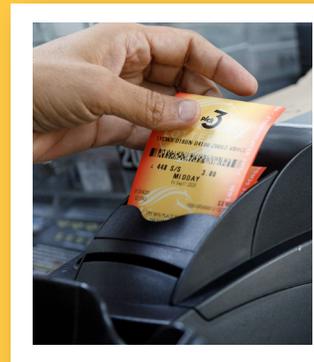




Retailer Reviews – Investigators routinely conduct Retailer Reviews. The Investigator will contact a member of the retailer management team and review lottery industry security best practices.

Winner Verifications – When a retail location produces an online draw game winner in the amount of \$50,000.00 or greater, a member of KLC Security is required to visit the retail location and perform industry security protocols. These protocols will be conducted on the following day after a draw has been conducted.



RETAILER SECURITY REMINDERS

KLC Department of Security



KENTUCKY LAW

(This should be required reading for all employees.):

KRS 154A.990(2): Any person who, with intent to defraud, falsely makes, alters, forges, utters, passes or counterfeits a state lottery ticket shall be guilty of a Class C Felony (5 to 10 years).

KRS 154A.990(3): Any person who influences or attempts to influence the winning of a prize through the use of coercion, fraud, deception or tampering with lottery equipment or materials shall be guilty of a Class B Felony (10 to 20 years).

KRS 154A.990(11); Any person who knowingly provides false or intentionally misleading information to the corporation in connection with a background investigation prior to employment pursuant to KRS 154A.080(5), an application for a lottery retailer certificate under KRS 154A.400, the corporation's investigation of prospective vendors pursuant to KRS 154A.600, or any investigation by the corporation's Division of Security shall be fined not less than one thousand dollars (\$1,000) nor more than ten thousand dollars (\$10,000), and shall be guilty of a Class D felony.

Remember the 6 Cs of Loss Prevention:

- ✓ Check and verify inventories.
- ✓ Check employee backgrounds.
- ✓ Check for unusual sales trends.
- ✓ Check that cash register receipts match lottery sales reports.
- ✓ Check scratch-off tickets sales by shift.
- ✓ Check consistently!

To contact KLC Security:

502-560-1804
 Monday—Friday
 Hours 8 AM—5 PM Eastern Time
 Or Email: security@kylottery.com



*Fueling Imagination.
 Funding Education.*

RETAILER ETHICS

Retailers are ultimately responsible for the fair, honest, and ethical treatment of their Lottery customers, and must comply with all requirements within the Retailer License Agreement & Administrative Regulations.

Here are some specific points to remember:

- Players cannot be charged any type of fee, tax or other consideration when purchasing or redeeming a winning ticket.
- Only retailers licensed as “cashing agents” can cash a prize in excess of \$600.
- Retailers shall refrain from buying or otherwise converting winning tickets presented by players to their own possession for the purpose of claiming a prize.
- When handling winning tickets, retailers shall never engage in any activity which assists a player in avoiding any debt owed to the Commonwealth, such as back taxes, child support, Medicaid or student loans.
- Retailers must comply with and cooperate in any KLC Security Department investigation.

The KLC Security Department regularly conducts undercover tests at retailer locations to determine if prizes are being paid in accordance with the Administrative Regulations. Make sure anyone processing claims at your store is properly trained. Employees must read terminal messages, and follow all instructions. A failure to follow the instructions given in the terminal message which results in giving a player inaccurate or false information or failing to pay a winning ticket may result in termination of your Retailer License Agreement. Intentional or fraudulent conduct may result in termination of your Retailer License Agreement and criminal prosecution.

Any retailer found in violation of any of the listed points or any other violation of the Retailer License Agreement or Administrative Regulations shall be subject to disciplinary action by the KLC up to and including license termination.

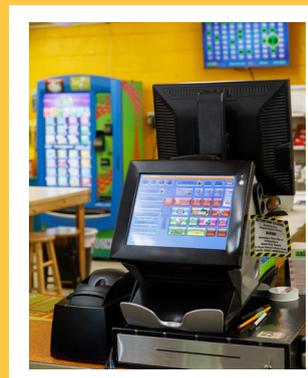
Although retailers and their agents are in no way prohibited from playing Lottery, the KLC reserves the right to subject their claims to an internal review by Security which may delay a prize payment.

PREVENTING INTERNAL THEFT

Let us help you increase your sales and profits through cooperation and teamwork.

Here are ways to help prevent employee theft:

- Perform pre-employment screening for all prospective employees, including criminal background checks.
- Emphasize high ethical and integrity standards during pre-employment screening & while training new employees.
- Develop a store rules and policies document. Have employees read and sign it.
- Enforce strict policies for inventory control.
- Utilize surveillance recording devices, and retain videos for at least 7 days.
- Make employees aware that their actions are monitored and reviewed.
- If you choose to allow employees to play lottery at your store, it should occur only when the employee is off the clock and sold by an on-duty employee.
- Only validate original tickets. Never accept photocopies.
- Make management responsible for receiving, verifying and storing ticket shipments. Tickets not out for sale must be stored in a secured location.
- Regularly run terminal reports and review activity against validations, cancelations, etc.
- Always utilize the “ticket log” provided by KLC TSM/ security to keep track of scratch-off ticket inventory for activated tickets. Record a beginning and ending shift inventory of all activated tickets. This information will be REQUIRED if there is a break-in or robbery.
- Destroy or deface validated tickets before placing them in the trash.
- Watch for suspicious activity and contact Lottery Security if any occurs.
- **PROSECUTE** if theft occurs.



LOST or STOLEN TICKETS

Always report stolen tickets to the police and Lottery Security! The sooner you report a theft or loss, the sooner we can help.

The Lottery Security Division can track scratch-off tickets from the time a game is shipped until the game ends. Because of our tracking capabilities, many times we can resolve problems quickly and help identify the individuals responsible for your losses.

It is imperative that retailers contact KLC so that the tickets can be entered into our gaming system as “Lost” or “Stolen”. This can also help alert other retailers of potential problems.

Here’s what we need:

- Game Number/Pack Number & Ticket number range for all involved tickets.

(Example: Ticket back)

Signature () Telephone No.
Name (Please Print) FailSafe®
Street MADE IN U.S.A.
City State Zip
211-001217-8-151-299
PROTECT YOUR PRIZE. ALWAYS SIGN YOUR TICKET.
TICKET PURCHASERS MUST BE AT LEAST 18 YEARS OLD.
[000]

Game – Pack – Ticket numbers

- Date and approximate time tickets were stolen.
- Suspect(s) identity, if known, and
- Name of law enforcement agency, including report number and officer’s name.

Retailers may receive credit for stolen activated tickets if the above steps are followed. Internal thefts or thefts occurring during business hours are not covered, except for an armed robbery.

**To Report Stolen Tickets After
Business Hours
Call Toll Free
502-560-1910**



You must be 18 years or older to purchase Kentucky Lottery products and cash winning tickets.

REMINDERS

GAMBLING CONVICTIONS: Kentucky Lottery retailers should be aware that it is a Class A misdemeanor to be in possession of a gambling device and a conviction related to operating illegal gambling machines will result in the loss of your retailer license. KRS 528.080(2). If you ever receive a criminal conviction for any gambling offense, your license to sell Lottery will be terminated. KRS 154A.400