(G) and (H).

(i) **Sole Proprietors:** The sole proprietor, if the retailer is a sole proprietor.

(j) **Owner's Representative:** Any person who acts or who has real or apparent authority to act on behalf of the owner in most matters concerning the operation of the owner's business during all business hours. This definition does not include a "**shift manager**" or a "**convenience store manager**" unless qualified under this rule. The following are examples of managers who are key persons under this definition:

(A) **General Manager:** A person who operates the business for a corporate or absentee owner.

(B) **Area Manager:** A person who operates multiple locations or supervises multiple store managers.

(C) **Manager in Fact:** Any person who routinely performs all of the following duties:

(i) The hiring and firing of employees;

(ii) Making purchasing decisions relating to the buying of supplies and inventory;
and

(iii) Conducting banking functions for the business.

(k) **Landlord:** A landlord who receives 40% or more of the retailer's Lottery commissions as a part of lease payments or rent, or any landlord who the Director finds, based on reasonably reliable information, exerts influence over the operation of the retailer's business.

(l) **Contractual Relationship:** Any person who has a lease, contract, or other agreement with the applicant or retailer or anyone else, to provide food service or to manage or operate any part of the business in a Video Lottery retailer's premises other than as an employee.

(m) **Control Person:** Any reference to a "**control person**" of a retailer in OAR Chapter 177, a Lottery retailer contract, or Lottery form in effect or in use on or after the effective date of this rule shall be deemed to refer to a "**key person**" as defined in this section.

(8) "**Personal disclosure**" means that part of the application which relates to a natural person's personal, criminal, and financial background.

(9) "**Mediation**" has the meaning as defined in ORS 36.110(4).

(10) "**Mediator**" means a person who performs mediation.

Stat. Auth.: OR Const. Art. XV, Sec. 4(4)

Stats. Implemented: ORS 461.300

Rev. 3/07



THIS APPLICATION CHECKLIST MUST BE RETURNED WITH YOUR COMPLETED APPLICATION

APPLICATION CHECKLIST

APPLICANT NAME: _____ CONTROL #: _____

Before we can accept your application, you must submit all forms and documentation listed below if the box is checked. If the information is incomplete, your application will be returned for completion. Some forms must be notarized.

Section A: Forms—Complete the forms in blue or black ink or type.

- 1. Retailer Location Data.
- 2. Personal Guarantee.
- 3. Temporary Retailer Contract. Complete page 14 (& Exhibit C for **Video Retailers** only).
- 4. Retailer's Contract with the Oregon State Lottery. Complete page 14 (& Exhibit C for **Video Retailers** only).
- 5. W-9 or Request for Taxpayer ID Number.
- 6. Electronic Fund Transfer (EFT) Form.
- 7. Wheelchair Accessibility Affidavit. **(Notarized)**
- 8. Application for Retailer Contract. All questions must be answered, all pages initialed, and the form must be signed and **notarized** where indicated. You must also submit an Application for Retailer Contract form for all parent companies and any companies that hold stock in your corporation. If your corporation is publicly traded, only companies that hold 10% or more of the stock need to complete the Application form.
- 9. Oregon Department of Revenue Tax Compliance Certification Form.
- 10. Statement of Funding – See #1 in Section B below.
- 11. Gross Sales Report. **(Video Only)**
- 12. IRS Form 4506-T- Request for Transcript of Tax Return.
- 13. Authority to Release Financial Records and Credit, Character and Personal History Information.
- 14. Other: _____

Section B: Documentation—In addition to completing the forms listed above, you must submit copies of documents and/or provide information (where a document is not requested) with your application if the box is checked. Failure to provide the documents or information will result in your application being returned to you for completion.

- 1. Verification of source of funds listed on the Statement of Funding – See #10 in Section A above.
- 2. Copy of OLCC License or Temporary License/Restrictions. **(Video Only)**
- 3. Copy of Assumed Business Name Registration filing or Acknowledgment letter from the Secretary of State's office.
- 4. Filed copy of Articles of Incorporation, Articles of Organization, or Partnership Agreement.

- 5. Copy of meeting minutes or operating agreement (if LLC) indicating the election of current officers/directors/members and showing the sale or distribution of shares to current shareholders.
- 6. Stock Subscription Agreements, Stock Certificates, or other transaction documents showing stock ownership.
- 7. Signed copy of Mortgage, Rental Agreement, Lease Agreement, Lease Assignment, Assumption and Consent, if applicable, or Deed of Ownership for property. Include all exhibits to agreements. Include name of mortgage holder (if owned) and include terms of mortgage. If rented or leased, list the lessor or owner. Include property owner's name, address, and phone number.
- 8. Signed copy of Rental or Lease Agreement, Lease Assignment, Assumption and Consent, if applicable, if business entity itself is being rented or leased. Include all exhibits to agreements.
- 9. Signed copy of Sale Agreement if business has been purchased within the last year. Include all exhibits to agreements.
- 10. Other: _____

ADDITIONAL INFORMATION:

- 11. Total square footage of facility: _____. Include only the square footage of areas that are open to the public. For example, do *not* include the kitchen area or storage areas. **(Video Only)**
- 12. Type of No Minor Posting: **OLCC: Type I** **Type II** **or Lottery** **(Video Only)**
- 13. Date business opened: _____.
- 14. Do you have workers' compensation insurance? Yes No

Section C: Key Persons—The following forms and documents must be submitted for each Key Person associated with this business. To determine who Key Persons are, see instructions.

- 1. Personal Disclosure. All questions must be answered (include "N/A" if the question is not applicable to you). **(Notarized)**
- 2. Authority to Release Financial Records and Credit, Character and Personal History Information.
- 3. IRS Form 4506-T- Request for Transcript of Tax Return.
- 4. Two fingerprint Cards. Make sure all information on each Fingerprint Card is complete. You may have your local police or sheriff's department take your fingerprints. You are responsible for any fees that may be required. The Oregon Lottery will take your fingerprints at Lottery headquarters by appointment only. Contact the Oregon State Police, Lottery Security Section at 1-800-766-6789. **(Video Only)**
- 5. Oregon Department of Revenue Tax Compliance Certification Form.
- 6. Other: _____